

*CPRI Analysis Paper on Policy Research and Think Tanks*

# **Public Funding and Think Tanks**

## **— Asian, EU and US Experiences**

Madoka NAKAMURA

Senior Researcher

Center for Policy Research Information

National Institute for Research Advancement (NIRA)

Tokyo, JAPAN

Released in August, 2005

Questions and comments should be sent to:

Madoka NAKAMURA  
Senior Researcher  
Center for Policy Research Information  
National Institute for Research Advancement  
YGP Tower 34F, 4-20-3, Ebisu, Shibuya-ku, 150-6034  
Tokyo, JAPAN  
nwdtt2005@nira.go.jp

Questionnaire and data compiled by Naoko SANTO, NIRA

Copyright © National Institute for Research Advancement, 2005

All rights reserved. Except for short quotations, no part of this paper may be reproduced without written permission from the National Institute for Research Advancement (NIRA).

## **1. Objective of the Survey**

The National Institute for Research Advancement (NIRA) conducted a questionnaire survey on the sources of finance of think tanks (policy research institutes), with particular interest on public financial contribution. The objective of this survey was to explore and analyze public and government research funding provided to think tanks in three regions—Asia, the EU and North America. Analyzing the current financial environment, it also aimed to propose an effective scheme of public contribution for policy research, giving an alternative idea to Japanese policy community. Think tanks were first recognized in the US in the early 20th century and proliferated gradually worldwide in these hundred years, and they are often defined using US definitions and analyzed by the framework of that nation’s policy system. The US policy system is significantly open, pluralistic and high mobility. While US models are generally applied to think tank analysis, this survey employed a different design.

The Policy environment in the US is considerably distinctive. In the US, policy-making is dominated by the legislative branch and the role and influence of executive officials are limited. A huge number of political appointees in government departments, assigned by the president, take key positions in policy-making. It is often described as a “revolving door,” with these policy experts frequently moving into and out of key positions in the government. A massive philanthropic sector having an incentive tax system encourages foundation grant supports and private and individual charities. No other country has an equivalent policy environment which is supportive of think tanks and the external policy research community to grow as a modeling and pursuing the US system.

For example, in Japan, bureaucrats are one of the core players in the policy process and usually have a considerable degree of influence in policy- and law-making; permanent public officials are placed as higher rank positions in the administration and only a few fixed-term outside experts work in the ministries; the fundamentals required to enhance the transparency of the policy process are still

under-developed despite recent gradual improvements of information disclosure and other means; philanthropic thinking and the tax scheme for it is undeveloped and there is a lack of private and corporate donations and grant-making foundations.

With these constraints on think tanks, mainly the lack of private grant-making foundations independently providing financial resources to policy research, it is apparent, without public financial contribution including government-commissioned research, that there would be an insufficient supply of policy ideas, proposals and alternatives from outside government. Without having these evidence and advice from third party experts, public policy-making is not considered to be sufficiently democratic and open, and the government could not properly legitimate and rationalize their decisions.

Moreover, looking carefully at the long history of US think tank expansion, particularly in its second generation development in the period after World War II, shows that such institutions as the Hudson Institute, the RAND Corporation and the Urban Institute enhanced their functions and positions in the policy community through contracted research projects commissioned mostly by federal and state government departments. Subsequently the independent policy research community acquired the reputation of being indispensable to democratic policy-making. Despite the recent phenomenon of high-profile Washington-based advocacy think tanks, and the fact that private funds are major sources of finance for policy research in the US, it is also evident that departments and agencies of the federal government allocate a considerable amount of public funds to policy research to contract research think tanks. Moreover, as an annual budget to institute such as the East-West Center, Strategic Studies Institute, US Institute of Peace and Woodrow Wilson International Center for Scholars.<sup>1</sup>

NIRA designed this survey to determine the level of public spending on policy research by reviewing the recipient institution among think tanks in three regions. Its aim was to provide ideas for a system of public funding for think tanks to enable the policy research community to work effectively within a limited policy environment or non-existent private financial resources.

## 2. Outline of the Survey

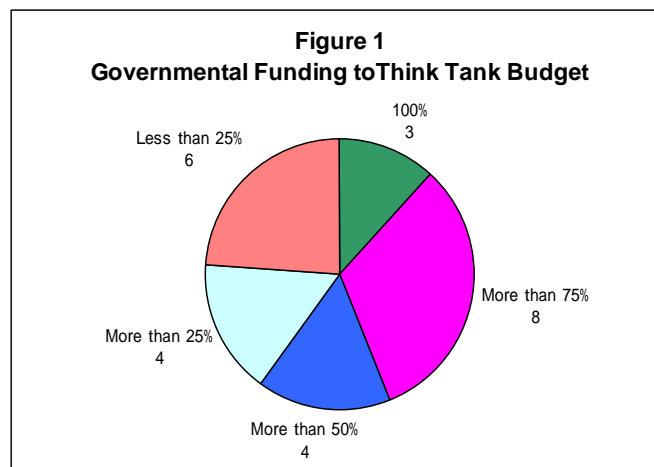
Institutes that received financial support from their government determined by the data in *NIRA World Directory of Think Tanks (NWDTT) 2005*, were selected for this survey. The selected institutes also meet the criteria of having more than 20 staff members, and being located in Asia, Western Europe or North America. The questionnaire was sent to 78 institutes and received valid responses from 25 institutions.<sup>2</sup>

Japanese think tanks were excluded, because this survey was intended to analyze financial sources of think tanks in the other countries to give an idea for designing an effective and practical funding scheme for a policy community in Japan.

## 3. Results

### Organizational Status of Think Tanks Responded

The organizational status of 25 institutes which receive governmental financial contributions is shown in Figure 1. As for asset related responses, valid responses are 24.



Governmental funding is provided to think tanks regardless of their organizational status or origin of the institutes, to every type of policy research institute whether governmental, quasi-governmental, university-affiliated or private, including foundations, NGOs, and NPOs.

Four Asian think tanks were established by or in relation with the government. These are the Science and Technology Information Center, National Science Council (STIC, Taiwan), the Korea Institute for International Economic Policy (KIEP), the Korea Rural Economic Institute (KREI) and the Korea Development Institute (KDI). The STIC and the KIEP are governmental and the KREI and the KDI are quasi-governmental institutes.

Three European institutes are governmental or quasi-governmental think tanks that are funded and/or supported by public funds on a budgetary and/or asset basis. These are the Danish National Institute of Social Research (SFI), the Kiel Institute for World Economics (IfW, Germany) and the Danish Institute for International Studies (DIIS). The SFI is governmental, and the IfW and the DIIS are quasi-governmental institutions.

All five US think tanks that responded are private or university-affiliated. Despite there being a vast number of think tanks in the US, one of the reasons that no governmental institutes responded is that the number of government or government-related institutions in the US policy community is remarkably few.<sup>3</sup>

The number of policy institutions in Asia and Europe that are publicly funded is significantly exceeded that of the US.

#### Outline of Selected Government-related Think Tanks in Asia and Europe

The Korea Institute for International Economic Policy (KIEP, founded in 1990) is a government funded economic research institute with having about 120 staff members. The KIEP focuses on the international economy and its relationship with South Korea, advising the national government. Its budget of 15.6 million USD (2005) is provided

mainly by the national government (90%), and the institute also takes contracted research which forms 9% of its annual budget. KIEP is one of the member institutes of The National Research Center for Economics, Humanities and Social Sciences (NRCS).<sup>4</sup>

The Korea Development Institute (KDI, 1971) is a quasi-governmental institute promulgated by Presidential Act. It specializes in research oriented toward policy decisions that policymakers face, and examines economic data and research findings and produces economic forecasts for government officials, private corporations, and the general public. Having 166 staff members, with Korea's rapid growth in 1960s, KDI expanded its scope of research activities, and its budget of 26,300 million KRW (2004) is provided mainly by the national government (81%), and contracted projects (17%).<sup>5</sup>

The Danish National Institute for Social Research (SFI, 1958) is a national institute under the Ministry of Social Affairs, with 140 staff members. In Denmark, the universities are operated nationally, so as think tanks, hence Danish policy institutes are quite different from the typical US model of private-lead. The SFI's operating expenses of 12.5 million USD (2004), about half of which was received as basic appropriation from the national government (38%) under the Danish Finance Act and grants from foundations (9%). The contracts (52%) were mainly commissioned by the public entities typically by the ministries, and local and regional authorities. By research types, policy studies and analysis are handled by the government appropriation, policy evaluations by contracts. As for the management and research planning, the SFI firmly maintains its independence having its external executive board consist of academics and practitioners. The board decides the institute's guidelines and agenda such as a four year research programme proposed by the directors. The SFI is required by the act to publish all of its research output and make them available to the public. Moreover, it usually keeps a certain distance from politicians because its primary target audiences are public officials.<sup>6</sup>

The Kiel Institute for World Economics (IfW, 1914) is a quasi-governmental and university-affiliated institute, with 270 employees. It is one of the so-called big six

economic research institutes in Germany. The Institute aims to address academics, decision-makers in both the public and private sectors, and to those people in the general public interested in economic policy. Because of its organizational origin, the IfW is characterized as an academic think tank having more similarity to a university. The institute's annual budget derives mainly from state funds; provided by the national government (47%) and local governments (47%). These public funds are provided to the IfW as its operating expenses which can be used at the institute's own research decision. The IfW does not accept any contracted projects.

### Budgetary Analysis

All the institutions that responded receive governmental financial contributions on a budgetary basis, to their annual operating expenses.

Three institutes rely totally on governmental funding for their budgets and operating expenses. These are the KIEP, the German Institute for International and Security Affairs (SWP, Germany) and the Southwest Center for Environmental Research and Policy (SCERP, USA). The KIEP is a governmental, SWP a private and SCERP a university-affiliated institutes according to their responses to this survey.

Eight private think tanks, among fourteen, have more than 50% of their annual budget funded by government. Those that receive a majority of their operating expenses from governmental funding are as follows:

100%	SWP (Germany)
More than 75%	OSI (Austria), IFA (Germany), RWI Essen (Germany), WES (Taiwan)
More than 50%	TDRI (Thailand), Population Council (USA), The Urban Institute (USA)

These data imply that governmental funds are one of the major financial sources for private think tanks that accept public funding. German private think tanks are more likely to receive a greater proportion of their budget from government funding. The details of three private institutes, one from each region, the SWP, the TDRI and the Urban Institute are described in the below.

The German Institute for International and Security Affairs (SWP, 1962) is a private status organization to advise the Bundestag, the German Parliament, and the federal government, on foreign and security policy. The institute itself also testifies as an independent scientific establishment that conducts practically oriented research. The institute has 146 staff, and is governed by its Board of Trustees, which makes the important decisions of the institute. The institute is completely publicly funded; the annual budget of 9.8 million EUR is 100% provided by the federal government. The institute accepts contracted research, and thus some portion of its budget is received on a contracted basis from the national government.

The Thailand Development Research Institute (TDRI, 1984) is an NGO, registered as a non-profit and non-governmental foundation. It has 120 staff members, and is mainly dedicated to examining long-term policy implications for sustaining domestic social and economic development. A majority of its annual budget is composed of contracted studies, which comprise 86% of its annual budget of 92 million THB (2003). These contracts are largely supplied by organs of the national government, including the Bureau of the Budget, the Office of the National Economic and Social Development Board and the Office of National Resources and Environmental Policy and Planning, as well as some international organizations such as the UNDP and the World Bank.

The Urban Institute (1968) is a non-profit non-partisan private policy research institute in the US, established by a charter from a blue-ribbon commission of government officials and civilian leaders set up by President Johnson. The institute's project funding is solicited from government agencies at the federal, state and local levels, foundations, associations, private organizations, and multi-lateral institutions. In 2004, 72% of its budget issued from the federal government, 26% from foundations

and 2% from other state and local governments. Public supporters included the Agency for International Development, the National Science Foundation, and the Departments of Agriculture, Education, Housing and Urban Development, Labor, Justice, and Health and Human Services, among others. Non-federal support was provided by the World Bank and numerous foundation sponsors including Robert Wood Johnson, Rockefeller, Casey, and others. General support revenue is generated from earnings on its endowment and donations from individuals and corporations.<sup>7</sup>

Whether think tanks accept contracted and commissioned projects is determined by the policy institutes themselves, grant recipients, rather than by the funding bodies.

#### Budget-Assets Analysis of Governmental Funding by Organizational Type

Figure 2 shows the relationships between budget- and asset-based government financial contributions to think tanks by their organizational status. Five institutes are allotted to 100% government funded in terms of asset basis and fourteen to 0%. In all cases of the twenty-four respondent institutes, their budgets receive government funds. Government financial contribution to think tanks on a budgetary basis is more common than on an asset basis. There is no clear relationship between the organizational status of think tanks and governmental financial contribution.

Table 1: Details of Asset-based Public Funding to Private Think Tanks

Institution	Country	Government Contribution	
		Asset	Budget
Austrian Institute of East and Southwest European Studies (OSI)	Austria	100%	> 75%
German Institute for International and Security Affairs (SWP)	Germany	> 50%	100%
Malaysian Institute of Economic Research (MIER)	Malaysia	> 50%	> 25%

Figure 2  
 Governmental Financial Contribution (Budget-Asset)  
 by Organizational Status

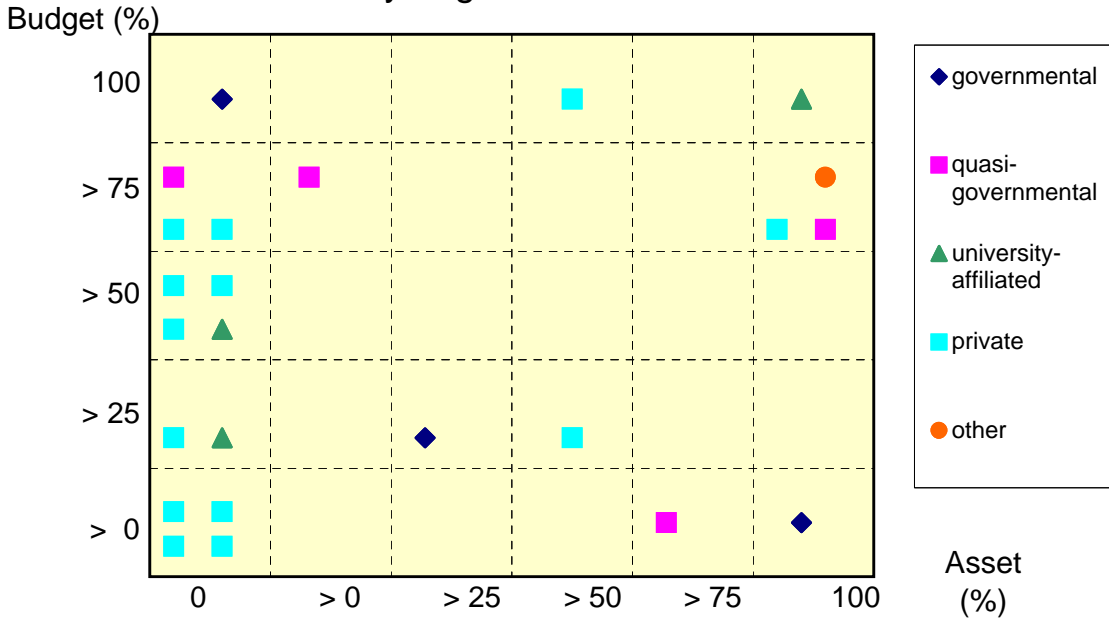
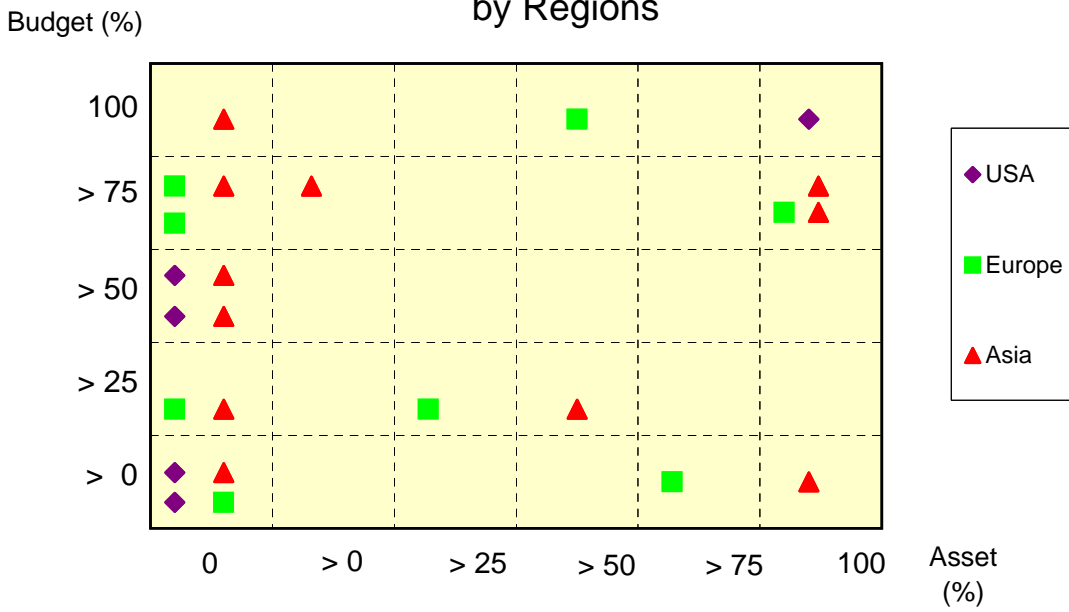


Figure 3  
 Governmental Financial Contribution (Budget-Asset)  
 by Regions



Ten institutes indicated that they receive financial support from governments to their assets. All organizational types of think tanks accept government funding, including three private institutions. Details of these three private institutes are shown in the table. The portion of public money as assets that these private think tanks receive constitutes a majority of their assets.

#### Endowment of Think Tanks and Governmental Funding

Thirteen institutes (50%) hold their own endowment and five receive government funding to the endowment. These institutions include governmental, quasi-governmental and private think tanks, but not university-affiliated. Those receive governmental funds to their endowments are Asian and European institutions, three of which are private. Although four out of five US institutes hold their own endowment, no US think tank surveyed receives governmental funds to their endowment.

There is no clear relationship between the provision of government funds to endowments and the organizational origin of think tanks.

Table 2: Governmental Financial Contribution to the Think Tank Endowment

Organizational status	Country	Percentage of government funds to the endowment
Governmental	Taiwan	100%
Quasi-governmental	South Korea	100%
Private	Austria	100%
Private	Malaysia	More than 50%
Private	Germany	Less than 25%

Figure 3 explores public funding to think tanks analyzed by region. Government asset contribution is extraordinary for the US think tanks, however for Asian and European institutes, about half the think tanks are publicly financed on an asset basis. Although asset-based contribution is rather less common than budgetary-based, it is apparent that government financial input could be considered one of the fundamentals for establishing policy research institutes in Asia and Europe.

#### **4. Conclusions**

Three features of the financial relationships between policy research institutes and government funds have been explored in this survey.

First, governmental giving is basically unaffected by the organizational type of the think tank, be it governmental or private. Governmental or quasi-governmental think tanks receive non-governmental funds.<sup>8</sup> On the other hand there are many cases of private research institutes taking public funds, in some cases governmental giving comprises more than 50% of their budget. These data imply that the think tanks contribute to publicly funded policy studies.<sup>9</sup>

Second, many think tanks that are given government funds also receive funds from non-governmental or private entities. Among the 25 institutes with valid replies, though three are 100% obliged to government funds as a budgetary basis,<sup>10</sup> 22 are financially supported by both government and the private sector. Think tanks generally have multiple financial sources, as in the case of an institute receiving public funds also being funded by private sector. The financial pluralism is indispensable to sustain adequate research independence and to establish their autonomous status in the policy community. Furthermore, it is more common for think tanks to accept public funds to the budget than to the assets.

Third, financial relations between the government and governmental or related think tanks are diverse. As a result of the survey, it became clear that many of these government institutes receive private funds as well. Relations between think tanks

and the government are multifaceted and vary by the organizational type and financial constitution of the institute. At the same time, there were various financial types of think tanks between government related institutions within the same country.

In conclusion, it is not an exceptional cases which think tanks accept some governmental funds to restrain their policy research or other activities. These publicly funded think tanks are found in many countries, in this survey multiple cases are identified in Austria, Denmark, Germany, Korea and the USA.

If the government decided to develop a competitive policy community within a country, the objective of establishing the appropriate model for policy research community should not be based simply on monitoring other countries' systems. Careful consideration is necessary to develop a proper and practical framework that fits the policy environment of the country. The policy environment is different and so organizational status of and financial support to think tanks can not simply be modeled from other nations' schemes.

It is challenging to decide whether to utilize public funds or private grant-making foundations for policy research. The financial system for think tanks largely depends on the nation's public expenditure and/or the philanthropic behavior of individuals and corporations. Therefore it is not a decision of the think tanks but of those involved in government policy to allocate a suitable amount of public spending to or to establish an appropriate system, such as incentive tax system for donation, to develop a well democratized and effective policy community. Furthermore, if the government chooses the latter option, that they have chosen the longer road to develop the community. In the case where the nation's policy environment is largely different from that of the US, the government choice seems obvious in this era of highly competitive global policy communities and fast-changing rivalry among think tanks beyond borders.

Since the 1990s, Japan has struggled to establish think tanks that fulfill the three conditions of "private," "non-profit" and "independent." This model was designed copying the American system. The U.S. policy environment, however, differs greatly from that of Japan; a president-led government, a high mobility employment

system, a contribution tax scheme and a comparative abundance of private subsidy grants. Since 1970, the year that marked the first year for the think tank boom in Japan, various types of think tanks have been established. In response to the impact of recent trends, including the promotion of administrative reforms, the stagnant economy and the decline of financial institutions, many think tanks are facing a shift in research fields, mergers and closures. Japan's policy research community is in an era of reorganization. If the government significantly reduces its spending on policy research, there is a fear that competitiveness of the country in the global policy community might decline.

## *Appendix*

### Think Tanks with Valid Responses

Austria	Austrian Institute of East and Southeast European Studies (OSI) The Vienna Institute for International Economic Studies (WIIW)
Belgium	The European Policy Centre (The EPC)
Denmark	Danish Institute for International Studies (DIIS) Danish National Institute of Social Research (SFI)
Germany	German Institute for International and Security Affairs (SWP) Institute of Asian Affairs (IFA) Kiel Institute for World Economics (IfW) Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI Essen)
India	Institute of Economic Growth (IEG) Institute of Peace and Conflict Studies (IPCS)
Malaysia	Malaysian Institute of Economic Research (MIER)
Pakistan	Islamabad Policy Research Institute (IPRI)
Korea	Korea Development Institute (KDI) Korea Institute for International Economic Policy (KIEP) Korea Rural Economic Institute (KREI)
Taiwan	Science and Technology Information Center, National Science Council (STIC) The World Economics Society (WES)
Thailand	Institute for Population and Social Research (IPSR), Mahidol University Thailand Development Research Institute (TDRI)
USA	Center for Strategic and International Studies (CSIS) Population Council Southwest Center for Environmental Research and Policy (SCERP) The Urban Institute Weatherhead East Asian Institute (WEAI)

## ***Details of the Survey***

Collection rate: 34.6% (27/78)

Number of respondents: 27

Invalid: 1

NA for financial data: 1

Total Number of valid replies: 25

Asia - 11, Europe - 9, North America – 5 <sup>11</sup>

Percentage of valid replies: 32.1% (25/78)

Survey period: May 26 - June 16, 2005

## ***References***

McGann, James and R. Kent Weaver eds., *Think Tanks & Civil Societies*, Transaction Publishers, 2000, New Brunswick, NJ

National Institute for Research Advancement, *NIRA's World Directory of Think Tanks 2005*, NIRA, Tokyo, Japan

Stone, Diane and Andrew Denham eds., *Think Tank Traditions – Policy Research and the Politics of Ideas*, 2004, Manchester University Press, Manchester, UK

## Acknowledgments

NIRA would like to thank the policy institutes that responded to the survey. Without their contribution in providing these data, this analysis would not have been possible. We would also like to thank the think tanks that regularly provide information to our World Think Tank Research Project, which includes *NIRA's World Directory of Think Tanks* and Policy Research Watch. Both projects focus on think tanks and their activities to enhance effective and plural policy research worldwide and promote more rational public policy- and decision-making.

---

<sup>1</sup> Data from NWDTT 2005.

<sup>2</sup> See Appendix.

<sup>3</sup> Fifty-six US institutes are listed in NWDTT2005 and only two are governmental or government-related institutes.

<sup>4</sup> Data from NWDTT 2005 and an interview with Dr. Hong-Bai Lee, Head of Research Division, Center for Regional Economic Studies, KIEP in August 2005

<sup>5</sup> Data from NWDTT 2005 and an interview with Dr. Jin-Young Kim, Office of Research Planning & Coordination, KDI in February 2004

<sup>6</sup> Data from NWDTT 2005 and an interview with Dr. Niels Ploug, Research Director of the SFI, in June 2005.

<sup>7</sup> Data from NWDTT 2005 and an interview with Dr. John Rogers, The Urban Institute, in August 2005.

<sup>8</sup> These include the Danish National Institute of Social Research (SFI, Denmark), the Korea Development Institute (KDI, South Korea), the Kiel Institute for World Economics (IfW, Germany) and others.

<sup>9</sup> The Austrian Institute of East and Southeast European Studies (OSI, Austria), the German Institute for International and Security Affairs (SWP, Germany), the Institute of Asian Affairs (IFA, Germany), the Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI-Essen, Germany), The World Economics Society (STIC, Taiwan), the Thailand Development Research Institute (TDRI, Thailand), the Population Council (USA.), the Urban Institute (USA.)

<sup>10</sup> The three institutes are the Korea Institute for International Economic Policy (KIEP, South Korea), German Institute for International and Security Affairs (SWP, Germany) and Southwest Center for Environmental Research and Policy (SCERP, USA)

<sup>11</sup> Only the US institutes actually gave responses to us.

---

The National Institute for Research Advancement( NIRA )is an independent policy research body established on the initiative of leading figures from Japan's industrial, academic and labor communities. The Institute was founded in 1974 under the National Institute for Research Advancement Act and is funded through an endowment made up of capital contributions and donations from both the public and private sectors.

NIRA systematically and continuously collects and analyzes information on the research activities of domestic and overseas policy research institutes. Information concerning Japanese policy research institutions is published in the *Almanac of Think Tanks in Japan*, and information on overseas policy research institutions is published in *NIRA's World Directory of Think Tanks*, and bibliographic information for selected English-language periodicals and journals published by the selected research institutes in the world on its web-based project Policy Research Watch.

NIRA' financial structure is unique. IT has an endowment of 26 billion yen, 15 billion from the national government, 5 billion from local governments and 6 billion as gifts and donations from private corporations. The institute is financially autonomous as its annual budget consists of income its endowment (80%) and a reserved fund (19%). Although its annual budget should be approved by and its organizational undertaking is reviewed by the national government, the ministries and agencies can not disrupt its research decisions. NIRA's research independence is definite as it autonomously selects the long-term research programs and specific themes through consideration and assessment of its executive board.