



**MINISTRY OF EDUCATION of the P. R. of CHINA  
ORGANISATION for ECONOMIC CO-OPERATION and DEVELOPMENT  
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**Working Group 1: Optimising governmental financing policies for higher education**

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Over the past decade, the contours of tertiary education financing have changed in the OECD area as well as in China. The drivers for these changes are purposeful and connected to broadly conceived aims for the tertiary education sector as a whole, among which: expansion to large-volume participation; greater diversity of providers, provision and pathways; continuing concerns for access and equity; a stronger focus on learning and outcomes; and an evident need to stretch available resources – public and private – as far as possible. Among the issues:

*Marshaling the resources for teaching, learning and research.* Most countries have widened efforts to secure resources for tertiary education. An immediate difficulty is simply how to take account of the funding and resource flows. The overarching policy challenge is to develop a more strategic view of the use of public finance, moving in the direction of a wider partnership and a broader concept of resources (in-kind as well as financial; distinguishing between national, regional and local public funding; taking account of complementary revenue streams for tertiary education institutions). A key development is the introduction, revision or widening of approaches to encourage and enable increased participation in financing from students and families as well as third parties. Experiences to date, in China and in the OECD region, need to be analysed and compared for coverage, increases in (as opposed to re-allocations of) student or family spending and wider lifecycle impacts.

*Promoting efficiency.* Financing policies increasingly seek to go beyond funding needs to encourage qualitative improvement in tertiary education provision, outputs and outcomes and to hold down costs. To a greater or lesser extent, policies rely on the market or “market-based” approaches to achieve their intended results to promote responsiveness and effectiveness while helping to minimize costs. To have greatest effect, the incentives require adequate information for all parties, scope for institution (public and also private and cross-border) and programme-level responses and the capacity at these levels to take and implement decisions. The policy challenge is to find an appropriate balance that permits and fosters response and flexibility and also advances the public interest in clarity, simplicity, access and coverage in offerings. Further, funding arrangements may need to allow a margin for (even to encourage) experimentation and to accept possible failure, followed by re-direction; this applies to students as well as programmes and institutions.

*Ensuring access and equity.* New finance approaches seek to address more directly lack of finance as a barrier to participation and success in tertiary education. Below-cost tuition fees, targeted scholarships or grants, deferred payment options such as loans or a graduate tax or tax breaks for current students or those who help finance tuition costs exist in some form in the OECD area and/or in China; all may be evaluated with respect to the effects on the choices of potential students from groups under-represented as tertiary education students or graduates (e.g. adults, working class, outside main urban areas). In the perspective of even greater diversity in tertiary education options and pathways, it may prove useful to examine more carefully the best mixes of different means to secure resources for different learners.