



**PRAXIS MAKES PREFERENCE: GRASSROOT GOVERNANCE OF SCHOOL  
FUNDING IN RURAL CHINA WITH EVIDENCE FROM A NORTHEAST  
COUNTY**

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**Abstract**

In China's latest school funding reform, the central government has remarkably increased its input into basic education. This fiscal re-centralisation of education provision is implemented through a highly decentralised administration structure, despite long-term public criticism of local governments for their inefficiency and misconduct. This paper depicts how school funding policies are practised in rural China at grassroot government levels and the implication of such praxis. The discussion will draw on the concept of equity, which underpins Australia's review on school funding in 2011.

Selecting a northeast county as the case study, this paper firstly maps out the procedures and models of school funding in rural areas, by analysing publicly accessible documents on funding policies that are released by the state, provincial, prefecture and county governments. The paper then portrays the real-life implementation of policies, drawing on data from interviews and focus groups with local officials and school principals.

This empirical study identifies a series of issues in grassroot governance of school funding: waste of resources coexists with insufficient funding; biased funds allocation reinforces school hierarchies; means of identifying students with financial needs are improper; limited access to education for children with disabilities; and students with learning difficulties are largely ignored. This paper analyses that these deficiencies in school funding governance result from governments' operational preference. The paper further concludes that local governments' active involvement in the school funding process may aggravate education inequity.

**Key words:** education, funding, rural China, inequity, grassroot governance

## School funding in China

Among China's comprehensive social changes since the 1979 economic reform, its educational developments are a focal point of the public, due to two distinctive Chinese characteristics. Firstly, the nation has a strong power in shaping individuals' educational opportunities. A good illustration is the 2016 street protests staged by thousands of parents in four provinces sparked by university quota cuts (The Economics 2016). Secondly, under the influence of traditional Confucian culture, families consider the child's academic achievement extremely important and an educational-oriented parenting style is deeply rooted regardless of a family's social economic status.

However, the Chinese government has a long history of an 'urban bias' in provision of public services (Chen, Wan & Lu, 2010; Hossain, 1997; Wu, 2007; Yang, 1999; Yuan, 2000). To begin with, the country's 1986 Nine-Year Compulsory Education Law, under which all children are entitled to nine years of basic education, came into effect first and foremost in cities – ten years ahead of the impoverished regions (Zhang, 2004). Also, for over 20 years prior to the latest school funding mechanism, China made local governments at and below county-level responsible for financing rural education. Uneven local prosperity led to enlarged disparity in accessibility and quality of basic education (Dollar, 2007; Knight, Li & Deng, 2009; Tsang & Ding, 2005; Yang, 2008). According to a World Bank estimation, the share of educational expenditure in the household budget increased from 1.0 to 8.3 percent between 1988 and 2003 (Adams, 2009).

After decades of growth-oriented efforts, equity has now become the focus of China's education development. In 2006, China embarked on what it referred to as the 'Expenditure-guaranteeing Mechanism for Rural Compulsory Education' (in Chinese 农村义务教育保障机制 and hereinafter to be shortened as 'the New Mechanism') to ensure higher governments provide financial aids for basic schooling. In 2012, the investment in education reached 4.28% of national GDP, a milestone which China had been aiming at since 1993 (Ministry of Education, 2015).

## Evaluation of the New Mechanism

Over ten years into the New Mechanism, the public saw mixed reports on improvement in education equity. On one hand, officially released figures claim great strides in education attainment. China boasts an 87% gross senior secondary school enrolment ratio<sup>1</sup>, up from 75.7% in 2006 (Ministry of Education, 2007-2016). In 2015, over 550 county-level authorities in 30 provinces declared that they had accomplished balanced development in compulsory education, more than 97% of which passed state inspection and gained national recognition (Ministry of Education, 2015).

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<sup>1</sup> Gross secondary school enrolment ratio - The number of children enrolled in a level (primary or secondary), regardless of age, divided by the population of the age group that officially corresponds to the same level (UNICEF definition).

On the other hand, doubts are continuously raised upon the validity of official evaluation. According to a report published by National Audit Office of PRC, embezzlement and abuse of education funds were found over 85% counties (The People's Net 2008). A more recent and influential report is by Gan et al. (2013)<sup>2</sup>, who points out that large education gap remains between urban and rural regions. Yu Xie, the leading scholar conducting the state-subsidised China Family Panel Studies, admits that in China, statistics have long been skewed in their use in rewarding performance assessment (Xie & Hu, 2014).

Apart from official data, there is a considerable amount of independent research on evaluating the effects of the New Mechanism, upon which the purposes of this study are drawn. Research by Chinese scholars share some common features and arguments. Firstly, a large amount of literature depicts funding policies under the New Mechanism (for example Li & Liu, 2009; Lv 2006; Mo & Lei, 2007; Yang, 2008; Yang, 2009; Zhang, 2006). What these studies have missed is the detailed implementation process of these policies and the actual impact they have made to education equity. Another common type of research on this topic is quantitative assessments using aggregate data, which relies heavily on official statistics (Sun, Du & Li, 2010; Yuan, 2011). This approach may result in dubious claims given the compromised independence of the data (Kipnis & Li, 2010). The third common focus is adequacy. Numerous studies have been carried out in underdeveloped regions in China, which conclude that more financial input is required (Fan, Guo & Zhao, 2011; Liu, Wang & Zhang, 2012; Yu, He & Ma, 2013). Although issues of funding adequacy in poor regions are undoubtedly crucial, assessments of efficiency usage of funds in wealthy rural areas may provide more salient information on efficiency of funding.

The number of international critiques on the New Mechanism is limited compared to that of studies conducted domestically in China. As one of the first organisations showing high interest in the New Mechanism, the World Bank expresses high expectations on the Mechanism's potential in improving education equity, while suggesting that this goal can only be achieved through enhancing accountability of local governments (Dollar, 2007). Meanwhile, the World Bank criticises China's existing means of assessment benchmark - enrolment rates - as "naïve measurement" as the figures can be easily manipulated and do not reflect the genuine educational results (Dollar, 2007).

Although previous studies provide a good understanding of current funding system in rural education, they seem to mainly emphasise the adequacy side of the evaluation with a focus of disparity *between* areas. Little has been discussed about whether the New Mechanism has brought about better equity *within* an area. In comparison, my project takes a micro-economy perspective and examines the effectiveness and efficiency of school funding within a well-developed county where funding is considered sufficient.

## Theory of evaluation

### ***An outcome-based evaluation***

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<sup>2</sup> The book by Gan, Yin, Jia, Xu, Ma & Zheng (2013), titled *Data you need to know about China: Research Report of China Household Finance Survey*, disseminates the findings of by far the most comprehensive research conducted in China. The research covered 8438 households in 25 provinces (or municipalities/regions), 80 counties and 320 communities.

In the process of implementing the New Mechanism, Chinese governments employ one main means of effectiveness evaluation, that is, to measure the amount of input. Such measurement often includes indicators such as average per-student spending, student-teacher ratio, expenditure on teachers' wages. The only index related to *output* or *outcomes* is enrolment rate, which, as indicated previously, is criticised by the World Bank for over simplicity (Dollar, 2007).

Many independent researchers also take the input approach in their assessment of education policies (Li & Liu, 2009; Willmann & Schucher, 2005; Wu, 2007; Yang, 2008; Zhang, 2006). In particular, Wu (2007), Willmann and Schucher (2005) argue that an output approach is impossible as there has never been a standardised achievement test in China's compulsory education (Willmann & Schucher, 2005).

However, international studies have repeatedly proven that significant investments made into education do not guarantee high achievement. Academic investigations conducted over decades have reached a similar conclusion that despite enormous expansion in education expenditure, little improvement can be seen in pupils' performance (Hanushek, 1997; Hanushek, Kain & Rivkin, 2002; Hanushek & Wößmann, 2007; Leigh & Ryan, 2008; Odden & Picus, 2008).

With this realisation, a range of member countries of OECD, such as Australia, Japan, the UK and the US put jurisdictional emphasis on output assessment. Taking Australia for example, it has developed relatively mature theories in the field of outcome-based educational assessment. Dowling (2008) concludes in one of his policy analysis and program evaluation papers that, different from the traditional approach of educational assessment, current emphasis on output measurement is a new phenomenon which can be traced to an evidence-based management philosophy. Although whether accountability systems should have penalties attached to them is still open to debate, "the continuing role of standardised assessments in providing reliable information for a new education market is inevitable and justified" (Dowling, 2008, p. 8).

### ***Dimensions of Equity***

The lack of standardised assessment in China's compulsory education means an alternative approach other than test results is required for an outcome-based evaluation of the New Mechanism. Given that the fundamental goal of the New Mechanism is to safeguard equal access to compulsory education and promote balanced educational development by allotting resources in a balanced manner (CPC Central Committee & the State Council 2010), education *equity* is the ultimate outcome.

There are two broad conceptions on the equity of school funding: *horizontal equity*, which stresses identical treatment of students and *vertical equity*, which entails more investment for students with greater needs (Hawley & Roza, 2006). Vertical equity underpins Australia's most recent comprehensive review of school funding. Conducted in 2011, this review is highly praised, as it "has delivered an intelligent, clearly articulated and transparent set of recommendations accompanied by a model for providing an appropriate level of funding to all Australian students, independent of whether they were being educated in the government or nongovernment sector" (Murdoch, 2012, p. 1). A major publication of the

review is titled “Assessment of current process for targeting of schools funding to disadvantaged students - A report prepared for The Review of Funding for Schooling Panel” by Adam Rorris et al. (2011). In this report, Rorris divides vertical equity into two dimensions – *fairness* and *inclusion*. More specifically, “fairness implies directing more resources to students according to indicators of disadvantage or social need... Inclusion is addressed by providing additional resources to students with learning difficulties” (Rorris, Weldon, Beavis, Mckenzie, Bramich & Deery, 2011, p. 108).

Drawing on Australia’s experience, this project examines the implementation of New Mechanism and its effectiveness from an outcome/equity-based perspective, namely that whether both fairness and inclusion have been improved in basic education in rural China.

### **The field**

The field work location and participants are selected through purposive sampling strategy employed in sequential manner and a maximum variation approach. The priori for selection are based on firstly research questions and secondly theoretical analysis of public documents. The research locality needs to satisfy three parameters: it enjoys relatively sufficient access to funding so that the project focuses on *equity* rather than adequacy; it provides as wide a variation as possible in terms of the dimension of interest (Bryman, 2012); participants in the locality include designers of local funding policies and front-line implementers of funding programs.

Shandong Province is considered an appropriate local economy for the research, as this province features dramatic economic development with enlarging education disparities, which represents the national trend (Yuan, 2004)<sup>3</sup>. The locality was further narrowed down to Zouping County, based on the information gathered from publicly accessible documents released by education authorities of Shandong Province. Apart from being industrially developed<sup>4</sup>, Zouping enjoys a relatively liberal environment for academic studies compared to many other lower level governments<sup>5</sup>.

### **Research methods and data collection**

Prior to data collection from the field, an extensive review of online government documents was conducted, on local school funding policies and their implementation at four levels of governments: the central authority, Shandong Province, Binzhou City and Zouping County. This approach serves four purposes. Firstly, it provides background information and basic facts on the Zouping’s school funding system. Secondly it helps discern key issues in this system and formulate interview questions. Thirdly, it informs choice of participant sampling criteria. More importantly, this type of publicly accessible information communicates externally espoused values and image of Local Education Authorities (LEAs), which can be compared and contrasted with field work data gathered on actual implementation praxes (Tracy, 2012).

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<sup>3</sup> Titled *To Narrow down the Gap: A Momentous Issue in Chinese Education Policy*, the report was produced from a large-scale state-mandated study on education and economic disparities.

<sup>4</sup> Zouping ranks among the Nation’s Top 50 Wealthiest Counties, with Shandong being Top 3.

<sup>5</sup> It was among the first sites made accessible to American researchers in 1987.

This extensive review of government documents was gradually narrowed down to the analysis of 102 articles, among which 49 from the state, 14 from the provincial, 28 from the city and 10 from the county level governments. Websites of 14 government bodies were covered (as shown in Table 1), which include special committees dedicated to the New Mechanism.

**Table 1: Official Websites for Review of Online Documents on the New Mechanism**

State	Provincial	City	County
Ministry of Education (MoE) <a href="http://www.moe.edu.cn/">www.moe.edu.cn/</a>	Shandong Province Gov't <a href="http://www.shandong.gov.cn">www.shandong.gov.cn</a>	Binzhou City Gov't <a href="http://www.binzhou.gov.cn">www.binzhou.gov.cn</a>	Zouping County Gov't <a href="http://www.zouping.gov.cn">www.zouping.gov.cn</a>
Ministry of Finance (MoF) <a href="http://www.mof.gov.cn">www.mof.gov.cn</a>	Shandong Provincial Dept of Edu (DoE) <a href="http://www.sdedu.gov.cn">www.sdedu.gov.cn</a>	Binzhou DoE <a href="http://www.sdbzedu.gov.cn">www.sdbzedu.gov.cn</a>	Zouping Publicity <a href="http://www.zpxc.gov.cn">www.zpxc.gov.cn</a>
National Audit Office <a href="http://www.audit.gov.cn">www.audit.gov.cn</a>	Education Supervision <a href="http://www.jydd.gov.cn">www.jydd.gov.cn</a>	Education Supervision <a href="http://www.bzjydd.org">www.bzjydd.org</a>	Zouping DoE <a href="http://www.zpjy.net">www.zpjy.net</a>
National Audit Office <a href="http://www.audit.gov.cn">www.audit.gov.cn</a>			
China Education Economic Information Net <a href="http://www.qgbzb.edu.cn/index.jsp">http://www.qgbzb.edu.cn/index.jsp</a>			

The corpus of data was sifted based on nature of contents and the following sampling criteria: (1) The documents are in relation to school funding for rural areas and for the sector of compulsory education. (2) The documents are created between 2003 – the very beginning of China’s promotion of education equity, and the end of 2013 -- prior to the commencement of the field work. (3) The documents are created by government agencies that are major players in the New Mechanism in terms of legislation making, interpretation and implementation of school funding policies. (4) To ensure authenticity, only sources developed by groups with authorised credentials are selected. (5) The documents are originals generated by the selected websites. (6) Documents appeared in more than one sources are counted only once. Upon completion of document analysis, one-on-one interviews were carried out with local officials and school principals, then focus groups with school administrators who are more directly involved in the implementation of funding programs. Questions focus on stakeholder assessments of allocation process and effects of funding schemes.

The organisations from which participants were recruited include the LEAs of county and lower governments as well as public schools. Participating schools were selected by virtue of

their social characteristics to reveal variation, ranging from a key school<sup>6</sup> located in the county seat, general schools and a school for special education. The diagram below (Figure 1) describes the hierarchical relationships of participating organisations, as well as their responsibilities in school funding.

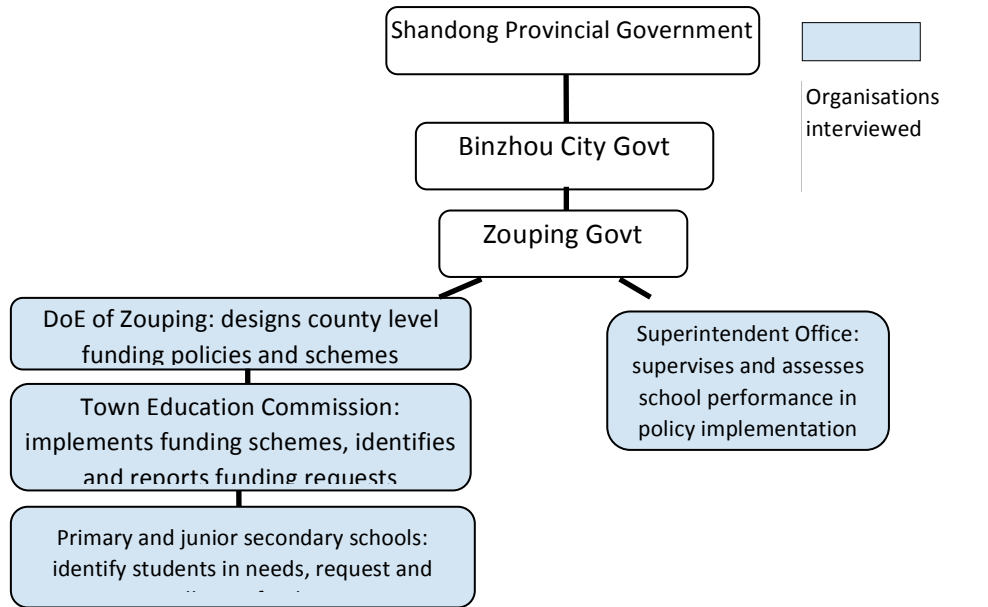


Figure 1: *Hierarchical Relationships of Organisations Interviewed*

## Document analysis

### Governmental involvement

In order to have a better understanding of governmental roles under the New Mechanism frame, various government bodies are grouped according to their authority levels and functions (Table 2). Not surprisingly, the educational department at each governmental level are mostly engaged in promoting and implementing funding policies: MoE created over 63% of the documents at the State level, DoE over 57% at provincial level and Education Bureau of Zouping County producing nearly all website outputs at lower levels. The only exception is the Education Bureau at the city level, which mainly publishes articles produced by other agencies and creates minimal number of documents on its own (2.6%). This mirrors the ‘county-centred (以□□主)’ administrative structure of the New Mechanism, which entails that counties should take the majority of responsibility in administrating basic education services in rural areas.

The analysis discloses a more complex picture as to the engagement of finance authorities and oversight bodies. At the State level, MoF and NDRC seem to perform an active role,

<sup>6</sup> Key schools refer to institutions that are more academically prestigious and hence enjoy priority in admitting students of better performance and allocation of resources. Other schools are called “general schools” (Hannum 2011).

which accounts for 59.2% of State level documents. They are responsible for budgeting school expenditure and setting regulations for school fees. These responsibilities are highly emphasised in school funding policies such as ‘proportional share of funds (分担机制)’<sup>7</sup> and ‘two waivers and one stipend (两免一补)’<sup>8</sup>. Yet involvement of financial regulation starts to drop at the provincial level, with 40% of documents written by Auditing Office and other finance agencies. This tendency is more noticeable at lower levels, where the ‘education superintendent system (教育督学制)’ is supposed to be a critical link for monitoring implementation of the New Mechanism. This accountability system emphasises independent exercise of power as well as guidance by a contingent of professional school inspectors over administrative and academic supervision to compulsory education providers. However, offices established exclusively for these purposes in LEAs seem to play a very insignificant role. Only a negligible amount of contribution is made by both superintendent offices in Binzhou City and Zouping County, which raises concerns about the evaluation system under the New Mechanism frame.

**Table 2: Proportion of Articles Created by Government Bodies at Three Governmental Levels**

<b>State level (/49)</b>	State Council 20.4%	MoE 63.3%	MoF, NDRC <sup>9</sup> 59.2%	The New Mechanism Office 8.2%	Other 10.2%
<b>Provincial level (/14)</b>	People’s Gov’t of Shandong Province 50%	DoE 57.1%	Dept of Supervision, Price Bureau, Auditing Office 40%	Finance Bureau, 40%	Other 7.1%
<b>Prefecture &amp; County levels (/38)</b>	Edu Bureau of Binzhou City 2.6%	Superintendent Office of Binzhou City 2.7%	Superintendent Office of Zouping County 0	Edu Bureau of Zouping County 94.7%	

Note: Documents may be a collaborative work of more than one authorities and therefore the addition of percentages in each level may be greater than 100.

Documents on the New Mechanism are also analysed for the intents of their creators, which are implied via document types. It can be seen in Table 3 that the central authority has made a number of policies for rural school funding, passed on the command via notifications and given guidance for implementation. From 2003 to 2013, the central government has also increased general funds for five times and implemented eight funding programs. Provincial governments have given more attention on localising policies and providing explanation and guidance for implementation. When it comes down to lower levels, the governments regularly give an account of their achievements through reports, news and speeches. Table 3 also indicates that Zouping County receives directives from above for funding increase and it

<sup>7</sup> The Central Government undertakes 80% of rural education expenditure in Western China and 60% in the Central Region. Such a sharing ratio varies in Eastern areas, depending on local revenue.

<sup>8</sup> Rural students receiving compulsory education are exempted from payment for textbooks and miscellaneous fees. They can also receive accommodation allowances upon application.

<sup>9</sup> National Development and Reform Commission is a macroeconomic management agency under the Chinese State Council, which has broad administrative and planning control over the Chinese economy.



has raised its investment in basic education through seventeen locally proposed funding schemes.

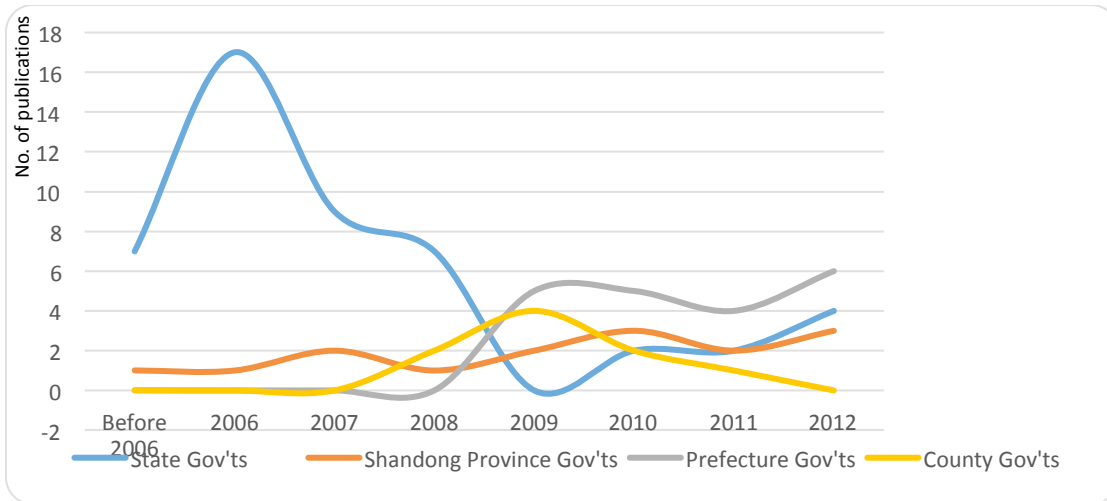
Another point discovered through document release time. As shown in Figure 2, the number of documents published at the State level changed dramatically: Political attention on the New Mechanism peaked in 2006, the year when it was officially launched. This attention then plunged. At the grass root level, both Zouping County and Binzhou City started advocating the New Mechanism much later than the central authority. The amount of information about school funding on the local governments' websites only increased for a brief period of time until 2009 and remains stagnant since then. It is also noticed that local governments, from provincial to county level, irregularly remove records on their websites. For instance, over twenty relevant documents could be found in April 2013 on Shandong Province information hub, but only fourteen remained publicly accessible as of August 2015.

**Table 3: Number of Documents by Types**

	Document Types							
	Legislation /regulation	Notification	Policy analysis	Implementation plan	Reports /news/ speech	General funds increase	Centrally defined funding	Locally proposed scheme
<b>State level (50)</b>	29	6	1	8	1	5	8	0
<b>Provincial level (14)</b>	4	1	2	4	1	2	0	0
<b>Prefecture &amp; County level (38)</b>	2	0	0	3	14	0	2	17

This observation may indicate a lack of consistency and transparency when local governments implement school funding policies. It may also be a sign that the priority of China's education reform has shifted away from the New Mechanism. Another concern is the quality of publicly-accessible documents. These documents may, in a considerable extent, represent a depiction of staged reality. All these contentions will be further tested in the field research.

Apart from basic information about online government documents presented above, which includes generators, types and times of the documents, data drawn from the documents are further synthesised to map out school funding system in Zouping County. The details are discussed as follows.



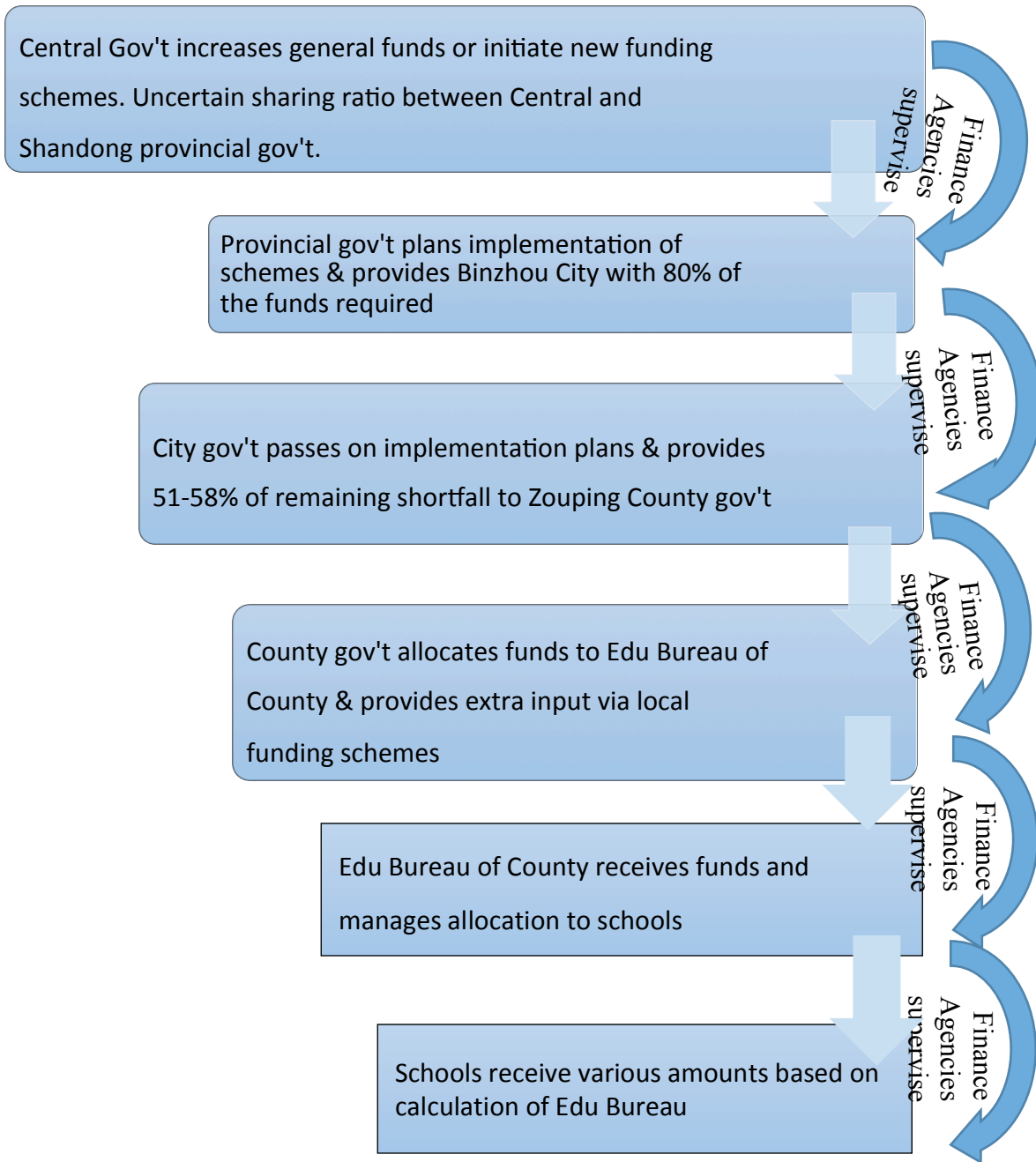
**Figure 2: Number of Documents by Time of Publication**

### **Funding procedure and models**

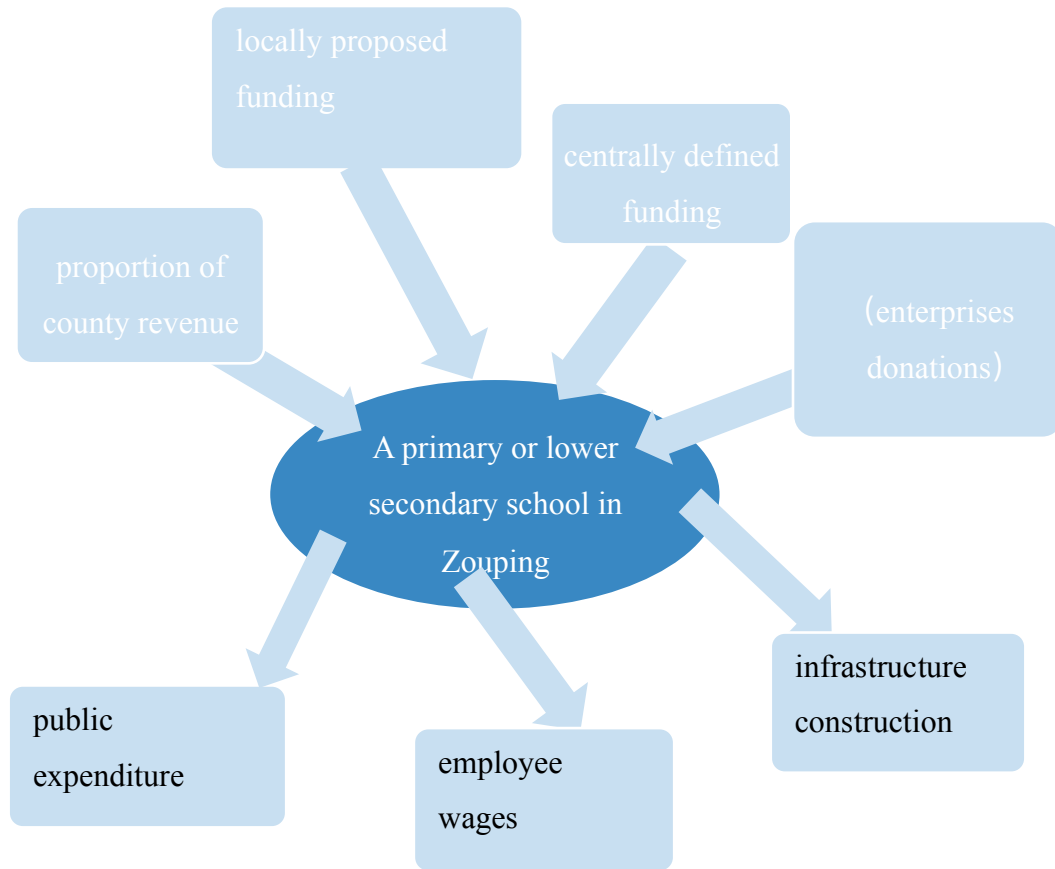
The mapping of funding system consists of three components. Firstly, a flow chart (Figure 3) presents how the New Mechanism is supposed to work according to the official information. It is followed by a diagram (Figure 4) which summarises the resources of funds and expenditure of a typical basic education provider in Zouping. Then all major funding programs from 2005 to 2013 are detailed in Table 4.

As displayed in Figure 3, decisions on funding come from the central authority. When they reach the county level, Zouping County allots increased investment into its Education Bureau, which holds a central account for all school funds. The County also contributes to this central account for locally proposed schemes. All primary and lower secondary schools in Zouping do not have their own accountants as the Education Bureau is in charge of estimating school expenditures and auditing schools' spending. Each level of government is supervised by the finance agencies of its immediate upper level authority.

When zooming in on the school level, data show that a typical basic education provider in Zouping almost solely relies on governmental allotments. Since 2006, charges for tuition, textbooks and miscellaneous expenses have been gradually waived for students and covered by centrally defined funding. Family contribution to the school is hence negligible. Given the highly industrialised economy in Zouping, some schools, usually "key schools" that are located in the county seat and enjoy priority in funding, receive donations from local enterprises in the form of school infrastructure construction or scholarships to financially disadvantaged students.



**Figure 3: Procedure of Funds Allocation**



**Figure 4: Demand and Supply of Funding in a Compulsory Education School in Zouping County**

On the demand side, public expenditure for students is a guaranteed item. This part of funding is mainly from the central government, as specified in Figure 3. The New Mechanism policies regulate that public expenditure covers fees for: academic duties and administration, teacher training, recreational and sport activities, overheads, business traveling costs, equipment purchase and maintenance and building maintenance. Local governments should follow the standards formulated by the state for per-student outlay and per-student fiscal allocation (see Table 4 for specific quanta). The New Mechanism do not include Employees' wages, which usually take up the biggest portion of school expenses. As a matter of fact, New Mechanism policies explicitly prohibit using public expenditure to pay school staff. County revenue is the only source for staff salaries. Building and maintenance of infrastructure is partially covered by centrally defined funding schemes and partially by locally proposed funding. There seems to be no standards for the county government to comply with when allocating funds for schools' construction projects.

Table 4 sums up the amount of funds deployed to centrally defined and locally proposed funding programs. In order to highlight the changes in education input, data displayed are from 2005, two years before the start of the New Mechanism in Zouping.

**Table 4: Funding Programs and Amounts of Input for Compulsory Education 2005-2013**

P=primary school, LS=lower secondary schools, /s/y= per student per year, SSN=students with special needs, SFD= students with financial difficulties, N/A=not available, m=million, b=billion

	General funds increase	Centrally Defined funding schemes	Locally proposed funding programs
2005	Public Expenditure: P-¥82/s/y; LS-¥117/s/y	N/A	N/A
2006	Public Expenditure: N/A	Two Waivers and One Stipend: P-¥165/s/y; LS-¥665/s/y; total-¥20m	Living allowance for SSN: ¥50/s/y
2007	Public Expenditure: N/A	Two Waivers and One Stipend (program extended to children of migrant workers)	School building construction: total ¥92.5m
2008	Public Expenditure: N/A	Two Waivers and One Stipend: total 17m	Three Frees <sup>10</sup> for SFD: total ¥4.1m
2009	Public Expenditure: total ¥23m	Two Waivers and One Stipend ¥210/s/y for town P, ¥260/s/y for county P; ¥300/s/y for town LS; ¥370/s/y for county LS	Living allowance for SFD: ¥95/s/y; dormitory renovation: ¥1.3b; computers: ¥2; other facilities: ¥7.4m <sup>11</sup> .
2010	Public Expenditure: total ¥28.66m	Two Waivers and One Stipend: total ¥1.32m	Free school bus for P: ¥4.2m <sup>12</sup> ; Three Frees for SFD: ¥4.1m; heating: ¥3.41m; new desks and chairs: ¥300,000; SFD assistance: ¥2m; corporate donation on National Disable Day to the school of SSN: ¥170,000
2011	Public Expenditure: P-¥610/s/y; LS-¥870/s/y	Two Waivers and One Stipend: N/A	Enterprise donation to SFD: ¥500/s to 36 students; free school bus for P: ¥4 million
2012	Public Expenditure: ¥30m total; P-¥700/s/y; LS-¥900/s/y.	Two Waivers and One Stipend: Stipend available to 10% boarders; P-¥750/s/y; LS-¥1000/s/y	New desks and chairs: ¥300 thousand; special help for Chinese New Year: ¥500/s for 446 SFD; campus instruction for the SSN: ¥200,000
2013	Public Expenditure: P-¥700/s/y; LS-¥900/s/y	Two Waivers and One Stipend: P-¥750/s/y; LS-¥1250/s/y School debt repayment: ¥59.5m	Free school bus for P: ¥4.7m.

<sup>10</sup> This program provides SFD with three items free of charge: exercise booklets, a set of stationery and an insurance policy.

<sup>11</sup> These three programs were undertaken over three years from 2009-2011.

<sup>12</sup> This includes cash distribution of ¥2 million (approximately AU\$400,000) directly to primary pupils.

Note: the exchange rate between RMB and AU\$ is approximately 5:1 as of June 2018.

Some official figures appear questionable. For instance, in 2013, Shandong Province requested local governments to publicise details of their poverty assistance programs. Zouping declares in a statement issued in September 2013 that the public expenditure had been P-¥700/s/y and LS- ¥900/s/y since 2007, which is of major discrepancy to the numbers published earlier. In another 2013 report, Zouping claims the One Stipend had long been P-¥750/s/y and LS-¥1250/s/y since 2007, which again seems to be false information compared to previous government reports. Despite the unreliability, this comprehensive cross-examination of documents has yielded better understanding of the main features of various funding schemes, as listed below:

1. Lower secondary students receive higher amount of public expenditure than primary pupils.
2. The funding program Two Waivers and One Stipend entails three levels of fee assistance, targeting different disadvantaged grouped: a) waiver of miscellaneous fees, for all rural students in compulsory education; b) waiver of textbook fees, applying to students with financial difficulties; and c) boarding stipend, only available to 10% (upon approval) of lower secondary students residing on campus.
3. Free school bus is for primary pupils only.
4. Multiple levels of administrations share funding for centrally defined and local proposed schemes. Shandong Province provides 80% of the amount required for Two Waivers and One Stipend and school debt repayment to Binzhou City. Binzhou shoulders over 50% of the amount that Zouping needs to fund programs such as Two Waivers and One Stipend, school debt repayment, Free school bus and heating provision<sup>13</sup>. In addition, township governments and schools are requested by the County to contribute in substantial infrastructure construction and purchase of facilities or apparatus. The most distinct evidence can be found in a speech by Head of Zouping Education Bureau in 2011, in which he points out:

*This year, the County has approved nineteen new constructions projects, four renovation projects, four athletic track building projects, thirty-two building reinforcement projects and four extension projects...and eight experimental laboratories. Funds must be raised from multiple sources with governments and schools both contribute.*<sup>14</sup>

5. County enterprises play a part in resourcing funds, mostly for SFD and school construction projects.
6. One-off monetary assistance to SFD for special occasions, such as Chinese New Year and National Disability Day.

Drawing upon descriptive and analytical analysis discussed above, we may reach some positive conclusions on the effectiveness of the New Mechanism. Firstly, the public expenditure to compulsory education has been steadily rising, which reflects the increasing

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<sup>13</sup> There are five counties and five regions under the jurisdiction of Binzhou City. According to policy, as the wealthiest county, Zouping would be required to share more education costs than its counterparts. But no data can be found in documents on the percentage of education costs that Zouping is responsible for.

<sup>14</sup> The speech was published on the website of Zouping Education Bureau at [http://www.zpjy.net/openinfo/2011/0310/article\\_360.html](http://www.zpjy.net/openinfo/2011/0310/article_360.html), accessed 15 July 2013, translated by the author.

input from the Central Government. Secondly, the growth in locally proposed funding suggests that with higher level of government taking up the majority of responsibility to support daily operation of schools, lower governments are able to initiate more localised projects. Furthermore, three types of disadvantaged student groups are covered in school funding programs: children of migrant workers, students with special needs and those with financial difficulties. These findings will be tested by empirical evidence collected in the field from LEAs and schools.

### **Findings from interviews**

At the county level, one-on-one interviews and focus groups were conducted with head of Superintendent Office, deputy secretary of the County's Department of Education and other officials. At the township level, informants include director of Education Bureau and office administrators. As to the school level, principals and administrative staff were invited to participate the research. Findings from the interviews shed light to the questions aroused from and test the preliminary conclusions drawn upon the document analysis.

This direct communication with grass-root executives of funding policies depicts the actual praxis of the New Mechanism, which forms an essential component of evaluating its *vertical equity*, namely more resources to students with greater needs. More specifically, the praxis is to be evaluated against two dimensions of vertical equity: *fairness* – proper identifying of disadvantaged group and *inclusion* – catering for student with learning difficulties (Rorris et al., 2011).

### **Identifying SFD**

As stated in various sources of online documents and confirmed by all interviewees, Zouping applies a fixed quota in granting poverty supports, that is annually 10% of students in a school<sup>15</sup> can receive financial assistance such as living allowance and Three Frees (see footnote 10). But there seem no justifiable grounds for this set quota and schools are not permitted to use discretion to reflect the genuine needs of certain group of students. All informants state that no one is given an explanation but this regulation is very clear cut and strictly followed. While this one-size-fits-all solution may have demonstrated simplicity in administration, it is at the cost of the genuine reflection of students' needs.

When being asked “how does the school identify the 10% students in disadvantages”, school principals reply that students who need the supports most are usually from families which (1) are impoverished due to severe illness of a family member, (2) experienced a major financial setback, (3) have low incomes and (4) have a single parent. Schools employ various procedures in funds application and allocation, with one practice in common – names of successful applicants are announced in the school for public inspection. This practice often makes SFD feel stigmatised and therefore reluctant to acquire assistance. Consequently, funds are granted to not-so-poor families in many cases to meet the quota despite the school is aware of more eligible students.

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<sup>15</sup> The quota does not apply to School T, which provides special education to disabled children. All students in School T are eligible for poverty relieve.

The only exception is Handian Town, the wealthiest township in Zouping County. To minimise the stigmatisation, Handian asks children in need to apply only once in their first year. Upon approval they are entitled for poverty assistance for the rest of their time in the school. If other students suffer from sudden family changes and became financially disadvantaged, Handian offers support via a separate charity committee.

### ***Little support to students with learning difficulties (SLD)***

School principals state that SLD are a group that most likely to drop out in secondary schooling. However, there little assistance available for these students. SLD are largely ignored due to two main reasons: no funding schemes under the New Mechanism cover the salary of teaching staff. An education officer admits, “The only person that would offer help to SLD is the teacher in charge of a class. But the amount of subsidy we pay a teacher in charge is ¥15/month (AU\$3), which hasn’t been increased since the 1970s!” SLD are often labeled ‘bad students’ in China, as their scores adversely affect the average score of the whole class, which is connected to teachers’ appraisal. They are therefore an extremely marginalized group in school.

### ***(in)sufficient support to students with special needs (SSN)***

SSN refer to children with physical or mental disabilities. The school of special education in Zouping receives funding which is three to four times higher than general schools. Compulsory education is provided to SSN free of charge with all schooling fees waived. All of those who lodge on campus are eligible for One Stipend, which has been ¥1250 per student per year since 2007. The school of special education has equipped each classroom with computer and multimedia facilities.

Meanwhile, three major concerns regarding basic education to SSN raised the author’s attention. First of all, not all common types of disabilities are covered. There is only one compulsory education provider for disabled children in Zouping. But the school merely admits deaf mute students and students with intellectual disability. No schools admit physically impaired but intellectually normal children due to lack of proper facilities. Secondly, there is no proper identification of SSN. In fact, the diagnosis on a child’s mental disability can be made with stunning arbitration. The principal of the special education school discloses:

*There are teachers who would refer the bottom students in the class to our school. We don’t have the qualification and capability to diagnose intellectual disabilities<sup>16</sup> and yet we can’t refuse admission if they are referred by a teacher. Some parents were even attracted by the high volume of monetary supports we give to the students.*

Thirdly, the dropout rate among SSN is very high. Limited statistics report that from 1990-2009 only 150 students completed their lower secondary schooling, although there were about 180 annual enrolments from 2004-2009 alone. Official figure indicates there are at least 350 children with disabilities in Zouping

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<sup>16</sup> Formal diagnosis of this kind should be conducted by the local Disabled People’s Federation.



(the actual number could be higher), but the current enrolment rate of disabled children is less than 60%. The principal sees a multi-faceted cause for such a high dropout: (1) Children not suitable for school boarding cannot enjoy free school bus if they are in junior high school. They also lose entitlement to One Stipend. (2) No funds for proper teacher training. (3) No extra support available for those who fall behind in learning.

### **Biased funding**

Based on data collected from the informants', there is a disjuncture between governments' advocates and their operational practices. Unfair funding and misconduct can be found in nearly all funding schemes.

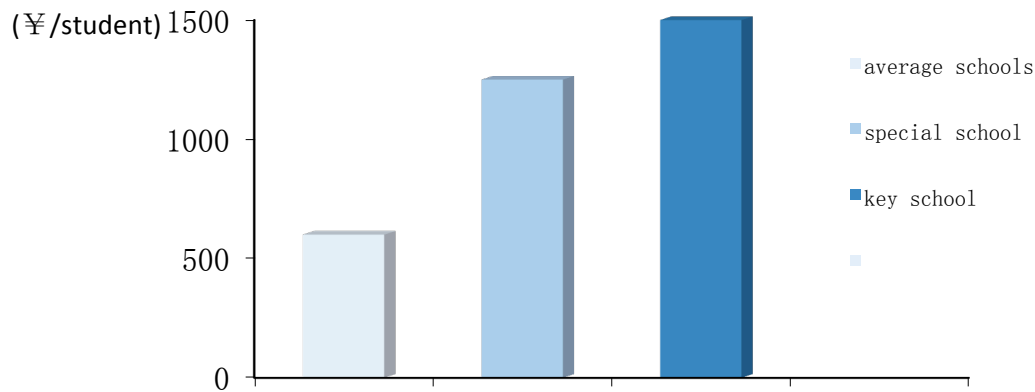
Firstly, public expenditure is crucial to the day-to-day running of a school, yet it's allocation is under the influence of 'connection' (关系). On the one hand, intergovernmental funds transfer is far from being timely and smooth. Delays and diverted usage of funds are common. On the other, schools are under tightened public and governmental monitor against fee charging. As a result, school principals heavily rely on personal network in local educational system to receive, often only partial, the school's public expenditure. Caught in this dilemma, many schools have to breach the New Mechanism policies and use public expenditure to cover remuneration rather than students' learning expenses.

Biased funding also reflects the socioeconomic status of schools. The most obvious evidence is displayed as below in Figure 5. Head of the Superintendent Office claims that schools receive the same quantum of One Stipend, which is ¥750/student/year for primary and ¥1250/student/year for lower secondary schools. On the contrary, school principals reveal that only the school of special education receives the claimed amount of funds. In fact, general lower secondary schools are given below standard (¥600/student/year), whereas the key school receives over twice the amount (¥1500/student/year). In addition to higher government appropriation, a key school attracts more private contribution, also known as school selection fees (择校费)<sup>17</sup>.

Enterprise donation also favors key schools over their counterparts. Promulgated as "alliance between giants", local leading enterprises contribute to sumptuous construction for key schools. For instance, in 2012 a private business group donated ¥5.6 million (AU\$1.1 million) to build a flyover for a key school to connect its two campuses. This project was only a few months after the local government built an underground pedestrian tunnel for the same purpose.

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<sup>17</sup> Unofficial charges "to students who either want to enter a public school outside their assigned district or who wish to attend an elite public school that they would not have been able to enter based on their test scores alone" (Kipnis & Li 2010, p.339). Although under tighter regulation, these charges are considered legal income of schools.



**Figure 5: Annual Payment of One Stipend**

### Conclusion

It is important to acknowledge that the New Mechanism has greatly improved the general fairness of the education system by increasing the aggregate spending for rural areas. However, there are deficiencies in meeting the needs of disadvantaged groups.

Due to the absence of a proper method to identify SFD, combined with rigid eligibility quota and over exposure to the public, wasting of resource co-exists with insufficient coverage. In terms of SLD, there are no funds available to provide supports to students who fall behind in school. Evidence collected from the field also suggests that children with disabilities are still a most marginalised group in rural education system. Apart from insufficient measures to prevent them from dropping out, only two types of disabilities (deaf-mute and intellectual disabilities) have access to basic education, whereas other types of disabilities such as physical or visual impairment are not admitted by any schools.

The portrait and analysis of school funding praxis in this paper enriches the conceptual and empirical knowledge in existing literature on China's current school funding system in rural areas. It explores reasons behind the confusing causality detected by other research between government involvement and effects of the New Mechanism. For instance, Sun et al. (2010) surprisingly found that in the sector of lower secondary schooling, education equity has seen more improvement in those counties where the local governments are less involved in locally resourced funding.

This paper argues that local funding programs reinforce rather than challenge pre-existing school hierarchies. With large amounts of education investment poured from upper level governments, counties have extra funds for spending. But they tend to be used for extravaganza rather than meeting more urgent needs, because these buildings are a visible accomplishment for local officials to showcase their accomplishment (Kipnis & Li, 2010). As Zhao and Glewwe (2010) correctly point out, the improvement of studying conditions by refurbishing school facilities and developing infrastructure may bring positive impact on students' learning in some extent; however excessive investment in school construction without satisfying students' genuine needs is ethically dangerous.

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