

## SECTOR ASSESSMENT (SUMMARY): EDUCATION

### Sector Road Map

#### A. Sector Performance, Problems, and Opportunities

1. The People's Republic of China (PRC) has made impressive progress in expanding access to 9-year compulsory education, upper secondary education, and higher education. The primary education net enrollment rate reached 99.8%, while the secondary education gross enrollment rate (GER) reached 103.5% in 2014. The higher education institutions (HEIs) have also rapidly expanded, with a higher education GER of almost 37.5% made up of 7.5 million graduates annually. This progress has been achieved with little gender disparity at the primary, secondary and tertiary levels.

2. Despite the achievements in expanding access, challenges remain in improving quality and equity. Improvements at the national level mask regional and social disparities. At the national level, the priority challenges include the need to improve quality and relevance of education and, at the same time, expand access using a targeted approach.<sup>1</sup> Great importance has been attached to the expansion of access to preprimary education, especially in rural areas, but progress in achieving universal coverage falls short of the target partly because of a lack of teachers. The central government has allocated substantial funds to support construction of kindergartens and train kindergarten teachers in rural areas. While the target of the 3-year preprimary GER of 65% has been achieved ahead of schedule, it is difficult to assess the progress of 2-year and 1-year preprimary GERs, particularly those of the rural areas, because of lack of data. At the same time, regardless of the accuracy of national figures, it is very likely that there are significant gaps between urban and rural areas in educational outcomes, with aggregate figures hiding important variation among the rich and poor and urban migrant and rural groups.

3. Substantial efforts and resources have been devoted to improving technical and vocational education and training (TVET) enrollment and quality by providing financial incentives and promoting employment- and competency-oriented TVET. The tuition exemption policy for secondary TVET has been extended to cover all rural students and has helped to significantly boost secondary enrollments.<sup>2</sup> The promotion of TVET and adaption of approaches that include school–industry linkages are well recognized as a model in several developing countries. However, it is difficult to assess how much of these efforts have been translated into better educational services for groups such as urban and rural youth, farmers, and the poor, or have served rural–urban migration and industrial upgrading. There also remain challenges related to the crosscutting objective of moving towards a more educated workforce. The initiative to establish a modern TVET system by creating lifelong learning pathways across academic strands, TVET, and continuing education remains under experimentation, and may be particularly important for creating pathways to improving the skills profiles of the workforce as the economy rebalances and transitions to higher value chain production.

4. Many programs and initiatives have been put in place in an effort to improve the quality and governance of higher education. After rapid expansion of the tertiary education sector, the need to focus on quality and governance of higher education has become a priority. Intensified

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<sup>1</sup> There is still a need to expand access to some targeted vulnerable groups such as ethnic minorities.

<sup>2</sup> There is still a need to address some of the hidden costs of education such as accommodation for rural students, books, etc.

reforms aimed at promoting innovation and producing creative graduates have been initiated for graduate admission and for disentangling management, personnel, and evaluation systems of educational institutions, but limited progress has been made. The initiative to encourage involvement of the private sector in education still merits further attention and government action, including development of mechanisms to ensure adequate supervision, regulation, and quality control while supporting increased private sector participation in the education and training system. To produce a more balanced workforce, the national tertiary education entrance examination is being reformed to provide students with a choice of taking either the traditional academic examination or a new technically focused version of the examination. This is linked to the goal of creating a steady stream of students for the polytechnic universities which will focus on developing majors that more closely link to industry needs. This mode, targeting technically inclined students, is meant to appeal to those who want to become engineers, senior mechanics, and high-quality laborers. It will assess students' practical skills as well as textbook knowledge.

5. By 2020, the government aims to reach universal enrollment for the 9-year compulsory education, to achieve girls' equal rights for compulsory education, and to boost the female enrollment rate for secondary schools to approximately 90% and for colleges to 40%.<sup>3</sup> Increased emphasis on science, technology, engineering, and medicine education and efforts to recruit girls to these areas are under way. Much more needs to be done in the expansion of TVET and other education programs to improve quality, introduce and expand competency-based curriculum and skills, and to ensure that girls are entering into and graduating from majors that provide them with sustainable futures.

6. In the midst of the remarkable achievements and the challenges that remain, there is a tremendous opportunity to improve the human development foundation for the PRC. Strengthening human capital to increase labor productivity is a top priority for the PRC as it transitions to a high-income economy while facing a demographic transformation with a reduced workforce and a rapidly ageing population. Three critical pillars must be tackled for the PRC to ensure this transition with education as the key driver: (i) addressing disparities and inequities, particularly equitable access, to improve education attainment and expand human capital stock; (ii) improving the quality of education to make it flexible and responsive; and (iii) promoting innovation for development of a knowledge economy. Together, these will help to create inclusive opportunities for youth, improve labor force productivity, and move the economy up the value chain.

## **B. Government's Sector Strategy**

7. The 12th Five-Year Plan and the 12th Five-Year Plan for Education Sector Development have provided a framework for an education sector strategy. During the implementation period of these plans, government spending on education reached the target of 4% of gross domestic product (GDP) in 2012, reflecting the government's commitment to the development of education. The 12th plan and the 12th Five-Year Plan for Education Sector Development focused on a broad range of reforms in the education sector aiming to improve access, quality, and equity at all levels of education. In particular, they outline four major priorities for educational development in response to the country's rapid economic growth and industrial transformation: (i) comprehensively develop education at all levels; (ii) vigorously promote equality in education; (iii) fully implement "well-rounded" education, emphasizing intellectual, physical, and moral education; and (iv) intensify reform of the education system, including improved quality at all levels.

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<sup>3</sup> State Council. 2011. *Outline for the Development of Chinese Women*. Beijing.

8. These strategic priorities are set to continue during the 13th plan period, with a focus on (i) increasing the gross enrollment rates for pre-school education by expanding fiscal support for public kindergartens, helping enterprises and public institutions to operate kindergartens and developing private Generally Beneficial Kindergartens; (ii) improving the quality of education in the compulsory education cycle, recognizing that the quality of learning in schools in the western regions and of rural dwellers and urban migrants remains a challenge; (iii) expanding access to senior secondary schooling, gradually expanding the classified program to exempt all tuitions and surcharges on TVET secondary education, particularly focusing on the central and western regions and continuing to strengthen TVET secondary high schools; and (iv) addressing the quality, relevance, and governance of tertiary education in light of the graduate unemployment challenge, with special focus on transforming a large number of second-, third-, and fourth-tier HEIs into polytechnics offering applied tertiary education. Additionally, the government intends to strengthen research capacities in top-tier universities and improve access to these by students from remote areas to drive the knowledge economy. Education forms a cornerstone of the human resource transformation agenda, which is key for the PRC as it transitions towards a high-income society.

9. The notable improvements in human capital in the PRC have been supported by rising education expenditures since the 1990s. In the 1990s, total educational expenses averaged about 3% of GDP and rose beyond 5% of GDP in 2011. The government share of these education expenses rose from about 2% of GDP in the 1990s to finally exceed the targeted goal of 4% of GDP in 2012.<sup>4</sup> Local governments have financed the bulk of education in the PRC, and have become the main driver of the expansion of education. Total educational expenditures reached CNY2.39 trillion in 2011, of which government appropriations accounted for 77.9% (CNY1.86 trillion). Similar to other types of public expenditures, almost all (90.2%) of the public educational expenses were shouldered by local governments. In the early 1990s, the government share of educational expenses was more than 80%. However, the government share decreased steadily to 61% in 2005 as schools began to charge tuition fees (especially senior secondary and tertiary). In 1992, tuition (5.1%) contributed less than donations (8.0%) towards education funding in the PRC. By 2011, the share of tuition more than tripled to 18.5%, while donations dipped below 1.0%. After initiating the Plans of Education Development for Mid- and Long-term and seriously implementing the policy for 9-year compulsory education, the governments share (especially that of the central government) in education spending steadily increased, and the public spending share in total education expenditure returned to 77.9% in 2011.

10. In recent years, tertiary HEIs have been major beneficiaries of education investments, which included both public and private funding sources. Altogether, the more than 4,400 HEIs received 29.4% of total education funding in 2011. Average expenditure per HEI student is more than five times that of secondary school students. Regular senior secondary schools accounted for 10.5% of total educational funds and junior secondary schools 17.5%, while primary schools accounted for another 25.2%. Despite their rapid expansion, vocational secondary schools received only 6.9% of total funds, while preschools received the least (4.3%). However, government funding is generally still focused on 9-year compulsory education, although funding for secondary education has been increasing. In other words, the highest percentage of public education expenditures actually went to primary schools (31.0%) followed by regular HEIs (21.6%), junior secondary schools (21.0%), regular senior secondary schools (9.7%), and secondary vocation schools (6.8%).

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<sup>4</sup> These data on educational financing come from the most recent official data publicly available. National Bureau of Statistics of China. 2014. *China Statistical Yearbook, 2012*. Beijing.

11. The role of the private sector has not expanded greatly, but participation of employers in TVET has been gaining increased recognition, with a framework for school–enterprise partnerships developed by the Ministry of Education. Recently, the government has articulated the need to expand the role of nonstate providers at various levels of education but, in the absence of experience and mechanisms to work with such providers, more work on the policy environment and appropriate institutional mechanisms needs to be undertaken.

### **C. ADB Sector Experience and Assistance Program**

12. The Asian Development Bank (ADB) has long-standing experience in the education sector in the PRC, with several technical assistance projects in TVET that paved the way for three ongoing loans,<sup>5</sup> and a new results-based lending program to support provincial TVET reforms in Guizhou. Early experience from ongoing loan and technical assistance projects confirms the relevance of the following areas for continued support: (i) expanding industry and employer participation in development of competency-based curricula that are based on demands of emerging occupational areas, strengthening teacher competencies along these lines, and increasing internship opportunities for TVET students; (ii) creating pathways to further education by establishing training programs that are linked to entry requirements for advanced programs and include measures to improve gender equality in access; (iii) strengthening the use of information and communication technology as a mainstream platform for TVET delivery; (iv) supporting system-wide reforms to modernize provincial training and education systems; and (v) strengthening higher education institutions to offer more applied education and supporting tertiary education reforms to enhance employability of graduates. ADB will continue to support TVET reforms and policy advisory technical assistance in the area of tertiary education reform.

13. ADB's involvement in education is justified on the basis of the experience during the previous country partnership strategy, 2011–2015 for the PRC<sup>6</sup> and national policy dialogue, which has drawn high-level support for ADB involvement as a catalyst for sector reform and modernization. ADB's education partnership in the PRC reflects the priorities of ADB's education sector strategic plan and Midterm Review of Strategy 2020 that emphasizes promoting TVET to address the human resource agenda, and the Upper Middle-Income Country Approach Paper.<sup>7</sup> This partnership is also consistent with the PRC's 12th plan, which (i) promotes environmentally friendly and resource-efficient urban development, and the rebalancing of economic growth; and (ii) prioritizes the development of high-quality human resources and the acceleration of educational reform. ADB's partnership for education in the PRC also promotes using innovative financing modalities to maximize the use of country systems and promote the strengthening of program systems, and integrating human resource development as part of broader economic and industrial transformation.

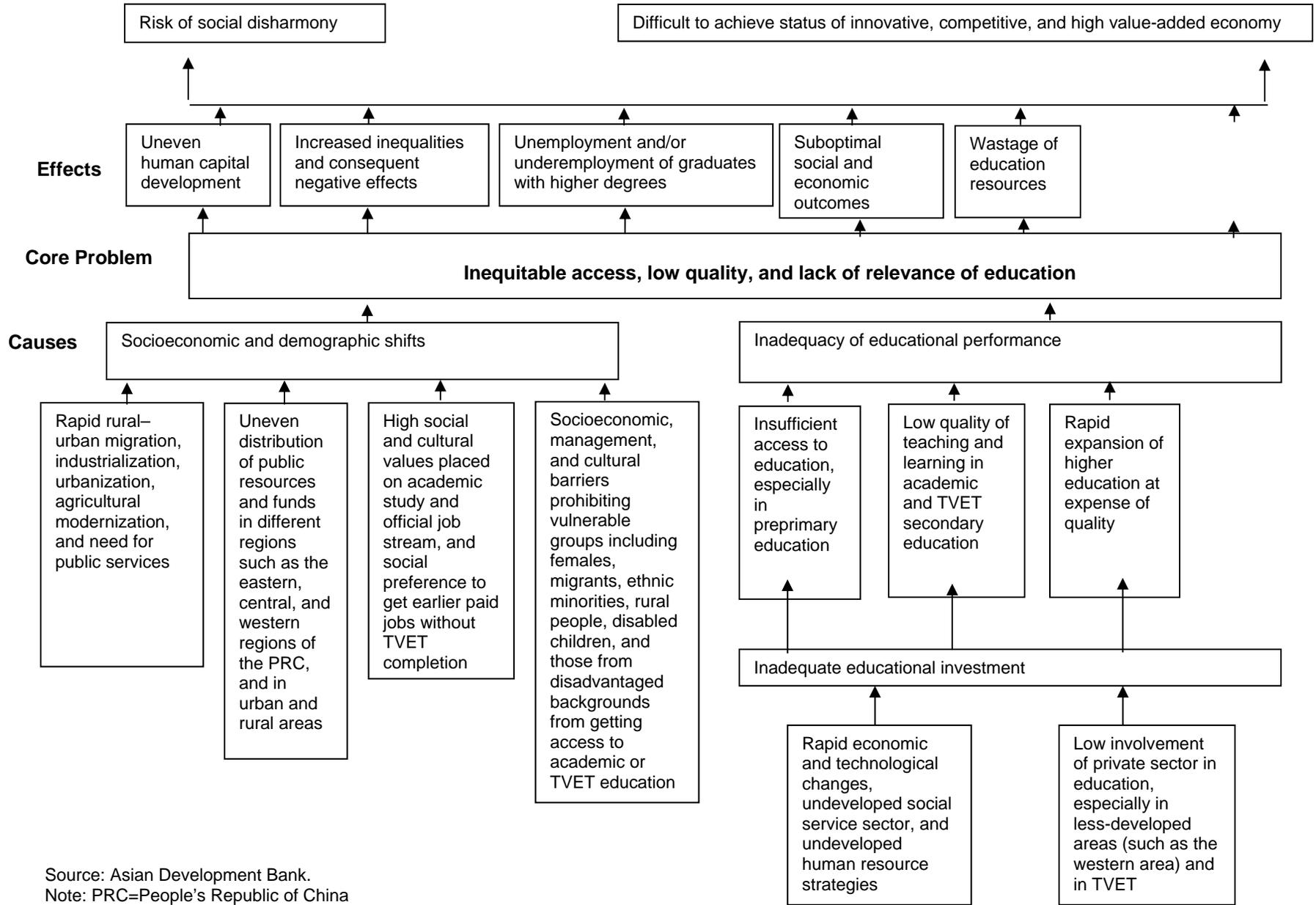
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<sup>5</sup> ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Hunan Technical and Vocational Education and Training Demonstration Project*. Manila; ADB. 2013. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Guangxi Nanning Vocational Education Development Project*. Manila; ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the People's Republic of China for the Guangxi Baise Vocational Education Development Project*. Manila.

<sup>6</sup> ADB. 2012. *Country Partnership Strategy: People's Republic of China, 2011–2015*. Manila.

<sup>7</sup> ADB. 2010. *Education by 2020: A Sector Operations Plan*. Manila; ADB. 2008. *Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020*. Manila; ADB. 2014. *Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila. ADB. 2015. *Clients-Contributors-Collaborators: A New Partnership with Upper Middle-Income Countries*. Manila.

### Problem Tree for Education Sector



Source: Asian Development Bank.  
 Note: PRC=People's Republic of China  
 TVET= technical and vocational education and training