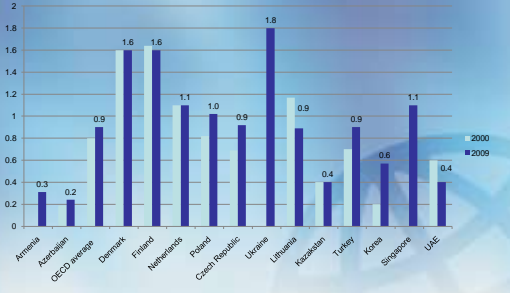
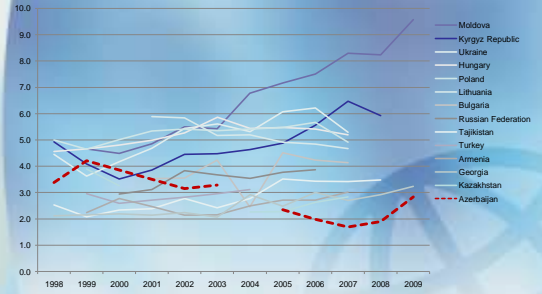


public investment in tertiary education (% of GDP)



public education expenditure as % of GDP



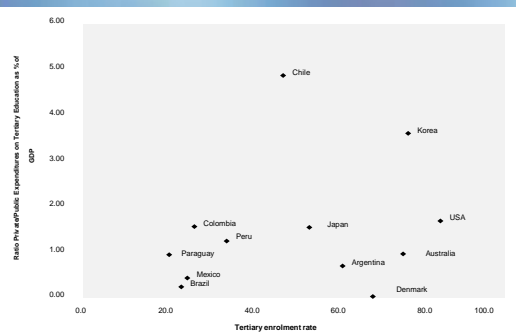
6

funding sources (macro)

from
public funding
to
cost sharing

7

mobilization of private resources as expansion strategy



resource mobilization

		public expenditure as % of GDP		
		≤ 0.5	0.5 – 1	≥ 1
tuition as % of unit cost	≥ 40		Mongolia	Vietnam
	20 - 40	Cambodia	Japan, Korea, Thailand	China, Indonesia
	≤ 20	Philippines		Malaysia

9

fees

- for everybody / dual track
- all institutions / some institutions
- undergraduate / postgraduate
- national policy / individual institutions
- special category students (repeaters, mature, part-time, continuing ed, foreign, out of state)

10

fees (II)

- one fee or program-linked
 - cost or private returns
- payment upfront or delayed payment?
- ceiling / freedom to set

11

optimal fees policy

- universal
- associated with student aid
- adjusted to cost of living index

12

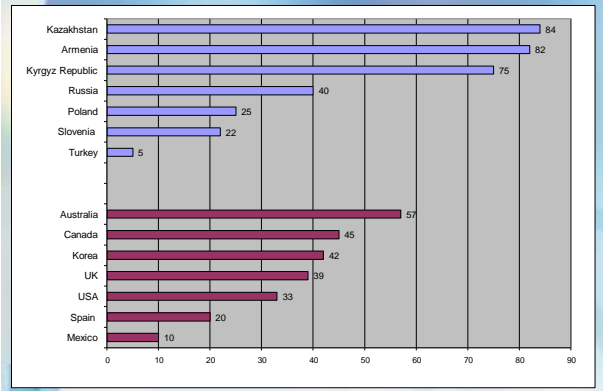
funding sources (institutional level)

from
dependence on public funding

to
diversified funding

17

proportion of self-generated income



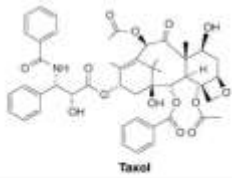
resource diversification matrix

Category of Income	Government	Students and Families	Industry and Services	Alumni and other Philanthropists	International Cooperation
1. Direct Budgetary Contribution	X				
2. Tuition Fees					
2.1 Degree Programs		X			
2.2 Non-Degree Programs		X	X		
2.3 Advance Payments		X			
3. Productive Activities					
3.1 Services					
3.1.1 Consulting	X				X
3.1.2 Research	X				X
3.1.3 Laboratory Tests	X		X		
3.1.4 Patent Royalties			X		
3.1.5 Operation of Service Enterprise (Hotel, Retirement Home, Mall, Parking)			X	X	
3.2 Production of Goods					
3.2.1 Agricultural Products			X		
3.2.2 Industrial Products			X		
3.3 Rental of Facilities (Land, Buildings, Laboratories, Dorms, Driving-Through)			X	X	
4. Donations					
4.1 Direct					
4.1.1 Monetary Grants			X	X	X
4.1.2 Equipment			X	X	
4.1.3 Land & Buildings			X	X	
4.1.4 Scholarships	X		X	X	X
4.2 Indirect (credit card, lottery, % of stock exchange trade)	X	X	X	X	
4.3 Used (access to patents)			X		
4.4 Concessions			X		
5. Loans	X		X		X

main categories of revenues

- budget
- tuition fees
- productive activities
- donations
- loans

20



Taxol



Sorteo 50 Fecha: 20 de junio

ABC Universidad Autónoma de Baja California

Primer premio: Residencia en Mexicali con valor de \$7'000,000

Segundo premio: Residencia en Tijuana con valor de \$2'200,000

Tercer premio: Automóvil BMW Z3

Y más de 330 premios

50 esfuerzos 50 triunfos con calidad y excelencia

DARE

www.abc.sorteol.com





what's in a name?

- will you give me your name...
- or rather keep your name...

philanthropy

- contributing factors – EU report June 2011
 - not taken seriously
 - success linked to (i) reputation of U, (ii) location and (iii) efforts
- the power of matching funds

the two extremes - income

State controlled

- Gvt budget 95%
- students' fees 3%
- other income 2%

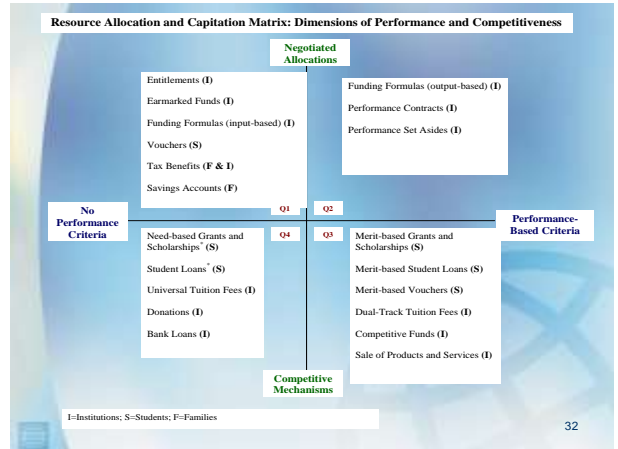
Autonomous

- Gvt budget 40%
- students' fees 25%
- research and contract earnings 20%
- other earnings 10%
- donations etc 5%

2. allocation mechanisms

*from untied funding
to
performance-based funding*

29



32

innovative allocation mechanisms

- **funding formula** - output measures are used to determine all or a portion of funding formula
- **performance contracts** - governments enter into agreements with institutions which set mutual performance-based objectives

33

innovative allocation mechanisms (II)

- **competitive funds** - support peer-reviewed proposals designed to achieve institutional improvement or national policy objectives
- **demand-side vouchers** - finance the recurrent expenses of institutions indirectly through vouchers provided to students who enroll in the university of their choice

34

allocation mechanisms

from
direct funding
to
indirect funding

35



grants

- needs-based or merit-based (or both)
- well-targeted
- eligibility of all accredited institutions

37



"He's celebrating paying off his student loans."

38

student aid options

from

mortgage loans for students

to

income-contingent loans for graduates

39

vouchers: the economists' ultimate solution

- demand side
 - power to the consumer
 - transparency
 - value of the voucher
 - eligibility criteria
- supply side
 - choice drives competition
 - contains costs
 - drives up quality
- ultimate form of accountability: the markets rules

40

recent experiences

- Colorado (US), Chile, Kazakhstan, Lithuania, Azerbaijan

41

voucher experiences

Country / State	Estab. in	Institutional Eligibility	Eligibility Criteria	% of total student population	Amount
Bulgaria	2001	public only	master's level only	90%	\$1,300
Chile	1981	public and traditional private only	top scores at national university entrance examination	15% of new entrants	\$900
Colorado	2004	public and private	resident of the state	100% of Pell Grant eligible students	\$2,670 (public) \$1,335 (private)
Georgia	2005	public and private	top scores at national university entrance examination	33% of undergraduate students	\$500 to \$1,340
Hungary	2007	public and private	top scores at national university entrance examination		
Kazakhstan	1999	public and private	top scores at national university entrance examination	14.6%	\$1,200 (public) – \$4,000 (top private)
Lithuania	2009	public and private	bachelor level in six fields of study	60%	depending on field, same for public and private
US (GI Bill)	1944	public and private	2-3 years of active duty	2.2 million veterans	up to \$30,000 (tuition expenses)
US (new GI Bill)	2008	public and private	3 years of active duty after 9/11	all former active duty soldiers	tuition up to most expensive public university in home state, small amount for living expenses

Kazakhstan experience

- 20% best qualified secondary school graduates
- choose university
 - \$1,200 for public university
 - up to \$4,000 for private university
- must maintain top academic grades

43

Kazakhstan experience (II)

- increased competition generally
- some private institutions have been able to attract a growing number of voucher beneficiaries
- but insufficient resources to finance all students

44

3. resource utilization

- how efficiently are available resources utilized?

resource utilization

- completion rate

completion rate

- OECD average: 70%
- US: 40%
- France: 38% for general bachelors
- Singapore: 95%

resource utilization

- completion rate
- average duration to complete degree
- cost of a graduate
- inter-institutional benchmarking comparisons

resource utilization (II)

- resource allocation mechanisms and practices within institutions
- composition of expenditures (salary / non-salary, teaching staff / administrative staff, educational inputs, IT expenditures, maintenance)
- deployment of teachers (actual teaching compared to norms)
 - OECD: 15.8 to 1, Armenia: 9.4 to 1
- utilization of facilities

4. equity / benefits incidence

- who gets what share of public resources?

elusive equity

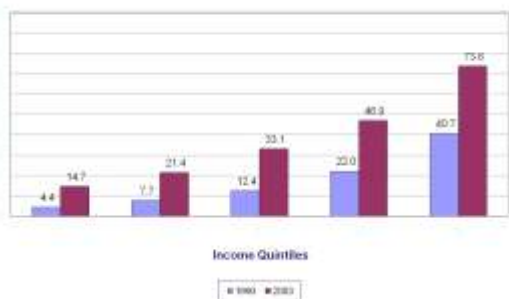
- Mexico (2005)
 - only 1% of 15-24 year old from poorest quintile attend tertiary education
 - 32% from richest quintile
- USA: probability to access Ivy League university is
 - 8.3% for lowest quintile
 - 50% for richest quintile

elusive equity

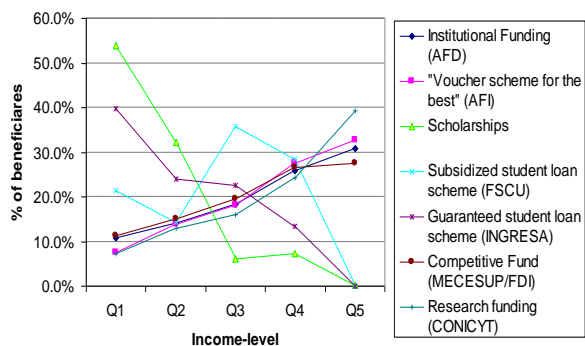
- France: probability to access Grande Ecole
 - 6% for lowest quintile
 - 15% for middle quintile
 - 50% for upper quintile
 - 6,000 € per student at university, vs. 20,000 € in preparatory schools

Chile

TERTIARY EDUCATION COVERAGE BY INCOME QUINTILE, 1996 - 2003



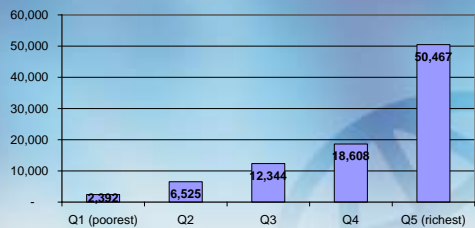
Benefits Incidence Analysis of Public Investment in Higher Education



Armenia

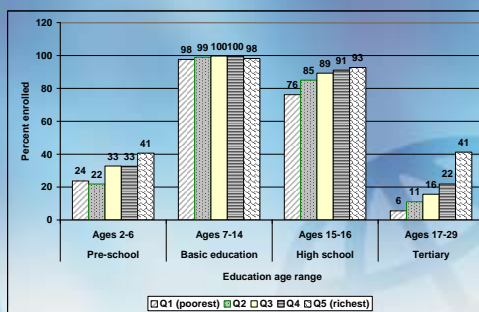
inequitable access to tertiary education

Enrollments in Higher Education, 2005



Source: National Statistical Service, Republic of Armenia, Integrated Survey of Living Standards (ISLS), 2005.

disparities between quintiles wider in tertiary education

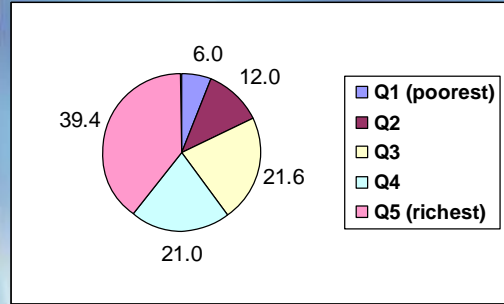


Source: National Statistical Service, Republic of Armenia, Integrated Survey of Living Standards (ISLS), 2005.

Armenia

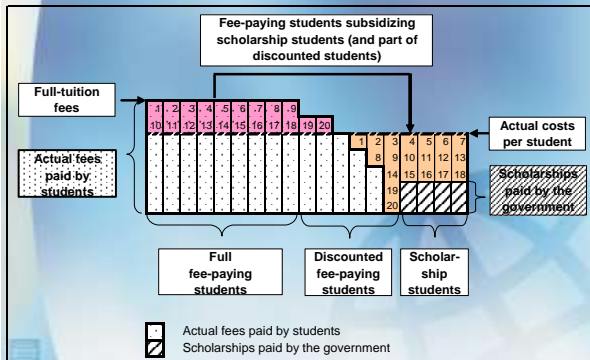
- high reliance on private spending has limited access to higher education among low income students
- less likely to afford **private tutoring**, resulting in poor performance in university entrance examination, hence less likely to receive merit-based scholarships
- less likely to afford **tuition fees** for fee-paying places in state or private universities

inequitable distribution of stipends and scholarships) (2005)

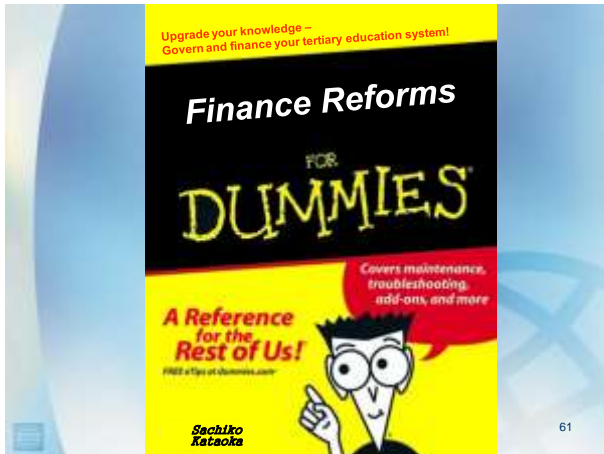


Source: National Statistical Service, Integrated Survey of Living Standards (ISLS), 2005

fee-paying students subsidizing scholarship students



conclusion



61

political economy dimensions

- financing reforms can be controversial
- dealing with the politics (winners and losers)
- not an excuse to avoid reforms

62

beware of back-tracking!

- Ireland (cost-sharing)
- Chile (student loans)

63

principal challenge

quantitative
expansion

quality &
relevance

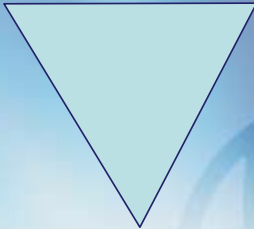
financial sustainability

64

tensions

public / private

direct / indirect



efficiency / equity

65

principles of an appropriate allocation instrument

- accountability: linked to performance / policy objectives
- transparency: objective criteria, openness
- predictability: significant amounts
- stability over time
- compatibility

66