

25<sup>th</sup> March 2021

**Speakers:**

Tommaso Agasisti, Politecnico di Milano  
Rong Wang, Peking University  
Pedro Teixeira, University of Porto

**Moderator:** Harry Patrinos, the World Bank

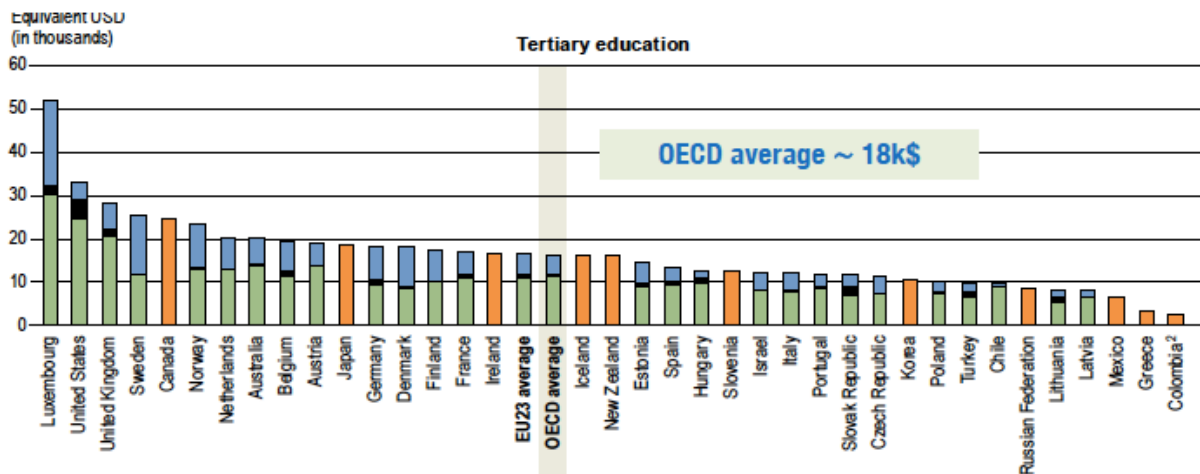
**Summary of the most striking points from the speakers:**

**Tommaso Agasisti:**

No one of us knows how the world would be after the pandemic, especially in terms of how this will impact funding in higher education, but I think that we have some ideas coming from how the world was before.

1. Before the pandemic the total expenditure across countries was very different. (Fig. 1.3).

**Figure C1.3. Total expenditure on educational institutions per full-time equivalent student, by type of service (2017)** (green is core services)



As can be seen from the graph, the OECD average is 18,000 USD. The first point to look at is that the COVID-19 crisis will likely to have very much different impact depending of what the funding was before the crisis arrived. Is the crisis affecting more countries with higher or lower expenditures on HE? The answer to that will be that it depends *more on what was the source of revenue* of HE.

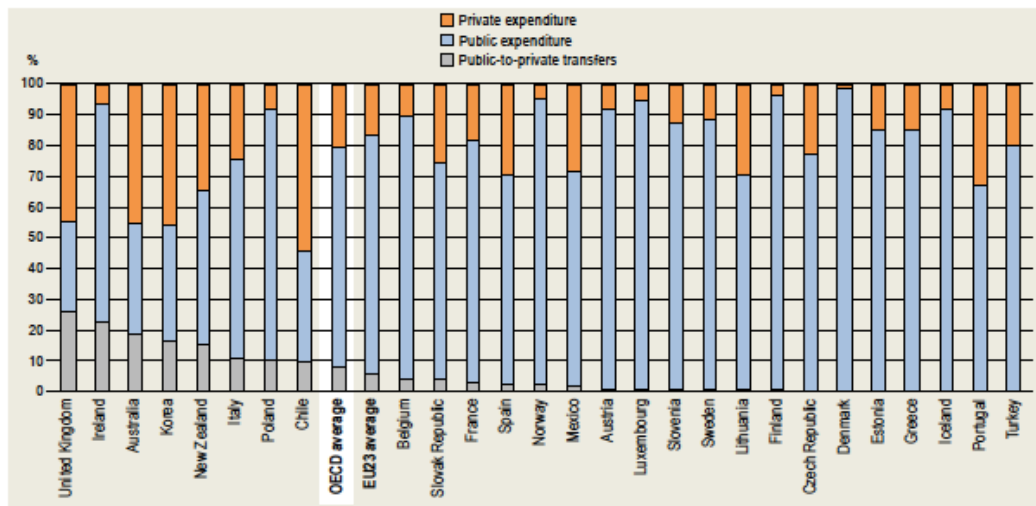


Figure 2. Distribution of transfers and public and private expenditure on HE institutions, 2017.

As you can see here (Fig. 2), there is a lot of heterogeneity across countries. There are countries like Italy where most funding comes from public sources, but there are countries where the situation is more balanced, and in that case the role of private expenditure is relevant. *The situation is likely to be affected differently.* Is it the ability of the government to devote to HE in times of crisis, or is it the private funding that has more effect?

Finally, before the pandemic, in some countries there was a growth of public expenditure, while in others the public expenditure grew slower or even was reduced. *For the countries where finding was decreasing before the pandemic, the situation is even more worrying, because during the crisis in in these countries a lot of public funding was directed to other expenditures as well (for example, to the health sector).*

2. We need to understand where the effect of COVID-19 will be more and less pronounced. It is helpful to look at the revenue rather than the expenditure – where the money comes from to education sector (Fig. 3)?

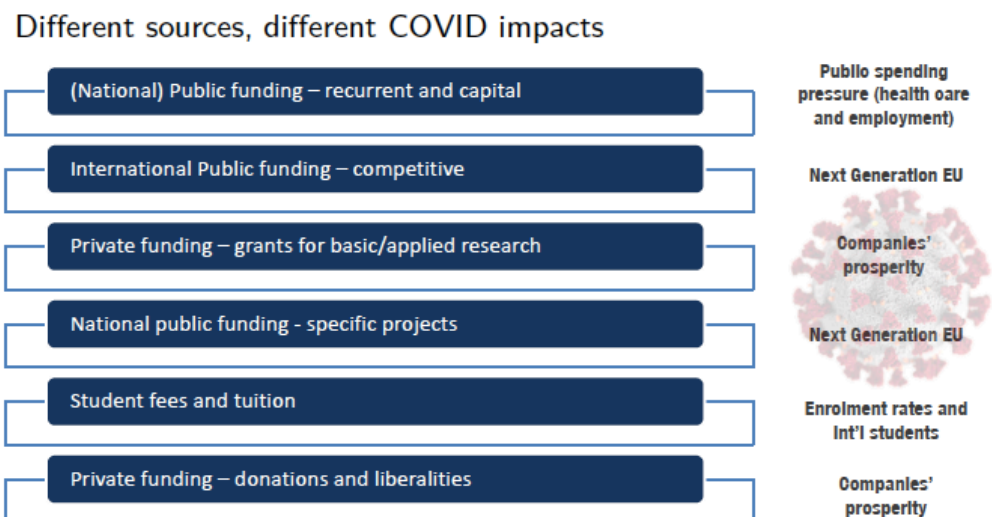


Figure 3. Sources of university funding and COVID impact.

If we look at the national funding, there are lots of other spending on health, social area, R&D. Can it be the case that the public funding can be even more challenges in the future?

When we look at the international funding (for example, in the EU countries), it can be the case that within that framework the more governmental money can be directed to HE, especially for teacher training, facilities etc.

As for the private finding, this is something which is at risks, and it is possible that the proportion of this funding can also decrease.

Student fees and tuition (especially from international students) will be very much affected in the nearest future.

### 3. HE funding in the COVID-19 era: the Italian case

*The Special Decree, summer 2020 (Decreto rilancio)*

- Fund for emergency necessities of universities in 2021 (~ 100 mln€)
- Increasing the Ordinary Fund from 2021 (~ 200 mln€) for hiring assistant professors
- Special fund for increasing the number of fee-exempted students (~165 mln€)
- Additional funding for research conducted by universities
- FIRST research funding (~ 250 mln€ in 2021 and ~ 300 mln€ in 2022)
- Ordinary fund increased for research (~ 100 mln€ in 2021 and ~ 200 mln€ from 2022)

### Rong Wang:

1. Higher education enrollment in China expanded quickly: gross enrollment rate increased to 42.7% in 2016 and surpassed 50% in 2019. However, total public investment remains pretty modest.

It is an impression that institutions in China rely heavily on tuition fees, but that was changed in the past years. The proportion of tuition in the HE revenue decreased, and public expenditure has been rising. Private institutions enroll more students than in Europe, but much less than in Japan and Korea.

### 2. *Paradigm X*: Money matters



Figure 4. The traditional approaches to studying finance in HE

*Paradigm X: internal dynamics to translate Money into What matters* is another way to look at funding.

3. Differentiation of allocation of funding in China:

Administrative differentiation: the creation of a strict institutional hierarchy by organizational affiliation

Financial differentiation: The launch of large categorical grants for excellence initiatives such as Project 985, Project 211, and Project 2011, enlarges resource gap between the top and the bottom institutions.

Functional differentiation: associated with the consolidation of the educational power to the Ministry of Education, which has become the sole educational authority within the central government and has control over the accreditation of 4-year and graduate programs.

Demographic differentiation: refers to the allocation of talents among tertiary institutions by the central authority.

4. COVID-19 reality: *Increasing importance of R&D revenues for research universities, and increasing role of local governments*

Over the past years, there has been an evidence of the increasing importance of R&D: even though fiscal allocation have been cut, the R&D revenues increased, and most of them come from the local government and business sector.

**Pedro Teixeira:**

1. Financial Issues in European Higher Education:

- Cost-sharing and Revenue Diversification;
- Student Support Mechanisms;
- Student Hardship;
- Public vs. Private;

2. *Tuition fees*: in Europe, very few countries introduced significant tuition fees – with the exception of the UK. Even in the great recession times, we have seen that many countries only slightly increased the fees. The question for the post-COVID world is to what extent that will change, and especially in terms of international tuition. Given the restrictions in terms of mobility and the potential change in the modes of delivery, what will be the consequences for the HEI that are highly dependent on international tuition? Some of these trends will not affect all HE systems in the same way.

3. There is a very significant difference between public and private institutions. Private institutions already were in an advantageous position. Discussing funding, we tend to focus on public HEI, but private universities are also important, and there are significant risks for them and for the diversity of HE systems in the EU countries. What kind of public policy should we have for these universities?

4. Questions for reflection for European HE:

- What will happen to the level fees given the high levels of government spending and borrowing and the changes in modes of delivery?
- What about the balance between grants and loans?
- How much price differentiation (prestige, field, sector)?
- What will be the impact on access and equity?