

**Minban Education in China:
Background and Current Situation**

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Minban Education^① in China: Background and Current Situation^②

◆ **Foreword**

I **Project Introduction and Acknowledgement**

This report is based on the research project of *The Study on the Development of Minban Education in China*, which is sponsored by the World Bank, and co-conducted by researchers from the Graduate School of Education, Peking University and Shanghai Academy of Educational Sciences. The implementation and completion of the project should be attributed to the generous support from the following organizations and individuals. We hereby extend our sincere appreciation to them.

The World Bank provided us with research grant and professional guidance. At the end of the project, it also co-sponsored an academic conference at Peking University, titled as *China's Private Education: Policy and Administration (February 20-21, 2003)* with other international organizations, UNICEF, UNESCO etc., so that we were able to disseminate the preliminary research findings among domestic and international participants.

The project is coordinated by the Department of Policy and Regulation, Ministry of Education. Mr. SUN Xiaobing, Associate Director of the Department, Ms. ZHANG Wen, Division Chief, Mr. WANG Daquan, Mr. WANG Jiaqin and Ms. Xiajuan participated in overall research design, arranged field investigation, provided us with policy documents and made the research findings published as a book in Chinese.

^① Minban education is the transliteration for private or non-governmental education in Chinese.

^② The Chinese version of this report is written by YAN Fengqiao, associate professor of education at Peking University, and Ms. LIN Xiaoying, Ph.D. candidate at Peking University. We disseminated our draft report among team members and integrated their comments into this final report. The report is jointly translated into English by Ms. LI Xu (Foreword and Section I), a doctoral student at University of Michigan, and Ms. YANG Po (Section II, III and IV), a doctoral student at University of Columbia. YAN Fengqiao makes proofreading. Ms. HUANG Li, a graduate student at Peking University, edits the report.

Most importantly, they respected the independence of our research, and ensured the impartiality and objectivity of the research.

During our research from March 2002 to January 2003, we visited 59 minban schools and colleges in 13 provinces. We were warmly accommodated at each place. Administrators who are in charge of minban education at provincial and municipal levels, and various constituencies of the minban institutions, including founders, principals/presidents, administrators, teachers and students, were generous spending time to be interviewed and provided valuable information about school development and educational practice. This composed the most important data for our research.

During the research, we took advantage of our academic connection with the Program for Research on Private Higher Education (PROPHE), directed by Professor Daniel C. Levy at the State University of New York, Albany, in the United States. The communication between our project team and Dr. Levy's program enabled us to analyze China's minban education and make policy recommendations from international perspective.

Last but not least, the Graduate School of Education, Peking University and Shanghai Academy of Educational Sciences have been supportive in terms of research time, materials and facilities.

The authors take full responsibility for the viewpoints expressed in this report, which do not represent the viewpoints of the sponsoring organization and the institutions with which the authors are affiliated.

II Organization and Implementation of the Research

In order to learn comprehensively and deeply about the development of minban education in China and provide recommendations for policy and law making, a research team was established and composed of scholars from the Graduate School of Education, Peking University, and the Non-government Education Institute, Shanghai Academy of Educational Sciences. The team was commissioned by the Department of Policy and Regulation, Ministry of Education, to take charge of the section of

Research on the Development of Minban Education in China within the project of *Minban Education Promotion Law*, which is a subentry of the *Aid Project for Economy, Law and Technology in China*, sponsored by the World Bank.

1. Purposes of Research and the Overall Research Design

In early 1980s, minban education re-emerged after about thirty years' discontinuity in China. It grows because of diversified demands and inadequate public funding for education. Minban education possesses particularities in China's economic transition. Issues around ownership of minban education, internal governance structure of minban institutions, quality and so forth have contrasted its private education counterparts in foreign countries. The study of the development of China's minban education must consider the special historical contexts.

Employing case study and literature approaches, this research chose 59 sampled minban institutions and analyzed their historical development, internal governance structure, curricula, finance, faculty and students.

2. Defining Research Objects and Sampling Strategy

In 1997, the State Council released *Regulations for Running a School by Social Forces*, which defines minban education as "schools or educational institutions that are run by corporations, public enterprises, social organizations, social groups, or individual citizens through non-fiscal educational funds."^①

Based on this official definition, we identified research objects in non-governmental sector, excluding educational institutions that do not offer diploma, such as minban kindergartens and training institutions. We prioritize certificate education due to its important role in national education system. The research objects cover primary, secondary and tertiary education, and they include all types of minban education varying from pure minban institutions to hybrid institutions. Specifically,

^① On December 28, 2002, the National People's Congress issued *Minban Education Promotion Law*, which defines minban education as "schools or educational institutions that are run by social organizations other than state organizations, or individuals through non-fiscal educational funds." This law was released after we started the research.

minban institutions, converted public school, and independent colleges are all within our investigating categories.

According to official statistics, China has total 11,748 minban schools in 2001 excluding kindergarten and training institutions. ^①Based on criteria in geography, economy, and education level, we sampled 59 schools and colleges in 13 provinces and municipalities, which account for 0.5% of the total minban institutions. Based on available information, we employed a stratified sampling strategy to determine which schools to be selected. Table 1 displays the number of schools we studied in specific locations. The research team of Peking University took charge of the study in interior, while the team of Shanghai Academy of Educational Sciences studied minban institutions in the coast area.

Table 1: Geographic Distribution of the Sampled Institutions

Research Team	Number of Sampled Institutions in the Provinces
Beijing (40)	Shandong (9) Sichuan (8) Hunan (4) Heilongjiang (2) Shaanxi (8) Gansu (6) Liaoning (1) Jiangsu (2)
Shanghai (19)	Shanghai (4) Jiangsu (2) ^② Zhejiang (3) Guangdong (5) Fujian (3) Hainan (2)

Note: The numbers in parentheses are the numbers of sampled minban institutions in the province.

In terms of school level, there are 36 primary and secondary schools, and 23 higher education institutions. For the name list of the sampled institutions, please see Appendix 1.

3. Organizations Involved in This Research

With the leadership and coordination of the Department of Policy and Regulation, Ministry of Education, the Beijing research team and Shanghai research team divided

^① Please see Table 2 in this report.

^② Both teams chose two minban institutions in Jiangsu Province.

the task geographically and conducted interviews with government officers in charge of minban education, founders, principals/presidents, administrators, faculty and students in minban institutions. An investigation report was written for each school in Chinese. In total, 59 investigation reports have been completed.

During the research process, all team members communicated at stages of research design, project implementation and completion. Five seminars were organized in Beijing and Shanghai respectively.

4. Project Timeline, Process and Procedure

The research started in March 2002 and ended in January 2003. In past ten months, we went through five stages: research design, pilot study, implementation, writing research reports, and dissemination of the research findings.

Stage One: March--April 2002. The two teams worked independently and completed research designs, based on which an overall research design was produced.

Stage Two: May 2002. The two teams conducted pilot studies in Beijing and Shanghai respectively, and revised research instruments.

Stage Three: May--November 2002. The two teams visited 13 provinces and municipalities, interviewed officials and constituencies of minban schools and colleges, and collected first-hand data.

Stage Four: December 2002. Researchers wrote case reports and the comprehensive report.

Stage Five: January--March 2003. Researchers discussed and revised the comprehensive report. Linked to the research topics of this project, an academic conference on policy and administration in minban education was organized at Peking University between February 20 and 21, 2003, with more than 80 participants. Representatives from eight international organizations attended the conference, which included the World Bank, the United Nations Educational Scientific and Cultural Organization, the United Nations International Children's Fund, the United Nations Development Program, the International Labor Organization, the Department for International Development (UK), the Department of Development (Australia), and

Canadian Embassy.

5. Research Methods

Research methods include literature review, individual interview, focus group interview, field observation and survey.

At the preparation stage of this research, we systematically reviewed previous literature of studies on minban education. During the field visit, we paid particular attention to collecting pertinent policy documents and statistic data at the local areas. In addition, we collected all other kinds of written materials related to the investigated minban institutions.

Interview was the major method of this project. Before we went to the field, we designed several fieldwork protocols and questionnaires tailored to interviewees of different positions: government officers, minban school administrators, faculty and students. During the site visit, with the interview outline and information we collected about the school prior to the visit, we interviewed school board members, principals/presidents, faculty and students, so as to learn comprehensively about the history of the school, its management and governance, financial situation, teaching, faculty and student affairs. The specific duration of visit at a particular institution varied from a half day to two days.

In addition to interview, we used field observation by inspecting school teaching and residential facilities, sitting in classes, and observing the teaching and learning processes.

We did not conduct questionnaire survey in all schools and areas although we designed eight questionnaires tailored to minban colleges, primary and secondary schools. We did not use questionnaire survey^①, but integrated the contents of the questionnaire into the interview.

^① The Beijing team conducted questionnaire survey in Shandong and Heilongjiang, while the Shanghai team conducted it in quite a few areas. The survey results are not reflected in this report.

III Summary of the Research Report

1. Major Findings.

Based on literature review and case studies, we may summarize the research findings into several major points as listed below:

(1) The social context of the establishment of a minban education system in China. At the background of the emerging and growing minban institutions are economic reform and prosperity, inadequacy of public education investment, and the diversification of educational needs. Diversification, uneven development across provinces, market orientation, and coexistence of multiple ownerships are the major characteristics of current minban education in China.

(2) The development and normalization of minban education. Minban education emerges and grows in a period of social transition, and therefore is characterized with spontaneity and an evolutionary development. The construction of relevant regulations often lags behind its development. It is well recognized that this construction should not copy from that of the public education system. A corresponding legal system is desperately needed for the further development of minban education, which should address important issues of its profitability, property right, qualification for operation, the rights and responsibilities of the founders, equal treatment to minban institutions and public institutions, internal governance structure, management and regulation of converted schools, assessment of quality, and awarding of degrees, diplomas or qualification certificates.

(3) The relationship of minban institutions with governments and the society. Within current educational system, governments still have strong control over minban education, and local governments have more direct impact than the central government. While the central government issued nation wide policy for minban education, local governments composed their own special policies tailored to the local minban education, which is a major factor that contributes to the unbalanced development of minban education all over the country. Compared with public institutions that focus on general social demands and are supported by public revenue,

minban institutions focus more on satisfying the special education demands of particular interest groups, and drawing funding from various social sectors and students. They therefore follow a demand-oriented model.

(4) Development of minban education featured with regional disparity and special priorities across grades. In terms of funding sources, school size, content of the schooling, minban education in different areas demonstrates different levels and scales of development. First, the level of education offered and the amount of tuition charged by institutions are associated with the economic development level of that particular area. The amount of donation to a school is related to local culture and economic prosperity to a certain extent. Second, minban education at different grade levels has different features. Minban junior high and senior high schools cannot compete with public counterparts in terms of student selectivity, entrance rates to next educational level. This lead to some minban institutions focusing on particular students' pool and emphasize featured educational programs of fine arts, foreign languages, hand on experience, or small size of classes. Minban colleges are conscious of cost and provide low cost programs. They are flexible to adjust their programs to the dynamic labor market.

(5) The economic characteristics of minban education. So far as the funding are concerned, tuitions and fees are the major source for most minban institutions' general fund, and also for capital accumulation. Consequently, minban institutions are driven by enrollment expansion. In order to expand enrollment, these institutions make significant budget in mass media advertising and admission. In the aspect of spending, these institutions maintain as few administrative units and full time administrators as possible, rely more on part-time and retired teachers, and provide less social welfare than public institutions do. In this way, minban institutions keep the cost low. Many investors of minban education are motivated by the prospect of profit making. However, due to the short history of minban education, many institutions are still at their seedtime. They have to spend most of the balance on campus expansion, construction debts and bank loans. No expected economic return has been achieved.

(6) Internal governance structure and management style of minban institutions.

Many institutions invite celebrities to be the chairman of the board or principal/president in honor so as to promote the social reputation of the institutions. In general, the internal governance of the institutions is characterized by centralized decision-making, and low participation of constituency in decision process. Some institutions still adopt family style in management. The turnover rates of teachers and dropout rates of students are high.

(7) Characteristics of operation. Minban institutions are affected by student promotion examinations and job market demand. In order to attain a competitive edge, the institutions offer education programs with characteristics. For example, the institutions declare to serve student needs, provide better learning and living environments, emphasize music, physical, art, foreign languages education, and international exchange programs.

(8) The uniqueness of the student body and its management. Students in some minban institutions tend to come from special family backgrounds in terms of economic statuses and expectations. Some students have special behaviors or habits in study and interpersonal communication. Some institutions have been searching for pedagogy, service, and management methods that aim at such a special student body. Minban institutions in general employ more coercive education methods, and militarized management style with strict discipline. They often use short-term military training at the beginning of schooling to enforce student discipline. Most minban institutions are boarding schools that have to take care of students day and night. In boarding institutions, safety issues are very important, and these institutions guarantee students' safety at the expense of their freedom.

(9) The future development of minban education. According to what we have learned from the historical development of minban education in China, competition will become an important factor affecting their survival and development, along with the increase of school number and the expansion of school size. The competition will become more intense between minban institutions and public institutions, as well as among minban institutions themselves. Competition will urge the institutions to stay innovative, but it also forces some of them to close down if they cannot recruit

enough students and generate enough revenue.

(10) Hybrid minban institutions. Mixed ownership is one of the characteristics of minban institutions that emerged during China's economic transition. Besides public institutions and minban institutions, there are many converted institutions and independent colleges. Institutions with mixed ownership can benefit from the preferential policies for both public and minban institutions, and therefore possess a more advantageous position in competition. But they are challenged by minban institutions in justification and fairness.

2. Policy Recommendations

Based on the research, we proposed nine policy recommendations as follows:

(1) Gradually differentiating for-profit and non-profit organizations in minban education sector. Based on the sustainable development, the China's government should stipulate law and regulation that can differentiate for-profit and non-profit organizations. The government should adopt tax preferential policies to school donors and non-profit education, and appropriately levy tax on for-profit educational organizations. Such a classified management will promote the orderly development of minban institutions with different natures.

(2) Recognizing the dynamic and the evolving characteristics of minban education in law and regulations. Due to the complex and fluctuating characteristics of the minban education during social transition, the law and regulation makers should take measures to secure the healthy development of the sector by funding, risk reserve, accreditation, rewarding and so forth. Under the solid and justified goals based on people's interest, the relevant law and regulations should promote positive externality of minban education in terms of quality education and educational choices.

(3) Establishing a decentralized governance structure. Because minban education is closely related to local environments, a decentralized governance structure should be adopted. Authority should be delegated to provincial, local and institutional levels. While National People's Congress and the central government stipulate overall law and regulations, the responsibility to make specific laws, regulations and policies

should be entrusted on local People's Congress and local government. Local government should regulate minban education in a way different from public education.

(4) In addition to setting fair and sound standards for institution running, the governments should encourage minban institutions to continuously improve their education quality, through granting to qualified institutions the authority of conferring academic degrees, diplomas and certificates. The governments may also employ certain tax policy to attract large volume of social donation and endowment. They can provide public funds through "purchasing" the service of minban institutions. The governments should take students rather than ownership of educational institutions as the foundation of policy making.

(5) Bringing into function of intermediating agencies in accreditation and regulation by professional norms. Intermediating agencies can take many forms such as minban education alliance, the third party, and professional association. They buffer minban institutions from governments. They will ensure responsibilities and obligations of minban institutions while expand the latter's autonomy.

(6) Gradually establishing a self-management and self-development mechanism of minban institutions. The international experience shows that board of trustees is an important organizational arrangement to achieve the goal. The composition of the school board should not represent interests of particular economic groups, but should reflect the concerns of a broader society. With the leadership of the school board, principal/president should have sufficient autonomy in running the school. Participative decision-making and effective communication should be established to enhance the organizational morale and effectiveness.

(7) The focus of minban education should target non-compulsory education. The governments should fulfill their responsibility of nine-year compulsory education, and provide financial support to minban compulsory education. Minban education should be encouraged to contribute to post-compulsory education. It is not appropriate to restrict the specific range and type of minban education. This arbitrary measure can

stifle the viability of minban education and damage the healthy competition between public and minban sectors.

(8) Risk funds should be set up for placement of students after minban institutions go bankruptcy. At present, the major funding resource is student tuition and fees, and there are not other stable revenues beyond students' tuition and fees. Under the financial situation, minban institutions bear certain financial risk if they cannot admit enough students. The establishment of risk funds will raise students and their parents' confidence in minban education.

(9) Strengthening the enforcement of law and compliance of policy. Faculty with same qualifications in minban institutions should have equal rights to those in public institutions, with regards to professional titles, promotion, and eligibility to various kinds of social securities. By the same token, students in accredited minban institutions should have equal rights to those in public institutions, with regards to favorable transportation fare, loan and financial aid programs, athletic events, and other social treatments.

◆ **Section I The Development of China's Minban Education**

Based on literature and document review, and statistic analysis, this section will introduce and analyze the major aspects of China's minban education, which include its developmental stages, types, amount, laws and regulations, funding sources, and the internal governance structure of minban institutions.

I The Developmental Stages of Minban Education

China's private education^① has a long history, dated back to the Spring and Autumn Period and the Warring States Period. It prospered and declined throughout the history, but always being an important schooling endeavor in China. When People's Republic of China was established in 1949, private education still occupied a certain percentage in the national education system. At that time, there are 10,402 private institutions, with 8,925 elementary schools, 1,412 secondary schools, and 65 colleges. ^②The government implemented thorough reform in private education system since then. By 1956, all private institutions were converted to public institutions, and the public education dominated the educational supply. The scenario continued until 1980s when minban education came into being after 30 years' interruption. The early 1980s saw the rise of minban colleges. The early 1990s witnessed the appearance of minban elementary and secondary schools. In the late 1990s, new reform agenda converted public schools to private schools.

Since the adoption of the Reform and Open Door Policy, the history of China's minban education can be roughly divided into three stages.

^① The term private education is employed for non-governmental education before 1950s.

^② Center for the Studies of Educational Policy and Development, Beijing Normal University (2000) *2000 Report on the Development of China's Education—Reform and Innovation of Educational System*. Beijing: Publishing House of Beijing Normal University, p.85.

1. Recovery and Development (1978-1992)

In 1978, the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China set the developmental guideline for the Reform and Open Door Policy. The insufficient skilled labors had become a barrier for economic development. The new ideology accepted non-public education. A few people began to establish minban institutions. In 1981, the government issued *The Trial Measure of Higher Education Self-study Program* so as to encourage Chinese people to acquire higher education certificate through self-study programs. As a result, minban educational institutions appeared in some cities to provide remediation courses to help those people to achieve the goal. By 1982, eight minban colleges were in operation, which were Beijing Self-Study College, Changsha Jiucaiyuan College, Changsha East Wind Amateur's College, Shudong Academy of Finance and Economics, Beijing China Societal College, Jiuwei Mountain College, China Logic and Language College by Correspondence, and Guangdong Amateur's College.^{①②} Among them, China Societal College (now Beijing Institute of Business) was a good example (Please see Box 1). Mr. Deng, Xiaoping, the top leader, inscribed the name for Beijing Self-Study College, and Mr. Peng, Zhen, the Chairman of the National People's Congress, inscribed the name for China Societal College, which was a significant signal and had enormous social impact.^③

Box 1: The First Minban College after the Reform and Open Door Policy

China Societal College was the first minban college after the adoption of the reform and open door policy. It was established by a few senior educators, Nie Zhen, Fan Rouyu and Zhang Youru, and authorized by Beijing Ministry of Education in 1982. The college aims to produce talented people who have ideal, moral sense, culture and discipline, are versatile and practical to adapt to the need of society, with

^① Yang, Jinyin (2002) Thoughts about China's Minban Education Policy in These Twenty Years, in *Jiangxi Educational Studies*, v.1/2, p.55.

^② The official English names of the institutions may not be the same as we write here. We translate the names if we cannot find their English names in website. It is also true for some institutions in the report.

^③ Dong, Mingchuan (1998) China's Private Higher Education—Current Situation, Problems and Strategies. In You, Qingquan (ed.) *China's Minban education*. Wuhan: Hubei Publishing House of Science and Technology, p.404.

associate or baccalaureate degree. In the college's website, it depicts the mission that college will attain its sustainability, credibility and development by relying on quality education. Students should pay for their education. The college will not be responsible for guaranteed job placement, and will make recommendation to employers for its graduates.

The college has a teaching team composed of more than 300 full and part time professors. They came from more than 50 higher education institutions, such as Tsinghua University, Peking University, Renmin University of China, China's University of Political Science and Law, University of International Business and Economics, Beijing Normal University, Beijing Jiaotong University, and Beijing International Studies University. Among the faculty, more than 70% are professors and associate professors. The college adopts a president responsibility system under the leadership of a college board, and a three-level governance structure that is composed of college, department (discipline), and class.

-----Quoted from the Website of China Societal College (www.csuedu.com)

Of minban institutions built during this period of time, some were reestablished on the basis of previous private schools, and relied heavily on alumni donation. For example, Private South China Women's College was reopened in 1984 at the proposal and with donation of Xu Baosheng and other alumni.^① Yinghua Secondary school was former Yinghua Academy, which was a missionary school built in 1881. In 1988, an alumnus and a Chinese American, Mr. Chen Lin (transliterated), donated to reopen the school. After the school was resumed operation, alumni continuously donated in money and volunteers. This kind of minban institutions located at the coast areas where are hometowns of oversea Chinese. Because the alumni respected and honored the mission of their alma mater, they were willing to contribute money and effort to resuming the school, and to extend its legacy. For instance, Yinghua Secondary school

^① Qin, Guozhu (2000) *The Dream of Private Higher Education: The Past, Present and Future of China's Minban Higher Education*. Xiamen: Lu River Publishing House. p.200.

inherited the former academy's Maxim, which said, "You are the light of the world."^②

During this period, a group of people who were enthusiastic about education established about 100 minban colleges in Beijing, Shanghai, Ha'erbin, Changchun, Wuhan, and Xi'an.^③ The democratic parties had aspiring influence on this process. For instance, China Vocational Education Society set up 41 vocational education schools between 1982 and 1992.^④ These minban schools were highly praised because they cultivated thousands of talented people in various fields.^⑤

The development of minban education had always been accompanied by the construction of political and economic systems. 1982 saw the issue of the nineteenth clause of *Constitution of People's Republic of China*, which said, "The state encourages collective organizations, corporations, public enterprises, and other social sectors to conduct various kinds of educational institutions in accordance with the law." This constitutional clause laid down the legal basis for the establishment and development of minban education. In 1985, *The CPC Central Committee's Decision about the Reform of the Education System* pointed out, "The interest of corporations and public enterprises should be fully aspired, and collective organizations, individuals and other social forces should be encouraged to sponsor or run schools." It also pointed out, "Minban education is a component of China's education system, and the reform of the education system should include creation of minban education." On April 12, 1986, the Fourth Plenary Session of the Sixth National People's Congress issued *The People's Republic of China Compulsory Education Law*. The ninth clause stipulated, "The state encourages corporations, public enterprises and other social forces to run various types of schools that are included in this statute, under the unified governance of local people's governments and in accordance with the basic

^② Ryan Dunch (2001) "Mission Schools and Modernity: The Anglo-Chinese College, Fuzhou", pp109136, in Glen Peterson et al (eds.) *Education, Culture and Identity in Twentieth-Century China*, Hong Kong: Hong Kong University Press.

^③ Zhou, Zhaonan & Zhang Zhiyi, et. al. (1997) Selected Research Results of the Study on the Current Situation of China's Minban Education. in Zhang, Jian & Li, Yanjie (ed.) *Dictionary for Running Schools by China's Social Forces*, 2nd volume. Beijing: Red Flag Press. p.889.

^④ Chen, Guisheng (2002) *Issues of China's Minban Education*. Beijing: Scientific Education Press, p.5.

^⑤ Zhou, Zhaonan & Zhang Zhiyi, et. al. (1997) Selected Research Results of the Study on the Current Situation of China's Minban Education. in Zhang, Jian & Li, Yanjie (ed.) *Dictionary for Running Schools by China's Social Forces*, 2nd volume. Beijing: Red Flag Press, p.890.

requirements of national regulations.” The twelfth clause prescribed, “The state encourages various social forces and individuals to sponsor education at their free will.” Meanwhile, educational departments issued policy documents in forms of notice and memo with regard to minban education. In 1984, the No.199 document of the Planning Department, Ministry of Education, titled as *A Notice of Several Issues That Should Be Considered about the Running of Schools by Factories, Mine Industry, and Corporation, and the Collective Sponsoring of Elementary and Secondary Schools by Factories, Mine Industry, and Corporation*, gave condensed and principle guidance with regards to four issues. For instance, “Second Issue: When the decision is made about the financial needs of collectively sponsored schools, it should be taking into consideration not only the actually educational needs, but also the affordability of the factories, mine industry and corporations,” and “Fourth Issue: The funds and materials collected must be used to improve schooling.” The above law and policy promoted the development of minban education in China.

Along with the development of minban education, a few problems were gradually exposed. So far as governance is concerned, the laws were not comprehensive and consistent, and there were no timely and effective investigations and disciplinary actions on people and units who ran school illegally. In the aspect of school quality, some schools had poor schooling conditions and unstable teaching quality. Some schools conferred degrees or certificates without getting accreditation, which caused disorders in the society. Other schools cheated students and seriously discrediting minban education. In 1987, the State Education Commission issued *Temporary Regulations on School Running by Social Forces*, demanded all provinces and municipalities to take action with regards to the problems in minban education. Later, the State Education Commission instituted regulations about financial management, educational administration, official stamp management, and review of advertisement.

^① All provinces and municipalities with their educational departments also began to constitute policies and regulations for local minban education. These policies and

^① Sun, Wanzhong (1998) ed. *Dictionary for Education Law and Statue of People's Republic of China*. Beijing: China's Law Almanac Society, pp.980-84.

regulations initially defined the role, function, mission, supervision, recruitment, educational goals, education plan, student record management, diploma, financial management, nature of property, and issues about closing down. Local governments inspected minban institutions and reviewed their qualification. Qualified institutions were registered, while unqualified institutions were banned. Because of this shake-up, good institutions were strengthened, and institutions with poor quality and messy management were closed down. Consequently, China's minban education was led to a healthy and stable development.^①

According to related statistic data, by the end of 1991, China has 1199 minban elementary and secondary schools, and more than 450 minban higher education institutions.^②

2. Fast Development (1992-1997)

In 1992, Mr. Deng Xiaoping visited the South China that pioneered the economic reform, and reconfirmed reform and open door policy. His talk, together with the following Fourteenth Party's Congress, set the primary goal of establishing the system of socialistic market economy. Minban education as well as other reform experienced a period of fast development. The report of the Fourteenth Party's Congress in 1992 stipulated, "We should change the situation that the state is the single provider of education; we should encourage and support the people to run schools." Sichuan Guangya School, a minban school, was established in the social context mentioned above (Please see Box 2).

^① Zhou, Zhaonan & Zhang Zhiyi, et. al. (1997) Selected Research Results of the Study on the Current Situation of China's Minban Education. in Zhang, Jian & Li, Yanjie (ed.) *Dictionary for Running Schools by China's Social Forces*, 2nd Volume. Beijing: Red Flag Press. p.890.

^② Department of Development and Planning, Ministry of Education & Shanghai Research Academy of Educational Studies (2003) *2002 Green book of China's Minban Education*. P.7.

Box 2: The First Minban School Established by Individual Citizen after the Reform
and Open Door Policy

Guangya School is the first full-day boarding school in our country that was established by an individual citizen ever since 1949. The school opened in September 1992.

Guangya School was registered on June 16, 1992. Qing Guangya wrote on a piece of paper, "Citizen Qing Guangya is submitting a request to the Fourth Group of High Bridge Village, Xujia County, Dujiangyan City to open Guangya Elementary School." Under this line, he signed his name and filled in his ID number. After that, the officers of village and the county put two big red stamps on the paper. According to the memory of the director of Adult Education Program, there was a high pressure to dismiss the case at that time, because there had been no precedence. June 16, 1992 was a day to remember. On that day, Liu Anni, the head of the Education Bureau of Dujiangyan City, decided to take a risk and signed approval after she talked with Qing Guangya for more than one hour.

-----Quoted from Liu Yunshan's school investigation report, *Guangya School*, September 30, 2002.

The State Council issued an important document *Outline for the Educational Reform and Development in China* in 1993. It clarified, "The state will follow the four principles of strongly encouraging, fully supporting, rightfully guiding and strengthening management in dealing with school running by social sectors and individuals in accordance with law." Meanwhile, the document said that basic education should be mainly provided by the government, but in areas under appropriated conditions, schools can be run by people and supplemented by the government or vice versa. The four principles clearly declared the supportive attitude of the government toward minban education, sent signals to investors, and exerted significant influence on promoting the development of minban education. This spirit was also included in *Education Law of People's Republic of China*, issued in 1995.

The twenty-fifth clause of this education law declares, “The state encourages corporations, public enterprises, social organizations and individual citizens to organize schools and other educational institutions.” Later, in *Opinions of State Council about the Implementation of “Outline for the Educational Reform and Development in China,”* prescriptions were made for the development of minban education in fundamental education, vocational education, adult education and higher education. In 1996, *Ninth Five-Year Plan and Long-Term Objectives for the Year 2010* declared, “By 2010, we should have attained an educational structure in which the government is the major education provider, while all kinds of social sectors participate in running schools. Public institutions develop together with minban institutions.” In the document *Action Plan for Vitalizing Education for the 21st Century*, minban education is stipulated as an indispensable part for the vitalization of an education in the 21st Century. In addition, both *Detailed Rules about the Implementation of Compulsory Education Law in People’s Republic of China*, and *Vocational Education Law in People’s Republic of China* recognize the importance of minban education.

In this period, the developmental focus of minban education shifted from remediation to academic qualification education, advanced vocational education and job training. In 1994, six minban colleges were qualified to confer diploma independently. In 1995, the number of minban higher education institutions increased to 1,219. In 1996, the enrollment of minban colleges and higher education institutions exceeded one million.^①

3. Normalization (1997 -- present)

While the legal status of minban education has been affirmed, minban education moved forward the construction of related laws and regulations, such as *Opinions of the State Education Commission about Strengthening and Improving the Work of Running a School by Corporations and Public Enterprises*, *Temporary Regulation for*

^① Department of Development and Planning, Ministry of Education & Shanghai Research Academy of Educational Studies (2003) *2002 Green book of China’s Minban Education*. P.8.

the Establishment of Minban Higher Education Institutions, Opinions and Concerns about the Funding Issue of Running a School by Social Forces, Notice from the General Office of the State Education Commission about the Issue of Raising Funds from the Society by Minban Schools, and etc. Before the State Council released *Regulations for Running a School by Social Forces*, various laws and regulations constructed policies only in principle, but did not touch on detailed issues. *Regulations* is China's first administrative statute for minban education. It prescribed the basic principles of minban education, the governance system, establishment of minban schools, teaching and management, property and finance management, change and termination of institutions, governmental guarantee and support, liabilities, and etc.

The release of *Regulations for Running a School by Social Forces* led to a significant development of minban education. In 1998, the release of *Notice about Strengthening the Management Work of Running a School by Social Forces* initiated more effort in conducting a comprehensive examination of schools run by social forces. On May 1, 1998, the permit system for School Establishment was put into use. In 1999, the State Council issued *Decision about Deepening the Education Reform and Fully Moving Forward Quality Education*. The twelfth clause of it stipulated, "In order to build the structure in which the government is the major provider of education, and public education will develop together with minban education, bold experiments should be allowed in accordance with the state law."

After the release of *Regulations for Running a School by Social Forces*, more than twenty provinces, municipalities and autonomous regions issued local statues for minban education, established initially the system of examination and approval of the establishment of minban schools, the permit system of running a minban school, and the finance audit system.

After Asian financial crisis in 1998, the domestic economy experienced significant changes. China passed through a shortage economy and entered into an oversupply economy except education. In this context, the government released a series of fiscal and financial policies to encourage consumption, haul up domestic needs, and

stimulate economic growth. Corporations were also looking for areas of high return for investment. Because higher education and quality elementary and secondary education are short of supply, many investors lay their hope on the education market. A group of minban schools were established under this situation. These minban schools are characterized with expected high economic return.^①

In 1999, the Third National Conference of Education proposed, “The mind should be further liberated, and opinions should be changed so as to actively encourage and support various schools run by social forces, to meet the people’s increasing demand for education. New educational structure should be built in which the government is the major provider, and public schools develop together with minban schools.” This proposal modified the previous argument that minban education occupies a supplementary position in the national education system.

After 1997, investing in education for economic return became rather obvious. The regulative principle about nonprofit nature of minban education was challenged by practice. In allusion to this situation, the National People’s Congress reinforced the legislative work for minban education. With a six-year drafting and preparation, the 31st session of the Standing Committee, National People’s Congress issued *Minban Education Promotion Law*. This is the first law for minban education in China. Sticking to the premise that minban education belongs to public enterprise, *Minban Education Promotion Law* points out in *Support and Award* clause that “Investors are allowed to attain reasonable economic return out of the balance, after the school has deducted cost of running the school, funds for future development and other necessary spending in accordance with relevant state regulations.” This law delegates the formulation of specific regulations to the State Council.

China-foreign cooperation in running schools is a part of minban education. After China joined WTO, China is obliged to fulfill her promise to open her domestic market to foreign countries, which includes its education market. On March 1, 2003, the State Council approved the release of *Interim Provisions for Chinese-Foreign*

^① Shao, Jinrong (2001) *Research on the Legislation of Minban Education in China*. Beijing: People’s Education Press. p.2.

Cooperation in Running Schools, which was officially put into use on September 1, 2003. The *Provisions* declares that with the exception of military education, political education, and compulsory education, the state encourages Chinese-foreign cooperation in running schools, especially encourages such a cooperation in the areas of higher education and vocational education, and encourages the cooperation between Chinese higher education institutions and prestigious foreign higher education institutions.

Independent college is a new form of minban higher education, emerging in early 1990s. It takes advantage of public higher education institutions in statuses, and employs market mechanism to mobilize resources. The government had not had a clear policy for the hybrid sector until 2003. In April 2003, the Ministry of Education issued *Opinions about Regulating and Strengthening Ordinary Higher Education Institutions with New Mechanism and Mode to Experiment on Establishing Independent colleges*. This document further clarifies the nature of independent colleges, pointing out seven criteria of independency: independent campus and basic school facilities, independent educational operation and administration, independent admission, independent diploma and certificates, independent accounting and audit, independent status of legal person, and independently bearing civil liabilities. In order to ensure schooling quality, the state has rather strict control over the examination and approval process for establishing independent colleges and its size of enrollment. “The enrollment of independent colleges should be planned by provincial government within the undergraduate enrollment plan for ordinary higher education institutions issued by the state. The admission standards of independent colleges should not be below the minimum undergraduate admission standards of their local areas.”

II The Type and Quantity of Minban Institutions

1. Form and Type of Minban Education

Minban education in China covers education of all types and all levels. In terms of

education level, it ranges from kindergarten, primary school, and high school to university. In terms of education type, it covers both general education and vocational education.

The ownerships of minban education are diverse. Its funding sources include corporations, public enterprises, and social organizations that use public non-fiscal funds, for example, corporations that use their own funds to run affiliated kindergartens and schools, and also corporations and individual citizens that use private funds. In aspect of school facilities, there are two types of schools with or without independent space and facilities. In terms of system of operation, minban schools can be grouped into five categories: ① owned by the state and run by social forces, in which the school property is owned by the state, but the school is run with the governance mode of minban schools; ② run by social forces and subsidized by the state, in which the major investor is non-state institutions or individuals, and during the process of school operation, the school is subsidized by the state in its use of land and public infrastructure; ③ “pure” minban schools, in which funds come from non state channels and the ownership is non state ; ④ minban schools, the property of which is shared by several stakeholders ; ⑤ Chinese-foreign joint schools.

Some schools are very complex in ownership. Guangzhou University is a typical example. It established Songtian College in cooperation with a non-state-owned corporation; Huaruan Software College with a foreign corporation; Sino-French Tourism College with a French university; Technical Institute of Trade for Scientific Technology with Guangzhou Science Association; Textile and Garment College with the Company of Guangzhou Textile; Technical College of Urban Construction with Guangzhou Construction Group; and Guangzhou College of Urban Planning with the Company of Guangzhou Urban Planning.^①

^① Zhang, Yaorong (2002) Characteristics of the Operational Mode of Guangdong Minban Higher Education Institutions and the Construction of Governance System, paper presented at Sino-American Minban Education Symposium in Shanghai between May 28-29, 2002.

2. Quantity, Size and Speed of Development

Table 2 exhibits the number of institutions and the size of enrollment for minban education between 1994-2002. In 2002, China has 61,136 minban educational institutions of all types and at all levels. Total 11,159,600 students are enrolled, of which there are 133 accredited higher education institutions enrolling 319,800 students. The rest includes 1,202 higher educational institutions with an enrollment of 1,403,500 students, 6,447 ordinary secondary schools and vocational secondary schools enrolling 3,529,600 students, 5,122 elementary schools enrolling 2,221,400 students, and 48,365 kindergartens enrolling 4,005,200 kids.

Table 2: Number and Enrollment of Minban Educational Institutions

Unit: Institution, student

Year	Kinder-garten	Elementary School	Secondary School		Higher Education ^①		Total
			Ordinary	Vocational	College, University	Institute	
1994	18284 1036234	1078* 203621	888 164711	392 82773	880		21522
1995	20780 1099866	1465* 284513	1202 271726	492 107811	1319		25258
1996	24466 1303902	5133 463200	1467 384539	568 129463	21 14000	1109 1083800	29084 3379500
1997	24643 1348830	3584 522284	1702 545526	689 183985	20 14000	1095 1190000	31733 3804625
1998	30824 1707810	4674 727645	2146 768605	899 245374			
1999	37000 2224000	5649 977000	2593 107200	950 273000	37 46000	1240 144200	45024 3730000
2000	44317 2842600	7052 1308100	3316 1495000	999 303400	37 72000	1282 981700	54292 7002800
2001	44526 3419300	6746 1818400	3764 2328700	1040 377300	89 151100	1202 1130400	56274 9225200
2002	48365 4005200	5122 2221400	5362 3059100	1085 470500	133 319800	1202 1403500	61136 11159600

^① Minban higher education institutions can be categorized into two groups. One of them can offer certificate independently, and the other one cannot offer independently. The students in last one group has to take tests designed by agencies beyond the institutions or take national test for self-study program.

Source: China Education and Research Network, www.edu.cn/20011105/3008194.shtml.
Department of Development and Planning, Ministry of Education, *Abstracts of 2002 Education Statistics*

Note: The upper number is for institutions, and the lower number is for students enrolled. * indicates that teaching spots are excluded.

Calculated 2001 statistics, the number of minban schools and the number of students account for about 2 percent of total schools and 2.12 percent of total students respectively (Please see Table 3).^①With elementary schools as an exception, the average school size of minban schools at all levels is lower than that of public schools at comparable level.^②

When Table 3 is examined vertically, it is obvious that the number of minban schools and the number of students enrolled all made great progress in the past years. Compared with 1996, the number of schools in 2002 increased 110 percent, and the number of student enrollment grew 230 percent. Overall, minban education experienced faster development than public education did. However, that does not hold true at higher education level. In 1999, the increase of enrollment occurred mainly within the public system, the comparative proportion of minban higher education decrease. Between 1996-2001, the size of public higher education grew 62 percent, while the increase of enrollment was only 16.7 percent at the minban higher education institutions.^③ During the transformation from elite higher education to mass higher education, public higher education has still been the leading force.

According to Table 3, so far as the number of minban schools and their size are concerned, in 1996, the proportions were 0.97 percent and 0.46 percent in respective, and they increased to 2.00 percent and 2.12 percent respectively in 2001. The proportions at the kindergarten level were 13.06 percent and 4.89 percent in 1996, and 39.86 percent and 16.91 percent in 2001. At the elementary school level, 0.79 percent

^① Refer to education above and including elementary, but excluding kindergartens.

^② Center for the Studies of Education Reform and Policy, Beijing Normal University (2000) *2000 Report on the Development of Education in China—The Transformation and Innovation of Education System*. Beijing: Beijing Normal University Press. p.87.

^③ Attained through calculations based on the series of *Yearbook of China's Education Statistics*.

and 0.34 percent in 1996, and 1.37 percent and 1.45 percent in 2001. At secondary school level, 1.83 percent and 0.67 percent in 1996, increased to 4.68 percent and 2.97 percent in 2001. For vocational secondary schools, 5.65 percent and 2.74 percent in 1996, increased to 13.33 percent and 8.09 percent in 2001. For higher education institutions that can confer diploma independently, 0.69 percent and 0.21 percent in 1996, increased to 4.45 percent and 1.19 percent in 2001.

Table 3: Proportion of Minban Educational Institutions and Their Enrollment of Nation-wide School Totals at Comparable Education Level

Unit: %

Year	Kindergarten	Elementary School	Secondary School		Higher Education Institution Conferring Diploma Independently	Total*
			Ordinary	Vocational		
1996	13.06	0.79	1.83	5.65	0.69	0.97
	4.89	0.34	0.67	2.74	0.21	0.49
1997	13.50	0.57	2.16	6.86	0.70	0.83
	5.35	0.37	0.91	3.59	0.27	0.60
1998	17.00	0.77	2.76	8.92	0.86	1.11
	7.11	0.52	1.22	4.53	0.36	0.82
1999	20.43	0.97	3.36	9.86	1.70	1.37
	9.56	0.72	1.58	5.12	0.56	1.12
2000	25.20	1.27	4.29	11.29	2.37	1.78
	12.67	1.01	2.03	6.03	0.75	1.46
2001	39.86	1.37	4.68	13.33	4.45	2.00
	16.91	1.45	2.97	8.09	1.19	2.12
2002	—	—	—	—	—	—
	19.67	1.83	3.68	3.69	2.11	3.08

Note: The results were calculated based on data in Yearbook of China's Education Statistics. The upper number is for the proportion of the number of institutions, and the lower number is for the proportion of student enrollment.

*Only education levels above and including elementary education were counted.

3. The Regional Distribution of Minban Education and Affecting Factors.

Table 4 demonstrates the size of minban education at all levels and in all

provinces. In order to analyze factors that affect the size, we collected data of education expenditure index, size of education index and other economic index from *Abstracts of 2002 Education Statistics* and *2001 Yearbook of China's Education Statistics*. In terms of theoretic hypotheses, the size of minban education increases along with the increase of the level of economic development at all provinces; it decreases along with the increase of investment in public education; it increases when the school-age population expands; and finally, it increases along with the increase of investment in minban education. These hypotheses were verified through step-wise multiple regression, with the size of minban education at various levels as dependent variable, and other factors as independent variables. The results of analysis are displayed in Table 5.

Table 4: The Size of Minban Education at All Levels and in All Provinces

Unit: 10,000 students

Province	Kindergarten	Elementary School	Ordinary Secondary School	Vocational Secondary School	Higher Education Institution			Total
					College & University	Other		
						Sub-Total	Diploma, Certificate & Test Institution	
Low income areas								
Guizhou	6.44	13.81	5.88	0.45	0.004	0.11		26.69
Gansu	3.80	0.40	1.33	0.08	0.06	1.06	0.13	6.67
Guangxi	11.81	13.58	13.53	2.34	0.22	0.09		41.35
Shaangxi	6.29	7.77	9.57	4.04	3.02	17.17	7.13	44.85
Jiangxi	17.46	3.27	12.32	3.27	1.00	6.69	1.88	43.01
Yunan	7.58	1.52	1.79	1.30	0.07	0.16	0.08	12.34
Sichuan	42.76	17.34	5.80	2.73	0.32	1.72	0.38	70.35
Ningxia	0.63	0.23	0.51	0.01	0.05			1.38
Anhui	9.82	9.81	16.19	3.27	1.05	0.50		39.60
Shanxi	5.77	5.68	15.04	0.56	0.08	2.09	0.34	29.14
Tibet	0.25	0.28	0.19					0.73

Xinghai	0.93	0.49	0.14			0.11		1.67
Lower level income areas								
Chongqing	13.30	6.65	4.31	1.74	0.11	2.05	0.02	28.05
Henan	12.95	14.83	22.85	2.49	1.27	8.73	1.22	61.85
Hunan	8.94	6.06	18.23	5.17	1.28	3.41	1.57	41.81
Neimeng	4.05	4.77	5.71	0.13	0.12	1.84	0.74	16.50
Jilin	8.31	1.28	3.93	0.25	0.36	1.23	0.34	15.01
Hainan	4.26	4.69	2.18	0.19	0.03	0.05		11.37
Upper level income areas								
Hubei	8.62	6.32	5.20	0.26	3.40	0.49		20.89
Xinjiang	2.70	1.84	1.82	0.05				6.41
Hebei	4.69	15.77	30.03	1.91	0.25	7.54	1.78	59.94
Helongjiang	8.22	1.81	9.44	0.10	0.47	2.46	0.28	22.03
Shandong	13.95	7.11	30.81	2.14	2.65	7.33	2.62	61.33
High income areas								
Liaoning	15.90	1.18	6.60	1.65	0.88	2.86	1.00	28.18
Fujian	14.18	3.66	5.82	1.13	1.17	0.55	0.55	25.33
Jiangsu	24.73	5.89	22.47	0.33	3.59	2.96	0.76	56.38
Guangdong	65.08	49.45	14.62	2.92	2.51	3.38	1.29	135.45
Zhejiang	70.04	10.43	21.58	7.30	3.82	2.48	1.95	111.83
Tianjin	1.76	0.30	2.70	0.74	0.18	2.58	0.04	8.08
Beijing	2.35	0.43	2.81	0.37	1.36	26.71	4.19	32.68
Shanghai	2.96	5.47	12.50	0.14	2.67	34.00	2.83	55.07
Total	400.52	222.14	305.91	47.05	31.98	140.35	31.12	1115.9

Source: Department of Development and Planning, Ministry of Education, *Abstracts of 2002 Education Statistics*.

Note: The grouping of provinces with different levels of economic development adopted the classification in Deng, Ya's Ph.D. dissertation (Graduate School of Education, Peking University), *Regional economy development disparity and the localization of cost recovery in higher education* (2003), which grouped all provinces based on their 2000 economic development level.

Table 5: Analysis of Multiple Regressions on Factors That Affect the Size of Minban

Education

Dependent variable: size of minban education at various levels	GDP per capita (yuan ^① /capita)	Number of school age population (person)	Fiscal educational expenditure per student (10,000yuan/person)	Funding from social sectors and individuals (10,000yuan)	R-Square	F-test
Kindergarten		1.303E-05 (3.359)		2.676E-04 (4.801)	0.760	44.429 (0.000)
Elementary School		1.851E-06 (4.766)		1.165E-04 (3.866)	0.653	29.217 (0.000)
Secondary School		3.229E-06 (6.842)		8.315E-05 (2.955)	0.752	42.516 (0.000)
Higher Education	8.986E-04 (6.443)				0.589	41.508 (0.000)
Elementary to Higher Education		2.514E-06 (6.349)	47.511 (3.470)	2.046E-04 (3.940)	0.803	36.765 (0.000)
Kindergarten to Higher Education		2.284E-06 (6.100)		6.088E-04 (10.598)	0.898	123.686 (0.000)

Note: The upper number is the coefficient of regression, and the lower number is T value or significant level of statistical test.

According to the results in Table 5, the size of minban education at various levels was affected by different factors to different degrees. For the size of kindergarten education, the number of school-age children, and funding from social sectors and individuals have significant impact, while GDP per capita and the fiscal education appropriation per student do not. It is same to the sizes of both minban elementary and secondary education. For the size of minban higher education, only GDP per capita is a significant factor, which means that the size of minban higher education is significantly affected by economic development, but is not significantly associated with other factors. The overall size of minban education above and including

^① Yuan is Chinese currency. According to the exchange rate in January 2004, 1 Chinese Yuan Renminbi (CNY) = 0.12067 US Dollar (USD) or 1 US Dollar = 8.28690 Chinese Yuan Renminbi.

elementary education is significantly affected by three factors: the number of school-age population, fiscal education expenditure per student, operational funding from social sectors and individuals. With kindergarten added, the overall size is significantly affected by the number of school-age population, and operational funding from social sectors and individuals.

In conclusion, the statistical analysis shows that taking provinces and municipalities as unit of analysis, the level of economic development and public education expenditure are not major factors that affect the size of minban education, with higher education as an exception, while the number of school-age population and minban education investment are significantly associated with the size of minban education.

Based on the above analysis, we added the rate of illiteracy as a cultural factor, and provincial regulations and offices concerning minban education as policy variables. The hypotheses are that both cultural factor and policy factors affect the size of minban education; if public education appropriation remains constant, the lower the illiteracy rate of a province is, the larger the size of minban education will be; provinces with minban education regulations and administrative offices are more likely have larger minban education enrollments. However, the analysis does not support these hypotheses completely. Only the variable of minban education regulations has significant impact on the overall size of minban education ranging from elementary education to higher education. None of the other factor have significant impact.^①

^① The results of calculation are not included here. Several reasons may explain these statistic results. First, with province as the unit of analysis, it is hard to capture the unequal development of minban education within the province. If the unit of analysis is set at lower levels, the impact of factors, such as economy, public education expenditure and culture may be verified. Second, due to the diverse characteristics of minban education that has unequal fee standards and quality of education, it is easy to lose useful information by making undifferentiated and aggregative analysis. Third, the recruitment of some schools is not affected by their location, because the students come from all over the country. Therefore how to measure the size of minban education may affect the analysis. Fourth, more meticulous measures should be adopted on policy factors. For example subjective opinion on local policies of people working in minban education institutions might be a better proxy variable.

III Governing System of Minban Education

1. Administrative and Governing System of Minban Education.

We can understand minban education well only when it is put in the context of the national education system. According to the fourth clause of *Education Law*, “The State Council and all local governments should lead and manage education following a hierarchy of governance and appropriate division of tasks. Secondary education and those below should be governed by local governments under the leadership of the State Council. Higher education should be governed by the State Council, the provincial governments, municipalities and autonomous regions.” At present, the governing responsibilities of fundamental education lie on the governments at county level, the examination and approval authority of specialized colleges is that of the provincial governments, and the examination and approval authority of undergraduate institutions is that of the Ministry of Education. Therefore, except a few higher education institutions that should be examined and approved by the Ministry of Education, the majority minban schools are in the charge of provincial governments. The governance of minban education is characterized with decentralization, which, together with the unequal development of economy, culture and education at different areas, contributes to the uneven development of minban education across provinces.

Along with the development of minban education, governments at all levels have gradually built their administrative and governing system for this type of education. At the state level, the Department of Development and Planning at the Ministry of Education takes charge of planning for minban education, which includes examining and approving minban undergraduate institutions. The Department for the Policy and Regulation at the Ministry of Education is in charge of drafting statutes and regulations on minban education. Other departments (the Department of Higher Education, the Department of Vocational Education etc.) at the Ministry of Education also provide policy guidance in specific categories related to the function of these departments. At the provincial level, some provinces set up a special administrative

office for minban education, executing unified governance over minban institutions. In some other provinces, the governance of minban institutions is affiliated to a particular operational office, such as the office of development and planning, the office of vocational education and adult education, or the office of policy and regulation. At county level, there are also corresponding offices in charge of the of minban schools.

In sum, central, provincial and local governments have the authority to oversee the minban schools. There do not exist self-governing bodies for minban education.

2. Taxation System of Minban Schools^①

According to the prescription of *Rules for the Governance of Non-Corporation and Non-State Units*, minban institutions are non-corporation and non-state units that should register for taxation, and pay tax in compliance with law. According to related tax law, the tax paying subjects of minban schools can be put into two categories, the juridical person of schools offering for-diploma education, and the juridical person of schools offering non-diploma education or training. The state adopts different taxation policy toward different categories of educational institutions.

In China, the government levies tax mainly on the following behaviors: first, property tax on property and behaviors related to property; second, taxable services and value added tax on value added due to the circulation of commodity; third, income tax on the income of corporations and individuals.

From the perspective of tax paying behavior, and for the juridical person participating in qualification education, according to tax law, property used on teaching, learning and research, and income of educational services are applicable to tax exemption articles; property used on non-teaching, non-learning, non-research related activities and income attained from non-educational services should be levied property tax, value added tax, and income tax in accordance with law. The juridical

^① Lao, Kaisheng (2003) Explore for a New System for Governing Education in accordance to Law and Macro Control Education through Policy Making, in *From a Country with Large Population to a Country with Large Human Capital*. Beijing: Higher Education Press. pp.343-68.

person participating in non-qualification education should pay sales tax and corporation income tax abiding by law. In aspect of property tax, the tax deduction should be determined by local bureau revenue service.

Sales tax. Educational services provided by ordinary schools and various schools established with permit issued by the governments at county and municipal level and above or the administrative education departments at the same level, and with authority granted by the state to confer diploma, are qualified for tax exemption. Schools offering non-academic qualification education should pay sales tax abiding by law.

According to documents provided by the Education Office under the supervision of the Committee on Education, Science, Culture and Sanitation of the National People's Congress, among thirteen types of taxes related to educational institutions, only sales tax differentiates the educational institutions into clear categories of academic and non-academic, and other taxes are more general and vague, having no specific prescription for minban education. Because different areas execute law to different extents, disparity exists in terms of how much minban educational institutions actually enjoy preferential tax policy.^①

IV Operational Resources and Economic Analysis of Minban Institutions

The operational resources of minban schools include monetary resources and non-monetary resources. The first category includes tuition and fees paid by students, philanthropic donation, bank loan, corporation and individual investment, and etc. The second category includes preferential policies of government for running a school, such as policy for purchasing the land, accompanying fee policy for infrastructure, policy for donation, tax policy, and etc. For instance, the government of Zhejiang

^① The Education Office. the Committee on Education, Science, Culture and Sanitation of the National People's Congress. *Referential Documents on Legislation for Minban Education*, volume 4, "Relevant Prescription in Current Tax Law about Offering Preferential Taxation to Minban Education" (internal document).

Province stipulates, “If a corporation runs a school in the local area with incomes after tax, the income tax collected on its capital for investment will be refunded by the government; With regards to using land, minban schools enjoy the same preferential policies as public schools.”^①The government of Changxing County in Zhejiang Province issued educational voucher which students at minban schools can obtain to pay their tuition.

The sources of funding for running a school vary greatly in minban schools. Main channels are listed below^②:

1. Tuition, School Fees and Boarding Fees

Tuition and school fees are the major sources of incomes for most of minban schools. Minban schools usually collect tuition from the students by semester or by year. If students are willing to pay several years’ tuition and school fees at the outset, they can enjoy certain discount. The standards of tuition and schools fees vary from area to area, and from school to school. The management of tuition and schools fees also varies from place to place. In some places, education department or the other relevant department are authorized to verify and approve the standards for tuition and schools fees, while in some other places, the standards are decided by the schools, and only reported to a department for recording.

As for boarding schools, which are popular in minban schools, the students will be charged for boarding and lodging.

The majority minban schools have adopted policy of full cost recovery, and students usually pay more than the real education cost. The surplus constitutes the value to school and founders.

2. Sponsoring Fee

^① Lu, Songting (1999) ed. *Exploration with Zhejiang Minban Education*. Hangzhou: Zhejiang People’s Press. p.5.

^② Center for the Studies of Education Reform and Policy, Beijing Normal University (2000) *2000 Report on the Development of Education in China—The Transformation and Innovation of Education System*. Beijing: Beijing Normal University Press. p.85.

Some new minban schools depend largely on the students and their parents for the construction expenditure. Schools collect amounts of fund from students and their parents in the name of sponsor fee or school construction fee. This usually happens at schools with many applicants.

3. Education Reserve Fund

In some places, minban schools are allowed to collect education reserve fund. When students enter the school, they pay the school just for once a large amount of fee, ranging from tens of thousand yuan to hundreds of thousand yuan. The school makes investment with the money or save it in a bank for interest. The school manager use return from investment or saving to run the school. When students graduate or transfer, the principal will be refunded to the students.

When the savings' interest was high in 1980s or early of 1990s, this system works well for the school to raise large amount of funds in a short period of time. If school enrollment keeps rising, there is no problem of cash flow. Because the interests of bank savings kept going down in 1990s, reserve fund system did not work well and can even lead minban schools to bankruptcy.

Because education reserve fund is a risky operation, some local governments have issued regulations to prohibit schools from collecting education reserve fund (Please see Box 3), but in some places, education reserve fund system is still financial strategy in use. During our investigation, a principal told us that if the reserve fund account for more than 30 percent of school revenue, the school operation is at risk.

4. Bank Loan and School Construction in Debt to the Construction Team

It is common that minban schools borrow loan from bank or ask the construction team to complete the school construction before getting payment. Some local banks, such as that in Shaanxi, are entrusted to handle students' tuition and fees, which the banks take as a school impawn and give loans to the schools for construction.

Box 3: Education Reserve Fund

Guangdong Yinghao School is the first minban school that adopted education reserve fund in China. The amount of reserve fund from each student is \$3614.46. With this system, the school raised a large volume of funds in a short period of time, and met the school need for fund at the early time of the school's establishment. However, the principal said, " Education reserve fund is a sword with double edges. It can make you to build a magnificent school in a day, but it can also close down the school in a day. The risk is very high." Because the local people cannot reach a consensus, Guangdong government stipulated that education reserve fund would be terminated from February 1, 1999. Relying on a public company it acquired, Yinghao School refunded \$36144578.31 to parents within three months, and successfully completed the transformation. In contrast, many minban schools in Guangdong were stuck because they were unable to collect money for refunding.

-----Quoted from Xie, Ximei's The foundation stone for schools depending on education reserve fund to advance to success: System transformation, system innovation and scientific management.

5. Raising Funds from the Society

Some schools also learn from the share system of corporations and raise funds from shareholders. They return part of operational surplus to the shareholders as dividends. For instance, Hualian Private Academy in Guangdong Province adopted the education share system. Dividends are distributed once a year. Dividends are three times of the bank interest rate. That attracts quite a few people to invest to the school.

Minban schools' ordinary expenses include teachers' salary and their social security, teaching expenses, purchase of educational equipments, school construction, student board and lodge, and etc. The expenditure items are similar to that of public schools, while the expenditure structures are different. For example, minban schools do not necessarily provide much welfare to faculty members, such as housing, and schooling for their children. Different from public schools, minban schools in some

areas have to pay circulation tax. Independent colleges have to give certain proportion of tuition to public universities with which they are affiliated. In some schools that adopted share system, they have to give stakeholders dividends.

In Box 4, we made crude analysis on the asset and financial situation of a minban school. Its situation may be representative of minban schools. A conclusion can be drawn out of this case, namely, tuition and school fees paid by students are the major source of school's asset accumulation, and the scale matters significantly for economic situation.

Box 4: Asset and Financial Analysis of A Minban School

This minban school adopts a share system. The school asset is described as follows: in monetary term, the school has capital assets \$6542168.67, of which state assets is \$1927710.84, fund raised from the stakeholders is \$969879.52, debt to construction team is \$481927.71, and bank loan is \$481927.71. In terms of fixed assets, constructions are valued for \$4819277 (\$96.39 per square meter, 50,000 square meters in total), land is valued for \$1060240.96 (\$6024.1 per Chinese acre^①, 176 Chinese acres in total), and the rest is \$759036.14 for equipment and facilities.

We can make an appraisal on the situation of school revenue and disbursal. With regard to revenue, the school has a current enrollment of 2000 students. The average tuition per year per student is \$240.96, so total tuition income per year is \$481927.71. The lodging fee per student per year is \$48.19, which means total lodging revenue in a year is \$96385.54. In sum, the accumulated annual income is \$578313.25 in total. As for disbursal, the average salary per month for teachers is \$144.58 (Teachers' salary is composed of basic salary, teaching subsidy, position subsidy, performance salary and special allowance. Non-teaching staff receives several hundred yuan each month.). The spending on salary is \$20481.93 per month and \$240963.86 per year. Regular spending on business is about \$120481.93 a year. The dividends to shareholders are \$96385.54 per year (at a return rate of 10 percent). Counting zero

^① One Chinese acre is about 667 square meters.

surplus for students living balance, the living expenditure is equal to the living income, i.e., \$96385.54. Thus, the school expenditure is about \$457831.33. Adding a payment of \$36144.58 for the bank loan interest, the total school expenditure is \$493975.9. The balance of a year is about \$84337.35. The school has deducted \$481927.71 from total \$963855.42 to the construction team. It still owed the company \$481927.71. Now the school has a debt of \$2891566.27, of which debt owed to the government is \$1927710.84, debt to the construction team is \$481927.71, and debt to the bank is \$481927.71. Following this analysis, it will take 30 years to clean its debt. However, if the enrollment can be expanded to 3000 students, the school will have a balance of about \$240963.86 per year. It will take 10 years to pay off the debt.

-----Quoted from Yan, Fengqiao's school investigation report, September 26, 2002.

In summary, after more than twenty years' development, China's minban education experienced significant changes in aspects of school number, enrollment, and curricula. But it is also faced with some problems that need effective solutions.

◆ Section II Demand and Supply Analysis of Development of Chinese Minban Education

The development of Chinese minban education is deeply embodied in the context of social changes. The analysis of minban schooling in China must begin with its social, political, economic and cultural settings. The following section will analyze minban education from demand and supply perspective.

I The Diversified Educational Demand and Development of Minban Education

Since the Third Session of the 11th Central Committee of the Chinese Communist Party in 1978, Chinese government has initiated comprehensive reforms on its economy, political structure and education system. During the transition period from the central planned economy to a market economy, the distributive pattern of national wealth has been changed. Individuals get more economic power than before. The living standards of citizens improve significantly. The social and individual demands for education are rising after the food and housing problems have been solved. Such increasing demands are the direct impetus for booming of minban education.

1. Change of Economic Structure and Diversified Educational Demand

The diversification of economic ownership is one of the indicators of the transition. The dominating public ownership is replaced by multiple ownerships. Private ownership, joint-venture and foreign investment develop remarkably. In the past decades, the number of private enterprises, the amount of labor force employed by private sector, and the share of private ownership relative to national economy improve moderately. For instance, the output of private sector accounted for 50 percent of China's GDP in 2002. Both the absolute number of employees in private

enterprises and its share relative to total number of employees jump to new levels. Chinese private sector (including township-owned enterprises) employs around 200 million workers in 2002^①.

The changes in socioeconomic structure generate new demand for education and create the environment for the development of minban education. First, the new economic components in the national economy are starving for a lot of labor forces with diverse skills, but public education cannot satisfy such demand. Such gap creates an opportunity for rising of the minban education that is market-orientated. Second, individuals from different social and economic backgrounds have differentiated taste of education, and some of them cannot be satisfied by public education system. The development of minban education fits the market niche timely. Our survey shows that students in expensive minban schools are more likely to come from rich families. For instance, the principal at a minban school in Shandong Province claimed that the majority of student's parents are running their own business. There are a couple of reasons for special family background in minban schools. First, the private business owners and employees have higher income, and they are able to pay expensive minban schooling for their kids. Second, children of immigrants are not qualified to attend residential public schools because of the regulation on residence registration, and parents have to send their kids to minban schools that do not have discriminating admission policy. Third, minban boarding schools satisfy special needs of single-parent family or frequent business trip family. Fourth, some parents acknowledge minban schools' philosophy and style based on their children's academic achievements and habits.

The economic reform accompanies the transition from agricultural to industrialized economy. According to National Bureau of Statistics, the shares of first, second and third industries in GDP were 17.7 percent, 49.3 percent and 33.0 percent in year 1999, respectively. In the process of industrialization, the supply of rural labor exceeds the demand of agricultural sector, and part of the rural population transfer to

^① *China Daily*, March 19th 2003.

urban areas. According to the survey, immigrants' children have to pay higher tuition rate (double the regular price) if they choose local public schools. In addition, they have to purchase school uniforms and participate in chargeable extracurricular programs. Some rural immigrant families cannot afford such expenditures and are daunted from public schools. Such population becomes the target clientele of poor minban schools for immigrants' children^①. According to a survey, there are around 66,392 students of this kind in Beijing. The poor minban schools cater to such special demands, but some schools cannot reach the lowest standards and operate illegally^②.

2. The Change in Distribution of Nation Wealth and Effective Educational Demand

The distribution of social wealth changes substantially during the reform period. The proportion of government fiscal revenue and expenditure relative to GDP has been declining from early 1980s to mid of 1990s while the share of individual income is escalating overtime. Table 6 presents the total urban and rural residents' saving from 1978 to 2000. In 2002, total individual saving achieved \$10542168674698.8. The effective demand for education increases as individual's income and saving rise. However the wealth is not equally distributed among households and individuals, and the wealth gap between social groups is substantial. The distribution of social wealth has great impact on supply of minban education.

^① See Xie ximei (2003), unpublished case study on Migrant children school in Xiamen city.

^② See Han jailing (2003), unpublished case study on schooling of marginalized community in Beijing.

Table 6: Total Saving of Urban and Rural Residents 1978-2000

(Unit: \$10 million)

1978	1980	1985	1986	1987	1988
3.06	5.73	23.55	32.48	3702.77	4580.12
1989	1990	1991	1992	1993	1994
6201.08	8474.94	10972.29	13910.12	17786.01	25926.27
1995	1996	1997	1998	1999	2000
35737.65	46410.65	55758.80	64346.35	71833.49	77508.92

Source: National Bureau of Statistics, China Statistics Yearbook, 1978-2000.

The consumption structure changes enormously. The food consumption is decreasing while the demand for education, culture and entertainment booms. According to National Bureau of Statistics, the net rural family income per capita increased from \$232 in 1996 to \$282 in 2000. The Engle coefficient of food consumption decreased from 56.3 percent to 49.1 percent during the same period. While in urban area the disposable income per capita increased from \$583 to \$757 in the same period, and the Engle coefficient dropped from 48.6 percent to 39.2 percent^①. From table 7 it is clear that the consumption structure is changing significantly in both urban and rural areas: the share of expenditure on food and clothes drops while the expenditure for culture service, education, entertainment, communication, transportation and medical care increases noticeably. For urban residents the proportion of consumption for entertainment, education and culture service raised from 8.84 percent in 1995 to 10.05 percent in 1999 (1.21 percent increase). As for rural residents the same figure increased 2.86 percent, from 7.81 percent in 1995 to 10.67 percent in 1999.

^① See National Bureau of Statistics (2002) China Statistics Yearbook 2002.

Table 7: Consumption per Capita: Rural and Urban Region

(Unit:\$, %)

	Urban Residents		Rural Residents	
	1995	1999	1995	1999
Total	426.21 (100)	556.13 (100)	157.87 (100)	190.05 (100)
Food	212.77 (49.92)	356.53 (52.44)	92.55 (58.62)	99.88 (52.56)
Clothes	57.73 (13.55)	58.12 (8.55)	10.82 (6.85)	11.09 (5.83)
Home Consumption and Service	35.78 (8.39)	47.65 (7.01)	8.25 (5.23)	9.91 (5.22)
Medical Care	13.27 (3.11)	29.59 (4.35)	5.12 (3.24)	8.44 (4.44)
Communication and Transportation	20.60 (4.83)	37.42 (5.50)	4.07 (2.58)	8.28 (4.36)
Entertainment, Education and Culture Service	37.68 (8.84)	68.32 (10.05)	12.34 (7.81)	20.28 (10.67)
Housing	30.14 (7.07)	54.7 (8.05)	21.95 (13.91)	28.03 (14.75)
Others	18.24 (4.28)	27.57 (4.05)	2.78 (1.76)	4.14 (2.18)

Source: National Bureau of Statistics, *China Statistics Yearbook*, 1995 and 1999.

Note: Percentage in parentheses

The changes in domestic saving and consumption structure reflect the variations in people's willingness and ability to spend on education. Some urban parents are not satisfied with the existing programs in public schools and hope the schools can provide programs such as English, art, and physical education after school, because they have high expectation for their kids. The minban kindergartens or schools attract many students because they offer such curricula. Some affluent rural peasants also send their children to urban minban schools because the urban minban schools have better educational facility and higher graduation rate than rural public schools (they face institutional barriers to attend urban public schools under the current

neighborhood schooling system).

In sum, several forces mentioned above lay out the economic foundations for the survival and development of minban educational institutions which rely on tuition as major income: the wealth distribution structure which favors high household saving, the implementation of family planning policy, and the social tradition which highly values the importance of education.

3. Increasing Private Return to Education with Marketization of Economy

Empirical study shows that schooling has positive impact on individual's employment, income and social status, and the private return to education constantly increases. A recent report by the Institute of Economics of Education, Peking University indicates that the influence of education on personal income is escalating overtime (See Box 5). Separate research on private rate of return to education in China's urban areas also approves the finding. The effect of education on income increases with the deepening of Chinese domestic market. In 1991, the Mincerian rate of return to education is 2.95 percent while in 1995 it increases to 4.66 percent. It achieves 8.53 percent in 2000^①. Some survey show employers require higher educational credentials than before, and diploma plays a significant role in job market. Therefore, parents try their best to get good education for their children. One survey indicates the 70 percent of rural parents expect their kids to receive college education, while similar proportion of urban parents wish their kids to achieve master or higher degrees^①.

^① See Chen xiaoyu, Chen liangkun & Xia Chen (2003) Implication of Changes in Rate of Return to Education in China in 1990s. Data for international comparison are subtracted from Psacharopoulos, G. and Patrinos, H.A. (2003) Returns to Investment in Education: A Further Update, World Bank Policy Research Working Paper No. 2881, World Bank, September, 2002.

^① See Qu Yandong (2002) Overview and Trends of Chinese Minban Education, paper presented at Sino-American Minban Education Symposium in Shanghai between May 28-29, 2002.

Box 5: Private Rate of Return to Education in China's Rural Areas

The Institute of Economics of Education, Peking University, launched a study on private rate of return to education among 6,000 rural residents in Beijing, Zhejiang, Guangdong, Liaoning, Hubei, Sichuan, Gansu and other provinces. The major findings from this study include:

1. Education has positive marginal impact on personal income. For every additional year of education, the annual income increases by \$21.7. The effect of education on income exceeds the influence of working experience on income.
2. The Mincerian rate of return to education is 5.13 percent. It means that for every additional year of education, the income increases by 5.13 percent. The Mincerian rate of return to education in rural China seems to increase with the overall level of economic development.

Sources: The Institute of Economics of Education, Peking University. Sponsored by World Bank and British Government grant for "Basic Education Development in Western China" project, the data is subtracted from "Report on Economic and Fiscal Analysis", Dec 2002.

In brief, the socioeconomic structure changes substantially during the economic reforms. New social stratification, diversified individual and social demand for education and increasing ability to pay for education lead to the emergence of minban education, given the limited supply of public education which cannot satisfy the diversified demands^②.

II Insufficient Public Education Resources and Development of Minban Education

1. Relative Insufficiency of Public Education Resources

^② See Li Qiang (2000) *Social Stratification and Income Inequality*, Xiamen: Lujiang Press.

The current condition of Chinese education is vividly described as “a poor country with grand education system”. The fiscal educational expenditure from government accounts for 1.5 percent of global public education expenditure, while schooling population amounts to 25 percent of total schooling population in the world^②. Deflated by price index, the net public education resources are so small comparing to its population, and the huge gap between demand and supply generates many educational problems. Therefore, it is necessary to mobilize social resources for education and to develop minban education system that depends on non-governmental funding.

Chinese total public education expenditure relative to GDP is far behind other countries with similar economic development level. For instance, table 8 shows the value of this indicator from 1991 to 2001. In 2001, the indicator achieved the historical high level, 3.19 percent. But it is far lower than the targeted level — 4 percent by 2000. Social and private educational funds are critical supports for educational system, and minban education is a special channel to mobile private resources for schooling.

Table 8: Education Expenditure Relative to GDP(1991-2000)

(Unit: %)

1991	1993	1995	1996	1997	1998	1999	2000	2001
2.85	2.51	2.46	2.50	2.55	2.64	2.83	2.90	3.19

Source: National Statistics Bureau, *China Statistics Yearbook*, 1991-2001

Educational expenditure per capita shows shortage pattern too. In many rural areas, fiscal appropriation for education from the township government cannot meet the teacher salary, and there are not extra funds for operational expenditures. The shortage has serious negative impact on operation of schools. In cities, the unequal distribution of educational resources enlarges the gap among schools. Some parents

^② See Hao Keming and Tan Songhua (1997.) *Chinese Education Towards 21st Century*, p 310, Guiyang: Guizhou Press.

would not send their kids to neighbor schools with inferior quality and would choose and pay schools with superior quality. Insufficient quality education resource contributes to the imbalance between supply and demand of quality education.

2. Social Funds as Alternative Source of Educational Revenue

The authorization of “Compulsory Education Act” in 1986 mandated a nine-year compulsory education. However, the government has limited fiscal power to support compulsory education, and schools have to get non-government funding to supplement their operational expenditures. For compulsory education, government appropriation is the major revenue source for compulsory education, while the social donations and fees are complementary in nature. For post compulsory education, schools have to collect substantial amount of their revenue from other channels. For minban schools, almost no schools obtain government appropriation, and all the recurrent expenditures have to be collected through tuition and fees. In table 9, it is clear that the share of non-government appropriation increases overtime. In 2001, the government appropriation amounts to 65.9 percent of total educational expenditures, revenue from tuition and fees and other services accounts for another 16.1 percent. Non-government organization and individual donations equals to 2.8 percent. The general trend shows that the share of state appropriation decreases overtime, while the revenue from tuition and service increase gradually. Although the proportion of revenue from NGOs and individual’s donation is not large in absolute value, but its share rises. The community contribution drops as a direct consequence of national fiscal reform and tax reform that targets on the reduction of peasants’ economic burden.

Table 9. Changes in National Educational Revenue by Sources

(Unit: %)

Year	Total (hundred million \$)	As percentage of total revenue					
		Total	Fiscal Appropriation	Sales and Service Income	Social Force or Individual Investment	Non-government Organization and Individual Donations	Others
1994	179.4	100	78.9	9.9	0.7	6.6	4.0
1996	272.6	100	73.9	11.5	1.2	8.3	5.1
1997	305.0	100	73.6	12.9	1.2	6.7	5.6
1998	355.3	100	69.0	12.5	1.6	4.8	12.1
1999	403.5	100	68.9	20.7	1.6	4.8	4.0
2000	463.7	100	66.5	15.5	2.2	3.0	12.8
2001	558.8	100	65.9	16.1	2.8	2.4	12.8

Source: Ministry of Education, *China Educational Expenditure Statistics Yearbook*, 1994-2001

In order to reduce the economic burden of peasants, the central government initiated a pilot reform on tax in Anhui Province in 2000, and the experiment extended to other 21 provinces in 2002^①. The government cancels the educational surcharge and school construction aid from peasants, which makes it top agenda for local government to compensate the shortage of educational expense through intergovernmental transfer. However, the central government has only limited fiscal ability to make transfer. Therefore, promoting the development of minban education through market is a feasible option for government. The challenge of this approach is that affluent regions have better conditions for the development for both public and minban education, but in poor regions neither public nor minban schools have sufficient resources to provide quality education. So the issue is how to transfer the educational resources from wealth regions to deprived areas.

3. Education System Reform and Development Space for Minban Education

^① Wei Qinge (2002). *Rural Tax Reform and Formation of Insurance Mechanism of Rural Compulsory Education Investment*, Unpublished master thesis, Peking University.

China initiated its systematic education reform since mid 1980s. The general principle is to change the educational system that is produced under the planned economy to a new system that is compatible to the market economy, to extend the function of local government in development of education, to enlarge the school autonomy, and to encourage the social force to invest in minban education. To implement such principles, National People's Congress, CPC Central Committee, State Council, and Ministry of Education implement a series of educational acts, regulation and policies. Some of them directly link with the diversification of funding, governance of school system and development of minban education. The legal and policy environment becomes more amicable to the development of minban institutions, and the social confidence on minban schools rises as well. Some local governments even support minban schools in indirect way, such as preferential price for campus land and exemption of certain fees for new construction.

4. Education Market and Enthusiasm for Private Investment in Education

Under the direction of “invisible hand”, demand will generate its own supply. The demand and supply for education creates a market which is characterized as a typical “excess demand market”. Minban education is a response to such social demand. While there are various types of minban institutions tailoring to different income levels and corresponding educational requirement, the quality of education and facility conditions are varying significantly across minban institutions. There exist high tuition “elite schools” and low cost “schools of the poor”. The effective demand changes, so does the response of minban schools. In early 1980s when minban schools emerged, most people don't have much money to pay for education, and majority of minban schools were running with poor facilities. Minban institutions often rented empty classrooms from public schools and hired retired teacher from public schools. In the late 1990s, profitable education market attracts many entrepreneurs, and some of them become owners or stakeholders of minban schools. The involvement of enterprises in minban education leads to schools with beautiful campuses, comfortable studying and living conditions and high tuition and fees. Box

6 provides a typical example of this kind.

Box 6: Enterprise's Investment in Education

X school located in Shandong Province was established in 1997 as a property of a real estate company. It is a boarding school that accommodates students from preschool till high school level. More than 4,000 students are enrolled in the school. The driving force of establishment of the school is economic return, and the purpose of building the school is to connect minban education with the revitalizing of real estate market. The CEO of the enterprise named it as “education plus real estate” strategy. The firm promotes the value of local property through the development of the school.

The company adopted special tuition scheme that collected school reserve funds amounted to thousands of dollars from parents as seed fund, and invested them into stock market or saved in banks for bonus and interests. The profit in stock market or bank interest can be used for campus construction and recurrent expenditure. The reserve fund is supposed to return to parents after their students complete their education.

The firm's investment in school facility upgrades the hardware of school. All school buildings—classroom, teachers' office and student apartments—are equipped with central air conditioner, and there are music and art museum, science lab, library, high standard gym, and digital piano classroom. The whole school is equipped with satellite educational information net and LAN, a school TV station, a broadcasting station and other facilities.

The school charge high tuition and living fees. The tuition for kindergarten is \$1,542 per year, for elementary school is \$2,024, for secondary school is about \$2,146 and for high school is \$2,265 per year. In order to attract high performance students, the school offers tuition and fee waver for small number of high ability students. The

firm controls the fiscal condition of the school including the tuition and reserve funds, and then redistributes the money to school.

Source: Yan Fengqiao, unpublished case study, Aug 28, 2002.

In economic terms, excess demand and diversified demand are two direct reasons for the development of minban education in China. The excess demand refers to the individual education demand exceeds the supply of public education. The diversified demand means that individual's educational demand cannot be satisfied by the current public schools. Excess demand exists in higher education sector which indicates minban tertiary education will provide "more" educational opportunity, while the diversified demand appears mainly in the K12 education sector which shows that minban elementary or secondary schools will offer "better" and "different" education chances. The demand for education opportunity increases with the rising of living standards, in the mean time the shortage of public educational funds cannot be resolved in short run. Therefore, the minban education is necessity of Chinese education.

◆ **Section III Empirical Analysis of Minban Institutions^①**

This section will provide description of characteristics of case schools according to different categories. It will be descriptive in nature without much evaluation and critiques. In the rest of the report and an edited book in Chinese, the authors provide theoretical analysis based on these cases.

I Minban Elementary and Secondary Schools

All 37 primary and secondary schools share some common characteristics:

(1) Time of establishment. Only two of the 37 schools were established in 1980s, and the rest started in 1990s. This is comparable to the national trend.

(2) Ownership. Although those schools are all non-public schools, they have considerably different ownership and governance structures. There are seven types of ownership (ranked by the frequency from highest to lowest): individual initiated and owned school, enterprise-owned school, public school with private management or with private support, minban school created by public school, converted school (school transformed from public to minban), educational group (a group of many minban institutions), stakeholder-owned school, and joint-venture minban school. Among those types, public school with private management or with private support, minban school created by public school, and converted school are of mixed ownership. Ten of 37 schools are mixed ownership schools, and the mixed ownership schools become most popular in our investigation.

(3) Scale of assets. According to the estimation of interviewed schools, the investments to schools vary from \$0.18 million to \$78.31 million. Some of the schools have large debt or liability (bank loan or payment for construction companies). No matter how much is initial investment, most schools bear moderate fiscal pressure (collect investment or pay debt). This is a natural outcome of the mechanism of

^① This section refers to unpublished case studies in many occasions and we refer to them as anonymous schools for privacy.

accumulating investment of minban schools. It means that minban schools depend exclusively on tuitions for survival and development.

(4) Size of enrollment. The total enrollments of minban institutions vary from 244 students to 5,300 students. Most schools have about 1,000 students. Most schools have open-door admission policy and do not require entrance exam. Students are not subject to residence registration and can choose minban schools for their own sake.

(5) Level of education. The range of educational service varies among schools. Some of them accommodate preschool till high school level. Some schools have cooperative programs with foreign universities. The purposes of providing a long service line include: ① to provide education which is self contained and complete. By doing so, schools immune from various entrance exams in public education system and can implement innovative curriculum, pedagogy and evaluation; ② to guarantee the enrollment and promotion of students to higher education levels.

(6) Tuition and fees. Minban schools charge tuition, room and boarding fees, facility donation, educational reserve and other fees. Schools have different tuition policy and standards, and some schools have various tuition and fees packages from which students can choose. The annual tuition varies from less than \$100 to more than \$5000. The tuition also varies by student's choice of subject (science, humanity or arts) in high schools, by class size and other factors that might impact quality of education.

In order to carry on further study, schools are divided into several categories: ① high tuition minban schools, such as *Guang Ya Xue Xiao* (Guangya School) and *Nan Yang Guo Ji Xue Xiao* (Nanyang International School) in Sichuan Province, *Ying Hao Xue Xiao* (Yinghao School) and *Hua Mei Jiao Yu Ji Tuan* (Huamei Educational Group) in Guangdong Province; ② middle-tier pricing schools in Tengzhou, Shandong Province and *Xin Shi Ji Xue Xiao* (New Century School) of ShenYang City; ③ schools for immigrant's children, such as immigrants' school in Beijing and Xiamen; ④ minority students schools, for instance *ZA* school and *MCHP* primary school in Gansu Province^①; ⑤ Minban school with public support like *Yu Ying Di Er Wai Guo*

^① We use unanimous names for a few minban schools in this report because the public analysis might have negative impacts on their reputation.

Yu Xue Xiao (Yuying 2nd Foreign Language School) in Nanjing, *Cheng Du Wai Guo Yu Xue Xiao* (Chengdu Foreign Language School) in Sichuan Province and *Shanghai Di Yi Zhong Xue* (Number One Secondary School of Shanghai).

1. High Tuition Schools

This type of school targets high-income household and charges high tuitions, while providing better living and study conditions—“elite” education for wealth families. Such schools are also known as “noble schools” since only children from better-off families can afford such schools. There are debates about the advantages and disadvantage of such schools. They are criticized to reproduce social inequality. These schools usually recruit and accommodate students nationwide, and have special programs such as intensive foreign languages programs, and summer camp in foreign countries.

(1) Economic behavior. There is no uniformed tuition standard in different regions. Therefore, the variations of tuition among schools are very large. Taking \$1,250 per student per year as definition of high tuition schools in this report, Yinghao School charges each student \$6,024 to \$7,228 per year, and Huamei Educational Group of Guangdong Province sets its price from \$3,000 to \$7,400 annually; *Yin Cai Xue Xiao* (Yincai School) in Xiamen collects \$2,409 per year as tuition and fees and another \$3,000 as parental donation; the tuition is about \$2,200 per year at Guangya School in Sichuan Province; *Shuang Yue Yuan Xue Xiao* (Shuangyueyuan School) in Linyi City, Shandong Province has the lowest tuition which varies from \$1,542 to \$2,265 per year. In some schools, the price covers room and board fees as well as tuition, while other schools charge them separately. From the case schools, the average tuition level relates to the level of economic development of the local community or region because majority of students come from local areas. From our case study, high tuition schools locate mainly in east coast regions although there are some exceptions. The high tuition schools at inner land region are small in numbers, and they enroll students nationwide. For instance, the students at *Tong Sheng Hu Guo Ji Xue Xiao* (Changsha Tongshenghu International School) in Hunan Province come

from 16 different provinces. The school provides education at kindergarten, primary school, secondary school and college-preparation level, and the total number of enrollment exceeds 1,800.

Students of high tuition schools have special socioeconomic background, and they come predominantly from wealth families. The principal of Tongshenghu International School claimed that students in this school have three characteristics: some students come from most powerful families, some from wealth families, and other students are most intelligent students. School head of Shuangyueyuan in Shangdong Province also indicated that many parents are owners of business or influential government officials. Although school has no information about parents' income, occupation and address, the school head guesses the parents might not be well educated through the behavior and performance of their children. Because the parents do not have time to educate their kids or they don't have ability to teach them, special boarding programs of minban schools can satisfy their needs.

Besides high tuition, high tuition schools also accumulate initial capital by receiving investment from enterprises, applying loans from commercial bank or collecting education reserve funds from parents. Some schools successfully generated sufficient funds from very beginning and therefore can provide fine school facility and offer excellent teaching faculties. For instance, Tongshenghu International School was established by Changsha Yaxing Real Estate Development Inc. and the total investment exceeded \$24.096 million. While Shuangyueyuan Housing Management Inc invested more than \$36.145 million into Shuangyueyuan School, and the school also collects education reserve funds from parents. Nanyang International School is the property of Nanyang Educational Group that puts no less than \$19.277 million for the school. In Guangdong Province, Guangzhou Yinghao Group, Guangzhou Power Plant and Zhongshan University's Lingnan educational service division jointly invested in Yinghao School, which collected educational reserve from student. Every student has to contribute around \$36,150, and the school controls about \$1,445.8 million from the reserve. In 1998, the school merged a listed company to get into stock market and obtain more investment.

Most of the high tuition schools were established in the past couple of years. Some households have high educational demand and ability to pay. On the supply side, because of the change in the domestic market (total supply exceeds total demand for many industries), some entrepreneurs believe education will be a good investment channel comparing to other markets. The enterprises have comparative advantage in terms of financial power, and they can invest huge amount of money and establish schools with good facilities rapidly. However, they are driven by monetary returns and impose large control over the school scale and the tuition revenue. The business ownership has negative impact on the operation of schools.

(2) Amicable studying and living environment. One of the attractions of the high tuition schools is their well-designed living and educational environment and fine facilities, which usually include swimming pool, music classroom, computer lab and network. For instance, Yinghao School has six voice-computer lab, 16 dance studios or performance art classroom, five standard pools and one skating plot. Shuangyueyuan School has a beautiful campus with modern facilities. Even some top public schools cannot compete with high tuition school in this regard.

(3) Educational specialty. Minban schools fight their way with public schools in competition. Therefore, the behaviors of public schools have immense impact on their minban counterparts. Some minban schools target high college-going rate as most public schools do, to satisfy parents' expectation. They also employ the college-going rate as the single performance indicator. However, there are other minban schools which avoid competition with public schools in college entrance exam. Instead, they are against the so-called "test oriented education". They focus on feathered education programs. For instance, Xiamen Yingcai School puts heavy weights on English, computer science and art education and offers diversified curricula to students, besides the curricula mandated by government.

Some minban schools manage students in a quasi-military way, and students cannot leave campus without permission from the school for the sake of safety. It is a common practice that special teachers are arranged to take care of students in and out of classroom.

Other common practices of minban schools include international programs. Schools employ foreigners as language teachers, and send students to various activities abroad (summer camp or art competition and etc). They also cooperate with foreign universities to facilitate students to apply for degree program abroad after they graduate from high school. Consequently, students will be free from competitive domestic college entrance exam and have opportunity to get undergraduate education in other countries. Sichuan Guangya School employed more than one third of its teaching faculty from other countries and mandates a one-hour English class for every student per day. The school has annual summer camp and sends students to U.S.A., Singapore, France and other countries. Such programs give students an opportunity to know different culture, open their horizon and increase their communication skills. More than 20 percent of graduates from Nanyang Educational Group have experience in other countries. Yinghao School employs 27 foreign teachers. A few graduates are admitted by foreign universities. Huamei School in Guangdong Province has cooperative agreement with 13 foreign colleges. Ms. Liu Yiting, one of the graduates of Chengdu Foreign Language School, was admitted by Harvard University with full scholarship. It becomes a legacy of this school.

2. Middle-tier Tuition Schools

Middle-tier tuition schools refer to schools which charge tuition less than \$1,250 per year in this research. From the survey, such middle or low-tuition schools concentrate in regions with lower economic development level, shortage of public education. In these regions, some students' demands are not satisfied by public schools. This kind of schools target relatively high-income groups or households in the region who have difficulty to get into public schools by their academic performance. Some minban schools rent the empty plant sites or commercial buildings as classrooms, and build their own schools later on when they accumulate enough money.

YX School is a rural minban school in Shangdong Province where economy is mainly agriculture and annual incomes are about \$300 on average. The school has one

kindergarten class, one class for each of five grades at primary education level, one class for each of first two grades at secondary education level. The average class size is about 30 students. Why there exist minban schools in the poor region? The major reason is the shortage of rural public education funding. The local governments are not able to appropriate teachers' salary adequately and punctually. Teachers' morale in public schools is very low, and students cannot receive orderly education in public schools. Minban schools emerged and fit in the niche. Some teachers and students therefore transferred to minban schools for mutual interests. YX School opened in August 2001 with only 140 enrolled students. In the spring semester of 2002, the enrollment increased to 300, and the number of teaching and support staffs rose to 24, 16 of which are full-time teachers. Because of the paucity of resources, the school is running with the lowest facility level. The small space of the school divides into three sections: offices, classrooms and student dorms. Each classroom equips with one TV and VCR, and no other facilities can be found in this school. The furniture in the classroom is pretty new, and the construction and lighting of the classroom is fine. But there is no heating system ready. The heating problem is still open in the air since the winter has not come.

The minban education pattern in Tengzhou City, Shangdong Province is unique. The city has 58 minban educational institutions including 16 minban elementary and secondary schools. The share of minban education relative to total education sector is moderate. In 2001, the total enrollment in minban schools equals to 10.1 percent of total enrollments. Enrollment in minban primary schools accounts for 3.1 percent of total enrollment of that level. The proportion jumps to 15.7 percent at secondary school level and 30.3 percent at high school level. In 2001, the total recruited students of minban high schools were similar to that of public high schools, and the total enrollment in minban secondary schools were twice as many as the number of public secondary schools^①.

The general characteristics of minban education in Tengzhou City are large scale,

^① Meng Xiangjun (2000). Indisputable Fact: Survey and Reflection on Minban Education in Tengzhou City, Shanghai: *Minban Education Development*, pp24-25.

low tuition and high quality. There are some special reasons for the development of minban education in this city: (1) Public educational investment is insufficient. Total population of the city is 1.56 million, and 82 percent of the population is rural residents. Because of the low economic development level, the government fiscal revenue is fairly low. The proportion of the education expenditure relative to total fiscal revenue of the city is about 66 percent (above 80 percent for township government in this region). The poor economy leads to the shortage in public educational investment. Therefore, developing minban education to absorb social resources is a feasible option for compensating the shortage of public resources. Of the total municipal education expenditure, on-budget educational revenue is 56.3 percent, rural education surcharge is about 7.6 percent, and the revenue from minban education is about 20 percent—17 percent higher than the national average. (2) The municipal government shows great enthusiasm for the emergence of minban schools. Some retired public school principals initiated their own minban schools. This generates positive response to minban education. (3) Minban schools generate revenue from local community. Since the minban schools have great economic promises, and local banks are willing to loan money to them. (4) The tuition level is low and affordable for most families. The total amount of tuition and fees (including room and board) is about \$480 per year per student. However, because the price is set very low initially and minban schools do not have other channels for income, most schools are running deficit and have large debt—at least \$1.2 million per school, and the investments are less likely to be compensated in short run. (5) Because of this low tuition policy, the target population of the minban education in Tengzhou is not exclusively high-income household, but rather middle or low-income families. The composition of students by origin is: 60 percent from rural areas, 30 percent from the municipal, and other 10 percent from other regions. (6) The quality of the minban school is high, for instance the first couples of students who scored highest in high school entrance exam are from minban schools.

3. Immigrants' Children School

Since 1990 the labor force transition from rural to urban areas or among regions is a remarkable phenomenon. For instance, the immigrants in Beijing amounts to 21.18 percent of total registered citizen; in Xiamen half of the population comes from other regions. Because the immigrants do not hold citizenship in the municipals, their children cannot attend local public schools as local children. Public schools prefer not to admit such students because they are easier to dropout or transfer. In addition, most migrant students cannot speak Mandarin properly. And admitting such students will influence the achievement of public schools. Public schools cannot satisfy the demands of these children, and such demands lead to the establishment of some “illegal and unqualified schools” which specialize in educating immigrant children.

Because of the insufficient facility, low teacher education and school quality—which are often significantly lower than the educational standards of the city. The existing unqualified minban schools for immigrant children are often forced to close down. Most this kind of schools become “underground schools”, and they can be terminated anytime^①.

The earliest immigrant school in Beijing started in 1993. By the end of 2000, they increase to 200 schools. They enroll about 40,000 students in total, and school size varies from 10 to 2000 students. The immigrant schools offer education from pre-school to high school, and the tuition is about \$36.15 per student per semester. Students have to pay for books, miscellaneous fees, uniform, heating and computer lab. The price varies from grade to grade. Beijing municipality recently stipulated that public school should receive immigrants' children at the price not above \$40 to \$60 per semester. But some public schools do not abide by the regulation and also charge educational donation (up to thousands of dollars). The money levied by public schools and chargeable extracurricular activities deter many immigrant families.

Initially the immigrants' children school is a reaction to the need of immigrant community. Later on some people find profitability of the business. This leads to

^① Li Xiaoying ed al. (2002) Schooling of Immigrant's Children: Issues and Suggestions. Unpublished case study.

profit-seeking behaviors for some individuals^②.

Box 7: Survey on Minban Schools for Immigrants' Children in Beijing

The desks and chairs are second-hand furniture purchased from public schools, and many of them are of different brands and sizes. Some minban schools just start, have no money to buy furniture and use even worse substitutions—bricks with planks. It seriously damages the health of younger students. Some minban school founders rent classrooms, and the classrooms are very crowded. Some classroom accommodates more than 80 students. 11.6 percent of the classrooms have more than 70 students. Sometimes three students have to share a desk for two-students.

Most classrooms are converted from old plants, and have very bad lighting conditions—some classrooms have no windows. Students have difficulties to read what teachers write on the blackboard. The classroom is very hot in summer and deadly cold in winter.

Most schools have no playground, and some of them have very simple facility for physical education. Because many schools have no gym or have only tinny playground, students have no much choice for extracurricular activities.

For small schools, only Chinese and Math are taught. For larger schools, most of curricula offered are mandated. They are Chinese, Math, Social Study, Art, Music, Physical Education, English and etc. Because the schools have no teachers specialized in those subjects, they have to hire amateur teachers.

Source: Han Jialing, unpublished survey report, 2002.

In contrast, Caring Future Generation Committee in Xiamen initiated Immigrant's Children School in 1999. In order to guarantee the quality of education, municipal's Department of Education mandates the school to increase its investment in teaching and facility. The school wins a lot of social sympathies and support. The city's public transportation system provides bus card to all faculty and students to

^② Han Jialing (2002) "Education at the Margins: Survey on Compulsory Education of Beijing's Migrant Children" paper presented in China's Private Education: Policy and Administration.

resolve the commute problems. The school district also appropriates \$2,500 per year to the school for scholarship, and contributes uniforms and stationary to each student in the school as in-kind transfer. Other non-government organizations also pay much attention to the development of this school, for instance Xiamen's Jinbingshi Real Estate Inc. contributed \$12,048 to establish a student fellowship. Xiamen Daily press and Association of Joint Venture Enterprises also contribute \$2,500 and \$1,250 to the school respectively. Some public schools send educational instruments or office equipment, and the mass media disseminates many new initiatives in the immigrant school^①.

4. Minority Children School

Minban education in minority regions has its unique characteristics which often intertwine with other religious, economic and educational factors. ZA School and MCHP School in City of Linxia, Guansu Province are typical examples.

Many minority groups live in the City of Linxia such as Hui, Dongxiang, Baoan, Sala and etc. They have unique culture and living styles. Although they have long and glorious tradition, they often pay less attention to education, especially female education. The development of minban schools is closely related to the indigenous culture.

According to the Muslim cannon, individuals should contribute personal assets that exceed their basic needs. Such a tradition sets a social base for educational donation. Social donation becomes the major source of funding for local minban schools.

Two schools mentioned above make the best use of the local resources. But they have to deal with the challenges from tradition of the host community. For instance, the founder of ZA School told us that the education provided by Muslim religious schools is insufficient. He gave following reasons: (1) Mosque pays less attention to the Arabic literacy, and students are not able to speak and write after taking classes; (2)

^① Xie Ximei, (2003), unpublished case study on migrant children school in Xiamen City.

Most graduates from Mosque cannot find jobs after graduation, except for few students who become imam; (3) Such education focus on male students and not on female students; (4) Most graduates belong to certain factions and have low tolerance for others; (5) The Mosque provides no physical education class. Therefore, the founder of ZA School decided to convert the traditional Mosque education into modern education.

ZA School started at 1980 by an individual entity, and social donation was its major revenue source. The school has 625 students now, and the tuition and fees plus room, board and uniform amount to \$240 per year. The school provides senior high school education and vocational education. The school board is composed of more than 100 members who are community members and have ability to help the school.

MCHP Elementary School was established in 1996. It has 490 students and all of them are Muslims. The major funding source is donation. Tuition and fees account for one third of total revenue. The donation from school board members and community contribute the other two thirds. The school is able to offer tuition waiver or tuition subsidy for poor students. The salary of teachers is less than \$35 per month, which is less than half of teachers' salary in public schools. The school intends to combine academic education with cultural education through designed curricula.

5. Public School with Private Support and Transformed Schools

Public school with private support and transformed schools are two kinds of hybrid schools. Practice of such schools varies greatly across regions. For instance, there are two forms of public school with private support: one is called "government-owned with private support school". The schools collect income both from government and tuition and fees. The government expenditure pays for teachers' salary, and tuition and fees cover the other costs of schools. The second type is called "government-owned private-managed school". For this type of schools, all the revenues come from student tuitions, but the initial school property and accumulated assets belong to government. Principal hires teachers on the basis of contract. The school has autonomy to run itself. A'Yang Elementary School in Gansu Province was

initiated by government. The total investment was about \$0.723 million. 75 percent came from government investment or loan, and the other 25 percent is debt to construction firm. The school generates recurrent income from tuition and fees.

The major characteristics of public school with private support are: government owns the property of schools, and allows enterprise, non-government organizations or individuals to manage the schools; the school board has greater autonomy over school policies such as enrollment, tuition, appointment of principal and teachers, which are similar to the practice of minban schools^①.

There are several types of transformed schools: (1) Top public schools initiate branch campuses which adopt the management style of minban schools and operate totally or partially on the tuition revenue; (2) Low quality public schools are converted into minban schools; (3) Some schools of state-owned enterprises are transformed into self-supported schools and recruit students from larger community. There are 16 elementary transformed schools in Shanghai by 2001. They accounted for 44.4 percent of total minban schools and 38.2 percent of total enrollment in minban schools. 54 transformed secondary schools and their enrollment account for 31 percent and 45.3 percent of minban schools respectively. Beijing Education Committee has permitted public schools to be converted into minban schools since 1996. At the end of 2001, 40 transformed schools accounted for 5.06 percent of total secondary schools. Around 37,000 students study in such schools which equal to 5.14 percent of total secondary school enrollment in Beijing^①.

There are several reasons for the development of transformed schools. The most significant policy was promulgated in 1998. The central government mandated the separation of lower and upper division of top secondary schools. Beijing implemented neighborhood admission policy for students upgraded from elementary school to secondary school. The students go to neighborhood secondary school without any choice. Because quality disparity exists among secondary schools, it was not in the

^① See Han Min & Wang Ming (2002) Privatization of Education Trend in China and Its Impact.

^② See Xu Ya (2001) Study on Public Transformed Schools in Beijing: An Experiment of Basic Education Institutional Reform, unpublished report.

best interests of many households who are not affiliated to a fine secondary school. Transformed schools due to their minban nature are not subject to neighborhood admission policy and can select students based on their scores. The selective system of transformed schools attracts a lot of students.

We visited several transformed schools including Nanjing Yuying 2nd Foreign Language School, Sichuan Chengdu Foreign Language School, Haikou Hairui Academy, and Shanghai 1st Secondary school.

Nanjing Yuying 2nd Foreign Language School was transformed from a low quality public secondary school—No.64 Secondary school. The school runs as a public school with private management. There are several signals which indicate the school's transformation success. Firstly, the quality of education improves significantly. The school scored the highest in High School Entrance Exam in Nanjing in 2000 and 2001. Secondly in the past nine years, the school has made progress in financial health. Thirdly the school earns social recognition and high reputation.

How can the Yuying School be successfully transformed into a high quality school? There are couples of reasons. First of all, the school takes advantages of both public and minban schools. The leader of the school tacitly provides timely incentives to faculty. Secondly the school shows great respect to teachers' academic autonomy. All teachers are employed on contract base, and their payments are based on working hour. The school provides many professional development opportunities. The school doesn't mandate certain kinds of pedagogy. This greatly raises the teachers' morale. Thirdly the school keeps close relation with parents. The Yuying School frequently communicates with parents on curricula, teachers' performance, tuition and expenditures. Because the school locates in a relatively low-income community, the school sets an affordable tuition for most households. The last contributor to the Yuying School's success is the principal. The principal is very good at motivating teachers and staff and builds collective efforts to achieve school's mission.

Unlike Yuying School, Chengdu Foreign Language School is a very famous institution before its transition. The school has gone through two transformations before it is. It was firstly transformed from the original Balizhuang Secondary school

in 1989 to a magnet school with language specialty. Ever since its transformation, it has achieved and kept 100 percent college promotion rate. It also ranks very high in High School Entrance Exam for the past 10 years. Some graduates are admitted directly by elite American universities. The school was secondly transformed into a privately managed public school from 1998 to 2000. It charged parents \$1446 for school construction. After 2000 the school has become a minban school with public support, and the parental charge increases to \$5,422 per student. In the first couple of years after the transition, government provides fiscal appropriation to pay teachers' salary. But the amount decreases to zero gradually. After a period of time, the school would be independent from public fiscal revenue. The school is a joint venture of Department of Education, Chengdu City, and Sichuan De Rui Inc. De Rui owns 65 percent of the total property and provides investment for construction, while the Department of Education has the other 35 percent of share and offers teachers' salary. The vice mayor of the City is a honorable chairman of the board of trustees, and the associate director of Department of Education serves as a board member. After the transformation, the tuition and fees increase significantly. Students in lower secondary school pay \$904 per semester, while students in upper secondary school pay \$759 per semester, which is about 10 times public school charge. The survey results show that there are significant improvements in condition of school facility and teachers' welfare after the transformation. For instance, the average salary of a teacher is about \$300 to \$360 per month. The college promotion rate is still very high with 92.2 percent of its graduates admitted by elite Chinese universities and 86 percent of its secondary school graduates continuing their education in famous high schools. It is evident that school quality is not the fundamental goal of its transformation. The transformation is beyond the purpose of education but intertwines with economic impetus. After transformation, the school can select students based on academic performance and charge high tuition.

II Minban Postsecondary Education Institution

The research team visited 23 minban colleges and postsecondary institutions that include two types of institutions: one is called pure minban colleges (18 institutions); the second type is called independent colleges (5 in total). The 23 institutions can be further categorized by their time of establishment, operation mechanism, amount of initial investment and composition of student groups and so forth.

(1) Time of establishment. Only two of the 23 colleges started before 1990, and the rests began operation in 1990s. Some of them were upgraded from self-study facilitating college to pilot degree-granted institution, and now they can issue their own degrees. Others experienced the changes in ownership from minban colleges to independent colleges or from public institutions to minban institutions. (2) Operation mechanism. Some institutions are solely invested by individuals and enterprises. Others are owned by government with private management. (3) The amount of investment varies greatly from \$6 million to \$72 million. (4) The student group is highly diversified. Some schools enrolled 5 to 6 different types of students, for instance students pursuing remedial education, students preparing for self-study program exam, and participants of training program. The colleges also offer different kinds of degrees and certificates. The size of the colleges varies from 400 to 30,000 students. The following sections will discuss minban colleges and independent colleges separately.

1. Minban Postsecondary Educational Institution

In general, the development trajectory of minban higher education institution often begins as facilitating organization for self-study towards bachelor degree, and then upgrade to an experiment minban institution and finally becomes an accredited institution which can offer both associate degree and bachelor degree. The following section will introduce their organizational structure, leadership, faculty and students, disciplines, and curricula.

(1) Organizational structure. Most minban higher education institutions have

Board of Trustees that is supposed a super body for decision-making. But in reality, its role depends on the composition of the board. In the colleges invested by individual, the founders of the institution or the major investors have dominant role in the board. They often serve as chairmen of the boards and control the financial resource of their institutions. Other board members only play consultative roles. Most colleges searched celebrities to serve in their board in order to set up their reputation.

Some minban institutions have Communist Party Committees (CPC). However, the role of the Party is different from that in public institutions. In minban colleges, the college presidents are not accountable to the CPC.

(2) Leadership in minban institutions. Presidents of minban higher education institutions have diversified social and academic backgrounds. Some presidents also serve as chairmen of Board of Trustees and legal representatives of the college. For instance, the Department of Education of Shaanxi Province mandates that the president must be the legal representative of that institution. That is the reason why most minban colleges in Shaanxi province adopt the president monopoly model. However, the over concentration of power is easy to induce paternalism. Officers from Shaanxi Center for Minban Education argued that the centralized management style of Shaanxi minban higher education institutions have significant advantages—the high efficiency and little political conflict.

In contrast, Hunan Foreign Trade Institute separates financial and academic management. Entrepreneur serves as chairman of the board and legal representative. A retired president from a public university is employed as its president.

(3) Faculty. The major faculty members are part-time instructors. The advantages include low cost in human resource management and flexibility in staff deployment. The disadvantages are the instability of teaching profession and difficulty in academic cooperation. In the starting period, 90 percent of faculty members in Shaanxi minban institutions are part-time teachers. Although the percentage decreases overtime, part-time faculty still accounts for 80 percent of instructors at Xi'an Translation University, and over 50 percent at Xi'an International University and Euro-Asian University. The minban colleges do not have to provide fringe benefits, such as

housing subsidy, medical insurance and other insurances, to their part-time staff. They only pay their wages based on teaching hours that greatly reduce the personnel expenditure in minban institutions.

Minban tertiary institutions begin to realize the disadvantages of having high proportion of part-time faculty. If the colleges continue to grow the enrollment and educational quality, they need a stable faculty profile. With the rapid expansion of tertiary education in China, most public institutions do not have sufficient faculty. It becomes very hard for minban institution to recruit many part-time faculty members from public institutions. They have to invest in the development of their own faculty. In the minban institutions there are huge and stable demand for general education courses. Therefore, it is reasonable to recruit full-time faculty to teach general education courses and part-time faculty to teach specialized courses which have to adapt to the dynamic social needs. It is also economical to recruit full-time faculty from new graduates. The starting salary is low and even lower than the payment for part-time experienced teachers. Faculty performance is judged by pass rate in self-study facilitating institutions. Teachers will be fired if students are not satisfied with.

(4) Student affairs. In minban institutions, there exists a slogan “all for students, for all students, and for students’ all needs” which highlights the interdependence between students and minban institutions. In general, the students in minban institutions are less prepared academically for college work and do not have good study habits. The minban institutions believe that they must push students to study in order to increase the pass rate in the self-paced exam. Minban institutions emphasize students’ self-management. For instance, Xi’an Translation University encourages senior students to educate freshman. In Xi’an New Technology Institute, the junior or senior students act as mentors of new students.

(5) Disciplines. The framework of disciplines in minban institutions and job placement are the focal points. Most disciplines in minban institutions are organized around low cost and high social demand majors. For instance, Guangzhou Baiyun Professional Technology Institute started with only three majors—apparel,

cuisine and air conditioning technology. It adds new majors gradually according to the needs of the labor market, such as computer technology, electronic engineering, information technology, art and design, hotel management, automobile technology, marketing and etc. In order to increase the credibility of the institution, the Baiyun Professional Technology Institute requires its faculty to obtain both professional certificate and teaching certificate in their own areas. The institute builds professional connections with more than 1,000 firms at Zhujiang Delta region, to offer internship or job placement opportunities. The job placement rate is around 98 percent.

(6) Regional characteristics. The development of minban higher education is unbalanced in terms of number of institutions, student enrollment and development across regions. The rapid development in Shaanxi Province is due to: ①Long cultural tradition. It has the tradition of putting high value on education and showing respect to education. ②Geographic advantage. Xi'an is an advanced city in the western part of China. ③Economic advantage. The living price is relatively low in Shaanxi Province. The annual expenditure for a student is less than \$1250. ④Concentration of public higher education institutions. The Province has strong public higher education from which minban institutions attract part-time teachers. ⑤Low real estate price and low initial costs for minban institutions. ⑥Support of local government. More than 60 percent of students come from other regions, and their consumption stimulate local economic development, local government. ⑦Policies. Shaanxi Province has some specific policies to support the development of minban institutions. The best-performed students in minban colleges have opportunities to transfer to public institutions at the end of the first year.

The relative size of minban sector is huge in Shaanxi province. There are five institutions with more than 10,000 enrollments. In contrast, the size of minban colleges in Sichuan Province is much smaller. In 2000, the average enrollment at minban institutions is lower than 1,000 students. However, the Sichuan Province is popular with independent colleges.

2. Independent Colleges

Independent college blurs the line between public and minban institutions. There are at least three modes of operation: jointly invested entities of enterprises and public universities; joint entities between minban institutions and public universities; and newly established regional campus of public universities, which charge tuition and fees to cover all expenditures^①. According to the regulation for independent colleges, there are three independent requirements: **independent legal representative, independent campus, and independent finance.**

Independent colleges first appeared in Zhejiang and Jiangsu Provinces in 1999. By the end of 2002, many provinces have established their own independent colleges. For instance, there are 20 independent colleges in Zhejiang Province, 23 in Jiangsu Province, 17 in Hunan Province, 15 in Hebei Province, and more than 17 in Shandong Province. According to statistical data, there are more than 300 independent colleges with 400,000 enrollments by May 2003^②.

The independent colleges are the outcome of several forces. Firstly, the society expresses strong demand for tertiary education that cannot be fully satisfied by public education system. Secondly, the minban institutions usually have small size and lower quality. Most of them cannot grant degrees. It is a good way for them to get promotion by affiliating with prestigious public universities. Thirdly public universities need to solve the problem of insufficient resources.

The research team surveyed 5 independent colleges which include: Zhongbei College affiliated to Nanjing Normal University; Shuda College affiliated to Hunan Normal University; Film Academy affiliated to Sichuan Normal University; Oriental College affiliated to Xi'an Petroleum Technology University; and Longqiao Institute affiliated to Lanzhou Business University.

(1) Ownership. Among the five independent colleges, Shuda College is created by a public university and run independently. Zhongbei College is a joint venture of Nanjing Normal University and an enterprise. Longqiao Institute is initiated solely by private investment, and Lanzhou Business University has no share of tangible asset in

^① See Wen Dongmao(2002), unpublished case study on Shuda College of Hunan Normal University.

^② Zhou, Ji (2003), Promoting Healthy Development of Independent Colleges, *China Education Daily*, May.

the school. The Film Academy and Oriental College are cooperative entities between public and minban institutions.

(2) Relation between public university and independent college. The relationship between public university and its independent college is a special “alliance”. By involving in the alliance, public universities can generate some income to supplement its financial shortage, and independent colleges can get high status and recognition. For instance, Shuda contributes 50 percent of its tuition to Hunan Normal University. In return, Shuda College depends Hunan Normal University on faculty supply.

Nanjing Normal University accounts for 55 percent of total property in Zhongbei college, and the other 45 percent share belong to Nanjing Zhongbei Co. After the construction works, the college will run by tuition and fees. According to the agreement, both parties can collect economic return on the basis of tangible investment. It means that 50 percent of tuition will be used as operational costs, and the other 50 percent is divided between two investors. The investors agree that the return period will last for 15 to 20 years, and after that all properties will belong to Nanjing Normal University.

Sichuan Normal University sets admission quota for the Film Academy. The former is in charge of registration and provides general education courses and exams for the latter. The Academy gives 30 percent of its tuition income to the public university. In the past two years, the university returns one third of its income from the Academy back to support its development.

In the agreement between Xi’an Petroleum Technology University and Oriental College, there are specific regulations concerning investment and distribution of benefits and liability. ① Oriental College invests in campus construction, facility, and other equipment which amounts to 75 percent of the total property; ② Xi’an Petroleum Technology University invests managerial expertise, which accounts for 25 percent of the total property. ③ The independent college pays 10 percent of tuition income plus 20 percent of net profit to the public university. If the independent college wants to use resources of the public university, it has to pay.

(3) Leadership and its function. At Shuda College, the president is hold

accountable for the operation while the board of trustees oversees the performance of the president. The board members include university's chief administrators, leader of Shuda College and others (15 in total). The responsibilities of the board include: implementing the decision made by the university administration and the Communist Party Committee; making strategic planning; accumulating development grants and etc.; framing the internal management structure of the College; setting fundamental management rules of the College; reviewing the budgetary appropriation; hiring or firing senior administrators and setting their payment scale. The College has one president and two vice presidents. They are nominated by the chair of Board of Trustees, reviewed by the university administration and hired officially by the board. The tenure lasts for 4 years and can be renewed under certain conditions.

The Board of Trustees at Zhongbei College includes members from both sides—the Nanjing Normal University and Zhongbei Co. The board is the locus of decision-making, and its main function is to decide the investment scale and capital accumulation, the rights and liability of both partners, the future plan of the college and etc. The board has 9 members. Five members come from the University (including the chairman of the board), and the rest from the firm (including the vice chairman of the board). The tenure lasts for 5 years. The college administration has to report to the board once a year.

Sichuan Normal University's Film Academy is not an independent legal entity and has no Board of Trustees. It has only a council. The council has 5 members. The dean of the Academy is the president of the University. The executive deputy dean is the president of Sichuan Film Academy.

The Oriental College of Xi'an Petroleum Technology University has a board with five board members (two of them from the University and 3 from the Oriental College). Two board members are founders of the Oriental College, and they can stay in position life long. One of them serves chairman of the board. The vice chairman of the board comes from the public university.

Longqiao Institute is under the direction of the president who is responsible for the Board of Trustees. The board has 4 members. President or vice presidents of the

Lanzhou Business University and the representative from City's Department of Education are members of the board.

(4) Admission and awarded degree. The government has more restrict control over independent colleges than minban colleges, especially in admission. The Shuda College's admission plan is a part of the province-wide tertiary education admission plan, which is reviewed by its parental university. The target student population is high school graduates from Hunan Province. Graduates of the College can get identical degrees as that of Hunan Normal University.

The admission, teaching, registration, and degree awarding of Zhongbei College are all managed by Nanjing Normal University, so do personnel, union, faculty assembly, student association and student affairs. In order to ensure the stable development of Zhongbei College, the university allows the college to recruit 10 percent of its faculty who can enjoy public faculty status.

The most serious problems facing independent college are equity issues. Minban higher education institutions cannot compete with independent colleges in degree awarding status. The opponents argue that the independent college share not only public institutions' privilege in admission, granting degrees but also the advantage of minban institutions in charging tuition.

◆ ***Section IV Important Issues in the Development of China's Minban Education***

This section will discuss several vital policy issues in the development of Chinese minban education.

I Public Education and Minban Education

The relationship between public and minban education is dialectic. They not only compete but also complement with each other. Some people tend to exaggerate the tension between the two and overlook their complementarities. In contrast, others tend to be too optimistic and ignore any possible problems.

Given the low public capacity in educational investment, government needs to prioritize compulsory education and employs market mechanism appropriately on post-compulsory education—through mobilizing social resources or collecting tuition and fees to finance educational supply.

China can learn from international experience in expanding its minban education sector. Government's appropriation or transfer of public resources to minban education can facilitate the expansion of minban education sector. At the tertiary level, providing indirect subsidy to students is more effective than direct subsidy to minban educational institutions. According to international statistics, the major funding of private education does not come from government budgetary appropriation. But some governments provide certain subsidy to private schools. According to OECD's data (table 10), government usually provides financial support to private education through two channels. One is direct input to private schools, and the other is provision of aid and other subsidies to students who choose private schools as their destinations. Around 16 percent of public educational expenditure of OECD countries goes to private education sector. Governments provide indirect investment to private education at tertiary level. The comparative study on private education shows that private schools depend largely on tuition and fees in its early development stages; and

in the later development phase, government gradually substituted private schools or students in private schools in either subsidy or grant^①. Many developed countries provide large amount of subsidy to their private schools^②. For instance, 95 percent of the private schools in the United States take advantage of tax exemption. Public support equals to 20 percent of total private school expenditure. Federal government also provides subsidies to students who come from low-income families or who are disabled regardless of public or private schools. State governments provide favorable transportation, health and textbooks policies for private schools. Government subsidies are usually awarded to individuals, rather than their schools^③.

^① E. James (2000) "The Public-Private Division of Responsibility for Education," in *The International Encyclopedia of Economics of Education*, pp 579-585, Beijing: Higher Education Press, in Chinese.

^② Levy, Daniel C. (1987) "A Comparison of Private and Public Educational Organizations", in Walter W. Powell (ed.) *The Nonprofit Sector: A Research Handbook*, pp 258-276, New Haven: Yale University Press.

^③ E. James (2000) "The Public-Private Division of Responsibility for Education," in *The International Encyclopedia of Economics of Education*, pp 579-585, Beijing: Higher Education Press, in Chinese.

Table 10: Allocation of Public Educational Expenditure between Public and Private School (1999)

(Unit: %)

Nation	Elementary, Secondary and Postsecondary Non-tertiary Education			Tertiary Education			Total		
	Public School	Private School	Indirect Investment for Private Education	Public School	Private School	Indirect Investment for Private Education	Public School	Private School	Indirect Investment for Private Education
OECD Countries	87.0	9.9	3.5	75.1	9.9	16.4	84.0	9.7	6.4
China	99.2	N.A.	0.8	93.7	N.A.	6.3	97.9	N.A.	2.1

Source: www.oecd.org/els/education/eag2002

James (2000) finds that government's support for private education can facilitate the expansion of private sector's share in total enrollment^①. We can expect that government's support to private education can change educational patterns and financial structure as well. If private education can be expanded largely, total direct educational demand on public funding might be decreased.

In China, minban institutions depend totally on tuition and fees. The fluctuation in enrollment can force some minban institutions bankruptcy. Minban institutions are vulnerable to uncertainties in their environments. They bear risks, so do students in minban institutions. Government may consider establishing a minban education risk fund which can be used to deal with the relocation of students in case of bankruptcy of minban institutions.

II For-profit and Nonprofit Minban Education

In retrospect, Chinese educational regulations treat education as public goods. For instance, Title 25 part III of the "Education Law of Peoples Republic of China" (1995) points out that "any organization and individual cannot operate schools and other educational institutions to generate profit". Title 6 of the "*Regulations for Running a School by Social Forces*" (1997) also states "the social entity owned educational institutions cannot generate profits". Title 37 Part II of the same act indicates "the savings of educational institutions can only be used to increase educational input and improve educational facilities, not for distribution or investing outside the institutions." Title 43 clarifies that "when an educational institution dismisses, the accounts should be cleared...the property should return to investors, and the rest should go to related agencies to facilitate the development of education."

In reality, there are hardly any people who invest in education without expectation for future economic returns. The majority founders or managers of minban institutions pursue profit from running minban institutions.

The profitability of minban education is a chronicle policy issue. One feasible

^① E. James (2000)"The Public-Private Division of Responsibility for Education," in *The International Encyclopedia of Economics of Education*, pp 579-585, Beijing: Higher Education Press, in Chinese.

solution is to discriminate for-profit schools with nonprofit institutions. Under such distinction, the nonprofit schools can take the advantage of tax reduction, government subsidy and other favorable policies. On the other hand, the for-profit schools should be categorized as special enterprise. They are able to absorb social funds through capital market. They have to pay taxes and cannot enjoy favorable policies of nonprofit organizations. Government should not regulate the rate of return to their investments. Because they provide educational services, they are still subject to accreditation and evaluation of government agencies or intermediate bodies. Government can cross-subsidize the nonprofit educational institutions with tax income from for-profit institutions.

According to the reality of Chinese minban education, the “*Minban Education Promotion Law*” legitimizes the economic returns to educational investment. The boundary between nonprofit and for-profit institutions is blurred in current legal framework. However, government tries to make distinctions and impose different tax policies for for-profit and nonprofit organizations. The future should move towards discriminating two types of institutions completely.

The distinction of the two kinds of schools is related to the special characteristics of education sector. Because it is hard to know the precise quality of the educational “products”, the consumer of educational services cannot judge the school quality or choose among them according to quality. The founders and managers of nonprofit schools have no incentives to lower quality of education in order to lower operational costs, and therefore to win customers’ trust more easily. This is one important reason for the donation to nonprofit organizations. Some empirical studies show that the educational costs and quality of non-profit schools are higher than that of for-profit schools^①. If Chinese government applies similar categorization to minban schools, it will help students to make informed judgment in educational market and save searching costs. It will also save advertisement costs of minban institutions and direct the expenditure towards teaching and learning. From government’s perspective,

^① E. James. Ibid.

because the nonprofit schools share government fiscal burden without any economic return, the government should provide some subsidies to these educational activities or students. Since for-profit institutions win capital returns from their operations, government should protect consumers' rights, impose tax on such institutions and transfer the collected tax to public education.

In the United States, the government separates the for-profit and nonprofit private schools. The "private school" usually refers to the nonprofit schools. The nonprofit school can be funded by "donation" and "business activities". The former receives its operational expenditure from charity donation, and the latter generates revenues from providing educational services to customers. Private university is always the combination of the two forms^①. According to Title 501 Part C of Internal Revenue Code, all types of nonprofit private schools can enjoy tax exemption, and the donation to such institutions is tax deductible. In some regions nonprofit institutions can also put their advertisement for free and enjoy discount postal services. However, they are subject to the "non-distribution constraint". It means that the manager of nonprofit organization cannot share the residue from its operation, and all the residues have to be used for further development.

Once the government sets the distinction between for-profit and nonprofit educational institutions, the nonprofit minban schools should be treated equally as public schools. They are all educational institutions in nature and produce large positive externality. The nonprofit institution appears because the public education cannot provide enough education service or cannot satisfy the diverse demand of students. From legal perspective, government has responsibility to provide high quality education to all children of schooling age at compulsory education level. If government can increase its supply to meet the demand, the space for the development of minban education will shrink; otherwise, more non-government organizations will participate in education providers. Government should equally treat nonprofit minban school and public school and provide sufficient funding for students

^① see Hansmann, Henry (1987) "Economics of Theories of Nonprofit Organization" in Walter W. Powell (ed.) *The Nonprofit Sector: A Research Handbook*, pp 27-42, New Haven: Yale University Press.

in minban schools. At pre and post compulsory education level, government is not the sole provider. So students and other social forces should share the costs of education. At tertiary level, government should provide certain financial support to both minban colleges and public colleges based on academic excellence regardless of institutional ownership. The government should promote equity and reduce the gap in educational opportunity and outcomes. Specifically, government should provide financial aid to all qualified and disadvantaged students whether they study in public schools or minban schools. Government can impose indirect control over minban institutions by putting financial aids to accredited institutions.

III Ownership of Minban Institutions^①

The major funding sources of minban schools in China include: (1) individual or enterprise investment; (2) donation from parents and charity; (3) direct or indirect government input such as free or discounted school construction field; (4) value-added from operation of school assets.

According to current legal framework, the ownership can be defined as: (1) the ownership of government input belongs to government; (2) the social charity input is school property and can be used for social purposes when school is dismissed; (3) the investment of school founders are their own assets, and the contract will define how founders collect their investment; (4) one part of the value added from the operation belongs to the founders, and the other part belongs to the society.

The property structure reflects the multiple ownerships of minban schools. The nature of property can further influence the governance structure of minban schools. We believe that the health and stability of minban education will be shaped by variation in property structure. The Promotion Law does not touch the problem. The government, as the most powerful player in the society, needs to strength minban institutions as an independent entity by imposing regulation and policies. Specifically, government can change the property structure by preferential tax policy to social

^① This section uses materials from reports by Shanghai team.

donation and endowment to minban institutions. Eventually it can ensure the for profit nature of minban institutions.

IV Internal Management System of Minban Institutions

There are six patterns of internal management of minban schools nationwide. They include: (1) President holds accountable for the performance of the institution while he or she is subject to the supervision of the Board of Trustees; (2) President holds accountable for the performance of the institution while he or she is subject to the supervision of the major investment entity; (3) President holds accountable for the performance of the institution; (4) School council holds accountable for the performance of the institution while the president acts as leader of the board; (5) President holds accountable for the performance of the institution under the supervision of the caucus of faculty and staff; (6) President holds accountable for the performance of the institution while he or she is subject to the control of Communist Party Committee^①.

The decisions of Board of Trustees on personnel, utilization of its power and allocation of educational resources are relatively casual and instable in minban schools. There is no clear-cut line between the responsibility and authority between the board and the president. Sometimes chairmen of the board intervene the presidents' business on teaching and administration. Sometimes presidents monopoly, and the board cannot control presidents any more.

The minban education is a perpetual business. Governance structure has a big influence on longevity of minban institutions. Once the legitimacy of minban school is recognized, the survival and development of minban school depend largely on its internal management. The sustainable development of minban schools needs certain organizational security. It is clear that from the experience of foreign countries, the Board of Trustees bears the duty to insure perpetual institutions. The board is the fiduciary institution of the school in legal sense and is responsible for the school

^① Center on Chinese Education of Hongkong University (2001) Study on private education and its legislation.

assets. In order to assure the sustainability, the minban school should have a strong leadership and maintain good relationship with its environment—to reinforce its accountability.

Summary

The minban education in China develops as a response to the diversified social demand for education and insufficient supply of public education. Since 1990s the share of government fiscal appropriation relative to the total educational expenditure has been declining, while the proportion from society and individuals has been increasing.

The history of minban education is slightly more than 20 years. Although the total number of minban schools and its enrollment are only small proportions of total education system, the rate of growth is very rapid. In the predictable future, the share of minban education can be expected to increase.

The Chinese minban education has its unique characteristics. There exists strong interaction between public and minban education sector. The public and minban education sectors share some similarities while they maintain differences. They cooperate and compete with each other at the same time. The minban education satisfies the educational demand of certain group and stratifies the educational system.

The minban education in China is subject to strong effect of the market and economic rules. It means that: (1) comparing to public schools, the minban schools cannot get public support and are financed by non fiscal funds, and they are the so-called “demand-oriented” institutions; (2) the behavior of minban school is subject to the economic rule.

There are some conditions under which the market mechanism functions for minban education: (1) Social demand for education exceeds the social supply; (2) There are economic incentives to operate minban school; (3) The households have ability and willingness to pay minban education while the living standards increases.

The regional differences in political, economic and cultural development are also reflected in the development of minban education. The enrollments, school operation patterns, and the institution are different in different regions. The policy makers should consider such situations while making policies to regulate minban education sector.

Appendix 1: The Name List of the Sampled Institutions

Province	No.	Ordinary Elementary and Secondary Schools	Postsecondary Educational Institutions
Gansu	1	Lanzhou 21 st Century School	
	2	Lin Xia Zhong'A School	
	3	Lanzhou Wen Xing School	
	4	Jingning A'Yang Elementary School	
	5		Longqiao Institute affiliated to Lanzhou Business University
	6		Lanzhou Foreign Language Institute
Heilongjiang	1		Qiqihaer Institute
	2		Beikai College of Heilongjiang
Hunan	1	Guanya Experimental School	
	2	Tongshenghu International Experimental School	
	3		Hunan Foreign Trade Institute
	4		Shuda Secondary College of Hunan Normal University
Shandong	1	Linyi Modern School	
	2	Meiao International School in Linyi City	
	3	Angel International of Special Education School in Tengzhou City	
	4	Shuangyueyuan School in Tengzhou City	
	5	Huamei Advanced Jointly Venture School in Tengzhou City	
	6	New Century School in Tengzhou City	

	7	New Campus of No. 1 Secondary School in Tengzhou City	
	8	Yingcai School in Tengzhou City	
	9	Yucai School in Tengzhou City	
Shaanxi	1		Vocational School for Science and Healthy
	2		Euro-Asian University
	3		Xi'an Translation University
	4		Xi'an New and High Technology College
	5		Oriental Asia- Pacific Independent College of Xi'an Oil College
	6		Xi'an Siyuan University
	7		Xi'an International University
	8		Xijing College
Liaoning	1	New Century Secondary school	
Sichuan	1	Guangya School	
	2	Chengdu Foreign Language School	
	3	Yulei Secondary School in Dujiang Dam	
	4	Nanyang International School	
	5		Pivot Point International Vocational College
	6		Motive and TV Secondary College of Sichuan Normal University
	7		Min Meng Technology Trade Institute
	8		Xinhua College of Science
Fujian	1	Hualun Secondary School	
	2	Yincai School in Xiamen City	

	3	Migrant Children School of Xiamen	
Guangdong	1	Yinghao School of Guangdong	
	2	Huamei Educational Group of Guangzhou	
	3		Nanhua Business School
	4		Baiyun Vocational College in Guangzhou City
Hainan	1	The Eighth Primary in Sanya City	
	2	Haikou Hairui Academy	
Jiangsu	1	Xing Chen Experimental School in Wujing City	
	2	Yuying 2 nd Foreign Language School	
	3		Zhongbei Secondary College of Nanjing Normal University
	4		San Jiang College
Shanghai	1	Miao Si Primary School in Xuhui District	
	2	Oriental Cao Yang Secondary School in Putuo District	
	3	Shanghai 1 st Middle School	
	4	Shanghai World Foreign Language Primary School	
	5	Jinxiu Yuan Secondary School	
Zhejiang	1	Huamao Foreign Language School in Ningbo City	
	2	Mechanical Technical School of Wenzhou	
	3		Zhejiang Wanli University
Total		36	23