

Higher Education Finance and Cost-Sharing in Vietnam

I. Brief Description of the Vietnamese Higher Education System

The Vietnamese people have always given a high priority to education, especially higher education. Vietnam's first university, Temple of Literature (Van Mieu – Quoc Tu Giam), was founded in 1070. Nowadays, the Vietnamese higher education system is diversified and multilevel. In the 2006-2007 academic year, it included 322 universities and colleges of which 47 were private. Of the 275 public institutions, large multidisciplinary universities dominate. Fourteen of these have been designated key universities and they enroll almost one-third of all higher education students (Hayden and Thiep 2006).

Enrollments are growing very rapidly. Total student enrollment grew from 162,000 in 1992/93 to 1,045,382 in 2002/02 (Hayden and Thiep 2006) to some 1.5 million in 2007 (Nhan 2007). Between the early 1990s and 2007/08, the higher education gross enrollment ratio grew from 2 percent to 10 percent (World Bank 2007). This increase is a result of the dramatic growth of the number of students in some areas like economics, business administration, law, English, and computer science. Student enrollment in basic sciences has not increased very much, and in some specialties, enrollment has even decreased. This situation is considered evidence of the strong influence of market mechanisms on student enrollment behavior and the strategies of IHEs.

While the Ministry of Education and Training oversees all higher education, a recent education reform (Decree 85) has allowed local education authorities more power over higher education (with the exception of universities) and universities more autonomy over financing, research and human resources (Tuong 2008). Starting in 2008, universities are being allowed to control their own budgets and prepare their own spending plans.

Non-Public Higher Education

In Vietnam, restrictions on private (or “non-public”/“people-founded”) institutions were not lifted until the 1990s. By 2002, there were a total of 23 non-public IHEs including 5 semi-public and 18 people-founded institutions (MOET 2002)¹. Semi-public IHEs are co-owned and co-run by a public authority and a non-government agency. People-founded IHEs are founded by a social/collective organization. Their budget is out-of-state, drawn from the organization and/or individuals. Their operations are subject to State regulations. In 2008, the Ministry of Education and Training introduced a pilot scheme to allow the private sector to set up colleges and universities that are treated the same as state ones (IIE2004).

Though the number of non-public IHEs is growing rapidly, many are plagued by poor management, poor teaching, and inadequate equipment². Moreover, until now, Vietnamese non-public IHEs are mainly for children of middle or upper-middle class families who can afford the high tuition and fee. There is a growing need to create a healthy legal environment for quality enhancement and for transparent financial management in the non-public sector of higher education. The government is planning to grant non-public IHEs access to long-term loans at low interest rates to pay for the construction of modern facilities and the purchase of teaching equipment³.

II. Financing Higher Education in Vietnam

The state budget for education is approximately 5.6 percent of GDP in 2006 with over one-fifth of that spent on higher education (Nhan 2007, World Bank 2007). Government funds are directly distributed to institutions according to bureaucratic formulas. In recent years, the budget for higher education has varied from 11 to 13 percent of the education budget. As the budget increase was not proportional to the dramatic growth in enrollment, tuition and other non-public sources of funding are needed for Vietnamese higher education

At the “National Meeting of the Rectors of Colleges and Universities” in 1987, the MOET announced its intention to expand higher education enrollments by allowing the admission of fee-paying students in excess of the centrally planned quota for which scholarship support funding is available.

The number of fee-paying students grew very quickly compared with the number of students sponsored by the State, which has not significantly changed in the last ten years. In the academic year 1987-88, there were 133,136 students attending IHEs, among which 91,182 were regular (all had scholarships) and 41,954 were in-service. There were no fee-paying students among regular student groups. The number of tuition-paying students (among regular student groups) grew to become four times larger than the number of scholarship students in the 1998-99 academic year. Among irregular (part-time or in-service) training groups, most students pay tuition; the rest may get tuition assistance from their organizations. An estimated 75-80 percent of the students are paying some form of tuition.

Tuition is not commonly accepted in the graduate education system. The main reason is that the Government wants to limit enrollments, in order to match the training capacity of each IHE. This assumption is no longer appropriate if quality assurance and quality accreditation measures are used to maintain high educational levels.

The World Bank is helping the Government to improve the quality of higher education with the Viet Nam-Higher Education Project/VNPE4828 (1998-2004). The total project cost is estimated at US\$103.8 million. Of this, the IDA credit would provide US\$83.3 million, the government and universities would provide US\$20.4 million. Approximately US\$21.8 million of the total project costs would support capacity building activities for the higher education system⁴.

Access

Access to higher education is influenced by factors including income level, social status of the parents, region, race, religion, ethnicity or gender (2). Since the open door policy was implemented, and some of the market factors have started to have an impact on higher education, access to higher education for students from low- income families has increased. About 30 percent of four-year program students come from peasant families. At the same time, 75 percent of the population lives in rural areas.

The influence of income on access is shown clearly in the non-public sector, where capacity to pay tuition is an important condition for getting into IHEs. The statistics of three economic zones with the same size of population show a significant correlation of non-public higher education enrollments with income levels (4). The Central Zone with the lowest GDP per capita (1,621,000 VND) has only

one non-public HEI with 5,187 students. The North Zone with GDP (1,960,000 VND) 1.2 times higher than the Central Zone has 4 non-public IHEs with 24,129 students. The South Zone with the highest GDP per capita (3,459,000 VND), 2.13 times of the Central Zone, has 11 non-public IHEs with 66,750 students.

Ethnic minorities have less access to higher education in Vietnam. There is no evidence showing any worsening of this situation in recent years, but there is a feeling that the opportunity for these groups to access higher education is decreasing. Ethnic minorities usually live in remote areas and belong to low-income groups. According to their culture, rural girls are additionally disadvantaged compared with boys in access to higher education. A girl who graduates from a high school in a rural area usually fails to compete with her brother for scarce family financial resources in order to go to the university. She can go to the university using family resources, only if her brother fails to be accepted. In urban areas, there is no significant gender difference in accessing higher education.

III. Estimated Expense of Higher Education

(a) Tuition

Tuition varies from institution to institution and from program to program in both the public and private sectors of higher education. In public IHEs, tuition heavily depends on assumptions of what people can pay, and it varies from 15 to 30 percent of the cost, according to the parameters set up by the Government. This low tuition has great impact on the behavior of students and IHEs.

Students rush to apply to those programs that, at least according to their assumptions, bring the greatest private return. Consequently, some programs have too many applicants and others may have too few candidates applying.

On the other hand, with limited tuition fees being collected, IHEs may react differently. Some IHEs offer only programs that require little equipment and laboratory work but maintain reasonable academic quality. Universities or colleges with a technological profile are not able to enroll fee-paying students with low tuition because of the quite expensive practical component. This very much affects the structure of degrees offered within the higher education system as a whole. Most students prefer economics, business administration, law and English, rather than technological programs with which they may have difficulty in finding jobs after graduation. Consequently, the number of graduates of economics, business administration, law and English programs may exceed demand in the labor market, while the supply of graduates from technological programs is more likely to be inadequate in the near future.

Other IHEs may increase class size, reduce teaching hours and decrease laboratory time leading to decreased academic quality. In addition, the inability of IHEs to provide good language and computer training on-campus forces students to spend additional money on these courses off-campus, in order to have a better chance of finding a good job after graduation.

In the past, the academic staff was underutilized. For example, in 1988-89 the student/academic staff ratio was 6.6/1. Since then, this ratio has dramatically increased. In the 1998-99 academic year, the

average student/academic staff ratio was 28.5/1 in the whole system (in some specialties it reaches 75/1). If enrollment is to be increased, it will be necessary to recruit more academic staff and acquire additional equipment, which will require additional investment.

Tuition in non-public institutions is supposed to cover the full cost of the offered program. It is higher than tuition in public IHEs, but usually smaller than the real cost of the same program in public IHEs. There is no evidence to prove that the efficiency in the non-public sector is higher than in the public sector because of the lack of accreditation measures to guarantee quality in the non-public sector. Nevertheless, there is still an assumption that provision of higher education in the non-public sector is more effective and efficient.

Tuition in non-public IHEs depends on the mission of the particular institutions. Some non-public IHEs are established to meet the excess demand for higher education, while others aim at providing high quality higher education. The former group, consisting of 14 non-public IHEs, works to expand enrollments and charges low tuition fees. The latter group, consisting of two IHEs, limit their enrollment and charge high tuition. The tuition of this group is nearly twice that of the first group. Tuition in non-public IHEs varies from 200 USD to 400 USD per year. Besides the tuition in both public and non-public IHEs, students are required to pay all extra expenses, such as learning materials, enrollment fees, extra tutorials etc. All these expenses add to the tuition costs and make quite a heavy burden for students.

(b) Cost of living

Ten years ago the Government publicly subsidized the cost of student living. Presently, a crowded dormitory room at the minimum cost is the only subsidy some IHEs can provide for a limited number of students, especially the ones with scholarships. Staying in inexpensive private housing is the only choice for other students. However, housing, food and other related items are also becoming expensive, and the amount spent on them can surpass the amount of tuition that students pay in public universities. The estimated cost of student living is equal to the tuition fees in non-public IHEs (about 250-400 USD per year). Tuition, living costs and other school-related expenses represent a significant burden even for middle-income families.

(c) Scholarship

A scholarship is a certain amount of money (or voucher) given by the Government in order to cover all or part of student expenses in higher education. All scholarships awarded include tuition waivers, while only some of them include some subsidies for housing, food and learning materials. Merit scholarships, based purely on academic grades, with no allowance made for levels of family income, are intended to reward high achievement. Depending on academic merit of the previous school year, students may receive full, half, or one-fourth of the living expenses for the next year. A "full" scholarship covers only one-third of the real cost of student living in municipal IHEs and half of the cost of student living in rurally located IHEs. Social scholarships are reserved for disadvantaged

students, including war invalids, orphans, certain ethnic minorities and student from mountainous regions.

(d) Loans

The student loan program started in November 1994⁵. Administered by the Industrial and Commercial Bank of Vietnam (Incombank), it was launched as a pilot program covering four universities, all in Hanoi: the Agricultural University, Polytechnic University, National Economic University, and Pedagogic University. In 1995-1996, the loan scheme was extended to 20 universities. By 1996, a total of 2,359 students had received loans, totaling VND 2.7 billion.

The Vietnamese Government approved the loan program in 1997. Only students who have already completed the first year of their study and achieved high grades are eligible. The maximum loan is VND 1.2 million (\$419) for the 10-month academic year.¹ Borrowers are required to give the name of a parent or a sponsor who accepts responsibility for repayment in the event of default. Loan applications must be endorsed by the local People's Committee, which is expected to assist Incombank to trace borrowers who default. Loans are expected to be repaid within ten years (15 years in some cases) from the date of loan approval. The interest rate is 1 percent per month (more than 12 percent a year). The rate is significantly subsidized compared to market rates of interest, currently about 20 percent per annum.

Since the program has existed for only 10 years, there is as yet little experience with loan repayment and there are some difficulties emerging⁶. First, government money for loans is still limited but the potential borrowers are numerous. Second, the underdeveloped financial and banking system in the country prevents lending agencies from correctly identifying the real income of student families and collecting payments in a timely way from borrowers. Third, the low income of graduates is likely to increase the percentage of defaults in the future.

¹2002 PPP exchange rate US\$1 – 2,865.26 Dong

Vietnam
Higher Education Expenses Borne by Parents and Students
First Degree, Academic Year 2002-2003

[National currency (Dong) converted to \$US by 2002 PPP of USD1= 2,865.26.17 Dong]

		<i>Public Sector High</i>		<i>Non-Public Sector High</i>	<i>Public Sector Low</i>		<i>Non-Public Sector Low</i>
		<i>Scholarship</i>	<i>Tuition</i>		<i>Scholarship</i>	<i>Tuition</i>	
	Special "One-Time" or "Up-Front" Fees ²	50,000 (\$20)	50,000 (\$20)	50,000 (\$20)	50,000 (\$20)	50,000 (\$20)	50,000 (\$20)
Instructional Expenses	Tuition	0	2,000,000 (\$700)	5,000,000 (\$1,745)	0	1,200,000 (\$420)	2,800,000 (\$980)
	Other Fees ³	2,000,000 (\$700)	2,000,000 (\$700)	2,000,000 (\$700)	1,000,000 (\$350)	1,000,000 (\$350)	1,000,000 (\$350)
	Books & Other Educational Expenses ⁴	1,400,000 (\$490)	1,400,000 (\$490)	1,400,000 (\$490)	500,000 (\$175)	500,000 (\$175)	500,000 (\$175)
	Subtotal Expenses of Instruction	3,450,000 (\$1,200)	5,450,000 (\$1,900)	8,450,000 (\$2,950)	1,550,000 (\$540)	2,750,000 (\$960)	4,350,000 (\$1,520)
Student Living Expenses	Lodging	1,400,000 (\$490)	1,400,000 (\$490)	1,400,000 (\$490)	600,000 (\$210)	600,000 (\$210)	600,000 (\$210)
	Food	3,600,000 (\$1,255)	3,600,000 (\$1,255)	3,600,000 (\$1,255)	1,400,000 (\$490)	2,800,000 (\$980)	2,800,000 (\$980)
	Transportation	700,000 (\$245)	700,000 (\$245)	700,000 (\$245)	200,000 (\$70)	200,000 (\$70)	200,000 (\$70)
	Other Personal Expenses	--	--	--	--	--	--
	Subtotal Expenses of student living	5,700,000 (\$1,990)	5,700,000 (\$1,990)	5,700,000 (\$1,990)	2,200,000 (\$770)	3,600,000 (\$1,255)	3,600,000 (\$1,255)
	Total Cost to Parent & Student	9,150,000 (\$3,190)	11,150,000 (\$3,890)	14,150,000 (\$4,940)	3,750,000 (\$1,310)	6,350,000 (\$2,215)	7,950,000 (\$2,780)

NL/NP/TL/NML

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² Entry examination fees

³ Fees for language and computer courses

⁴ School-related expenses.

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