



THE
BUSINESS
CENTRE



BRITISH
BUSINESS
GROUP
VIETNAM



Department for
International Trade

July 2018



VIETNAM - 2018 EDUCATION

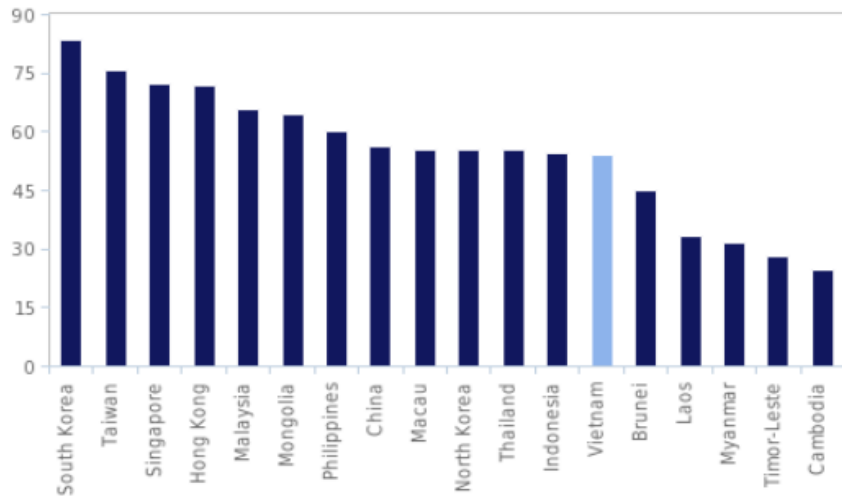
Author: Alicia Hunt
Position: Business Center

This report was produced by the Business Centre of The British Business Group Vietnam (BBGV) with references from sources believed to be accurate and reliable at the time of publishing. Individuals, companies and organisations are required to acknowledge BBGV when using this work for any papers or publishing purposes. We are not responsible for any loss or damage resulting from opinion, errors, inaccuracies or omissions affecting any part of the content.

Market Overview

Advanced Skills Shortage Major Challenge For Employers

East And Southeast Asia- Education Risk



Source: BMI Labour Market Risk Index. 100 = Lowest risk; 0 = highest risk.

Following the significant political and economic reforms under Đổi Mới in 1986, Vietnam has experienced rapid economic development and change. Being one of the fastest growing economies in the world, (BMI Research Vietnam country risk report q3 2018), the country has seen close to 7% annual growth with its GDP expanding this year to 6.9% (Business Monitor International Ltd, Economic Analysis-Vietnam's Economy to Continue Powering Ahead , 2018). This growth has stimulated huge interest and opportunities for foreign direct investment (FDI).

As the demands of the market align in accordance with the country's changing economic environment, the "mismatch between qualifications and skills" of the labour force has been explicit (Oxford Business Group, 2018). (BMI, 2018) Despite 21.4% of the state budget going into education, notably higher than the regional average of 15.2% in east and southeast Asia- as well as surpassing major economies such as the UK and US in Maths and Literacy in 2012 (Programme for International Student Assessment tests)- limited resources and outdated teaching curriculums in Vietnam's formal education structure has left students ill-equipped to succeed in the job market.

Moreover, the World Economic Forum's Global Competitiveness survey (BMI, 2018) found that the third most problematic factor for doing business in the country was an inadequately educated workforce. The lack of soft skills including communication, problem-solving, and English comprehension increased both the difficulty and cost for foreign investors in Vietnam. With over 20% of the unemployed being graduates (Oxford Business Group, 2016), there is a vital need and role for the private sector to ensure education programmes align with the country's economic development.

Another pressing problem in Vietnam is the strong imbalance between the current supply and demand in education. In 2012, 1.8 million students registered for the centralised university entrance exam, however the capacity for both universities and colleges was only 600,00 (BMI, 2018). Progress in the tertiary sector has been particularly strained due to the especially low attainment levels within the lower secondary schools.

Additionally, with more disposable income than in years prior, there is an increasing demand for higher quality facilities and international education (BMI, 2018). For example, according to the Department of Foreign Training under the Ministry of Education and Training, over 110,000 Vietnamese students moved abroad to study in 2014 (ICEF Monitor, 2017). In April 2016, the government also announced a higher education reform-agenda. This aimed to provide government scholarships to 1300-1500 students and research staff annually between 2014-2020 (BMI, 2018), highlighting the government's recognition of the need for increased investment in education in Vietnam.

Government priorities and Legal frame work

As the education system is being managed and administered by the Ministry of Education and Training, public schools and universities heavily dominate the Vietnam education sector. The Department of General Education is responsible for examinations, curriculum, staffing, textbooks at the primary and lower secondary educational levels. The Vietnam education system encompasses both governmental and private educational institutions.

Priorities:

In 2017 – 2018, MOET aimed to implement 09 major objectives and 05 resolutions.

Objectives:

- To assess and to re-plan the network of schools & classrooms.
- To improve the quality of teachers and administrators.
- To improve the quality of foreign language teaching.
- To apply IT in teaching, learning and educational management.
- To promote the autonomy and accountability of schools.
- To strengthening international integration.
- To enhance facilities to ensure educational quality.
- To develop human resource.
- To implement career classification and career orientation

Resolutions:

- To improve the institution and accelerate reformation of administrative procedures on education and training
- To enhance the leadership capacity of educational administrators at all levels
- To strengthen investment resources for education and training
- To increase assessment and accreditation for education quality
- To improve communication about education and training

Legal framework affecting on provision of foreign education in Vietnam

- **Law on Education (2005):** described the basic structure of the education system in Vietnam, as well as the qualifications a student must possess to enter each level. It establishes the centrality of the Ministry of Education and Training (MOET) overall role in the education system.
- **Law on Vocational Training (2006):** concerned the operation, promotion and quality of Vocational Education and Training (VET) sector in Vietnam. It codifies the levels of VET qualifications within the Vietnamese system (elementary, intermediate and diploma), and the objectives, duration and syllabus applicable to each level.
- **Law on Higher Education (2012):** supports the sustainable development and reform of higher education in Vietnam. It covers issues not previously included in legislation e.g. institutional autonomy and accountability; quality assurance; universities' roles in research; science and technology; private universities; national and regional universities; and university classification and ranking.

- **Law on Investment (2014):** states that foreign investment in the education sector attracts both stricter conditions (including requiring foreign investor specific approvals for investment) and higher investment incentives (including tax breaks, land grants and preferential accounting treatment) than other types of foreign investment.
- **Law on Enterprise (2014):** sets out the enterprise structures relevant to foreign providers of education in Vietnam

- Limited-liability company

- Joint-stock company

- Partnership

- Branch

- Representative office

- Business Cooperation Contract

- Public and Private Partnership

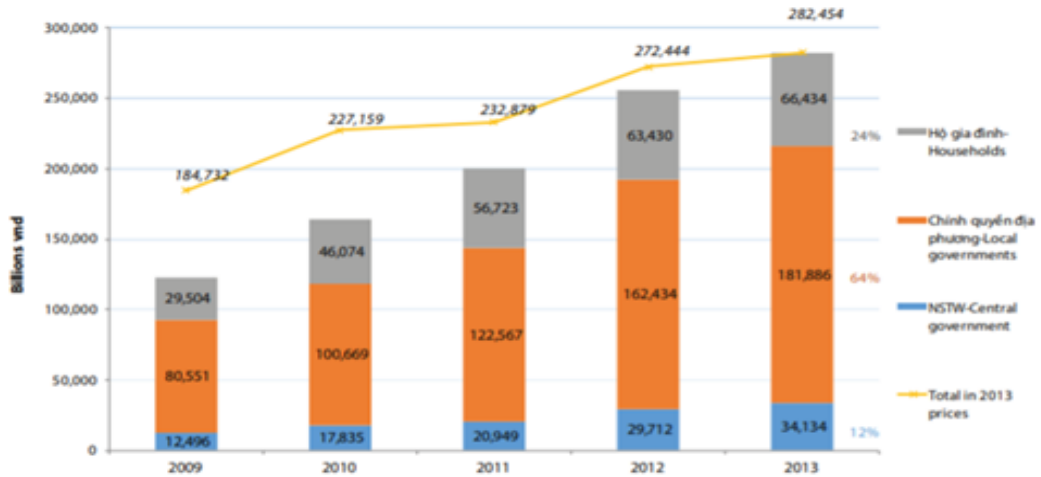
- Contract

Foreign Investment in Education Overview:

Opportunities:

There is huge potential for foreign investment in education. Embracing a striving economy and notably growing middle class, the demand for both private and international education is evident, with over 110,000 Vietnamese students moving abroad for an international education in 2017 (ICEF Monitor, 2017). The UK was the fifth most popular destination for Vietnamese students (Express, 2016). Moreover, with a notably young demographic makeup of the population- 70% under the age of 35 (World Bank, 2018)- and UN forecasts of the urban population rising rapidly from 32% of the population (2013) to over 50% by the 2040s (BMI, 2018), the demand for quality education is only expected to grow. Thus, investment in education in Vietnam has already been on the rise, with more than 320 FDI projects (BMI, 2018), led by big organisations including the World Bank and ADB (World Bank, 2018) offering and providing opportunities to many UK companies operating in Vietnam.

Figure 2: Expenditure on education from government and households, 2009-2013



Source: Technical team calculations based on MoF figures for 2009-2012, MoF and MoET estimations for 2013, VLHSS 2008, 2010, 2012

Government Efforts:

Acknowledging the increasing regional competitiveness, the government has already made notable efforts in its move towards the private sector. This is most evidently seen in its efforts to reduce preferential government treatment to state owned enterprises (SOEs), facilitating the ability for international and private firms to compete and consequently encouraging the incentives towards privatisation and foreign investment. The government's recent approval on 6 June 2018 of Decree 86 in replacement of Decree 73 (and Decree 124 amending Clause 6 of Article 31 of Decree 73) is particularly illustrative of this in the education sector. The new decree, which came into effect on the 1st August 2018, includes significantly increasing the previous cap on the enrolment of Vietnamese students in foreign educational programmes (from 10% for primary and 20% for secondary) up to 49%, in addition to including the proposal of abolishing the differences between capital requirements from local and foreign investors when founding universities (Oanh, 2018). This will be imperative to strengthening the position of private and international education centres in Vietnam, (Gov.UK, 2014) adding to the already existing business opportunities in teacher training, English language training (ELT), quality assurance, assessment, digital learning and educational material, school equipment and transnational education (TNE).

In addition, it will prove mutually beneficial for both the local families who are provided with a wider range of academic possibilities, as well as the national economy which will subsequently benefit from a highly skilled and educated labour force, especially against regional peers including Indonesia, Malaysia and Singapore (ICEF Monitor, 2017).

Furthermore, there are several tax incentives generated to engage foreign investors' interest in the Vietnamese economy, including a general Corporate Income tax (CIT) rate of 20% and some tax holidays including CIT exemption for up to four years with a further 50% reduction for specific projects for up to nine years (BMI, 2018).

Challenges:

However, despite the huge potential opportunities concerning foreign investment in education, there are still existing challenges that create difficulty for incoming investment in Vietnam.

Challenges include:

- ➔ Although the government has demonstrated increasing efforts to reduce limitations on foreign business and investment, such as through the recent amendments of Decree 73 and in its anti-corruption exertions (Jennings, 2017), the existing maximum foreign ownership restrictions on many public sectors remains a barrier to the progress and performance of market reforms (BMI, 2018)
- ➔ A possible increase of political tensions with China concerning sovereign claims to parts of the South China Sea could present economic bearings (BMI, 2018)
- ➔ There is a greater need for the government to oversee both the quality and efficiency of the tertiary education sector. In particular, the issue of corruption carried out through exam cheating and falsification of degrees, is of vital concern (Oxford Business Group, 2016)
- ➔ Vietnam still suffers from bloated fiscal deficits and high public-sector debt, causing the economy to remain vulnerable to global economic uncertainties (fiscal debt due to high spending on social subsidies to withdraw) (BMI, 2018)
- ➔ Obtaining licenses has proved to be quite difficult. In order to operate in the education sector in Vietnam, foreign institutions must follow specific procedures to obtain three types of license: an investment registration certificate, a business registration certificate permitting the establishment of educational institutions, and a license for educational activities (BMI, 2018).

References

- Bank, W. (2018, April 19). *The World Bank in Vietnam: Overview*. Retrieved from World Bank.
- Business Monitor International Ltd. (2018). *BMI Vietnam Country Risk Report Q3 2018*. Business Monitor International .
- Business Monitor International Ltd. (2018). *Economic Analysis-Vietnam's Economy to Continue Powering Ahead* . Business Monitor International Ltd.
- Business Monitor International Ltd. (2018). *Education Analysis - Vietnam - Q2 2018*. Business Monitor International Ltd.
- Express, V. (2016, Nov 02). *VN Express*. Retrieved from <https://vnexpress.net/infographics/giao-duc/du-hoc-sinh-viet-nam-dang-hoc-tap-tai-nhung-nuoc-nao-3493240.html>
- ICEF Monitor. (2017, May 2). *Vietnam: Regulatory change expected to spur international school enrolment*. Retrieved from ICEF Monitor, : <http://monitor.icef.com/2017/05/vietnam-regulatory-change-expected-spur-international-school-enrolment/>
- Jennings, R. (2017, December 19). Vietnam's Corruption Crackdown Is All About Protecting Its Economic Miracle From Its SOEs. *Forbes*.
- Oanh, M. (2018 , July 11). Foreign investors propose \$44 million minimum capital for universities. *Vietnam Investment Review* .
- Oxford Business Group. (2016). *Adapting Vietnam's higher education model to a changing economy*. Oxford Business Group.
- Gov.uk. 27 October 2014. *Guidance: Education Opportunities in Vietnam*. Gov.uk.
- Nguyen, Quang Kinh. Nguyen, Quoc Chi. 2008. Education in Vietnam: Development History, Challenges, and Solutions. In: Fredriksen, B. Jee Peng, T. *An African Exploration of the East Asian Education Experiences*. Washington: The International Bank for Reconstruction and Development/ The World Bank. Pp. 109-155.

Contact

Ms Doan Lieu An | Research Manager |
British Business Group Vietnam | 25 Le Duan, District 1, Ho Chi Minh City |
Tel: (84) (28) 3829 8430 [ext. 102] | Email: an.doan@bbgv.org