1. Key development issues and rationale for Bank involvement

There remain considerable constraints to competitiveness and growth in Vietnam, including insufficient labor skills and education. While demand is increasing, higher education supply is still low, increasing from a mere 2 percent in the early 1990s to over 10 percent currently. The quality and relevance of higher education skills, in terms of adequacy to labor market needs and productivity shows some weaknesses. Labor skills appear unequally distributed across sectors suggesting possible inadequacies in specific skills offered. According to the Investment Climate Survey data, about 40 percent of state-owned enterprises have more than 40 percent of workers with post-secondary qualifications, versus about 27 percent of private sector firms. This fact may suggest persistent higher demand for higher level qualifications from the state-owned enterprises, higher demand from the post-secondary graduates to work in these sectors,¹ but also indicate a strong connection between the requirements of the State sector companies and the organization of training in academic institutions, showing inadequacies in post-secondary programs. It is likely that the private sector still needs to find a balance in terms of trained labor force, as also shown by a 40 percent of private firms considering the level of skilled workers to be an obstacle for their business. The quality and innovation potential of higher education graduates also seems too low. Some initial evidence on higher education in Vietnam suggests that the quality, employability and productivity of higher education graduates may still be too low as measured

¹ 2003 MOLISA data suggest that most university graduates prefer working in the public sector.
by the high rates of youth workers with vocational and university college level who need further training after employment (about 60 percent).2

Quantity, quality and relevance of higher education may be constrained by several sector-internal features. First, an increasingly competitive entrance examination to higher education combined with enrollment quotas imposes a barrier to entry to this education level. This barrier has been somewhat released by allowing institutions to accept fee-paying students above the quotas, but the fees still impose a barrier to access on many students. Additionally, the supply of private institutions remains strictly regulated.3 Although these policies may help maintain some minimum quality standards, they may end up limiting both the supply and variety of tertiary skills offered. Second, quality assurance in higher education needs to be further strengthened. Third, higher education in Vietnam still primarily consists of mono-disciplinary institutions which focus on just one field of study. This can constrain the ability of the higher education system to produce workers for a changing labor market. Moreover, mono-disciplinary institutions in Vietnam tend to be smaller and thus tend to make less efficient use of their resources (higher unit costs than larger, more diverse institutions).4 Finally, there also appears to be limited university-industry collaboration, in particular when it comes to technology provision and technical assistance to firms.5

The World Bank’s five-year Country Partnership Strategy (CPS)6 supports the GOV’s “Five-Year Socio-Economic Development Plan 2006-2010.” Under CPS Pillar I, which aims to assist the Government in its transition to a market economy, the World Bank’s program will help to “develop a higher education system that produces graduates better suited to the new economy’s needs,” measured by changes in the proportion of students finding employment within six months of graduation by field of study. The present project contributes directly to this objective by developing universities that will offer a new model for: (i) producing graduates today with the knowledge and skills that can adapt to labor market demands of tomorrow, and (ii) strengthening the national innovation system through relevant basic and applied research.

Higher education contributes to economic development. Building a higher education system in Vietnam that is innovative, responsive to the demands of the market and of high quality is essential to the economic growth and development of Vietnam. This is all the more critical at a time when Vietnam, having recently acceded to membership of the World Trade Organization, is looking to develop a skilled population, with a strong knowledge base, that will position the country well for economic expansion and integration into the global economy.

2. Proposed objective(s)

Broad development objectives. The project will: (a) increase the quality of research and research-based teaching; and (b) improve the efficiency of governance and management.

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2 See MOLISA 2003.
3 Private universities are not allowed to enroll more than 1,500 students and have state fixed maxima on the fees that they can charge.
4 Higher education in Vietnam appears to be costly if we consider that the country spends about 22.3 percent of the education budget on this level alone.
5 See Tran Ngoc Ca: “Universities as drivers of the urban economies in Asia: the case of Vietnam” (2005), mimeo.
Intermediate objectives. To do this the project will: (a) set up and pilot a new policy framework for the governance, financing and quality assurance of new-model research universities (in harmony with the trends developed for the higher education sector as a whole under the Second Higher Education Project [P079665]); and (b) establish and develop within this framework two universities – “Vietnam-German University in HCMC” and a Cantho University sub-project – as centers of research and teaching excellence aspiring to high quality standards.  

3. Preliminary description

Lending instrument and modality. This project will use a Sectoral Investment Lending instrument and will be financed under IBRD terms and conditions.

Component A. Policy and regulatory framework: Implement specific arrangements for governance, financing and quality assurance procedures of new-model research universities (in harmony with sector-wide framework being developed under the Second Higher Education Project currently under implementation). In particular, this model would give wide autonomy to the universities regarding degrees and programs, recruitment and management; with ex-post rather than a-priori monitoring by MOET.

Component B. University establishment and development: Design, build and equip two new-model research universities; establish management systems (including governance, financing and quality assurance systems); develop and deliver training program for leadership, management, teaching and research staff. The Vietnam-German University will be a completely new multi-disciplinary science-oriented institution, created from a partnership between the Ho Chi Minh City National University and a consortium of German universities (with a strong German input in the areas of governance, teaching and research); the Can Tho University sub-project will likely involve the upgrading and reforming of part or all of the existing Can Tho University.

Component C. Project implementation management: Manage project; monitor performance and results.

Monitoring and evaluation. A project monitoring and evaluation framework will be developed during the preparation stage, with the definition of indicators to be monitored throughout the project life. Indicators will relate, at different levels, to (i) the Government’s HERA, (ii) the projects’ specific development objectives, and (iii) key activities planned under each project

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7 While not entering into co-financing arrangements, the Asian Development Bank will finance a parallel project (covering the “Hanoi Science and Technology University” and a Danang/Hue University sub-project). The WB and ADB teams have agreed with the Government that both projects will be prepared by a single MOET Project Preparation Unit and that WB and ADB aim to carry out joint preparation missions with a common timeline.

8 This would mean setting up, essentially with human resources available in Vietnam or that are called back from abroad, two universities similar to a medium-sized American or European university that rank in the world’s top 300 universities in terms of the programs offered, the integration of teaching and research (20-30% postgraduate studies) and modern autonomous and entrepreneurial management.

9 A memorandum of understanding has been signed by the Vietnamese and German authorities to underpin the establishment and development of this university. The German contribution is estimated at approximately US$ 6 million, consisting primarily of in-kind provision of management, teaching and research staff time.
component and sub-component. Verifiable indicators (e.g., number of intakes and graduates at undergraduate, master, and doctoral levels; number of articles published in the referee journals; number of patents/ licenses obtained, etc.) will be identified and developed based on the overall medium and long-term objectives of the project in order to monitor progress against the project development objectives. Since it will however be difficult to see the positive impact on graduates and research within the first five years of project implementation, such quantitative indicator monitoring will be supplemented by an external institutional evaluation based primarily on qualitative data.

4. Safeguard policies that might apply

*Environmental safeguards.* Since the university sub-projects will likely finance infrastructure and equipment supply, including construction of new buildings and modern research laboratories and equipment, project preparation will need to address the potential impacts that could occur during the construction phase and operation phase, including air pollution, waste water and solid waste. As such, sub-projects will likely trigger the Bank’s policy on Environmental Assessment (BP/OP4.01). The Government will need to prepare an Environmental Assessment as part of project preparation, which would describe all impacts causing during preconstruction, construction and operation phases with their mitigation measures for each.

*Social safeguards.* A social assessment should be a part of the project preparation to enhance the social outcomes of the projects in terms of participation of the stakeholders and equity opportunities for currently disadvantaged groups (women, ethnic minority youth, young people living with a disability) in gaining the project benefits. Where a university sub-project has access to cleared land, a due diligence report on the compensation and resettlement process would need to be prepared; where the site is not identified during project preparation, a Resettlement Policy Framework (RPF) would need to be developed to guide future land acquisition to meet the Bank’s involuntary resettlement policy objectives.

5. Tentative financing

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6. Contact point

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