

REPORT

“Theme 3: Possibility to apply PPP in education and training in Ho Chi Minh City”.

[Report of Ho Chi Minh City Department of Education and Training at the International Workshop on effective use of state budget and international experience in mobilizing social capital and promoting public-private partnership (PPP)].

I/ OVERVIEW OF EDUCATION - TRAINING HO CHI MINH CITY

Ho Chi Minh City is a centrally-run city, with a total area of 2,095,239 km², comprised of 24 districts and 322 wards/communes and townships and housing a population of over 10 million people. Economic growth rate is about 8% per annum; Gross regional domestic product (GRDP) in the province in 2018 reached VND 1,332,440 billion, estimated to increase by 8.3% year on year, GDP per capita in 2018 was USD 5,217.

Ho Chi Minh City is the cultural, scientific, technical and economic center of the region and the whole country which serves as the contact point with the region and the world. The Education and Training sector has been developing rapidly both in terms of scale and quality. The school network has been developed strongly across the inner and outer city, as well as the remote areas of the City, helping to basically meet the learning needs of the people. High educational level and living standards also contribute to creating resources for socio-economic development in the context of national industrialization and modernization.

1. School size:

In the 2018-2019 school year, the City has 2253 schools covering from kindergartens to secondary schools (1296 kindergartens, 491 primary schools, 274 lower secondary schools and 192 upper secondary schools). Among these, there are 1,321 public schools, accounting for 58.7%; 932 non-public schools, accounting for 41.3% (829 preschools, 14 primary schools, 5 lower secondary schools and 84 upper secondary schools). Total number of students 1,641,189 (Public - 1,361,071; Non-public - 280,118). Proportion of non-public students: Kindergartens: 55.40%, Primary schools: 6.10%; Secondary schools: 18.90%),

2. Annual public investments:

The local government pays keen attention in investing in the field of education and training. Every year, the city government has allocated an average capital budget of about VND 2,700 billion to invest in school facilities; the total number of classrooms to date is 45,698.

Despite decent investments, school facilities still fall short of the actual development requirements in the sector. In recent years, the number of students has increased at a rate of about 65,000 per year. Therefore, having sufficient space to accommodate all students remains a huge challenge to the City education and training sector. Therefore, promoting socialization of investment in school development is a positive solution in ensuring the school needs of the city. In particular, public-private partnership is of special interest.

Every year, the City has spent about 26% of the total city budget on education and training. However, it has not met the requirements of educational development. Fluctuation of the population every year makes it even more difficult to forecast demands and ensure sufficient spots for students. In 2019, the City approved the investment policy for another 198 projects to ensure sufficient classroom space by 2020.

Private investment in education sector: There have been quite a few investors who have built new classrooms and functional rooms, specifically: In 2016: 996 classrooms; In 2017: 1059 classrooms; In 2018: 1160 classrooms, the total number of classrooms so far is 13,915 classrooms and 1,693 functional rooms (labs, gymnasiums, foreign language and IT classrooms, etc.). Some projects have been allocated land for construction by the municipal government such as: Dinh Thien Ly lower and upper secondary schools, Canada International primary, lower and upper secondary schools; Sao Viet lower and upper secondary schools; Albert Einstein primary, lower and upper secondary schools in District 7; Ngo Thoi Nghiem primary, lower and upper secondary schools, Vietnam Australia primary, lower and upper secondary schools; Citiland Kindergarten, primary, lower and upper secondary schools in Go Vap District; EMASI, District 9; Van Phuc Kindergarten in Thu Duc District; North American lower and upper secondary schools; Mua Xuan primary, lower and upper secondary schools; Winschool primary, lower and upper secondary schools in Binh Thanh district; A Chau primary, lower and upper secondary schools in District 10, etc.

II. OBJECTIVES AND ORIENTATIONS FOR TRAINING AND EDUCATION

1. Objectives:

To effectively help Ho Chi Minh City to become a champion nationwide in fundamental and comprehensive reform of education and training while improving the quality of human resources to create vigorously transform the quality and efficiency of education and training in the city. In recognizing

education and training as an important driving force for the city to develop sustainably; the City aims at standardizing, modernizing, democratizing and integrating the city education and training system into the regional and international advanced education system while upholding socialist orientations and national identity. Among these English proficiency and tech savviness should lead the whole country.

To optimize the potentials and advantages of the society, especially via mobilizing capital from the public to invest in infrastructure development; To build a learning society, encourage and create fair and favorable conditions for every city citizen to access to lifelong learning, nurture future human resource to meet the socio-economic-cultural development requirements and international integration of the city, thereby becoming a high quality education and training center. To build schools with modern facilities.

To build, consolidate and develop schools with advanced and modern scales, some of them have obtained high ranking in the region and the world while upholding their own national identity.

2. Overall orientations:

The City leaders' perception of the role of education and educational socialization: Education is considered a driving force for socio-economic development; in that sense, investing in education also means investing in development where education should be considered top national policy; the whole society should join hands in developing education under the organization and management of the state; besides public school, it is necessary to promote the development of non-public schools which contribute significantly to the development of the city's education sector, create better learning conditions and opportunities for the people, thereby reducing pressure on public investment. Specific orientations:

- To improve institutions and promote reforms in education and training.
- To improve the leadership capacity of education managers at all levels.
- To strengthen investment resources for education.
- To promote communication on education and training.

III. THE POSSIBILITY OF ADOPTING PPP IN THE EDUCATION SECTOR IN HO CHI MINH CITY

1. Ho Chi Minh City is the most dynamic economy in the country, attracting huge population to the city which increases population density over the years and pressing needs for school facilities to accommodate people's learning needs and supply human resources for industrialization and modernization. The application of public-private partnership is one of the main solutions that can remove the bottleneck of capital mobilization in the context of budget cut to reduce the burden of public investment. For this reason, engaging all possible resources for investment in school facilities and public-private partnership can be considered a breakthrough. Currently, all education projects are in the BOT form.

In addition, the City People's Committee also led the implementation of Decree No. 86/2018/NĐ-CP dated June 6, 2018 of the Government on foreign cooperation and investment in education whereby the Department of Education and Training instructed public and affiliated educational and training institutions to exercise autonomy in terms of organizational structure, recruitment and finance for public service delivery units in accordance with the Government's Decree No. 43/2006/NĐ-CP dated April 25, 2006. So far, 100% of the Department of Education and Training's affiliated units have been exercising autonomy and accountability.

2. Deployment plan:

Ho Chi Minh City currently has 36 PPP projects in the pipeline to be deployed in 24 districts. Plan for 2019 includes building new Le Van Nghe lower secondary school in District 3 (with a total investment of VND 127 billion), Nguyen Thai Binh lower secondary school (VND 200 billion) in Tan Binh district, Tran Van Kieu primary school (VND 250 billion) in district 6; and EMASI in Van Phuc urban area Thu Duc district in the form of land allocation.

Among PPP contracts of Build - Operate - Transfer (BOT); Build - Transfer - Operate (BTO); Build - Transfer (BT); Construction - Ownership - Business Contract (BOO); Build - Transfer - Lease (BTL) and Operate - Management (O&M), BOT contract is the most feasible and effective method.

3. Evaluation

3.1. Advantages

Advantages to apply PPP in education and training:

- Currently, the legal framework for PPP implementation has been issued by the Government and Ministries, with detailed and clear regulations to facilitate implementation of investors and competent state agencies.

- With the goal of completing fundamental and comprehensive education and training reform in the coming time, mobilizing the participation of the whole society to promote socialization in education is of paramount importance. To that end, all levels and sectors have focused on offering appropriate incentives and support policies to attract investors, namely:

- + To create a legal framework for social resources to invest more in education, training and facilitate educational institutions to access social preferential policies, the Government has issued Decree No. 69/2008/NĐ-CP on policies to encourage socialization of activities in the fields of education, vocational training, health, culture, sports and environment; Decree No. 59/2014/NĐ-CP amending and supplementing a number of articles of Decree No. 69/2008/NĐ-CP mentioned above to better align with practical situation.

- + In Ho Chi Minh City, the City People's Committee has also adopted many incentive and supportive policies to engage more social resources for educational development, such as: incentive policies on land rent and tax under Decision No. 39/2015/QĐ-UBND dated August 11, 2015; Stimulus Loan

Program and interest rate support under Decision No. 50/2015/QD-UBND dated October 30, 2015, etc.

- According to statistics, from now to 2020, about 50% of the city's land fund for education is left unused, which is one of the favorable conditions to attract investors.

3.2. Disadvantages

Besides advantages, there are considerable challenges to the application of public - private partnership in the field of education and training, specifically:

- The city currently lacks land use planning for the purpose of socialization. In addition, land fund information is not disclosed in a proper and adequate manner, causing difficulties for investors in evaluating the projects.

- Awareness of socialization of education and training is not really unified among management agencies and people from all walks of life. The tendency to rely on government subsidies or grants still persists, which slows the process of calling for investment or deploying investment promotion activities or preparing a proper portfolio to call for investment. In another scenario, the portfolio is too generic without specific information about potential projects in education and training to introduce to the investors. Investment procedures are complicated and irrational, which obstructs investment promotion and negotiation activities.

- Currently, investment in PPP in education sector is also hindered by the cautiousness of investors. The main reason is that investors always put profitability on top, therefore foreign investors or domestic enterprises with less capital will prioritize the areas that do not require substantial capital or modern technology and promise a short payback period.

For example, for investment in education to quickly reach breakeven, it is necessary to increase the scale to increase the number of students, but most projects are subject to the restrictions of existing Charter and Design Specifications for schools as well as construction planning criteria.

On the other hand, the initial investment required for the construction of a school is quite large, hence to recover the costs quickly, investors must impose high tuition fees, which means only better off families can afford and suburban districts are not suitable destinations.

For the reasons analyzed above, it is easy for investors to search for project locations in the central districts of the city to easily attract students and recover capital. However, in general, the land fund for education investment in central districts is shrinking due to the rapid urbanization rate, or the area is quite fragmented, which makes it difficult to attract investors. Therefore, the payback period is too long compared to the profit expectations of businesses.

IV. PROPOSALS

In order to mobilize domestic and foreign investment resources for socialization policy and promoting public - private partnership in the field of education and training, there should be appropriate policies, specifically:

- Proposals to the municipal government: Direct functional agencies to coordinate in promoting the socialization of the city's education such as:

+ Publicly disclose information about land funds and potential education projects calling for socialization of investment.

+ Develop an appropriate coordination mechanism between departments, agencies in considering investors' participation conditions or consultation with relevant agencies during project appraisal process to ensure time efficiency.

+ Modify and supplement land allocation and lease mechanisms or allow non-public educational facilities to be established on land areas not dedicated for education such as residential or commercial property, etc. but suitable to the socio-economic development conditions of the city and the locality.

- Proposals to the central Ministries:

+ Consider adjusting height restriction for educational projects to expand utility areas, ensuring needed increase in the number of classrooms to meet the learning needs of children in central areas with land fund constraints for education or in rapidly urbanized areas.

+ Adjust the regimes and policies on socialization of investment with exemption and reduction of taxes and land rent regimes suitable to the actual situation, thereby attracting investors.

HO CHI MINH CITY DEPARTMENT OF EDUCATION & TRAINING

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