

INVESTMENT IN EDUCATION AND TRAINING

by MEcon. NGUYỄN VĂN HÙNG

The Vietnam Communist Party's eighth National Congress determined: "Speeding up the national industrialization and modernization with a view to making the people rich, the country strong, the society civilized on the way to socialism. To implement successfully the industrialization and modernization, we have to develop strongly the education and training, and utilize fully the human resource which is a decisive factor for sustainable development".

I. ROLE OF EDUCATION IN CREATING MANPOWER FOR INDUSTRIALIZATION AND MODERNIZATION

1. Role:

The second plenum of the Party Central Committee pointed out the strategy of education and training development in the period of industrialization and modernization and tasks by the year 2000 as follows:

- Maintaining the socialist target in contents and methods of training and policies, especially the policy on social equality. Preventing the trend of "commercialization" and non-politicization of education and training...

- Making education and training one of top strategies.

- The education and training is the whole Party, the Government and the people's cause.

- Education development is associated with the demand for socio-economic evolution, techno-scientific advances, and defense and security consolidation.

- Making equal opportunities for everybody in education and training.

- Implementing the leading role of public schools along with diversifying forms of education and training on condition that the Government manages uniformly from contents, curricula, regulations on learning, examinations, diplomas and teachers'

qualifications and helping people choose the way of learning in accordance with their requests and abilities. Developing semi-public and people-funded schools in areas having enough conditions; opening private schools, implementing not official and distant training; and gradually modernizing the education facilities.

- As a result, the education and training activities require sufficient capital and the legalization of the capital mobilization for education and training is suitable for the sector development in 1996-2000 because the annual spending on education rise by 16.8% annually, while the GDP growth rate is 10%, the funds coming from the Treasury stand at 20-22% only. The budget for this sector cannot exceed those on capital construction. Therefore, the diversification of capital sources invested in education and training is a must.

2. Diversification of capital for education and training

In the period 1996-2000, the number of students increases by 3.4%, doubling that of population growth (1.5%). According to the Ministry of Education and Training, by the year 2000, the students for every 10,000 people will reach 60 in universities, 90 in secondary vocational schools, 300 in vocational training centers, the literate account for 95%, the over-23-year-old persons have 6 schooling years on average. The students make up 98% (in primary education), 55% (in secondary education) and 6% (in higher education), the investments in education climb by 16.8% per year, or 5.4% of the GDP. In the meantime, the growth rate of GDP averages 9-10% per annum, and of State expenditures 12%.

Consequently, the Treasury can meet only 50% of the education and training demand. So the edu-

cation sector has to use money from the State budget and the public such as tuition.

The Government should issue regulations to encourage firms to pay partly training costs, attract utility labor for school construction, inspire socio-economic organizations to set up learning extension funds and national education funds; open lotteries to build schools and allow vocational schools, colleges, universities and research institutes to engage in production and scientific services in line with their functions.

- The schools publicize their tuition and other costs which are reduced for the poor and those enjoying social privileges.

- The banks establish training credit funds for low-income families.

- The Government heartens up firms to invest in training and retraining by deducting their investment from income and profits taxes.

- The students are emboldened to learn abroad, especially in fields important to the country in compliance with the Government's regulations.

- The Government should inspire overseas Vietnamese to invest in the domestic education and training.

- The non-refundable aids and loans for education and training should be used effectively.

3. Achievements of the education sector over the past years:

a. Material and technical base:

- Vietnam currently has 108 universities, 468 vocational schools, 500 short-term vocational training centers and 18,800 high schools.

- 37% of the equipment in universities and colleges is of the 1950s model.

- The libraries, classrooms, dormitories and other facilities are inadequate and poor.

- The high schools' facilities are also in poorer conditions. In the school year 1997-1998, there are still 6,000 three-shift classes.

b. Achievements:

- According to a survey of the Ministry of Labor, War Invalids and Social Welfare, Vietnam workforce totals 35.8 million people, including 11,561 post-graduates and 816,908 graduates of universities and colleges; 636,246 at elementary level and the remainder are unskilled labor.

- The system of public school plays an important role in eradicating literacy, so far 91% of the population is literate.

-In developed countries, the students of universities, secondary vocational schools and technical schools are in order of 1:4:5. In Vietnam, this proportion is 1: 1.75: 1.3 and in HCMC 1:0.9:1.3.

Mr. Kenchane Kanchanasut (the Asian Institute of Technology in Bangkok) said: "There are more people with Ph.D. diploma than technical workers in Vietnam".

Many foreign investors censured the surplus of well-educated persons but shortage of required workers in Vietnam.

II. INVESTMENT FACTS OF THE EDUCATION SECTOR

1. Funding from the State budget:

The Government's spending on education and training accounted for 1.2% of GDP in 1986-1990, and rose to 2.4% of GDP in 1991-1995.

Compared to regular expenditure, the spending on education climbed by 28% in 1991-1995 over the period 1986-1990.

Compared to the total expenditure of the State budget, the spending on education rose by 49% in 1991-1995 over the period 1986-1990.

Table 1: State Spending on Education in Vietnam

Year	% of GDP	% of regular spending	% of total expenditure
1986-1990	1.2	11.6	7.5
1991-1995	2.4	14.9	11.2
1991	1.5	13.9	11.2
1992	1.7	13.8	10.5
1993	2.3	13.4	10.3
1994	2.7	14.8	11.4
1995	2.8	16.6	11.8

At present, 80% of the investment in education comes from the State budget.

But the State investment reaches only US\$7 per capita. This is not satisfactory. If including other investments, this figure rises to US\$10-15 per capita in accordance with each region, while in Philippines it is US\$21, Thailand US\$56, Malaysia US\$162, and South Korea US\$225.

2. Firms' investments

In order to obtain an army of skilled workers, the firm has to pay partly costs of training to schools. These schools' education is better than the training courses held by the firm. By doing so, the firm's workers can adopt themselves

to modern technologies and boost their productivities. Finally, the firm produces high-quality goods, thus, survives and develops in the current fierce competition. Over the past years, the investment has not been considerable and legalized.

3. Public investments

All households wish to raise their children's educational attainment. That is, they want to invest their money in gaining more schooling for their children because they

Table 2: The Parents' Ability to Pay Tuition of Semi-public, People-funded, and Private Schools (following a survey in the project VIE/022)

	Parents (%)	Students (%)
Very difficult	9.52	9.88
Difficult	14.29	30.82
Capable	64.29	54.65
Not concerned	11.90	4.65

see the return on schooling in the future. The tuition is now still low as compared with the income of urban residents and high-income

son/month and VND 50,000-180,000/person/month respectively. The total tuition revenues currently reach VND300 billion/year.

Through a poll of 214 parents of students in the project VIE 89/022, when asked: "Why do you send your children to the semi-public and private schools?". As many as 92.7% of them answered they believed these schools' high-quality education and 7.3% attributed that to the short distance from their home to the school.

4. Self-provided capital of universities, colleges, and secondary vocational schools:

The self-provided capital of universities, colleges, and secondary vocational schools derives from the sales of scientific research products and services to companies. This practice implements the education sector's motto: Learning must be associated with practising, schools with the socio-economy and education with production, services, and technological application.

By the end of 1991, there were 106 university and college research centers having generated incomes from production and scientific studies, accounting for 30-100% of their budget.

5. Earnings from international cooperation activities including experts export, techno-scientific contracts, and soft loans.

-The education and training sector has set up relations with and received assistance from the Netherlands, France, German, Australia, Russia, East European countries, Laos, Cambodia and international institutions such as UNICEF, UNDP, the World Bank, the Asian Development Bank. This is a favorable condition for sending students to learn abroad and attracting foreign currency such as non-refundable aids, soft loans, earnings from export of experts for technology innovation.

Table 3: Careers of Parents Whose Children and those Attend Semi-public, People-funded, and Private Schools

	Parents (%)	Students (%)
Workers and craftpersons	45.57	30.8
Civil servants	24.05	35.74
Trading	22.74	13.69
Others	7.59	19.77

From 1994 until now, the Japanese Government has offered Vietnam Y7,346,000,000 (US\$68,650,000) to build 270 schools in 4 phases.

-Foreign-invested companies should contribute to the education sector's budget. For example, in Thailand, the U.S.General Motors Company had to take careful considerations for one year before investing US\$750 million in auto assembly there. The director was much concerned about the shortage of engineers and workers in this country.

Before coming to the agreement, he pledged to invest in a center training workers for the auto industry and Thailand would pump US\$15 million to this center.

-The education sector should employ overseas Vietnamese intelligentsia (Vietnam has 400,000 intellectuals currently working abroad, especially in developed countries) under various forms from cooperative contracts in scientific research and teaching, to the establishment of private schools. This practice will help raise the qualifications of local teaching staff up to the international standard.

6. Budgetary structure of the education sector

In 1995, the State grants-in-aid for the education sector still accounted for the largest share of its budget, or 79.3%, followed by tuition 16.8%; production and contracts 1.2% and others (leasing offices and equipment) 2.7%.

III, SOLUTIONS

The current strategic problem

is how to utilize effectively the State grants-in-aid given to the education sector, at the same time tap other sources such as tuition, aids, contributions from enterprises and home and foreign socio-economic organizations as well as from the public for the educational development.

1.The investment capital must be centered on the educational strategies:

a.Human resources:

-Training an army of teachers having high qualifications.

-Distributing teachers across the country, paying attention to the focal areas, raising the people's educational level, well executing the programs on universal education and creating manpower suited to each locality evolution.

-Giving incentives to teachers, noticing each area's features, especially remote areas and skills; finally awarding noble titles without discrimination between state and private schools

-Combining the existing teaching staff with scientists in research institutes; professors and experienced lecturers in foreign countries.

b.Finance:

-Diversifying investment sources for education.

-Strengthening the financial inspection in the education sector.

-Linking the school with production and business establishments with the aim to generate revenues for the sector.

c.Information:

-Setting up the information system for the scientific research and

training with a view to improving the teaching and learning quality.

-Using the Internet to update the sector's knowledge.

2.Solutions:

a.Regarding funds from the State budget:

-Exploiting effective funds from the central and local budgets to develop education and training. The budget for education must be controlled by the education sector from central to local levels.

-Issuing expenditure criteria and rate as ground for the State budget allocation to branches and localities. At the same time, using these criteria and rates to inspect and monitor the sector's spendings.

-The State money should be focused on state schools in line with planning, size and target. Those which will be merged should be given a part of budget only.

-The sector should be offered adequate grants-in-aid to rearrange schools, and restructure teaching army for the economic and focal regions with the aim to narrow the gap in educational attainment and fully utilize the country's human resources for the education progress.

-In allocating State funds, prioritizing the primary education, the training and fostering of teachers and special objectives, challenging areas and the training of talents in important techno-scientific fields.

b.Regarding funds from enterprises:

The enterprises from every economic sectors are liable to contributing to the education budget including:

-Obligatory contribution as regulated.

-Contribution when employing workers already trained in secondary vocational schools and universities.

This practice will help increase the revenues for education and training and create high-quality employment in enterprises.

Furthermore, all businesses are encouraged to finance the education sector and their contribution will be deducted from profits and income taxes.

c. Regarding funds from the public

-Tuition

Publicizing the tuition in state schools so that the parents know to fulfill their responsibilities. It will help the school pay costs that

Table 4: Budget Structure of the Education Sector (%)

	1993	1994	1995
1. Tuition	23.1	15.7	16.8
2. Production and contracts	1.3	1.6	1.2
3. Others (leasing offices and equipment)	3.2	3.3	2.7
4. State grants	72.4	79.4	79.3

the State budget cannot cover totally. The tuition must have the following implications:

+ Implementing social equality, because there is still difference in income between people in different areas (cities, rural, remote and distant areas) and between economic sectors; and giving preferences to households of civil servants and armed forces.

+ There is isolation between education levels, kinds of schools, and trained occupations.

+ The Government should give preferential treatment to children of preferred households, and ethnic minorities, or those living in remote and distant areas.

+ Limiting the school drop-outs due to high tuition.

+ Attracting more and more the public investment in schooling.

+ Fixing the tuition in line with each region. The tuition revenues must be kept in the State budget for the general purpose. The education sector must not control this revenue.

-Expanding insurance activities in the education sector because this pattern is of savings in the system of social security with a view to securing finance for the schooling. This can be called the household learning promotion fund.

-The Government should heighten credit activities in schools in order to create opportunities for everyone to go to school.

-Mobilizing the public contribution in kind and cash and working days to repair schools.

d. Self-provided capital of universities, colleges, secondary specialized and vocational schools

-Setting up institutes, research centers for technology application. These entities have main functions of technology research and development and taking part in the training process of schools.

-Establishing the Union for Techno-scientific Application and Production or the Center for Research and Production Promotion: they are production and business entities engaging in fields concerning the school training targets. They gain their working capital and sell their products and services on their own.

-Creating organizations linking the school with production and business entities.

-Founding enterprises in

schools in accordance with the Prime Minister's Decision 68/1998/GD-TTg dated March 27, 1998 allowing the establishment of state-owned enterprises (SOEs) in state universities, colleges, institutes, science and technology centers, union for scientific services and production. These SOEs will be given preferences in land allocation, factory construction, loans and they are liable to supporting the school's training and research.

-In addition, the schools can enter into joint ventures with local and foreign partners in compliance with the legislation.

-If the school has redundant workers in the process of its re-structure, it can establish cooperatives, workshops, production and services units to avoid layoffs and create more revenues for the school.

e. Funds from the international cooperation via experts export, techno-scientific contracts, non-refundable aids and soft loans:

-Alluring foreign direct investment in the education sector. However, the following points should be paid attention to:

+ The Government should make a master plan to specify kinds of schools, occupations, training quality in the short- and long-run. This will help foreign investors know where to put their money.

+ The investors are always concerned about profits. So they will stress the skill training and could ignore the education of ethics and morality. This will lead to the commercialization of education and

get out of the country's strategy on training human resources.

-Making the best use of international assistance in education with the aim to upgrade the teaching and studying facilities.

-Sending students to learn abroad owing to foreign scholarships.

-Inspiring the foreign-invested companies to contribute to the education assistance fund, their contribution will be included in the production costs. Because they want to do business in Vietnam, they must employ local trained workers.

-Taking the advantage of overseas Vietnamese support to the education sector such as teaching, building international schools for foreign expatriates and local students; simplifying customs procedures, applying one-price system to them as natives and finally building the confidence for the overseas Vietnamese intelligentsia so that they could devote themselves to the country's education.

IV. POLICIES NEEDED TO POPULARIZE THE EDUCATION AND TRAINING

-The Government should issue specific financial policies to fully tap every source from the public in building semi-public, private and people-funded schools as follows:

+ Allocating land, leasing land with low prices, exempting or reducing land-use charges provided that it is used just for the approved purpose.

+ The Government will contribute its houses and buildings to the establishment of schools.

+ Furthermore, the school developer will enjoy soft loans and tax relief in the first five years of operation.

-The staff and workers in state schools should be allowed to set up people-funded schools which can use the state existing facilities. They must pay some charges to the Government.

-Those working in private schools should be given the same treatment as those in state schools such as being awarded noble titles, and sent to learn abroad.

Our country has potential human resources for the national industrialization and modernization. But how to develop and fully utilize these resources is a question to solve urgently. One of solutions is to popularize the education and training, attract many proper capital sources and use them most effectively. ■

