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Financing TVET:
A comparative analysis of six Asian countries
Country Case Study: Viet Nam


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SUMMARY

Over the last years, technical and vocational education and training (TVET) has been rising in the political agenda of both the international community and many governments around the world. In the new Agenda for Sustainable Development, which will guide the actions of the international community for the next fifteen years, TVET is expected to address multiple demands by helping young people and adults develop the skills they need for employment, decent work and entrepreneurship, promoting equitable, inclusive and sustainable economic growth, and supporting transitions to green economies and environmental sustainability. Yet the question of how to finance this priority is still insufficiently explored.

In order to improve their ability to provide sound, evidence-based analysis and advice to their constituents, the French Development Agency (Agence Française de Développement, AFD) and UNESCO launched a regional comparative study on TVET financing approaches. Looking into the example of six Asian countries (Laos, Malaysia, the Philippines, Republic of Korea, Thailand and Viet Nam) and benchmarking them against international practices in Europe, Latin America, Africa and other Asian countries, the study raises issues and explores ways to respond to the challenge of TVET funding. This report presents the Viet Nam Case Study.

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Acronyms

ADB	Asian Development Bank
AFD	Agence française de développement (French Development Agency)
ASEAN	Association of Southeast Asian Nations
CIT	Corporate income tax
GDP	Gross domestic product
GDVT	General Department of Vocational Training
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
GRET	Groupe de recherche et d'échange technologiques
GSO	General Statistics Office of Viet Nam
ILO	International Labour Organization
LLL	Lifelong learning
MOET	Ministry of Education and Training
MPI	Ministry of Planning and Investment
MOLISA	Ministry of Labour, Invalids and Social Affairs
SOE	State owned companies
TVET	Technical and vocational education and training
TVSD	Technical and vocational skills development
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States dollar
VAT	Value added tax
VND	Viet Nam dong

Introduction

The international community has set an ambitious 2030 Agenda for Sustainable Development. Education and training are central to the achievement of this Agenda. Sustainable Development Goal 4.4[1] relates specifically to technical and vocational education and training (TVET), targeting a substantial increase in 'the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship'.

TVET is therefore expected to address multiple demands (economic, social and environmental) by helping young people and adults develop the skills they need for employment, decent work and entrepreneurship, promoting equitable, inclusive and sustainable economic growth, and supporting transitions to green economies and environmental sustainability.

Mobilising the means to fulfil such an ambitious skills agenda is crucial, and industry will play a key role in its success. The Third International Congress on TVET, organized in Shanghai in 2012, considered that 'scaling up existing models of TVET provision to include more young people and adults is not the solution; it also involves a paradigm shift that includes the active involvement of relevant actors, such as industry'.

In this context, the French Development Agency (AFD) and UNESCO have been analysing how TVET financing is organized (e. g. public funding, contribution of companies through general or specific taxation, contribution of families and trainees), to understand the potential contribution of industry in financing TVET, and how TVET financing systems are designed and used as operational tools for the implementation of public policies.

Both AFD and UNESCO then proposed to jointly explore these issues through a comparative study on TVET financing approaches in six Asian countries representing a diversity of economic contexts and of TVET financing strategies (Laos, Malaysia, the Philippines, Republic of Korea, Thailand and Viet Nam). The results of the study will feed into AFD and UNESCO TVET strategies.

[1] See: https://sustainabledevelopment.un.org/sdg4

UNESCO and AFD strategies for TVET

In the context of overseas development assistance (ODA) financing of TVET projects, AFD is analysing and comparing the different mechanisms – particularly training funds – in order to better understand the pros and cons of each system depending on local economic and institutional contexts and approaches to skills development. An earlier comparative study of training funds was published by AFD in 2014, covering Latin American, South African and other sub-Saharan funds. AFD is also supporting the reform of financing systems and several training funds in different countries in the Mediterranean region, sub-Saharan Africa and Latin America.

The Executive Board of UNESCO adopted a new Strategy for TVET in April 2016, which sets out key policy areas and actions for the period 2016 to 2021. The Strategy supports the efforts of Member States to increase the relevance of their TVET systems and to equip all young people and adults with the skills required for employment, decent work, entrepreneurship and lifelong learning, and to contribute to the implementation of the 2030 Agenda for Sustainable Development as a whole. In its support to policy review and policy development, and in order to ensure the availability of stable and sustainable resources for TVET, the Strategy emphasises the importance of encouraging Member States to design efficient and effective funding strategies and target TVET investments in projects and programmes that are cost-effective for individuals, enterprises and society at large. This will include identifying good practices in the design, governance and management of TVET funding mechanisms and options for financing TVET expansion, equity and quality.

Six country reports have thus been drafted for the purpose of this comparative study, covering:

- the socio-economic context of each country and particular issues that the TVET system needs to address (in terms of skills development needs, labour force analysis, or specific target groups in remote regions); and
- how the TVET system is organized and financed (public and private financing, existence of a training fund, etc.).

The present report offers a case study of the Vietnamese context, based on a bibliographic analysis and a field mission that was conducted in Hanoi and Vinh Phuc from 10 to 18 October 2016. A list of people interviewed and their institutions can be found in Annex 1.

The report concludes with an econometric analysis that was led by Ana Rosa Gonzalez-Martinez, from the Dutch consulting firm Ecorys. Her team has estimated the additional resources that could be generated through the implementation of a training levy in Viet Nam. This prospective work was conducted using a methodology jointly developed by UNESCO and Cambridge Econometrics.

I. Country context

1. Socio-economic context

For the last 30 years, Vietnam has enjoyed rapid economic growth coupled with a fast-increasing population that has gone from 57.7 million in 1984 to almost 92 million today.

Improved social indicators reflect Viet Nam's progress in economic and social development. Viet Nam has already met the Millennium Development Goals to eradicate extreme poverty and hunger, and to improve maternal health. Child mortality rates have decreased by half between 1990 and 2007, and the country has achieved universal primary school enrolment.

The Vietnamese economy has recently undergone significant structural changes. The *Doi Moi* reforms (political and economic reforms) conducted since 1986 have liberalised the economy and progressively led to higher per capita income, changing Viet Nam from a poor country, with a per capita income of around US$100, into a lower middle-income country with an average per capita income of US$2,100 by the end of 2015 (*World Bank*). The economy has been gradually transformed from agriculture-driven to manufacturing- and service-driven, with agriculture's contribution to GDP decreasing from 21% to 18% within six years, while the service sector's contribution grew from 42% to 45% during the same period (see Table 1).

Table 1. Viet Nam's economic structure by sector (percentage of GDP)

	2010	2011	2012	2013	2014	2015	2016
Industry, value added (% of GDP)	36.74	36.42	37.27	36.92	36.93	36.95	36.37
Agriculture, value added (% of GDP)	21.02	22.10	21.35	19.98	19.68	18.89	18.14
Services, value added (% of GDP)	42.24	41.48	41.39	43.09	43.40	44.16	45.49

Source: Database World Development Indicators, last updated: 30/06/2017.

Regional and international integration agreements like the Vietnam-EU free trade agreement and the transpacific partnership agreement should lead to further structural changes of the economy and foster development of the skills needed to boost the country's productivity and help it remain competitive.

As a consequence of the reforms, productivity in Viet Nam has significantly improved (+51% between 2010 and 2015) but is still low compared with other ASEAN countries like Malaysia, Singapore, and Thailand. According to ILO statistics (see Table 2), ASEAN's labour productivity in 2015 reached US$20,458 /worker, while Viet Nam's only reached US$9,431 /worker, which was more than Cambodia, but less than Laos. Singapore's labour productivity is almost 15 times higher than that of Vietnam, while that of South Korea and Malaysia are respectively 7 and 5 times higher than that of Vietnam.

Table 2. Comparative data on annual labour productivity in selected countries in Asia

Output per worker (GDP constant 2011 international $ in PPP)	2005	2010	2015
ASEAN	14,789	17,166	20,458
Cambodia	3,922	4,454	5,937
Indonesia	16,259	18,818	22,685
Korea, Republic of	54,057	62,968	68,655
Laos	6,387	8,276	10,790
Malaysia	44,768	50,229	54,652
Singapore	118,576	133,814	140,993
Thailand	20,271	23,428	26,368
Viet Nam	6,226	7,724	9,431

Source: ILO Stat, retrieved 12 June 2017.

2. Labour market and workforce

In 2013, Viet Nam had a labour force of 53.2 million people, of whom 25.9 million (48.7%) were women. The Vietnamese labour force has been growing by approximately 1.2 million persons per year.[2] It is unevenly distributed between rural and urban areas, and among socio-economic regions: 69.9% of the labour force lives in rural areas and 63.5% are concentrated in three regions of the country (Red River Delta, North Central and Coastal Region, and Mekong River Delta).

Viet Nam's labour force is relatively young, with over half (51%) of the workers aged 15-39, over a quarter (26.7%) 15-29, and nearly 15% at 15-24, representing 7.9 million people.

Agriculture, forestry and aquaculture account for the highest proportion of employment (46.8%); the service sector occupies 32% of the labour force, and the industry and construction sectors 21.2%. The service sector is the fastest growing sector in terms of job creation.

Most of the workers are employed in the 'non-public' sector, accounting for 86.4% of employed workers, while 10.2% work in the 'public' sector, and only 3.4% in the 'foreign investment sector.

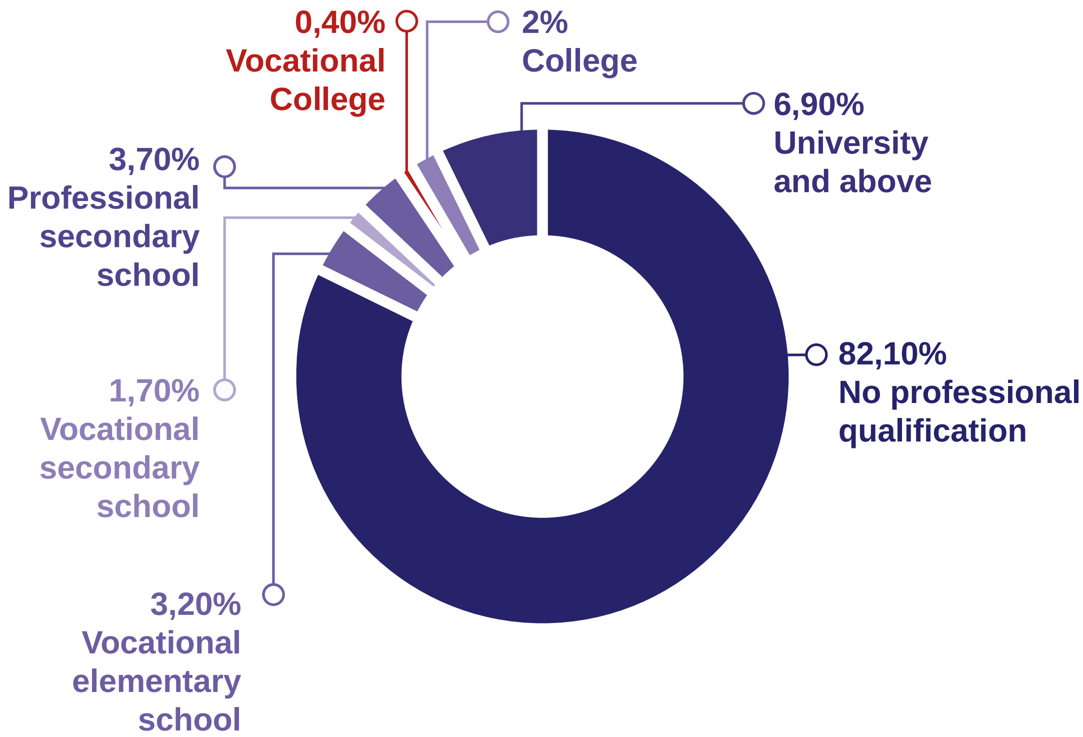
According to the General Statistics Office (GSO) of Viet Nam (see Figure 1), a significant 82% of employed workers have no qualification, while 17.9% are qualified workers: 8.9% have a college, university or other higher education degree, 3.7% have completed professional secondary education level and 5.3% have completed a vocational training level (vocational intermediate or vocational diploma level)[3].

[2] 2013 Labour – Employment Survey, General Statistics Office of Viet Nam.

[3] In Viet Nam, the vocational training system includes three levels :

- the elementary level, performed by vocational centres, vocational secondary schools, vocational colleges and technical universities to train semi-skilled workers. The duration of course is from 3 months to a year and leads to a skill certificate.
- the vocational secondary level, performed by vocational secondary schools, vocational colleges and technical universities to train skilled workers. The duration of course is from 1 to 2 years for people who have graduated from lower secondary schools or upper secondary schools, and leads to a vocational secondary diploma.

Figure 1. Distribution of employed workers by qualifications (unit: %)

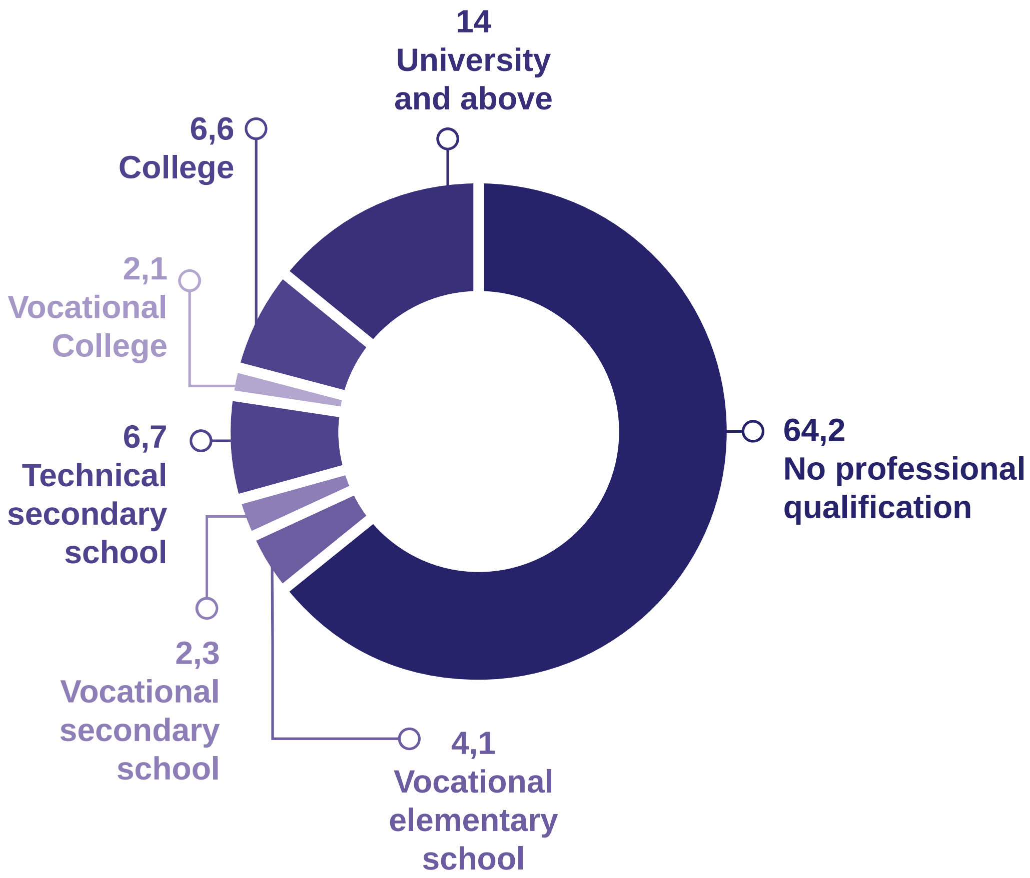


Source: 2013 Labour – Employment Survey, General Statistics Office of Vietnam. Calculated from the 2013 Labour supply survey, MOLISA.

Figures for 2013 also show that 52.2 million people nationwide were employed, accounting for 98.1% of the labour force. While the unemployment rate has remained low, at 1.9% in 2013, a significant 47% of the unemployed were young people between the ages of 15 to 24 years. Unemployment primarily hits unqualified people: 64.2% of the unemployed have no qualifications, followed by university graduates (14% of unemployed). Vocational training graduates represent the lowest rate among the unemployed (2.1%) (see Figure 2).

- the vocational college level, performed by vocational colleges and technical universities to train high-skilled workers. The duration of course is from 2 to 3 years for people who have graduated from upper secondary schools, and leads to vocational diploma.

Figure 2. Unemployment distributed by qualifications (unit: %)



3. Labour demand in enterprises

Of the 52.2 million workers in Viet Nam, salaried workers account for 34.8% and unsalaried workers account for 65.2%.

In terms of qualifications, the highest proportion of workers in enterprises have no qualification (27.91%); up to 20.12% are professional secondary-level workers without a vocational training certificate; holders of university degrees and higher account for 16.53%, while those with a vocational college degree account for 2.53%, the lowest proportion (see Table 3).

Table 3. Labour structure distributed by industry and qualifications

(Unit: number of workers)

Type of enterprise	Total	No professional qualification	Technical workers without vocational qualification / certificate	Under three months - vocational training certificate	Elementary vocational/ short term (under 12 months) vocational training certificate	Long term/ secondary vocational training certificate	Secondary technical education certificate	Vocational training college	Technical education college	University and higher
Total	**100.00**	**27.91**	**20.12**	**4.09**	**6.66**	**7.28**	**7.64**	**2.53**	**7.23**	**16.53**
One member State-owned ltd. company	100.00	21.30	16.43	9.29	8.57	14.45	9.51	1.31	4.12	15.02
Company, company ltd with state capital >50%	100.00	29.52	11.87	3.94	9.47	13.80	6.34	2.31	6.97	15.78
Private	100.00	27.63	15.39	3.54	6.66	7.79	9.02	2.95	8.78	18.25
Joint stock	100.00	23.33	17.54	3.77	7.74	7.40	8.54	3.23	8.49	19.97
Private company ltd., company ltd with state	100.00	24.41	18.80	4.28	6.49	6.69	8.77	2.95	8.60	19.00
Joint stock company without	100.00	23.01	16.43	3.51	6.74	7.41	7.96	3.09	9.19	22.67
Joint stock company with	100.00	31.42	24.26	3.78	13.57	5.81	4.90	1.67	4.57	10.01
100% foreign invested enterprise	100.00	41.59	35.06	3.31	3.50	3.12	4.41	1.36	2.59	5.07
State-owned joint venture with foreign business	100.00	35.94	24.08	2.31	3.65	7.32	5.76	2.44	5.90	12.59
Other types of joint venture with foreign business	100.00	44.91	20.87	2.22	3.09	9.21	4.44	1.49	4.36	9.40

Source: 2013 Survey on Labour, wage and labour demand in various types of enterprises, MOLISA

Enterprises operating in the commercial and service sector, accounting for 67.3% of all companies, employ 34.3% of the total number of workers: these companies mainly hire workers with high qualifications: university degree and higher (27.9%), college diploma (15.7%), and secondary technical qualifications (11.7%).

Enterprises in industry and construction represent 31.7% of all companies: they employ 63.2% of all workers, mainly with little or no vocational qualifications (69.6%).

Finally, enterprises in agriculture, forestry and aquaculture, which represent 1% of all enterprises, employ 2.5% of total workers, also mainly with little or no vocational qualifications (79.7%) (see Table 4).

Table 4. Distribution of employed workers by economic sectors and qualifications
(Unit: number of people and percent)

Qualifications of employed workers	Agriculture, forestry and aquaculture	%	Industry and construction	%	Commerce and services	%
No professional qualification	74,111	27.2%	2,314,755	33.6%	651,061	17.4%
Technical workers without vocational certificate	77,423	28.5%	1,755,505	25.5%	358,663	9.6%
Under three months vocational training certificates	51,802	19.0%	268,513	3.9%	124,757	3.3%
Elementary vocational/short-term vocational certificate (<12 months)	13,376	4.9%	448,613	6.5%	263,083	7.0%
Long-term vocational certificate/secondary vocational training	10,382	3.8%	510,058	7.4%	272,856	7.3%
Professional secondary schools	14,245	5.2%	381,015	5.5%	437,160	11.7%
Vocational colleges	2,196	0.8%	142,320	2.1%	130,973	3.5%
Colleges	6,585	2.4%	323,807	4.7%	457,533	12.2%
University and above	2,1932	8.1%	735,020	10.7%	1,043,711	27.9%
Total	**272,052**	**100%**	**6,879,606**	**100%**	**3,739,797**	**100%**

Source: 2013 Survey on Labour, wage and labour demand in various types of enterprises, MOLISA.

Given the situation described above, it is evident that there is a huge need for skills development at both initial and continuing training stages. Initial training serves to prepare young people for entry into the labour market, while continuing training is directed towards improving workers' productivity and hence Viet Nam's capacity to face international competition and integration.

II. General description of the Vietnamese training system

1. Policy framework

In 2006, the Vietnamese Parliament approved the Law of Vocational Training. Based on this law, the education and training sector includes the following:

- Preschool education (including crèche and kindergarten) for children from 3 months to 5 years old;
- General education (primary education, lower secondary education, upper secondary education), wherein lower secondary level is compulsory:
  - Primary education for children from 6 to 11 years old
  - Lower secondary education for children from 12 to 15 years old
  - Upper secondary education for pupils from 16 to 18 years old.
- Professional education: intended for lower secondary or upper secondary school graduates who want to study in colleges and universities. This kind of education focuses more on theory (60%) than on practice (40%).
- Vocational training: intended for lower secondary or upper secondary school graduates who want to develop job skills and to study in vocational colleges or universities. Vocational training focuses mostly on practice (70%).
- Higher education (including undergraduate, Master's and PhD levels).

According to the Law of Vocational Training, the vocational training system includes three qualification levels: 1) vocational elementary level; 2) vocational intermediate level; and 3) vocational diploma level, whose training objectives are as follows:

- Vocational elementary level: the programme is performed by vocational centres, vocational secondary schools, vocational colleges and technical universities to train semi-skilled workers who will be able to perform simple tasks related to a particular job. The duration of course is from 3 months to a year and leads to a skill certificate;
- Vocational intermediate level: the programme is performed by vocational secondary schools, vocational colleges and technical universities to train skilled workers who will be able to perform elementary-level tasks and some complicated and special tasks; to apply technology to jobs, work independently or work in teams. The duration of course is from 1 to 2 years for people who have graduated from lower secondary schools or upper secondary schools, and leads to a vocational secondary diploma; and

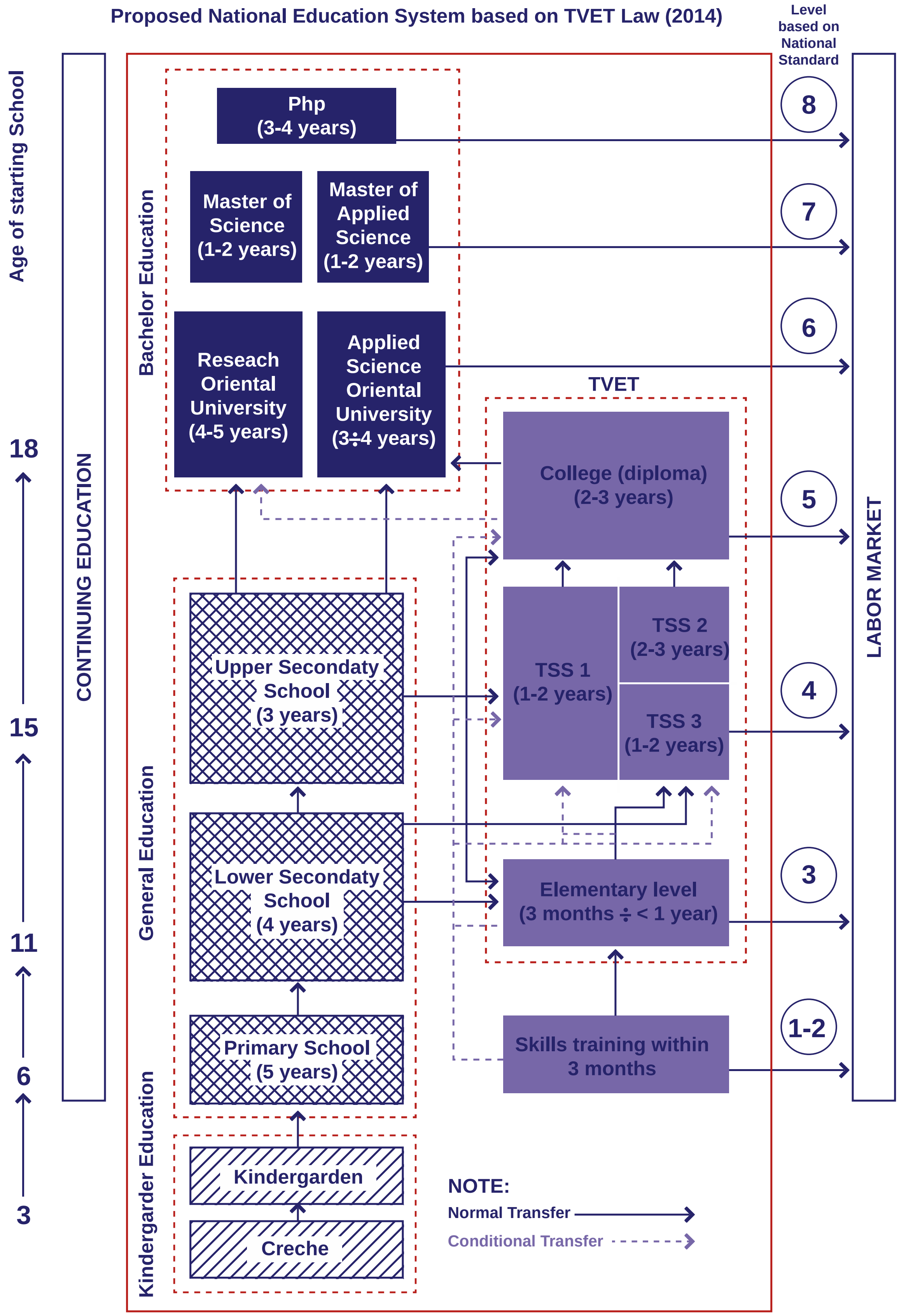
- Vocational college level: the programme is delivered by vocational colleges and technical universities to train high-skilled workers who will be able to perform intermediate-level tasks and some complicated and specialised tasks; create and apply modern technology to jobs, instruct and supervise other members in their teams in performing these tasks. The duration of course is from 2 to 3 years for people who have graduated from upper secondary schools, and leads to vocational diploma.

Under the 2006 Education Law, the Ministry of Education and Training (MOET) was responsible for preschool, general education and higher education, while the Ministry of Labour, Invalids and Social Affairs (MOLISA) was in charge of vocational training. There were therefore two parallel systems providing professional education and vocational training, which were being managed separately by MOET and MOLISA: professional education and vocational training had the same structure (vocational education centres, secondary schools, colleges) respectively for short, mid and long-term training) but with different training content (theory/practice).

However, in November 2014, the National Assembly approved the Law on Vocational Education No. 74/2014/QH13, which was enacted in 2015 and effectively merged the two systems. On 3 September 2016, the Vietnamese Government issued the resolution mandating MOLISA to be responsible for managing all schools in vocational education (vocational education centres, secondary schools and colleges), except the teacher training schools, which remain under MOET management. The whole TVET system is now under the responsibility of the General Department for Vocational Training (GDVT) of the Ministry of Labour, Invalids and Social Affairs**.** Its duties include strategy, mapping, planning, financing, quality control, certification, and supervising institutions providing TVET. It has 13 departments and one science research institute on vocational training.

Following the 2014 TVET Law, the new national education system is as follows (*see Figure 3*).

Figure 3 National education system based on 2014 TVET Law



Source: MOLISA.

According to the 2014 TVET Law, there are various pathways students can take to receive vocational training and obtain a degree:

- TSS 1: after finishing upper secondary school, learners can continue to study in technical secondary schools (TSS) for one to two years, depending on occupation. After graduation, they have intermediate skill level and have the possibility to transfer to vocational colleges or integrate the labour market.
- TSS 2: Learners who have graduated from lower secondary school can continue to study in TSS another two to three years, depending on occupation (one year for general education and one to two years for skills of intermediate level). After graduation, they have intermediate skill level and most of them integrate the labour market. Some of them transfer to study in vocational colleges.
- TSS 3: Learners who have graduated from lower secondary school can continue to study in TSS to acquire intermediate level skills and, after graduation, integrate the labour market, but they do not have the possibility of transferring to a vocational college.

2. Training offer and training beneficiaries

In 2015, Viet Nam had 1,467 vocational training institutions, including 190 vocational colleges, 280 vocational secondary schools and 997 vocational training centres. The number of vocational instructors totalled 40,600. In the period of 2011-2015, some 7,400 vocational instructors entered intensive training courses to upgrade their skills and 45 vocational colleges were selected for strong investment with the aim of making them into high quality colleges by 2020. In four years (2011-2014), 7 million people were trained in vocational institutions, about 88% of them in short-term training courses (one to three months) and about 12% of them in intermediate skill level training offering vocational diplomas upon completion. On the one hand, there is an increase in enrolment in short-term courses but on the other, enrolment at the intermediate skills level and vocational diploma level has slightly decreased. Table 5 shows enrolment figures (2011-2014) by training levels and gender.

Table 5. New enrolment for 2011-2014 by training levels and gender

Levels	2011	2012	2013	2014	Total	% in total
Vocational diploma (VD)	79,737	84,151	87,887	87,988	339,763	4.8%
Vocational intermediate level (VI)	141,629	129,189	128,229	132,605	531,652	7.6%
Subtotal (VD+VI)	*221,366*	*213,340*	*216,116*	*220,593*	*871,415*	*12.4%*
Elementary (E)	894,719	909,265	876,788	816,911	3,497,683	49.8%
Under 3 months (V)	657,406	369,974	639,112	985,781	2,652,273	37.8%
Subtotal(V+E)	*1,552,125*	*1,279,239*	*1,515,900*	*1,802,692*	*6,149,956*	*87.6%*
Total (VD+VI+E+V)	1,773,491	1,492,579	1,732,016	2,023,285	7,021,371	100.0%
New enrolment by gender						
Male	1,390,404	1,101,725	1,288,857	1,503,767	5,284,753	75.3%
Female	383,087	390,854	443,159	519,518	1,736,618	24.7%
Total	**1,773,491**	**1,492,579**	**1,732,016**	**2,023,285**	**7,021,371**	**100%**

Source: GDVT.

Annually, lower secondary school graduates are channelled into the four following streams:

- upper secondary school,
- professional secondary school,
- vocational secondary school,
- the labour market.

About 80% of lower secondary school graduates enter upper secondary school each year (see Table 6). The stream to upper secondary school is therefore still the choice of the majority. The number of lower secondary graduates entering vocational secondary schools and professional secondary schools is very low and getting lower.

Table 6. Streams after lower secondary school completion

Streams		2009-2010	2010-2011	2011-2012
Lower secondary school graduates	Number of students	1,258,536	1,175,960	1,175,910
Lower secondary school graduates entering upper secondary school	Number of students	996,151	983,695	944,962
	Rate (%)	79.15	83.65	80.36
Lower secondary school graduates entering professional secondary school	Number of students	26,257	25,657	22,087
	Rate (%)	2.09	2.18	1.88
Lower secondary school graduates entering vocational secondary school	Number of students	50,521	50,341	47,038
	Rate (%)	4.01	4.28	4.00

Source: School-year statistics, Planning and Personnel Department, Ministry of Education and Training - in GDVT (2015), Vocational training report 2013-2014.

III. Funding for vocational training

Historically, education and training, healthcare, culture and sports in Viet Nam have been funded by the Government. However, with the increase in the number of students, public funding of education and training could not meet the demands without additional contributions from other stakeholders. Therefore, between 1995-2000, the Vietnamese Government started to promote a socialization policy for these sectors, including TVET, through Resolution 90/CP issued on 21 August 1997, and Decree 73/1999/ND-CP issued in August 1999.

Based on this legal framework, MOLISA issued Decision 1000/2005/QD-BLDTBXH of June 2005 approving a ‘Strategy of TVET Socialization until 2010’, wherein socialization of TVET is defined as a central strategy to generate resources for the TVET system, and investment and participation in TVET of all segments of society, in particular national and foreign organizations, industry and individuals.

Funding of vocational training has been socialised but not to a large extent, and the State budget remains a major source of funding. Investments in key occupations and high-quality institutions have received more attention but are still insufficient for any breakthrough in training quality. Therefore, the most urgent need is for more and better-focused investment along with the diversification of funding sources available for TVET.

1. State funding

State funding for TVET has increased constantly over the years. The share of TVET funding in GDP grew from 0.39% to 0.46% between 2007 and 2013. At the same time, TVET’s share of the education budget has increased from 7.15% to 8.15% between 2007 and 2013, showing the relative importance of TVET in funding priorities (see Table 7 below).

Despite this increase, especially in the last seven years, the budget dedicated to TVET remains low compared with the country’s demand for vocational training and with government investment in vocational training in many other countries. In 2013, government spending on vocational training was estimated to account for about 8.15% of the education and training budget, representing about 0.46% of GDP. Meanwhile, according to the statistics agency of the European Union, in 2003 (10 years earlier) spending on vocational training was 1.1% of GDP in Finland, 1% of GDP in the Czech Republic, Hungary, the Netherlands, and Slovakia, and 0.8% in Switzerland. In absolute value, Viet Nam’s spending on vocational training is ten times lower than in developed countries. It is therefore unable to meet the labour demand of key economic sectors and spearhead economic development, nor to drive the development of vocational training in disadvantaged areas to generate employment, eradicate hunger, reduce poverty or increase income.

Table 7. State spending on vocational training in the period 2007 – 2013

Year	State spending on vocational training (billion dong)	State spending on vocational training in GDP (%)	State spending on vocational training in total State budget spending (%)	State spending on vocational training in total State budget spending on education – training (%)
2007	4,993	0.39	1.36	7.15
2008	5,985	0.41	1.47	7.35
2009	6,870	0.45	1.50	7.50
2010	8,937	0.46	1.45	8.53
2011	9,800	0.45	1.63	8.6
2012	10,746	0.47	1.55	8.08
2013	11,784	0.46	1.60	8.15

Source: General Department of Vocational and Training.

State funding of vocational training is allocated under three headings: i) regular spending; ii) basic construction capital investment; and iii) funding for national target programmes.

1.1. Regular spending

Although regular spending represents the greatest share (60%) of the state budget dedicated to TVET, it is only sufficient to cover salaries and insurance payment. Regular spending must be allocated in accordance with the vocational training scale and socio-economic development conditions of each region, and demonstrate the government's policy to give priority to the popularisation of vocational training and the development in ethnic and especially disadvantaged areas.

The current regular funding for vocational training was implemented under Decision No 59/2010/QĐ-TTg issued on 30 September 2010 by the Prime Minister, promulgating allocation estimates of regular funding from the State budget for the fiscal year of 2011, the first year of the new budget stabilisation period as stipulated by the State Budget Law. Vocational training institutions have autonomy over and are accountable for this source of funding. Since 2015, detailed regulations and guiding documents on the autonomy granted to institutions are covered in Decree No 16/2015 NĐ-CP, which supersedes the 2006 Decree.

In practice, regular spending is usually higher than planned because vocational training institutions often request additional funding for training materials for internships and for compensation for lost tuition revenue through waivers and fee reductions.

1.2. Capital construction investment

These investments are implemented under the State Budget Law, Construction Law, Tender Law and documents guiding capital construction investment. Annually, the Ministry of Planning and Investment, in coordination with the Ministry of Finance, allocates funds for capital construction investment to localities and ministries/industries (including the vocational training sector). The mechanism for allocating funds to vocational training institutions is implemented by the Prime Minister under Decision No.60/2010/ QĐ-TTg dated 30 September 2010. The Law formulates the mandate, criteria and quotas for the allocation of development funding from the State budget for the period 2011 – 2015. It is the People's Committee of provinces/cities via people's councils that decides on the allocation of budget funding to vocational training institutions while the ministries decide on the allocation of funding to the vocational training institutions directly under their control.

1.3. National target programmes

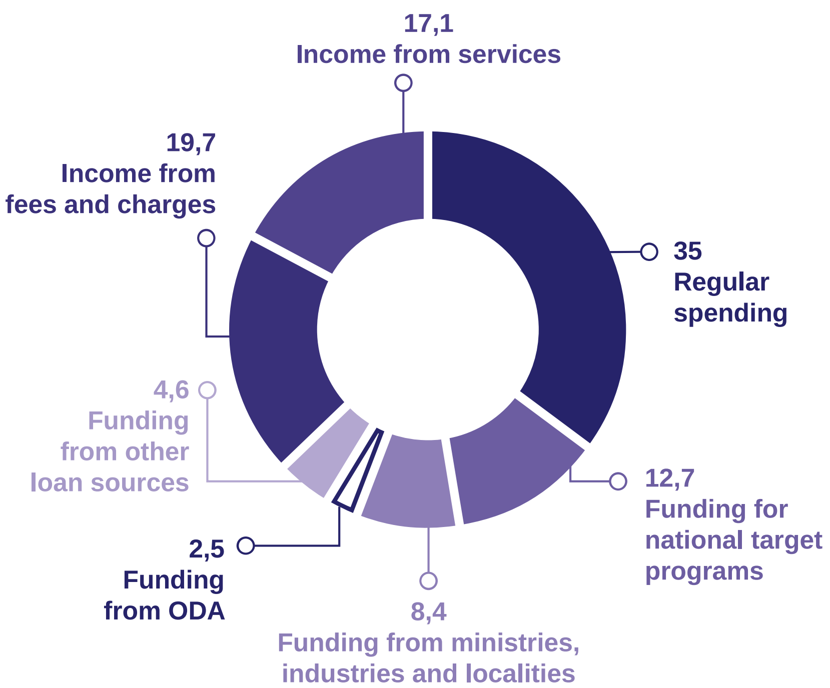
In the period of 2011-2015, the vocational training sector had two projects under the National Target Programme on Employment and Vocational Training: Vocational Training for Rural Labourers, and Reform and Development of Vocational Training. The main objective of vocational training projects funded by the National Target Programmes is to improve facilities and equipment, renew curricula and textbooks, and upgrade the skills of teaching staff in order to establish key vocational schools and centres offering quality training that meets regional standards. In addition, the Project for Vocational Training for Rural Labourers provides support to vocational training not only for rural workers, but also for young people of ethnic minorities and people with disabilities.

1.4. Funding for selected vocational institutions to improve quality

The Prime Minister's decision No 761/ QĐ-TTg approved a project for the development of 45 high-quality vocational training institutions by 2020, and policies and investment provisions are in place for doing so.

Analysis of the financial situation of these high-quality training institutions shows that their funding mix differs from that of non-targeted training institutions. They benefit from investments targeted entirely to improving quality. Apart from regular spending, funding comes from various sources: national target programme funding, official development assistance (ODA), and funding from ministries, industry and localities.

Figure 4 : Funding structure of institutions selected to become high quality TVET centres (Unit: %; 2012)



Source: GDVT 2012.

Regular government spending represented 35% of the budget of these institutions, while other expenditures specifically targeted investment in facilities and equipment, further training of teachers and management reforms to meet the accreditation criteria. Through these targeted initial investments, it is expected that the enrolment rate will rise and that consequently, income from tuition fees will increase. It is also expected that these high-quality TVET institutions will develop capacities to attract industries able to provide continuing contract training for their workers. As these vocational institutions diversify their funding mix by mobilizing other contributors, they are expected to gradually reduce the share of State funding.

1.5. Allocation of public funding

Under the socialization strategy, the government has also sought to improve cost-efficiency. It has introduced performance-based funding on a pilot basis with its high-quality vocational training institutions. Under this approach, final payment to training institutions is calculated based on the actual number of trainees, their graduation rate and employment rate. The financial risk for training institutions is mitigated by working closely with industry to define the training needs at each level and the number of young people that the sector is ready to employ after training.

In this way, government funding is secured for training institutions while nonetheless encouraging them to improve their performance. This pilot initiative has been positively assessed by GDVT and will be further implemented under the 2014 Law.

The 2014 TVET law is introducing a number of changes. Public TVET schools are gradually expected to become autonomous in planning budgets, managing their human resources and using training assets to generate income, and setting tuition fees. The training institutions' chairman will be responsible for defining the short and mid-term strategy and the rector will be responsible for its implementation. Schools will also be autonomous regarding their training offer: GDVT will still set certain standards, such as the total number of training hours in a programme, but the content will become the schools' responsibility.

In a second phase, GDVT plans to allocate funding on a competitive basis, through a public tendering of training quotas. This approach will be pilot tested with three high-quality training institutions, which are currently being supported in their autonomy process. If successful, this will then be extended to all public training institutions.

Beyond this transition period, GDVT indicates that public schools will no longer be eligible for direct State funding. The State and other government organizations (sectoral ministries, provinces) will allocate funding based on the tendering of training quotas, wherein both private and public schools will respond to bids for both intermediate and tertiary level of TVET training.

Direct State funding will only be maintained for schools in remote / poor regions. In the national target programmes, twelve secondary schools, two faculties for minorities and two schools for disadvantaged groups received or will receive direct support in the 2011-2015 and 2016-2020 target programmes.

GDVT and MOLISA's roles will be refocused on global system management, and direct funding from the State will no longer be ensured on a competitive basis. The criteria and the evaluation process on which the State will rely to allocate its funding are not known yet. GDVT mentions that all underlying regulations (decrees and circular) of the 2014 TVET still need to be drafted to implement this approach, notably drawing lessons from the pilot initiatives conducted in the three high-quality training institutions.

2. Contribution of families through tuition fees

Tuition fees were introduced in 2002 throughout the education system as a cost sharing mechanism. They are paid by trainees and their families and represent the second most important funding source for TVET, accounting for about 18% of all financial resources available for vocational training. For private training providers, tuition fees are the principal source of income, since so far they are not entitled to direct government funding. Nevertheless certain government incentive mechanisms are being enacted to assist private TVET providers, including tax exemptions and allocation of land, but these take time to be effectively implemented.

Higher tuition fee levels were introduced in 2010 under Decree No. 49/2010/ND-CP. Consequently, the income from vocational training tuition grew steadily in the period 2007-2013, increasing by nearly 3.6 times, from VND 407 billion in 2007 to around VND 1,478 billion in 2013. This income is mainly reinvested in improving facilities, which has helped to upgrade the training capacity of vocational training institutions. Compared with regular State spending for vocational training, the rate of income from tuition in 2013reached 33%, up from only 21% in 2007.

To counterbalance a negative impact on vulnerable families, the new policy on tuition fees revised its criteria and levels for tuition exemption and reduction. As a result, the proportion of students entitled to tuition exemption and reduction rose from 14%-15% in 2009 to 18%-19% in 2010.

3. Income generating activities

Income generating activities and contract training from private enterprises or other training institutions account for about 14% of financial resources for TVET. Their extent mostly depends on the initiative and capacity of TVET institutions to develop their networks through local companies.

When government agencies order services and products from training institutions, the price is regulated by the relevant state authorities. For products whose price has not been regulated, the price is determined on the basis of cost estimates that normally have to be approved by financial agencies of the same level of authority.

Concerning service contracts with domestic and international organizations and individuals, as well as joint venture and partnership activities, training institutions have the right to determine receivables and payment levels needed to cover costs.

4. Encouraging private training provision

Under the socialization policy of TVET, GDVT intends to support the expansion of private training provision. The development of private training institutions, which mostly rely on tuition fees for their funding, can be considered as a means for expanding the national training system without requiring significant public funding. Before 2007, about 28% of training institutions were private. They now represent, according to GDVT, 34% of all training providers. GDVT intends to encourage more private training provision through:

- the implementation of tax mechanisms (incentive / exemption);
- an easier process to establish new schools;
- technical assistance from GDVT for programme development and staff training; and
- eligibility for financing from special loans from international donors, such as the Asian Development Bank.

The government does not intend to establish new public schools for TVET in the near future, but instead is aiming to make it easier for private TVET providers to develop their activities.

5. ODA

The cumulated amount of ODA invested in Viet Nam for TVET since 2010 has been US$270 million. The Asian Development Bank is the main donor, with US$65,721 million invested in pre-tertiary vocational training since 2010, followed by Germany (US$65,192 million), the Republic of Korea (US$39,771 million), France (US$29,111 million) and Austria (US$11,237 million). This aid mostly comes in the form of grants, although with substantial variations over the years, representing from 27% to 100% of ODA between 2007 and 2015 (see Table 8). According to the Vocational Training Report 2013-2014, ODA accounted for about 8% of funding for vocational training in Viet Nam for the period 2007-2013.

Table 8. Total ODA invested in vocational and advanced technical and managerial training from 2007 to 2015 (in US$ million, constant prices) in Viet Nam

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total ODA in Viet Nam	**23.191**	**19.098**	**56.181**	**86.899**	**46.977**	**45.030**	**34.670**	**37.561**	**20.690**
Total ODA invested in vocational training	**9.795**	**13.779**	**19.950**	**85.582**	**29.509**	**43.661**	**29.612**	**3.215**	**19.952**
Austria		7.429				6.817			
Belgium	0.346	0.362	0.35	0.538	0.013	0.325	0.588	0.178	1.374
Canada	0.263	0.169	0.006		0.038			0.06	
Czech Republic						0.073			
Denmark	0.085			0.471		0.01	0.084		
Finland									0.005
France						28.322	0.112	0.666	0.011
Germany	5.165	2.762	5.46	2.323	19.892	5.216	18.291	0.333	13.677
Italy			0.129	0.444	1.221	0.148	0.002	0.003	0.001
Japan		0.693	0.641	0.841	2.601	0.837	0.21	1.053	1.06
Korea, Republic of		0.992	11.158	12.661	5.027	1.015	5.42	0.795	3.695
Luxembourg		1.373	2.115	2.356	0.718	0.899	0.457	0.125	0.129
Spain			0.089	0.226					
Asian Development Bank				65.721					

Total ODA invested In advanced technical / managerial training	**13.396**	**5.319**	**36.231**	**1.317**	**17.468**	**1.369**	**5.058**	**34.346**	**0.738**
Austria	0.014	0.62	35.137	0.031	0.018		0.006		
Belgium	8.226								
Canada	0.16	0.609		0.006	0.001				
Czech Republic	2.495				16.275			0.015	0.002
France				0.049					
Germany						0.004			
Greece	0.338	0.616	0.68	0.129	0.003				
Italy								0.019	
Japan					0.028		0.028	0.008	
Korea, Republic of	0.096	0.104	0.128	0.115	0.125		0.25		
Luxembourg	0.388	3.37	0.286	0.318	0.008	0.412	3.943	33.458	0.515
Poland	1.679					0.021			
Switzerland					0.452				
United States				0.668	0.558	0.931	0.831	0.847	0.221

Source: Authors' elaboration based on http://stats.oecd.org data from 22 May 2017.

Table 9. Type of ODA contributions for TVET in Viet Nam since 2007 (in US$ million, constant prices and %)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
ODA invested in vocational training	**9.795**	**13.779**	**19.950**	**85.582**	**29.509**	**43.661**	**29.612**	**3.215**	**19.952**
ODA loans	2.492		11.011	65.721	13.536	27.707	15.548		
Share of ODA loans in ODA for vocational training	25.44%	0%	55.19%	76.79%	45.87%	63.46%	52.51%	0%	0%
Share of ODA grants in ODA for vocational training	74.56%	100%	44.81%	23.21%	54.13%	36.54%	47.49%	100%	100%
Total ODA for advanced technical and managerial training	**13.396**	**5.319**	**36.231**	**1.317**	**17.468**	**1.369**	**5.058**	**34.346**	**0.738**
ODA loans		3.347							
Share of ODA loans in ODA for advanced training	0%	62.93%	0%	0%	0%	0%	0%	0%	0%
Share of ODA grants in ODA for advanced training	100%	37%	100%	100%	100%	100%	100%	100%	100%
Total ODA for vocational training and advanced technical training	**23.191**	**19.098**	**56.181**	**86.899**	**46.977**	**45.030**	**34.670**	**37.561**	**20.690**
ODA loans	2.492	3.347	11.011	65.721	13.536	27.707	15.548		
Share of ODA loans in total ODA	10.7%	17.5%	19.6%	75.6%	28.8%	61.5%	44.8%	0.0%	0.0%
Share of ODA grants in total ODA	89.3%	82.5%	80.4%	24.4%	71.2%	38.5%	55.2%	100,0%	100,0%

Source: Authors' elaboration based on http://stats.oecd.org, data from 22 May 2017.

6. Industry's role in the funding and governance of TVET

Unlike its neighbouring countries such as Malaysia, Singapore and Thailand, Vietnam has not yet implemented a structured approach to mobilising funding from industry. Companies contribute to the funding of TVET at their own initiative, mainly in kind, by organizing in-plant training for their workers. Some companies have even established their own training centres to meet their needs for skilled labour. Lilama 2 Technical and Technology College is a case in point. It was established in 1986 by Lilama Corporation, specialised in manufacturing equipment and steel structures for industry. The College was placed under the authority of the Ministry of Construction in 2010 and then gained full autonomy in 2016 under the high quality vocational training institutions programme. No detailed figures are available at present on the contribution by industry and the State to funding such company training institutions.

Another scheme provides tax incentives and exemptions to encourage both initial and continuous training at company level. Eligible training activities covered by the tax exemption mechanism are defined in the Tax Law and Vocational Training Law (Decree 12. 2015).

Viet Nam has therefore opted so far for an ‘incentive approach’ that encourages voluntary involvement in training by industry, where companies are incited to participate in funding of TVET by benefitting from tax incentives or rebates when they provide training. It has not implemented a coercive approach through the imposition of tax on companies that do not train, or the introduction of training levies.

6.1. Mobilisation of companies in the governance of TVET

One of the first steps to inciting companies to fund training is by involving them in the governance of the TVET system. Very often companies feel that the training offer does not meet their requirements and are therefore reluctant to contribute to its funding. Through increased governance participation, companies can contribute to the definition and evolution of the training offer, such as identifying relevant training programmes, determining the content and best delivery, and perhaps even defining budgetary guidelines and priorities for TVET. By encouraging this, the government reinforces companies’ sense of ownership of the training system and their willingness to contribute to its funding.

Analysis of the Vietnamese context shows that the involvement of industry in TVET is increasing, but remains mostly consultative. Exchanges during the field missions and with company representatives suggested that even if there is a log of consultation this does not necessarily translate into practice.

In order to improve the quality of the TVET system, the government has established national skills standard development committees (NSSDCs).[4] These undertake tasks and skills analysis, after which skills standards can be established and adopted. There are currently about 20 NSSDCs in Viet Nam, involving the ministries of industry and trade, transport, construction, agriculture and rural development, and labour (ADB, 2014). NSSDCs’ operations are funded by MOLISA, which can be supplemented by support from lead government agencies and industry to facilitate the identification and establishment of standards. But it is not clear if these bodies are playing the full role they are being assigned: during the one-week mission to discuss industry involvement with TVET stakeholders, NSSDCs were not mentioned once. The Viet Nam Chamber of Commerce and Industry (VCCI) has identified the Quality Advisory Board it has established in coordination with MOLISA/DOLISAs, TVET institutions, business associations and enterprises as being the most strategic body to improve the quality of TVET. The mission of this Quality Advisory Board is to promote vocational training through close cooperation among the above mentioned stakeholders and to provide advisory services

[4] The establishment, role and operation of these committees are prescribed by regulations in Articles 8, 9, 10, 11, and 12 of the 2013 TVET law.

for quality improvement of TVET through intervention in curriculum, continuous teacher training, encouraging practical experience through internships, quality and efficiency evaluations and career orientation programmes. No industry involvement is foreseen on funding issues.

6.2. Dual cooperative training

Companies are also being mobilised to fund TVET through the progressive implementation of dual cooperative training (DCT). Dual training can be considered as a form of public-private partnership, where the State bears the cost of in-school training while industry finances workplace training costs, including direct costs, such as salaries for training personnel, teaching materials, equipment, building infrastructure, etc.; and indirect costs, such as opportunity costs (foregone earnings due to unskilled workers) and drop-out costs.

Since 2015 DCT is being pilot tested in two schools, Lilama 2 and Ho Chi Minh Vocational Training College of Technology, with the support of the German Agency for International Cooperation (GIZ). Around 50% of the training takes place in the training centre, while the other 50% is delivered on-site.

Companies do not sign an apprenticeship contract with trainees since the law does not recognise companies as training places. Instead, the trainees are under the supervision of the training centre and are sent to the company. An agreement specifying mutual commitments is signed between the TVET school and the company. Companies do not pay apprentices, but are willing to cover their travel expenses and accommodation.

It is also worth noticing that GIZ intends to implement dual training in green skills. GIZ has targeted the VCMI (Vocational College of Machinery and Irrigation) to implement green modules in electronics, at degree level, focusing on the energy efficiency of buildings. GIZ will mobilise the associations and companies of Dong Naï province for this future programme. More specifically, the future Centre of Excellence for Green TVET will be supported to develop demand-oriented initial and further training offers based on German standards, and to fulfil the following tasks:

1. Development and piloting of a basic module on ‘environmental protection, energy and resource efficiency’;
2. Development and piloting of demand-oriented ‘green’ training offers;
3. Development and piloting of cooperative training for new occupations based on the demand of the Vietnamese economy;
4. Further training of the teaching and management staff of VCMI and of other TVET institutes; and
5. Development of VCMI as a regional hub for ‘Green TVET’.

6.3. Perspectives for setting up a training fund or introducing earmarked taxation

The introduction of a training levy has been under discussion in Viet Nam for several years, but still faces the reluctance of companies, who fear that the levy will not be fully secured to promote continuing training of their workers.

For the purpose of this study, a prospective simulation, based on UNESCO/Cambridge Econometrics methodology**,** was conducted by the Dutch consulting firm Ecorys in 2016 to estimate the resources that could be generated through the implementation of a training levy in Viet Nam. Seven scenarios were developed, each assessing a particular scheme in which a different levy rate is being assumed:

- *Scenario A* – 1% levy rate is assumed for all sectors. This scheme is consistent with the levy rate implemented in other Asian countries (Fiji, Singapore, Thailand).
- *Scenario B* – 2% levy rate is assumed for all sectors. This ‘optimistic’ scenario is inspired from the scheme that is in force in Papua New Guinea and Tanzania.
- *Scenario C* – 0.5% levy rate is assumed for all sectors. This ‘pessimistic’ scenario simulates the implementation of a scheme with a levy rate close to that of the Republic of Korea.
- *Scenario D* – 1% levy rate is assumed for all sectors with the exception of the public sector (0% levy rate). This exemption is a common feature in many schemes such as those in effect in Cyprus, the Dominican Republic and Malaysia.
- *Scenario E* – 0.5% levy is assumed for agriculture and mining, while 1% levy is assumed for the rest of the sectors, except for the public sector, which is excluded from the levy.
- *Scenario F* – Like scenario E, although a reduced levy rate (0.5%) is assumed for the construction sector. This preferential treatment for the construction sector has been adopted in order to mitigate a potential negative effect from the levy on employment in this particular sector which is such a strong driving force for the whole the economy.
- *Scenario G* – Like scenario F, although a higher levy rate (1.5%) is assumed for the services sector. The rationale for that assumption is that this sector would have a stronger demand for training than other sectors, such as agriculture.

The fiscal pressure for enterprises (ratio of the amount of financial resources raised from firms to GDP) has also been computed for each scenario in order to understand the implications of the implementation of a training levy.

Moreover, in order to provide a more comprehensive set of results, three variants have also been considered:

- *Variant 0* – GDP is unaffected by changes in taxation. This assumption reflects a hypothetical situation in which the implementation of a training levy does not dampen economic activity.
- *Variant 1* – The implementation of the tax provokes a 3% decline of GDP from 2017 onwards. This is an extreme case and represents a 'worst case' scenario.
- *Variant 2* – The implementation of the tax provokes a decline in GDP by the same amount as was collected in the previous year. In other words, the training levy is implemented by the end of 2016 and the 'first' decline in GDP is observed in 2017.

The various scenarios provide the following results, as synthesised in Table 10.

Table 10. Prospective resources that could be generated through the implementation of a training levy in Viet Nam – various scenarios

Revenue raised (VND billion, constant prices 2010) and fiscal pressure (% of GDP)					
	2016	2017	2018	2019	2020
Scenario A (1% levy rate for all sectors) - Variant 0	1,652.928	1,757.063	1,867.757	1,985.426	2,102.741
Fiscal pressure on enterprises (%)	5.25259	5.33419	5.37259	5.38939	5.40619
Scenario A (1% levy rate for all sectors) – Variant 1	1,652.928	1,756.167	1,865.854	1,982.391	2,098.453
Fiscal pressure on enterprises (%)	5.25259	5.33419	5.37259	5.38939	5.40619
Scenario B (2% levy rate for all sectors) – Variant 0	3,305.856	3,514.125	3,735.515	3,970.852	4,205.483
Fiscal pressure on enterprises (%)	5.30679	5.38839	5.42679	5.44359	5.46039
Scenario B (2% levy rate for all sectors) – Variant 1	3,305.856	3,510.542	3,727.901	3,958.718	4,188.341
Fiscal pressure on enterprises (%)	5.30679	5.38839	5.42679	5.44359	5.46039
Scenario C (0.5% for all sectors) – Variant 0	826.464	878.531	933.879	992.713	1,051.371
Fiscal pressure on enterprises (%)	5.22550	5.30710	5.34550	5.36230	5.37910
Scenario C (0.5% for all sectors) – Variant 1	826.464	878.307	933.403	991.954	1,050.298
Fiscal pressure on enterprises (%)	5.22550	5.30710	5.34550	5.36230	5.37910
Scenario D (1% levy rate for all sectors except public sector) – Variant 0	1,596.621	1,697.208	1,804.132	1,917.792	2,031.111
Fiscal pressure on enterprises (%)	5.25075	5.33235	5.37075	5.38755	5.40435
Scenario D (1% levy rate for all sectors except public sector) – Variant 1	1,596.621	1,696.372	1,802.356	1,914.961	2,027.109
Fiscal pressure on enterprises (%)	5.25075	5.33235	5.37075	5.38755	5.40435
Scenario E (0.5% for agriculture & mining; 1% for other sectors; 0% for the public sector) – Variant 0	1,244.526	1,322.931	1,406.276	1,494.871	1,583.200
Fiscal pressure on enterprises (%)	5.23920	5.32080	5.35920	5.37600	5.39280
Scenario E (0.5% for agriculture & mining; 1% for other sectors; 0% for the public sector) – Variant 1	1,244.526	1,322.423	1,405.196	1,493.150	1,580.768
Fiscal pressure on enterprises (%)	5.23920	5.32080	5.35920	5.37600	5.39280
Scenario F (0.5% for agriculture, construction & mining; 1% for other sectors; 0% for the public sector) – Variant 0	1,179.788	1,254.115	1,333.124	1,417.111	1,500.845
Fiscal pressure on enterprises (%)	5.23708	5.31868	5.35708	5.37388	5.39068
Scenario F (0.5% for agriculture, construction & mining; 1% for other sectors; 0% for the public sector) – Variant 1	1,179.788	1,253.658	1,332.154	1,415.564	1,498.660
Fiscal pressure on enterprises (%)	5.23708	5.31868	5.35708	5.37388	5.39068
Scenario G (as scenario F, with 1.5% for services sector) – Variant 0	1,470.925	1,563.593	1,662.100	1,766.812	1,871.210
Fiscal pressure on enterprises (%)	5.24663	5.32823	5.36663	5.38343	5.40023
Scenario G (as scenario F, with 1.5% for services sector – Variant 1	1,470.925	1,562.884	1,660.592	1,764.408	1,867.813
Fiscal pressure on enterprises (%)	5.24663	5.32823	5.36663	5.38343	5.40023

Source: Dr A.R Gonzalez-Martinez, Ecorys, UNESCO, 2016.

Some **key messages** can be drawn from this simulation exercise:

- In the most optimistic scenario (Scenario B – Variant 0), the revenue that could be raised by a 2 per cent training levy is in the range of VND3,305-4,205 billion over the period 2016–20. The *Vocational Training Report of Viet Nam* 2013–14 (GDVT, 2015) gave the budget for vocational training in 2013 as nearly VND 11,784 billion. A training levy on this budget would therefore contribute roughly as much as a third of the total budget allocated to TVET in 2013.
- In contrast, the most conservative scenario (Scenario C – Variant 1) shows that the revenue from a 0.5 per cent rate will be in the range of VND 826–1,050 billion over the period 2016–20 (representing about 7 per cent of the public budget allocated to TVET in 2013).
- Differences in terms of fiscal pressures for enterprise are marginal across various scenarios and the baseline (= no training levy).
- Three variants of each scenario were calculated, but it will be noticed that the differences regarding the revenue that could be raised in each scenario are marginal.

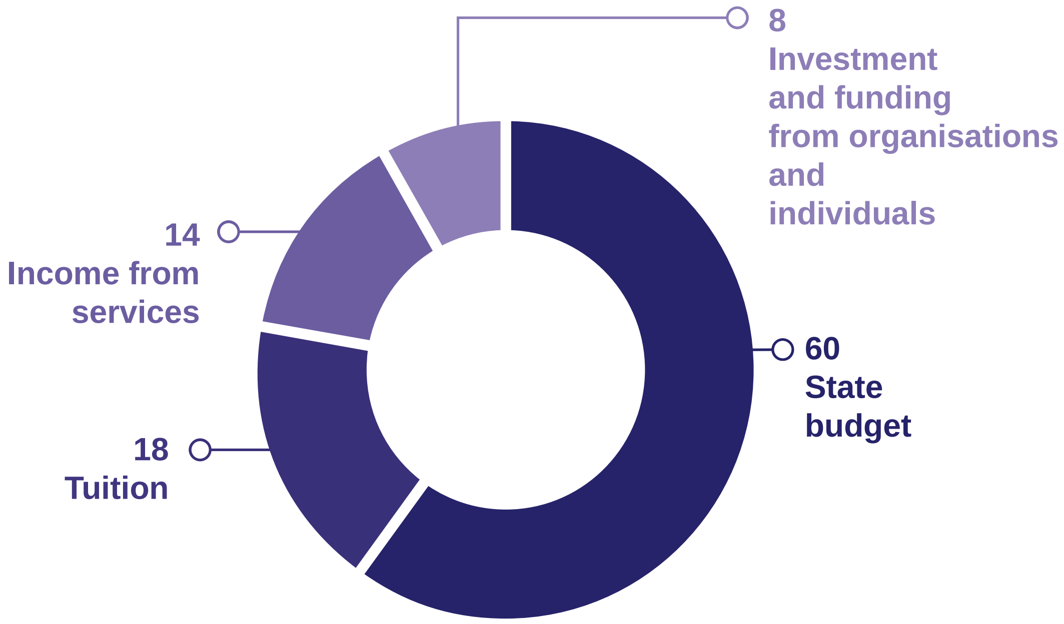
It is also worth noting that the implementation of the training levy will have a positive effect in terms of engaging employers with TVET: employers would be aware of the system and try to provide additional training as a way of ‘retaining’ their contributions to the training fund.

IV. Concluding remarks

The government remains the main contributor to TVET funding in Viet Nam. The State budget for TVET has been growing in the past seven years and the share dedicated to TVET in the education budget is high compared to neighbouring countries: 8.15% in 2013 in Viet Nam, 4.83% in Thailand and 1.44% in the Philippines. Compared to developed countries, however, the share of the state budget allocated to TVET could still be improved: in absolute value, Viet Nam's spending on vocational training is tens of times lower than that in various European countries, for example.

Viet Nam has initiated a socialisation strategy that aims at mobilising various stakeholders – families, industry, training centres – in the funding of TVET. While the State maintains the core funding to the TVET system, other contributors are progressively being mobilised: this is especially true for families, who represent the second largest contributor to TVET (18% of financial resources for vocational training between 2007 and 2013), followed by income from services (14%) and other investments notably from ODA (8%) (see Figure 5).

Figure 5 Structure of financial resources for vocational training 2007 – 2013 (Unit: %)



Source: GDVT.

Cost-efficient use of public financial resources in Viet Nam is hampered by the fragmentation of training. Exchanges during the field mission have shown that training providers are established and piloted by many stakeholders – MOLISA, sectoral ministries, local authorities, but also employer or employee organizations, such as VGCL, VCA, and others. For example, the Viet Nam General Confederation of Labour (VGCL) owns 21 schools for which it receives direct funding from the Ministry of Finance that covers on average 20% of current expenditures of VGCL's schools. The VCA (Vietnam Cooperative Alliance) owns three colleges, two secondary schools, one school for staff training and five cooperative promotion centres, for which VCA receives funding directly from the Ministry of Finance. This is also true for training centres established by industry, which receive funding from their sectoral ministry as shown by the example of Lilama 2 Technical and Technology College.

While the 2014 Law on Vocational Education merged the professional education and vocational training systems (previously under separate management of MOET and MOLISA) under the responsibility of the GDVT, it appears that this rationalisation process did not concern the funding aspects: funding for TVET still flows through various institutions, such as sectoral ministries, provinces, employer organizations, and trade unions. This dispersion of resources is likely to lead to inefficiencies and a waste of resources.

One important step towards more efficient management of TVET and its funding would be the establishment of a strong, reliable and comprehensive statistical information system, consolidating data from all entities receiving public funding (sectoral ministries, provinces, industry). The key purpose is to help monitor the inputs and outputs of the national TVET system and plan resources accordingly.

The Vietnamese government also intends to implement performance-based funding to enhance the cost-efficiency of its resources. GDVT plans to achieve this by allocating its funding through a tendering process, open to public and private training providers. Direct funding will only be maintained for TVET schools in remote / poor regions.

The socialization strategy adopted in 2005 is leading to an increasing autonomy of training institutions, and might ultimately lead to their privatization, where they will have to bear full responsibility for mobilising the required funding.

The trend is moving away from assured government funding and towards budgets allocated on a competitive basis. The criteria and the evaluation process to be used are not yet known. GDVT mentions that all underlying regulations of the 2014 TVET Law still need to be drafted, notably drawing lessons from the pilot initiatives conducted in the three high-quality TVET schools mentioned above.

At this stage, the following recommendations can be made for smoothing the transition towards full autonomy of TVET providers:

- This new funding approach should be carefully thought through in order to maintain a sufficient coverage of TVET offers throughout Viet Nam: a tendering process for funding might lead to deep structural changes in the TVET market. Training institutions encountered during the field mission stated that such an allocation process might lead to a concentration of training providers aiming to become more competitive. It might lead to a concentration of training offers in urban areas where it is easier to fulfil tendering requirements.
- Funding criteria need to be carefully designed: outcomes of TVET providers may be affected by various factors that are not attributable to their efforts or success (regional location, fields of training, characteristics of students enrolled). Countries that have implemented results-based funding have also introduced control factors to take account of such differences and mitigate risks; for example, factors related to regional location and students' social background can be taken into account through a

coefficient system that neutralises their impact on the performance of the training institutions. Results-based criteria should be aligned with the national TVET strategy and defined in consultation with TVET providers and industry.

- Generalisation of the autonomy status of training institutions should be gradual, starting with schools with high autonomy, then schools with good current enrolment, and lastly schools that are currently having difficulty in student recruitment. The pilot initiative with the three high-quality training providers should be carefully followed up to identify difficulties in the tendering allocation process, in order to develop adequate support mechanisms.
- Managing boards of training institutions should be taught to develop entrepreneurial skills for adapting to this new funding approach.
- Finally, the implementation of performance-based funding should go hand in hand with the implementation of an independent body (public or private) that will be in charge of the quality-assurance and accreditation process of training providers.

Analysis of the Vietnamese context also shows that no structured approach has yet been implemented to mobilise private companies in the funding of TVET. Support for the development of dual cooperative training offers various advantages:

- reducing the cost of training for the State since a substantial part of the training is funded and organized by companies;
- improving the relevance of training and consequently trainees' employability; and
- benefiting companies by reducing costs of external recruitment, the costs of training new staff and the costs of unfilled vacancies.

Companies often underestimate the benefits of cooperative dual training, so it is important to raise their awareness and show them that the benefits outweigh the actual cost of apprenticeship for companies. Neighbouring countries, such as the Philippines, have conducted cost-benefit studies to raise company awareness of the net profit generated by apprenticeship (*see comparative study of the Philippines for more information on the Filipino cost-benefit analysis*).

It is also worth noting that, under the socialisation strategy of TVET, GDVT intends to support the expansion of private training provision through various incentives (tax mechanisms, eligibility for funding from foreign investments and public funding, etc.). While the mobilisation of private training provision is cost-efficient because it helps extend the training system without heavy investments from the State, private training provision also tends to develop in places with a dynamic economy and service sector, where training activities are the most profitable and require few initial investments. Special attention must therefore be paid to maintain quality TVET provision in remote areas and in professions that require heavy investments which cannot be supported by the private sector.

Finally, the introduction of a training levy should help Viet Nam raise the productivity of its workers and thus remain competitive in the ASEAN region. A prospective study, based on the simulation of various scenarios, has estimated the resources that could be generated through the implementation of a training levy in Viet Nam. The simulation shows that in the most optimistic scenario, the amount of revenue that could be raised by means of a 2% training levy might represent around a third of the total budget allocated to TVET in 2013. These results have fuelled Viet Nam's reflection on the setting-up of a training levy and opening discussions with industry, which would also involve consultation with social partners. The design of the future levy system should also take into account the level of taxation and labour costs compared to neighbouring countries.

Annex 1. Persons and institutions met during the field mission

Organization	Name	Title
Institutional		
GDVT - MOLISA	Dr Nguyen Hong Minh	General Director
	Mr Nguyen Hoang Hieu	Financial-Planning Dept
	Mr Do Van Giang	Formal Vocational Training Dept
	Mr Pham Thi Hoan	Regular Vocational Training Dept
	Mr Nguyen Quang Viet	Research unit
	Mr Nguyen Viet Thang	TVET ODA Project Management Unit
	Mr Nguyen Thanh Cong	Vice Head of International Relations and General Affairs Division
MOET	Mr Hoang Ngoc Vinh	Director general of the Department of Technical and Vocational Training – Ministry of Education and Training
International cooperation		
ADB	Ms Thi Hoang Lanh	
GIZ	Ms Lisa-Marie Kreibich	Technical advisor
Training providers		
Lilama 2 College (Phone conference)	Mr Cuong	Rector
Vinh Phuc College	Mr Pham Ngoc Vinh	Rector
Phu Chan Vocational College (Private training provider)	Ms Lan	Head of the training department
Social partners		
Vietnam General Confederation of Labour (VGCL)	Mr Dang Quang Dieu	Member Presidium, Director of the Socioeconomic policies and emulation – reward department
	Mr Vinh	Training Manager
	Ms Tri	International cooperation manager
Vietnam Chamber of Commerce and Industry (VCCI)	Mr Hoang Van Anh	Deputy Director General
	Ms Pham Mai Hanh	
Vietnam Cooperative Alliance (VCA)	Dr. Nguyen Ngoc Dzung	Director general / International cooperation department

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