



Vietnamese education: good results, yet still much to do

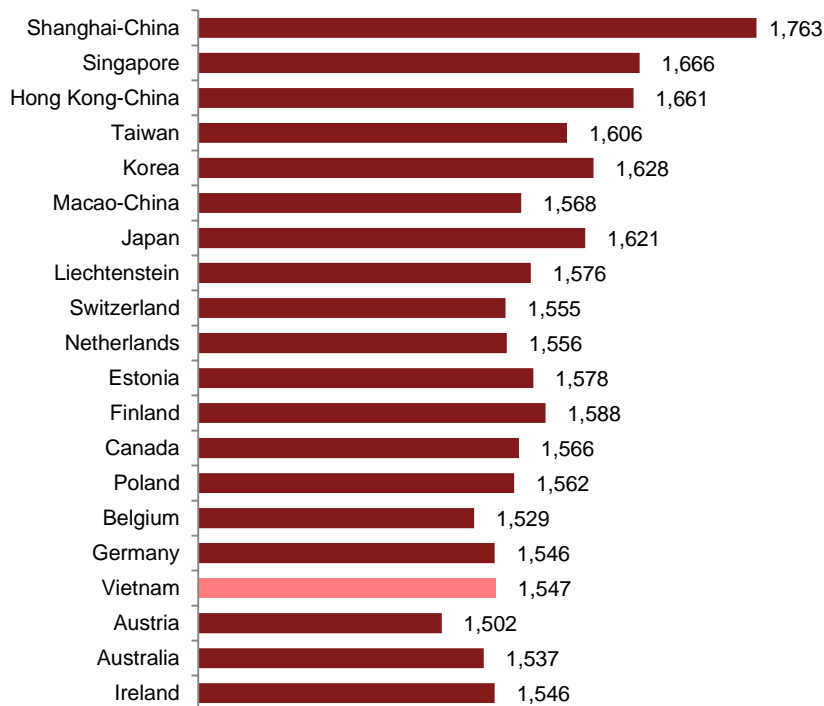
By **Stephen Gaskill**, Advisory Partner & **Nguyen Luong Hien**, Advisory Associate Director of PwC Vietnam

This June, c.900,000 students will pass their end of high school exams, in addition to university entrance exams. These are the same students who took part in the PISA 2012 international tests, which for the first time involved Vietnamese students and whose results were disclosed last December.

The PISA results: a good surprise for Vietnam

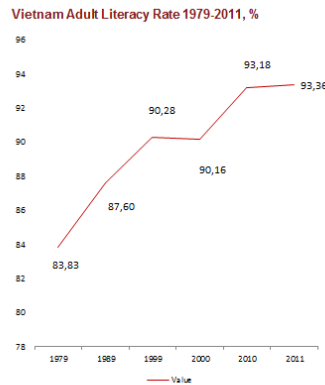
How did Vietnamese students perform compared to those of other countries? 15 to 16 year old students from Vietnam ranked 17th in maths, 18th in sciences and 17th in literature (out of 65 countries), beating more developed countries like France, the U.K. and the U.S. in each of these categories. Such results are quite remarkable, given the country's current state of economic development.

Total scores of highest scoring countries, PISA 2012

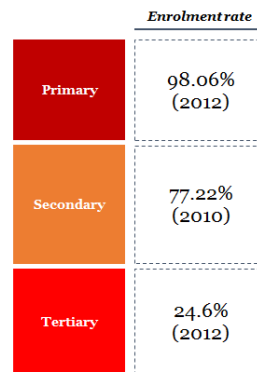




However this outcome should not come as a surprise. Several indicators show that for quite a long time now, Vietnam has been performing quite well on the basics of education. The literacy rate of its population is currently very high and was already above 90% in the mid 1990s – as a comparison, such a level was only reached in the early 2000s for China, while India’s literacy rate reached only 63% in 2012. The combination of a population that puts a strong emphasis on education and a government which has shown an historical commitment to improve education and make it available for a larger share of the population have been the key drivers of Vietnam’s solid performance.



Source: World Bank



Source: World Bank, Business in Asia

Expanding education in Vietnam has been a long term objective of the central government. While still a poor country, Vietnam achieves very high enrollment rate in primary and secondary schools. In 2013, c.75% of Vietnamese above 15 years old were taking their education to at least the high school level. These results are again quite impressive when compared to other countries in the region or at a comparable level of economic development. For example, in India, 68% of the children from 15 to 17 enrolled in secondary education, and in Cambodia, only 38%.

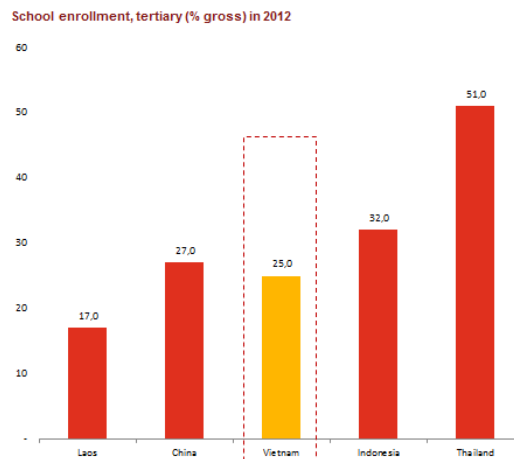
PISA did not test the quality of Vietnamese higher education though. Results of such tests may have been much less favourable, as the major challenges regarding Vietnam’s education sector lie in the higher education.

Higher education

The first issue is the enrollment rate, which remains low despite having grown quickly over the past years. As of 2013, 25% of all Vietnamese at university age enroll in higher education. The figures might seem honourable—they are far from meeting the massive demand for higher education of the Vietnamese population. In 2013, a report released by research agencies of the Ministry of Education and Training claimed that 70% of

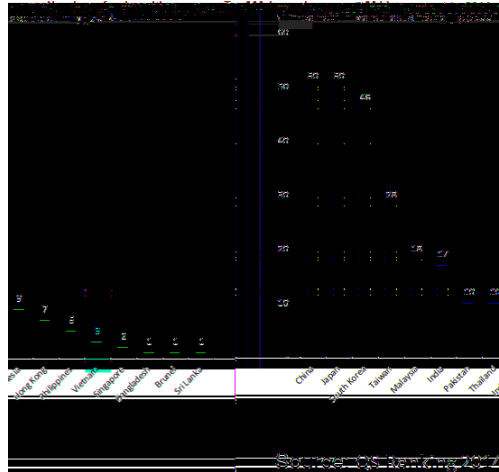


Vietnamese 12th graders claimed they would like to continue their studies in university. But places are very limited, as less than half of those taking the exams will be accepted. Vietnam has only 400 colleges and universities for 90 million inhabitants, compared to over 4,400 in the U.S. (for 320 million inhabitants) and nearly 500 in Malaysia (for 30 million inhabitants). Vietnam higher education supply is far below the country massive demand, resulting in Ivy-league like selection rates for some Vietnamese universities.



Source: World Bank

Yet supply shortage is a secondary issue compared to concerns regarding the overall quality of the teaching provided to students. Vietnamese higher education struggles to prepare its students for the requirements of their future employers. According to a study published by the World Bank in 2014, employers looking for workers with professional and technical skills estimated that more than 80% of the Vietnamese applicants were lacking the required skills to carry out the job. In particular, employers point out the poor technical and soft skills of university graduates. Vietnamese universities, despite their severe selection rate, still suffer from very poor perception from employers. This notion is reflected in the very poor ranking of Vietnamese universities compared to their South-East Asian counterparts. In 2014, Vietnam’s own ministry of Education and Training admitted the necessity to reform and improve the higher education: “We estimate that only 30% of our students receive the appropriate courses and graduate with the required skills to succeed in the corporate world”. Stuck with a severe supply shortage and substantial quality issues, the Vietnamese higher education system will have to adapt and transform in the future.



A necessary and costly transformation

Improving Vietnamese higher education is an absolute pre-requisite to further development of the country’s economy. In its 2014 report on Vietnam, the World Bank reminded readers that “a skilled workforce is central to the success of Vietnam’s economic and social transitions [...] as there is a shift of employment from the agricultural sector to wage employment in manufacturing, construction and services”.

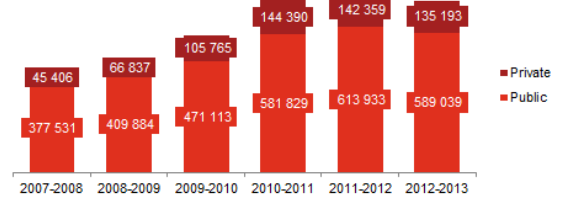
And this, inevitably, will come with a cost. The World Bank again in another report published in 2010, has estimated, for example, that the average cost per student for participation in higher education will at least be five to six times higher by 2019 than it was in 2007. It is unlikely the central government and the public universities will be able to handle these necessary transformations alone. Public universities still largely dominate the Vietnam higher education; yet over the past years, private structures have started to emerge and now account for 17% of the total Vietnamese students enrolled in higher education (still quite far from the ambitious target set by the Vietnamese government in the Master Plan to have 40% of students in private universities).



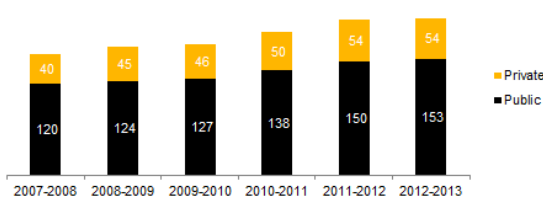
Number of Institutions - College



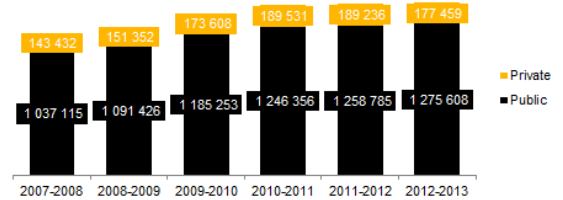
Number of Students - College



Number of Institutions - University



Number of Students - University



Source: Ministry of Education

The struggle for profitability

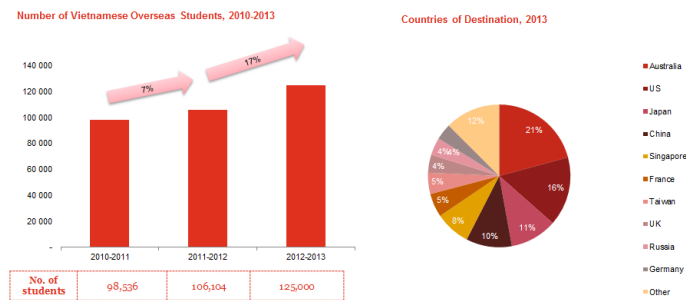
Vietnam will need private universities to help reform and improve higher education in the country as the demand remains strong amongst the Vietnamese population for high quality education. Still private universities in Vietnam struggle to be profitable. In 2013, for the first time since 2000, the number of private universities decreased. “It is true that some private universities have not been able to enroll enough students this year and may be forced to close” said Bui Van Ga, Deputy Minister of Education and Training in 2013. More recently in September 2014, Tran Vinh Du, President of the Vietnam American Training College added: “From what I know, Vietnam has very few profitable private universities and colleges. Most private tertiary education institutions in Vietnam are facing tough challenges right now. Many will crumble and must exit the market in the very near future.”

Paradoxically, while Vietnam desperately needs the private sector to modernise its higher education, the country has so far failed to establish a favourable environment for the development of private universities. Amongst the regular complaints from the industry are an absence of public support and high tax levels (25% corporate income tax) that lead to them having to set very high tuition fees. Furthermore, the stringent limitations on student enrollment (private universities cannot accept students that have not reached the national basic level marks) often deter students from considering entering private universities.

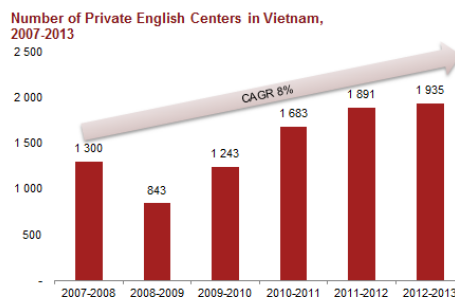


Studying abroad: the new alternative

Additionally, these private universities must now compete with the rising willingness from Vietnamese students to complete their whole higher education abroad. Either directly or via the new programmes and partnerships offered by public universities, the number of students going abroad has increased rapidly over the past few years.



Such trends have led to the multiplying of private English courses in Vietnam with Vietnam becoming a major new growth market for companies to enter. While private universities have been struggling, these private English course providers have managed to be quite successful as evidenced by the substantial increase in the number of centres in recent years.



The next promising investment area?

Vietnamese investors, in a recent study published in 2015 by Grant Thornton, have selected education as the most promising industry for future investment. Indeed Vietnam displays very favourable demographics (in 2013, 23% of Vietnam's population was under the age of 14 according to the World Bank, compared to 18% in China and 16% in Singapore) whilst the very strong demand for high quality education adds to the solid underlying growth drivers for this market. Recent discussions seem to indicate the government is willing to change the regulatory context surrounding Vietnam higher education. In 2015, for the first time, Vietnamese public universities will have autonomy in fixing their tuition fees, which is a first major step towards higher education liberalisation in Vietnam. Such reforms are encouraging and might be a



positive signal for future regulatory amendments for private universities in the near future.

About PwC Vietnam

- *Offices established in Hanoi and HCMC in 1994.*
- *A multi-disciplinary team of 750+ people with expertise across a range of skill sets and industries including professionals fluent in English and 19+ other languages such as Mandarin, Japanese, Korean, Thai, French, German, etc.*
- *Access to additional Vietnam specialists in the PwC regional and global network.*
- *Strong relationships with the government and regulators.*
- *The first “Big Four” company to establish a separate law firm in Vietnam, licensed by Vietnam’s Ministry of Justice, enabling us to offer comprehensive legal and advisory services.*

How we can help

<p><i>Understanding of Vietnam market and critical market drivers</i></p> <p>1 </p>	<p><i>Our extended networks</i></p> <p>2 </p>	<p><i>Expertise and experience from several industries</i></p> <p>3 </p>	<p><i>Different disciplines to address the pain points across PE value circle</i></p> <p>4 </p>
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Awards for our Advisory services in Vietnam

- Dealmakers of the Year-Vietnam 2014 - Acquisition International
- Advisory Firm of the Year, 2011 - Deal Makers Monthly

Contact



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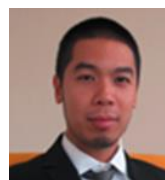
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