

**The Emergence of Vietnamese  
For-Profit and Non-Profit Private Higher Education:  
For-Profit Ascendant?**

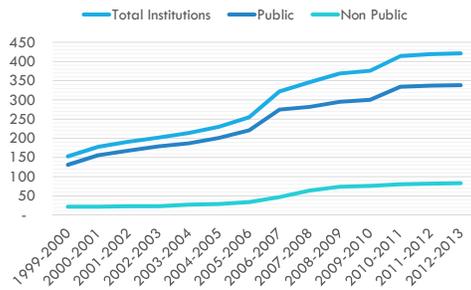
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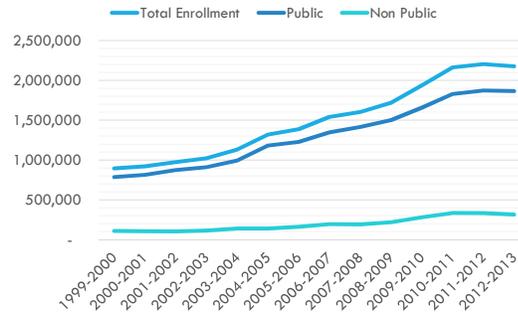
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# VIETNAM'S PHE OVERVIEW

Number Of Higher Education Institutions  
2000-2013



Higher Education Enrollment 2000-2013



	2000	2005	2010	2013
<b>Total Enrollment</b>	893,754	1,319,754	1,935,739	2,177,299
<b>Private Enrollment</b>	107,538	137,760	279,373	312,652
<b>Private share (%)</b>	12.0	10.4	14.4	14.4

Source: Vietnam Ministry of Education and Training (MOET) 2013

## POLICY CONTEXT

Emergence of PHE as a result of the Government's policy in "socialization" of education

By 2000, Vietnam's HE system comprised of the following types of institutions:

- Public
- Semi-public
- People-founded
- Private

**1986**

• **Doi Moi Policy**, transforming from central planning to market economy

**1993**

• **First regulation on PHE**  
• First private university established

**1998**

• **Law on Education:** banned any commercialization activities in education.  
• Encouraged investment in education from organizations and individuals, termed "socialization," offering tax exempts for contributions and other in-kind rewards by the government.

**1999**

• **Incentives for the socialization of education** were once again emphasized with the issuance of the Resolution 73/1999/ND-CP by the Government, offering details in tax incentives for private investment in education

**2000**

• Regulation issued on establishment and operation of **people-founded HEIs**.  
• It is illegal to take advantage of the people-founded institutional status to carry out commercialization and profit-making activities.

## POLICY CONTEXT (CONT'D)

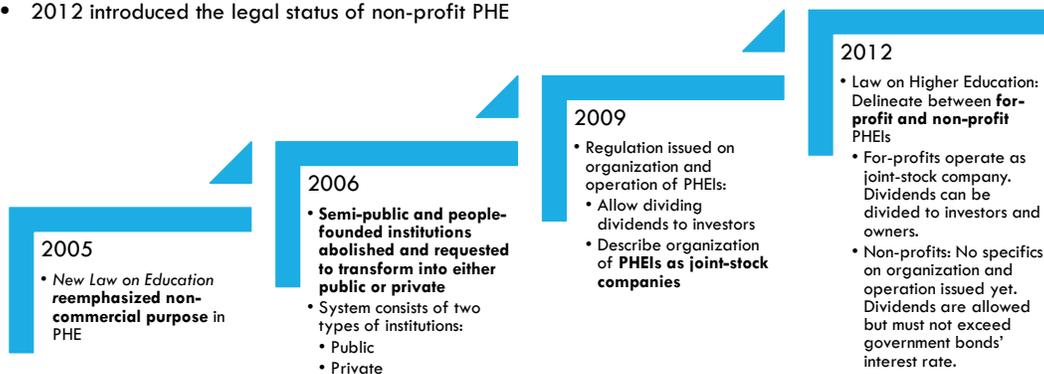
### Ownership structure of types of HEIs

Public	Semi-public	People-founded	Private
<ul style="list-style-type: none"> <li>• Government (MOET)</li> <li>• Central Ministries</li> <li>• Provincial governments</li> </ul>	<ul style="list-style-type: none"> <li>• Government: Initial and infrastructure investment</li> <li>• Private: Maintain operation on principle: "generating sufficient revenues to make up costs"</li> </ul>	<ul style="list-style-type: none"> <li>• Status sponsored by a political/ social org.</li> <li>• Privately invested. Collectively owned.</li> </ul>	<ul style="list-style-type: none"> <li>• Privately invested and owned</li> </ul>

## POLICY CONTEXT (CONT'D)

### For-profits prescribed in government's regulation and the recognition of non-profit type

- Conversion of semi-public and people-founded institutions into either public or private
- 2009 marks the time when Vietnam's PHE was, by regulation, entirely for-profits.
- 2012 introduced the legal status of non-profit PHE



## DEFINING FOR-PROFIT & NON-PROFIT

Contradictions between the law and regulatory mechanism on profit making

	Public	Semi-public & People-founded	Private For-profit	Private Non-profit
Legal delineation	-	Law bans abuse of educational activities for profit making	Law allows profit-making and recognizes legal status	Law recognizes legal status
Functions: profit seeking behavior	Yes	Yes	Yes	Not known yet
What institutions can do with "profits"	<ul style="list-style-type: none"> <li>- Reinvest in institutional development</li> <li>- Establish reward funds for faculty and staff</li> <li>- Invest in scholarship funds</li> </ul>	<ul style="list-style-type: none"> <li>- Reinvest no less than 30% of the profits to enhance material bases</li> <li>- Reward and welfare for employees</li> <li>- Distribute to investors according to the proportion of their shares</li> </ul>	<ul style="list-style-type: none"> <li>- Financially autonomous, but must make financial statement available to the public</li> </ul>	<ul style="list-style-type: none"> <li>- Dividends are allowed but must not exceed government bonds' interest rate.</li> </ul>

## NON-PROFIT TYPES

(2) How the institution is controlled

	Mutual	Entrepreneurial	VN PHE Non-Profit
(1) Source of income <b>Donative</b>	(1) Income in the form of donations (2) Controlled by patrons (donors)	(1) Income in the form of donations (2) Controlled by self-perpetuating board of directors	Semi-public People-Founded
<b>Commercial</b>	(1) Income from sales of goods or services (2) Controlled by patrons (donors)	(1) Income from sales of goods or services (2) Controlled by self-perpetuating board of directors	Private Non-profit
<b>VN PHE Non-profit</b>	Semi-public People-Founded	Private Non-profit	

Source: Adapted from Hansmann (1987)

## FOR-PROFIT ASCENDANT?

- With the semi-public and people-founded types of HEIs being abolished and the only recently recognized status of non-profit PHEs, Vietnam PHE is virtually for-profit by legal designation.
- Even among the non-profits, the regulations allowing distributions of profits make it difficult to distinguish the non-profits with limited-profit/limited-dividend enterprises.
- Privatization among public HEIs and new regulation on autonomous public HEIs show strong for-profit trend.

## PRIVATIZATION OF PUBLIC HEIs

	Total Enrollment	Enrollment in profit-generating programs	Share of profit-generation enrollment in total enrollment
Public, total	1,566,090	487,860	31%
Public, MOET	572,640	238,390	42%
Public, provincial	318,878	70,525	22%
Public, central ministries	674,572	178,945	27%
Private	361,507	60,027	17%

Source: Author estimates based on MOET 2009

## PRIVATIZATION IN PUBLIC HEIs

Pilot program on enhancing public HEIs' autonomy

	In USD		
	National Economics University (2011)	Hanoi University (2009)	Ho Chi Minh City University of Economics (2011)
Income from state budget	1,287,048	551,667	493,048
Income from tuition	13,471,571	5,852,381	14,476,190
Income from other sources	30,857	-	5,476,190
Percentage share of state budget in total income	8.7%	8.6%	2.4%

Source: Author compiles from institutional financial disclosures.

## CONCLUSION

- Legal designation of Vietnam's for-profit and non-profit is not clear until 2012. However, because the non-profit designation is new we do not know how the institutions behave functionally in terms of profit making.
- The emergence of Vietnam PHE is a result of policy changes. The early non-profit semi-public and people-founded was only non-profit as after-thought due to the government's reservation regarding private involvement in provision of education. The abolishment of such types originated from subsidies justification and profit-making behaviors of institutions.
- The regulations on PHEIs' organization and operation in 2009 made Vietnam's PHEIs entirely for-profit until 2012 when non-profit and for-profit are delineated legally. Even then there is not a clear distinction between non-profit vs. limited-profit enterprises.
- The increased privatization in public HE makes the for-profit trend even more predominant, exemplified by the proportion of enrollment in profit-generating programs and in the increasing share of tuition and other sources in institutional income.