

**Document of
The World Bank**

Report No: 17235-VN

PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED CREDIT
IN THE AMOUNT OF US\$83.3 MILLION EQUIVALENT
TO THE
SOCIALIST REPUBLIC OF VIETNAM
FOR A
HIGHER EDUCATION PROJECT
JULY 28, 1998

Education Sector Unit
Vietnam Country Unit
East Asia and Pacific Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective July 1998)

Currency Unit = Dong
VND 12,950 = US\$1.0

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
DO	Development Objectives
E&T	Education and Training
FTE	Full-time Equivalent
HE	Higher Education
HEGTS	Higher Education Graduate Tracer Study
HEI	Higher Education Institution
HEIFS	Higher Education Institutional Finance Survey
HEQAC	Higher Education Quality Assessment Center
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDA	International Development Association
IP	Implementation Progress
LAN	Local Area Network
LOI	Letters of Invitation
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MOSTE	Ministry of Science, Technology and Environment
MPI	Ministry of Planning and Investment
NCB	National Competitive Bidding
NIED	National Institute of Educational Development
PAD	Project Appraisal Document
PAU	Proposal Assessment Unit
PCU	Project-specific Coordination Unit
PHRD	Policy and Human Resources Development
PPUS	Project Preparation Unit Secretariat
QIGs	Quality Improvement Grants
SC	Project Steering Committee
SIL	Specific Investment Loan
SOE	Statement of Expenses
VEFSS	Vietnam Education Financing Sector Study
VLSS	Vietnam Living Standard Survey
VND	Vietnamese Dong

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**Vietnam
Higher Education Project**

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Vietnam
Higher Education Project

Project Appraisal Document

East Asia and Pacific Region
Education Sector Unit

Date: July 28, 1998	Task Team Leader/Task Manager: Christopher Shaw
Country Manager/Director: Andrew Steer	Sector Manager/Director: Alan Ruby
Project ID: VN-PE-4828 Sector: Education	Program Objective Category: EA
Lending Instrument: IDA SIL	Program of Targeted Intervention: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Project Financing Data	<input type="checkbox"/> Loan	<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	<input type="checkbox"/> Other [Specify]			
For Loans/Credits/Others:							
Amount (US\$m/SDRm): US\$83.3 million/SDR 62.1 million							
Proposed terms:							
Grace period (years): 10	<input checked="" type="checkbox"/>	Multicurrency	<input type="checkbox"/>	Single currency, specify			
Years to maturity: 40	<input checked="" type="checkbox"/>	Standard Variable	<input type="checkbox"/>	Fixed			
Commitment fee: 0.50%			<input type="checkbox"/>	LIBOR-based			
Service charge: 0.75%							
Financing plan (US\$m):							
Source		Local	Foreign	Total			
Government		12.6	0.0	12.6			
Cofinanciers							
IDA		17.1	66.2	83.3			
Universities		7.8	0.0	7.8			
	Total	37.5	66.2	103.7			
Borrower: Socialist Republic of Vietnam							
Guarantor: Socialist Republic of Vietnam							
Responsible agency: Ministry of Education and Training (MOET)							
Estimated disbursements (Bank FY/US\$m):							
Annual	FY99	FY00	FY01	FY02	FY03	FY04	FY05
	4.0	10.0	13.0	20.0	18.0	14.0	4.3
Cumulative	4.0	14.0	27.0	47.0	65.0	79.0	83.3
Project implementation period: six years							
Expected effectiveness date: 11/28/98							
Expected closing date: 06/30/2005							

A: Project Development Objective

1. Project development objective and key performance indicators (see Annex 1):

The project aims to: (i) increase coherence, flexibility and responsiveness of higher education to the changing demands of society and the market economy; (ii) improve efficiency and resource utilization in higher education; and (iii) improve the quality of curriculum, teaching, learning and research in higher education. Thus, the long-term objective of the project is to improve higher education's level of coordination and coherence at the system level as well as build capacity, accountability and autonomy at the institutional level.

Progress towards the development objectives and outputs will be monitored and assessed based on the key performance indicators shown in Annex 1. These are: (i) the percentage of participating universities that use the project survey information to guide their institutional strategic plans; (ii) the percentage of university graduates gaining employment within 12 months of graduation; (iii) the increase in the average size of higher education institutions; (iv) the proportion of social scholarships allocated to student from the three lowest income quintiles; (v) the proportion of university teaching staff with postgraduate qualifications; and (vi) improvement in the average flow-rates of students and their graduation rate.

B: Strategic Context

1. Sector-related Country Assistance Strategy (CAS) goal supported by the project (see Annex 1):

Current CAS: 15053-VN. Latest CAS discussion: 5/--/98 of new CAS document under preparation

The project meets the CAS objectives of assisting *Vietnam's transition to a market economy and alleviating poverty* through human resource development by: (i) providing advanced skills relevant for the market economy through higher education reform, and (ii) improving cost-efficiency and equity within the sector by rationalizing higher education institutions and reallocating resources to general education (par. 62 of CAS). The project supports the CAS objectives by improving higher education's overall quality and relevance and revising its pricing structure. The *Vietnam Education Financing Sector Study (VEFSS)* showed that, while rates of return to HE are of an acceptable level, the private rate of return to HE is consistently almost twice that of the social rate of return irrespective of the sector of employment (public, private or joint-venture). By improving quality and relevance, the rates of return to HE can be expected to increase (limited evidence from other transitional economies indicate that successful qualitative reforms lead to large earnings increases for HE graduates). In addition, by establishing a process for revising HE's pricing policy -- raising fees and improving the targeting of student scholarships and loans -- the difference between private and social returns to HE will be reduced and equity will be improved.

2. Main sector issues and Government strategy:

Global Education Issues: Overall education sector issues include: (a) relatively *low government expenditure* on education and training (E&T) compared to other countries in the region --in 1994 government expenditure on E&T was only 3.5% of GDP-- and *relatively high cost recovery* in education, with households bearing 43% of the cost of all E&T activities; (b) *skewed distribution* of education subsidies [in 1993 per capita subsidies for education at all levels were 3 times higher for the richest population quintile as for the poorest quintile] together with inequities in cost recovery [private costs of E&T are disproportionately greater at lower levels of education than at higher levels]; (c) *weak coordination and coherence* in education planning and administration due to the multiplicity of central agencies and ministries responsible for the management of different levels of education; and (d) declining quality of education and its low relevance to the demands of the modernizing society and the emerging transitional economy.

Higher Education Issues: Some major issues specific to the higher education sub-sector include: (a) *economic inefficiencies* caused by the large number of highly specialized, small, mono-disciplinary institutions; (b) widespread subsidies provided to students in tertiary education and *low cost-recovery* at this level; (c) highly *fragmented and specialized* higher education institutions (HEIs) with institutional structures and procedures inherited from the era of central planning, and the poor accountability and *weak autonomy* of individual HEIs with their control and oversight exercised by the specific line ministry to which the HEI is linked; and (d) *low responsiveness* of the sub-sector to the changing needs of the labor market in Vietnam's transition economy. This is primarily due to the existing institutional structure, and quality and content of education currently provided by HEIs.

Government Strategy: The government of Vietnam recognizes that higher education has a significant contribution to make in achieving the economic reforms introduced in the late 1980s, and its achievements to date are impressive. It has attempted to address some of the above mentioned sub-sector issues by: (a) improving efficiency through mergers of a few specialized HEIs into multidisciplinary universities -- such mergers have been only partly successful; (b) introducing student tuition fees while providing merit and need-based scholarships and student loans to ensure equitable access; (c) allowing the establishment of quasi-private universities; and (d) restructuring the internal pedagogical organization of some universities by switching to a module/credit method identified within a newly formulated National Qualifications Framework. A core curriculum for first phase undergraduates has been introduced. Issues of institutional weaknesses within higher education have not yet adequately been addressed and the government is looking for assistance from the World Bank to address this, and to fine tune efforts in addressing the other sub-sector issues.

3. Sector issues to be addressed by the project and strategic choices:

Education in Vietnam is already receiving external support (elementary education through an ongoing IDA credit and high schooling through an ADB project). Nevertheless, the government is unable to resolve all the above issues, and needs external support in order to initiate substantial changes in the higher education system. Analysis undertaken jointly by government and the World Bank indicates that the above sector problems are linked to two key issues: (i) a lack of coordination and coherence in the HE system as a whole; and (ii) the absence of institutional autonomy, accountability, management and teaching capacity. These two issues manifest themselves in the following three ways: (a) the *lack of responsiveness* of the higher education system to changing demands of society and the market economy; (b) the *low efficiency* of higher education; and (c) the *poor quality* of higher education. The World Bank's intervention in this sub-sector will specifically target the above and thereby address the overarching issues within the higher education sub-sector.

Until now, institutional policy and financing have been decided centrally, based mainly upon plan targets for student enrollments. Government funding of HE has been negotiated with individual institutions and it has been predetermined, direct, financial support. The main strategic choice of this project is the establishment of a sustainable, output-oriented, competitive, flexible financing mechanism where the use of funds is not predetermined several years in advance. This strategy is supported in two ways. First, the output orientation is supported through the creation of a performance and quality monitoring mechanism. Second, the move to more flexible and competitive funding is supported through the introduction of "quality improvement grants" to selected universities. Universities meeting eligibility will compete for investment funds on the basis of their own strategic planning and choices. The eligibility criteria include satisfactory academic and financial performance, and participation in performance monitoring and institutional strategic planning.

C: Project Description Summary

1. Project components (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

<u>Component</u>	<u>Category</u>	<u>Cost Incl. Contin. (US\$M)</u>	<u>% of Total</u>	<u>Bank-finance (US\$M)</u>	<u>% of Bank-finance</u>
<p><u>Component #1: System-wide and Institutional Capacity, Building and Computerization</u></p> <p>(i) Improved centralized functions of governance, oversight, planning, management and administration of the higher education system through training, provision of administrative tools, software and related equipment, computerization and technical assistance.</p> <p>(ii) Improved institutional-level functions of planning, management and monitoring functions of all HEIs, through training, technical assistance and related equipment.</p> <p>(iii) Development of higher education institutions' computerized networks, information sharing and administrative management, through training, provision of computerized administrative tools, software, computer and related communications equipment and technical assistance.</p>	Policy and Institution building	2.5	2%	1.7	2%
		15.0	15%	6.4	8%
		4.3	4%	3.2	4%
<u>Component #2: University Investments through competitive Quality Improvement Grants to selected qualifying universities to finance sub-projects.</u>	Physical inputs (non-civil work)	79.1	76%	69.8	84%
<u>Component #3: Strengthening the MOET's capacity for project management and implementation through provision of equipment, staff training, and technical assistance.</u>	Project Management	2.8	3%	2.2	2%
	Total	103.7	100%	83.3	100%

2. Key policy and institutional reforms supported by the project:

The project supports improvement of the centralized functions needed for improved governance, oversight, planning and administration of the higher education system at both the system-wide and the institutional levels. The project also provides support, on a competitive basis, for qualitative improvements in teaching and learning at selected higher education institutions. The main reform is the introduction of competitive funding in higher education based on performance monitoring. Other reforms include integration and improved coordination and coherence of higher education at the system level, and the strengthening of capacity, accountability and autonomy at the institutional level.

3. Benefits and target population:

Benefits: First, by improving the quality and relevance of higher education, the project addresses a critical constraint in Vietnam's transition to middle income status and a more industrialized society - the shortage of Vietnamese middle-managers and skilled professionals required to sustain industrial/manufacturing growth. Currently, there is a paucity of such critical skills. Making higher education more responsive to these growing skill gaps and able to respond to changing skill demands in a market economy is a key objective of the country strategy. Second, the project will support policy development aimed at a revision of the higher education pricing policy (tuition fees and exemptions) and more efficient use of public investments in higher education. This will reduce distortions within the government's education subsidy, and improve equity through revisions to the student loan and scholarship scheme. Third, the project builds on sector work on education financing and will contribute to efficiency improvements. It will promote potential economies of scale and lower unit costs of graduates, through incentives in Component #2 for the consolidation of higher education institutions. Finally, by redefining the role of government in higher education and by increasing institutional autonomy and accountability, the project will reinforce structural change and develop the institutions and courses needed to pursue the move to a market economy.

Target population: Public and private higher education institutions and universities in Vietnam and the student/staff population within them (except provincial teacher training colleges).

4. Institutional and implementation arrangements:

Implementation period: The project will be implemented over a period of six years (start-up will be in November 1998, completion December 31, 2004, and closure June 30, 2005).

Executing Agencies: Overall coordination of all executing agencies will be through a project-specific coordination unit created inside the Ministry of Education and Training (PCU/MOET). Responsibility for the execution of actions under component #1 will lie with various departments of the Ministry of Education and Training (MOET) while that for component #2 will lie with universities assisted by various departments of the MOET. Details of the implementation responsibilities for the project sub-components are as follows:

Component #1 – Capacity, Institution Building, and Computerization

System-level

- HE Policy Development (Project Steering Committee & MOET)
- Performance Monitoring of HEIs (Project Steering Committee & MOET)
- Quality Assurance and Accreditation (Higher Education Quality Assessment Center of MOET)
- Funding Formula & Pricing Policy (Project Steering Committee)
- University Regulations and Charters (MOET)

Institution-level

- University Strategic Plans (Universities & Planning and Finance Dept. of MOET)
- University Planning Offices (Universities & PCU)
- Graduate Tracer Surveys (Universities & PCU)
- Careers Advisory Services (Universities & PCU)

Information Technology Development

- University Administration Software Packages (Universities and PCU)

Component #2 -- University Investments

University Quality Improvement Awards

- Proposal Assessment (Proposal Assessment Unit)
- Specialized Subject Review (PAU)
- Quality Improvement Awards (Universities)

Component #3 -- Project Management & Coordination

- Project Coordination Unit (MOET)
- Procurement Advisory Services (PCU)
- Grant Application Advisory Services (PCU)

Project coordination: will be carried out by a project coordination unit (PCU), created in the Ministry of Education and Training. The project will have a part-time high-level National Director and the following full-time national staff: a National Manager, two Program Officers, a Training Officer, a Finance Officer and a Purchasing/Procurement Officer. The PCU will be responsible for all project accounting, the implementation of component #1 activities, the oversight of the use of all QIGs awarded under component #2, and it will provide purchasing and procurement advisory services to universities.

Project Oversight (policy guidance etc.): will be the responsibility of the Project Steering Committee of the Ministry of Education and Training (SC). The Project Steering Committee will be chaired by the Minister of Education and will comprise ministers or vice-ministers from MOET, MPI, MOF, MOSTE, rectors of selected national and regional universities, and a representative of employers.

Accounting, financial reporting and auditing arrangements: The PCU will be responsible for project financial management, accounting, reporting and ensuring external auditing of all project related expenditures using systems and procedures acceptable to the Association. Detailed accounts will be kept for all project expenditures and separate accounts will be maintained for use of the funds allocated to QIGs. Accounts, including all disbursements under SOEs, will be audited annually, following international standards, by independent auditors acceptable to the Association. Auditors reports on project finances, special accounts, and SOEs, will be submitted to the Association within six months of the end of the fiscal year.

Monitoring and evaluation arrangements: The project supports comprehensive monitoring and evaluation of the higher education system in component #1 and will also undertake regular monitoring and evaluation of implementation progress and the impact of the project on the higher education system. MOET will undertake annual surveys of the financial operations of all higher education systems and the measurement of related information on administrative and academic performance. The MOET's Higher Education Quality Assessment Center (HEQAC) working with individual universities and higher education institutions will make regular quality assessments of instructional programs and university administration. Results from both of the above will be shared with all universities and published. Individual universities will monitor their response to the labor market by conducting regular longitudinal surveys of their recent graduates (tracer studies). Monitoring and evaluation of project implementation and impact will be guided by: (a) the initial and annual updates of the Borrower's Implementation Plan and the annual workplan for implementation; (b) quarterly progress reports from the PCU; (c) joint monitoring of the agreed key performance indicators and their inclusion the quarterly reports on project implementation progress; (d) regular IDA supervision missions, the annual joint review of project implementation, and the mid-term review of project implementation; (e) regular meetings of the project oversight committee; and (f) the annual audits of project accounts and grants, and an annual report on the use of Quality Improvement Grants.

D: Project Rationale

1. Project alternatives considered and reasons for rejection:

Project Strategy: Alternative strategies to the classical scenario of public funding and provision of HE emphasized thus far by government include: (i) private financing of public HE through tuition fees, student charges etc.; (ii) private financing of private, fee-paying, higher education institutions (HEIs); and (iii) public financing of private HEIs. The high private rates of return to HE in Vietnam (as demonstrated in VEFSS 1996) provide economic justification for supporting strategies of cost-recovery and private sector development in HE. The project would redress the present public subsidization of HE by promoting the first two strategies described above. However, given the government's present position and limited experience with private universities, and the absence of a coherent legislative framework and information base, while the project will support public subsidization of existing quasi-private institutions and will promote the transfer of some public universities off budget, it will not provide public subsidies for the creation of new private universities. Given the present political climate in Vietnam, the project adopts the optimal strategy of making public universities more demand driven and responsive to a market economy.

Project Scope: The Task Team considered the following two options: (i) *Tight Project Scope:* the initial strategy proposed for World Bank assistance was that of targeting the majority of project funds as pre-determined capital investments for two specific higher education institutions. However, it became increasingly clear that this strategy would not improve the responsiveness of the entire system to the country's rapidly changing needs, and that there was no guarantee that the two higher education institutions targeted to receive funds were in any better position than other institutions to take maximum advantage of project funds.

(ii) *Broad Sector-wide Focus:* project preparation was then revised to reassess the major sub-sector issues and to investigate strategies that would have a broader and deeper reform impact on the whole education system by using Bank funds as direct budgetary support and structuring the operation as a sectoral adjustment. However, this option was not followed due to concerns regarding the demanding character and the potential risks of a sector-wide adjustment operation with a higher education focus, and the readiness of Vietnam for a policy based operation. The Task Team adopted a more moderate option which, in terms of project scope, lies in between the former two alternatives. The current project design is more flexible than the first option as all higher education institutions, except provincial level teacher training colleges, may compete for project funds if they meet the eligibility criteria, but is tighter in project scope and focus than the second option.

2. *Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned):*

Sector issue	Project	Latest Supervision (Form 590) Ratings	
		Implementation Progress (IP)	Development Objective (DO)
		(Bank-financed projects only)	
Reform & rationalization of university system	Nigeria: Federal Universities Development Sector Adjustment Operation (2127)	S	S
Improve responsiveness of higher education to market economy	Hungary: Human Resources (8483)	S	HS
Establish competitive environment for improvement of higher education	Argentina: Higher Education Reform Project (34091)	S	S
Quality and efficiency improvement	Indonesia: Higher Education II (3939)	S	S
Create decentralized and demand-driven polytechnic system	Malaysia: Polytechnic Development (4309)	HS	HS
Improve quality and management in provincial universities	China: Provincial Universities (3443)	HS	HS
Expand and improve technical and managerial manpower	China: University Development II (3431)	HS	HS

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

3. *Lessons learned and reflected in the project design:*

The proposed project would be the first higher education project and only the second education project to be implemented in Vietnam. However, several lessons can be drawn from similar projects in other parts of the world (see above). The project in Nigeria is a sector adjustment operation which uses several conditions to leverage sector-wide reform and rationalization of the federal university system. Two levels of conditions, sector-wide and institutional specific, are used since a threshold number of universities must meet eligibility criteria before project funds are disbursed. However, the inability to achieve the required threshold number of eligible universities has created delays in disbursing funds, thus penalizing the few eligible universities. The projects in Hungary and Argentina have established improvement grants for eligible universities to provide incentives for improvements in quality, efficiency gains and transparency in funding mechanisms of higher

education institutions. The Argentina and Indonesian projects have components that emphasize (i) institutional development; (ii) improvements in planning and management; and (iii) increasing financial and academic accountability. Lessons learned from the experiences of the above projects indicate that to address similar issues of higher education's quality, efficiency and responsiveness to the economy, project design should include several of the strategies/components used in the above projects, with the necessary adaptations to the Vietnamese context. Examples from the region (Indonesia, China, Malaysia) and transitional economies (Hungary, Romania) confirm the project design choice of primary emphasis on improvements in quality, planning and management of the sub-sector and specific investments at the institutional level. Implementation experience with the ongoing primary education project in Vietnam shows the need for detailed preparation to ensure rapid project startup. To counteract implementation delays several of the activities in component #1 were pilot tested during preparation and will thus implement rapidly.

4. Indications of borrower commitment and ownership:

The government and implementing agency (MOET) have been committed to a higher education project since its identification. During the January 1997 mission, the MOET endorsed the Task Team's sector analysis and project description, and, again during in June 1997, it confirmed its agreement with the project scope and content. The government has taken ownership of the project by creating: (i) a project steering committee comprising of representatives of key ministries/ government agencies to advise and guide project preparation and implementation; and (ii) several working parties that have carried out analysis and capacity building during the project preparation on: (a) higher education policy; (b) higher education resource use and internal efficiency; (c) system quality assurance and national accreditation; (d) institutional management and strategic planning; (e) pricing policy; and (f) tracer surveys of university graduates.

5. Value added of Bank support in this project:

The value-added of the World Bank support to this operation is threefold: (i) the Bank's experience and expertise in the area of higher education reform (a comprehensive review of the sub-sector was undertaken and the policy paper *Higher Education: the Lessons of Experience* was published in 1994); (ii) the Bank's reputation for providing impartial and effective policy advice in the areas of public finance and education policy (the recent non-lending activity *Vietnam Education Financing Sector Study (VEFSS)* provides such policy advice and its recommendations ought to be taken advantage of at this time); and (iii) while government has taken preliminary decisions and sketched out the broad lines of its higher education reform, it requires assistance in fully implementing the reforms and translating them into operational strategies and action plans. The unique combination of the Bank's awareness of sector and macro-economic issues makes it the best equipped of the international partners to provide such assistance.

E: Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

1. Economic (supported by Annex 4): [x] Cost-Benefit Analysis : NPV=US\$49.2 million; ERR=18%

Economic Assessment: (see Annex 4 for details) The economic benefits of this project are estimated by quantifying: (i) cost savings at the institutional level arising from improvements in university administration and economies of scale reflecting the elimination of undersized universities, and (ii) an increase in the incremental earnings of university graduates resulting from more efficient modern learning that is relevant to the needs of the economy. The cost benefit analysis does not capture a large number of other benefits expected from the project (see Annex 4 for examples). Conservative assumptions are made about the portion of the incremental earnings of university graduates that arise from the project. Nevertheless, the project is economically feasible (ERR of 18%). Quantitative sensitivity analysis undertaken to test the vulnerability of the analysis to the critical project risks shows that the analysis is particularly sensitive to the wage differential attributed to university graduates.

2. Financial (see Annex 5):

Fiscal impact: Annex 5 provides a detailed financial assessment of the project and Table 2 of Annex 5 indicates that the project impact on government finances is positive. Incremental recurrent costs resulting from the project are well within the capacity of government's projected higher education budget. The project assists the government in revising its higher education pricing policy and in raising income from tuition fees to earlier levels, thus reducing higher education's claims on the government budget. The 1995 Higher Education Institutional Finance Survey demonstrated that student charges as a proportion of the recurrent budget had been 32 percent in 1993, but had declined to 21 percent by 1995. Revisions in the pricing policy for higher education are projected to bring cost-recovery back to the 1993 level by the end of the project.

3. Technical:

The project is technically sound and draws on best practice higher educational reform from developing countries (Argentina, China, Indonesia, Thailand) and industrialized countries (Australia, New Zealand, United Kingdom). Project components and performance parameters were prepared on the basis of international comparisons while taking into account regional performance. The project will allow international and regional comparability to other systems and will provide the necessary qualitative foundation needed for the international equivalence of Vietnam's higher education qualifications.

The majority of component #1 activities have been tested during preparation in pilot form (performance surveys, graduate tracer surveys), and workshops during preparation have trained the core group of staff needed to generalize activities of component #1 (university strategic planning, drafting of university regulations and charters). In the case of component #2, initial drafts of the operating manual for the university quality improvement grants have been prepared jointly with the government. These drafts incorporate experience gained in similar Bank projects elsewhere and have taken advantage of lessons learnt with other university improvement programs.

4. Institutional:

Executing agencies: The central ministries and the MOET have demonstrated their ability to formulate and adopt higher education reform policies during project preparation. Likewise, the ongoing consolidation of legislation into a single education law, the preparation of administrative regulations that relate to higher education, together with the practical experience gained in surveys and policy analysis, all demonstrate the ability of the central executing agencies. Universities have prepared sub-project proposals and are ready to submit applications for quality improvement grants. Weaknesses in preparing grant applications and subsequent purchasing will be addressed through two advisory services provided by PCU/MOET.

Project management: The MOET has some experience in managing large donor funded development projects and, during preparation, the MOET's Project Preparation Unit Secretariat (PPUS) has acquired skill in the coordination and management of planning, budgeting and administering funds for capacity building and monitoring activities. The PPUS will be converted into the Project Coordination Unit (PCU) and reinforced with additional training and technical assistance.

5. Social:

The project supports the revision of the government's pricing policy in higher education. It assists the government in its move to raise the tuition fees for the majority of higher education undergraduate students (who tend to come from middle and upper income brackets) and post-graduate students, while targeting merit scholarships, fee exemptions and financial assistance towards poor students and those from qualified but disadvantaged groups. The financial assessment presented in Annex 5 indicates that the project contributes to reducing the burden of higher education operations on the state budget and creates the possibility of a redistribution of public subsidies to lower levels of education.

6. *Environmental assessment:* Environmental Category A B C

No environmental risks are foreseen. This is a category “C” project.

7. *Participatory approach [key stakeholders, how involved, and what they have influenced; if participatory approach not used, describe why not applicable]:*

a. Primary beneficiaries and other affected groups:

	Identification/Preparation	Implementation	Operation
Higher Education Institutions	IS/CON	IS/CON	IS/CON
Academic Faculty	IS	CON	COL
Intellectual leaders and academics	CON	CON	IS
Ministry of Education and Training	IS/CON/COL	IS/CON/COL	IS/CON/COL

b. Other key stakeholders:

	Identification/Preparation	Implementation	Operation
Local government	IS	COL	COL
Employers	IS	IS	
Other donors	IS/CON	IS	
Other - Central Agencies/Ministries	IS/CON/COL	IS/CON/COL	IS/CON/COL

IS Information Sharing; CON Consultation; COL Collaboration

F: Sustainability and Risks

1. Sustainability:

(i) *Institutional sustainability:* The project contributes to the overall sustainability of higher education through system and institution wide capacity building. Component #1 builds capacity in system-wide central functions (governance, policy analysis and formulation, oversight, monitoring, quality control, planning and management). Component #1, together with component #2, also builds capacity in the institutional functions of university management, administration and planning. This project strategy will leave government with expertise and procedures that will endure well beyond the life of the project.

(ii) *Financial sustainability:* Project funds are 10% of the state’s total public expenditure on higher education during the life of the project. Nevertheless, there is no trade-off between the allocation of public resources to higher education through regular channels and through the quality improvement grants under the project. The projected macro-economic growth indicates that both channels will grow in real terms throughout the life of the project. Credit funds play an important role in providing the time needed to allow government to channel approximately 2% of public expenditures on higher education to universities through competitive quality improvement grants. Annex 5 shows that government could maintain the quality improvement grants after the closure of the credit. Thus, continuation of the quality improvement channel will be fully funded through the project’s net savings and the impact of increased cost recovery and institutional earnings from contracts and other activities.

2. Critical risks (reflecting assumptions in the fourth column of Annex 1):

Risk	Risk Rating	Risk Minimization Measure
<i>Annex 1, cell "from Outputs to Objective"</i>		
(a) changes in the responsibility for the management of the HE sub-sector;	M	Government is reviewing responsibility for the oversight of the HE. Sub-sector. The project design and implementation has been conceived as "transportable" and thus, should any change in portfolio responsibilities occur, only minor adjustment will be required;
(b) overall macro-economics instability disturbs public spending on HE and growth in employment of graduates;	M	Medium risk beyond the scope of this project. This will be monitored through macro-economic dialogue with the country;
(c) rapid growth in private sector and industry leads to a loss of better university staff to an expanding private sector;	M	Under the project, Govt. will analyze conditions of service of university staff and the ability of universities to supplement academic staff salaries from contract earnings and off-budget revenues with a view to improving staff remuneration;
<i>Annex 1, cell "from Components to Outputs"</i>		
(d) poor support from academic community for HE reform goals;	N	University managers are directly involved in the current goal setting exercise that is part of project preparation;
(e) higher levels of government and the MOET block growth in university level autonomy;	M	This is being addressed through high-level policy dialogue with government and party organs. In addition, the project will give the universities the operational tools and administrative skills necessary to take advantage of greater institutional autonomy;
(f) university managers make poor use of capacity building.	N	University managers are already involved in the design of capacity building programs and the selection of staff for training programs;
(g) delays in reviewing/selecting eligible grant proposals and consolidating procurement	M	Early submission and review of university grant Applications (prior to project approval)
(h) lack of transparency, or interference, in allocating university grants to qualifying institutions;	M	Project documentation will specify criteria and the Bank will monitor the application of these criteria in the award of university grants through regular detailed supervision;
(i) poor monitoring and accountability of grant use;	N	Project will include regular reporting on the use of awards and audit of the award funds;
(j) award criteria are not updated to reflect the goals of HE consolidation/ merger and quality improvement.	N	Project mid-term review will assess the goals of the HE reform and will revise the grant award criteria in the light of progress towards these goals. Award criteria also change as universities return for additional grants.
Overall Risk Rating	M	

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

3. Possible controversial aspects:

Limited controversial aspect.

G: Main Loan Conditions

1. Effectiveness conditions:

Prior to effectiveness, the government will confirm that for the structures and staffing needed for implementation, it has issued invitations to recruit key external technical assistance to support the PCU. Key external assistance posts include: (i) Senior advisor in project management and implementation; (ii) Senior Finance Advisor; and (iii) Procurement Advisor.

2. Other [classify according to covenant types used in the Legal Agreements.]:

Prior to negotiations, the government confirmed that for:

- (a) the structures and staffing needed for implementation, it has created -- and adequately staffed -- the Project Coordination Unit (PCU) and its procurement advisory service. Key full-time national positions include the Manager of the Project Coordination Unit, the Finance Officer, and the Procurement/Purchasing Officer;
- (b) the program of quality improvement grants to higher education institutions, it has furnished the finalized operational manual for the award and administration of university Quality Improvement Grants (QIGs) in a form and substance acceptable to the Association; and
- (c) national counterpart funds: it has made provision for adequate counterpart financing and that these funds are readily available for the initial start-up of the project.

During negotiations, the government confirmed that for:

- (i) Monitoring & reporting on project implementation and impact:
 - it will provide the Association with regular quarterly progress reports (by January 31, April 30, July 31 and October 31 each year) documenting implementation progress of all aspects of the project and listing problems and issues requiring resolutions as soon as these become apparent.
 - it will furnish to the Association by October 31 each year an annual work program for implementation for the next twelve month period, together with an annual training program.
 - it will hold, jointly with the Association, reviews of implementation of the project by December 30 each year, commencing in December 1999 and will also hold a mid-term review of project implementation on or before December 1, 2001.
 - it will monitor the agreed list of key performance indicators that relate to project objectives and will include a report on these indicators as part of the regular progress reports shared with the Association.
 - it will prepare and submit to the Association an Implementation Completion Report within six months of the closing date.
- (ii) Monitoring & reporting on university performance:
 - it will carry out annual monitoring of the performance of all universities and higher education institutions through an annual survey, and that the results from this annual survey will be disseminated to all higher education institutions and will be shared with the Association as part of the regular reporting on the project by July 31 of each year.
- (iii) The program of quality improvement grants to higher education institutions:
 - it will include inside the structure charged with quality assurance assessments and accreditation of the higher education institutions a unit responsible for assessing the eligibility and conformity of, ranking the applications for, and making recommendation on the award of Quality Improvement Grants to universities and higher education institutions.
 - activities related to the program of Quality Improvement Grants for universities will be carried out in accordance with policies and operation guidelines, procedures, criteria and conditions acceptable to the Bank, as laid down in the QIG operational manual.
 - it will ensure that technical audits of the QIG program are undertaken by an independent body, starting on or before November 30, 1999 in accordance with terms of reference and in a manner acceptable to the Association, to review activities funded by QIGs on a sample basis, and that copies of the technical audit would be furnished to the Association for comment as part of the annual reports on project implementation not later than January 31 of each year.

- by January 31 each year, it will provide IDA with a comprehensive report on QIG operations (applications, rankings, recommendations for awards, actual awards, and implementation of previous awards).
- (iv) Project financing and accounting:
- *Counterpart funding:* that: a). both government and the universities will provide the required counterpart funds in a timely and cost-effective manner; b). it will finance 100% of the incremental salaries of all national staff needed to work on and carry out the project activities; and c. the universities will finance the incremental staff salaries needed to operate the university based planning units and the career advisory services located in each of the higher education institutions.
 - *Accounts and auditing:* that: a) it will keep separate project accounts, including details of the use of all Quality Improvement Grants awarded to universities, will ensure that an annual audit is made of the project expenditures and accounts, the project special account and SOEs by independent external auditors; and b) Government will agree that it will report on the project finances and provide the Association with the external auditors opinion within six months of the end of each government fiscal year.
- (v) HE Policy development :
- it will develop a national policy for the higher education sub-sector, with provisions on: (i) pricing policy in HE; (ii) changes in institutional autonomy and accountability; and (iii) quality assurance and performance monitoring of all higher education institutions; at the same time as the report required for the mid-term review, give the Association, for its review and comment, such a higher education policy document; and adopt such a policy according to a timetable acceptable to IDA.

As a condition of disbursement of grants (category 2, a, b, and c), the government will confirm that it has appointed the Manager of the Proposal Assessment Unit charged with administering the processing of QIG applications.

H. Readiness for Implementation

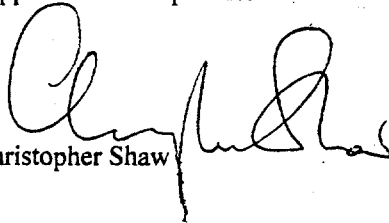
- The engineering design documents for the first year's activities are complete and ready for the start of project implementation. Not applicable.
- The procurement documents for the first year's activities are complete and ready for the start of project implementation.
- The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
- The following items are lacking and are discussed under loan conditions (Section G):

I. Compliance with Bank Policies

- This project complies with all applicable Bank policies.

[signature]

Task Team Leader/Task Manager: Christopher Shaw



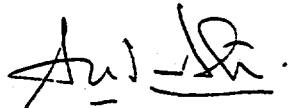
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Sector Manager/Director: Alan Ruby



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Country Manager/Director: Andrew Steer



Annex 1

Project Design Summary

Vietnam: Higher Education Project

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions and Risks
<p>CAS Objective Assist Vietnam's steady <i>transition to a market economy</i> and <i>alleviate poverty</i> through human resource development.</p>	<ul style="list-style-type: none"> • increased number of consolidated HEIs; • pre-university education's share of education budget increases. 	<ul style="list-style-type: none"> • CAS reports; • progress reports on Vietnam's transition to a market economy; • analysis of national and provincial budgets. 	<p><i>(CAS Objective to Bank Mission)</i></p> <ul style="list-style-type: none"> • improvements in the relevance, quality and efficiency of higher education (HE) will assist and accelerate Vietnam's transition to a market economy as well as contribute to poverty alleviation.
<p>Project Development Objectives (a) Increase <i>coherence, flexibility and responsiveness</i> of higher education to the changing demands of society and the market economy;</p>	<ul style="list-style-type: none"> • <u>100% of participating HEIs use new information collected to guide overall decision making & revisions in strategic plans and curricula by project end;</u> • 100% of participating HEIs with increased institutional autonomy and accountability by project end; • <u>at least 85% of HE graduates gain employment within 12 months of graduation date over life of project.</u> 	<ul style="list-style-type: none"> • analyze results of component #1 activities and reports on higher education policy and development plans, education law, tuition pricing levels, university strategic plans; • analyze data in graduate tracer survey and evaluate higher education's link to the labor market; • analyze information in universities' reports on the employment outcomes of their graduates. 	<p><i>(Development Objectives to CAS Obj)</i></p> <ul style="list-style-type: none"> • labor market has capacity to absorb increasing numbers of graduates; • graduates gain employment in private sector; • private sector grows at same pace as graduates in order to ensure employment opportunities; • graduates receive good living wages.
<p>(b) Improve <i>efficiency</i> and resource utilization in higher education;</p>	<ul style="list-style-type: none"> • <u>average size of HEIs increase by at least 10% over life of project;</u> • increase in utilization of infrastructure and equipment by project end; • <u>at least 70% of annual "social scholarships" go to students from lowest three income quintiles by project end.</u> 	<ul style="list-style-type: none"> • analyze financial operations data from survey of university operations; • supervise and monitor the rationalization and consolidation of HEIs; • WB Poverty reports. 	<ul style="list-style-type: none"> • efficiency gains are used productively within the education sector, i.e., either in other levels of education, or for qualitative and/or quantitative improvements in higher education.

Note: Key performance indicators for development objectives are underlined.

(Continued)

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions and Risks
<p>(c) Improve the <i>quality</i> of curriculum, teaching, learning and research in higher education.</p>	<ul style="list-style-type: none"> • <u>35% of teaching staff in participating HEIs with postgraduate qualifications by project end;</u> • increase in number of graduates enrolled in local and foreign postgraduate programs by project end; • <u>reduction in student repetition & dropout rates, and increase in graduation rates by project end.</u> 	<ul style="list-style-type: none"> • evaluate and monitor academic performance of students and staff; • track the performance of students continuing on to postgraduate programs and the workforce; • supervise the efficient use of materials, equipment and infrastructure; • analyze data on internal efficiency of HEIs, and monitor improvements. 	<ul style="list-style-type: none"> • graduates gain employment, and retention rates within the country is high (no brain-drain).
<p>Project Outputs (a) <i>System level</i> reforms in educational quality and relevance are initiated and a high level of human resource capacity is built throughout HE:</p> <ul style="list-style-type: none"> • management actions focus on the improvement of HE quality and distribution of the public subsidy to the HE system; • tuition fees and contract earnings of HE system are increased and their collection is improved; • academic community is empowered and institutional autonomy develops. 	<ul style="list-style-type: none"> • 85% of participating HEIs have medium term institutional strategic plans by mid-term review, and 100% by end of project; • increase in the share of off-budget financing of HEIs' costs by project end; • 100% of participating HEIs utilize a computerized administrative system by project end; • 100% of participating HEIs will prepare, one year after mid-term review, charters and regulations that include institutional autonomy and accountability according to models prepared by Government. 	<ul style="list-style-type: none"> • analysis of HEIs strategic plans; • project monitoring & progress reports on overall management, finance and structure of higher education system; • working reports from project sub-components and analysis of the annual survey of HEIs operations; • draft report on higher education policy; • draft and final report on education law; • financial operations and university performance report. 	<p><i>(Outputs to Development Objectives)</i></p> <ul style="list-style-type: none"> • stability of portfolio management within the HE sub-sector; • overall macro-economic stability with stable public spending for HE. and growth in employment opportunities for university graduates.
<p>(b) <i>Institutional level</i> reforms in quality & efficiency of teaching, learning, administration and service take place in successful universities:</p> <ul style="list-style-type: none"> • increases in universities' demand for funds to undertake quality enhancements and institutional improvements; • clear incentives given to other universities to emulate reforming institutions; • improved qualifications of university staff; • improved student performance. 	<ul style="list-style-type: none"> • at least 30% of participating HEIs are successful in obtaining Quality Improvement Grants (QIGs) under sub-fund A by project end; • at least 20% of participating HEIs are successful in obtaining QIGs under sub-fund B by project end; • 100% of participating HEIs update/innovate curricula, and conduct regular review of curricula and course materials by project end. 	<ul style="list-style-type: none"> • monitoring & progress reports on staff development and training programs; • course catalogues & curriculum reports; • audit reports on the use of completed university grant awards. 	<ul style="list-style-type: none"> • university staff remain in the academic profession and are not attracted away to the private sector or industry -- there is staffing stability within HE. institutions.

(Continued)

Narrative Summary	Key Performance Indicators	Monitoring and Supervision	Critical Assumptions and Risks
<p>(a) Component #1: changes are made in higher education system-level planning & management, and in institutional-level administration with</p> <ul style="list-style-type: none"> • detailed statements of system and institutional-level quality goals; • creation of performance and quality monitoring mechanisms; • revision of institutional legislation; • revision of HE pricing policy & allocation of public finance to HE; • capacity building, training, management tools and equipment. <p>and universities adopt standardized computerized administrative systems.</p>	<ul style="list-style-type: none"> • Establishment by mid-1998, under Vice Minister of MOET responsible for HE, of a group that coordinates the development of goals, strategies and plans for HE; • using information collected from annual surveys and other project activities, a draft statement of goals, strategies and plans for HE is submitted to IDA for discussion by mid-term review; • 100% of participating HEIs will have adopted institutional charters & issued core regulations by end of project; • computerized administrative systems and relevant software in place, and training begun in all participating HEIs by mid-term review. 	<ul style="list-style-type: none"> • evaluate commitment to establish HE coordinating group and specific task forces; • evaluate drafting process of HE statement on goals, strategies and plans, and the education law; • evaluate progress of project working groups, task forces and survey teams; • evaluate progress of pilot graduate tracer survey; • supervise progress in establishing model charters and regulations for HEIs; • supervise progress in establishing HEIs' career advisory services. • evaluate quality & relevance of computerized administrative systems software and training programs 	<p>(Components to outputs)</p> <ul style="list-style-type: none"> • the academic community agrees with and supports the HE reform goals; • higher levels of government and the MOET do not block growth in university level autonomy; • major additional funds for universities are unavailable.
<p>(b) Component #2: selected universities make investments in quality and teaching/learning improvement thus implementing the HE reforms:</p> <ul style="list-style-type: none"> • a system of selective institution-specific improvement grants is put in place; • advisory services for universities on the preparation of sub-project proposals are made available; • grants are used for action such as staff training, pedagogical and learning inputs, books, equipment, development of common services (libraries, documentation and computing centers). 	<ul style="list-style-type: none"> • at least 20 HEIs submit QIG proposals by mid-term review. 	<ul style="list-style-type: none"> • monitor the implementation of sub-projects; • monitor the application of and need for revision of eligibility and assessment criteria for the award of QIGs. 	<ul style="list-style-type: none"> • university managers make good use of capacity building. • mechanisms for selecting eligible university grant applications occur without delays; • university grants are allocated to qualifying institutions, without interference, based on the declared criteria; • there is tight monitoring and accountability of the use of the grants; • award criteria are defined and updated such that they reflect the goals of HE consolidation/merger and quality improvement.
<p>(c) Component #3: Project Management and Coordination provides all oversight, management and advisory services needed to efficiently implement the project.</p>	<ul style="list-style-type: none"> • PCU fully staffed by national specialists and external advisors. • Project is rated as satisfactory by IDA and client throughout its implementation life. 	<ul style="list-style-type: none"> • quarterly project reports submitted by the PCU. • regular WB supervision reports. 	<ul style="list-style-type: none"> • Government appoints qualified and experienced national staff and recruits high-level external advisors. • comprehensive project launch workshop held at start-up and regular supervision of the project by the WB.

Note: QIG = quality improvement grant.

Annex 2

Higher Education Project Project Description

The Higher Education Project has three components: first, component #1 supporting system and institutional-level capacity building, institutional development and computerization; second, component #2 providing targeted investments for selected universities; and third, component #3 ensuring essential support for project coordination, management and implementation.

Project Component 1 – US\$21.8 million (total cost of component)

Capacity Building and Institutional Development. This component is split into three sub-components: (i) system-level planning, coordination and monitoring; (ii) institution-level planning improvements; and (iii) computerized development of university administration.

Sub-component (i): System-level planning, coordination and monitoring (sub-component cost US\$2.5 million). System-level planning, coordination and monitoring are targeted on the central agencies responsible for higher education. They support the creation of an enabling regulatory environment and provide the necessary tools for the central agencies to carry out their goal-setting, monitoring, guidance and quality control functions. Project activities in this component will provide the necessary expertise, training and tools for an overall increase in managerial efficiency of government central agencies responsible for higher education. This sub-component covers five areas:

(a) Higher education policy development: To ensure coherence and focus for the ongoing reform of higher education, and to provide the goal stability and the policy framework needed to ensure good linkage between all project activities, this sub-component will support continuing development of the government's policy on higher education. Government has prepared a draft statement on Higher Education which describes the general direction of reform in higher education and the policy changes that have been adopted to date. However, there are some areas such as pricing policy, institutional autonomy and accountability, and quality assessment and monitoring, where government has indicated a general direction but where additional work is needed.

The project supports continued policy analysis and formulation throughout implementation. Project funds are available for: (i) visiting academics; (ii) special studies such as an analysis of student diversity and student living expenses; (iii) additional analysis of the annual survey of higher education performance; (iv) high-level policy study tours to examine HE policy in two countries; (v) consultation and discussion with universities; and (vi) publication and dissemination of the revised HE policy statement.

These activities will be coordinated by the deputy minister for higher education in collaboration with the Inter-Ministerial Committee (precursor of the Higher Education sub-committee of the planned National Education Council) with the support of MOET's departments of Planning and Finance, and Higher Education and National Institute of educational Development (NIED). Coordination of activities will be through office of MOET's Deputy Minister responsible for higher education with logistical support from the PCU.

(b) Performance monitoring of HE: To provide feedback to the bodies responsible for the governance and oversight of higher education, this sub-component will put into place regular annual monitoring of the university system (two surveys have already taken place in 1995 and 1997 with support from PHRD funds). The objective of the monitoring mechanism is to measure the financial operations of all higher education institutions, and to measure and monitor academic and administrative performance indicators for these institutions. Results will inform both the central authorities responsible for the oversight and quality assurance of the higher education system and individual institutions so that the latter may see their

performance relative to other institutions. The scope of the annual national survey is comprehensive in its coverage of universities and other higher education institutions and will include all teacher training colleges. The coverage of topics will be selective with a series of questions collecting core information each year and the rotation in-and-out of the survey of special topics that would be monitored on a longer time frame. The core monitoring will measure and report each year on the following areas of university activities: income; expenditure; enrollments; student progression; instructional contact hours; and staff. Special topics might include such themes as equipment and facilities, or student living expenditures.

The project supports the refinement of the survey design, its administration in all HE institutions, analysis, the production of an annual report and comparative institutional performance indicators, and discussion by and dissemination to all universities. Project funds are available for: (i) technical workshops; (ii) consultants; (iii) data collection; (iv) equipment; and (v) information dissemination.

The annual monitoring of the higher education system and all HE institutions will be commissioned by the HE Inter-ministerial Committee assisted by the Planning and Finance Department of the MOET.

(c) Quality assurance and accreditation: Quality assurance in higher education is necessary for ensuring adequate graduate supply to meet complex social and economic demands and for the international reputation and integration of the Vietnamese system in knowledge generation and transmission. Rapid quantitative expansion in the context of the history of higher education in Vietnam and current resource constraints gives rise to questions regarding quality. A Higher Education Quality Assessment Center will be established to undertake quality audits and provide objective assessments of system and institutional quality of performance. The assessment center will have a professional staff and in conducting quality audits and appraising institutional performance, the assessment center may establish peer review teams comprising persons drawn from academia and business on the basis of their expertise in the fields under review.

- In making its quality assessments the national assessment center will have access to:
- the national set of key performance indicators maintained by MOET;
- the strategic plans, including the Performance Improvement Plans of institutions;
- the annual reports of institutions, including their reports on progress towards planned achievements;
- documentation of internal quality management procedures of institutions;
- management, staff and students of the institution for interview and observation as required;
- and -with the consent of the institutional management- the facilities, equipment, learning materials, student assessment instruments of the institution and student texts prepared for assessment purposes.

Project funds are available for: (i) equipment; (ii) essential study tours and intensive in-country training workshops; (iii) consultants; (iv) institutional assessment visits; and (v) publication of quality assessment criteria and operational manuals.

The quality assurance and accreditation functions will be done by the HE Quality Assessment Center, assisted by the Higher Education Department of MOET.

(d) Funding formula and pricing policy: Government has started to revise its pricing policy and wishes to revise the method by which it allocates public funds to higher education. The project will support the creation and work of an ad hoc inter-ministerial working party led by the Administrative Department of the Ministry of Finance to examine pricing policy and reform of the funding/allocation mechanism. Special studies to support revisions in pricing policy and the funding formula would be conducted on: (i) analysis of the present fee structure; (ii) student income and expenditure on higher education; (iii) equity and diversity in student population; (iv) analysis of the effects of current allocation mechanisms; and (v) simulation of alternative incentive mechanisms. The above work on funding allocation mechanisms and on pricing policy revisions will be incorporated into the continuing development of the higher education policy statement. The latter will be discussed with the Bank at the mid-term review.

Project funds are available for: (i) technical assistance and consultants; (ii) data analysis; and (iii) workshops and training sessions.

The work on the revision of the funding formula and pricing policy will be led by the Ministry of Finance and assisted by the Planning and Finance Department of the MOET.

(e) University Regulations and Charters: The university restructuring process is characterized by a shift towards greater institutional autonomy with a corresponding increase in responsibility and accountability at the institutional level. This generates a need for universities to adopt charters and develop clear institutional regulations. This activity supports the following: (i) high-level support; (ii) reinforcement of the legal drafting capacity of MOET; and (iii) preparation of university regulations and charters.

High Level Support: To provide leadership and focus for the preparation of regulations and charters required for the university reform, a regional study tour for a policy support group of ministerial/vice ministerial level will examine the role of clear regulations at both the national and institutional level in the effective management of higher education. The study tour will involve up to 6 participants over 10 days. *Legal*

Drafting Capacity: The project will enhance MOET's capacity to develop and draft a clear and coherent set of regulations to underpin restructuring and reform in higher education. MOET's existing legal unit will be strengthened with three officers each with specialist drafting skills and who, with departmental officers, will be responsible for drafting regulations under the new education law. The strengthening of the legal unit will take place through intensive in-country training for policy and drafting personnel in two 6 week courses conducted with the assistance of external advisors. Workshops will focus on assisting with the preparation of regulations required under the Law. Course participants will also engage in a 10-12 day external study tour to consider regional policy development and drafting models with an education emphasis. The project will also provide 5 international advisor visits to assist the drafting team on specific sets of regulations.

University Regulations and Charters: Model charters and institutional regulations will form the basis on which individual universities will each prepare their own set of internal regulations. The project will assist with the establishment of a university charters unit within MOET's existing legal unit. This unit of three officers will prepare model charters and regulations and will assist universities in customizing and implementing charters and regulations that meet their specific institutional needs. The project will provide intensive in-country training for the charters unit and university personnel in two 6-week courses conducted with the assistance of external advisors. Course participants will engage in a 10-12 day study tour to consider regional experience in the development, implementation and management of charter and regulation obligations at the institutional level. The charters unit will conduct training workshops for individual institutions and regional workshops will be supported by external advisors.

Project funds are available for: (i) study tours; (ii) training workshops and seminars; and (iii) technical assistance.

The drafting of regulations and charters will be conducted by the MOET's department of Legal Affairs assisted by MOET's departments of Planning and Finance, and Higher Education.

Sub-component (ii): Institutional-level planning improvements (sub-component costs US\$15.0 million).

Institution-level planning improvements are targeted to universities and other higher education institutions and will raise the efficiency of the universities, strengthen institutional-level planning and the relevance of these plans to the changing needs of society and the economy. Project activities in this sub-component will provide the necessary expertise for improvements in planning, management of resources for quality, and improvements in institutional-level administration through capacity-building, training, and improved feedback from the labor market. This sub-component covers four areas:

(a) University Strategic Plans: The main responsibility for quality assurance and institutional performance rests with the higher education institutions themselves. Institutions are expected to have internal quality management procedures established, documented and promulgated. As an integral part of their strategic

planning, and as a condition of access to public funds, institutions will prepare and revise annually a performance improvement plan that sets measurable targets for efficiency and quality improvement. Satisfactory progress on key performance indicators associated with institutional quality improvement will allow institutions to compete for quality improvement grants under component #2.

Project funds are available for: (i) short-term workshops and their related equipment for training of key stakeholders; (ii) consultants and advisors; and (iii) internal travel and related institutional visits.

The university improvement and strategic planning activities will be implemented by individual universities assisted by the PCU working with a core team from the pilot group of universities and the Planning and Finance Department of the MOET.

(b) University Planning Offices: Building on the strategic planning activities started during project preparation, participating universities will each strengthen their planning offices. These offices will have responsibility for the preparation of the initial benchmark measurement of university performance. Over time, with the growing availability of additional information from institutional and system-wide surveys, the university planning offices will move from simple benchmarking of performance, through an institutional development plan, to an annual strategic planning exercise. The university development plan will consist of several elements: (a) an institutional mission statement; (b) a simple improvement plan; (c) detailed qualitative improvement activities and sub-projects for submission to the QIG process; (d) enrollment and staffing projections; and (e) projections of financial operations (expenditures and revenues). It is expected that not all participating universities will reach the stage of undertaking the annual strategic planning exercise before the end of the project. Nevertheless, all participating universities will have moved beyond the initial stage of benchmarking their performance, and the majority will have adopted regular improvement planning. Planning offices will play a central role in coordinating the flow of information from other project related activities (performance monitoring through the annual surveys of university academic performance and financial operations; quality assessments, graduate tracers surveys, sub-project proposals and QIG applications). Planning offices will also assist university departments in the preparation of sub-projects for submission as QIG applications (component #2).

Project funds are available for: (i) equipment and furniture; (ii) incremental staffing costs; and (iii) training and fellowships.

The implementation of activities related to the operation of university planning offices will be carried out by the MOET/PCU working with the individual universities and assisted by the Planning and Finance Education Department of the MOET.

(c) Graduate Tracer Surveys: In order to increase the linkage between the labor market and to provide each university with adequate and timely feedback on its performance relative to the labor market, each participating university will undertake the monitoring of the entry of its graduates into the labor market. Using the longitudinal survey methodology prepared and tested during project preparation, universities will each year survey their recent graduates and will prepare a report showing the proportion of graduates entering employment and the evolution of the distribution of such employment over time. It is expected that each university will also make use of this data to instruct and inform choices on the revision/renewal of its course offerings. In addition, individual university graduate tracer studies will be aggregated into a system-wide national report to inform higher education managers on the responsiveness of the higher education system to the changing demands of the economy.

Project funds are available for: (i) training and workshops; (ii) consultants and advisors; (iii) data collection and analysis of costs; (iv) printing and dissemination costs.

The university graduate tracer surveys will be implemented by the participating universities with assistance from the MOET/PCU working with the a core group of university staff drawn from those universities that participated in the pilot exercise. They will be assisted by the Planning and Finance Department of the MOET.

(d) University Careers Advisory Services: Participating universities and higher education institutions will create an institution based “careers advisory service” aimed at strengthening the linkage between teaching and learning taking place in each university and the needs of the rapidly evolving labor market. A small careers advisory service, staffed by two university employees, will be supported in each of sixty higher education institutions. The careers advisory service will: (i) liaise with employers -- especially those employers in the immediate locality; (ii) conduct job briefing seminars; (iii) run workshops on resume drafting and individual job search techniques for final year students; and (iv) arrange and manage an annual two-day “job fair” on campus.

Project funds are available for: (i) equipment; (ii) staff training; and (iii) limited operating funds.

The implementation of activities related to the university careers advisory services will be carried out by the MOET/PCU working with the individual universities.

Sub-component (iii): Information technology (sub-component cost of US\$4.3 million). This sub-component supports development of information technology in participating universities and higher education institutions with the provision to all participating institutions of software tools for university administration.

University Administration Software: This activity will supply software for university administration and related training to increase the capacity and overall efficiency of the administration and management of sixty universities. Basic software packages for university administration will be provided to participating institutions for: (i) accounts and contract management; (ii) personnel records and payroll; (iii) student applications/admissions, registrations, course/academic records; and (iv) student tuition fees/instructional charges, and grants, awards and loans. The project will also provide basic training in the use of these packages to university administrative staff.

Project funds are available for: (i) software packages; (ii) consultant and advisory services; and (iii) training and workshops.

The implementation of activities related to the university administrative software packages will be carried out by the MOET/PCU working with the individual universities.

Project Component 2 - US\$79.1 million (total cost of component)

This component consists of grants to support quality improvements in selected qualifying higher education institutions and universities. Quality improvement grants will be awarded --on a competitive basis-- to support selected improvement programs that have been proposed by higher education institutions. The selected improvement programs will focus on teaching, learning, research and institutional administration. This component has three parts: (a) the processing and assessment of all applications for QIG awards; (b) specialized subject reviewers; and (c) the actual awards. The processing related to the award of such grants includes the verification of institutional eligibility, the evaluation and ranking of grant applications, and advisory and oversight costs. QIGs are available to support institutional sub-projects in the following areas:

- academic staff development and training;
- training in university administration and management;
- institutional networking and computerization;
- learning material for specific courses;

- equipment purchase and renewal for selected courses; and
- renewal, re-supply, and extension of common facilities such as institutional libraries, and documentation and computer centers.

(a) Grant Proposal Assessment: QIG applications are processed by the Proposal Assessment Unit (PAU) set up to undertake the proposal assessment and award processing. The PAU comprises an Executive Director, a full-time Secretariat, and five part-time academic advisers, who will be members, with the Executive Director, of an "Academic Panel," which will be assisted by part-time specialist academic reviewers, to advise on technical/specialist aspects of sub-project proposals. The main task of the unit will be to undertake the first two stages in the application assessment process: (a) the assessment of institutional eligibility; and (b) evaluation, grading and ranking of the sub-project proposals. The PAU will submit recommendations to the Inter-Ministerial Committee (IMC) which is responsible for award decisions. To ensure transparency in the application assessment process and to promote the confidence of the universities and higher education institutions in the impartiality of the assessment procedures, the PAU will carry out the evaluation of proposals through the Academic Panel, consisting of the Executive Director and five independent academic members, selected on the basis of their experience of university teaching, research and management, and will carry out regular information dissemination activities. Information activities include publication of the membership of the Academic Panel, the standard application format, the institutional eligibility criteria, the award processing criteria, the list of all QIG applications received and the list of awards made together with their specific sub-projects.

Project funds will support the creation and operation of the PAU. Funds are available for: (i) the creation of the unit (equipment, computers, software, furniture); (ii) consultant services necessary to carry out assessment of proposals; (iii) printing and related dissemination costs for the information services; and (iv) limited operating costs.

Implementation of this activity of the sub-component will be the responsibility of the PAU assisted by the PCU. The PAU will carry out the proposal assessments and submit the eligible, graded and ranked sub-project grant applications to the Inter-Ministerial Committee for decision.

(b) Specialized Subject Review: To ensure that full-time staff of the PAU have access to the necessary technical and academic skills in all subject areas and specializations, the project supports short-term assistance from academics to assist in the assessment of proposals. The proposal assessment unit will thus be able to call on specialist knowledge and expertise to contribute to assessments of the feasibility, priority and utility of individual QIG applications.

Project funds are available for: (i) consultant services; and (ii) costs associated with visits to applicant institutions.

This activity will be implemented by the PAU assisted by the PCU.

(c) Quality Improvement Awards are made through a three-stage process: first, there is an assessment of institutional eligibility; second, institutional sub-project proposals are evaluated and ranked in order of priority; and third, the oversight body/Inter-Ministerial Committee examines the eligible ranked sub-projects and makes the decision whether or not to award a QIG. Applications follow a standardized format and are assessed against agreed criteria. Sub-projects are not wholly funded by QIGs and each university submitting a sub-project proposal and grant application must demonstrate that it will cover at least five percent of the sub-project costs. Institutional eligibility criteria and sub-project grading and selection criteria increase in stringency with each subsequent application from a given higher education institution.

Checking the eligibility of institutions submitting proposals and evaluation, grading and ranking of proposals will be the responsibility of a Proposal Assessment Unit (PAU) comprising a small Secretariat and an independent academic panel, assisted by specialist academic/technical reviewers.

Grants are made from one of three separate sub-funds (“A”, “B” and “C”). The initial grant awarded to a university will come from sub-fund “A” and will have a maximum value of US\$0.5 million. The second grant awarded to a university will come from sub-fund “B” and will have a maximum value of US\$0.75 million. The third and all subsequent awards to a university will come from sub-fund “C” and are not subject to restrictions on the maximum amount, although the cumulative total of all grants awarded to any institution will not exceed \$800 per FTE student. Thus, to concentrate resources on the best proposals coming from well-prepared institutions and avoid spreading QIG resources thinly across a large number of universities, the Inter-Ministerial Committee will apply selectivity in making awards to competing applications. It is expected that only three-quarters of the applications for type “A” awards, only about two-thirds of applications for type “B” awards, and only one-half of applications for type “C” awards, will be successful. As a result, of the more than one hundred higher education institutions, less than ten would receive three or more QIGs.

Given the competitive and flexible process used to award QIGs, the distribution of specific expenditure categories is not predetermined. Nevertheless, based on similar higher education projects supported by the Bank in other countries, simulations indicate that approximately forty-five percent of expenditures will be made on goods (equipment and learning materials) and thirty percent on training. Project funds are available for: (i) fellowships and training; (ii) visiting scholars; (iii) equipment; (iv) books, journals and learning materials; (v) consumables and administrative costs associated with the introduction of managerial improvements; and (vi) limited physical inputs aimed at the improvement of common facilities (libraries, documentation and computer centers). No civil works are foreseen under the QIGs.

Implementation of a particular QIG will be the responsibility of the university or higher education institution receiving the award. The PCU will provide procurement advisory services and will assist the university in the implementation of the sub-project benefiting from the QIG.

Project Component 3 - US\$2.8 million (total cost of component)

The third component provides the essential coordination, implementation, procurement, contract management and accounting functions and related advisory services needed to implement the project. These functions will be mainstreamed into MOET and will increase the implementation capacity of the ministry beyond the higher education sub-sector. This component is split into three sub-components: (i) the project coordination unit; (ii) procurement advisory services; and (iii) QIG application advisory services.

(a) Project Coordination Unit: To provide the necessary centralized functions needed to coordinate the implementation of the project, the present Project Preparation Unit Secretariat will be expanded and converted into a Project Coordination Unit (PCU). The PCU will be the World Bank’s primary point of contact with government for this project. The unit will consist of a central front management office, a project administration and support office, a training and visits office, a finance office and a procurement office. The PCU will have three key full-time national staff (National Project Director, Finance Officer and Procurement Officer) will be supported by three external advisors who will be full-time for the first two years of the project, and part-time thereafter. Additional national personnel are required for the PCU to be able to fully meet its obligations. The PCU will carry responsibility for all project accounts, for monitoring the agreed performance indicators and for all reporting to government and the Bank on project implementation and performance.

Project funds are available for: (i) consultants and advisors; (ii) equipment; (iii) training; (iv) limited operating costs; and (v) in-country travel costs.

Project coordination functions will be carried out by MOET’s special unit.

(b) Procurement Advisory Services: A purchasing and procurement advisory service will be created in the PCU. This service will have responsibility for administering all the procurement and purchasing under component #1. In addition, this service will advise all universities awarded a QIG and will ensure that the university carries out all purchasing and procurement under each QIG in accordance with agreed procedures.

Project funds are available for: (i) consultants and advisors; (ii) equipment; (iii) training; (iv) limited operating costs; and (v) in-country travel costs.

The procurement advisory services will be carried out by the MOET/PCU.

(c) Application Advisory Services: Some universities have already prepared sub-projects and are ready to move ahead with their grant applications. However, others have not yet started or may encounter minor difficulty in preparing applications for QIG awards. This activity of the sub-component will allow universities to call for advice on sub-project design and the preparation of QIG applications from other institutions who have already been successful. The PCU will award advisory contracts to two universities, who have received QIGs, to act as regional advisors to other universities in the preparation of individual QIG applications.

Project funds are available for consultant advisory services.

The Grant Application Advisory Services will be provided under a contract to be managed by the MOET/PCU.

Annex 3
Higher Education Project

Components Project Cost Summary*

	(US\$ million)			% Foreign Exchange	% Total Base Costs
	Local	Foreign	Total		
A. Capacity Building and Information Technology					
1. System-level					
a. HE Policy Development	0.1	0.1	0.2	50	0
b. Performance Monitoring of HEIs	0.3	0.1	0.4	25	0
c. Quality Assurance & Accreditation	0.4	0.2	0.6	33	1
d. Funding Formula & Pricing Policy	0.3	0.1	0.4	25	0
e. University Regulations & Charters	0.3	0.2	0.5	40	1
Subtotal System-level	1.4	0.7	2.1	33	2
2. Institution-level					
a. University Strategic Plans	0.3	0.2	0.5	40	1
b. University Planning Offices	4.2	1.4	5.6	25	7
c. Graduate Tracer Surveys	0.8	0.1	0.9	11	1
d. Careers Advisory Services	4.1	1.4	5.5	25	7
Subtotal Institution-level	9.4	3.1	12.5	25	15
3. Information Technology Development					
a. University Administration Software Packages	1.2	2.3	3.5	66	4
Subtotal Capacity Building and Information Tech.	12.0	6.1	18.1	34	21
B. University Quality Improvement Awards					
a. Proposal Assessment	0.3	0.1	0.4	25	0
b. Specialized Subject Review	0.0	0.0	0.0	0	0
c. Quality Improvement Awards	15.9	47.5	63.4	75	75
Subtotal Univ. Quality Improvement Awards	16.2	47.6	60.4	75	76
C. Project Management & Coordination					
1. Project Coordination unit	0.9	0.9	1.8	50	2
2. Procurement Advisory Services	0.1	0.3	0.4	75	0
3. Application Advisory Services	0.1	0.0	0.1	0	0
Subtotal Project Management & Coordination	1.1	1.2	2.3	52	3
TOTAL BASELINE COSTS	29.3	54.9	84.2	65	100
Physical Contingencies	1.8	5.4	7.2	75	9
Price Contingencies	6.4	5.9	12.3	48	15
TOTAL COSTS	37.5	66.2	103.7	64	123

*Note: Totals may not add up because of rounding; amounts less than \$50,000 do not show.

Note: An estimated US\$4 million in taxes/duties would be levied on sub-projects. These taxes will be financed by the universities counterpart contribution to their quality improvement grants.

Annex 4

Higher Education Project

Cost Benefit Analysis Summary

Background

1. Estimates based on the 1996 Higher Education Graduate Tracer Study (HEGTS) and the 1992-93 Vietnam Living Standards Survey indicate that: (i) the overall private and social rates of return to higher education in Vietnam are 22 percent and 15 percent; (ii) the proportion of recent university graduates working in the private sector of the economy increased from 5 percent in 1990 to 9 percent in 1993; and (iii) the initial earnings of graduates increased in real terms at an annual average rate of 5.8 percent between 1990 and 1993. These are evidence of Vietnam's progress in making the transition from a centrally planned to a functioning market-oriented economy. The estimated rates of return suggest that university education is both an attractive *private* and acceptable *social* investment in Vietnam today. To justify, however, the specific higher education investments supported under the proposed operation, an analysis of the rate of return to this project is estimated here. It will be considered, along with other arguments, by Government and the World Bank to reach a decision on whether to proceed with this operation.

Methodology

2. Two quantifiable benefits of this project are identified: (i) *cost savings* at the institutional level arising from improvements in university administration and economies of scale reflecting the elimination of undersized universities, and (ii) an *increase in the incremental earnings* of university graduates as a result of more efficient learning and the introduction of modernized curricula more relevant to the emerging market economy. Although cost-savings arising mainly from economies of scale are calculated as a benefits stream, it is important to emphasize that the rate of return calculated in this analysis is driven primarily by the second of the two benefit streams, the increased earnings of university graduates.

3. **Unquantified benefits.** Certain sub-components of the project contribute to general improvements in the efficiency and quality of higher education in Vietnam. These benefits will be realized not just in those universities eligible for specific investments under the project and by the graduates of these universities (see PAD Annex 2) but, more broadly, in the higher education system and in society as a whole. Some of the system-wide improvements introduced under the project are prerequisites for realizing the quantified benefits (i and ii above) incorporated explicitly into the economic analysis. Other benefits of the project are more diffused, not just in terms of the institutions and graduates who will benefit, but also in terms of the time frame during which the benefits will accrue. These are external benefits and not possible to measure accurately using current estimation methods. Examples include: (i) improved *goal stability and coherence* of the higher education system as a whole owing to a coherent national higher education policy, improved administration, more thorough data collection and targeted policy reforms; (ii) *greater flexibility and increased responsiveness* of the higher education system to the changing needs of the economy owing to quality improvements in teaching and research; (iii) *pedagogical improvements* (better teaching, learning and research) that will filter gradually out into other parts of the higher education system and down into pre-tertiary education; (iv) a *reallocation of resources to other levels of education*, especially basic education, made possible by efficiency gains achieved in higher education; and (v) the creation of *knowledge workers* who will contribute to technological innovation and adaptation, to the preservation and enhancement of Vietnam's cultural heritage, and to the better management of industry and government in the future. Since these benefits cannot be quantified, there is no way to include them in the cost-benefit analysis presented here. To the extent that it is possible to apportion particular project costs that contribute to such external benefits, these should be excluded as well from the analysis. The allocation of project costs for the purposes of the economic analysis presented here is shown in Table 1.

Table 1: Allocation of Project Costs (US\$ million)

	Total Cost	Cost Savings	Incremental Earnings	Neither
A. COMP 1: CAPACITY BUILDING	21.8	8.5	5.1	8.2
1. System-level Planning, Coord. & Monitor.	2.5	0.5	0.7	1.3
a. HE policy development	0.3			0.3
b. Performance monitoring of HEIs	0.5	0.5		
c. Quality assurance & accreditation	0.7		0.7	
d. Funding formula & pricing policy	0.5			0.5
e. University regulations & charters	0.5			0.5
2. Institutional-level Planning	15.0	3.7	4.4	6.9
a. University planning offices	6.7	3.1		3.6
b. University strategic plans	0.6	0.6		
c. Graduate tracer surveys	1.1		1.1	
d. Careers advisory service offices	6.6		3.3	3.3
3. Information Technology Development	4.3	4.3		
a. University admin. Software packages	4.3	4.3		
B. COMP. 2: UNIVERSITY GRANTS	79.1		68.7	10.4
a. Proposal assessment	0.3			0.3
b. Specialized subject review	0.1			0.1
c. Quality improvement awards	78.7		68.7	10.0
C. COMP. 3: PROJECT COORDINATION	2.8	0.8	2.0	
a. Project coordination unit	2.2	0.3	1.9	
b. Application advisory services	0.1		0.1	
c. Procurement advisory services	0.5	0.5		
TOTAL PROJECT COSTS	103.7	9.3	75.8	18.6

First Benefit Stream -- Efficiency Gains/Cost Savings

4. Results from the 1995 Higher Education Institutional Finance Survey (HEIFS) support the economies-of-scale hypothesis, demonstrating a sharp fall-off in the unit cost per student-year until enrollment reaches 1,000-1,500 full-time equivalent (FTE) students; beyond 1,500 students, unit costs may continue to decline, but at a much slower rate. A significant proportion of component #1 funds and part of component #2 funds will be used for capacity building, the introduction of new management tools and putting in place a stronger regulatory framework at both system and institutional levels. These investments can be expected to improve efficiency within institutions. For example, the sub-components that support university strategic planning and administration software packages will provide institutions with tools to increase efficiency in planning, management and resource allocation. The increase in both the autonomy and accountability of institutions, coupled with a decline in administrative costs, will enable institutions to prepare and implement their own strategic plans, increase student enrollments, enhance program coherence, raise efficiency and improve quality of university education.

5. **Assumptions Made and Calculations Used in Cost-Savings Analysis.** The key assumptions here are as follows:

- the project will induce institutions that now enroll fewer than 2,000 FTE students to increase their enrollments over the life of the project, by gradually admitting more students in successive years and/or by means of institutional mergers; and
- institutions that increase their enrollments *over time* will, in fact, realize the cost savings that were observed in *the cross-section of institutions* surveyed in HEIFS.

6. The cost-savings *benefit stream* is calculated by taking the difference in estimated unit costs with and without the project and multiplying this by student enrollments in the institutions covered under the project. Benefits will be assessed for 30 years, to the year 2028. Assumptions used in calculating the benefit stream include the following:

- FTE higher education enrollments will increase at an average annual growth rate of 8.4 percent during the first three years of the project. This assumption reflects Government's stated objective that enrollments will go up by 50 percent between 1995 and 2000 (1996 December Central Committee Resolution). If Government's targets are met, Vietnam's tertiary enrollment ratio will have risen from a level in 1995 that was roughly comparable to the average level achieved by eight High Performing Asian Economies (HPAEs) several decades ago, when their GDP per capita levels were at the level of Vietnam's GDP per capita today, to a level in 2000 that is about 39 percent higher than the HPAs historically (World Bank 1966); and
- thereafter, i.e., from the year 2000 onward, Vietnam's growth of university enrollments will parallel the historical growth of enrollments in the HPAs (increasing at the same rate so as to maintain a tertiary enrollment ratio that is 39 percent higher than the HPAs' historical ratio).

7. The *cost stream* is calculated by apportioning costs as described in Table 1 above, i.e., US\$8.5 million of component #1 costs are apportioned to the institutional cost-savings benefits. The remainder of component #1 costs is split into two parts, \$5.1 million allocated to the incremental earnings benefits, and US\$8.2 million unallocated, since this portion (i.e., policy development, performance monitoring, funding formula, and university regulations and charters) is assumed to build capacity at the system level and to benefit society broadly. US\$0.8 million of component #3 costs are apportioned to the institutional cost-savings benefits. As Table 1 indicates, the remainder of components #2 and #3 costs are either apportioned to the incremental earnings benefits or are unallocated.

Second benefit stream -- Incremental Earnings

8. The 1996 HEGTS suggests that there are significant differences in Vietnam today between the earnings of graduates working in the private sector who possess skills particularly relevant to the modern market economy and the earnings of others in the private sector who lack such skills (Sakellariou 1996). The attributes measured in the survey and shown in the analysis of the HEGTS data to elicit a high market premium are English language proficiency and basic computer skills. These skills are used here as proxies for the increased relevance and the modernized curricula expected as outputs of the proposed lending operation.

9. Component #2 of the project and portions of components #1 and #3 are assumed to contribute to increasing graduate productivity by means of quality improvement reforms at the level of the higher education institutions. Under component #1, for example, the financial and performance surveys, the graduate tracer surveys and the career advisory services should improve the *quality and relevance* of university education, and the quality improvement grants provided to institutions under component #2 will, of course, have these benefits as their principal and explicit objectives.

10. In 1996, the average earnings of graduates who possessed the identified language and computer skills were VND 1,264,000 per month, VND 479,000 higher than the earnings of those who did not. Rather than attributing the entire differential to the project, a more conservative assumption is used: It is assumed here that only VND 196,000 per month, or 25 percent of the observed differential, will in fact be realized as a result of the improved quality and relevance of university education. Sensitivity analysis is then conducted, and this confirms that the project rate of return is quite sensitive to this assumption.

11. It is further assumed that components 1, 2 and 3 are closely inter-linked, in that the benefits accruing from component #2 cannot be realized without the capacity building investments provided under component #1 and the project management investments provided under component #3. For this reason, only one rate of return, that which accrues to the project as a whole, is reported here. Component-specific rates of return are not relevant to the Government's or the Bank's decision to proceed with this operation.

12. **Assumptions Made and Calculations Used in Incremental Earnings Analysis.** The *benefit stream* is calculated by taking 25 percent of the average annual wage differential between workers with and without the special market-relevant skills (English and computers) and multiplying this differential by the projected number of graduates year by year. Additional assumptions used in calculating the benefit stream include the following:

- the incremental earnings observed in 1995 will increase at an annual rate of 5.8% in real terms. This is the rate at which graduate starting salaries were observed to increase in the HEGTS between 1990 and 1993 (Sakellariou 1996). The justification for this assumption is that the demand for graduate skills will go up as Vietnam's market economy continues to evolve;
- the increase in earnings will persist during the first 10 years of a graduate's working life; thereafter, the increment between the two groups of workers will remain constant;
- the number of graduates will increase at an average annual rate that is 1.4 percentage points higher than the growth rate of enrollments. This implies that the ratio of graduates to FTE enrollments will increase from about 8 percent at the start of the project to 12 percent 30 years later. The justification for this assumption is that the internal, flow-through efficiency of university education will improve as a result of the quality improvements arising from the project;
- there will be full employment of university graduates. Those not employed as salaried workers will be self-employed or will engage in household activities, and their productivity will parallel that of those earning salaries; and
- the benefits of the project are projected to continue for 30 years.

13. The *cost stream* is calculated by apportioning US\$5.1 million of component #1 costs, US\$68.7 million of component #2 costs (University Quality Improvement Awards), and US\$2.0 million of component #3 costs to the incremental earnings benefits.

Results

14. Given the assumptions detailed above and applying a 10 percent social discount rate results in a net present value for the project of US\$49.2 million. The internal economic (and financial) rate of return is 18 percent. These results are summarized in Table 2.

Table 2: Economic Analysis of the Project^a

	Present Value Flows (in US\$ million; base year = 1998)
Benefits	115.2
Costs	66.0
Net Benefits	49.2
Internal Rate of Return (IRR)	17.8%

Note: ^aThe economic and financial flows are assumed to be equivalent.

Sensitivity Analysis

15. The critical project risks identified in Block 3 of the PAD can be categorized as arising from: (a) poor management/internal capacity, and (b) instability in the macro economic/external environment. Both risk factors could erode the projected improvements in the quality and efficiency of higher education set out as the objectives of the project. In particular, these factors could alter the following parameters of the cost-benefit analysis: (i) the rate of project disbursement; (ii) the cost-savings per student-year; (iii) the earnings differential per graduate; (iv) the number of FTE students enrolled in higher education; and (v) the graduation rate, i.e., the

ratio of graduates to FTE enrollments. In order to evaluate the impact of these risks on the economic value of the project, the values of these parameters are altered one by one and the rate of return re-estimated. The altered assumptions and simulated results are presented in Table 3.

Table 3. Sensitivity Analysis

Altered Assumption	IRR
1. Project implementation/disbursements delayed by two years -- all costs and benefits occur two years later relative to the 1998 base year	17.6%
2. Unit cost differential resulting from improved university administration and scale economies only VND 10,000 instead of VND 34,000 per student per year	17.0%
3. MPI enrollment targets in higher education not fully met -- FTE enrollment growth between 1995 and 2000 only 25% instead of 50%	17.6%
4. Lower graduation rate -- ratio of graduates to FTE enrollments increases from 8% to only 10% (instead of 12%) over the 30 years	16.9%
5. Lower wage differential resulting from quality improvements in higher education -- VND 98,000 per month, or half of the VND 196,000 figure used above	9.2%
6. Higher wage differential resulting from quality improvements in higher education -- VND 392,000 per month, or twice the VND 196,000 figure used above	38.3%
7. All project costs included in the cost-benefit analysis -- i.e., the costs in the last column of Table 1 not excluded	14.5%

Checklist of Regional Guidelines for Economic Analysis of Education Projects

1. Project Coherently set in the CAS and ESW

See Block 2, section 5 of PAD.

2. Quantitative Analysis of Alternative Project Design

See Block 1, Section 8 of PAD.

Public-private provision: The rate of return analyses conducted on the basis of 1992-93 Vietnam Living Standards Survey (VLSS) data could not distinguish rates of return to investments in public and private (“semi-public” and “people-founded”) universities in Vietnam, because of the small numbers of university graduates in the VLSS sample and because of the very recent introduction of private higher education institutions in the country. Data from pilot university graduate tracer studies conducted during project preparation for this operation suggest (based on a comparison of recent graduates from two public universities and one people-founded university, all in Hanoi) that the initial employment experience of private university graduates is at least as good as that of graduates from public institutions. Hence, it could be argued that it is better to support private institutions rather than public under this operation. For this reason, the capacity building investments under the project will be made available to public and private institutions alike, and both public and private institutions will be eligible for Quality Improvement Grants under the project provided that they meet the criteria for such grants. Nevertheless, given the current Vietnamese context and the continuing ambivalence of Government officials in regard to the opening up of private education in Vietnam, the realistic objective of this first higher education operation is to make Vietnam’s public institutions, which will continue to dominate higher education in terms of student numbers into the foreseeable future, more demand driven and responsive to the emerging market economy. Non-public institutions are likely to grow in importance as Government restrictions continue to be relaxed and as Vietnamese households exercise the option of paying for quality education wherever this can be found, in the public or private sector. This is a secondary objective of the current operation, but to push this objective too hard and too fast at this stage would almost certainly be counter-productive in the current Vietnamese context.

3. Fiscal Impact and Cost Recovery

See Block 3, Section 20 and Annex 5 of PAD for fiscal impact.

Cost recovery: The Higher Education Institutional Finance Survey demonstrated that student charges as a proportion of the recurrent budget had been 32 percent in 1993, but had declined to 21 percent by 1995. Government has already put forward a proposal for revising the pricing structure for the education sector, and the project will provide the analytical tools and guidance for introducing such revisions for the higher education sub-sector. Student fees as a proportion of the government’s recurrent budget will gradually increase over the life of the project, from the present level of 21 percent, back to the previous level of 32 percent by 2003, and even earlier if this proves to be politically feasible. The increase in student fees modeled in Annex 5 of the PAD is a very conservative estimate, well below the proposals currently being considered. Nevertheless, the impact of even a conservative estimate will be substantial, with an increase in student fees due to the project reaching approximately \$9 million in 2003 if the 32 percent target is met.

4. Completeness and Internal Coherence of Cost-Benefit analysis or Other Selection Criteria

See the cost-benefit analysis of the project presented in Annex 4 of PAD.

Demand analysis: In the academic year 1993/94, approximately 156 thousand students graduated from upper secondary school (MOET, 1995); however, the estimated number of new entrants (full-time equivalent) into the

first year of higher education during this period was approximately 36 thousand. The fact that there are four times as many upper secondary graduates as there are available places in the higher education institutions in Vietnam clearly indicates the potential demand for higher education in Vietnam. Furthermore, Vietnam's tertiary gross enrollment ratio of 3 percent in 1993 is far below the regional average of 13 percent, and is one of the reasons behind MOET's pledge to increase tertiary education enrollments by 50 percent between 1995 and 2000. Hence it can be contended that Government's commitment to significant growth in enrollments in this sub-sector, recent increases in the salaries of university graduates (especially those with new skills), as well as increasing demand by employers for university graduates will make higher education more attractive in the coming years, thus increasing its demand.

5. Sensitivity Analysis

See the cost-benefit analysis of the project presented in Annex 4 of PAD.

6. Institutional Capacity and Risk Analysis

See Block 2, Section 21 of PAD for critical project risks.

The institutional capacity and arrangements for the project were assessed in detail during the pre-appraisal mission. Although potential changes in the responsibility for the management of the HE sub-sector was identified as a medium-term risk in the project concept document, the appraisal team was confident that any future changes would not affect the long-term stability of the project as several actors from key ministries, and not just MOET, will be involved with project implementation. The creation of an inter-ministerial committee (IMC) was agreed upon during the appraisal mission and terms-of-reference have been prepared. This committee, comprising of key high-level actors from cross-sectoral ministries and higher education institutions, will act as the oversight body for awarding of quality improvement funds, and hence will have the most responsibility for managing component #2 of the project (with the help of MOET and the PCU). The composition of the IMC ensures institutional sustainability of the project even in the event of a change in management of the HE sub-sector. It will also ensure that institutional capacity is at its highest since key stakeholders from all relevant parts of government and the higher education sub-sector are involved in important decision-making processes.

7. Poverty and Gender Analysis

The project does not have any direct impact on poverty alleviation or improving gender equality.

8. Environmental Analysis and Linkage to Economic Analysis

None.

9. Economic Performance Criteria

See Annex 1 of PAD for key performance indicators.

10. Overall Assessment

Based on the above nine items.

Annex 5 Higher Education Project

Financial Summary

Table 1: Project Financial Summary (in US\$ million)

	Implementation Period						Initial Post-Implementation Period*			
	98-99	99-00	00-01	01-02	02-03	03-04	2004	2005	2006	2007
A. Financial Summary										
1. Investment Costs of Project	7.0	13.1	16.9	24.8	19.3	13.4	4.6	6.1	7.8	9.7
2. Incremental Recurrent Costs of Project, of which:	0.6	1.3	1.6	1.8	1.9	2.0	2.9	2.9	2.9	2.9
(a) communications & office leasing	0.1	0.1	0.1	0.1	0.1	0.2	0.5	0.5	0.5	0.5
(b) increm. salaries of national staff	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(c) increm. salaries of univ. staff	0.3	1.0	1.3	1.5	1.6	1.6	2.2	2.2	2.2	2.2
Total Project Costs	7.6	14.4	18.5	26.6	21.2	15.4	7.5	9.0	10.7	12.6
B. Sources of Financing (% of Total cost)										
1. IDA	91%	83%	79%	82%	79%	74%	0%	0%	0%	0%
2. Government	5%	10%	14%	12%	14%	15%	71%	76%	79%	83%
3. Universities	4%	7%	7%	6%	7%	11%	29%	24%	21%	17%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Note: * It is assumed that government will continue to operate the quality improvement grant scheme after the project closes, and that this expenditure will reach 4% of the total HE budget allocation by 2007.

Table 2: Project Impact on Government Higher Education Recurrent Budget and Sustainability of QIG Scheme (in US\$ million)

	Implementation Period						Initial Post-Implementation Period*			
	98-99	99-00	00-01	01-02	02-03	03-04	2004	2005	2006	2007
1. Projected government HE recurrent budget w/o project	73.4	78.0	84.2	90.5	96.5	103.0	109.8	117.1	125.0	133.3
2. Incremental recurrent costs due to project	0.6	1.3	1.6	1.8	1.9	2.0	2.9	2.9	2.9	2.9
3. Recurrent revenues/cost-savings due to project, of which:	0.5	1.3	2.5	4.5	7.1	9.6	12.7	13.4	14.5	15.4
(a) increase in student fees due to project	0.5	1.3	2.3	4.3	6.5	9.0	11.8	12.5	13.4	14.3
(b) cost-savings from efficiency gains	0.0	0.0	0.2	0.2	0.6	0.6	0.9	0.9	1.1	1.1
4. Government recurrent budget with project	73.3	78.0	83.3	87.8	91.3	95.4	100.1	106.6	113.4	120.8
5. Projected Net Savings (1-4 = 3-2)	-0.1	0.0	0.9	2.7	5.2	7.6	9.8	10.5	11.6	12.5
6. Government's contribution to QIG scheme	0.0	0.5	0.7	1.3	2.5	4.0	4.6	6.1	7.8	9.7
7. Projected Net Savings (after government's contribution to QIGs)	-0.1	-0.5	0.2	1.4	2.7	3.6	5.2	4.4	3.8	2.8

1. Financial summary: Table 1 presents the total costs of the Higher Education Project during the implementation period (1998/99-2003/04) and during the initial post-implementation period after the close of the project (2004-07). Most of the project costs are investment costs, which include the quality improvement grants provided to universities on a competitive basis. The incremental recurrent costs brought about by the project consist of three categories, as shown in lines 2 (a), (b) and (c) of the first part of Table 1.
2. Project impact: Table 2 presents the impact of the project on the government's higher education recurrent budget. Net savings are projected by the time that the project closes. The higher education recurrent budget projections (without the project) are based on the Country Department's latest RMSM model and the education model presented in Annex 6 of the *Vietnam Education Financing Sector Study* (World Bank, 1996). Higher education's share of the total recurrent budget is held constant over the period.
3. Efficiency gains and cost recovery: As the table indicates, the recurrent revenues/cost-savings due to the project arise from efficiency gains in universities and from an increase in student fees. Student fees as a proportion of the government's recurrent budget are expected to gradually increase over the life of the project, from its present level of 21 percent, to 32 percent in 2003. The Higher Education Institutional Finance Survey demonstrated that student charges as a proportion of the recurrent budget had been 32 percent in 1993, but had declined to 21 percent by 1995. Revisions in the pricing policy for higher education are projected to bring cost-recovery back to the 1993 level by the end of the project.
4. Sustainability of QIG scheme: Certain investment costs, namely, the quality improvement grants, can continue to be financed by the government after the IDA project closes. While government's contribution to the QIG channel will increase only very gradually during the life of the project (reaching 2 percent of the higher education budget by the last year of the project), government's contribution can continue to rise over the next four years thereafter, reaching approximately 4 percent of the total higher education budget by the year 2007. The incremental recurrent costs will remain constant during the initial post-implementation period, during which the universities and government will continue to cover the staffing, communications and leasing costs introduced under the project.
5. Conclusions: The following conclusions emerge from the above fiscal impact analysis: (i) net savings in the higher education recurrent budget arise due to the project; (ii) net savings in the recurrent budget persist even with the additional costs of financing the QIG scheme; (iii) government's continued financing of the QIG scheme is sustainable after the project closes, and hence the government and universities have the option of assuming total financial responsibility for the QIG scheme after the withdrawal of donor funding; and (iv) the project contributes to generating a net savings which reduces the burden of higher education operations on the state budget and creates the possibility of allocating resources for further expansion of the QIG scheme, or even a redistribution of public subsidies to lower levels of education.

Annex 6
Higher Education Project
Procurement and Disbursement Arrangements

Procurement

The procurement methods applicable to the various expenditure categories are summarized in Table A.

TABLE A: PROJECT COSTS BY PROCUREMENT ARRANGEMENTS
(in US\$ million equivalent)

Expenditure Category	Procurement Method						TOTAL
	All except Consultants Services				Consultants Services/c		
	ICB	NCB	Other/a	NBF/b	QCBS	Other (SS/individual)	
A. Goods							
1. Computers/Software	1.1 (1.1)	2.9 (2.9)	0.7 (0.7)				4.7 (4.7)
2. Office, Equip., Vehicles and Furniture		0.5 (0.5)	0.3 (0.3)				0.8 (0.8)
B. Grants			78.7/d (69.6)				78.7 (69.6)
C. Consultants Services					0.7 (0.7)	2.5 (2.5)	3.2 (3.2)
D. Training							
1. Fellowships & Study Tours			1.0 (1.0)				1.0 (1.0)
2. Local Training and Workshops				2.2			2.2
E. Incremental Salary/e				8.4			8.4
F. Implementation and Operating Costs			4.0 (4.0)				4.0 (4.0)
G. Rental of Offices and Meeting Spaces				0.7			0.7
TOTAL IDA CREDIT	1.1 (1.1)	3.4 (3.4)	84.7 (75.6)	11.3	0.7 (0.7)	2.5 (2.5)	103.7/f (83.3)

- /a Other procurement methods include: (i) international shopping with three price quotations from at least two countries, and (ii) national shopping with three quotations from qualified suppliers, and government's administrative procedures acceptable to the Bank. Requests for quotations will indicate the description and quantity of the goods as well as the desired delivery time and place. See also note (d) for procurement using grant funds.
- /b Not Bank Financed.
- /c Consultants services selection methods are either: (a) Quality and Cost-Based Selection (QCBS) for firms or (b) Single-Source (SS) or qualification for individuals. The total of SS contracts will not exceed an aggregate amount of US\$150,000.
- /d Grant expenditures will follow agreed procedures documented in Grant Operational Manual. Aggregation of the procurement activities of various grant agreements signed separately is not practically feasible, given different specialties, locations, and the procurement time schedules of university units. While grants will be awarded using agreed procedures documented in the Operational Manual, procurement of goods and services using such grant agreements will follow the same procedures as for other project components, i.e., for goods >\$100,000 –ICB, and for individual consultants >\$50,000 and firm >\$100,000-QCBS.
- /e Including universities contribution of US\$7.8 million.
- /f Taxes excluded.

Note: Figures in parenthesis are the respective amounts financed by IDA. All figures include price and physical contingencies.

Procedures

Procurement will follow the World Bank's guidelines on procurement of goods and services including procurement covered by the Cofinancier. -- Guidelines: Procurement under IBRD Loans and IDA Credits, January 1995, revised January and August 1996 and revised September 1997 (Procurement Guidelines), and Guidelines: Selection and Employment of Consultants by World Bank Borrowers, January 1997, revised September 1997 (Consultant Guidelines) -- in all respects. Preference for domestically manufactured goods will apply in accordance with the World Bank Guidelines for ICB procurement.

National Competitive Bidding procedures will include: (a) explicit statement to bidders of the evaluation and award criteria; (b) local advertising with public bid opening; (c) award to the lowest evaluated bidder; and (d) foreign bidders would not be precluded from participating in NCB. Side letter for the NCB procedures was agreed upon during negotiations and was attached to the minutes of negotiations.

A detailed procurement plan was prepared and discussed with the Government's Project Unit. The procurement plan is filed with the project documents. It includes a timeline showing each activity under each procurement (i.e. ICB, NCB, shopping and consultant recruitment), beginning with the required advertisement, preparation of bidding documents/requests for proposals, bidding period, bid evaluation reports, Government and Bank reviews, award of contract and project implementation. (see MS Project file: Vnhepro2.mpp).

Thresholds for procurement and prior review are given in Table B.

TABLE B: THRESHOLDS FOR PROCUREMENT METHODS AND PRIOR REVIEW
(in US\$ equivalent)

Categories	Procurement Methods					
	All Except Consultants Services			Consultants Services		Prior Review by IDA
	ICB	NCB	Others	QCBS	SS/Individual	
Goods	>100,000	>25,000 x <100,000 (aggregate 3,400,000)	<25,000 (aggregate 1,000,000)	NA	NA	>100,000
Grants			All			All "A" grants, the first "C" grant awarded to each university and any "C" grant > \$1.5 million.
Consultants Services	NA	NA	NA	All firm contracts	<50,000 SS aggregate of 150,000	Firm >100,000 Individual >50,000 Single-source & all TORs
Training	NA	NA	All	NA	NA	Programs

The draft procurement plan for the project prepared during the Appraisal Mission including details of the time-line of each procurement activity (including preparation of notices and advertising, and all mandatory reviews and non-objection letters) was updated at negotiations and the MS project data-file is in the project documentation. The value of contracts subject to prior review is anticipated to be about 61% of IDA funded contracts. This is below the target of 80% due to this project's characteristics, which like many education projects, has a large number of low valued contracts. The number of random post reviews of contracts and procurement procedures has been increased proportionally. Post review of 20% of all procurement will be done on a random basis by the Resident Mission in Vietnam.

Documents

For ICB: World Bank Standard Bidding Documents

For NCB: Model bidding documents acceptable to the Bank

For Consultants: Bank's standard contracts; samples for Letters of Invitation (LOI) and Information to Consultants

Other documents include: Bank's standard bid evaluation form and standard general and specific procurement notices, and for grants, the operational manual.

Measures to improve PCU and universities procurement capacity

A procurement and purchasing advisory service will be created inside the PCU. PCU procurement staff will receive training on the Bank's procurement procedures and related documents.

Universities that are awarded grants will be responsible for procurement related to the use of each grant, following the same procedures as for other project components (goods exceeding \$100,000 will be procured using ICB procedures; consultant services from firms will be procured using QCBS procedures. Universities receiving grants will be guided and supported by the PCU's purchasing/procurement service).

Disbursement

Disbursement will not be made for goods and service that are ineligible for IDA financing. The US dollar will be considered an eligible currency for bidding and payment (paras. 2.29 and 2.32 of the Procurement Guidelines) and it will also be acceptable for consultants services payment.

Allocation of loan proceeds is given in Table C

Table C: Allocation of Loan Proceeds

Expenditure Category	Amount in US\$ million	Financing Percentage
1. Goods	5.5	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally.
2. Grants		
Grants "A"	13.5	100%
Grants "B"	12.1	90%
Grants "C"	30.0	80%
3. Consultant Services	3.2	100%
4. Fellowships and Study Tours	1.0	100%
5. Implementation and Operating Costs ^a	4.0	100%
6. Unallocated	14.0	
Total	83.3	

^a: Implementation and operating costs include fees for data collection, office supplies and consumables, communication costs, travel and allowances of project staff, but exclude all salaries of officials of the Borrower's civil service and rental of office space.

Use of statement of expenses (SOEs):

Contracts of less than US\$100,000 equivalent for goods.
 Consultant contracts of less than US\$100,000 for firms and US\$50,000 for individuals.
 All "B" grants and any "C" grant valued at less than \$1.5 million each.
 Fellowships and study tours and project implementation and operating costs.

Special account:

There will be two Special Accounts: (i) one of US\$3.5 million for grants; and (ii) one of US\$1.5 million for all other eligible activities.
 Direct payment: minimum application amount above 20 percentage of each of the Special Account deposit.

Disbursement conditions (for grants):

The government will confirm that it has appointed the manager of the Proposal Assessment Unit charged with administering the processing of QIG applications.

Project Accounts and Auditing

The PCU will maintain project accounts in accordance with sound accounting practices acceptable to the Bank.

An annual audit report of project accounts, prepared by independent auditors acceptable to the Bank, and in accordance with the Bank document "Financial Account Reporting and Auditing Handbook", January 1995 will be submitted to IDA no more than six months after completion of each fiscal year.

SOCIALIST REPUBLIC OF VIETNAM
Higher Education Project
Procurement Plan
Contracting and Review Responsibilities

Category	Total Value (US\$ M)	Year	Estimated Contract Quantity	Contract			Bank Review		Disbursement Method from Credit Proceed
				Prepared By	Sign With	Procurement Method	Kind /b	By	
Equipment/Vehicles/Furniture									
Computers/Software									
Small package <\$25,000	0.5	1,2,3,4,5,6	20	PCU	Supplier	Shopping	Random Post	RMV	SOE
Medium package >\$25,000-<\$100,000	3.1	1,2,3,4,5	40	PCU	Supplier	NCB	Random Post	RMV	SOE
>\$100,000	1.1	3,4,5	3	PCU	Supplier	ICB	Prior	TTL	Full Document
Office, Vehicles & Furniture									
Small package <\$25,000	0.5	1,2,3,4	20	PCU	Supplier	Shopping	Random Post	RMV	SOE
>\$25,000 - <\$100,000	0.3	1,2,3	4	PCU	Supplier	NCB	Random Post	RMV	SOE
>\$100,000	0	-	0	PCU	Supplier	ICB	Prior	TTL	Full Document
Consultancy Services									
Quality and Cost-Based Selection (QCBS)									
Firm									
>\$100,000 - <\$200,000	0.3	1,2,3,4,5,6	3	PCU	Cons. Firm	Short listing	Prior	TTL	Full Document
>\$200,000 (Mandatory Advertising)	0.4	2,3,4	1	PCU	Cons. Firm	Short listing	Prior	TTL	Full Document
&									
Tech Eval Prior Review)									
Individual									
<\$50,000	1.35	1,2,3,4,5,6	8	PCU	Ind. Cons.	Short listing	Limited Prior	TTL/RMV	SOE
>\$50,000 - <\$200,000	1.0	1,2,3,4,5,6	7	PCU	Ind. Cons.	Short listing	Prior	TTL	Full Document
Single-Source Selection (SS)									
Individual									
<\$50,000	0.15	1,2,3,4,5	3	PCU	Ind. Cons.	Sole Source	Limited Prior	TTL/RMV	SOE
Overseas Fellowships & Study Tours	1.0	1,2,3,4,5,6	multiple	PCU	Institution	Direct	Limited Prior	TTL	SOE
Grants /a									
A Grants (0.5 m each approx.)	15.1	1,2,3,4,5	27	PCU	University	Competitive	Prior	TTL	Full Document
B Grants (0.75 m each approx)	13.5	2,3,4,5,6	16	PCU	University	Competitive	Random Post	TTL/RMV	SOE
C Grants (0.75 above)	30.2	2,3,4,5,6	25	PCU	University	Competitive	Prior/R.Post	TTL/RMV	Full Doc/SOE
Reserved Grants (undefined)	10.8	4,5,6	12	PCU	University	Competitive	Prior	TTL/RMV	SOE
Implementation/Operating Costs	4	1,2,3,4,5,6	n/a	PCU	Various	Other	Random Post	RMV	SOE
	83.3		189						

/a Follow agreed operational manual; all "A" grants, the first "C" grants awarded to each university, and any "C" grant >\$1,500,000 each are subject to prior review and full documentation.

/b Prior review, limited prior review (TOR, proposed program and draft contract), and random post review by RMV or SPN missions.

/c Task Team Leader

Annex 7
Higher Education Project
Project Processing Budget and Schedule

A. Project Budget (Bank Budget) from inception to Board	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
	US\$635,000	US\$685,000
B. Project Schedule	<u>Planned</u> (At final PCD stage)	<u>Actual</u>
Time taken to prepare the project (months) (concept document to appraisal departure)		9 months
First Bank mission (identification)	--/--/19--	04/--/1992
Appraisal mission departure	03/15/1997	06/07/1997
Negotiations	05/22/1997	06/20/1998
Planned Date of Effectiveness	08/--/1997	11/28/1998

Prepared by: the Project Preparation Unit Secretariat (PPUS) of the Ministry of Education and Training (PPUS/MOET)

Preparation assistance was made available from multiple sources and was used to develop capacity in the universities and to pilot specific sub-components of the project. Thus, the government has already benefited from close to US\$0.9 million capacity building, training and external advisory inputs. Major funds included a PHRD grant from Japan and two trust funds each from Australia and France. In addition, the British Council, and the governments of Australia, the Netherlands and New Zealand, each provided bilateral support in the form of study tours to their countries, as did a consortium of American universities and colleges.

The PHRD Grant of US\$563,000 was used during preparation to provide consultants and expertise in project preparation that included:

- creating, operating and assisting a small national project preparation unit (PPUS of MOET) with technical assistance and operating expenditures;
- supporting ten national working groups each preparing specific parts of the project;
- undertaking national workshops to disseminate and discuss the results of analysis undertaken by consultants and national teams;
- carrying out the first comprehensive national survey of the financial operations of all higher education institutions;
- piloting the first institution-based longitudinal surveys of recent graduates from higher education and refining a "graduate tracer survey" methodology that the project will generalize;
- undertaking study tours; and
- providing basic equipment and documentation to the PPUS and translating examples of similar higher education project throughout the world.

The AUSAid Trust Fund resources of US\$369,000 were used during preparation to provide technical assistance, training and capacity building in the areas of:

- strategic planning and university performance indicators;
- higher education policy analysis;
- resource allocation mechanisms and funding formula for higher education;
- analysis of survey data on the financial operations of higher education institutions;
- preliminary bench-marking of university academic performance;
- review of the legislative framework for higher education; and
- initial design of eligibility and award procedures to govern the use of quality improvement grants.

French Trust Fund resources of US\$40,000 were used during preparation to provide technical assistance in educational planning, policy analysis and initial drafting of a higher education policy statement.

Bank staff who worked on the project included:

- Core Team:** Christopher Shaw (Task Team Leader), Carol Ball, Rapti Goonesekere, Peter Moock, Kathy Li Tow Ngow (EASED); Mai Thanh Thi (EACVF); Gaye Lindsey (LOAAS); C. Garstang, Carlos Escudero (LEGEA).
- Peer reviewers:** Nicholas Burnett (AFTH2); Lauritz Holm-Nielsen, William Experton (LCSHD).
- Extended team:** Price Gittinger; Kathryn Johnston; Josephine Hykin; Nguyen X. Nguyen; Harry Patrinos; Nicholas Prescott; Shobhana Sosale.

Consultants who worked on preparation included:

Michael Boesen; Ta Ngoc Chau; Michael Gallagher; Peter Grant; David Laidlaw; Christopher Lynch; Robyn McKay; Gregor Ramsey; Mark Sidel; Gordon Stanley; William Thorn; Maureen Woodhall.

Annex 8
Higher Education Project
Documents in the Project File

A. Project Implementation Plan (costs and procurement plans)

1. Ministry of Education and Training (MOET). Borrower Implementation Plan. March 1997.
2. COSTAB files -- detailed cost tables for the project activities (File: Vn_he8-2.tab)
3. Detailed procurement plan and timeline MS Project files (File: Vnhepro2.mpp)

B. Bank Staff Assessments

The strategy underlying the economic analysis (April 1997):

1. Economies of scale analysis
2. Cost-savings/efficiency gains analysis
3. Incremental earnings analysis
4. Estimating overall rate of return to project
5. Estimating alternative rates of return through sensitivity analysis

The strategy underlying the fiscal analysis (April 1997):

1. Estimating project impact on higher education budget
2. Evaluating the sustainability of the QIG scheme
3. Education's budgetary projections until 2004 (Education Model)

C. Other

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Annex 9 Statement of Loans and Credits

Status of Bank Group Operations in Vietnam IBRD Loans and IDA Credits in the Operations Portfolio (As of June 30, 1998)

Project ID	Loan or Credit No.	Fiscal Year	Borrower	Purpose	Original Amount in US\$ Millions				Difference Between expected and actual disbursements a/	
					IBRD	IDA	Cancellations	Undisbursed	Orig	Frm Rev'd
Number of Closed Loans/credits: 3										
<u>Active Loans</u>										
VN-PE-45628	IDA30340	1998	GOV	TRANSMISSION & DISTR	0.00	199.00	0.00	192.28	4.93	0.00
VN-PE-4839	IDA29960	1998	GOVT OF VIET NAM	FOREST PROT.& RUL DE	0.00	21.50	0.00	20.47	0.00	0.00
VN-PE-4843	IDA30000	1998	GOVT OF VIET NAM	INLAND WATERWAYS	0.00	73.00	0.00	70.51	-2.8	0.00
VN-PE-4844	IDA30990	1998	GOV	AGRI DIVERSIFICATION	0.00	66.85	0.00	66.05	0.00	0.00
VN-PE-39021	IDA29290	1997	GOV'T OF VIET NAM	RURAL TRANSPORT	0.00	55.00	0.00	41.22	.53	0.00
VN-PE-4830	IDAN0260	1997	GOV	WATER SUPPLY	0.00	98.61	0.00	94.94	12.84	0.00
VN-PE-4842	IDAN0130	1997	GOVT OF VIET NAM	HIGHWAY REHAB II	0.00	195.60	0.00	176.58	17.31	0.00
VN-PE-36042	IDA27850	1996	SOC. REP. OF VIETNAM	BANKING SYSTEM MODER	0.00	49.00	0.00	43.29	37.68	0.00
VN-PE-42236	IDA28200	1996	GOVT. OF VIETNAM	POWER DEV	0.00	180.00	0.00	14.50	-20.41	0.00
VN-PE-4838	IDA28080	1996	SOCIALIST REPUBLIC OF VIE	NATIONAL HEALTH SUPP	0.00	101.20	0.00	80.50	8.82	0.00
VN-PE-4841	IDA28070	1996	SOC REP OF VIET NAM	POPULATION & FAMILY	0.00	50.00	0.00	36.48	8.09	0.00
VN-PE-4847	IDA28550	1996	GOV	RURAL FINANCE	0.00	122.00	0.00	100.29	42.02	0.00
VN-PE-4834	IDA27110	1995	GOV	IRRIGATION REHABILIT	0.00	100.00	0.00	70.33	1.08	0.00
VN-PE-4836	IDA27240	1995	EVN PC2 PC3	POWER SECTOR REHAB &	0.00	165.00	0.00	65.06	64.76	-32.30
VN-PE-4832	IDA25490	1994	GOVT OF VIET NAM	HIGHWAY REHAB	0.00	158.50	0.00	79.72	77.70	31.70
VN-PE-4835	IDA25480	1994	SOC REP OF VIET NAM	PRIMARY EDUCATION	0.00	70.00	0.00	40.09	19.27	-.67
VN-PE-4837	IDA25610	1994	GOVT OF VIET NAM	AGRIC REHABILITATION	0.00	96.00	0.00	4.11	-.43	0.00
Total					0.00	1,801.26	0.00	1,196.42	273.91	-1.27
					<u>Active Loans</u>		<u>Closed Loans</u>		<u>Total</u>	
Total Disbursed (IBRD and IDA):					501.23	243.82	745.05			
of which has been repaid:					0.00	5.67	5.67			
Total now held by IBRD and IDA:					1,801.26	239.03	2,040.29			
Amount sold :					0.00	0.00	0.00			
Of which repaid :					0.00	0.00	0.00			
Total Undisbursed :					1,196.42	0.00	1,196.42			

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

b. Rating of 1-4: see OD 13.05. Annex D2. Preparation of Implementation Summary (Form 590). Following the FY94 Annual Review of Portfolio performance (ARPP), a letter based system will be used (HS = highly Satisfactory, S = satisfactory, U = unsatisfactory, HU = highly unsatisfactory): see proposed Improvements in Project and Portfolio Performance Rating Methodology (SecM94-901), August 23, 1994.

Note:

Disbursement data is updated at the end of the first week of the month.

Annex 9
Statement of Loans and Credits

Vietnam
STATEMENT OF IFC's
Committed and Disbursed Portfolio
As of 30-Jun-98
(In US Dollar Millions)

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic	Loan	Equity	Quasi	Partic
1994	Hanoi Metropole	4.00	0.00	3.50	13.46	4.00	0.00	3.50	13.46
1995	Baria Serece Prt	3.00	0.00	0.00	1.80	3.00	0.00	0.00	1.80
1995	Foremost Dairy	7.20	0.00	0.00	5.85	7.20	0.00	0.00	5.85
1996	Kyoei Steel	15.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00
1996	Morn.Star Cement	30.00	0.00	0.00	66.60	27.90	0.00	0.00	61.94
1996	Sucre de Bourbon	22.00	0.00	0.00	20.00	22.00	0.00	0.00	20.00
1996	SMH Glass Co.	10.00	0.00	0.00	4.50	10.00	0.00	0.00	4.50
1996	Vimaflour	8.00	0.00	0.00	3.00	8.00	0.00	0.00	3.00
1996	VILC	0.00	.75	0.00	0.00	0.00	.75	0.00	0.00
1997	Saigon Hilton	13.05	0.00	0.00	28.00	0.00	0.00	0.00	0.00
Total Portfolio:		112.25	.75	3.50	143.21	97.10	.75	3.50	110.55
Approvals Pending Commitment									
		<u>Loan</u>	<u>Equity</u>	<u>Quasi</u>	<u>Partic</u>				
1998	BA RIA	24.20	4.00	0.00	49.00				
1998	BAWC	12.50	0.00	0.00	12.50				
1998	MFL VINH PHAT	.30	0.00	0.00	0.00				
1997	NGHE AN SUGAR	20.00	0.00	0.00	30.00				
1997	NGHI SON CEMENT	30.00	0.00	0.00	26.50				
1997	SEM HOTEL	0.00	0.00	4.50	0.00				
1996	VIETNAM INTL LSE	5.00	0.00	0.00	10.00				
1997	VINAFOOD	10.50	0.00	0.00	13.50				
Total Pending Commitment:		102.50	4.00	4.50	141.50				

Vietnam at a glance

7/30/98

POVERTY and SOCIAL

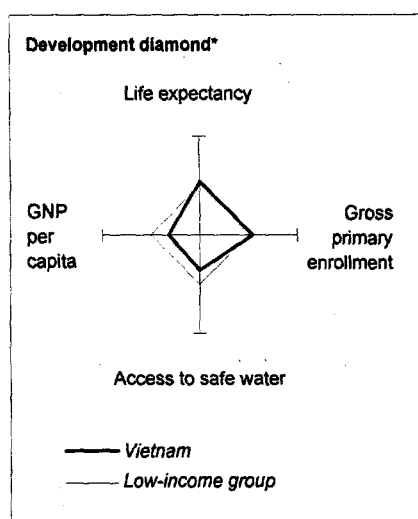
	Vietnam	East Asia	Low-income
Population mid-1997 (millions)	76.8	1,726	3,229
GNP per capita 1997 (US\$) (prel.)	320	890	500
GNP 1997 (billions US\$)	25.9	1,542	1,601

Average annual growth, 1990-96

	Vietnam	East Asia	Low-income
Population (%)	1.9	1.3	1.7
Labor force (%)	1.9	1.3	1.7

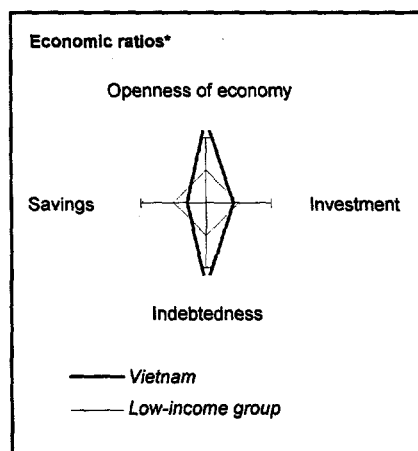
Most recent estimate (latest year available since 1989)

Poverty: headcount index (% of population)	51
Urban population (% of total population)	21	31	29
Life expectancy at birth (years)	68	68	63
Infant mortality (per 1,000 live births)	41	40	69
Child malnutrition (% of children under 5)	45
Access to safe water (% of population)	38	49	53
Illiteracy (% of population age 15+)	6	17	34
Gross primary enrollment (% of school-age population)	114	117	105
Male	..	120	112
Female	..	116	98



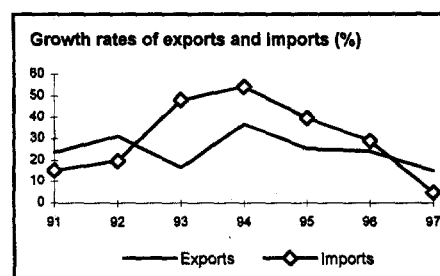
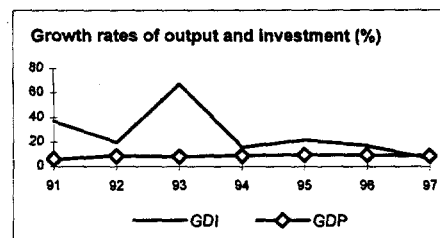
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1975	1985	1996	1997	Est.
GDP (billions US\$)	..	17.0	23.3	25.9	25.9
Gross domestic investment/GDP	27.9	27.5	27.5
Exports of goods and services/GDP	41.6	44.5	44.5
Gross domestic savings/GDP
Gross national savings/GDP	16.7	18.6	18.6
Current account balance/GDP	..	-3.1	-11.3	-8.8	-8.8
Interest payments/GDP
Total debt/GDP	97.8
Total debt service/exports	15.4	14.4	14.4
Present value of debt/GDP
Present value of debt/exports
			Est.	Proj.	
	1975-85	1986-96	1996	1997	1998-06
(average annual growth)					
GDP	..	6.9	9.3	8.8	7.7
GNP per capita	..	4.9	5.7	6.8	5.5
Exports of goods and services	..	25.4	24.2	14.8	9.3



STRUCTURE of the ECONOMY

	1975	1985	1996	1997	Est.
(% of GDP)					
Agriculture	27.2	25.7	25.7
Industry	30.7	31.7	31.7
Manufacturing
Services	42.1	42.6	42.6
Private consumption
General government consumption
Imports of goods and services	55.3	53.8	53.8
			Est.	Proj.	
	1975-85	1986-96	1996	1997	1998-06
(average annual growth)					
Agriculture	..	5.2	4.4	4.0	4.0
Industry	..	11.7	14.4	13.0	13.0
Manufacturing
Services	..	8.2	10.0	8.0	8.0
Private consumption
General government consumption
Gross domestic investment	..	26.4	17.2	6.5	6.5
Imports of goods and services	..	24.3	29.0	4.8	4.8
Gross national product	..	7.2	9.3	8.8	8.8



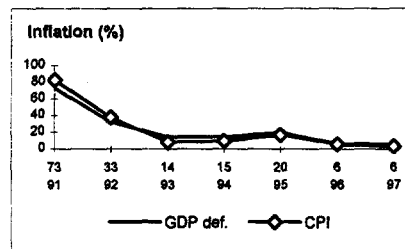
Note: 1996 data are preliminary estimates. Figures in italics are for years other than those specified.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Vietnam

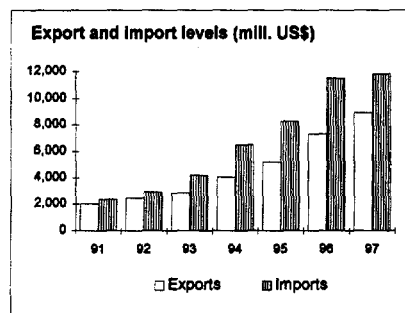
PRICES and GOVERNMENT FINANCE

	1975	1985	1996	Est. 1997
Domestic prices				
(% change)				
Consumer prices	5.6	3.2
Implicit GDP deflator	..	94.2	6.1	5.5
Government finance				
(% of GDP)				
Current revenue	23.6	22.4
Current budget balance	5.9	5.2
Overall surplus/deficit	-0.2	-0.6



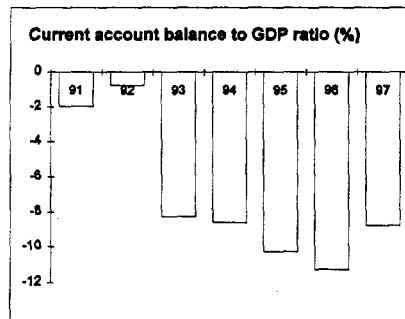
TRADE

	1975	1985	1996	1997
(millions US\$)				
Total exports (fob)	..	507	7,330	8,951
Rice	855	927
Fuel	1,346	1,443
Manufactures
Total imports (cif)	..	930	11,528	11,838
Food
Fuel and energy
Capital goods
Export price index (1987=100)
Import price index (1987=100)
Terms of trade (1987=100)



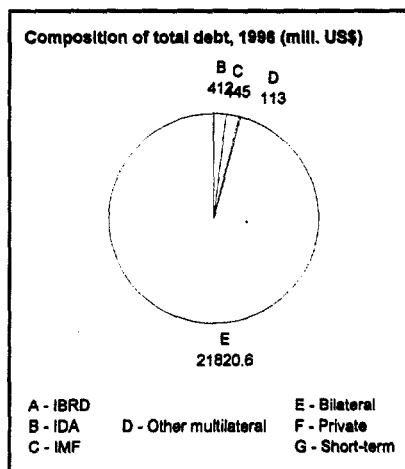
BALANCE of PAYMENTS

	1975	1985	1996	1997
(millions US\$)				
Exports of goods and services	9,695	11,492
Imports of goods and services	12,870	13,917
Resource balance	-3,176	-2,425
Net income	..	-90	-505	-564
Net current transfers	..	52	1,045	711
Current account balance, before official capital transfers	..	-534	-2,636	-2,278
Financing items (net)	..	265	3,107	2,578
Changes in net reserves	..	269	-471	-300
Memo:				
Reserves including gold (mill. US\$)
Conversion rate (local/US\$)	..	8.3	11,080.0	12,000.0

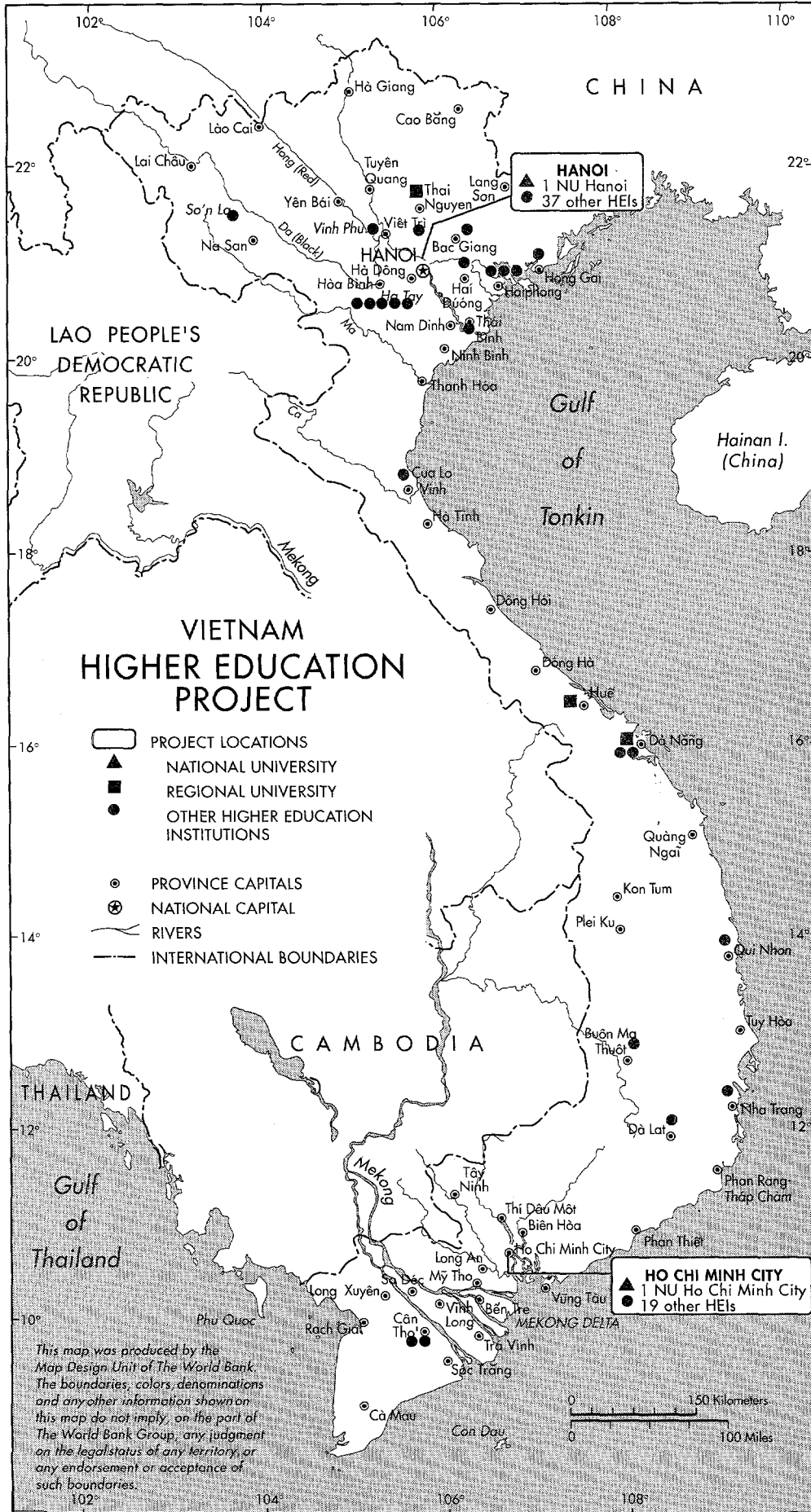


EXTERNAL DEBT and RESOURCE FLOWS

	1975	1985	1995	1996
(millions US\$)				
Total debt outstanding and disbursed	22,041	22,791
IBRD	0	0
IDA	231	412
Total debt service	309	..
IBRD	0	0
IDA	2	3
Composition of net resource flows				
Official grants	249	38	150	150
Official creditors	298	466
Private creditors	-67	..
Foreign direct investment	2,236	1,838
Portfolio equity
World Bank program				
Commitments	265	502
Disbursements	47	189
Principal repayments	1	1
Net flows	46	188
Interest payments	2	2
Net transfers	45	186



MAP SECTION



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