

# Investment in Development of Higher Education Facilities from Central Budget - A Case Study of Vietnam

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## Abstract

In all periods, the State always plays an important and leading role in investing in educational development with different plans and levels. Investment in higher education is often considered in some fields, such as investment in facilities, investment in improving teaching quality, investment in scientific research activities, practice and access to jobs, for improving working skills... This article aims to focus on researching investment from the central budget for the development of higher education facilities in Vietnam. The research results contribute to suggesting to state managers a number of solutions in planning investment capital as well as effectively managing and organizing budget investment capital for not only higher education but also in many other investment fields.

**Keywords:** Central budget, Higher education, Investment

## 1. Introduction

Higher education plays a core role in developing high-quality human resources and developing science and technology; creating a key driving force for the country's socio-economic development. Vietnam's 2021 - 2030 higher education development strategy has identified the goal of developing higher education, which is Vietnam try to belong to the group of 4 countries with the best higher education systems in the Southeast region Asia, the group of 10 countries with the best higher education systems in Asia in 2030. There are a lot of tasks to realize this strategy. One of the key tasks is that university education facilities need to be adequately completed to meet both the scale of training as well as the quality of training. The central budget is identified as an important and main channel of financial resources for investment in educational and training facilities. Investment in Higher Education is development investment and is prioritized in the national investment plans.

Investment capital for HE is mobilized from a variety of funding sources, of which investment capital from the central budget accounts for a major proportion.

## 2. Research Overview

Research on investment in higher education is an interesting content and attracts the attention of many scientists and organizations around the world. Research is carried out in many different scopes. Typical examples include:

World Bank (2023) with research on *"Public spending on higher education: Trends and impacts"*. The study analyzed trends in public spending on higher education around the world, and the fact that, public spending on higher education around the world has increased significantly in recent decades. According to World Bank data, in 2022, public spending on higher education account for about 1.7% of global GDP, up from 1.4% of GDP in 2010. The study also shows the impact of public spending on higher education and make some policy recommendations.

Organization for Economic Co-operation and Development - OECD (2022) with research on *"Spending on higher education: A global view"*. The study analyzed spending on higher education in OECD member countries, evaluated the effectiveness of spending on higher education, and made some policy recommendations. Harvard University (2021) study *"Spending on Higher Education: An Economic Analysis"* with analysis of the economic impact of spending on higher education, makes some recommendations on policy policies to improve the efficiency of spending on higher education.

Domestic studies such as those of the National Economics University (2022) and the Hanoi University of Pedagogy (2021) aim to clarify the current state of investment in higher education and analyze the investment efficiency of State budget for higher education, proposing solutions to increase investment and improve investment efficiency for higher education in the period 2021-2030.

Research on *"Efficiency of investment in public higher education in Vietnam according to the cost-benefit analysis approach"*, Dang Thi Minh Hien (2012) has drawn a general conclusion, that is "cost low – low benefits – low efficiency".

Tran Anh Truong (2022) in the study "Investment in the development of facilities and equipment for training and scientific research in public higher education institutions in Vietnam", with special emphasis on solution to build a shared electronic library system for public higher education institutions - this is quite consistent with the trend of digital transformation in today's fields.

All of these studies show the important role of the State in investing in education and training in general, and higher education in particular.

## 3. Research Results

With research data on central budget investment capital for higher education development in Vietnam for the period 2016 - 2020 and investment capital plan for the period 2021 - 2025,

some achievements and limitations in effectiveness investment in developing higher education facilities in Vietnam is as follows:

### 3.1 Achievements

The most outstanding success is: the scale of central budget investment in higher education development increased.

In general, the selected higher education development investment projects are consistent with strategic priorities identified in high-level strategic documents such as Resolution No.29-NQ/TW of the Communist Party Vietnam, Education Development Strategy.

Central budget capital invested in higher education development in the period 2016 - 2025 increased, reflected in the increased scale of central budget capital allocated to investment projects.

Unit: Billion VND

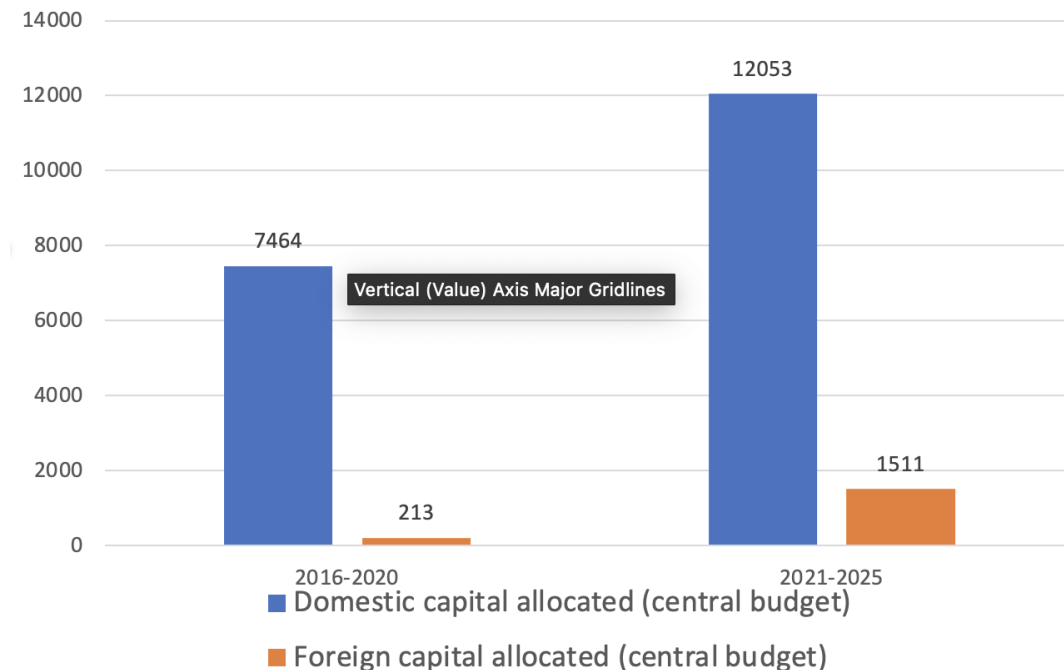


Figure 1. Total investment capital from the central budget for higher education development

Source: Medium-term public investment plan for the period 2016 - 2020 and 2021 - 2025

Figure above shows that, in the period 2016 - 2025, both domestic investment capital and foreign investment capital for higher education development increase clearly, in which investment capital from the central budget for higher education always many times higher than foreign investment capital (in the period 2016 - 2020 it is 35.8 times, in 2021 - 2025 it is approximately 8 times). Particularly for investment capital from the central budget, in the period 2021 - 2025, the investment level will increase by 38% compared to 2016 - 2020.

The number of higher education development projects in the period 2021 - 2025 decreased compared to 2016 - 2020, showing that the average investment scale per project tends to increase.

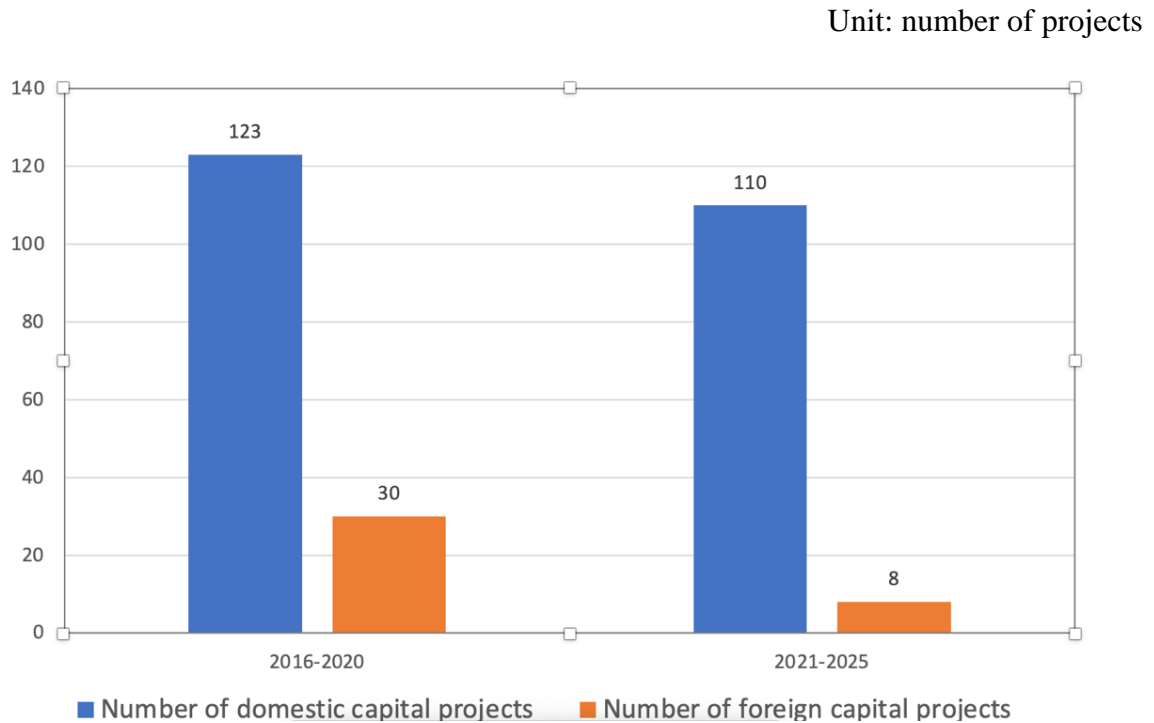


Figure 2. Number of investment projects identified for higher education development

Source: Medium-term public investment plan for the period 2016 - 2020 and 2021 - 2025

### 3.2 Limitations

Vietnam is a developing country with middle income, state budget resources are still tight with many important spending tasks. Therefore, it is quite easy to understand the current reality: despite being the main source of capital to invest in developing higher education, the central budget for higher education institutions is still very low compared to the investment needs. This is the biggest limitation in central budget investment in Vietnam's higher education facilities projects. Many higher education development projects have been identified in the development strategy, however, the funding sources for the projects do not meet the requirements, leading to some projects being behind schedule, some projects not being implemented.

In the period 2016-2020, there were 64/80 projects with investment capital allocated from the central budget lower than needed. For domestic capital investment projects, the central budget capital allocated only meets 33.5% and 70.9% of investment needs for the period 2016-2020 and 2021-2025, respectively. The gap between the expected central budget allocation and investment needs is VND 14,794 billion and VND 4,955 billion for the period 2016-2020 and 2021-2025, respectively.

Unit: billion VND

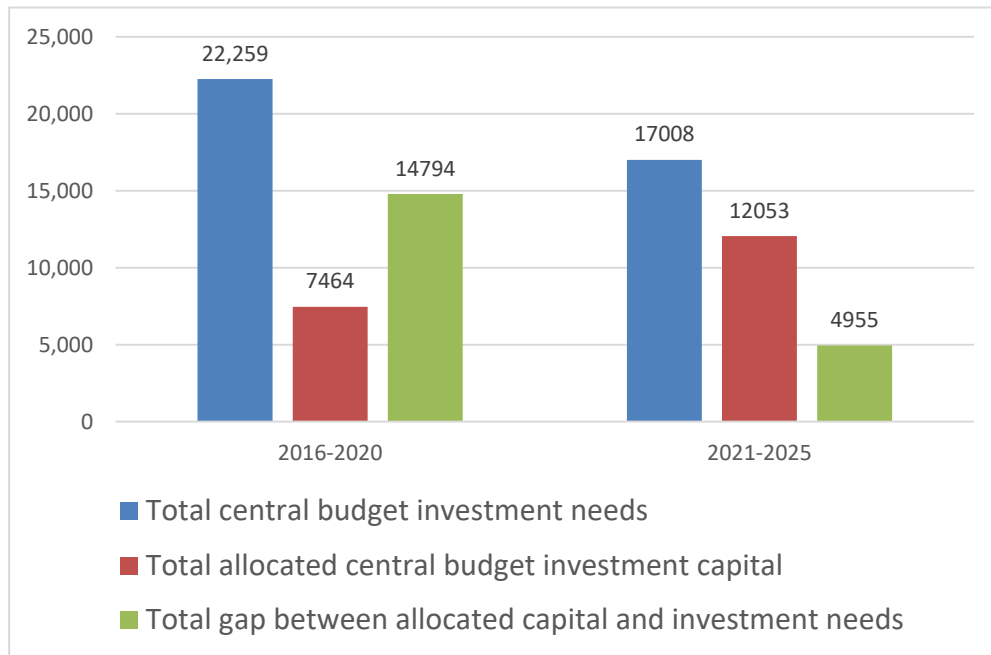


Figure 3. Compare investment needs and central budget capital allocation of domestic capital investment projects

Source: Medium-term public investment plan for the period 2016 - 2020 and 2021 – 2025

Some reasons explain the limitations analyzed above, which are:

*The principles and order of precedence in allocating central budget investment capital for Higher Education has not been specified.* Vietnam has not yet issued a document specifying the order of priority for allocation of state budget development investment capital for the field of Higher Education. Vietnam only stipulates general principles in allocating development investment capital from the central budget, there are no specific regulations on criteria and norms for allocation of development investment capital from the central budget to each individual industry or field.

*Determining the relevance of proposed projects is difficult to do.* The condition for deciding investment policy is to be consistent with the strategy, socio-economic development plan, sector plan, however, the contents of these documents are quite broad, lacking the action plan according to the framework. management by results (development goals, timelines, activities and output targets). This makes it difficult to assess the suitability of each proposed project with the strategy and development plan of Higher Education. The Law on Public Investment has provided for the principle of project selection that applies to all projects using state budget capital, There is no specific criteria or process to quantify the criteria for selecting priority projects for the education sector in general and universities in particular. There is no official grading or ranking system for projects proposed by the education sector according to their overall strategic fit, economic and social costs and benefits, and ability to balance

capital and readiness for deployment.

*Allocating investment capital to projects is not according to the principle of market competition.* Projects that have been decided on investment policies by competent authorities will be included in the list of medium-term public investment plans as a basis for making investment decisions on programs and projects. However, the criteria for allocating public investment capital in this period have not yet followed the principle of market competition. The projects in the medium-term public investment plan are a list of projects that have been preliminarily appraised, and also have been preliminarily approved to allocate capital in the budget. There is no clear regulation on the responsibility of “gatekeeper” at this stage so that projects that do not meet socio-economic efficiency can be eliminated.

*The appraisal of investment projects lacks independence and scientific analysis.* The Public Investment Law prescribes the steps to be taken in the appraisal, but there is no officially published appraisal methodology and documentation nor does it provide for an independent review of the appraisal report of the projects in Higher Education. The legal framework for project appraisal does not systematically require risk assessment and benefit-cost analysis. There is no systematic requirement to perform a cost-benefit analysis for investment project appraisal.

*The principles and grounds for public investment planning are general, not clear-cut.* Preparation of medium-term public investment plan and Annual public investment plan must be based on the situation and results of socio-economic development and public investment plan in the previous period. This regulation does not clearly define which agency’s report on the situation and implementation results must be considered valid and lawful to use as a basis as well as the extent to which these bases are used. This will lead to the subjective and formal use of this basis in the formulation and appraisal of public investment plans. Public investment planning must be consistent with development goals in the socio-economic development strategy, five-year and annual socio-economic development plans of the country, sector, field, etc. localities and approved plannings, 5-year financial plans, 5-year plans for borrowing and repaying public debt. However, to have a scientific basis to determine the appropriate level is difficult to do.

The allocation of public investment capital must comply with the principles, criteria and norms for the allocation of public investment capital in each period approved by competent authorities. However, Vietnam does not have criteria and norms for the allocation of public investment capital from the central budget for the education sector. The State Budget Law provides for the development of a rolling 3-year state budget plan, but documents on public investment do not require a rolling 3-year investment plan even though this is a tool to re-prioritize in annual investment planning over a 3-year medium-term time frame, but still within the framework of the medium-term public investment plan. The legal documents on public investment and the state budget do not have regulations on prioritizing budget allocation for the operation and maintenance of assets in the future.

*Despite substantial progress, the central budget capital is still not sufficient and effective for the development of Higher Education.* Investment capital from the central budget allocated to

investment projects is spread out, not focused on priority projects, and projects many years behind schedule. The main causes are: (1) Universities have not relied on objective criteria to develop project proposals: There are no good project proposal criteria, including cost-benefit analysis; commitment of counterpart funds and solutions for management, maintenance, use and exploitation after the end of the project, etc.; There is no list of investment projects in the planning and strategy for the development of Higher Education institutions; The project proposal has not been associated with the expansion of enrollment scale and training quality of universities; (2) University leads to a lack of focus, lack of strategy and lack of adequate capital allocation to development requirements; (3) The process of appraising and approving investment policies and allocating state budget investment capital for projects has not been based on these criteria. In addition, the priority criteria for allocation of state budget investment capital in general are still lacking in quantitative, specific and detailed, especially there is no system of priority allocation criteria specific to the education sector; (4) The network of Higher Education institutions has been slowly reviewed, screened and rearranged to serve as a basis for focused development investment. (5) The method of allocating investment capital from the central budget is still traditional, whereby the investment capital allocated for the following year by each ministry increases more than the previous year at a common rate. This method can lead to “equalization” in the allocation of investment capital and difficult to promote the achievement of priority goals in Higher Education development; (6) The monitoring and evaluation of the allocation, management and use of central budget investment capital are ineffective

#### **4. Conclusion**

In Vietnam, investment in higher education facilities from the central budget plays an important role in improving the quality of higher education. Along with growth and development, Vietnam has made great efforts and devoted more and more state budget resources to investment in education and training. However, investment in education and training in Vietnam is still low and does not meet development needs. The article has summarized the highlights of investment in facilities for higher education from the central budget in Vietnam, with successes and limitations. To overcome and achieve efficiency in investing in higher education infrastructure, issues such as developing criteria for allocating state budget capital for public investment projects in higher education; Strengthen inspection, supervision and evaluation of public investment projects in the field of higher education; complete the mechanism for mobilizing capital for development investment; towards mobilizing socialized resources in investing in higher education facilities... needs to be paid attention in next time. This is a suggestion for the author's further research.

#### **Competing interests**

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

#### **Informed consent**

Obtained.

### **Ethics approval**

The Publication Ethics Committee of the Macrothink Institute.

The journal's policies adhere to the Core Practices established by the Committee on Publication Ethics (COPE).

### **Provenance and peer review**

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### **Data availability statement**

The data that support the findings of this study are available on request from the corresponding author. The data are not publicly available due to privacy or ethical restrictions.

### **Data sharing statement**

No additional data are available.

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