



**INTERNATIONAL AND NATIONAL  
SKILLS DEVELOPMENT APPROACHES IN VIETNAM**

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## ACRONYMS

ADB	The Asian Development Bank
ASEAN	Association of South East Asian Nations
AusAid	Australian Agency of International Development
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CRS	The Catholic Relief Services
DACUM	Developing a Curriculum
EU	The European Union
GDVT	General Department of Vocational Education
HRD	Human resource development
IT	Information technology
JBIC	Japan Bank of International Cooperation
JICA	Japan International Cooperation Agency
MES	Modules of employable skills
MOET	Ministry of Education and Training
MOF	Ministry of Finance
MPI	Ministry of Planning and Investment
NGO	Non Governmental Organization
ODA	Official Development Assistance
OECD	Organization of Economic Cooperation Development
OOG	Office of the Government
PRSP	Poverty Reduction Strategy Paper
SMOET	Support for Ministry of Education and Training
SREM	Support to the Renovation of Education Management project
TTTC	Technical Teacher Training College
UNDP	United Nations Development Program
UNESCO	United Nations Education, Science and Culture Organization
UNFPA	United Nations Family and Population Agency
UNICEF	United Nations Children Fund
WB	The World Bank
WHO	World Health Organization

## **Introduction**

In Vietnam the concept of skills development, from the perspective of both national and international experts, is commonly understood as developing some practical skills that enable people to deliver a specific performance. Skills are often analyzed and compared to other related or contradictory concepts such as knowledge and theory. In a number of cases, skills are also considered a component of competency, including: knowledge, skills, and attitude. Skills development has been increasingly emphasized in the process of setting educational objectives, designing curriculum and learning materials, as well as teaching and evaluation in Vietnam.

When it comes to the issue of skills development, therefore, basically the following skills are mentioned: reading skills, writing skills, numerate skills, vocational skills, thinking skills, life skills, etc. The skills concept, in this context, proves to be relatively narrowed and specific, although some authors such as Freire and Thuy (2006) and Ngo Huy Liem (2007) consider this concept to be quite broad. They also tend to attach the concept of skills development to higher and technical, vocational education. Some other researchers look at skills development from the perspective of post-primary education, such as McGrath (2008), Pieck (2008). In addition, some authors address the so-called skills development via formal and non-formal education system. Hence, despite the fact that there is no clear definition of the skills development concept, the various indicators mentioned by authors cited in this article allow us to link this concept to human resource development (HRD), which is originally regarded as:

The process of increasing the knowledge, the skills and the capacities of all the people in a society. In economic terms it could be described as the accumulation of human capital and its effective investment in development of an economy. In political terms, HRD prepares people for adult participation in political processes, particularly as citizens in a democracy. From the social and cultural points of view, the development of human resource helps people to lead fuller and richer lives, less bound by tradition. (Harbison, 1973)

Also, human resources are developed in many ways: formal education, non-formal education and self-development.

The elaboration of the skills development concept enables us to consider this process in the context of Vietnam education, as well as ways to develop these skills from the perspective of both Vietnamese and international experience.

## **1. RECOGNITION OF THE IMPORTANCE OF SKILLS DEVELOPMENT IN VIETNAM**

It might be noted that the recognition of skills development's importance in Vietnam's educational development orientation is a prolonged and painful process, due to certain subjective and objective conditions. From the time of gaining national independence in 1945, Vietnam

underwent three educational reforms<sup>1</sup>; notably, these reforms considered education as merely a cultural and thus ideological instrument, resulting in the fact that investment in education was only regarded as a form of social welfare. The concept of skills development had no status in education goals during that period (Pham Minh Hac, 2002). Only in 1991, five years after the latest educational reform, did people start to realize that investment in education is investment for development, or a capital investment for the national socio-economic development<sup>2</sup>. Two years later, this viewpoint was concretized through the affirmation of Vietnam' educational goal: improving people's general knowledge, **training human resources**, and fostering talent<sup>3</sup>. In the late 1990s, this concept was further clarified, and the Educational Development Strategy for 2001-2010 clearly defined the importance of human resource development (HRD): "A high quality human resource is one of the primary driving forces to enhance industrialization-modernization processes; it is an essential factor for social development, rapid and sustainable economic growth". Certain authors also point out the roles of each level of education in HRD/skills development (Vu Ngoc Hai et al., 2007):

## **2. SKILLS DEVELOPMENT, EDUCATION AND RESEARCH**

Vietnam has a relatively developed education and training system. After two decades of reform processes, Vietnam has established a national education system which is relatively complete, consistent, and diversified with the presence of all education and training levels from preschool to postgraduate, and a number of education-training forms and approaches. The school network is increasingly expanding in all provinces and cities nationwide.

Up to the school year of 2006-2007 and nation wide, there were 11,444 kindergartens and *crèches*, an increase of 30.5% compared to 1999-2000 school year, and 27,595 primary, lower and upper secondary schools. Mountainous provinces and districts have boarding and day-boarding schools for children of ethnic minorities. In twenty-two mountainous provinces and eighty-one mountainous districts there are 352 commune boarding schools supported by local people, with 864 classes and 28,637 students. Vocational training schools, classes, and centres are developing in several forms; short courses in vocational training are rapidly increasing. Universities and colleges are established in almost all main residential areas of the country, regions, and localities. Up to the 2006-2007 school year, there were 322 universities and colleges nationwide, doubling the number recorded in the 1999-2000 school year<sup>4</sup>. For 2006-2007, there

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<sup>1</sup> First educational reform: 1945-1955, Second educational reform: 1956-1978, Third educational reform: 1979-1986.

<sup>2</sup> VII-th Congress of the Vietnam Communist Party (1991), *Strategies for Socio-Economic Stabilization and Development until 2000*, The Political Publishing House, Hanoi.

<sup>3</sup> Resolution of the 4<sup>th</sup> Plenum of the Central Committee of the VII-th Party Conference (1993), *Continued Renovation for Education and Training Cause*, The Political Publishing House, Hanoi.

<sup>4</sup> Ministry of Education and Training: [http:// www.moet.gov.vn](http://www.moet.gov.vn)

were 636 continuing education centres, 8,359 community learning centres, and 750 centres for foreign languages and informatics in Vietnam.

The education system was gradually diversified in terms of types, modes of delivery, and resources, integrating in the world's common trends in education step by step. From a system with only public schools and mainly formal types of education, the current education system now has non-public schools, non-formal types of education, open schools, and distance education; several forms of cooperation with foreign educational institutions are mushrooming. Achievements in education and training have positively contributed in improving and enhancing HRD quality.

Apart from the government's key role in education development, a number of social resources have been mobilized and encouraged to support learners in pursuing educational processes, contributing in the assurance of educational equity, increasing people's common knowledge and developing human resources to satisfy the country's development requirements. Social forces participate quite actively in education-training process and HRD. Authorities and related bodies, as well as organizations all participate in encouraging children to go to school, building school's facilities, investing in new school establishment, and providing financial supports for education in various forms. Positive changes are seen in people's awareness of education's role. Hence, investment sources for education are more diverse than before, with flexible mobilization types corresponding to each locality's economic situation and conditions. The proportion of social contribution for financing education in the total education budget continues to increase. The policy of education socialization also helps increase resources for education, contributing to HRD's ability to meet society's demands.

Thanks to wide participation of social forces in education, types of schools/classes have been diversified; people-founded, semi-public and private schools have been developed. The non-public school system continues to be expanded, helping to reduce pressure on public schools, paving the way for social forces to collaborate with the state in education development, and contributing to social stability under the condition of a limited state budget. Various types of non-public schools have been established. In the 2006-2007 school year, there were 52.7% non-public schools at the preschool level; at the primary level, the rate was 90 out of 14,839 schools; at the secondary level, 666 out of 12,756 schools; for colleges, 17 out of 183 schools with 36,301 students; and thirty non-public universities with a substantial number of students, or 157,170<sup>5</sup>. Distance education courses via mass media have also been promoted. Supplementary and in-service training courses serve as additional options for formal education, providing more learning opportunities for people and helping improve human resources quality.

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<sup>5</sup> Ministry of Education and Training: [http:// www.moet.gov.vn](http://www.moet.gov.vn)

Education and training scale is demonstrated by the number of people trained and the school network. In recent years, the quantity of students and schools has increased drastically; several new training fields have been introduced; and types of training and learning approaches were diversified. The number of colleges and universities has been increasing rapidly reaching two times higher than the level recorded six years before, during the 1999-2000 school years. The number of students in colleges and universities also increased considerably amounting to the rate of 1.7 times higher than what recorded in the 1999-2000 school years, with the number of college students alone increasing by a factor of 2.1.

The development of training at this scale has changed the qualification structure of HR. The rate of labourers holding college/university degrees increased more significantly than in professional secondary and vocational training levels. This was seen most clearly in the 1990-1999 period, when higher education scale increased 6.2 times, but for professional secondary and formal vocational training levels rates increased by only 1.4 times and 1.5 respectively; i.e., for every ten college/university students, there were only three professional secondary students and two technical workers.

Research in the field of skills development in Vietnam is mainly conducted by a few institutions, namely the Vietnam Institute of Educational Sciences (under the Ministry of Education and Training, MOET), the Research Institute of Vocational Education (GDVT), Hung Yen University of Technical Teachers' Education (under MOET), and HCM City University of Technical Teachers' Education (under MOET). Research in the field of skills development in Vietnam can be divided into two periods: before and after the "Doi moi" (known as the "renovation", or the economic reforms initiated by in Vietnam in 1986). Before the Doi moi, research in skills development was strongly linked with research directions implemented in the Soviet Union and the Eastern Block. At that time the research themes were in the fields of training of highly qualified workers, preparation of workers by occupational groups, preparation of workers of wide profile etc. Just before the start of Doi Moi, due to the relationship with UNESCO, some research topics of UNESCO were introduced such as training semi-skilled workers through vocational training centres at the district level, modules of employable skills (MES), modular training etc. After the Doi Moi, due to the expansion of Vietnam's relationship with international actors, Vietnamese researchers became familiar with research directions in Western countries. Since then, Vietnamese researchers began conducting research in areas such as DACUM (Developing a Curriculum), vocational training (supported by Canada and the USA, among others), and competency based training (supported by Australia and Switzerland, among others).

### **3. INTERNATIONAL PROJECTS ON EDUCATION AND SKILLS DEVELOPMENT**

Since 1989, the year that Vietnam first received an internationally sponsored project on education/skills development, the amount of these kinds of projects has significantly increased,

and the donors have been numerous and diversified. It is observed that the donors are of different types, including multi-lateral donors, bilateral donors, governmental or non-governmental donors, or public or private donors, all offering many projects on education/skills development depending on their interests, priorities and expertise.

### **3.1. Multi-lateral donors**

*The World Bank (WB):* It can be said that the WB is the first and largest multi-lateral donor to have implemented international projects on education/skills development projects in Vietnam, from as early as 1994. Projects sponsored by the WB are largest in terms of budget size which may range from tens to hundreds of millions of USD. The most prominent education/skills development projects of the WB in Vietnam include: *Primary Education Project (1994-2002)*, *Primary Teacher Development Project (2002-2007)*, and *Higher Education Project phase I and II (1999-2008)*. One of the on-going projects of the WB, *Primary Education for Disadvantaged Children*, has a budget of more than 200 million USD. Main areas of interest for WB education/skills development projects are: primary education, higher education, teacher's development, and education for disadvantaged children. The WB has been a pioneer in initiating important innovations such as: the standardization of curriculum and textbooks as well as teacher's job descriptions/standards, national students' achievements assessment, strategic planning in universities, inclusive education, and whole day schooling. The WB has also led the way in introducing the sector wide approach in managing international projects in Vietnam.

*The Asian Development Bank (ADB):* The ADB is the second largest donor of education/skills development projects in Vietnam. Its sponsored projects with typical budgets of around 30-50 USD. Significant ADB projects include the following: *Lower Secondary Education Development Project phase I and II (1998-2010)*, *Vocational and Technical Education Project (1999-2006)*, *Lower Secondary Teacher Training Project (2000-2006)*, *Upper Secondary Education Development Project (2004-2010)*, *Upper Secondary and Professional Teacher Development Project (2007-2011)*, and *Lower Secondary Education in the Most Disadvantaged Regions Project (2008-2012)*. ADB's main areas of interest in the education sector are: vocational and technical education, lower and upper secondary education, teachers training, and disadvantaged students and regions. The technical expertise of the ADB places an emphasis on curriculum development, learning and teaching methodologies, student's assessment, foreign languages teaching and learning, vocational standards development, competency-based training, and a DACUM approach in vocational curriculum development, among others.

*The European Union (EU):* The EU became a donor of education/skills development projects in Vietnam a bit later than the WB and ADB, and its projects are normally modest in terms of budget size which ranges from 10-12 million Euros. The EU has been implementing the following projects: *Support for Ministry of Education and Training (SMOET) (2000-2003)* and

*The Support to the Renovation of Education Management project (SREM) (2006-2010).* EU education/skills development projects are unique in their way . Firstly, their projects focus more on management, the area that has been ignored by many other international projects. Secondly, the Ministry of Education and Training is itself the direct beneficiary of EU projects, in addition to the other common beneficiaries such as educational institutions. Therefore, EU technical expertise is related to: designing, implementing and assessing educational policies; improving capacity of education management at central, provincial and school levels; supporting the creation of the education and application of this in educational planning and administration; innovating the budget allocation and financing for education, in particular for the delivery of basic education at district and provincial levels; and some pedagogical components.

*Other multi-lateral donors:* There are also a number of other multilateral donors who have been active in offering various education/skills development projects such as UNDP, UNESCO, UNICEF, and UNFPA. These donors normally offer projects with budgets from some hundred thousands to 1 to 2 million USD in the areas of their interest priorities, for example UNDP is concerned with environmental education, UNESCO pays attention to education for all, UNICEF would like to promote new approaches in education such as friendly school models, multi-grade teaching, life skills education, etc., and UNFPA obviously focuses more on population education.

### **3.2. Bilateral donors**

*Japan:* In Vietnam, Japan usually sponsors education/skills development projects through JICA. Although aid from Japan to Vietnam's education/skills development have become more diversified in content, generally speaking and over the past years construction and upgrading of infrastructure for schools remains the area where Japan places most of its interest in terms of ODA projects. In particular, Japan has implemented the following projects: *Upgrading Infrastructure of Primary Schools in Flood and Typhoon Prone Areas (1996-2003)*, *Upgrading Infrastructure of Primary Schools (1996-2000)*, and *Upgrading Infrastructure of Primary Schools in Northern Mountainous Areas (2000-2005)*. Projects supported by Japan have quite sizable budgets that may reach up to 30 million USD.

*Germany:* Germany is famous for its heavy industry, and vocational and technical training, which is why these remain the main areas for German support, including sometimes higher education. Examples of German sponsored projects include: *Improving Vocational Training Capacity For The Technical Pedagogy University In Ho Chi Minh City (1993-2000)*, *Vocational Training Programme (1996-2005)*, *Supports for the Training of Economic Managers (1994-1997)*, and *Support for Viet - Duc Technical Education College (1999-2003)*, among others. Budgets of German projects typically run in the several million USD range.

*The Netherlands:* The Netherlands has been a prominent donor of education/skills development projects in Vietnam. The focus of the Dutch assistance in Vietnam is largely related to higher education and vocational/technical education. Main expertise offered includes capacity building, implementation of training courses, and the establishment of new institutional types. The budget size of the projects are medium, reaching up to several million USD. The following are examples of Netherlands sponsored projects: *Netherlands Master Training Programme on Economic Development (1994-2003), Vietnam, Netherlands Master Training Programme on Economic Development (Ho Chi Minh City) (1994-2003), Training and Research Capacity Building for Cantho University (1995-2003), Upgrading the Hang Giang Technical College Phase 1, 2 (1997-2000), Upgrading the Training Worker College of Forestry Engineering (1997-2002), Women Training Courses on Small and Extreme Small Business Phase 2 (1998-2001), and Coastal Knowledge Strengthening (2000-2004), 6 Community Colleges Establishment (2000-2004),* among others.

*Other bilateral donors:* It is difficult to list all bilateral donors involved in the field of education/skills development in Vietnam, including donors from Sweden, Switzerland, the UK, France, Belgium, Canada, Australia, Singapore and Thailand, among others.

### **3.3. Private and non-governmental donors**

The non-governmental donors in the field of education/skills development are numerous, while private efforts are few with mostly small projects focused on the short-term duration. Traditional non-governmental donors in Vietnam may include Pearl S. Buck International, the Catholic Relief Services (CRS), Netherlands Committee 2, Plan International, Ford Foundation, and World Vision, among others.

## **4. EFFORTS FOR IMPROVEMENT IN POLICY LEARNING AND TRANSFERS BETWEEN INTERNATIONAL AND VIETNAMESE PARTNERS**

Over the past years, the performance of international projects and in particular ODA projects in Vietnam have considerably improved as the annual level of disbursements increases. The total amount of disbursed funds from 1993 to the end of 2001 reached some USD 9,728 million, which accounted for approximately 55.5% of the total ODA commitment. ODA resources have been allocated in direct support of the government's priority sectors, including power (24%), transportation (27.5%), agriculture and rural development including fisheries, forestry, irrigation (12.74%), water supply and drainage (7.8%), and social development, health, education and training, science, technology and the environment (**11.87%**). A number of ODA-funded projects have been completed, put into operation and have thus made significant contributions to economic growth and poverty alleviation. Broadly speaking, over the past years, ODA resources have been used in an efficient manner to support Vietnam's socio-economic development goals.

Nevertheless, it is well noted that there remain certain problems to be tackled in order to better use and manage ODA resources in Vietnam , especially with regard to the stages of project preparation, implementation, monitoring and evaluation.

To solve those problems, the Vietnamese government and donors have rather closely cooperated to minimize inefficiency in using and managing ODA resources. For example, the government has proposed some solution such as:

- Issue a joint circular by the Ministry of Planning and Investment and Ministry of Finance providing guidelines on implementing Decree 17/2001/ND-CP (May 4, 2001) with respect to financial issues of ODA funded project and programs.
- Soon promulgate an ordinance on resettlement and land compensation to efficiently deal with the current bottlenecks faced by many investment projects financed by ODA resources.
- Sustain efforts to further harmonize the recipient and donor procedures for better aid reception, utilization and management.
- Adopt a multi-approach method in capacity building for project management where training can be complimented by other sorts of capacity strengthening exercises in order to achieve the ultimate goal of improving the quality of aid management.
- Strengthen the project monitoring and evaluation system at all levels and introduce information technology at a broader extent to improve the work quality in this area.

On the donors' side, the need to promote country ownership, work in greater partnership, reduce transaction costs, and move toward harmonization has been a major focus since June 1998. Some progress has been made on many aspects:

- Most donors have shown their intention align their programs with Vietnam's Comprehensive Poverty Reduction and Growth Strategy (CPRGS) – in essence the country's Poverty Reduction Strategy Paper (PRSP) – though this needs to be more concretely rendered operational.
- Partnership groups including twenty representatives from the government sector, NGOs and donor organizations have been formed. Most have made an active, coordinated contribution to the government's ten-year plan and five-year strategy, and to the CPRGS, and are now moving from vision to action.
- In some particular sectors new ways of working have been elaborated with more formalized relationships and a move toward sector wide approaches. An example is the Forestry Sector Support Partnership, in which donors support a common program through a common mechanism.

- A “like-minded” bilateral group has identified a range of actions that can be taken to simplify and harmonize their procedures<sup>6</sup>, and has begun work toward the development of a glossary and common vocabulary.
- AusAid has provided support to strengthen the government’s capacity to monitor and evaluate aid projects. The alignment of this capacity with the monitoring and reporting requirements of individual donors and the increasing focus on results needs to be more fully explored.
- The ADB, the JBIC, and the World Bank have carried out a joint portfolio review, but the opportunity for more systematic joint reviews should be explored.

## **5. THE VIETNAMESE CASE STUDY ON TRANSACTION COSTS OF ODA PROJECTS**

Since late the 1990s, the government of Vietnam has been making a great effort to enhance ODA effectiveness, particularly through various Consultative Group meetings, etc. In parallel, international and bilateral donor countries have discussed this issue at the international level, including the OECD Task Force. And many donors are now exploring the possibilities of ODA harmonization in Vietnam to in order to contribute to the upgrading of ODA effectiveness. In January 2001, the international donor community set up a task force on donor practice, held a series of discussions, and commissioned the Birmingham University in the UK to conduct a Needs Assessment Survey (2002). Results of this study pointed to huge ODA transaction costs that were imposed by donors, due to poor coordination at the strategy planning and project formulation stages. Also the various procedures of multiple donors hampered aid effectiveness and efficiency. In past discussions, donors have emphasized the transaction cost or burden in terms of overlapping projects and the in-efficient use of scarce ODA resources. After the OECD task force was set up, the donor community came together to discuss transaction costs in detail at each stage of the project cycle. They tried to upgrade aid effectiveness and efficiency by introducing a new ODA modality based on the program approach. This included a sector-wide approach, with some pooling arrangements and opportunities for budget support as options.

The Vietnamese Case Study on Transaction Costs of ODA Projects, sponsored by the JICA and carried out by the central institute for economic management in Vietnam, focuses on transaction costs of the ODA grant aid projects, imposed by different donors on the recipient government agencies. The objectives of the study are as follows:

- 1) To assess the present situation of the ODA transaction costs imposed on the Vietnamese side.

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<sup>6</sup> The identification and comparison of the government’s and six bilateral donors’ ODA management procedures was finalized in October 2001.

- 2) To explore modest, various alternatives of ODA harmonization for all of donors and to suggest some recommendations for reducing unnecessary and excessive transaction costs in dealing with ODA projects in general.

The study was implemented in four sectors, namely the infrastructure, agricultural and rural development, **education**<sup>7</sup> and health sectors, and suggests the following interesting lessons and implications.

First, unnecessary transaction costs do exist in ODA projects and finding appropriate ways to reduce these costs/burdens is very important. The survey has also revealed that both sides, both Vietnamese recipients and international donors, seem to learn a great deal from experiences in undertaking ODA projects. In fact, nearly half the projects have had no or only negligible transaction costs.

Second, the burdens imposed by donors are quite similar whether all donors are considered as a whole, or by looking at sectors (all except the health sector) or cost types (time costs, staff costs and additional expenditure). Moreover, even transaction costs by cycle are not much different among the donors. This implies that the main causes of ODA transaction costs may not lie in the fact that different donors impose different ODA modalities on Vietnamese partners. It is reasonable for donors to simplify some their own procedures, but their attempt to harmonize all procedures may be too costly and unnecessary. Flexibility in undertaking ODA projects is also important, especially in a transitional economy like Vietnam with several institutional obstacles – that are nonetheless evolving and improving. Moreover, both Vietnam and donors can learn a great deal beyond the project itself, which can be useful for improving Vietnam’s institutions in a broader sense.

Third, comments on problem of donors’ harmonization are also supported by the examination of transaction costs/burdens by sector and by case-study/story. Fundamentally, transaction costs are too diversified in terms of project stages/cycles, cost types, and macro/micro factors, creating transaction costs. This implies that the major causes of transaction costs can be attributed to the shortcomings and weaknesses of cooperation between donors and Vietnam and to problems on the Vietnam side.

It is observed that the relatively high transaction costs are most likely incurred in the cycles of developing the priority project/program proposals, preparing project documents, and appraising and approving projects. In general, the transaction costs incurred during procurement process seem to be largest. These four cycles should be the key both sides should focus on to reduce burdens on and to improve efficiency of ODA projects. However, since the factors creating transaction costs are varied and can occur in any cycle depending on a specific project in a

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<sup>7</sup> The Education sector study was carried-out by the author.

particular sector, the ways for reducing transaction costs should be realistic, pragmatic and practical (See Table 1).

Fourth, one of the most crucial questions in discussing transaction costs in Vietnam is, what and to what extent do donors expect the Vietnamese counterparts to take the responsibility of logistical matters under their ownership? In other words, how do donors ensure ownership? Today, ownership principles are already widely accepted in the international donor community, and can be classified as follows:

- Aid delivery in accordance with the recipient government’s policy;
- Active involvement in project design and planning, as well as in the implementation stage including procurement, financial management, monitoring and reporting.

As mentioned above, several major causes of transaction costs are lying on Vietnam’s side. The ownership, therefore, can be realized in an effective way only if Vietnam can improve its institutions<sup>8</sup> and capacity. The institutional improvement is very much associated with the process of administrative reform. However, its progress so far has been very limited. The capacity building can be classified as twofold: (i) capacity building in the expertise field, and (ii) capacity building in the field of project management such as procurement, financial management and auditing, monitoring and reporting.

In the Vietnamese Case Study on Transaction Costs of ODA Projects, twenty mini cases on the education sector were introduced. *Table 1* illustrates one of these mini cases.

*Table 1: A mini case of transaction costs study in skills development project*

<b>VOCATIONAL TRAINING PROGRAMME</b>	
<b>PROJECT INFORMATION</b>	
Name of project/program	Vocational Training Programme
Aid donor	German Government
Line agency	Ministry of Education and Training
Executing Organization	Technical Teacher Training College of Hung Yen
Form of ODA	Equipment supply/ Capacity Building
Date of inception phase	1993
Project starting date	1996
Project finishing date	2005
Total ODA commitment	USD 9 Mil. and EUR 8.2 Mil.
% of Vietnamese partner	17%
<p>In November 1991, the governments of Vietnam and Germany signed the Agreement on Economic and Technical Cooperation, setting the foundation for the implementation of capacity building among technical teacher training schools in Vietnam.</p> <p>In line with ideas presented in this Agreement and with notorious German discipline, a number of German fact-</p>	

<sup>8</sup> This is very much associated with the process of improving the legal framework and undertaking administrative reform in Vietnam. The progress of the latter so far remains limited.

finding missions came to Vietnam following the signing of the Agreement. The Technical Teacher Training College (TTTC) in Hung Yen was one of the locations of these visits. Through information collected from the German missions and recommendations by various MOET departments, the TTTC quietly started the preparation of the project proposal and submitted it to the authorities concerned, namely: the Ministry of Education and Training (MOET), the Ministry of Planning and Investment (MPI), the Ministry of Finance (MOF), and the Office of the Government (OOG). After a series of discussions, procedures and agreements on the target programmes, both the Vietnamese and German sides agreed to conduct the review. At that stage, Germany sent consultants to TTTC to help with the drafting of the project proposal for submission to the German government. The preparation of the proposal was long and difficult, incurring different transaction costs. The lengthy procedures could have been cause for complaint, but in this case the main cause for delay was that the German consultants did not understand the Vietnamese circumstances, which required long explanations to the consultants by TTTC staff. Many hot discussions between German and Vietnamese experts took place, though without any conflicts.

The time span from preparation to the approval of this project was three years. It was difficult to estimate how much transaction costs had been spent, but this process was necessary and not perceived as a burden. The Vocational Training Programme then started at TTTC in Hung yen province.

Vietnam started the Doi Moi or “renovation” in 1986, but only in the early 1990s did the Vietnamese experts have chances to work directly with foreign partners, in particular Western ones. It was clearly understandable that the limited competencies and the language barrier of Vietnamese experts, , including the TTTC staff, became a major hindrance to the TTTC project’s efficiency. Not to mention that project management was something absolutely unknown to the college’s staff at that time, for instance manpower management, organization, tasks, finance, etc. This lead to increased transaction costs.

In general, the Vietnam Vocational Training Programme project has passed two phases and has been assessed as very effective, resulting in the approval of the third phase for 2003-2006, after completion of the second phase in 2002.

The project staff did not have any comments, besides complaints about complicated procedures and the long project proposal development process . And for a good project preparation and implementation, a skilled staff is needed, including professional competencies and language skills . At TTTC there are staff members capable of implementing the third phase. As announced, TTTC has been upgraded by the government to the Hung Yen Technical Pedagogy University, which was partly due to the success of the Vietnam Vocational Training Programme project.

*Table 2* below (appendix) summaries the main factors that create transaction costs in the education sector in comparison with the other sectors.

## **6. CONCLUSION**

Even though the notion of skills development in Vietnam is still vague, in considering its meaning in a broad sense it can be said that Vietnam has recognized the significant role of skills development through a long and painful process. At present, the national education system, together with research institutions, is making great efforts to respond to the increasing needs of skills development in the country.

The success of Vietnam’s skills development would not be significant without the great contributions of international/foreign assistance through various types of projects or programs.

Each donor brought with them their specific expertise and approaches in skills development, and the process of transferring and learning has been improved.

The Vietnamese Case Study on Transaction Costs of ODA Projects is one of very few attempts to assess the present situation of the ODA transaction costs and to explore ways for ODA harmonization among all donors, and to suggest some recommendations for reducing unnecessary and excessive transaction costs in dealing with ODA projects in general and education in particular.

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*Appendix: Table 2, Matrix of factors creating transaction costs by sector*

Project cycles	All projects	Agriculture	Education	Health	Transportation
Pre-implementation	<ul style="list-style-type: none"> <li>• Vietnam's difficulties in disbursement counterpart funds: Vietnamese partners' limited financial resources allocated for the preparation and project design cycle.</li> <li>• Passive participation of Vietnam's partners in designing the project as the consequence of over-dominance of the donor in this phase.</li> <li>• Weak capacity of Vietnamese partners in the preparation and project design stage.</li> <li>• High capacity of international experts.</li> <li>• Vietnam's regulations: too centralized in making decision.               <ul style="list-style-type: none"> <li>- Unclear and sometimes irrational regulations set up by Vietnam's authorities that can lengthen the project approval process.</li> <li>- Inflexible requirements that can create unnecessary costs, in terms of time and administration.</li> <li>- Complicated, time and effort consuming procedures in proposal preparation and approval stage.</li> <li>- Little understanding of issues raised by the project (GD4-4), and delays in issuing approval</li> <li>- Lack of common criteria for appraising an ODA project.</li> </ul> </li> <li>• Donor's regulations: donor's complex requirement regarding administrative and financial procedures; donor practice is different from Vietnam's procedure.</li> <li>• Over-centralization and over-dominance of donors.</li> <li>• Other factors:               <ul style="list-style-type: none"> <li>- Poor coordination between parties involving in the project.</li> <li>- Lack of beneficiary participation in the designing process, causing unexpected costs during the implementation phase.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Poor project design:</i> not locally specific; not sufficiently demand-driven; unreasonable time schedule; no scientific foundation; unanticipated risks; unrealistic objectives resulting in implementation changes/activities cut-off.</li> <li>○ <i>Weak institutional/project management framework:</i> too many levels of approval; required approval for subprojects; unclear procedure; incompliant with regulation; conflict among line ministries; lack of corresponding fund.</li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Cumbersome procedure:</i> irrelevant/frequently changed process; many levels of approval/inflexibility.</li> <li>○ <i>Poor resource mobilization:</i> not enough operating funds; extra activities conducted to compensate; under disbursement; no salary for Vietnamese staff's overtime hours.</li> <li>○ <i>New area to be explored:</i> time needed to gain understanding, explanations, and knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Cumbersome procedure:</i> half-year-taken annual approval; disagreement on budget allocation.</li> <li>○ <i>New area to be explored:</i> no evaluation criteria set.</li> <li>○ <i>Incompetent Vietnamese staff:</i> no expertise in project document preparation/ negotiation / long payment settlement/ incapable of foreseeing.</li> <li>○ <i>Poor preparation:</i> insufficient investigation; poor estimation of demand.</li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Disagreement on setting priorities.</i></li> <li>○ <i>Poor co-ordination:</i> complicated changes in ODA regulations / steps in bilateral relationship; changes in aid delivery mechanism; disagreement on project content schedule; disagreement on the selection of consulting firm.</li> <li>○ <i>Poor project design:</i> activities carried out in donor's country; communication via fax/tel., inappropriate budget allocation; changes in objectives.</li> <li>○ <i>Difficulties in resource mobilization:</i> limited/no corresponding fund; long approval/disbursement procedure.</li> <li>○ <i>Cumbersome procedure:</i> required assurance rate exceeding Vietnam's capacity; required presence of high-ranking government official.</li> </ul>

	<ul style="list-style-type: none"> <li>- Disagreement between donor's and Vietnam's project objectives.</li> <li>- Unanticipated changes in regulations or steps in the bilateral relationship between recipient country and donor, creating unnecessary costs.</li> </ul>				
<i>Project Implementation</i>	<ul style="list-style-type: none"> <li>• Emerging issues resulted from flawed project design.</li> <li>• Weak capacity of Vietnam's staff involved in the project.</li> <li>• Vietnam's staff unequally treated.</li> <li>• Over-dominance of foreign partners in the project: <ul style="list-style-type: none"> <li>- Project objectives changed during implementation phase.</li> <li>- Changes in aid delivery mechanisms.</li> <li>- Donors did not disburse all the committed funds.</li> <li>- Cumbersome procedure in financing projects.</li> <li>- Foreign consulting firms choose their ways of organizing the work.</li> <li>- Carelessness in selecting international experts, thus money used for hiring international staff was wasteful.</li> <li>- Human resources changes on the donor side.</li> <li>- Donors keep the right to select the procurement methods.</li> <li>- Heavy administrative requirement by donors, such as project office requirements.</li> </ul> </li> <li>• Over-centralization in making decision of the foreign donors, making the projects operate difficult.</li> <li>• Factors created on the Vietnamese side also contribute to raised transaction costs: <ul style="list-style-type: none"> <li>- Vietnam's cumbersome requirements.</li> <li>- Difficulties in disbursing the counterpart funds.</li> </ul> </li> <li>• Other factors: <ul style="list-style-type: none"> <li>- Ineffective organization</li> <li>- Lack of sharing of information and cooperation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Irrational use of money:</i> over-expenditure for incompetent experts (travel/accommodation); cancellation of prepared project.</li> <li>○ <i>Cumbersome financial procedure:</i> long disbursement process; strict settlement rules; budget cut-off due to exchange rate devaluation; grant in kind.</li> <li>○ <i>Over-centralization:</i> donor selection of consulting firm and budget approval; no/little authorization rights for Vietnamese recipients; Vietnam's neglected opinions/objective set in favour of donor's; unnecessary/low quality purchases; budget planning/cut-off without pre-informing Vietnam.</li> <li>○ <i>Incompetent Vietnamese staff:</i> time constraint; language barrier; inexperience in handling ODA; poor</li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Irrational use of money:</i> excessive payment to expats/ no payment for Vietnam staff's overtime hours.</li> <li>○ <i>Irrational corresponding fund requirement /settlement:</i> contribution of land; beneficiary/project preparation group responsible for mobilizing funds.</li> <li>○ <i>Irrational donor procedure:</i> required approval from headquarter; no authorized rights for VN-based office; the same repeated procedure for subsequent years; donor retaining purchase rights; government officials required; outdated price lists.</li> <li>○ <i>Incompetent Vietnamese staff:</i> no experience in project management; language barrier; incapable of foreseeing problems arising.</li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Irrational use of money:</i> no payment for Vietnam's staff overtime hours; low quality equipment to be returned.</li> <li>○ <i>Irrational procedure by donor:</i> donor retaining purchase right but without necessary control; tender held in donor's country without Vietnam's verification; excessive requirement on corresponding fund.</li> <li>○ <i>Over-centralization:</i> no consideration to recipient's demand; no asking for consensus in case of changes; donor giving out all requirement; no authorized rights for executing committee; tender carried out by donor.</li> <li>○ <i>Cumbersome by Vietnam:</i> unclear free duty import procedure.</li> <li>○ <i>Weak institutional/project</i></li> </ul>	<ul style="list-style-type: none"> <li>○ <i>Irrational use of money:</i> excessive expenditure travel costs; no salary for Vietnam's staff overtime hours; donor carrying out survey.</li> <li>○ <i>Over-centralization:</i> no authorization rights for Vietnam-based office; donor carrying out all activities; selection of consultant; project output not demand-driven; Vietnam's limited time for project document appraisal; neglected Vietnam's opinion.</li> <li>○ <i>Irrational procedure:</i> required presence of high-ranking government official; hard requirement of data collection (too detailed; no systematic and trustful data; limited fund and unclear procedures for collection).</li> <li>○ <i>Weak organizational structure:</i> lack of sharing and exchanging</li> </ul>

	<ul style="list-style-type: none"> <li>- Difficulty in organizing field work.</li> <li>- Inconsistency in accounting systems between donors and Vietnam.</li> </ul>	<p>expertise in project area); too old in age.</p> <ul style="list-style-type: none"> <li>O <i>Irrational project personnel/organizational requirement:</i> presence of central/local government official without relevant expertise; inefficient project committee.</li> <li>O <i>Incompetent expats:</i> poor expertise but good relationship with consulting firm; poor background on Vietnam.</li> <li>O <i>Weak institutional/project management framework:</i> lack of common criteria for evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>O <i>Incompetent expats:</i> lack of background on Vietnam; too rigid; frequent personnel changes; communication mostly via e-mail.</li> <li>O <i>Poor co-ordination:</i> inconsistency in the two systems; disagreement over objectives; conflict between expats and Vietnamese staff.</li> <li>O <i>Weak institutional/project management framework:</i> lack of common criteria for evaluation.</li> </ul>	<p><i>management framework:</i> lack of common criteria for evaluation.</p>	<p>information mechanism; communication via fax/tel.; no clear and transparent procurement procedure.</p> <ul style="list-style-type: none"> <li>O <i>Incompetent expats:</i> lack background on Vietnam and development needs; time constraint; no feasible technical solution proposed.</li> <li>O <i>Incompetent Vietnamese staff:</i> inexperienced in handling ODA project; language barrier; not enough personnel.</li> <li>O <i>Not timely evaluation:</i> monitoring and evaluation implemented by regional office not in VN.</li> </ul>
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