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PUBLIC-PRIVATE PARTNERSHIP FOR FINANCING HIGHER EDUCATION: INTERNATIONAL EXPERIENCE AND IMPLICATIONS FOR VIETNAM.

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Abstract

PPP (Public-Private Partnership) has gained traction in the field of education in general and higher education in particular in recent years. As governments around the world continue to cut public spending on higher education, the inevitable trend for non-autonomous educational institutions is the participation of private investors/businesses in educational activities. The implementation of PPPs varies in practice, depending on the characteristics of the education system and the socio-economic conditions of each country, but they all have certain commonalities. Through examples of PPP implementation in several countries, the lessons learned in implementing PPPs suitable for the situation in Vietnam are not only financial management but also in the management of higher education quality.

Keywords: *PPP, public-private partnership, higher education.*

1. PPP Model in Education

Public-Private Partnership - is an investment model that has been widely applied worldwide in many areas for many years. PPP is evaluated by many international organizations such as the United Nations (UN) or the World Bank as an important financial mechanism to serve sustainable development goals, enhance surplus values, and unify the common goals of society and community. In the field of education, PPP is used to refer to the partnership model of financial investment and provision of educational services between the state and the private sector, sharing costs and risks with each other, regulated by a specific contract/mechanism with specific regulations on quality,

contribution rates, cost, time... (Gideon, J. and Unterhalter, E, 2017). Originating in developed countries, this model is increasingly being applied in developing countries, with public spending on education decreasing to serve economic development goals. Unlike privatizing education, this model does not require a change in ownership of educational institutions but uses legal obligations between parties (state and private) to coordinate joint investment projects. Similar to other education projects, the goals of PPP projects in education include: (1) increasing the rate of learners; (2) improving output quality; (3) improving equality in accessing education. (Mitra, 2020).

In the context of the ongoing complicated development of the Covid-19 pandemic, budget cuts for education are becoming more evident in many countries, especially slow/developing countries, with a portion of public spending having to be used for disease control/prevention. Based on data on GDP growth rates and public spending of countries, the World Bank predicts that the education budget will decrease by an average of about 10%, leading to a decrease in per capita education spending. The World Economic Forum (WEF) also believes that PPP, with its diversity in cooperation, will be one of the main drivers to help education overcome the current crisis. Some major trends in the development of the PPP model include: (1) Strengthening the legislative, supervisory, and coordinating capacity of management agencies; (2) Improving the capacity of non-governmental entities on education quality; (3) Establishing specialized agencies to support, supervise and operate. However, this model still raises many debates about its effectiveness. Some issues regarding the implementation of PPPs in the past may include the lack of suitable and transparent management mechanisms (in Uganda and Liberia) (Brans, 2011), discrimination against poor children and special care (in Pakistan and Uganda) (Afridi, 2018), increasing inequality (in Chile) (Elacqua, 2012), decreasing education quality due to cost-cutting and profitability (in Uganda) (Brans, 2011), lack of social trust and reverse impacts on public education institutions (in the Philippines) (Saguin, 2019).

2. Application of PPP in developing finance for higher education

The implementation of PPP for higher education in practice varies among countries, mainly due to the influence of related laws and regulations, as well as the characteristics of each education system. The article will mention the application of PPP in 03 countries: UK, India, and Tanzania, focusing on aspects related to finance and management mechanism.

2.1. PPP in the UK

In Europe, in the past three years, a total of 53 PPP projects in education have been implemented, with more than half implemented in the UK - a country focusing on many prestigious higher education institutions, being the top choice of international students. The success of this model in the UK is created from many factors, the most important of which is a clear consensus on objectives and the participation of third parties playing an advisory, guaranteeing and supporting role. From the perspective of higher education institutions, they are looking for long-term investment relationships rather than short-term grants. More and more universities are shifting to focus on core activities such as teaching, curriculum, research; other activities will be handed over to external units, either fully (outsourcing) or partially (PPP). In particular, the construction of physical facilities for dormitories and services for students is a typical activity of this partnership. Higher education institutions in the UK do not only have to compete with each other, but also have to compete with other universities around the world to attract students, so investment in student life on campus has become one of the decisive factors in increasing the number of applicants. The increasing tuition fees raise the expectations of parents and students in the infrastructure of educational institutions (on average, a student in the UK has to pay 9,250 pounds per year, equivalent to nearly 300 million VND). Many surveys here show that UK students always want to come and participate in school activities more than staying at home to participate in more activities and interact more. Therefore,

competition based on student experience plays an increasingly important role, especially in the context of the mid and post-Covid-19 pandemic, student learning and living experiences must combine both direct and online forms. As mentioned above, these projects are often implemented under the PPP model, and the participation of specialized units supporting the cooperation and construction process plays a crucial role, creating a difference for the PPP ecosystem in higher education in the UK. (Projects Bulletin; Partnerships Bulletin, 2021).

The process of connecting and funding PPP projects in the UK, in addition to the participation of universities and construction companies, also has intermediaries to support the promotion of the process stages. One of them is planning support companies. These companies are responsible for: (1) Ensuring that plans comply with current regulations and development strategies; (2) Connecting related parties to each other such as schools, design units, construction units; (3) Advising on appropriate management mechanisms for each project between related parties, ensuring the highest interest of students and sustainable education goals. Depending on the scale, requirements, and complexity of each project, these companies will advise on suitable prices (or bid if necessary), contract terms, and connect with interested investors/contractors. In addition to intermediaries for connections, the participation of financial intermediaries also plays a role in guaranteeing/assuring preferential loans for investors (both public and private groups). In an equal investment competition environment, there need to be guarantor intermediaries to reduce risks for investment cooperation parties, specifically: (1) ensuring that investors receive money on schedule even when the investment recipient does not have the expected business results; (2) helping to improve the credit rating of the investment recipient; (3) Improving the liquidity of the market by reducing financial risks; (4) expanding the network of foreign investors; (5) One-stop liaison intermediary for investors and investment recipients. The operation of these intermediary organizations helps to perfect the PPP ecosystem for higher education in the UK, improving the opportunity to access private capital for universities and expanding new diverse investment channels for investors.

2.2. PPP in Tanzania

The first ideas about PPP in Tanzania were formed from the early 1990s, but it was not until 1999 that they were really regulated with the advent of the Higher Education Law. By 2005, the establishment and operation of the Student Credit Fund (Higher Education Student Loans Board - HESLB) - the most popular form of PPP in this country - brought about significant changes to Tanzania's education and the lives of students here. HESLB is a fund coordinated by the Tanzanian government, operating on the principle of cost-sharing. The coordination of this fund's activities is considered a form of PPP for several reasons: (1) helping to alleviate the budget burden for the government when funding for public universities exceeds the government's capacity; (2) with the participation of parents and recipients, financial responsibility will be shared among many parties, thereby benefiting the participants; (3) supporting the development of the private education sector and enhancing the contribution of these units to the education system. This support is prioritized for some urgent training fields such as medicine, engineering technology, education, and agriculture (Mgaiwa & Poncian, 2016).

The impact of the PPP model on financing higher education activities in Tanzania has somewhat helped to narrow the gap

between the public and private university sectors, as well as boost the enrollment rate of students. The number of students enrolling in 2013 was nearly three times higher than in 2007. The rate of students choosing private universities has also gradually increased, from 24.8% in 2007 to 34.1% in 2013. In addition, this model also contributes to improving the rate of female students enrolling, especially in private universities (from 40-42%, compared to public universities from 32-34%).

School Year	Private Universities	Public Universities	Total
2007/2008	19,239 (24.8%)	58,307 (75.2%)	77,546
2008/2009	26,808 (27.4%)	70,785 (72.6%)	97,593
2009/2010	37,825 (31%)	83,828 (69%)	121,653
2010/2011	38,695 (27%)	104,130 (73%)	142,825
2011/2012	55,906 (32.8%)	113,531 (67.2%)	170,437
2012/2013	71,861 (35.5%)	129,125 (64.5%)	200,986
2013/2014	74,802 (34.1%)	144,157 (65.9%)	218,959

Table: University Enrollment Data in Tanzania from 2007 – 2013

Source: Tanzania Commission for Universities (2015)

However, the impact of this model on Tanzania's education system from 2007-2014 has not truly met expectations. The proportion of students continuing to university here remains very low (3.9%) compared to developed countries (51.6%). More than two-thirds of higher education institutions in the country are private, yet the enrollment rate at private universities is still low compared to public universities. This situation can be attributed to various reasons, the most significant being the quality of higher education. Most private universities focus on education-related fields, as this is an area the Tanzanian government emphasizes to improve literacy levels. However, the curriculum at these institutions is almost a direct copy from the University of Dar es Salaam, the largest and oldest public university in Tanzania. Additionally, many institutions only have 2-3 full-time lecturers with PhDs, whereas the minimum requirement from the Tanzania Commission for Universities is five. Without visiting lecturers from major public universities, these private institutions would hardly be able to maintain their operations, even with financial support from the Tanzanian government through HESLB.

In addition to financial aid for students, Public-Private Partnerships (PPP) have been applied to investing in facilities at universities, similar to the approach in the UK. Initially, the Tanzanian government built the initial infrastructure and then handed it over to a private entity or religious association for management. These entities would then organize activities to reinvest and develop the facilities. Over time, as the number of private higher education institutions increased, the government also began attracting private investors to develop facilities for public universities, again similar to the UK model. However, many private universities only offer programs supported by HESLB and frequently enroll more students than their facilities can accommodate to maximize government subsidies (even admitting students who do not meet the qualification standards). In recent years, the Tanzania Commission for Universities has uncovered many such incidents. For example, at St. John's University in 2015, 53 students were

expelled for being admitted without the required qualifications; at St. Joseph University, 489 students were found to have not graduated from secondary school. These issues are not limited to private institutions; many unqualified students have been found enrolled and receiving loans from HESLB at public universities as well. For instance, at the University of Dodoma, a total of 290 students admitted to programs were discovered not meeting admission requirements.

2.3. PPP in India

Public-Private Partnerships (PPP) in education emerged in India in the late 1990s, alongside the privatization and international integration of the economy. The initial forms included: (1) Organizing self-financed training programs at public educational institutions; (2) Converting government-aided private educational institutions into self-financed ones; and (3) Allowing private universities to expand their operations through optional restructuring. Over the past decade, the differentiation in training programs at higher education institutions in India has become increasingly evident: public universities primarily offer basic science courses, while private universities focus on market-driven disciplines (economics, management, engineering). This differentiation is explained by the diverse control mechanisms of universities, involving various stakeholders according to each institution's location and role. Most public universities are managed and financially supported by state governments, except for some key regional universities overseen by the federal government, which indirectly leads to differentiation in training fields as the needs of local and federal governments vary.

PPP in India is considered relatively successful and plays a crucial role in developing higher education, enhancing the efficiency and quality of India's higher education system, and helping maintain the stability of India's socio-economic framework (Thipperudrappa.E & K.B, 2017). From 2011-2015, the proportion of students continuing to higher education in India increased from 20.8% to 24.5%, contributing to India's ranking as the fifth-largest country in terms of PPP in higher education among developing nations, according to the World Bank. The K.B. Pauer Committee of the Indian University Grants Commission in 2017 proposed four modules to develop the PPP network in higher education in India, including:

1. **Basic Model:** Private entities invest in building facilities, while the state operates, manages, and pays annual costs. This model is suitable for the participation of real estate and construction companies, ensuring stable income for investors, and can attract financial organizations.
2. **Outsourcing Model:** Private entities invest in building, operating, and managing facilities, while the state pays for specific services provided by these private entities. This model is suitable for contracting special education service providers that the state cannot or does not perform as well as the private sector.
3. **Parallel Capital Model:** Investment in facilities is shared between the government and private sector, but private entities will operate and manage the facilities post-investment. This model is suitable for key private educational institutions that need state support to expand their activities.
4. **Reverse Outsourcing Model:** The state invests in facilities, while private entities are responsible for

operating and managing them under contract. This model is suitable for companies/entities with experience looking to expand into new areas within higher education.

3. Implications for Vietnam

A common theme among PPP models in the aforementioned countries is the creative application of models and the emphasis on perfecting the ecosystem for participants in investment and cooperation models. Activities related to PPP in higher education go beyond mere investment in money/facilities; they also involve intellectual investment, appropriate support policies, and synergy with other socio-economic policies. The UK, with a long-established education system, has a more conducive environment for PPP projects to thrive, supported by a variety of intermediary services. In contrast, Tanzania's experience shows that despite a relatively good initial idea, gaps in management have prevented the PPP model from sustainably developing the private higher education system as expected. In India, PPPs have diversified investment in higher education, fostering educational differentiation and allowing various university models with diverse investors to coexist and develop.

In Vietnam, although stipulated in the Higher Education Law, actual PPP projects are still sparse, fragmented, and have not brought about significant breakthroughs in training at higher education institutions. Several reasons contribute to this situation, including: (1) Lack of synchronization in legal documents related to higher education, finance, land, and investment; (2) Significant gaps in infrastructure, educational perspectives, and visions for educational investment between the government and the private sector; (3) Limited transparency of investment needs and information for investors, primarily relying on bilateral relationships. In the current trend of university autonomy, where financial resources pose a significant barrier for public universities in competing with private universities in terms of infrastructure, the widespread, systematic, and effective implementation of PPP can be considered a solution to improve financial capacity, thereby enhancing the competitiveness of public universities, which rely heavily on annual state budget allocations.

To effectively implement PPP in higher education in Vietnam, drawing from the aforementioned examples, some recommendations to make the PPP investment environment more transparent, attractive, and effective include:

1. **Develop a Public-Private Partnership Ecosystem in Higher Education:** This includes establishing a legal framework (especially regarding regulations on investment, construction, real estate transfer, and financial management), creating dedicated departments in universities, and setting up intermediary support units.
2. **Creative Application of Collaborative Areas:** Collaboration should not only be limited to infrastructure investment but also expand to cover training, research, and communication investments.
3. **Apply PPP Models in Regional University Development - Regional Human Resources:** Local businesses can invest resources to develop local higher education institutions, with trained personnel returning to serve the locality based on their understanding and a curriculum designed specifically for local economic development.

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