

# Working Papers on University Reform

Working Paper 13:

## **Recent Higher Education Reforms in Vietnam:**

### **The Role of the World Bank**

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**Recent Higher Education Reforms in Vietnam:  
the Role of the World Bank**

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## Contents

|  |    |
|--|----|
| ACKNOWLEDGEMENTS.....  | 1  |
| ABBREVIATIONS .....  | 2  |
| INTRODUCTION .....   | 4  |
| CHAPTER I.....   | 7  |
| VIETNAMESE HIGHER EDUCATION SYSTEM .....   | 7  |
| AND EXTERNAL INFLUENCES .....  | 7  |
| <i>Indigenous Features Versus External Influences</i> .....  | 7  |
| <i>Doi Moi meets the Knowledge Bank</i> .....  | 10 |
| <i>Problems and Reform Agenda of Vietnamese Higher Education</i> .....   | 12 |
| <i>World Bank's Prescription</i> .....   | 15 |
| CHAPTER II .....   | 18 |
| INTERNATIONAL ORGANISATIONS AND EDUCATION POLICY MAKING ..   | 18 |
| IN THE GLOBALISATION ERA .....   | 18 |
| <i>Strengthened Roles of International Organisations</i> .....   | 18 |
| <i>A - New mode of policy making</i> .....   | 19 |
| <i>A1 - Is globalisation an external pressure which limits the policy options and weakens policy making power of the nation state?</i> ..... | 20 |
| <i>A2 - Do nation states, in creating new IOs and reconstituting existing IOs, limit their own scope for policy making?</i> .....            | 24 |
| <i>A3 - Does the interaction between nation states, markets and IOs result in convergence of education policies across the globe?</i> .....  | 27 |
| <i>B - International Organisations and the Nation State</i> .....  | 30 |
| <i>B1 - What makes IOs' authority? What do IOs do with their authority?</i> .....  | 31 |
| <i>B2 - How do IOs exercise their power?</i> .....   | 33 |
| <i>B3 - Are IOs all authoritative and legitimate?</i> .....  | 35 |
| CHAPTER III.....   | 38 |
| THE WORLD BANK AND ITS HIGHER EDUCATION POLICY .....   | 38 |
| <i>World Bank's Higher Education Policy</i> .....  | 38 |
| <i>Power of the Knowledge Bank</i> .....   | 43 |
| CHAPTER IV .....   | 48 |
| THE WORLD BANK AND VIETNAMESE HIGHER EDUCATION .....   | 48 |
| <i>The World Bank's Arrival</i> .....  | 48 |
| <i>Reform Agenda of the World Bank for Vietnamese Higher Education</i> .....   | 50 |
| <i>Example 1- Preparing the Ground: Networking with Influential Organisations</i> ..   | 52 |
| <i>Example 2- Networking With Influential Academics</i> .....  | 54 |
| <i>Example 3 - Financial Reform: Competitive Funding Mechanism</i> .....   | 59 |
| <i>Institutional Power: Orient Action for Lasting Effects</i> .....  | 61 |
| <i>Productive Power: Create Arm-Length Authorities to Implement Solutions</i> .....  | 62 |
| <i>Policy Influence: Resistance and Consensus</i> .....  | 65 |
| <i>Example 4 - New Pricing Policy or "Socialization"</i> .....   | 68 |

|  |     |
|--|-----|
| <i>Example 5 - From “No Name” to “World Class University” – A Shortcut to Quality Higher Education</i> ..... | 76  |
| CHAPTER V .....  | 84  |
| CONCLUSIONS AND REFLECTIONS .....  | 84  |
| APPENDIX 1: NETWORK WITH VIETNAMESE INFLUENTIAL ACADEMICS .....  | 92  |
| APPENDIX 2A: HEP2 CREDIT CONDITIONS AND COVENANTS .....  | 94  |
| APPENDIX 2B: HEP1 MAIN LOAN CONDITIONS .....   | 96  |
| APPENDIX 3: STUDENT LOAN PROGRAMMES IN VIETNAM .....   | 99  |
| APPENDIX 4: THE WB-SPONSORED CONFERENCES ON HIGHER EDUCATION IN EAST ASIA (2005-2008) .....                  | 100 |
| BIBLIOGRAPHY .....   | 102 |

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## **Abbreviations**

|       |  |
|-------|--|
| ADB   | Asia Development Bank                                      |
| APEC  | Asia-Pacific Economic Cooperation                          |
| ASEAN | Association of Southeast Asian Nations                     |
| ASEM  | Asia-Europe Meeting  |
| AFTA  | Asia Free Trade Area                                       |
| CAS   | Country Assistance Strategy                                |
| EU    | European Union   |
| GATS  | General Agreement on Trade in Services                     |
| GDP   | Gross Domestic Product                                     |
| HE    | Higher Education   |
| HEIs  | Higher Education Institutions                              |
| HEP1  | Higher Education Project 1                                 |
| HEP2  | Higher Education Project 2                                 |
| HERA  | Higher Education Renovation Agenda                         |
| IBRD  | International Bank for Reconstruction and Development      |
| ICSID | International Centre for Settlement of Investment Disputes |
| IDA   | International Development Association                      |
| IFC   | International Finance Corporation                          |
| IFR   | Interim Financial Report                                   |
| ILOs  | International Labour Organisation                          |
| IOs   | International Organisations                                |
| MIGA  | Multilateral Investment Guarantee Agency                   |
| MoET  | Ministry of Education and Training                         |
| NAFTA | North American Free Trade Agreement                        |
| NGOs  | Non-governmental Organisations                             |
| ODA   | Official Development Assistance                            |
| OECD  | Organisation for Economic Cooperation and Development      |
| OMC   | Open Method of Co-Ordination                               |
| PCU   | Project Coordination Unit                                  |
| PMU   | Project Management Unit                                    |
| QIG   | Quality Improvement Grants                                 |



|        |   |
|--------|---|
| R&D    | Research and Development  |
| RMIT   | Royal Melbourne Institute of Technology                             |
| SVP    | Senior Vice President   |
| SAP    | Structural Adjustment Programme                                     |
| TMU    | TRIG Management Unit  |
| TRIG   | Teaching and Research Innovation Grants                             |
| UN     | United Nations  |
| UNDP   | United Nations Development Programme                                |
| UNESCO | United Nations Educational, Scientific and Cultural<br>Organisation |
| VEF    | Vietnam Education Foundation  |
| VEFSS  | Vietnam Education Financing Sector Study                            |
| WB     | World Bank  |
| WTO    | World Trade Organisation  |

## Introduction

Vietnam has a long history of higher education spanning a feudal society, then a semi-feudal and later a colonial society, which was transformed into a socialist regime, and is now a market socialist society. Vietnamese higher education has vast experience of changing under the influence of foreign education systems, accepting foreign ideas and finding ways to adapt them to Vietnamese values. Vietnamese higher education, therefore, has always had its own indigenous features in terms of ideology, intellectual baggage, language and social policies. The latest external influence to which Vietnamese universities have adapted come from the World Bank. The World Bank has financed two major reforms in the last fifteen years which have witnessed radical changes in the Vietnamese higher education system. Observers have seen a gradual shift in the educational ideology and policies during this period of economic and social flux, though it is difficult to sort out the extent to which it derives from the indigenous government, the people or from the World Bank. In the process of Vietnam's integration into a globalised world, it is also difficult to find out if Vietnamese people are finding ways to adapt the reformed system to their values. This thesis aims to explore the ways that the World Bank's ideas about higher education reform have gained purchase in a country so experienced with adapting to and modifying external influences.

In 1986 the Communist Party of Vietnam took the historic decision of replacing central planning in the Soviet tradition with a regulated market economy. Its goal was to end the country's international isolation and overcome its critical economic problems. The Communist Party's mandate was to achieve the goals of "a rich people, a strong nation, a fair, democratic and civilized society."<sup>1</sup> Many international organisations, such as the World Bank and the International Monetary Fund saw the transitional Vietnam as a laboratory for the introduction of different sets of socio-economic principles.

Noticeably, the Communist Party's renovation decision has had a dramatic impact on education. Education became "the first national priority...the driving force

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<sup>1</sup> Vietnamese Communist Party's mandate, the author's own translation.

and the basic condition in ensuring the realization of the socio-economic objectives” (Seventh Congress of the Communist Party of Vietnam in 1991, quoted in Hayden, 2005a). Since early 1990s the government has come to recognize the significant contribution that higher education can make to achieving economic renovation, and has been making a sustained effort to build and reform the higher education system.

In the mid 1990s, the World Bank also began its first higher education project in Vietnam to assist the country’s steady transition to a market economy and to alleviate poverty through human resource development (WB, 1998). The World Bank proposed a reform which aimed at increasing the coherence, flexibility and responsiveness of higher education to the changing demands of society and the market economy. In this context, the World Bank’s involvement in the higher education project in the framework of Country Assistance Strategy helped it to gain ground in Vietnam. However, the World Bank’s policy recommendations underpinned by neo-liberal thinking (Heyneman, 2003) or a market-based economic philosophy (Stiglitz, 2008a), stood in strong contrast to the regulated socialist market approach of the Vietnamese government. Unlike many other former communist countries in Eastern Europe and the Soviet Union, which have also become clients of the World Bank in recent years, Vietnam’s renovation policy does not envisage creation of a capitalist market economy. It rather aims at a socialist-oriented market economy, in which the Leninist party-state remains in place and public ownership remains a dominant position (Gou, 2006b). Even though Vietnam has stepped out of the shadow of the former Soviet Union and has engaged with a much wider range of states, international organisations, and foreign investors, Vietnam’s leadership has often hesitated to make concessions that could amount to a surrender of state control (McCargo, 2004).

Given the difference in political standpoints between the World Bank and the Vietnamese government, Vietnam is one of very few countries which have received two large scale loans for two higher education reform projects in a row, and the third project is in the pipeline at the moment. One could be curious to know how this has come about. Therefore, the central questions posed in this thesis are:

**How does the World Bank exert its expert influence and exercise its financial power in designing a higher education system in a socialist**

**market country? Specifically, how does the World Bank gain ground for its ideas in such an apparently antithetical political environment?**

Using the case of the recent higher education reforms in Vietnam, the thesis provides an in-depth analysis of how the World Bank's higher education policy ideas are transferred into the specific context of a borrowing country. This is achieved by exploring both first-hand and secondary data. A set of World Bank documents and Vietnam's Ministry of Education and Training official and relevant documents was selected for analysis. In addition, a string of in-person meetings, and personal correspondence with concerned people was carried out to obtain primary data presented in chapter four.

The organisation of the thesis is as follows. The *first* chapter traces the origin and evolution of the Vietnamese higher education system, and highlights the new challenges faced by the system in the last two decades. The *second* chapter presents theoretical framework drawn from recent literature on the nation state's policy making power and the role of international organisations in order to analyse the causes and nature of the Vietnamese higher education reforms. The *third* chapter presents the World Bank's education policies and discusses the power relation between the World Bank and borrowing countries in higher education policy making. The *fourth* chapter analyses the interactions between the World Bank and Vietnam to highlight the World Bank's influence in shaping policies through giving ideas and recommendations for designing the recent higher education reforms. The *fifth* and final chapter draws some conclusions and reflections on the role of the World Bank in transforming higher education system in Vietnam.

## Chapter I

### Vietnamese Higher Education System and External Influences

#### ***Indigenous Features Versus External Influences***

Vietnam has the oldest known institution of higher education in Southeast Asia, founded in 1076, which significantly predates both the ancient colleges at Angkor Wat in the Khmer empire (Cambodia nowadays) and the university of Santo Thomas in the Philippines. Vietnam, along with China, Singapore, Taiwan, Japan and Korea, is part of the Confucian world and it is fair to comment that Confucianism was the foundation of Vietnam's education system. However, the Vietnamese have adapted and modified the values from that world, resulting in the Vietnamisation of Confucianism<sup>2</sup>, which highly valued education and intellectuals. For example, in the old days, it was a tradition in Vietnam to exempt those who passed the first level of examinations from corvée labour for five years. The few people who passed the highest level of the examinations, equivalent to a doctorate, became civil officials in the royal bureaucracy whereas nepotism was widespread in most other Confucian countries (Encyclopedia, 2002). This ideology is also reflected in the temple of literature - known as the first royal university in Vietnam, where the statue of Confucius features him wearing a teacher's hat, instead of the crown that is usually seen on Chinese statues. This teacher's hat is a symbol of the "value placed on learning and the reverence bestowed by the Vietnamese on teachers and scholars" (Pham & Fry, 2004:302). Indeed, a teacher in Vietnam is ranked just below the king and above the father: the King- the Teacher- the Father (Phuong Mai Nguyen, 2006).

Fondness for learning, eagerness for knowledge and respect for morality in education have been enduring traits in Vietnam and important traditional Vietnamese values throughout its history. These values have contributed to the shaping of Vietnamese culture and society and have also made education the utmost priority of families and individuals.

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<sup>2</sup> This refers to the Vietnamese interpretation of Confucianism and the degree to which it influenced the Vietnamese. While Confucianism played an important role in the shaping of Vietnam, the Vietnamese accepted only the political and moral aspects of this philosophy.

Although historically Vietnam was dominated by the Chinese imperial regimes, the country's education system has always been characterized by its own unique and indigenous features. A significant example is that Vietnam has an advanced written language system dating back several thousand years. For a period, Vietnam used Chinese characters, but when Vietnam became an independent country it developed its own unique system of Vietnamese characters called "Chu Nom" in the 13th century. Then, in the 17th century, during the French colonization with their 'civilizing mission', the Vietnamese developed a romanised script known as "Quoc Ngu" (national language). The Vietnamese did this with the assistance of Spanish, Portuguese and French priests – in particular Alexandre de Rhodes, a French scholar. From the beginning of the 20th century, alongside with French, Quoc Ngu became widely used. Since 1945, when colonial Vietnam celebrated its national independence from the French, Quoc Ngu has become the national language (Encyclopedia, 2002; Pham & Fry, 2004).

The August revolution of 1945 transformed colonial Vietnam into the Democratic Republic of Vietnam and at the inception of the newly formed government, the country's leader, Ho Chi Minh, made the following declaration:

*"an ignorant nation is a weak one. Therefore, I propose that a campaign against illiteracy be launched".*

Also, in a special letter written to Vietnamese students, he stated that:

*... "whether the Vietnamese mountains and rivers will attain glory and whether the Vietnamese land will gloriously stand on an equal footing with the powers in the five continents, this depends to a great extent on your studies"*

*(quoted in Pham & Fry, 2004:306)*

However, after a brief period, the French returned and colonialism continued until 1954. Until that date, the education system in northern Vietnam, especial at a higher education level, was still heavily based on French programmes and content. At the university, students studied French and courses were taught in both Vietnamese and French. Higher education then focused on three main areas: teacher training, medicine and pharmacy, and the sciences. Gradually, the academic language shifted to

Vietnamese and the curricula were translated from French materials and adapted to the local situation.

After the victory against the French in 1954, Vietnam was divided into two parts, the Democratic Republic of Vietnam in the north and the Republic of Vietnam, protected by the U.S military forces, in the south. In the north, the language of instruction for higher education was Vietnamese, whereas in the south French was used until 1966 and thereafter the medium of instruction was French, Vietnamese and English (Pham & Fry, 2004). From the late 1950s in northern Vietnam, and on a national scale after 1975, Vietnam saw the development of a state socialist welfare regime distinguished by its “bureaucratic-authoritarian political system, coercive-collectivist economic institutions, and quasi-universalistic institutions of social provision” that promised equal access to state-funded education as a right of citizenship (London, 2006: 3). Although many universities and other higher education institutions were established in the early 1960s, along with those established by the French in the early 20th century, the enrolment in higher education was mainly limited to children from the families of privileged political elites and urban-based state officials.

From the 1960s until late 1980s, together with the shift of its political and economic model to the Soviet model, Vietnam’s higher education was strongly influenced by the Soviet system with highly specialized mono-disciplinary institutions and large numbers of Vietnamese lecturers trained in Eastern bloc countries. The majority of universities’ curriculum and programmes were modelled after those in Soviet Union or Eastern Europe, with the exception of medicine, which was still modelled after French institutions. This model separated teaching activities from research activities and left the governance of institutions to particular line ministries. The second language of instruction at universities was either Russian or Chinese. Every student received a scholarship while studying and was provided with a job by the state after graduation. An encouraging sign about the quality of Vietnamese education was the successes in math and science of Vietnamese students in the Scientific Olympics in many years. The high success rate of Vietnamese students relative to students from many other countries with more advanced economies and education systems demonstrated that the Vietnamese had worked out their own ways to make the most out of the Soviet system with advantages in math and science. This adaptation augurs well

for Vietnam's future potential in research and development and information technologies.

Since its inception, the Vietnamese higher education system has had vast experience of changing under external influences and has developed capacity to seek ways to adapt foreign ideas to Vietnamese context and Vietnamese values. However, in the wake of globalisation over the last two decades, Vietnam higher education has faced new challenges and new influences, which did not come directly from a specific country as in the past, but from an international organisation - the World Bank. The next section examines these new changes.

### ***Doi Moi meets the Knowledge Bank***

Since 1986, a profound socio-economic policy change has taken place in Vietnam, with the introduction of the "*Doi moi*" policy – that is "renovation". *Doi moi* consists of three inter-related fundamental moves: a) shifting from a "bureaucratically centralized planned economy to a multi-sector economy operating under a market mechanism with state management and a socialist orientation"; b) "democratizing social life and building a legal state of the people, by the people, and for the people"; c) implementing an "open-door policy and promoting relations between Vietnam and all other countries in the world community for peace, independence, and development" (Nguyen, T.C et al., 2000:ix).

The "*Doi moi*" policy has brought about major changes in every aspect of Vietnamese society, first and foremost in the economy, and many changes in the lives of the Vietnamese. From 1991 to 2000, the gross domestic product (GDP) increased by an average annual rate of 7.4%, despite the Asian economic crisis of 1997 (Tran, 2003). Vietnam progressively reengaged with the international economy. Following the collapse of the socialist systems of the Soviet Union and Eastern Europe in the early 1990s, documents, books and curricular materials from the West were introduced into Vietnamese universities as part of an "open door" strategy and English became the second language. Noticeably, Viet Nam opened its economy to trade and foreign investment; and it opened its borders to flows of international people, including students and scholars. As a result, there has been rapid expansion across all levels of education, putting Vietnam at the forefront among low income countries in terms of higher education participation. The high economic growth and greater openness led to



an increase in social demand for higher education to prepare young people for jobs in new and modern sectors.

The socio-economic changes have put pressure on Vietnam's higher education system. After the US president Bill Clinton lifted the trade embargo against Vietnam in February 1994, international investors became to see Vietnam as a country ripe for entrepreneurial activities, a sizeable domestic market and an important regional player in the Indochinese and Southeast Asian economies. Once the trade embargo was lifted, Vietnam experienced an increasing number of international investors who made fact-finding trips to Vietnam to investigate the market's potential and the business environment. One of their main questions was always about the local qualified workforce. It became part of the Vietnamese government's strategy to reform the higher education system.

Another pressure for reform came from cross-border education provision. From the late 1990s, together with an extensive range of activities, such as education exhibitions, dual-award programmes and scholarship schemes, various foreign embassies have made tremendous efforts to promote education opportunities in their countries for the Vietnamese students. International universities and colleges started coming to recruit students. The traditional fondness for learning and inspiring examples from neighbouring countries that were sending increasing numbers of young people for education abroad, plus new wealth accumulated since *Doi moi* created a new demand for quality higher education which most Vietnamese universities were perceived to be unable to provide. As a result, a number of Vietnamese students, especially from urban areas went abroad to study. According to the statistics from the Ministry of Education and Training in 2005, there were some 40,000 Vietnamese, often the best students, going to study abroad annually. In addition, increasing numbers of students are choosing joint programmes offered collaboratively with international institutions. This trend continues to grow and contribute to the greater pressure on the national higher education system to be reformed in order to compete for students.

The Vietnamese government recognizes that higher education has a significant contribution to make in achieving the economic reforms. However, due to lack of information about the fast changing global higher education sector, the Vietnamese higher education found itself at a crossroads. The government utilizes domestic efforts as well as seeking external assistance to tackle the current major issues faced by the education system. This provided the World Bank with a greater opportunity to radiate

its ideas and get involved with the reform in education. Therefore, it is fair to comment that the World Bank came at the right time to reinforce the opinion, which sees higher education as a way for Vietnam to integrate in international arena. The World bank, as a loan and expertise provider, has been active in the recent reforms of Vietnam's higher education system through two major reform projects: the Higher Education Project 1 (HEP1) and the Higher Education Project 2 (HEP2) starting in 1998 and 2007, respectively, to help Vietnam tackle its new challenges.

The World Bank legitimates its involvement and highlights the value added by its support to Vietnam by bringing in its international experience and drawing lessons from various education projects in a number of countries either in the same region, such as China, Indonesia, Malaysia or in similar transitional stage Hungary, Romania (WB, 1998; Hayden, 2005b). The World Bank presents itself as a 'Knowledge Bank' in the sector and emphasizes the necessary adaptations to the Vietnamese context. It thus focuses on influencing the policy through the power of its ideas, rather than through financial clout.

When the World Bank arrived in Vietnam in early 1990s, it viewed the centralization pattern of the education system, the legacies from the French and Soviet influences as problems or barriers for Vietnam's higher education. The World Bank carried out research, offered analysis of the system and offered ideas about the future of the Vietnamese higher education

### ***Problems and Reform Agenda of Vietnamese Higher Education***

As mentioned above, higher education in Viet Nam was faced with many challenges stemming from the changing socio-economic environment in the country and the world. Viet Nam began to change the system in early 1990s by merging several universities into two multi-disciplinary national universities in Hanoi and Ho Chi Minh City. However, there wasn't any research to address the issues or to analyse the current situation of the entire higher education system. In order to obtain a loan agreement with the World Bank in mid 1990s, Vietnam was required to submit a loan application in the form of background technical reports, which describe the current situation and problems faced by Vietnamese higher education. Given the low research capacity of Vietnam in its educational sector, hiring international technical advisors was one of the loan covenants. They were recruited under the terms and conditions set in the World

Bank's guidelines: "*Selection and Employment of consultants by the World Bank Borrowers*"<sup>3</sup>. Since the World Bank loan was not approved at that stage, consultancy fees were to be covered by the borrowing government and/or other co-financiers.

One example was Professor Martin Hayden from Southern Cross University in Australia, who was employed as a World Bank consultant by Vietnam's Ministry of Education and Training with funds provided by the Japanese Policy and Human Resource Development Fund<sup>4</sup>, which later became part of the loan for the HEP2. In preparation for the HEP2, Professor Hayden worked with Vietnamese national consultants<sup>5</sup> and wrote three reports in 2005 and 2006, which appeared later to have been recorded as World Bank reports<sup>6</sup>. In his reports, Hayden groups the major challenges facing Vietnamese higher education into four categories: finance, management (governance), quality and equity of access. These challenges were later incorporated as *problems* and barriers of the Vietnamese higher education in the World Bank's comprehensive report "*Vietnam: Higher Education and Skills for Growth*".

The first problem relates to *finance*: the centrally determined structure of funding proves to be inefficient and counterproductive. Higher education institutions (HEIs) are inactive in finding other financial resources, or if they are active, their limited research capacity prevents them from generating significant income. The level of government funding for higher education is small, only 0.41% of GDP in 2002 out of a total of 4.22% of GDP for all levels of education. In terms of expenditure on higher education, Vietnam compares poorly to the rest of the region and the rest of the world (average is 1.22%). In addition, the demand for places at higher education institutions has increased at a faster pace than their availability, and financing this growth became an even heavier burden for the government. The gross enrolment rate has increased from 2% in the early 1990s to about 13% in 2004. This rate is still very low and below that of other countries in the region (WB, 2007a). According to the government's plan, higher education enrolments will increase with the target of 450 students per 10,000 people from its current rate of about 150 students per 10,000 people (MOET, 2005). The participation rate is expected to rise and the costs will inevitably increase. The World Bank (2007a) estimates that in order to meet the above

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<sup>3</sup> Stated in the request for expressions of interest <http://www.dgmarket.com/eproc/np-notice.do~2352480> Accessed in June 2008.

<sup>4</sup> Email correspondence between Professor Hayden and the author in July 2008.

<sup>5</sup> Namely Professor Lam Quang Thiep and Dr Le Thi Bich Ngoc.

<sup>6</sup> Information received from personal communication with Professor Hayden in May 2008. See detailed citation in the bibliography of this thesis.

target by 2020, total education expenditure on higher education will have to reach at least 2.34% of GDP (US\$ 1.6 billion).

The second problem relates to *management*, which is characterized by a very high level of centralization. Ministries wield significant power over higher education and determine matters as varied and as detailed as the curriculum, student enrolment, academic assessment, awarding of degrees, staff appointments, budget decisions, infrastructure and facility maintenance (MOET, 2005:42; Hayden, 2005a; Ngo, 2006). Universities have little experience in managing themselves or pursuing their own goals. A severe lack of close links between higher education institutions and scientific research, businesses, industries and employers persists. This “centrally planned and vertically organized governance structure” was highlighted by the World Bank as a significant challenge, which limits the ability of the higher education system to respond to the needs of the growing market economy.

The third problem relates to *quality*. Higher education institutions have limited research capacity, faculty qualifications are generally low and vary significantly across types of institutions and regions. Enrolment is concentrated in a few academic disciplines due to limited provision and the student/teacher ratio (30:1) is too high by international standards. The system lacks internal and external quality measures. The technological and administrative infrastructure is widely agreed to be inadequate, curricula do not meet the requirements of society, teaching methods are backward, the level of articulation and global integration is low. The progress of renovating is still slow because of the slow-changing mindset of teachers and their heavy teaching loads (Lam Quang Thiep, 2005; Hayden, 2005a; World Bank, 2007a).

According to the World Bank’s report, the labour market in Vietnam has the capacity to absorb increasing numbers of graduates, but the skilled and highly skilled workforce is still low by East Asia standards. Due to the limited provision and concentration on a few disciplines at higher education, there is larger number of skilled workers in the services sector than in the manufacturing and construction sectors (not to mention high-tech).

The fourth problem relates to *equity of access*: certain groups, such as women, ethnic minorities, the less socially privileged, and those from particular regional areas, are not represented in higher education proportionately to their numbers in the population. The reason for this is that the poverty in Vietnam has a geographical aspect, the poorer regions tend to have fewer higher education institutions and

consequently, a lower level of enrolment. While there are opportunities for students to enrol in higher education institutions, it implies much higher costs for them to obtain higher education outside their own region. In addition, income disparities also cause differences in access to education between the rich and the poor, especially at higher education level. The situation appears problematic and the scale of the problem is likely to increase as the non-public sector expands (Hayden, 2005a).

These are the four major problems of Vietnamese higher education described by the World Bank and regarded as “not unique to Vietnam”. It is interesting to note that the Vietnamese government’s document “Vietnam: Higher Education Renovation Agenda, period 2006-2020”, did not consider inequality as a problem and did not mention it at all in the list of *weaknesses* in the higher education system. Let us look at where the World Bank situates these problems and what solutions the World Bank offers.

### **World Bank’s Prescription**

Experience from other borrowing countries shows that the World Bank’s lending for education policy places emphasis on the economic and social policy environment in which sound educational policies are supposed to flourish. As mentioned earlier, a comprehensive report on the current situation of Vietnamese higher education was published by the World Bank in 2007 under a very “subtle” title “Vietnam: Higher Education and Skills for Growth”. This document explicitly puts forward the World Bank’s position and its analytical framework used to recommend policy prescriptions to the existing problems. It indicates the adherence of its education policies to human capital formation and the broader economic and social policy framework in which human capital theory resides (Jones, 2004). This theory embodies an expression of faith in the power of human knowledge, skill and experience to transform individuals and societies. In other words, higher education reform would lead to a qualified workforce for economic growth. In the context of a transitional economy in Vietnam, the right knowledge and skills would be seen, in time, to increase worker productivity and output, which in turn are a way of thinking about development. Therefore the World Bank’s standpoint and its higher education strategies may inform the Vietnamese government policy making in the broader sense and subsequently hope to win its “buy in” and commitment.

Through the two HE projects the World Bank's reform agenda aims at providing assistance to the government of Vietnam to fine-tune efforts in addressing the above major problems in higher education. These two World Bank-financed projects have initiated and reinforced substantial structural changes. These included the introduction of competitive funding in higher education based on university performance monitoring with the main goal of producing higher quality human capital. It also set the stage for the revision of the pricing structure of higher education including tuition fees, student loans and an equity-based scholarship scheme in order to reduce public budgets and improve social mobility and social equalisation. The former is close to the concept of "competitiveness-driven" reform which has the objective of making the higher education system, and consequently the country, more "competitive". The latter falls into "finance-driven" and "equity-driven" reforms, at least on paper (Carnoy, 2002). The two projects HEP1 and HEP2 encompass all these interlocking categories.

The World Bank's prescriptions to treat Vietnamese higher education problems represent a view to create a competitive ethos among HEIs. In other words, the World Bank is looking to create conditions for a market in higher education in Vietnam and sees the market as an efficient mechanism to allocate resources and opportunities (Banya, 2005). In addition, the World Bank justifies its approach to restructuring pricing by focusing on private rates-of-return analyses of educational benefits and seeing individuals and households as the primary beneficiaries, hence payers.

These ideas from the World Bank are clearly different from the socialist approach pursued by the Vietnamese government that attempts to retain government control in those areas that are deemed critical to the implementation of socialist principles and social justice (Guo, 2006b). Although Vietnam may be tempted to emulate the economic success of other transitional countries, the Communist Party may obviously want to avoid moving towards a situation in which policies respond to the needs of the emerging bourgeoisie. In the higher education renovation agenda 2006-2020, the guiding viewpoints of the Vietnamese government emphasized enhancement of the country's intellectual potential and meeting people's learning needs. Therefore, one of the underlining research questions of this thesis is: ***How does the World Bank gain influence for its ideas in such an apparently antithetical political environment?***

By exploring the role of international organisations in education policy making this thesis aims to provide some insights into the influence of the World Bank's higher education policies in borrowing countries. And through the case of Vietnam, the thesis also provides an in-depth analysis of how ideas and scenarios for higher education reforms are transferred from the "Knowledge Bank" into a transitional market socialist economy within the political context of one-party communist rule.

In order to understand the recent changes in education policy making in the globalisation era, chapter II draws on the works of various scholars and builds theoretical framework, that help to answer two questions: a) how the nation state's policy power has been affected and b) how international organisations strengthen their role. The chapter will also relate these theories to the study on the influence of the World Bank on Vietnamese higher education policies.

## **Chapter II**

### **International Organisations and Education Policy Making in the Globalisation Era**

#### ***Strengthened Roles of International Organisations***

Since the beginning of the 1990s, when globalisation has assumed to be of considerable importance in educational thinking, international organisations (IOs) have also come to play a greater role in education policy making (Henry et al., 2001, Leuze et al., 2007, Moutsios, 2008). IOs not previously engaged in educational activities began to include education prominently on their agenda, and IOs already active in this policy field widened their scope of action and undertook new initiatives. UNESCO, for example, has been one of the oldest and most active organisations in education policy since its foundation in 1945; today, this IO also shapes policy concepts by promoting lifelong learning and by establishing worldwide applicable quality assurance systems. A similar trend can be seen in the work of the Organisation for Economic Cooperation and Development (OECD). With rising awareness of the importance of knowledge in its member states, the OECD's activities in education have grown in scope and influence (Papadopoulos, 1994). The European Union (EU), a special supranational entity, has also become a remarkable example of rising IO activity in education policy making, as being the principal coordination agent of various policy developments: the Bologna process, the Copenhagen process, and the Lisbon strategy. Signatory countries are restructuring their higher education (HE) systems for cross-border mobility and mutual recognition of qualifications and to make Europe a regional player in the international trade in HE.

Moreover, IOs which do not have a mandate for education are nowadays players in this policy field, too. The International Labour Organisation (ILO), for instance, is today engaged in education in working life through activities such as training provision, technical assistance and standard setting through recommendations and conventions (Jakobi, 2007). The World Bank increasingly profiles itself as a worldwide institution of knowledge in the field of education and is becoming increasingly active, especially in the developing world. Unlike most other IOs, the



World Bank has also the power of being the biggest financier for educational programmes (Jones, 1992; Moutsios, 2008). It began supporting education in developing countries in 1963 and to date has transferred more than \$US 42.5 billion in loans and credits for education. World Bank education lending has averaged roughly \$2 billion annually for the last five years<sup>7</sup> (WB, 2008b).

Here it is important to clarify that the term “international organisations” (IOs) used in this thesis refers to those institutions set up upon agreement between a minimum of two states and their governments. Although the term international organisation may be applied frequently elsewhere to international non-governmental organisations (NGOs), some of which are also active in the field of education, the scope of this thesis will be restricted to intergovernmental organisations. Following the definitions offered by Dale (2005) it is also worth noting that several other terms will also be used in the analysis that denote a separate level or scale of activities, such as “*transnational*” – literally *across* nations, *supranational* – literally *above* nation.

In order to establish a theoretical grounding for the more focused analysis of the World Bank and education policy making, this chapter reviews two bodies of literature that try to explain the ways in which countries reconstruct education policies. The first explores globalisation and its effects on policy making power of the nation state. The nation states response to globalisation by creating new IOs and reconstructing existing IOs. Therefore, the second body of literature examines the workings of international organisations and their power relationships with the nation state.

### ***A - New mode of policy making***

Many scholars have developed theoretical perspectives around the linkages between globalisation and educational restructuring. A body of literature discusses the changing power relations between international organisations and nation states in educational policy making. The impact of globalisation and the global dominance of neoliberal ideology, which favours the human capital approach in framing educational policy, have resulted in a new mode of policy making. The world sees more policy consensus made through transnational networks of power rather than democratic process (Henry et al., 2001, Moutsios, 2008). This new mode of policy making implies

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<sup>7</sup> <http://go.worldbank.org/DD4DB8BRM0> (accessed in June, 2008).

that the nation state has no alternative to conformity, which amounts to remarkable willingness to renounce strategies of state power. The new mode and its implications lead to not only the emergence of a global policy community or ‘netocratic’<sup>8</sup> (network-like) political structures, but also the enhancement of metapower exerted by the leading international organisations, such as the World Bank, the IMF, the WTO, the OECD, the UN organisations and the EU (Barnett & Finnemore, 1999 & 2004; Beck, 2005).

The next section presents three arguments on the effects of globalisation and international organisations on the nation state and its policy making power by focusing on three questions:

- 1) Is globalisation an external pressure which limits the policy options and weakens the policy making power of the nation state?
- 2) Do nation states, in creating new IOs and reconstituting existing IOs, limit their own scope for policy making?
- 3) Does the interaction between IOs, markets and nation states result in convergence of education policy making structures across the globe?

After discussing them in turn, the section will explore the usefulness and weaknesses of these arguments in explaining the case of Vietnam’s higher education policy making.

### ***A1 - Is globalisation an external pressure which limits the policy options and weakens policy making power of the nation state?***

An array of literature contends that the multidimensional process of globalisation has changed the dynamics of the state; in particular, the globalisation of the economy and of technology creates pressure upon the nation state (see for example, Carnoy & Castells, 1999; Welch, 2001). In combination, such pressure, the post Cold War context, the global dominance of neoliberal ideologies, have significantly weakened states’ policy making power and also restricted their policy options (Henry et al., 2001). The section below discusses these factors in turn.

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<sup>8</sup> A play on the words internet and aristocracy, netocracy (netocratic) refers to a perceived global upper-class or a new power elite that bases its power on a technological advantage and networking skills. The term appeared in American technology magazine *Wired* in the early 1990s. Later, in their book “Netocracy” (2002), the two Swedish authors, Alexander Bard & Jan Söderqvist referred to “those who can harness global networks of information and master new forms of communication will inherit the power. They are the Netocrats.”

The enhanced *economic globalisation* is characterized by growing international trade in goods and services; instantaneous and ‘stateless’ financial markets; transnational production and distribution of goods and services, asymmetrical integration of science and technology, indeterminate flows of information; reorganisation of work; increasing movement of labour, an internationalized consumption pattern, and also global economic criminality (Jones, 1997; Carnoy & Castells, 1999; Burbules & Torres, 2000). Since financial markets and monetary policies are globally interdependent, they impose major constraints on national economic policies elsewhere. As Marginson also remarks, globalisation means that “the nation state is no longer able to sustain indefinitely a zone of economic and cultural isolation” (Marginson, 1999:25), because the nation state no longer controls capital markets and the larger patterns of investment within its territorial borders. Therefore, each nation state must become embedded in the larger network of global regulations or the global policy making arena. This issue will be discussed in the next section.

Also, the *organisation of production* involves transnational production networks or global value chains, with multinational corporations at their core. Many transnational corporations today have economies larger than those of mid-range nation states. Almost half of the world’s 100 largest economies are multinational conglomerates (Latham, 1998 quoted in Henry et al. 2001). National economies ultimately depend upon the performance of these transnational production networks. Moreover, the transnational corporations increasingly become private sector *quasi-states* (Beck, 2005), which make collectively binding decisions and also political decisions, concerning, for example, environment, human rights, civil rights, unwritten rules of global justice and count these as corporate social responsibilities. These decisions in turn strengthen the global political role of corporations and weaken the policy making power of the state.

In the *technology* sphere, unlike in the past when states could define science, technology and knowledge and those values that served the reproduction of power within national boundaries, nowadays knowledge formation and power over knowledge moves out of the control of the nation state. Knowledge is increasingly defined in terms of economic value, therefore, as Carnoy and Castells (1999) argue, “the highest valued information and knowledge now has its locus in the global economy, not in any single national site”. Even though knowledge continues to be

produced locally, the conditions of its production pivot on the emergence of networks of transnational innovators who are putting knowledge production beyond the control of the state. This shift of knowledge production from national into global space may still be in its incipient stages, but the trend is clear. Furthermore, state-sponsored and controlled scientific research and innovation are declining rapidly compared to innovation that originates outside state control. This shift again means the reduction of the nation-state's control over knowledge and related policies.

In a similar vein, Anthony Welch (2001) and Phillip Jones (2006) draw on four approaches to globalisation from the work of Leslie Sklair (2001) to argue that the power of the state, especially in the developing world has been reduced.

The first is the *world systems* approach, which argues that countries can be assigned to either core, semi-peripheral or peripheral status within an overall context of their role in the world capitalist system. More specifically, the world is seen as a single economic system governed from the core at the expense of the periphery.

The second approach is *global culture*, which in contrast with the world systems theory prioritizes the cultural over economic and addresses the global “homogenization” of cultural forms and the reshaping of national identity in the face of global culture.

The third approach is *global society*, whereby advances in science and technology characterize the way that globalisation enlarges our sense of space-time and allows action at a distance. This also produces a growth of global institutions, universal values and possibilities for a global society along the lines proposed by modernization models of development.

The final approach, *global capitalism*, locates the dominant global forces in the structures of a globalizing capitalism, in which almost half the world’s 100 largest economies are global companies rather than states (Latham, 1998, p.11 cited in Henry et al. 2001). It is argued that the development of both transnational corporations, mainly from the west, and a “transnational capitalist class” forms global ruling forces (Sklair, 2001). Globalisation is therefore viewed as “an expression, consolidation and diversification of western capitalism, carrying with it profound cultural and political implications” (Jones, 2006:17). This creates restrictions regarding policy options for many nations, especially in the developing world.

The thinking behind economic globalisation is frequently referred to as *neoliberalism* (Jones, 2006), a theory of political and economic practices pursued by

powerful economies and promoted by the major international organisations such as the World Bank, the International Monetary Fund, the World Trade Organisation and the OECD. The neoliberal ideology has ideals that look to promote liberalization of trade and investment, deregulation of economic activities, privatization of public enterprises, reduction of state intervention (Harvey, 2005; Moutsios, 2008). For neoliberals, there is one form of rationality more powerful than any other: economic rationality. That means that individuals are to be competitive entrepreneurs because they are to act in ways that maximize their own benefits (Apple, 2000), and countries are to ensure the global competitiveness of their economies (Henry et al., 2001).

Since the end of the Cold War, this neoliberal ideology has also been widely spread in the former Soviet Bloc. Proponents of neoliberalism see this as an opportunity for capitalist expansion and the penetration of Western values and influence on a truly global scale (Dale and Robertson, 2002; Jones, 2006). Some commentators claim that the ideological battle had been won by libertarianism and by the demise of statist ideologies in the minds of people around the world. And many agree that the pervasiveness of globalisation and neoliberalism increasingly leave states that refuse to participate isolated and at a comparative disadvantage. This suggests that most countries want to be included in the global economy. Once they are in, the nation state has little political room for manoeuvre. For instance, governments can respond to problems, such as vast redundancies in the public sector, and substantial increases in inequity of access to education, with rules of law rather than facing up to the cause behind the problems or taking steps that might ameliorate the conditions of resentment and inequality. In other words, globalisation indeed limits the available policy options of the nation state.

In the wake of globalisation, most, if not all, nations are to seek to globalise their economies or attempt to ensure the global competitiveness of their national economies. Such a goal has taken on the status of a meta-policy and as such frames the nature of other policy domains, including education (Henry et al., 2001). As for education, nation states are located within a complex web of ideas, networks of influence, policy frameworks, financial arrangements and organisational structures. Jones (2006) terms these “the global architecture of education”, a system of global power relations that exerts a heavy influence on how education is constructed around the world. The global architecture of education shapes the relationship between education and development, and determines the dimensions of economic and social,

educational policy at national level. Hence, the nation state is also losing control over the educational system, as education is decentralized and/or privatized in response to globalisation.

In sum, the main argument of this section is that globalisation of the economy and technology is treated as inevitable. The global dominance of neoliberal ideology is seen as an external force, which limits the policy options and weakens the policy making power of the nation state. Although these global processes have not eliminated all vestiges of the nation state, they have reconstituted the nation state in important ways. Nation states, as Carnoy and Castells (1999) observe, also react to the effects of globalisation by reconfiguring themselves to try to accommodate to new pressures and new demands. One way of reconfiguration is that the nation states build international, supranational, and transnational institutions by creating new international organisations (IOs) or reconstituting existing IOs, in order to manage together the process of globalisation that threatens to overwhelm individual states. However, behind this solution there is again a question of the limitations of the nation state's scope for policy making, which is discussed in the next section.

***A2 - Do nation states, in creating new IOs and reconstituting existing IOs, limit their own scope for policy making?***

About 238 international organisations are currently working on every imaginable global issue (Barnett and Finnemore, 2004). The process of globalisation has also created new political structures, as well as reconstituting international organisations already in place. The emergence of the supranational political entities of the European Union, the Asia- Europe Meeting (ASEM), new regional trade zones such as the Asia- Pacific Economic Cooperation forum (APEC) and the North American Free Trade Agreement (NAFTA) are examples of this dynamic.

As mentioned earlier, the European Union is perhaps the most advanced supranational political body with member nations delegating some of their legislative authority to this entity beyond the nation. At the turn of the millennium, it laid down clearly defined criteria for economic policy for member states in relation to the single monetary union, and it also introduced the idea of a European Educational Space, or a European Higher Education Area together with influential political developments such

as the Bologna process, Lisbon strategy, and Copenhagen process. This presents a considerable shift from the traditional view of education as a uniquely national matter to a stronger – albeit voluntary - commitment to a European-wide education policy. This voluntary choice is achieved through the Open Method of Co-ordination (OMC), which provides a new framework for cooperation between the EU member states, whose national policies can be directed towards certain common objectives. The OMC involves so-called "soft law" measures and peer pressures which are binding on the member states in varying degrees. Therefore the individual state's scope of policy making is severely restricted.

Newer regional political entities, such as the Asia-Europe Meeting (ASEM), the Asia-Pacific Economic Cooperation (APEC), and the North American Free Trade Agreement (NAFTA), have also entered the educational policy field. ASEM was established as an informal process of dialogue and co-operation bringing together the 27 European Union member states and the European Commission with 16 Asian countries and the ASEAN Secretariat. Since its establishment in 1996, the ASEM dialogue has been addressing political, economic and cultural issues. Recognizing the importance of education in the cooperation between the two regions and among its 43 member countries, this IO held its first education ministers meeting in May 2008. The meeting identified not only the common perspectives of Asia and Europe but also set the specific education agenda for its member countries in the language of strengthening cooperation (ASEM InfoBoard, 2008). For example, in the agenda, lifelong learning is promoted as an indispensable strategy for a knowledge society. It was also included in chair's conclusions of the senior official meeting (SOM), ministerial meeting and Heads of state Summit in 2008. Member countries' leaders and researchers convene to learn from one another, they adopt and adapt the strategy to their national contexts. Although ASEM is a new IO, there have been many well-established bilateral relations between member countries and a strengthening of common political values in various spheres, including education, is a clear trend. This trend is likely to result in greater regional convergence.

Similarly, APEC and NAFTA were set up with the central purpose of seeking control and orientation of international trade in their favour and at the present are functioning largely as economic and trading arrangements, but their activities and influence are not only confined to trade matters. They have wider social assumptions and implications, such as the formation of human capital, education and training. These

IOs are beginning to view education as a tradable good under the same terms as other commodities. Therefore education is also seen as a site of foreign investment (Dale & Robertson, 2002), which would fall under the rules concerned with investment. These rules and other precise sets of rules are to ensure binding commitments and therefore place policy limitations on their member states. Such limitations are most obvious when related to trade liberalization and to the removal of tariff protection to accelerate the move towards more blurred national boundaries and a borderless global economy (Henry et al., 2001). For example, the NAFTA rules are not offset with “opt out” clauses and the rules are made under the principle of “supersidiarity” (Dale & Robertson, 2002). That is, decisions are made at the highest possible level of activity. As a result, within the NAFTA framework, the nation state often lacks the power to adopt supplementary legislation. The rise of such a decision making mode clearly limits the nation state’s room to manoeuvre independently.

Moreover, as Welch (2001) observes, most of the international trading charters of international entities (e.g. APEC, NAFTA, WTO) are often presented by governments to their people and to the global public in the form of “There Is No Alternative – TINA” (ibid. p.477), because ‘once a country buys into a global economy, a broad set of decisions is removed from national debate’ (McGinn, 1996 cited in Welch, 2001). These decisions include education, since education is increasingly treated as an engine of economic activity and international competitiveness.

To summarize, this section has discussed the question about the effects of globalisation and highlighted the main answer that nation states limit their own scope of policy making when they create new IOs and reconstitute existing IOs as a result of, and in response to, globalisation.

Let us review the usefulness of this theoretical literature in explaining what happens in Vietnam. As mentioned earlier, since Doi Moi, Vietnam has become a more active member or a new member of many international organisations and adheres to their principles and rules. As a result, new ideas and resources flow in the country and help to broaden the view and create more opportunities for Vietnamese people. For example, greater mobility in and out the country, better schooling, more jobs, more information, have become available. Therefore, this was seen as a positive sign of Vietnam’s social economic achievements and integration to the world, or putting it



differently, enhanced or improved power of the state rather than a sign of reducing state's power as pointed out in the above mentioned theoretical literature. Thus, the following section will look at the interaction between nation states, IOs and markets in education policy making, which is likely to result in convergence of education policies around the globe. The purpose of this is to identify another theoretical ground which explains the newly changed policies in Vietnamese higher education.

### ***A3 - Does the interaction between nation states, markets and IOs result in convergence of education policies across the globe?***

Leuze et al. (2007) claim that education has traditionally been a prerogative of the nation state and denoted a core element of the state's sovereignty. Today education is increasingly turning into an international and private good. Recently, modern nation states have been facing problems regarding the provision and financing of public education. Tight budgets increasingly constrain the nation states' capacity to meet the ever rising demand for education, while existing education qualifications and the content of national education systems are often no longer meeting labour market demands adequately in the globalised world. The nation state is often unable to manage and solve these problems by itself today and therefore needs to involve different other actors. The last decades saw fundamental changes in this policy field: the state is increasingly sharing education policy making with a variety of actors, most importantly IOs and markets. Figure 1. below illustrates the interaction between these three key actors.

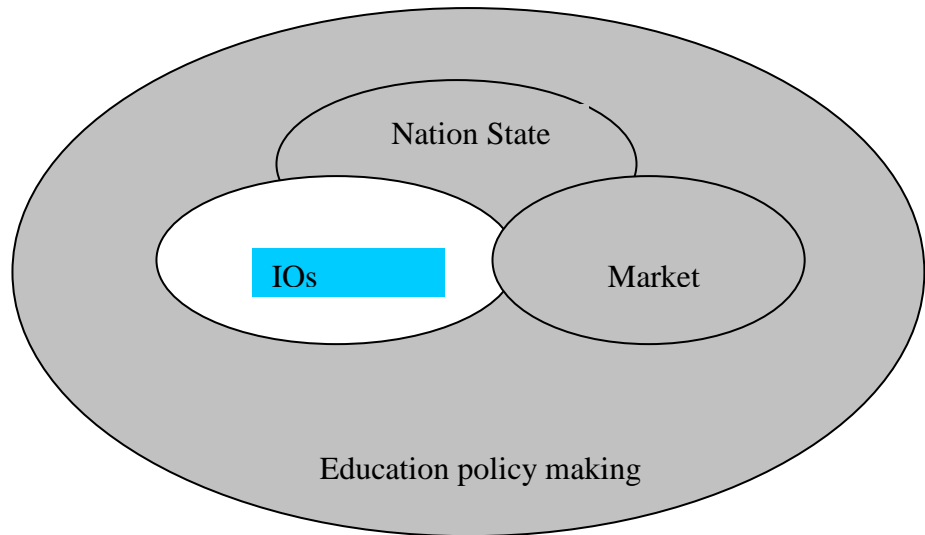


Figure 1: Arenas of education policy making (Leuze et al. 2007:8).

As mentioned above, international organisations have been widening their scope of action and have actually been transferring education into the field of international policy making. At the same time, marketisation gradually turns education into a marketable and tradable commodity (Ginsburg et al., 2005; Robertson, 2005). The integration of IOs and market actors in this policy field leads to new forms of governance, which are defined as “the process and outcome of policy making shared by various actors” interacting in a non-hierarchical way (Leuze et al., 2007, p.8).

The active engagement of IOs and markets in education policy making in the last two decades has signified fundamental changes and their influences have reached a new level. They offer alternatives in education governance and increasingly challenge the nation state’s prerogative in this field. The authors also observe that these different political actors are striving to realize their goals and interests. IOs establish new rules and standards of education policy making. IOs are becoming more active in agenda setting as they innovate and disseminate ideas. For example, through the coordination and distribution of statistics and policy papers, IOs set benchmarks in education, and through the organisation of conferences IOs create professional transnational networks and support new elites in education policy making (see Mc Neely et al., 1994; Leuze et al., 2007; Dale and Robertson, 2002). The process of educational commodification brings about new market actors, such as private providers and new modes of regulation in education through demand and supply. For example, market optimists argue that

“customer choice” is an indicator of quality and guarantor of democracy in gaining the right to “leave bad schools and seek out good ones” (Apple, 2000, p.61). Or the market transmits signals of shortages and surpluses through wages, levels and periods of employment which are likely to make education systems respond accordingly and to have students and their families consider if their own level of investment in education is adequate (Banya, 2005). By and large, both IOs and markets are gaining greater influence and importance in education policy making.

The fact that nation states are increasingly sharing policy making power with IOs and markets, and comparing their education systems and goals to international standards and practices elsewhere, is likely to promote greater homogeneity among states or the convergence of education policies.

In summary, the above sections have analysed the effects of globalisation, IOs and markets on educational policy making and argued that the nation state’s policy making power has been restricted. Yet, there still remains a question about whether or not these theoretical grounds help explain adequately the case of Vietnamese higher education reforms. Let us review the arguments.

Like other countries, the Vietnamese economy is increasingly affected by globalisation. Having realized that reintegration into the international arena was the way to overcome the country’s isolation and critical economic situation, the Vietnamese government introduced “*Doi moi*” policy to renovate the country’s all socio-economic spheres. In effect, the policy aims at opening up the nation to global interconnections and institutions so that it could be included in global flows of capital, information, knowledge, technology, trade, tourism and so forth. At the same time, Vietnam has also become a member of many flagship international organisations (e.g. ASEAN, IMF, WB, ASEM, AFTA, WTO, APEC). The above theoretical grounds certainly help to understand some aspects of what is going on in Vietnam. However, they do not provide a convincing explanation of the power relations between different actors and the functioning of a different kind of market in Vietnam – “socialist state-regulated market economy” - where the state is still the de facto proprietor and interventionist, and the communist party’s political monopoly is in direct conflict with the neoliberal market economic law. For instance, the market signals about the “customer choice” of university or the “wages” of employees would not reflect the real market situation because enrolment quotas, tuition fees of each university, and wages are set by the state (see Hayden, 2006). Therefore, it is reasonable to comment that in

Vietnam the market does not walk in the field of education policy making with forces, which surpass the state power and regulate behaviours of all other actors. In addition, Vietnam does not feel itself subordinate to the World Bank. But why and how did the government of Vietnam decide to collaborate with the World Bank in higher education in the last 15 years?

The theoretical literature above cannot help to answer these questions as they do not really explain to what extent and which elements of policy making power the nation state has shifted to IOs and market actors; and how the nation state interacts with these actors to reach policy consensus. These matters are examined in more detail in the sections on IOs that follow.

## ***B - International Organisations and the Nation State***

In the context of globalisation, international organisations take on an enhanced policy role and many IOs exercise their power autonomously in ways unintended and unanticipated by states when they created them (Barnett & Finnemore, 1999 & 2004). So, how can we understand the relationship between international organisations and states? A body of theories states that IOs can be seen as instruments created to serve state interests or to reflect state preference and that they are designed to solve problems for states. If so, IOs could be treated as empty shells or policy machinery to be manipulated by states. But viewing IOs in such a functionalist and statist fashion may not accord with reality. Many IOs nowadays take actions that are unanticipated by their creators and unsanctioned by their member states (Barnett & Finnemore, 2004). They create new agendas, formulate new rules, “which then change national politics and societies fundamentally” (Beck, 2005, p.162). From a constructivist perspective, Barnett and Finnemore (1999, 2004, 2005) view IOs as “autonomous actors” in world politics – as bureaucracies with ideas, agendas and preferences of their own. The authors look at the IOs’ behaviours and the ways in which they exercise their power and influence in world politics. Their four main conclusions are: 1) IOs have autonomy because they have authority to induce compliance; 2) IOs have power not simply because they have control of money and of information, but because they use their rational – legal authority to orient action; 3) IOs have the ability to do both good and harm. The same source of power can cause dysfunctional behaviours or

pathologies; 4) IOs both resist and introduce change and they exhibit “mission creep” as their tasks expand.

In order to better understand IOs’ power in world politics, it is necessary to understand where their authority and power come from. The following section explores the sources of IOs’ authority and power, and how IOs interact with the nation states to exert their power over them. The understanding of this would help explain to what extent and which elements of policy making power have been shifted to IOs. With this shift of power IOs are able to regulate what already exists and constitute the social world around them.

### **B1 - What makes IOs’ authority? What do IOs do with their authority?**

Barnett and Finnemore (2004: 18-20 & 2005:169) argue that authority is a social construction and it exists within social relations that constitute and legitimate it. Authority means the ability of IOs to deploy discursive and institutional resources in order to get other actors to defer to their judgments. IOs draw their substantive authority from three broad categories: delegation, morality and expertise.

*Delegation* refers to delegated authority from the states, when states put IOs in charge of certain tasks. For instance, the European Commission’s authority derives from the powers delegated to it by the European states, the UN’s (United Nations) authority to do peacekeeping is given to it by members states. Barnett and Finnemore (2004, 2005) observe that states often delegate to IOs tasks which they cannot perform themselves and about which they have limited knowledge. Delegated tasks, therefore, need to be analysed and interpreted with the IOs’ expertise. That is, at some level delegation creates autonomy, and IOs must be autonomous in some ways simply to fulfil their tasks.

The *moral* authority of IOs often derives from their status as representative of the shared interests, or defender of the values of the international community. For example, the UN organisations often use their status as the protector of peace, security and human rights to create autonomy from member states. The World Bank’s universal concern is to “work for a world free of poverty” to induce deference from governments and citizens. Since IOs present themselves as champions of shared values, they can appear to be above politics and draw support for their actions.

**Expertise** often makes IOs authoritative because states want important social tasks to be done by people with specialized knowledge about those tasks. For example, the HIV/AIDS epidemic should be handled by doctors and public health specialists who know about disease prevention. Specialized knowledge derived from training or experience persuades people to confer on experts, and the IOs that house them, the authority to make judgments and solve problems. That is to say, the use of such socially recognised relevant knowledge to carry out tasks makes IOs' authority rational. Also, professionals and experts value technical knowledge because they are aware that such knowledge could benefit society. As guardians of this knowledge, they perceive themselves to be acting in the name of the public good. IOs employees similarly believe that their expertise makes them suited to advancing the community's goals and improving society. Expertise also shapes the ways IOs behave. For example, the IMF cannot propose any policies. It can only offer policies that are supported by the economic knowledge it deploys. By and large, professional training, norms, and occupational cultures strongly shape the way experts, hence IOs, view the world.

Barnett and Finnemore provide a theoretical ground to understand IOs' authority. In the case of the World Bank, it may have power delegated by nation states. To some extent, it may also have moral authority derived from its mandate to reduce poverty, although some countries question whether its neoliberal ideology is an appropriate philosophy for achieving this. Most questionable is how the World Bank sustains influence through its expertise. For example, in Sub-Saharan and Latin America some people have a hard time deferring to the World Bank's ability to solve problems. Also, the fact that the World Bank's knowledge is contested challenges whether such an IO would be able to claim the same degree of expert authority over time and in relation to other expert claims. Hence, Barnett's and Finnemore's arguments do not seem adequate to explain the World Bank's policy influence in the developing world and in Vietnam in particular, when it comes to the questions, such as "which knowledge and expertise does the World Bank choose to reform education systems and improve societies?", "whose moral values are promoted?" and "who owns the expertise and moral values?".

In sum, the above three attributes – delegated authority, moral authority and expert authority – each contributes in different ways to creating IOs' authority and to making IOs autonomous actors. The authority based on expert knowledge, in particular, underlies IOs power. Barnett and Finnemore (2005) note that authority

requires some level of consent from other actors whereas power can be seized or taken. The next section examines this power further.

## **B2 - How do IOs exercise their power?**

Barnett and Finnemore (2005) classify IOs' power into three types and argue that IOs are able to regulate what already exists by exercising their *compulsory power* and *institutional power*. They also show how IOs constitute the social world by exhibiting their *productive power*.

**Compulsory power - authority as a normative resource to direct behaviour:** IOs use their normative (sometimes material) resources to try to shape the behaviour of state and non-state actors. For example, IMF uses conditionalities attached to their loans to coerce states into adopting policies they would not otherwise adopt; the World Bank can use its money to get small farmers to do what it wants (see Finnemore, 1996; Barnett & Finnemore 2005). IOs often believe that one of their principal functions is to try to alter the behaviour of states to make sure that they comply with the global existing or emergent rules, regulations, practices and norms, which IOs spread, inculcate and enforce. It is noteworthy that the legitimate modern authority invests in legalities, procedures, and rules, not in a leader as in previous forms of authority (Barnett & Finnemore, 1999). IOs use a wide range of techniques to exercise their compulsory power, such as teaching and persuasion, 'name and shame', material sanctions, using rhetoric, using information strategically, gathering some kinds of information but not others, manipulating audiences strategically, inviting or including only some kinds of participants, but not others (see Barnett & Finnemore, 2005: 176-178).

**Institutional power - guiding behaviour at a distance:** With their expertise, IOs can structure situations and social understandings in ways that channel behaviours towards some outcomes rather than others. For example, the OECD's PISA (Programme for International Student Assessment) has become a reference triggering educational reforms, as states can hardly ignore evidence-based research, comparison of performance data provided by IOs to legitimise their decisions. **In other words, the rationality that IOs embody makes them powerful and makes people willing to submit to this kind of authority, even in the absence of material resources.** This invites and requires IOs to shape policy and creates conditions for power to flow from

the global sphere into nation states' arenas of power (Beck, 2005; Moutsios, 2008). The irony of this power is that it makes IOs powerful precisely by creating the "appearance of depoliticisation". That is because IOs often justify their power on the basis of their supposedly objective and rational character. In reality, however, such objectivity does not and probably cannot exist, but the myth of such objectivity is central to their legitimacy. As Barnett & Finnemore (1999) observe, by emphasizing the 'objective' nature of their knowledge, IOs present themselves as impersonal, technocratic, neutral and self-effacing – as not exercising power but instead as serving others.

IOs' institutional power can operate indirectly. This is most obvious when IO's rules and norms have lingering effects and when policies established at one time have echoes long into the future. Examples of techniques that IOs apply range from setting agendas, classifying, organizing information and knowledge, redefining concepts, fixing meanings to categorizing economies (Barnett & Finnemore, 1999; 2005). As Barnett and Finnemore (1999; 2005) note, the ability to classify and define objects is one of IOs' sources of power. The classification matters because it helps IOs to create reality, and define problems that require solutions. The ability to classify objects and to shift their definition and identity has potentially important implications for those being classified (e.g. the UN defines 'human rights', the WB defines 'peasants', the OECD sets benchmarks and indicators). The way an IO classifies objects shapes not only how it sees the world but also how it acts on the world in ways that can affect the behaviour of others. Therefore, as the authors argue, to classify is to engage in an act of power.

**Productive power - constitute and regulate the world:** IOs not only regulate but also help to constitute the social world. IOs are an important part of a broader process that is helping to constitute the world and to create certain kind of actors and associated practices (Barnett and Finnemore, 2005). One important aspect of this power is that IOs are often the actors who help to constitute the problem that needs to be solved. Problems do not exist out there as objective facts; they are defined as a problem by some actor (e.g. IO) through a process of social construction (Barnett & Finnemore, 2005). For example, in order to tackle development and poverty problems in Third World countries, many IOs, including the World Bank, help these countries to organize their economies and polity in market mechanisms. If progress doesn't occur, the IOs propose various policies designed to institutionalize market mechanisms as well as to teach peasants how to respond efficiently and properly to market signals. In



this way, IOs help transform self-efficient peasants into market-dependent farmers. In essence, this technical solution is highly political as it changes the relationships between farmers, consumers, and local and central governments. In another example, the UN saved failed states after the end of the Cold War by creating a particular kind of state that had working markets, working democracy, the rule of law and the like (see Barnett & Finnemore, 2005).

In both examples, as IOs attempt to bring about progress and development, they create new actors, introduce particular solutions to particular problems that, in turn, constitute new social relations that require regulations. Because IOs' intentions are honorable and they are experts in their field, they are then particularly well suited to regulate. They have the opportunity to exhibit their authority and power. In this sense, IOs are often constituting the world in ways that reflect the same values that constitute them as social actors.

### **B3 - Are IOs all authoritative and legitimate?**

Understanding IOs as autonomous social actors forces us to think about whether the creation of an IO is a good thing. Although in their various pieces of work Barnett and Finnemore appreciate the benefits of IOs, they also mention the costs. As they point out, while pursuing goals, especially contested goals, IOs' performance lacks accountability and transparency due to their undemocratic character, concentrated specialization and limited field of vision.

These questions lead to another line of scholarship, which emphasizes de-democratisation in policy making and asymmetry in the distribution and exercise of power within IOs structure and in relation to states. For example, not only have the specific conditions of membership excluded certain countries in the first place (e.g. WTO), but also the embedded unequal power relations between members often allow those states that are economically powerful to have their interests presented and pursued at the expense of smaller ones (see for example Papadopoulos, 1994; Dale & Robertson, 2002; Heyneman, 2003; Moutsios, 2008). Many flagship IOs were created within oppressive global structures and they continue to operate within them and to maintain them. For instance, the World Bank and the IMF were explicitly set up along "one dollar, one vote" lines, so that a couple of the wealthiest countries have virtually total control (Klees, 2002; Moutsios, 2008). Stiglitz calls the governance of the IMF

and the WB so flawed. He points out that “the powerful [countries] do better in closed door proceedings where they can use their economic muscle to achieve their objectives. So too in the international arena” and he terms it “asymmetric liberalization” (Stiglitz, 2008b). From this perspective, the active role of IOs in policy making is regarded with some distrust, since specific ideologies behind their activities may not always be consistent and congruent with nation states’ goals (especially the less powerful states). For example, the World Bank’s and the IMF’s socio-economic policies are unabashedly liberal, promoting privatization and free markets around the globe (Barnett & Finnemore, 2004). These policies might seem legitimate to their staff and many of their most powerful member states, but are not necessarily legitimate to all borrower governments and their populations. Paradoxically, as discussed in the previous section on globalisation, participation in IOs is often regarded as an indicator of integration into the wider world system (McNeely & Cha, 1994). Member states make their voluntary choices to create and join many IOs, especially the flagship IOs, and design or subscribe to their governing structure themselves. This may lead to the active incorporation of ideologies and practices with worldwide connotations. The voluntaristic and contractual characters, whereby member states voluntarily enter into agreements for self-betterment, are a powerful legitimating device for these IOs (Barnett & Finnemore, 2004).

In summary, chapter II has reviewed two bodies of theoretical literature which explains the ways in which the nation state reconstructs education policies. The first explores globalisation and its effects on the nation state’s policy making power, the nation state’s response to globalisation by creating new IOs and reconstituting existing IOs, and the power-sharing between IOs, states and markets. The available literature supports the argument that the nation state’s policy making power is increasingly restricted. The second body of literature focuses more on the workings of IOs, the sources of IOs’ power and the ways IOs exert it over nation states. These two bodies of literature provide useful theoretical grounds to understand some aspects of what happens in Vietnamese higher education. The case study in this thesis will give more in-depth analyses and insights into the power relationship between the World Bank and Vietnam. The case study will also explain why the World Bank did not appear to exert its power but instead it seemed merely to diffuse its ideas. These ideas, on the surface, did not appear right to Vietnamese policy makers, but they, eventually, were made to

become the owners and promoters of the ideas. This thesis tries to find out how this has come about. Therefore, the next chapter will explore the World Bank's standpoint about higher education, its core policy ideas about higher education and its rationales for those ideas. Then the chapter to follow will examine in detail the actual interactions and power relations that went on in order to see how these core ideas gained ground in Vietnam.

## Chapter III

### The World Bank and its Higher Education Policy

Since the end of the Cold War and the collapse of the Soviet bloc in the early 1990s, the World Bank has become truly global. Its global reach, as Jones (2006) claims, was achieved just as scholars and policy makers were embracing the idea of globalisation. The scale and scope of the World Bank's lending for education make it stand out.

As Jones (1992:xiv) observes:

*“... the World Bank lies at the centre of the major changes in global education of our time. Its financial power and influence have helped shape the economic and social policies of many governments, including policies that affect education. It has been an influential proponent of the rapid expansion of formal education systems around the world, and has financed much of that expansion. It has been instrumental in forging those policies that see education as a precursor to modernization. It has served as a major purveyor of western ideas about how education and the economy are, or should be, connected. It has assumed a prominent role in educational research and policy analysis, and exercises a degree of leadership among those international organisations committed to education”.*

Jones' observations raise a number of issues about how the World Bank operates, radiates its ideas and wields its influence on education across the developing world. His comments also present a particular view of how the World Bank approaches education policy based on the political standpoint, the influence it has over economic and social policies, the scale of its lending, and the technical expertise it possess. The section below will shed some light on the World Bank's new perspectives on higher education and its core policy ideas for higher education lending.

#### ***World Bank's Higher Education Policy***

During the first years of the 21<sup>st</sup> century, the World Bank's priorities for education were clustered into two major areas: education for all, and education for the

knowledge society (Jones, 2006). Whereas in previous decades, investment in primary education was made the focal point of the Bank lending, over the last decade the World Bank has been increasingly interested in higher education reflects recent changes in the Bank's policy over the last decade. In 2000, the World Bank and UNESCO published "*Higher Education in Developing Countries: Peril and Promise*", a report by the independent Task Force on Higher Education and Society. President James D. Wolfensohn enthusiastically endorsed the implications of the report, namely that higher education is important to build capacity and reduce poverty, acknowledging the World Bank's fundamental purposes: development and poverty reduction. The report, made by a bank-sponsored, but independent task force, expressed an unprecedented view of higher education in the World Bank's documents. That is,

*"... since the 1980s, many governments and international donors have assigned higher education a relatively low priority. **Narrow** – and, in our view, **misleading** – economic analysis has contributed to the view that public investment in universities and colleges brings meager returns compared to investment in primary and secondary schools, and that higher education magnifies income inequality... As a result, higher education systems in developing countries are under great strain. They are chronically under-funded, but face escalating demand...*

(WB, 2000, p.12, emphases added)

The Task Force report continues

*"... rate of return studies treat educated people as valuable only through their higher earnings and greater tax revenues extracted by society. But educated people clearly have many other effects on society: educated people are well positioned to be economic and social entrepreneurs, having a far-reaching impact on economic and social well being of their communities".*

(WB, 2000, p.39).

From a research standpoint, this was a shift in the World Bank's traditional economic arguments and a "turnaround" in the World Bank's higher education policy. Wolfensohn admitted that "World Bank research for the past 20 years has been wrong" (quoted in Klees, 2002:461). The report supposedly showed the World Bank had limited understanding of substantial benefits that higher education brings society, and

that the rate of return data which World Bank had been using to sell primary education as a superior investment to higher education had been incorrectly calculated for two decades.

In 2002, the World Bank published another report “*Constructing Knowledge Societies: New Challenges for Tertiary Education*”, which legitimised the World Bank’s policy involvement and financial investment in higher education in the developing world. The report showed that the evolving nature of the knowledge economy highlights the rigidities and weaknesses that prevent certain higher education systems from maximizing their potential to build local capacity. Developing countries are at the greatest risk of exclusion from the dynamics of the world economy. This marginalization not only promotes “human capital flight”, or “brain drain”, from countries that can least afford it (borrowing governments of Vietnam, Nepal, Argentina are the current examples), but it also raises the likelihood that local concerns will be overlooked, ignored, and postponed, such as lack of institutional capacity, and lack of research and innovation that can help a country tap into the growing stock of global knowledge.

The World Bank’s political stance is carefully worded and overtly expressed:

*“The capacity for countries to adopt, disseminate, and maximize rapid technological advances is dependent on adequate systems of tertiary education. Improved and accessible tertiary education and effective national innovation systems can help a developing country progress toward sustainable achievements. The World Bank is working to encourage not only better-quality outcomes from tertiary education worldwide, but also to promote more efficient tertiary education institutions that innovate and respond positively to meaningful performance-based allocation of resources and accountability systems. Such improvements can stimulate economic growth and help to stem the outward flow of highly skilled human capital by supporting cultures of quality and productivity”.*

(World Bank, 2008b)

Thus, the World Bank’s new rationales for including higher education in its education portfolio have been straightforward, and all have to do with the production of

knowledge and the creation of people with high-level technological, the research and analytical skills required by the labour market and for the increase of national competitiveness.

Having acknowledged greater social benefits of higher education, the World Bank regards it as both a public and private good and importantly as a critical avenue for World Bank lending. The statistics from the World Bank shows that from 1990 to 2008 the World Bank lent over US\$7.43 billion for 327 education projects with tertiary education components in 136 countries. In the ten years from 1998 - 2008, World Bank lending for tertiary education averaged US\$327 million per year<sup>9</sup> (WB, 2008b). At the heart of its policy-based lending implications, the World Bank's over-arching stance favours free and self-regulating markets, revised patterns of governance, the scaling back and re-shaping of the public sector, increasing private provision and integration of national economies into the global market place (Mundy, 2002; WB, 2002; Jones, 2006). More specifically, the core of the World Bank's endeavour is to insist that governments overhaul their policies and practices for the financing of higher education. Hence, the World Bank's higher education policy bound by its general development policy, in essence, consists of three core prescriptions 1) recommending cutbacks in public higher education through introducing user fees, 2) developing a credit market, and 3) decentralizing the management of universities and increasing private provision (Klees, 2002; Mundy, 2002). These recommendations became typical of the "short education policy menu"<sup>10</sup>, which has relied heavily on rate-of-return analysis. The short education policy menu was an ingredient of the overall macro-economic adjustment programme. Sometimes it was nested with a larger list of changes in financial, trade, taxation and industrial policies or in a longer list of regulations designed to protect the poor (see Heyneman, 2003 & Jones, 2006). The implementation of the short policy menu faced difficulties in some borrowing countries, including Vietnam. There are at least three main reasons. First, it goes against a long-established tradition of free education. Education at all levels was free in Vietnam until *Doi moi*. Second, institutional capacity may not adequately support the administration of student

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<sup>9</sup> <http://go.worldbank.org/HBEGA0G2P0> (accessed in August, 2008).

<sup>10</sup> the "short education policy menu" refers to the set of priorities or a handful of principles that emerged from the rates of return analysis, showing how the use of a single methodology by the WB led to a short list of policy options (Heyneman, 2003: 325-326). This short education policy menu and the Washington Consensus principles as applied to education were stridently and inflexibly promoted by the World Bank regardless of the implementation context in various borrower countries (Jones, 2006:122).

loan schemes. Third, it conflicts with the political regime, such as encouraging private education in communist socialist country, like Vietnam.

However, this short education policy menu was facilitated by the creation of a new Senior Vice President (SVP) for Policy, Planning and Research within the World Bank. Armeane Choksi was appointed to this position and endowed with the ability to approve loans without the consent of regional operational staff in order to speed its policies and loans (Heyneman, 2003). Choksi was widely regarded within the World Bank as an economic conservative, a keen promoter of neoliberal reforms, who within his Senior Vice President office had the World Bank's rate-of-return champion George Psacharopoulos. This structural change placed the most articulate proponent of the short education policy menu within the Senior Vice President office, and that encouraged the rates of return method as the mechanism for policy planning and loan approval. In one instance it was suggested that no loan should be made for higher education unless a country cancelled legislation against privatization and student fees (see Heyneman, 2003). In a protest note, a senior official of the World Bank objected on the ground that many borrowing countries have such legislation which is often derived from their constitutions (Jones, 2006: 122-162).

This is to say, although the new roles and social benefits of higher education were acknowledged and the World Bank had opened up a new lending avenue, its core policy ideas are still based on the background of its pre-existing set of development policies, which are often referred to as the "Washington Consensus". In the mind of most people around the world, the term, invented by Williamson<sup>11</sup> in 1989, represents a set of neoliberal strategies based upon a "strong faith in unfettered markets and aimed at reducing, or even minimizing, the role of government" (Stiglitz, 2008a:41). The IMF and the World Bank became centres for the propagation and enforcement of "free market fundamentalism' and neoliberal orthodoxy (Harvey, 2005). Indebted countries

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<sup>11</sup> John Williamson is an economist who coined the term 'Washington Consensus' in a paper written for a conference in 1989. The term describes ten economic policies covering the areas of macroeconomic discipline, microeconomic liberalisation, and opening up the economy (globalisation), which was widely believed by Washington-based institutions at the time, such as the International Monetary Fund, the World Bank, and the U.S. Treasury Department, as a basis for economic reforms in developing countries. The ten areas he identified are the importance of: fiscal discipline (or policies to combat fiscal deficits); public expenditure priorities (focused particularly on the removal of subsidies and other forms of governmental intervention); tax reform; financial liberalisation (toward market determined interest rates); trade liberalisation (replacing licenses with tariffs and reduction of tariffs); removing barriers to foreign direct investment; privatisation; deregulation of impediments to competition; and property rights. The term has been identified with IMF/World Bank policies and with a belief in market fundamentalism. (A Short History of the Washington Consensus – Williamson, 2008).



were required to implement institutional reforms, namely the downsizing of public welfare expenditures even in sectors like education and health, more flexible market laws, and privatization. Thus was the ‘structural adjustment programme’ that the World Bank invented (ibid. p29).

In sum, this section has presented the World Bank’s position, the recent developments in its investment priorities and its core policy ideas for higher education lending. Now let us look at the internal logic behind these ideas and how the World Bank transfers them to borrowing countries while portraying itself as a “Knowledge Bank”.

### ***Power of the Knowledge Bank***

Referring back to the discussion in chapter II about how IOs can exercise power, we could see that the World Bank has all three types of power: compulsory power (finance) to direct behaviours, institutional power to shape understanding and guide behaviours at a distance with long term effects; and productive power to constitute problems and create new actors. It is probably difficult to analyse these three types of power separately since they are well blended in the World Bank’s activities in regulating and creating the social world around us. Perhaps it is useful to explore what constitutes this power and how the World Bank exerts it over borrowing states.

Although the World Bank is both an intergovernmental organisation and a specialized agency of the United Nations, this fact is often neglected because the World Bank functions with a stark degree of independence. The special characteristic of the World Bank is that it is, first and foremost, a bank (Jones, 1992 & 2004; Klees, 2002). It has the capacity to lend and raise capital in global financial markets, part of which is the loans for national educational reforms in the developing world. Therefore we cannot understand World Bank’s education policy independently of its position as a bank which assumes a special role in an integrated world economy. At the end of the Cold War the World Bank switched its lending to transition economies of Eastern and Central Europe and made this its priority region, displacing sub-Saharan Africa with its chronic debts and persistently negative growth rates. Like all banks, it is obliged to

protect its credibility in the international financial market, and part of that credibility stems from the wisdom of its own investments (Jones, 1992).

IOs exercise their compulsory power in shaping a state's action by spreading, inculcating and enforcing global values and norms. Hence, the World Bank's education loans for developing countries are often bound up with its mission and ideas about how education can relate to development and poverty reduction (Jones, 1992 & 2006). Its understanding of education's role in development is rooted in human capital theory, which embodies an optimistic assumption that education and training can make an individual worker more productive, and that in the aggregate, more productive workers will stimulate and bring about economic development. This understanding helps to orient a state's actions in certain directions and away from others.

Also, the relevance of human capital theory embraced by the World Bank, is manifested through rational cost-benefit analyses of educational expenditures, which convince borrowing governments and also frame the World Bank's policies in terms of its nature as a bank. As Klees (2002) points out, the Bank's investments are made or loans are provided when they are "cost-effective", "efficient" or have a high "rate of return". So, financing of education is not "immune from the discipline imposed by the realities of its existence as a bank" (Jones, 1992). Education is regarded as a "bankable activity" (Jones, 2006), and for the 'development' function of the World Bank's lending, educational rate-of-return, cost-effectiveness analyses over the years have been the powerful rationality not only in shaping education policy but also assessing the impact of lending (Heyneman, 2003).

More than other banks, the World Bank has profiled itself as the "Knowledge Bank" since its president Wolfensohn launched the concept in October 1996 with the argument that "we don't have much money to combat poverty, so don't come to us for money but for the quality of our advice" (Klees, 2002: 466). This is an attempt to portray the Bank as a "dynamic player" in the world of policy ideas and to shore up the Bank's global leadership as a "repository" and "diffuser" of knowledge and experience, and as a promoter of a knowledge economy (Jones, 2004 & 2006). In this important sense, the World Bank exercises its institutional and productive power to guide a state's mindset and action at a distance, but with lingering effects. For example, the World Bank's core policy ideas about higher education, as discussed in the previous section, derive from its knowledge and faith in human capital theory, its rate-

of-return analysis and trickle down theory, all of which frame its advice to borrowing countries.

According to human capital theory, formulated in the 1960s, education should be seen as a productive investment rather than consumption. Individuals invest in education because it is profitable. Such investments accumulate and raise national as well as personal income levels. It is argued that with the right skills and capacities workers would be able to increase their efficiency and productivity levels, working better in both existing jobs and in new kinds of jobs, so that their higher levels of output would generate economic expansion. Cost-benefit analysis and calculation of rate-of-return become the means of establishing and illustrating the economic benefits of education in terms of higher wages earned by the educated. This *who benefits* and *who pays* form of thinking resulted in the ideal arguments for the World Bank's cost-sharing policy, which means a shift of at least part of the higher education cost burden from governments to parents and students. This is manifested in the introduction of (or in sharp increases in) tuition fees, user charges for lodging and food, and in the diminution of student grants. This policy was a method for reducing public expenditure in education (Daun, 2002; Bonal, 2004; Jones, 2006). In this line of reasoning, the World Bank also finds rational grounding in human capital theory to legitimise privatisation and to introduce systems of educational financing based on cost-recovery.

In neoliberal thinking, human capital development goes hand in hand with trickle down effects and it is argued that nothing really needs to be done for the poor. It is assumed that more skilled graduates would make a greater contribution to economic growth, in both public and private sectors, and as a result, generate employment not only for younger generations of graduates but also for low-skilled workers. And if the demand for the labour of the poor increased, their buying power and economic betterment would be enhanced (Mundy, 2002: p. 488). This "trickle-down" effect would, therefore, be even sufficiently powerful to alleviate the effects of a reduction in public expenditure in education. This simplistic assumption resembles a parallel view that the benefit of investing in human capital is not merely an expanding economy. More than this, the benefits of economic growth are expected to trickle down to the poor as "a rising tide will lift all boats", and this in turn remains the means of tackling poverty (Jones, 2006; Stiglitz, 2008b). This is the kind of optimistic, normative thinking that links human capital to growth and the trickle down of benefits to the poor. It is of enormous appeal to policy makers because it appears to offer a simple solution

to complex problems. Therefore, the World Bank promotes and institutionalizes this human capital thinking and trickle down effect as central parts of development strategies and as a core aim of higher education in the borrowing countries.

The World Bank continues to take this conventional approach in education sector, although other development projects and studies sponsored by the World Bank under McNamara's presidency in the 1960s, including the Pearson Report<sup>12</sup> showed that the benefits of economic growth were not trickling down to the poorest. For instance, agricultural lending most often went for large investment projects that would benefit large farmers, not poor small farmers, let alone the millions of landless poor in remote rural areas (Finnemore, 1996). There is little (or no) evidence showing that the trickle-down approach will work with students of higher education when it did not work with farmers. More recently, as Bonal (2004) observes, throughout the 1980s, it was unusual to find any analysis or discussion in the World Bank's documentation regarding the redistributive impact of its structural adjustment programmes (SAP).

Additionally, in terms of the use of the human capital and trickle down effect theories for quantifying educational impact on development, the experience in Russia and the former Soviet Union precipitated a rethinking about its utility. Because of the danger of ethnic strife and its link with civil war, the role of schools began to be seen differently. The economic benefit associated with human capital theory does not really contribute to social cohesion objectives (Heyneman, 2003). In short, human capital and trickle down theories are grounded more in hope than evidence.

Nevertheless, both the trickle down and human capital theories still have undoubtedly served a useful institutional purpose in the World Bank's higher education policy, irrespective of its dated and limited theoretical character. Such policies from the World Bank are still attractive because they are "positive and optimistic in tone, yet sufficiently bland and general in substance" (Jones, 1992: 234). Both human capital and trickle down theories are used in the World Bank's analytic work to orient

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<sup>12</sup> In August 1968, Former Canadian Prime Minister Lester B. Pearson accepted an invitation from Robert S. McNamara, then President of the World Bank, to form a commission to review the previous 20 years of development assistance, assess the results, and make recommendations for the future. Pearson was a former diplomat and Nobel Peace Prize winner who had played an active role in UN affairs. On September 15, 1969, slightly more than a year after McNamara's invitation, Pearson and seven colleagues on the Commission on International Development—which became known as the Pearson Commission—delivered their report, "Partners in Development", which is often referred to as the Pearson Report. The major contribution of the report is the comprehensive view it takes of development as a complex of domestic and external factors (the volume and terms of aid, the debt burden of developing countries, technical assistance, trade, private investment, population, the structure of aid giving, etc). Source: World Bank archive <http://go.worldbank.org/JYCU8GEWA0> (accessed in July 2008).

education policy making in borrowing countries, which are convinced that investment in human capital would make physical capital more productive (Heyneman, 2003; Jones, 2006).

As this chapter noted at the outset, the World Bank's political standpoint favours the market and individualism, rooted in neoliberal thinking. The World Bank's education and development policy ideas derive from human capital theory. The understanding of its changed perspective on higher education, its motivation to invest in higher education in a globalised world and the logic behind its core policy ideas for higher education will help to analyse how the World Bank uses its expert authority to gain influence in shaping reform agendas in borrowing countries. This understanding is particularly essential to analyse the World Bank's prudent approach in introducing its policy ideas in the specific context of Vietnam where the political standpoint of market socialism is very different and where lessons (both positive and negative) from other countries are obvious.

## Chapter IV

### The World Bank and Vietnamese Higher Education

In order to better understand the power of this special international organisation, some critical questions should be posed about how the World Bank has its policy ideas transferred to and translated into borrowing countries; through what processes does the World Bank exert its power in policy making in a specific local context? This chapter presents the case of Vietnamese higher education and examines the interactions and power relations between the World Bank and Vietnam through the preparation and implementation of the two recent higher education reforms. It is also argued that in the Vietnamese transitional market socialist economy and its political context of one-party communist rule, the World Bank links its lending decisions to the borrowing government's ownership of the reform agendas and wider public consultation. It adopts approaches which make it look like Vietnam is taking initiatives in reforming its own higher education system while the World Bank is only supporting the government to actualize these initiatives. In fact, the World Bank demonstrates its understanding of local dynamics, which gives it the power of a navigator to shape the direction of changes in policy making for the Vietnamese higher education system.

The chapter begins with some background information about the World Bank's involvement in Vietnamese higher education reforms.

#### ***The World Bank's Arrival***

After an informal meeting with Vietnam's former Minister<sup>13</sup> of Education at the World Conference "Education for All" in Jomtien, Thailand in 1990, the World Bank sent an education sector reconnaissance mission to Vietnam, followed by activities to quickly prepare a primary education project. An IDA (International Development Association)

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<sup>13</sup> At this major World Bank-sponsored conference, Vietnam's then Minister of Education, Pham Minh Hac, met the division chief in EAIHR (East Asia Human Resource- the division responsible at the time for human development operations in Korea, Malaysia and Thailand as well as Vietnam and the rest of "Indochina" at the World Bank) and asked why the World Bank was not operationally active in Vietnam. More specifically, Pham Minh Hac challenged World Bank Management to do something to assist post-war Vietnam to strengthen and modernize its education and training system.

credit of \$50 million in support of the project, the World Bank's first education lending operation Vietnam<sup>14</sup>, became effective in 1993. After launching the primary education project, the World Bank began work to develop a higher education project. At that time, the government of Vietnam requested the World Bank's support for higher education, particularly for new construction and equipment purchase in order physically to accommodate the foreseeable and increasing demand for higher education. The World Bank was not asked to provide technical support on how to manage the expanding higher education system. However, the preparation of this project proceeded slowly, in part because relevant analytic work had not been done by the World Bank and partly because, as explained in the previous chapter, there were changes in the World Bank's education lending policy in the mid 1990s.

Together with its first main local partner, the Ministry of Planning and Investment, the World Bank then started a comprehensive study assessing the incidence of poverty in 1994, followed by another large scale research on education. This activity, which became known as the Vietnam Education Financing Sector Study (VEFSS), focused on the costs and financing of education and training at all levels with the aim of assessing and advising what percentage of GDP (Gross Domestic Product) the Vietnamese Government should spend on education in order to achieve the ambitious targets for raising educational participation set by the government. These included the achievement of universal primary education by the year 2000, the attainment of universal lower secondary education by 2010, and a 65% increase in university enrolments between 1994 and 2004. The final report of this study was available for discussion with the Vietnamese government and other development agencies, such as the Asia Development Bank (ADB), in 1996.

The results of the study also helped the World Bank to convince the Vietnamese government that a different higher education project design should replace the one that had emerged during the first two years of the project preparation. This

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<sup>14</sup> Vietnam became a member of:

the International Bank for Reconstruction and Development (IBRD) in 1956

the International Development Association (IDA) in 1960

the International Finance Corporation (IFC) in 1967

the Multilateral Investment Guarantee Agency (MIGA) in 1994

The first two institutions provide loans and credits – the first focuses on 'creditworthy' poor countries and the second – on the poorest member states. These 4 institutions and the International Centre for Settlement of Investment Disputes (ICSID) make up the World Bank. Source: World Bank website <http://go.worldbank.org/Y33OQYNE90> (access July 2008).

coincided with the time when the World Bank embarked on a new vision in 1996 – to become a “Knowledge Bank”, and higher education became a new focal point in the World Bank’s education lending strategies. The argument for changing project focus in Vietnam was that the earlier design was heavily concerned with “bricks and mortar”, and it focused on the development of just two national universities, those in the largest cities, Hanoi and Ho Chi Minh City. It provided little support to the rest of the higher education system, consisting of some 100 higher education institutions (HEIs) across all of Vietnam. The Bank was more interested in exercising its power through “sustained nurturing of its knowledge management initiatives” and “spurring the knowledge revolution in developing countries” for poverty reduction and economic growth (Klees, 2002:452- 459).

The re-designed projects were intended to do two things: 1) to build capacity throughout Vietnam’s higher education system, both in the central ministry and at the level of individual HEIs; and 2) to provide special funding for quality improvement projects at the institutional level. This meant that project funding would be available on a competitive basis to those HEIs that satisfied certain eligibility criteria and put forward proposals with strong technical merit. This operation became effective in November 1998, when the first 6-year Higher Education Project (HEP1)<sup>15</sup> began, followed by the second 5- year HE Project (HEP2)<sup>16</sup> from 2007.

### ***Reform Agenda of the World Bank for Vietnamese Higher Education***

The HEP1 stressed the World Bank’s strategic development objectives, which are to “assist Vietnam's transition to a market economy and alleviating poverty through human resource development by providing advanced skills for the market economy through higher education reform, and providing cost-efficiency and equity by rationalizing higher education institutions and reallocating resources to general education” (WB, 1998:2). The HEP2 further emphasized the World Bank’s vision on Vietnamese higher education. That is, “building a higher education system in Vietnam

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<sup>15</sup> The first HE project received a credit amount of USD 83.3 million (total project budget: USD103.7 million, including contributions of the Vietnamese governments and universities).

<sup>16</sup> The second HE project received a credit amount of USD 59.4 million (total project budget USD 70.5 million including co-financing from Japan, contributions of the Vietnamese governments and universities).



that is innovative, responsive to the demands of the market and of high quality is essential to the economic growth and development of Vietnam” (WB, 2007b).

In both HEP1 and HEP2 the World Bank states overtly its ideological commitment that it looks at economic development in a comprehensive way and can work with the Vietnamese government on a higher education strategy that is consistent with, and in support of, Vietnam’s overall development strategy. The higher education projects, especially the second one, are to achieve specific targeted outcomes, which are “improving labour markets, social analysis and monitoring, and education for the knowledge economy” (WB, 2007b). This is all the more critical at a time when Vietnam, having recently acceded to membership of the World Trade Organisation (WTO), is looking to develop a skilled population, with a strong knowledge base, that will position the country well for expansion and integration into the global economy. It is clear that the World Bank has a willingness to bring its ideology of globalisation in its changed higher education policy into Vietnam. In other words, it undoubtedly seeks to consolidate its own role at the heart of an integrated world economy (Jones, 1997). Apparently, the World Bank has gained its initial acceptance through this political language of envisioning the future of Vietnamese higher education. A language, that sees higher education as a way for Vietnam to integrate in the international arena. The next steps would be to work out what needed to be done to get there. Therefore the following section examines how the World Bank had this visionary scenario materialized in the context of Vietnam’s transitional economy. It is argued that the World Bank tries to open up the closed policy making practice which had been in place for decades in the Vietnamese government. In order to do so, the Bank prepares the ground to sow the seeds: it creates a network of influential Vietnamese people, and through this network the World Bank spreads its positions and diffuses its global norms, which carry the World Bank’s underlining ideology, such as introducing market elements, including tuition fees, competitive ethos, decentralization of management, and demand-led pressure for better quality and efficiency. The next section presents some examples of the World Bank’s approaches and analyse the ways it gained influence.

### **Example 1- Preparing the Ground: Networking with Influential Organisations**

This example gives insights into how the World Bank exercised its compulsory and institutional power to guide the behaviour of Vietnamese government. The World Bank also selected its partner strategically. The first national partner working with the World Bank in Vietnam in the early 1990s on the Vietnam Education Financing Sector Study (VEFSS) was the Ministry of Planning and Investment, not the Ministry of Education and Training. The legacy of the central planning economy in Vietnam gives the Ministry of Planning and Investment<sup>17</sup> more power especially to deal with projects involving international investors, regardless of which sector of economy they concern. For example, with its overarching planning function, the Ministry had better access to official statistics from various government agencies needed for the above educational study. Four inter-ministry working groups consisting of senior officials and researchers were set up, and each group focused on one key topic, such as education and training statistics; public finance; labour market linkages and private sector development. They gathered statistics at all levels of education, facilitated analysis and provided focal points for the government's interaction and collaboration with the World Bank.

It is noteworthy that the unavailability of relevant information, the inaccessibility to sources of data or other informational problems are common in most developing countries, but they were particularly acute in Vietnam due to the closed government system under the old regime and unsystematic data collection. These problems could lead to failures to analyse situations and formulate policy recommendations. For instance, a study focusing on pedagogical matters conducted jointly by UNESCO and UNDP in cooperation with the Vietnamese government in 1991-1992 failed to address educational costs and sources of financing due to a dearth of relevant information. Having learnt that lesson, the World Bank chose a highly collaborative and participatory approach to carry out VEFSS: all four working groups were managed by a senior level steering committee chaired by the Ministry of Planning and Investment and included members from other government agencies. This strategy

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<sup>17</sup> The planning system has not been abolished but restructured. The State Planning Committee has changed its name to the Ministry of Planning and Investment in a new market-oriented economy. Some of the important functions include gathering data forecasting trends, suggesting priority areas for development and foreign investment, ensuring coordination between ministries and provinces, planning public investment programmes, etc. which provide "state guidance" in the context of a socialist market-oriented economy (Guo, 2006).

of the World Bank has significantly solved the information problem and obviously bridged bureaucratic barriers that divided government agencies in Vietnam.

By the same token, the World Bank also implicitly facilitated openness and transparency in policy making, which is characterized by evidence-based research and enlarged participation from ministries other than the ministry of education. The World Bank instilled a sense of local ownership of the findings and policy recommendations that would emerge from the study. However, behind the scenes the World Bank took the 'driving seat' in identifying the purposes of the VEFSS and drafting the terms of reference for the 4 working groups. The World Bank designed the four key topics for research, on which data were analysed and interpreted by four leading economists<sup>18</sup> from the World Bank, who are the main authors of the final report. As analysed in chapter II, they are both "in authority" (thanks to the institutional roles they occupy) and "an authority" deriving from their expertise, therefore their authority was strongly intensified. Moreover, by working with the most influential ministry in the centralized regime and by introducing a new working method in the first large-scale and comprehensive study, their influence pervaded cross sectors and government levels.

The final results of the VEFSS report identified a number of the World Bank's "promising policy options" (WB, 1997a). Some addressed quality issues, others were intended to reduce unit costs per student, and still others recommended shift some of the costs from the state budget to private beneficiaries. It is worth noting that George Psacharopoulos, the World Bank's rate-of-return champion, was the designated peer reviewer who commented on the study concept paper and on the drafts of the report. It is evident that the World Bank used its expert authority to classify, and define the problems of Vietnamese education system similar to the way doctors give a diagnosis and a prescription. In other words, once the World Bank could structure the situation and social understandings of Vietnamese education system it could also channel Vietnamese government's policies towards certain outcomes.

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<sup>18</sup>They were Peter Moock, principal economist, team leader and principal author of the report; Nicholas Presbott, senior human resources economist, who focused on public finance issues; and Harry Patrinos, human resources economist, who focused on labour market issues and Rapti Goonesekere, World Bank consultant, focused on the development of private sector in education and training.

### **Example 2- Networking With Influential Academics**

Not only in the preparation stage as mentioned above, but also during both HEP1 and HEP2 projects the World Bank's working method seemed to rely on the soundness of the local efforts. Therefore the World Bank encouraged local participation in the early stage of policy making, not only involving senior cadres in government ministries, but also academics in various pieces of research. Through its local and international partners the Bank managed to identify a network of elite Vietnamese intellectuals whose perspectives became a significant influence on government policy making. It is noteworthy that together with local academics, a number of overseas Vietnamese academics, who were educated and lived in the West, became involved in these higher education reforms directly or indirectly. In response to the call of the Vietnamese government, many of them voluntarily returned to Vietnam to give free public lectures, published books and worked on an unpaid basis with local academics on various position papers, analysing the policy ideas introduced by the World Bank and their impacts on the social structure of Vietnam. The issues and debates were also communicated to the wider public through the mass media, which was seen as an early form of public consultation in a traditionally command society. It is fair to comment that the World Bank has indeed created a space for Vietnamese academics to take part in policy making processes, in which they would otherwise not be so involved. In other words, new norms in politics started to emerge and to be popularized in the society. Though indirectly, new actors were involved in the policy making process. At the same time, this new phenomenon also created a good environment for the World Bank to test its ideas and see which ideas gained ground.

As part of the *Doi moi* the Vietnamese government had a strategy to attract overseas Vietnamese, especially academics to come back and involve them in many renovation committees. Taking advantage of this strategy the World Bank first project drew on the expertise of a special group of overseas Vietnamese academics, some of whom were contracted as World Bank "international consultants" or "technical advisors", to work with "national consultants" employed by the Vietnamese government on the two HE projects. The main aims of their commissioned research were to identify and analyse problems and challenges faced by the Vietnamese universities in order to prepare applications for the Bank's loans. Appendix 1 provides a list of the academics and the extent to which they were involved directly or indirectly in the World Bank's projects. These data show that they were both indigenous and

expatriate Vietnamese. Almost all of them were educated in the West and were highly qualified experts in their professional fields with a thorough understanding of the Vietnamese cultural and societal context. Their perspectives, expressed in their research papers or in public debates in the media, have partly been reflected in the policy documents by both the World Bank and the Vietnamese Ministry of Education and Training. They have indeed contributed to the shaping and re-shaping of goals, strategies and plans for the higher education system. Their involvements and contributions are twofold: first, their expertise made the World Bank more authoritative; second, their understanding of Vietnamese values helped to add some indigenous features to the reform agenda. Perhaps these form the reason for the World Bank to network with them.

It is worth noting the peculiarity of the Vietnamese context that the academic and political perspectives of the indigenous Vietnamese experts had greater legal-rational and institutional authority and their voice had more weight because they were members of the communist party. It is not difficult to identify if they were a party member by looking at their current or past positions. For instance, appendix 1 shows that among many Vietnamese influential academics, the US-graduate former director (emeritus professor Lam Quang Thiep) and UK-graduate current deputy director (Dr. Nguyen Thi Le Huong) of Higher Education Department under the Ministry of Education and Training were heavily involved in the reforms. As a general rule in all governmental offices, including universities, a middle-manager, a head (or deputy head) of a department is first and foremost a party member. The Constitution of the Socialist Republic of Vietnam describes the Party as “the force leading the state and society”. This means that, at institutional level, a party committee could potentially veto any decisions or have the final say. This fact would help to picture a qualified academic with the party membership as an “influential figure” with whom the World Bank may want to network.

Among the array of efforts to network influential people, a retreat meeting organised during the preparation for the HEP2 is an example of how the World Bank has opened up space for expert voices to be heard and has changed the long-standing perception that education matters are merely decided by the Ministry of Education and Training. The retreat meeting took place in March 2006, nine months after the HEP1 was completed. Key people from different Vietnamese ministries and institutions, and eleven representatives from the World Bank’s Hanoi and Washington offices attended

the retreat to make contributions to the World Bank's Country Assistance Strategy for the period 2006-2010. One participant from the Ministry of Science and Technology, Mr Tran Ngoc Ca<sup>19</sup>, was surprised to receive an invitation to the retreat. He knew nothing about a second HE project in the pipeline<sup>20</sup>. At that time he was the leader of a project in the Ministry of Science and Technology, (which had a research function and managed all research institutes) to set up Centres of Excellence in research. He soon found out at the retreat that the approach taken by this project coincided with the World Bank's ideas of improving research capacity and quality in universities across the board and of building several world class research-based universities in Vietnam by 2020. One and a half years later, these ideas became the main objectives of the HEP2 which was appraised by the World Bank and officially launched in November 2007. In such ways, the World Bank strategically identified and incorporated indigenous experts and found synergies between their activities and World Bank's agendas.

In addition, Dr. Ca's most recent research, sponsored by a Japanese aid agency, which looked at the contribution of the university system in Vietnam to socio-economic development in general, and universities' R&D relationship with firms - dynamic actors - in the economy in particular, became one of the position papers for the World Bank's comprehensive report "Vietnam: Higher Education and Skills for Growth", which was published in May 2007. The World Bank utilized the findings of Dr. Ca's study to describe the 'systemic error' of the Vietnamese HE system, namely that the role of Vietnamese universities in research was much weaker than in teaching, and their contribution to the socio-economic development of the country was limited to the production of an educated labour force rather than innovation. However, in selected universities, innovation did take place to a certain extent bringing benefits for both the universities and the firms they served. This finding envisioned the future direction of Vietnamese higher education. The finding together with other suggestions from the

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<sup>19</sup> Tran Ngoc Ca completed his MSc in Science and Technology Policy at Lund University, Sweden in 1991 and from 1992 did his PhD at the University of Edinburgh. He was an associate research fellow at the Japanese-European Technology Studies (JETS) Institute and worked as a consultant to the UN and to the Scottish Enterprise Energy group and the DTI (UK). On returning to Vietnam, Tran Ngoc Ca worked on the Vietnam-Netherlands Research Program (VNRP), where he was responsible for sustainable rural development projects, and in the National Institute for Science and Technology Policy and Strategy Studies (NISTPASS), Ministry of Science and Technology (MOST) where he is currently Deputy Director as well as Director of the Secretariat for the Office of the National Council for Science and Technology Policy. Tran Ngoc Ca took part in the Fulbright post-doctoral scholar exchange programme to UC Davis, UC Berkeley and Stanford University in 2004-2005.

<sup>20</sup> Information received from a personal interview with Mr Tran Ngoc Ca on 2nd June 2008 in Copenhagen and various email exchanges between him and the author of this thesis.

public debates fitted perfectly well with the World Bank's ideas about increasing competitiveness of Vietnamese universities and building several world class universities in Vietnam. These ideas were turned into the World Bank's proposal for the third HEP. The story about Mr Ca showed that by using information strategically the World Bank can appear to be impartial, making the facts speak for themselves. In short, the power of expertise helps it yield policy prescriptions.

By having Dr. Ca present his project and give his perspectives on the research function of universities, the World Bank successfully addressed the limitations of the old "centrally planned and vertically organized" governance structure, where research and teaching were separated, with research conducted primarily at separate research centres, not at universities, and managed by the Ministry of Science and Technology, not the Ministry of Education and Training. This historical arrangement led to weak coordination between ministries and inefficient use of resources, and explained the low research capacity within universities. By involving Dr. Ca the World Bank in fact created a meeting space for influential voices to be heard and information to be disseminated. This example illustrated how the Bank created its intellectual power and exercised it to recognize local knowledge, instilled local ownership and connected influential perspectives and ideas to shape the direction of national policy making. By inviting or including only certain kinds of participants in its bureaucratic processes, the World Bank promoted those positions as long as they connected with the World Bank's ideas and carried forward the World Bank ideology.

The retreat was just one of many such meetings between the World Bank's officials, ministries and Vietnamese experts. Dr. Ca was one of many such experts, who have great potential to become even more influential as they go up the ladder. Dr. Ca found his existing approach acknowledged by the World Bank and converted in the reform agenda for the country. Some others were academics who were critics of both the communist regime and the World Bank, but used the opportunities opened up by the World Bank to secure some influence over the future of universities. Dr. Le Bach Duong<sup>21</sup> is such an academic who expressed his thoughts with great sadness and genuine care:

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<sup>21</sup> Dr. Le Bach Duong is the Director of the Institute for Social Development Studies.

*Que Anh Dang: Recent Higher Education Reforms in Vietnam*

*“MoET<sup>22</sup> is a huge bureaucracy with little capacity to reform itself. It maintained for decades a conservative view of education and education development. It is also a corrupted system at all levels. Workshops are often held by MoET where almost exclusively MoET “experts” can attend. They are products of this system, so their perspectives and attitudes remain conservative. Few people from other institutions are appreciated by MoET. Even if they dare to challenge the Ministry, their voices are weak and not respected by the MoET. The World Bank, unfortunately, does not have the will to challenge the Ministry. MoET only picks up certain ideas of the Bank that they see fit with their views, and ‘cook’ everything to become their ideas - MoETized everything. Hopeless!!!”<sup>23</sup>*

(Dr. Le Bach Duong’s personal communication, May 2008)

A number of Vietnamese including academics would support Dr. Duong’s view because it reflects some truth about this bureaucracy, sometimes known as a “monolith” of the command regime and often referred to with a pithy phrase “timber with woodworm”. It has central responsibility for nation building, and education and training at all levels from kindergarten to university. Although there has recently been some changes introduced at university level, until today the MoET still holds the exclusive authority over almost all matters ranging from funding, textbooks, curricula, exams, the appointment of staff to quality inspection and infrastructure, etc. Dr. Duong’s view implied the real concern and the quest for change. It also contended that the World Bank successfully managed to keep its self-effacement although it introduced changes. For onlookers the MoET appears to be the owner of the ideas radiated by the World Bank. That is precisely, the greater the appearance of depoliticization, the greater the success of policy influence.

A small detail, which is worth mentioning about this retreat meeting is that its translated title in Vietnamese sounded easy on the ear to all invited participants. “Hội thảo đóng góp xây dựng Chiến lược Hỗ trợ Quốc gia của WB về giáo dục & đào tạo giai đoạn 2006 -2010”. The English version is “World Bank CAS 2006-2010: Education Program Development Retreat”. In Vietnamese it meant that participants were to build up the World Bank’s Country Assistance Strategy (CAS). The language uplifted and inspired allegiance. In other words, the local people were to tell the World Bank what to do, not the other way around. Ironically, the World Bank ultimately

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<sup>22</sup> MoET: Ministry of Education and Training

<sup>23</sup> Full quote from email with Dr. Le Bach Duong on 6 May 2008.



decided on the content of the CAS. The World Bank presents itself as “listening more carefully to its clients”, and as not exercising power, but as serving clients (Barnett & Finnemore, 1999; Jones, 2004: 198).

This section of the thesis has described and analysed the processes through which the World Bank interacted with Vietnam in order to prepare the ground for sowing the seeds of its policy ideas before each HE project started. The next section elaborates on what policy ideas have been implemented in HEP1 and HEP2 and how these ideas were transferred into and accepted by the Vietnamese system.

### ***Example 3 - Financial Reform: Competitive Funding Mechanism***

Increasing autonomy and responsiveness of universities was one of the HEP1 objectives. The World Bank’s philosophy was that new way of financing university’s activities was an effective policy measure to achieve this objective. This episode explains what the new funding mechanism was and how it was introduced.

Until the start of HEP1 in 1998, institutional policy and financing for higher education institutions in Vietnam were decided centrally, based mainly upon planned targets for student enrolments. Government funding of HE had been predetermined, direct, financial support. The main strategic policy option of HEP1 was the establishment of a new funding mechanism, which was designed by the World Bank in the Project Appraisal Document 1998 as “a sustainable, output-oriented, competitive, flexible financing mechanism, where the use of funds is not predetermined several years in advance”. In short, a sum of special funding extracted from the loan was made available on a competitive basis to universities which satisfied certain eligibility criteria. The Bank argued that this policy instrument was legitimate in two ways. First, the output orientation was viewed as a leverage for creating a performance and quality monitoring mechanism. Second, the move to more flexible and competitive funding became feasible through the introduction of “quality improvement grants - QIGs” to eligible universities on top of the regular baseline funding. The eligibility criteria included “satisfactory academic and financial performance” and participation in “performance monitoring and institutional strategic planning” (WB, 1998).

In essence, universities were to compete for investment funds through a proposal or grant application plus a commitment of 5% of the project costs. Although

the wording of the Bank was carefully chosen when describing its initiative as “financial restructuring of higher education on the basis of universities’ own improvement strategy and choice”, a new way of thinking emerged among Vietnamese universities. Naturally, resources were to be concentrated on the best proposals coming from “key universities”. Proposal writing became a “secret” tradable consultancy service, especially for less experienced universities. There seemed not to be any publicly available evaluation on how capacity at institutional level has been improved, but it is evident that a new dynamic with a market flavour was becoming widespread in the academic community. The large scope of the project, as mentioned earlier, over 100 HEIs, including non-public universities, has in fact resulted in greater competition among universities. Eventually, only 36 universities received funds under HEP1 (WB, 2007b: 6)

If their proposals were selected for funding, these universities entered a kind of “contractual relationship” with the government (e.g. Ministry of Education, Ministry of Finance) and became subject to performance monitoring and “scrutiny mechanisms” (Wright & Ørberg, 2008). The funding mechanism introduced was indeed a radical change in a transition economy like Vietnam especially as the centralized administrative mechanism and budget subsidy system have been in place for decades.

What are the peculiarities of the transitional context in Vietnam? Do they hinder the development of this new funding mechanism? It is necessary to note that while the old subsidy mechanisms together with the old consciousness and old methods of acting were being abandoned, they have not been given up completely. New mechanisms together with new consciousness and new behaviours were being formed. In this context, there was no trade off between the allocation of public funds to HEIs through regular channels and through the additional “quality improvement grants - QIGs” introduced by the World Bank. However, this new funding mechanism was appealing because of its honourable objectives and it was backed up by the World Bank’s financial analysis based on the projected increases in government HE recurrent budget due to macro-economic growth in Vietnam and universities’ projected revenues from tuition fees, cost-savings and R&D activities as shown in table 1 and table 2 below. The World Bank expressed an optimistic view on the sustainability of the new funding scheme and implied that the government of Vietnam could maintain it after the closure of the credits.

**Table 1:** Impact of HEP1 on Government HE Recurrent Budget and Sustainability of QIG scheme, in US\$ million.

|   | Project 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 without HEP1    | 73.4                          | 78.0  | 84.2  | 90.5  | 96.5  | 103.0 | 109.8                               | 117.1 | 125.0 | 133.3 |
| 2. 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   |

Source: The World Bank Project Appraisal, 1998, annex 5, p1.

Note: \* it is assumed that government will continue to operate the quality improvement grant (QIG) scheme after the project closes.

**Table 2:** Impact of HEP2 on Government HE Recurrent Budget, in US\$ million

|  | Project Implementation Period |      |      |      |      | Post project |       |       |  |
|--|-------------------------------|------|------|------|------|--------------|-------|-------|--|
|  | 2007                          | 2008 | 2009 | 2010 | 2011 | 2012         | 2013  | 2014  |  |
| A. Recurrent budget for HE                       | 200                           | 239  | 273  | 310  | 334  | 359          | 386   | 414   |  |
| B. Recurrent revenues for R&D from other sources | 0                             | 0    | 0    | 0    | 0    | 1.100        | 0.733 | 0.367 |  |

Source: Adapted from the World Bank Project Appraisal, 2007b, p79.

### ***Institutional Power: Orient Action for Lasting Effects***

It is important to note that the HEP1 funds were only equal to 10% of the state's total public expenditure on higher education during the life of the project (WB, 1998). Although the World Bank may see the introduction of the performance-based funding mechanism as a technical solution, the consequence of this solution was deeply political because it upended social relations between and within universities and the

state apparatus (e.g. Ministry of Education, Ministry of Finance, Ministry of Planning and Investment). With relatively small funds, through various rather detailed operational manuals, describing the technical ways to select proposals and administer the new funding mechanism, the World Bank has achieved not only a competitive ethos among universities, but also has created early conditions for a market in HE which could regulate this competition.

In other words, the World Bank diffused its policy ideas through sharing technological know-how, through guiding practical activities and designing administrative procedures. Barnett and Finnemore (2004) call this a form of “legitimate modern authority”, which invests in legalities, procedures, and rules and thus is rendered technocratic and neutral. Through this process of interaction with Vietnam, the World Bank’s policy ideas were transferred and gradually accepted in a socialist communist society because “... the policy appears to be mere instruments for promoting efficiency and effectiveness. This masking of the political under the cloak of neutrality is a key feature of modern power” (Shore & Wright, 1997:8). Shore and Wright draw on the work of Foucault, to name this phenomenon “political technologies”, which “advance by taking what is essentially a political problem, removing it from the realm of political discourse, and recasting it in the neutral language of science” (Dreyfus and Rabinow, 1982, quoted in Shore & Wright, 1997). Central to this process is the use of expert knowledge in the design of institutional procedures (Shore & Wright, 1997:8-9).

### ***Productive Power: Create Arm-Length Authorities to Implement Solutions***

The World Bank has not only designed institutional procedures to regulate the new funding practice, but also created new actors and new social relations associated with this new practice. Although the main agency responsible for the credit agreements was the Ministry of Education and Training (MoET), the World Bank has created a special executive agency beside the MoET for the preparation and implementation of both HEP1 and HEP2. In the HEP1, the agency was called the Project Coordination Unit<sup>24</sup> (PCU) and was responsible for the overall coordination of all concerned parties. In fact this PCU functioned as a well-staffed liaison office of the World Bank, which was in charge of all project accounting, the project implementation and of providing

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<sup>24</sup> The PCU had a high-level National Director, National Manager, Programme Officers, Training Officers, Finance Officers, Procurement Officers.

advisory services to universities, following the procedures stated in operational manuals designed by the World Bank. In the HEP2, this agency was named Project Management Unit (PMU). Together with the change of name this PMU was assigned more and better qualified staff members and greater authority. The World Bank also placed special emphasis on enhancing the PMU's coordination, monitoring and supervising functions. This model of management was cascaded down to university level. Each fund-recipient university established a TMU (TRIG<sup>25</sup> Management Unit) with qualified staff, which was to be maintained throughout their sub-project implementation. The World Bank has, in fact, created another network of qualified people who actualize the World Bank's ideas on a daily basis (whether they know it or not!).

It is noteworthy that all of these establishments were described in detail and included in the loan conditions and covenants of both HEP1 and HEP2. By designing this 'sub-bureaucracy' system as its arm-length authorities, the World Bank created a nest of conduits, which carry its global values and ideas where it wants. Through this extended personnel the World Bank exerts its influence over the entire higher education system from central level (ministry) to institutional level (university). The HEP2 organisational chart in table 3 below shows that alongside hierarchical relationships many new contractual relationships appear between different executive agencies, including various departments under the MoET, universities, private firms, PMU, TMU, etc. It is noticeable that a communist state apparatus which was organized in a bureaucratic hierarchy, began to operate in lateral and contractual relations. This implies that the World Bank's neoliberal thinking found its way into the Ministry and a "hard authoritarian" management style has been turned into "soft corporatist manner" (Masina, 2006), which aligns with market principles. Subsequently, a new form of governance has started to take shape and increasingly gained acceptance in the academic community.

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<sup>25</sup> TRIG: Teaching and Research Innovation Grant.



### ***Policy Influence: Resistance and Consensus***

After three years of preparation and six years of implementation, the World Bank counted the success of the Quality Improvement Grants (QIG) scheme under HEP1 as a significant contribution to higher education reform in three ways. *First*, the scheme increased effective institutional autonomy by providing discretionary revenue in the form of a competitive funding mechanism that enabled universities to engage in institutional strategic planning as opposed to central planning by the MoET. *Second*, there was greater public accountability both at institutional and central levels: universities were required systematically to collect and disclose information on their performance; the ministry established and institutionalized national standards for quality assurance; and by fulfilling the requirements of their own funding proposals, universities took part in both self-evaluation and external evaluation. *Third*, there was a more systematic and unified view amongst ministries of the importance of higher education policy development. In fact the policies that designed activities carried out under HEP1, underpinned the Higher Education Renovation Agenda (HERA), which was introduced by the MOET in November 2005, five months after the first credit term closed. The HERA was a forward-looking strategy for the development of higher education and research in the period between 2006 and 2020. One of the main objectives was to improve the governance of HE. This implied, in particular, giving greater autonomy to individual universities and introducing measures in order to create a climate of competition between and within universities that promoted improvement. This also meant that 13 Vietnamese ministries<sup>26</sup> would cease to have direct management rights in higher education. It remains unclear what change will take place regarding the paramount role of the communist party committee at each HEI.

Given the present political climate in Vietnam, the World Bank and now the HERA adopted the optimal strategy of making public universities more demand-driven and responsive to a market economy. The new terms and language such as

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<sup>26</sup> Many universities are also under the line-management of other Ministries than the MoET. E.g. the Ministry of Health for education in medicine and pharmacy.

“efficiency”, “public accountability”, “autonomy”, “revenue”, “quality assurance” introduced in the World Bank’s documents and adopted in the HERA as shared discourses, became more familiar to the academic community and to the general public. This was also seen as an evidence of improved “law drafting capacity” of the MoET. In other words, the World Bank’s neoliberal ideas, which on the surface were antithetical, found their way into the socialist, communist society. As Shore and Wright (1997) contend, consensus in policy about problems and solutions enforces closure on alternative ways of thinking and acting. The tighter the referential web, the stronger the consensus, and the more difficult it becomes to speak up about what goes wrong.

However, the QIG scheme has also presented many problems. Along with universities and academics that enthusiastically supported the competitive funding scheme, there was resistance from other universities. The competitive ethos itself sits uneasily alongside other academia values. Also practical issues, such as the fact that it took long time to carry out three successive rounds of grants<sup>27</sup>, slow disbursement of funds plus various types of corruption along the process, have put off other universities.

Two noticeable changes in the HEP2 funding scheme were: 1) private universities (non-public) are excluded from the scheme; 2) less competition among universities: only 17 “experienced” universities were designated to be given the limited resources this time (US\$ 70.5 million as compared to US\$103.7 million under the HEP1). These changes could be seen as a result of a negotiation process between the Vietnamese and the World Bank or as tailored policies by the World Bank to the local social and political context. From the World Bank’s perspective, the arguments for all these changes were to implement the HEP2 more speedily, to fulfil its objectives more effectively, therefore speed up the pace of disbursement. This was because the responsibility of World Bank country lending staff was to ensure that

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<sup>27</sup> Round A: initial grant of US\$ 0.5 million max. Round B: second grant of US\$ 0.75 million max. Round C: third and all subsequent awards to a university, the cumulative total will not exceed US\$800 per full-time student.



there are always potential projects in the pipeline. Indeed, there was a third HEP for Vietnam under discussion. Paradoxically, the World Bank, on the one hand, recommends governments to cut public funds, but on the other hand, it wants to increase its lending. The World Bank loans were additional funds for the public coffers.

There were some signals of resistance against the World Bank's competitive funding mechanism. It was evident that less competition amongst universities was favoured over more competition. Therefore, the HEP2 funding scheme was less competitive than HEP1. In the HEP2, the Vietnamese government deliberately designated 22 universities, of which 5 are "equity" universities located in disadvantaged areas. They are rated "high risk" for the World Bank procurement, but they reflect 'equity for ethnic minorities' in the World Bank's doctrine. This was also to tackle the fourth problem related to equity of Vietnamese higher education as defined by the World Bank. The other 17 major and experienced universities are either the largest or elite universities located in cities and developed regions in Vietnam. The World Bank was optimistic about these universities being able to attract fee-paying students from well-off city-based families. In other words, these 17 universities would guarantee the success of the World Bank's financing policy and there should be no reason for the Vietnamese government not cascading these 'role models' on a wider scale in the system in the future.

Phillip Jones describes the process of policy influence as a process "... frequently about how ideas are communicated, how conflicting ideas play out in contest and how conflicts, if not definitely settled, are put on rest for a time. The policy process is thus partly about the quality of ideas, partly about persuasion and partly about the exercise of power. It is in part rational, in part consensual and in part brutal." (Jones, 2006:167).

This section analysed the outcomes resulted from the variety of interactions between the World Bank and Vietnam. The World Bank used different methods of transferring for its different ideas. In this case, the ethos of competitiveness was

widely spread under the HEP1 in order to achieve the World Bank philosophy. It has done this efficiently with little cost and within relatively short time. Although there was resistance along this policy influence process, the World Bank's ideas were blended with the Vietnamese government's HE reform strategies – the HERA and the design of the HEP2 in the form of shared discourses and common language. This showed the consensus between the two antithetical standpoints. Ironically, this was considered as a success of Vietnam in its reform endeavour, rather than of the World Bank. The next section gives an example of how this consensus was promoted in practice.

#### ***Example 4 - New Pricing Policy or "Socialization"***

As mentioned in previous parts, one of the World Bank's policies in its "short menu policy" was to introduce and increase tuition fees. To avoid backlash against this neoliberal agenda in a transitional socialist communist country, the World Bank sought to promote this idea indirectly by steering change processes that were already occurring in the context of socio-economic changes in Vietnam.

During the 1990s the "*Doi moi*" policy had significant impact on the economy. Agriculture was privatized, property rights were introduced, government budget deficits were cut, price controls and controls on foreign trade were eased. Alongside these, key elements of change in higher education were also planned including the introduction of tuition fees, encouragement of links with business through contracting research services, consolidating state research institutes with universities, development of large national multidisciplinary universities through merging institutions, the expansion of a community college system, and noticeably the establishment of semi-public and non-public higher education institutions (Sauvageau, 1996 quoted in Pham & Fry, 2004; WB, 2007a,d). These new types of institutions were not entirely private, but operated partly according to market principles. The assets of *semi-public* institutions were to be owned by the state, but their operations were to be funded entirely from tuition fee income and the sale of a range of

educational services. *Non-public* institutions often included people-funded institutions, which were owned and established at the local level by community and professional associations that were not owned by the state. These institutions, however, were very few and could be non-profit or for-profit. Also within public universities there are semi-public classes or extended classes (hệ mở rộng, hệ B), where students with scores close to the university entry requirements could pay higher tuition fees to follow the same courses as those who met the requirements. In reality these new and unclearly-defined forms of higher education institutions have led to a blurred boundary between public and private provision. Subsequently, this has created a proving ground for new policy ideas.

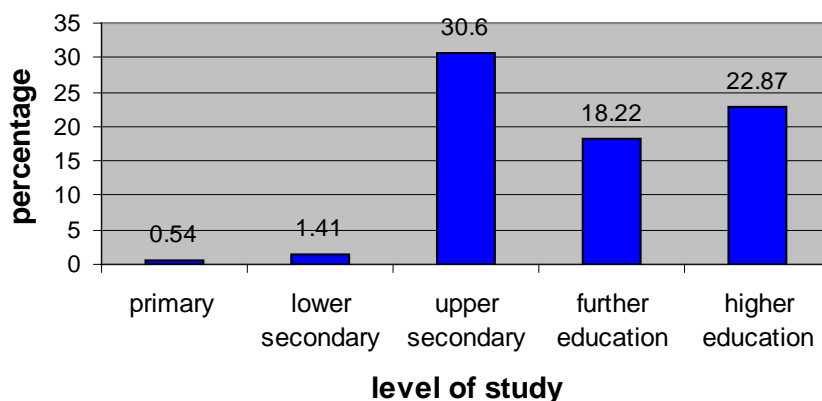
From an economist's standpoint, Sujan Guo (2006a) calls this model of operations "market socialism" – a "third way" for economic development or "a cross between capitalism and socialism", which would "combine the basic socialist principle of public ownership with the basic principle of market economy" (Guo, 2006a: 171-172). This was, to a large extent, in line with the goal of "Doi moi", which was not to create a free market economy but a "regulated and socialist-oriented market economy".

From a sociologist's standpoint, London (2006) terms this model of development "a market Leninist welfare regime", in which bureaucratic-authoritarian institutions gave room for emerging economic institutions of a state-dominated market economy. In terms of social provision policies, this welfare regime combines a basic floor of education services through a free primary school education with a "pay-as-you-go" scheme by promoting a "cost-sharing" model at most other levels of education, especially higher education, where an increasing number of semi-public and people-founded institutions fits in. The data on the percentage of school cohorts in table 4 below show that almost all education at primary level is public but the higher the level of study the more non-public education<sup>28</sup>.

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<sup>28</sup> The Vice Minister of Education, Mr Pham Vu Luan, reported at the national conference on 19 December 2007 reviewing achievements of 2-year implementation of socialisation strategy in education. Source: VietNamNet 20.12.2007 (Xã hội hóa giáo dục mới đạt kết quả "tìm tòi").

**Table 4**  
**Vietnam's non-public school cohorts in 2006**



Source: VietNamNet 20.12.2007- "Socialisation of education is at exploratory step" (Xã hội hóa giáo dục mới đạt kết quả "tìm tòi").

In the HERA, the Ministry of Education and Training set a target of 40% of students attending non-public higher education by 2020. In policy terms, this change has been associated with the Vietnamese government's strategy of "socialisation" (xa hoi hoa). The term "xa hoi hoa" appeared in Vietnam in the early 2000s and has triggered intense public debate about its meaning and implications. As a political doctrine, "socialisation" emphasized the need for all segments of society to contribute to the provision of education, in order to solve "Vietnamese problems in Vietnamese context" (Nguyen Loc, 2007<sup>29</sup>). The education law 2005 states that

*"... to develop education and to build a learning society are the responsibilities of the state and of the whole population ... It is the responsibility of all organisations, families and citizens to take care of education, to cooperate with schools in realizing the goals of education, and to build a sound and safe educational environment."*

(article 12 – Socialisation of the cause of education).

<sup>29</sup> Dr. Nguyen Loc is the Deputy Director of Vietnam Institute for Educational Sciences. Bui Trong Lieu is an overseas Vietnamese, he is an Emeritus Professor at Paris V. University. Series of articles on socialisation by these two academics on VietnamNet <http://vietnamnet.vn/giaoduc/vande/2007/07/721181/> in July 2007, accessed in November 2008.

Thus, it sounded more like a note of “communalism” or “collectivism” and of the state relinquishing its monopoly on education. However, in essence, its effect was to shift an increasing share of the costs of education from state to households and, to permit and promote non-public education provision. In practice, this was a blueprint for a dualist education system. In public institutions, on top of increased tuition fees, a range of voluntary and compulsory “contributions” were introduced, such as those for school upkeep and renovation. In semi-public and people-founded institutions, which were to be partially subsidized by the state, students still had to pay three to four times more than students attending public institutions (London, 2006). One could read everyday stories about poor farmers selling their future harvests in order to pay tuition fees for their children, and about students giving up their dreams to go to universities due to unaffordable fees. Once the public came to understand what “socialisation” means, they resisted and rejected it. Consequently, the plan to double the tuition fees for tertiary education was not included in the agendas of the Nation Assembly in 2007 and 2008. In this sense, “socialisation” in Vietnam carried a meaning precisely opposite to that widely understood in the west. For instance, in the west “socialised medicine” would mean that the government provides free medicine to its people (Bui Trong Lieu 2007<sup>30</sup>). Some observers commented that “socialisation” in Vietnam served as “camouflage” for a “soft” landing of neoliberal ideology, characterised by privatisation and withdrawal of the state from social provision (Harvey, 2005).

Against this background the World Bank further promoted its policy idea, which progressively aligned the Vietnamese higher education sector with liberal economic reform. Given this fertile ground, the World Bank chose an evidence-based policy recommendation approach to exercise its expert power. Its doctrine, rooted in human capital theory and rate of return analysis, and its mantra “education, poverty reduction and development” enabled it to gain the ground.

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<sup>30</sup> Bui Trong Lieu is an overseas Vietnamese, he is an Emeritus Professor at Paris V. University. Series of articles on socialisation by him and other authors on VietnamNet <http://vietnamnet.vn/giaoduc/vande/2007/07/721181/> in July 2007, accessed in November 2008.

## **Human Capital Theory and Rate of Return Analysis as Rationales for Introducing Fees**

The conventional view saw education as a natural and simple way of helping people out of their poverty. It was common sense, that education was a dependable means of escaping poverty. Such a view suggested that the poor could lift themselves out of poverty if they had access to education. This simplistic view was based on an assumption that education produced people with better skills. This made them more employable and productive, and their increased productivity would stimulate economic growth and provide greater personal returns in the form of higher wages. This was the kind of optimistic thinking behind human capital perspectives. In the context of a transition economy like Vietnam, this view also created great hope for families and individuals, and served as leverage in orienting their investments.

In her recent study of the impact of wage changes on returns to education in Vietnam, Amy Liu (2006) from the Australian National University has concluded that during Vietnam's transition into a market-oriented economy the relative demand for those with tertiary education increased sharply and earnings of tertiary graduates significantly increased in comparison with workers with below-primary education. Lately, the labour market demand and wage structure in Vietnam have changed in such a way as to favour better-educated people. This became an important factor in explaining changes in wage differentials and in creating individuals' and families' hope in gaining a higher level of education attainment.

In a similar vein, the World Bank's first study "Vietnam Education Financing Sector Study (VEFSS)" in 1994 showed that, the private rate of return to HE was consistently almost twice that of the social rate of return. This was the way the World Bank compared the immediate costs and the subsequent benefits of investment in education. The *private* rate of return reflected the benefits and direct cost of schooling to individuals, the *social* rate of return reflected benefits and the full cost to society, including any public subsidies. The benefits included the higher earnings that

individuals expected to earn as a result of taking an education. The private rate of return was based on after-tax income, whereas the social rate of return was based on pre-tax income.

Later, the result of the World Bank's second and more comprehensive study in 1998 led by Peter Moock<sup>31</sup>, the then chief economist at the World Bank office in Vietnam, also showed that private rates of return to primary and university education averaged 13% and 11%, but only 4% to 5% at secondary and vocational levels. The report further emphasized that evidence from other transition economies suggested that these returns are likely to increase as labour market reforms take full effect. Specifically, the critical factor in this view was to permit labour market to determine priorities and appropriate balances between economic and development objectives, as governed by the wages employers were willing to pay to graduates. The research results also supported the hypothesis that returns for younger Vietnamese workers are considerably higher than for older workers (14% compared with 4%). Since the rate of return to higher education continues to be high, households (students) were expected to be willing to invest in education. Tuition fees were therefore to be legitimized.

Alongside with the increased tuition fees in higher education in the mid 1990s, the public became aware of a sudden availability of a range of student support schemes which were designed to improve the fee-paying capacity of students. Perhaps one of the most significant changes was that the subsidies and scholarship grants provided by the government in the past were replaced with student loans provided by banks and other commercial organisations. Appendix 4 gives an example of how the Industrial and Commercial Bank of Vietnam administered a loan programme for college and university students. A trial programme was launched in 1994 and covered only four universities, and in 1996 it was extended to 20 universities. In 1997, when the HEP1 began, the programme was made permanent. It is important to note that the bank only provided loans to students who had already completed the first year of their

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<sup>31</sup> Peter Moock was in the World Bank core team designing both HEP1 and HEP2. He was the team leader and principal author of the report on the Vietnam Education Financing Sector Study (VEFSS) in 1995 prior to the HEP1.

study and who had achieved high grades. Their loan applications must be endorsed by the local People's Committees, which were expected to assist the bank to trace borrowers who default. Under such conditions, loans obviously did not alleviate borrowing constraints that inflict the poor and needy students. In other words, the World Bank's policy prescription did not really solve the equity problem of Vietnamese higher education. In the wave of loan schemes, although they were poorly managed due to limited institutional capacity, a new generation of Vietnamese students entered debts in the form of loan contracts or human capital contracts<sup>32</sup> (Varghese, 2006). It was evident that these new contractual relations were gaining significance and were capable of acting as a guide to human action by bringing it into the domain of the market.

Dissemination of such knowledge that resulted from these studies together with the World Bank 2007 report "Vietnam: Higher Education and Skills for Growth" clearly contributed to shaping a policy position and direction for change among Vietnam's policy makers, raised hope, changed attitudes in individuals and families, consequently gained public awareness and acceptance. In this sense, it is possible to see that "economics are *only* the method", but "the *real* object is to change the soul" (Thatcher, quoted in Harvey, 2005: 23, emphases added). The examples of "socialization" and student loan schemes revealed that the World Bank sought to promote certain ideas and steer certain change processes that began to occur in the Vietnamese transitional context, and shored them up by providing scientific evidence and affirming new conceptualisation. Over time this conceptual apparatus would become so embedded in common sense as to be taken for granted and not open to question.

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<sup>32</sup> A human capital contract is a contract in which students agree to pay a percentage of their income for a specific period after graduation in exchange for funds to finance their education. An essential characteristic of human capital contracts is that investors determine the percentage of future income that students have to commit, which vary depending on the type of learning undertaken and the investor's judgment about the borrower's likely future earnings. This type of contract started to occur in IT industry in Vietnam, often with groups rather than individual students, and investors are mainly foreign firms (e.g. Intel, Insurance companies) (See WB, 2003; Varghese, 2006)



In summary, the legitimate authority stemming from its scientific knowledge, gave the World Bank the power to convey its policy implications, especially at a time, when the Vietnamese government is under pressure to reassess its pricing policy. The World Bank's arguments on high private rates of return to higher education in the form of wages, and that education should be regarded as private goods, helped to bolster the "socialization" strategy of the Vietnamese government. Indeed, the technologies of information creation and capacities to accumulate, analyse, and use databases enabled the World Bank to guide policy making

However, the Bank chose to be quiet about the limitations of its doctrine based solely on its economic analysis. In a recent longitudinal research on higher education, Phillip Brown et al. (2007) argued that human capital theory does not offer a universal explanation of the relationship between education, jobs and rewards, and we are witnessing the rise of high skilled, low waged graduates. The British top economists and sociologists also asserted that "... education is not the prime motor for upward mobility... Worse still, as a greater number of people gain more qualifications, the less socially mobile the country has become." (Toynbee, 2008<sup>33</sup>). There was a trend showing that more graduates led to stronger competition within one subject area to find a job because the education students receive may make them employable but does not guarantee that they will be offered a job which suits their education. In many cases, jobs which were done sufficiently by school leavers, now are being done by university graduates. Other analysts also argued that even in advanced economies, Fordist mass manufacturing as well as low skill labour intensive production exist alongside high skill production techniques. In reality, high skill production only occurs in a few sectors, Fordist and post-Fordist modes of production continue to flourish in advanced economies as they are based on the expansion of low skilled, low cost jobs which give a certain competitive advantage (see Naidoo, 2007). If this is the case in advanced economies, according to the argument, developing countries may well adopt a low skills development strategy as it could meet the demand of pervasive

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<sup>33</sup> Polly Toynbee, "The education boom has proved a curse for the poor", *Guardian*, 5 July 2008. Polly Toynbee was named political journalist of the year 2008 in the Public Affairs News Awards.

labour intensive industries and help reduce mass unemployment (Ashton, 2004 in Naidoo, 2007). In fact, the statistics show that Vietnamese workers with higher education accounted for only about 5.1 percent of overall workers in 2004, although the numbers have increased by more than 200% between 1998 and 2004 from 0.82 millions to 2.17 millions (WB, 2007a)<sup>34</sup>. Some 75% of workers with higher education were employed in a few sectors, such as education and training, services and public administration, while Vietnam's employment structure reflects the largest share in agriculture. Hence, the relevance and effectiveness of the World Bank policy prescriptions are questionable.

Table 5: Vietnam's Employment Structure 1996-2005

|                                   | 1996   | 2000   | 2005   |
|-----------------------------------|--------|--------|--------|
| Agriculture, Forestry and Fishery | 68.96% | 62.61% | 56.79% |
| Industry and Construction         | 10.88% | 13.10% | 17.88% |
| Services                          | 20.16% | 24.28% | 25.34% |

Source: World Bank 2007a: 98

By and large the World Bank has exercised its power to compel changes by distilling and disseminating the knowledge it wants to promulgate. By doing so, the World Bank has instilled its ideology in Vietnamese policy makers. Therefore, it is argued that whether the Bank is a "Knowledge Bank", or only an "Opinion Bank"- it is a predominant producer and powerful arbiter of what counts as knowledge (Klees, 2002).

### ***Example 5 - From "No Name" to "World Class University" – A Shortcut to Quality Higher Education***

The previous sections have discussed how competitive ethos was created among Vietnamese universities in the domestic arena. This section looks at another

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<sup>34</sup> The figures were presented by the World Bank staff, Emanuela di Gropello, the main author of the report "Vietnam: Higher Education Skills for Growth", at the "Higher Education Conference, Malaysia, December 2007 as a positive trend of increase.

novel idea to boost competitiveness of Vietnamese universities in the international arena by establishing several world class universities. This was part of the market-fundamentalism ideology embraced by the World Bank. However, it did not introduce the idea directly but through invitations to conferences and intellectual stimulations. This section shows how the World Bank policy filtered through to Vietnam's thinking and questions whether the World Bank was all authoritative, legitimate and autonomous or it still operated within an oppressive structure and carried agent's role.

The study by the World Bank prior to the HEP2 "Vietnam: Higher Education and Skills for Growth" proposed that the government of Vietnam should create a supporting governance and financing framework by pursuing a reform agenda in stages. The initial stages aimed at strengthening the framework for a competitive higher education system through the "Quality Improvement Grants" and "Teaching and Research Innovation Grants" schemes implemented in the HEP1 and HEP2 respectively. According to the World Bank, this financial reform helped universities improve the relevance of their decision making for the country's emerging social and economic needs. The next stage was set to focus on further investment in building a first class higher education system. At the core of this road mapping exercise, the World Bank recommended that improving higher education responsiveness and competitiveness required a more flexible and diverse or multi-tiered system including a few world-class universities and HEIs operating under different ownership models (WB, 2008a).

The competitive ethos together with the concept of quality assurance introduced by the World Bank during the HEP1 and HEP2 has grown and spread throughout the system, and has opened up a terrain for comparing and ranking Vietnamese universities nationally and internationally. Some observers commented that it is necessary to improve quality of teaching and research, but questioned why national ranking is necessary. It is argued that universities need to satisfy a public demand for transparency and ranking serves a useful role by highlighting key aspects of academic achievements, which give parents and prospective students (i.e. customers) and also private investors more information. In the wider context, ranking

culture starts to pervade in almost all industries, such as banks, hotels, airlines etc. Noticeably, at the National Conference on Improving Higher Education Quality in January 2008, the Vice Minister argued that

*“... though we could question the credibility of any ranking system, they can still help us see where our universities stand in the world higher education picture. The Ministry aims to have one of the world’s ‘top’ 200 universities by the year 2020 and several in the list of top 500 universities.”* (Lasanowski, 2008).

This argument was, undoubtedly, in favour of a “name and shame” technique viewing it as the drive for improvement. A breakthrough plan, which grew out of this debate, was to establish several world-class universities as “role model” universities in order to position Vietnamese higher education in the region and in the world by 2020 and beyond. This long term vision was adopted by the government and supported by the World Bank. As part of the on-going HE reform agenda, since 2004 there has been much effort from the government, academic communities as well as the wider public on a master plan to build several world-class universities in Vietnam. This master plan was expected to contribute to the attempt to develop research universities and increase competitiveness of Vietnamese higher education.

During that time, the World Bank organized and sponsored a number of conferences in the region to promote various World Bank-financed higher education reforms and to create a space for policy learning and best practices sharing, including quality insurance and rankings. Certain ideas and set of beliefs gained power as they were widely and repeatedly disseminated and treated as common knowledge. Can Vietnam stay out of this norm when trying to integrate in the international arena? Appendix 4 lists a series of regional conferences where Vietnam was either a host or an active participant. These conferences covered a wide range of themes, such as capacity building role of tertiary education in developing countries, investment in HE and its effects on development, university autonomy, Jiaotong university rankings, cross border higher education. Noticeably, at the World Bank-sponsored regional conference on strategic choices for higher education reform in Malaysia in December

2007, the Vietnamese Minister of Education (also Deputy Prime Minister) was invited to share the country's experience of higher education and growth strategy. Participation in such events helped Vietnam get itself into international networks, where Vietnamese politicians interacted with other countries<sup>35</sup> and the idea on rankings was further stimulated.

The debate about world class universities went on, but little was known about what was communicated through the World Bank and what was planned by the country's leaders at the highest level. All of a sudden, seeking assistance and support from leading American universities to establish world-class universities in Vietnam was announced as one of the key activities of the first official visit by Vietnam's then Prime Minister, Mr Phan Van Khai, to the US on the occasion of the 10<sup>th</sup> anniversary of Vietnam-US normalized relationship in June 2005 when the HEP2 was under way.

In response to the request from the government of Vietnam, a proposal on the establishment of a world-class university was presented to the Vietnamese Prime Minister by Harvard University. The director of the Vietnam Programme at the university, Thomas Vallely- a founder of the Vietnam Fullbright programme and the Vietnam Education Foundation (VEF)<sup>36</sup>, offered to be the special advisor for Vietnam in this endeavour. The proposal highlighted the weaknesses of the Vietnamese higher education system and positioned it in the regional and global context. The proposal suggested policy options, key principles for success and also recommended strategic steps mapping the establishment of a world class university in Vietnam. As the group of Harvard experts saw, there were three options for Vietnam: 1) upgrade one or two existing universities and build on their strengths, 2) establish a branch or a satellite unit of high-ranking international universities, 3) build a completely new university.

A special Task Force was established following a decree issued in July 2006 by the Prime Minister, to draw up a strategic action plan for the establishment of a

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<sup>35</sup> Countries in East Asia (Cambodia, Fiji, Indonesia, Lao, Malaysia, Mongolia, Philippines, Thailand, Timor-Leste, and Vietnam) and South Asia (Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka).

<sup>36</sup> VEF is an independent federal agency created by the U.S. Congress and funded annually by the U.S. Government. Its mission is to strengthen the U.S.-Vietnam bilateral relationship through educational exchanges in science and technology. In essence, this programme is a form of the US government's compensation for the Vietnam War.

world class university. The former Minister of Planning and Investment, who signed the investment license for the Vietnam's first wholly foreign-owned university in Vietnam (RMIT)<sup>37</sup>, was appointed as the leader of the Task Force. In an interview by VietnamNet, a leading news agency, he admitted that he is a “non-worshipper” (without in-depth expertise in higher education), but is a leading proponent of a world class university in Vietnam. He went on to affirm overtly that

*“... we have requested the US universities for help because they are the number ONE in science and technology. If we want a ‘short cut’ we need their help, not financial aid, but in terms of expert knowledge, experience and advice.”*<sup>38</sup>

Ten months later, in response to the Youth newspaper's question of why Vietnam needed to build a world class university, the Task Force leader affirmed that

*“... this question is now out of the question since this has been decided by the government. This will be a Vietnamese university with a novel governance mechanism in our own higher education system, not a joint-venture with foreign universities.”*<sup>39</sup>

The ‘novel governance’ referred to the introduction of new concepts, such as a ‘university council’ and ‘board of governors’ with external stakeholders and a hired rector or special advisor for rector, who could be an expatriate.

In December 2006, the international conference in Hanoi on “WTO entry and Vietnam Higher Education Reform” sponsored by the World Bank and other major development agencies, further stimulated the debates on world class universities. The conference brought together leading higher education scholars and experts from the

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<sup>37</sup> RMIT is the Australia's Royal Melbourne Institute of Technology.

<sup>38</sup> VietnamNet interview with Mr Tran Xuan Gia on 4 October 2005, after the Prime Minister's visit to the US <http://www.vietnamnet.vn/dhqt/2005/10/496389/> - accessed in September 2008, the author's own translation.

<sup>39</sup> Youth Newspaper interview with Mr Tran Xuan Gia on 7 July 2006, after the Prime Minister signed the decree on establishment of world class universities in Vietnam. <http://www.tuoiitre.com.vn/Tianyon/Index.aspx?ArticleID=149411&ChannelID=13> , accessed in September 2008, the author's own translation.

western world, such as the UK, Canada, USA, and China<sup>40</sup> to address the issues and implications of increased competition and trade in higher education services.

Another key figure in the Task Force was the General Director of Higher Education Department, the MOET, who compared world class universities to “locomotives” orienting and driving Vietnamese higher education. In response to a VietnamNet interview on the strategic plan and financial resources for this historic project, she confirmed that

*“We need a multi-tiered<sup>41</sup> higher education system, in which the identified 14 key research-oriented universities<sup>42</sup> and several world class universities will be the ‘locomotives’. We are working on a pre-feasibility study, which will be submitted to the government to request for a new loan from the World Bank.”*

<sup>43</sup>

And as a result, a proposal for the third credit agreement between the World Bank and Vietnam was in the pipeline. The new programme called “developing advanced institutions for higher order capacity”<sup>44</sup> aimed to build on and consolidate the main components and results of the HEP2. The expected outcomes of this programme was primary and secondary legislation on the structure of the higher education sector, the mission, organisation and functions of different types of HEIs and eventually a university law.

In early 2008, a concept version of this third programme document drafted by the World Bank outlined a series of key policy measures in the four main areas, including Governance, Financing, Quality Assurance and Public Finance Management. These four features of reform which value university activities in purely

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<sup>40</sup> Keynotes speakers were Jane Knight (Canada), Ka Ho Mok (UK, China), Mark Ashwill (USA), Varghese (France).

<sup>41</sup> ‘Multi-tiered’ refers to different types of universities (research-based, applied-science, vocation-based universities) of diverse ownership forms (public, private, foreign owned, joint-venture, etc.).

<sup>42</sup> These 14 key universities were identified as eligible for funding in HEP2. See previous chapter of this thesis.

<sup>43</sup> VietnamNet interview with Ms. Tran Thi Ha on 29 September 2005, after the Prime Minister’s visit to the US. The author’s own translation. Accessed in September 2008. <http://vietnamnet.vn/giaoduc/2005/09/494485/>

<sup>44</sup> This is the working title of the World Bank’s draft project proposal in February 2008.

economic terms, according to the World Bank, served as a necessary infrastructure for building a world class university. This signalled “Vietnam’s WTO commitment” by opening up the sector to international competition (WB, 2008a) and an attempt to overhaul the country’s higher education. It is noteworthy that while stimulating the idea of competitiveness the World Bank was cautious in its approach when it came to the issue of a liberal market for education in Vietnam. In a peer review note on the above-mentioned concept paper, the World Bank’s higher education specialist, Lauritz Holm-Nielsen, reminded his colleagues in the Hanoi office that the “Global Agreement on Trade in Services (GATS) has not been ratified, many countries have reservations and this market [Vietnam] for education and services is not completely liberalized yet”. He went on to recommend his colleagues to handle the issue “with a more gentle touch” because “it is not necessary to push the liberalization agenda beyond reality and it will backfire if the Bank pushes too hard”<sup>45</sup>.

Among many unanswered questions about world class universities perhaps the most burning one was: “Is there a shortcut to a world class quality in education when it is still hard to identify Vietnamese “world class teachers” and “world class students” who would be running such a world class entity? There is still little evidence that the finance-driven and the competitiveness-driven reforms in the HEP1 and HEP2 have much effect on the quality of universities.

So, how was the policy idea shaped? Perhaps the Vice Minister of Education, the Former Minister of Planning and Investment and the General Director of Higher Education in the World Class University Task Force said it all, and made themselves the owners and promoters of the idea, which was originally tested out by the World Bank in the competitiveness-driven reform agenda. It seemed that the solutions proposed by this powerful international organisation have been for the Vietnamese government to create a fertile ground and the necessary market conditions for foreign higher education institutions and private investors to operate. Rather than directing or

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<sup>45</sup> Peer review comments made on 11 February 2008 obtained through personal correspondence from Lauritz B. Holm-Nielsen. He was a designated peer reviewer of HEP1 and also a reviewer of the concept paper for the third higher education project. Lauritz Holm-Nielsen served as lead higher education specialist for the World Bank from 1993 to 2005, before he became the rector of Aarhus University, Denmark.



providing public services, the government of Vietnam was expected to act as a facilitator for global market integration. The implementation of the project is under way, there will certainly be more developments to be observed and analysed in the years to come.

In summary, this chapter illustrated that the competitive ethos was further promoted in Vietnamese academia as part of the World Bank's neoliberal reform agenda. Noticeably, the idea about boosting competitiveness of Vietnamese universities in international arena has been instilled into Vietnamese policy makers. Through conferences and intellectual stimulations, the World Bank policy filtered through Vietnamese leaders' thinking. They then became the owners and promoters of the idea to build world class universities in Vietnam with the support from leading US universities. Although there was no evidence of a link between the World Bank's education loans and the US education export, the fact that the US were deliberately chosen to be involved in Vietnam's national education master plan made people question whether the World Bank was all authoritative and autonomous from its home country or if it still operated within an oppressive structure and carried agent's role.

## Chapter V

### Conclusions and Reflections

This thesis has explored the role of international organisations in educational policy making in developing countries with a special focus on the World Bank's considerable role in higher education reforms in Vietnam. More specifically, the major aim of this thesis, as noted at the outset, was to address the central question: How does the World Bank exert its expert influence and exercise its financial power in shaping policies and designing higher education systems in Vietnam? The thesis used Vietnam's recent higher education reforms as a case study to further examine the World Bank's processes of transferring ideas and influencing policy. The thesis has also attempted to delineate a theoretical framework for analysis that could help with looking at the power relationships between the World Bank and borrowing countries from different perspectives.

The study began with the debates about whether nation states lost some of their capacity to make national education policies independently due to the economic and technological globalisation and whether international organisations and market diminished state power. The debates showed that globalisation not only weakened state power but also created new political structures and new modes of policy making, which enhanced the role of international organisations. As such, globalisation created broadly similar patterns of challenge for states that shape their possible responses in similar ways (Dale, 1999; Leuze et al., 2007). However, international organisations do not replace nation states but create an additional structure of authority and sovereignty besides and beyond the state (Dale and Robertson, 2007). Nevertheless, the literature on globalisation and its effects did not show how international organisations work to exert their power, to influence state and to transform state policy making processes. In particular, how a special international organisation like the World Bank exerts both

financial and expertise power over borrowing countries. The thesis highlighted how, with its rather unique history of anti-colonialism and recent experimentation with socialist market economy, Vietnam represented a particularly interesting and extreme case in which to examine the development and transformation of a national higher education system through the World Bank policy-based lending programmes. In the wake of globalisation, the subsequent changes in Vietnam, such as economic growth, greater opportunities, better flow of new ideas, information and resources, were experienced as positive signs of integration into international arenas, or improved state's power rather than a sign of reducing state's power. Unlike what was shown in the literature on globalisation, the case of Vietnam was not about the World Bank coming in and limiting power of the state, nor the Vietnamese government giving up their power by becoming a member of the World Bank. The World Bank did not present a package of uniform solutions, rather it did kite-flying exercises to find out what Vietnamese politicians were interested in. The market did not come in directly with its forces, rather it was to be created. Therefore, this thesis analysed the detailed workings of the World Bank, the sources of its power and its interactions with Vietnam to find out how the World Bank influenced the country, which has an antithetical political standpoint. The five examples in chapter IV provided clear evidence that the World Bank has influenced and, to a certain extent, transformed Vietnamese higher education policies.

The examples about networking with influential organisations and academics illustrated how the World Bank accumulated and used expert authority to classify and define the problems of Vietnamese higher education. In other words, the World Bank exercised its compulsory power to select and include certain kind of participants strategically, and exerted its productive power to constitute problems and associated practices. Through various studies and reports, the World Bank identified, classified and defined problems of Vietnamese education system, also implicitly facilitated openness and transparency in policy making and bridged bureaucratic barriers that divided government agencies in Vietnam. Put differently, the World Bank altered the

Vietnamese behaviour and channelled it towards global practices and norms. By taking advantages of the government's policy towards expatriate Vietnamese and expertise of Vietnamese academics, the World Bank promoted indigenous people's positions which were connected to the World Bank ideas and carried forward its neoliberal ideology. The examples about pricing policy further illustrated how the World Bank worked through the Vietnamese concept of socialization and used its human capital and trickle down theories to bolster the Vietnamese government in their policy making and implementation.

The example about the new performance-based funding scheme carried the main point of this study, namely the "institutional power" and "political technologies" of the World Bank to create a competitive ethos which was set to pervade the Vietnamese academic community. With a relatively small amount of funds, through its design of institutional procedures and arm-length sub-bureaucracies, the World Bank transformed the governing mechanism in Vietnamese higher education. Although this new competitive funding mechanism powered by contractual relationships, was in its early stages, there was a clear trend that it would replace the current authoritarian and centralized management. This new governance mechanism, competitive ethos and new ideology, which considered market and competitiveness as useful policy tools to distribute resources and improve quality, also underpinned the national master plan on establishing world class universities. In short, while the World Bank's strategies deliberately conceal its political origins and purposes, through the examples and analyses in this thesis it is possible to recognise the ways that its working processes undermine its politics.

The recent HE reforms in Vietnam presented an extreme case about how the World Bank achieved its power and policy influence through its technocratic and self-effacing approaches, which were underpinned by neo-liberal thinking (Heyneman, 2003) or market-based economic philosophy (Stiglitz, 2008b) standing in contrast to the Vietnamese government's regulated socialist market approach in the political context of one-party communist rule. The dilemmas of HE reforms in Vietnam were intensified by two conflicting trends: preserving and enforcing central power on the

one hand and accepting the influencing power of market-driven ideas, practices and values on the other (Doan, 2004). There were some particular features visible in the policy negotiation analysed in this thesis, such as in what way and to what extent “quality improvement grants”, “teaching and research improvement grants” schemes, the concept of “socialisation” and “world class university” were to be promoted in the education sector in this transitional socialist regime. These technical know-how solutions were used by the World Bank to introduce the apparently quite different neoliberal concepts of liberalisation, privatisation and competition. On the other hand, these terms, or more precisely policy measures, sounded easy on the ear to the Vietnamese politicians who by all means would want to refrain from engaging with an incompatible ideology.

Central to the discussion of the way that the World Bank worked was an emphasis on the role of ideas, knowledge, expertise, discourse, agenda setting, all of which are mechanisms of power and indeed a very productive and effective means of intervention in education policy making. The World Bank established policy models actively but implicitly, as exemplified in this study, networking, meetings, conferences, dialogues with Vietnamese academics and policy makers led to wide dissemination and acceptance of its policy ideas. The analyses in chapter IV showed that the World Bank’s mainstream neoliberal positions, which were concealed behind more presentable packaging a decade ago, became more overt lately through processes of idea diffusion and power exertion. Hence, it is important to view the World Bank as part of a complex set of social forces and patterns which change over time in Vietnam.

As the “Bank of Knowledge” commits itself to generating research-derived justifications for its policy stances, the World Bank gained greater acceptance in borrowing countries. This strength is frequently derived from borrower countries’ perceptions of the World Bank’s expert authority and power. Many other studies have pointed out that although the World Bank makes an effort to incorporate knowledge from its partners, including borrowing country governments, indigenous people, other aid agencies, NGOs, such as its South-South international coalition, and the Global Development Network, with the motto “home-grown solutions for home-grown

problems”<sup>46</sup>, it still distils and disseminates the knowledge it wants to promulgate. In this thesis, the example about high private rate of return as justification for introducing tuition fees in Vietnam showed that the World Bank chose to promote only certain kind of knowledge, which supported its policy. Also it is important to note that its preference for human capital theory, trickle-down arguments, manpower forecasting, and the rate-of-return techniques determined the tendency for the World Bank to collect certain kinds of data and conduct certain analyses that formulate certain policy recommendations, which instilled its ideology in Vietnamese policy makers.

Rather than imposing views through specific loan negotiations, the World Bank’s approach is to lead borrowing country decision makers to its preferred way of thinking (Jones, 2004 & 2006), that was the conceptualization of education in narrow economic terms (Dale and Robertson, 2007). For instance, higher education should be perceived as a private good and costs should therefore be borne by households and higher education should be treated as a means for economic progress.

*“... higher education has never been as important to the developing world as it is now. It cannot guarantee rapid economic development but sustained progress is impossible without it.” (World Bank, 2000: 19)*

Accompanying this process of redefining higher education are the apolitical, technical solutions offered to the developing world by the World Bank:

*“You have to have centers of excellence and learning and training if you are going to advance the issue of poverty and development in developing countries ... the key ... is higher education, not just on the technological side, but to create people with enough wisdom to be able to use it.”*

(James D. Wolfensohn, at the launch of the Task Force Report on 1<sup>st</sup> March, 2000; WB, 2002:76)

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<sup>46</sup> Global Development Network: South-South connections ([www.gdnet.org](http://www.gdnet.org)) – accessed in July 2008.

Vietnam's higher education reforms since 1993 have witnessed that the World Bank first sprinkled ideas and watched which ones took root; indigenous people were then made the owners and promoters of those ideas. The World Bank's mode of operating was not to come in as colonial powers in the history of Vietnam, but to improve a new education system on top of an indigenous system with the view to fully submitting higher education to the pursuit of economic progress. Certain levels of inequality, that may inevitably arise along the way were well understood as something that would need to be tolerated. In spite of the carefully chosen mode and language of presentation, and the degree of policy influence, in essence, there has been a shift in Vietnamese higher education policy, which can be characterized by the growing impact of market mechanisms, increased pressure for efficiency and effectiveness, decentralization of finance and administration, and privatisation.

Since 1995 Vietnam has received the equivalent of \$484 million in total official development assistance (ODA) for the education sector. Of this amount, loans accounted for 52 percent. The foreign loans (mostly from the World Bank) were included in total state budget spending on the education sector, accounting for 15.6 percent of total education budget in 2002. Vietnam has to pay interest rates of 0.45 to 1 percent per year for the foreign loans<sup>47</sup> and is faced with decades of debt repayment.

The World Bank always insists that its role is advisory and Vietnam very much needs to take ownership of its strategies and policies. However, in reality it is apparent that the Bank plays a decisive role in shaping the outlook and policy options for all three higher education reforms (the HEP1, HEP2 and the upcoming HEP3) as well as in sectors other than education. One might question: what difference or transformation has the World Bank made? How is this difference or transformation to be regarded? Would it be based on indicators of material well-being, human capital development, economic growth as stated in the aims and objectives of the HEP1 and HEP2 or in terms of social values (e.g. in Confucian tradition) and learning opportunities created for all groups of population? Should the measure of Vietnam's

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<sup>47</sup> <http://worldbank.org/html/prddr/trans/mayjune2002/pgs26-27.htm> . Accessed in September 2008.

success in its changing education policies be the degree to which the country “opened up” to embrace the Bank’s neoliberal thinking and policy recommendations? Or should the success or failure be determined by the degree to which Vietnam can perform a balancing act, negotiating between a range of competing pressures and interests in a complex domestic and international environment? Perhaps the Vietnamese of future generations, who pay back the loans, will have a better opportunity to consider these questions and judge if the loans and the indebtedness have been worthwhile?

This thesis examined in detail the workings of the World Bank, the sources of its power and pointed out that the World Bank did not appear to exert its power over the nation state but instead it seemed merely to defuse its ideas and help borrowing governments to legitimize their policies by using expert authority. In other words, the World Bank chose the working methods that seem to enhance state power by making borrowing governments and indigenous people to own their reforms, to materialize their national development objectives. While acknowledging the rationality of the World Bank expert authority and power mentioned in the literature, the study raised the question on contested knowledge, which challenges the degree of its expert authority over time and effects its power relation with nation state in the long run.

Although the World Bank is proving successful in its aspiration to shape important elements of global opinion, there are clear limits in place as to the World Bank’s expert authority, given the policy-driven nature of its research, as shown in chapter IV, and the lack of penetrating, critical, open-ended inquiry. Therefore, its core policy ideas are still based on its conventional short policy menu with intellectual grounding in human capital theory and rate-of-return analysis to champion poverty and austerity, and a reduced role of government in the provision of education. The World Bank achieved successes but also experienced failure in its policy-based lending. Many observers comment that countries need to be free to deviate from the uniform neoliberal model and to follow variable pathways which suit their developmental trajectories. Also in recent years developing countries have found private banks and regional development banks to be less demanding sources of capital



than the World Bank. Would the power of the World Bank be lessened? Could developing countries build a defence mechanism to resist power from the World Bank through greater engagement and collaboration amongst themselves? This leads to debatable questions of why countries still borrow from the World Bank even if other sources of capital are just as readily available. What makes the World Bank's power persist? Broadly, the answer is two-fold. *First*, the status of the World Bank and its sister, the International Monetary Fund (IMF), is such that their joint assessments of country economic health are enormously influential in determining the 'credit-worthiness' or 'credibility' of borrowing countries (Jones, 2006; Moutsios, 2008). Other international partners are, to a very considerable degree, often guided by the World Bank's assessment of the soundness of developing countries' policies and their economic performance. The World Bank-published country reports also determine the shape and extent of other bilateral and multilateral aid agencies, because the soundness of the local environment is a deciding factor for the donors and investors alike. *Second*, as part of its lending operations, the World Bank provides considerable technical assistance to the borrowing countries. This technical assistance has been of significant importance in the design of borrowers' development strategies and particular projects.

In the meantime, the World Bank's scale of lending, its global reach, its expert imprint and its policy influence will continue to confirm its position as the strongest international organisation in education. Given changes within the World Bank over educational policies and priorities and given its capability as a think-tank and catalyst of ideas, it will certainly be interesting to see how this powerful international organisation, with its expanded networks of influence, deals with further challenges of globalisation when working to track and to ameliorate educational problems in order to make the world a better place.

## APPENDEXES

### Appendix 1: Network with Vietnamese Influential Academics

| Name and Involvements in Vietnam's HE Reforms  | Organisation  |
|--|---|
| <p><b>Ta Ngoc Chau</b></p> <p>One of the major contributors to the research and final Vietnam Education Financing Sector Study (VEFSS) report drafting in 1997.</p> <p>Provided training on statistical methods for staff in the MOET</p>  | <p>Senior Researcher,<br/>International Institute of Educational Planning, Paris.</p> |
| <p><b>Nguyen X. Nguyen</b></p> <p>Mr. Nguyen wrote background papers based on the Higher Education Institutional Finance Survey (HEIFS), part of VFSS, and provided training on institutional cost analysis for the MOET staff.</p>  | <p>Economist, graduated from George Mason University, USA.</p>                        |
| <p><b>Mr Pham Thanh Nghi</b></p> <p>Graduated from the University of New England in Australia.</p> <p>He contributed a background paper on policies and regulations for non-public education in 1996 for VFSS</p>  | <p>The MOET's National Institute for Educational Development</p>                      |
| <p><b>Prof. Lam Quang Thiep</b></p> <p>Scholar at State University of New York at Buffalo.</p> <p>The country-leading professor of higher education at Hanoi National University</p> <p>Number of publications, position papers cited by the World Bank and the MOET</p>   | <p>Former Director of the Higher Education Department, the MOET (1988 - 1998).</p>    |
| <p><b>Dr. Nguyen Thi Le Huong</b></p> <p>UK graduate</p> <p>"Current Update of HE in Southeast Asia: the case of Vietnam", position paper for the World Bank and the MOET.</p>   | <p>Deputy Director of the Higher Education Department, the MOET</p>                   |
| <p><b>Dr. Nguyen Nguyet Nga</b></p> <p>UK, USA graduate</p> <p>Position paper for the World Bank: "Trends in the Education Sector from 1993-1998"</p>  | <p>Senior researcher at the World Bank, Hanoi.</p>                                    |
| <p><b>Prof. Ho Tu Bao</b></p> <p>Professor in the School of Knowledge Science of Japan Advanced Institute of Science and Technology (JAIST) and researcher in Institute of Information Technology, Vietnamese Academy of Science and Technology (VAST)</p> <p>M.S. and Ph.D. degrees in Computer Science from Pierre and Marie Curie University, Paris (1984, 1987), and Habilitation à diriger de recherche from Paris Dauphine University (1998)</p> | <p>Japan Advanced Institute of Science and Technology (JAIST), Japan.</p>             |

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005

Source: “Current Educational Issues: Perspectives and Solutions”-2007, Tri Thuc Publishing House, Hanoi, Vietnam

**Prof. Tran Nam Binh**

New South Wales, Australia.

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005.

**Prof. Tran Huu Dung**

University of Wright State  
Dayton, Ohio, USA.

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005

**Prof. Tran Van Tho**

University of Waseda, Tokyo,  
Japan.

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005

**Prof. Ha Duong Tuong**

University of Compiègne,  
France

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005

**Vu Quang Viet**

United Nations Statistics  
Division

Senior Consultant

One of the authors of the Proposal: “To Engage Overseas Vietnamese Academics in Establishing and Operating World Class Universities in Vietnam” to the Government of Vietnam in 2005

**Prof. Le Van Cuong**

University Paris 1, France

**Prof. Nguyen Dang Hung**

University of Liège, Belgium

**Emeritus Prof. Bui Trong Lieu**

University Paris V, France

**Prof. Ton That Nguyen Thiem**

United Business Institute,  
Brussels, Belgium, Atlanta &  
Boston, USA.

**Prof. Le Dung Trang**

These overseas Vietnamese academics are the authors of “*Recommendations on Reforming and Modernising Vietnamese Education System*” sent to the Central Communist Party and Government Leaders on 5 July 2004

International Centre for  
Theoretical Physics, Trieste,  
Italy

Source: “Current Educational Issues: Perspectives and Solutions”-2007, Tri Thuc Publishing House, Hanoi, Vietnam

## Appendix 2a: HEP2 Credit Conditions and Covenants

Source: WB, 2007b, p.11-12

### 6. Credit Conditions and Covenants

#### *Effectiveness Conditions:*

The PMU has been established and its key staff appointed: (i) Project Director; (ii) Sub-Component 1.1. [Governance] Coordinator; (iii) Sub-Component 1.2 [Financing] Coordinator; (iv) Sub-Component 1.3 [Quality Assurance] Coordinator; (iv) TRIG Manager; (v) Procurement Coordinator; (vi) Financial Management Coordinator; Accountant and Cashier (vii) Monitoring Evaluation (M&E) Coordinator; (viii) Administration Coordinator; and (ix) Internal Auditor, having qualifications and experience acceptable to the Bank; PMU has adopted a Project Operations Manual (including Procurement Manual, Financial Management Manual, TRIG Manual and Implementation Plan) acceptable to the Bank; the PMU has established a computerized accounting system satisfactory to the Bank in accordance with the provisions of the Financial Management Manual; and the MOET has issued an investment decision approving at least twelve TRIG sub-project proposals and signed TRIG Agreements with at least six universities whose TRIG sub-project proposals have been approved.

#### *Legal Covenants:*

- Maintain the PMU, with qualified staff, throughout project implementation;
- Constitute the Project Director, Governance Coordinator, Financing Coordinator, Quality Assurance Coordinator and TRIG Manager as a Senior Management Group, responsible for integrating and coordinating policy development and project activities;
- Establish an inter-ministerial Project Advisory Committee by November 30, 2007 and maintain throughout project implementation, to provide guidance in project implementation (see Annex 6 for membership);
- Establish TMU (TRIG Management Unit) at TRIG-recipient universities, with qualified staff, and maintain throughout TRIG sub-project implementation;
- Submit annual work program (including financing plan and budget) not later than November 30 of each year, commencing in 2007;

- Submit a semi-annual progress report (including M&E results) not later than 45 days after the end of the period covered by the report;
- Maintain the financial management system and submit Interim Financial Reports (IFRs) semi-annually, no later than 45 days after the end of each semester;
- Prepare financial statements and submit annual audit report prepared by independent auditors no later than six months after the end of each fiscal year;
- Hire at least two procurement consultants to the PMU by November 30, 2007 to assist with procurement tasks under the supervision of the PMU's Procurement Coordinator;
- Hire a financial management firm by January 31, 2008 to assist with and support the financial management tasks under the supervision of the PMU's Financial Management Coordinator;
- Hire an independent M&E firm by March 31, 2008 to conduct evaluation study;
- Carry out the following actions in each TRIG-recipient university before the first disbursement is made for that university's TRIG: (i) sign TRIG Agreement by December 31, 2008; (ii) appoint at least one accountant and one cashier to the TMU; (iii) appoint at least one procurement officer to each TMU; (iv) agree with the Bank on the format of the IFRs to be used by universities for their TRIGs; and (v) set up a computerized accounting system in each TMU.

## Appendix 2b: HEP1 Main Loan Conditions

Source: WB, 1998, p12-13

### **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 external key 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 the 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 State-owned enterprises (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 the 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.



### Appendix 3: Student Loan Programmes in Vietnam

In 1994, Vietnam launched a loan programme for college and university students. Administered by the Industrial and Commercial Bank of Vietnam (Incombank), the programme covered four Hanoi universities: the Agricultural University, Polytechnic University, National Economic University, and Pedagogic University. In 1995-1996, the loan scheme was extended to 20 universities and by 1996, 2,359 students had received loans, totalling VND 2.7 billion (\$2 million in 1996 prices).

In 1997, Vietnamese Government made the loan programme permanent, and only allowed students who had already completed the first year of their study having achieved high grades. Students could borrow at the most VND 1.2 million (\$419) for the 10-month academic year, and must find a co-signer to secure their loans. Loan applications must be endorsed by the local People's Committee, which is expected to assist Incombank to trace borrowers who default. Loans are expected to be repaid within ten years (15 years in some cases) from the date of loan approval.

The interest rate is 1 percent per month (more than 12 percent a year) - a significantly subsidised rate compared to the market-going rate of 20 percent per annum.

In the 10 years following the institution of the loan programme, some difficulties have already arisen: first, the supply of loans fall short of the demand, so loans cannot fully alleviate borrowing constraints that inflict the poor.

Second, because finance markets are incomplete, verification of student income is highly difficult, so sometimes, relatively well-off students crowd out needy students. Third, undeveloped information sharing makes it hard for Incombank to collect payments in a timely manner. Finally, while relative incomes of college graduates are high, income levels have not risen at expected levels, and this is contributing to higher than expected default rates.

*Source: Johnstone (2004) in World Bank "Vietnam Higher Education Skills for Growth" (2007a:92)*

## Appendix 4: The WB-Sponsored Conferences on Higher Education in East Asia (2005-2008)

Source: World Bank office in Hanoi

### 2008

Feb 27 - World Bank Institute: **East Asia Course on Education and Competitiveness**  
Mar 2 Trends in Governance and Financing Reforms  
Bangkok

### 2007

Dec 3-5 **Regional Higher Education Conference “Strategic Choices for Higher Education Reform”**  
Kuala Lumpur, Malaysia  
The main objective of this conference was to share information on promising experiences with higher education reform across the Asian and Pacific Islands and South Asian countries that emphasized ways of ensuring the quality of higher education outcomes, but also the importance of improving system and institutional governance and finance.  
**Vietnam’s Minister of Education gave a presentation at this conference.**

Nov 1-2 **Second International Conference on World-Class Universities**, Shanghai Jiao Tong University  
Shanghai, China

Oct 29-30 **Third Meeting of the International Expert Group on Rankings**, Shanghai Jiao Tong University  
Shanghai, China

Jun 11-12 **Seminar on Higher Education Strategies**  
Bangkok  
Jointly organized by the Thai Commission on Higher Education and the World Bank.

Jun 6-8 **Seminar on the Financing of Post-Basic Education**  
Beijing  
Jointly organized by the China Institute for Education Finance Research (Peking University) and the World Bank.

Jan 16-17 **Regional Bank Conference on Development Economics (RBCDE)**  
Beijing, China  
The aim of the 2007 RBCDE was to share experience and lessons of the investment in higher education and its effects on development. The main topics included Migration and Brain Drain; Financing Higher Education; Private-Public Cooperation; Technological Innovation and Labour Market

### 2006

Dec 11-13 **Conference on Cross-Border Higher Education**  
Hanoi,  
organized by the Ministry of Education and UNESCO

Vietnam

Dec 8-10 **University Autonomy: IAU-IAUP Presidents' Symposium**  
Chiang- organised by the International Association of Universities (IAU) and the  
Mai, International Association of University Presidents (IAUP)  
Thailand

**2005**

May 21 **Capacity Building Role of Tertiary Education in Developing Countries**  
Cambodia

Apr 27 **International Symposium on Higher Education Reform**  
Bangkok,  
Thailand

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