



# Extended Annual Review Report

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Project Number: 32914  
Reference Number: LN1827/EI7169  
September 2014

## Loan RMIT International University Vietnam (Viet Nam)

This is a redacted version of the document that excludes information that is subject to exceptions to disclosure set forth in ADB's Public Communications Policy 2011.

Asian Development Bank

## CURRENCY EQUIVALENTS

Currency Unit      –      dong (D)

		<b>At Appraisal</b>	<b>At Project Completion</b>
		1 March 2001	15 May 2005
D1.00	–	\$0.0000713	\$0.0000632
\$1.00	–	D14,562	D15,832

## ABBREVIATIONS

ADB	–	Asian Development Bank
bp	–	basis point
DSCR	–	debt service coverage ratio
EIRR	–	economic internal rate of return
FIRR	–	financial internal rate of return
IEE	–	initial environmental examination
IFC	–	International Finance Corporation
MOET	–	Ministry of Education and Training
RAP	–	resettlement action plan
RIUV	–	RMIT International University Vietnam
RMIT	–	Royal Melbourne Institute of Technology
WACC	–	weighted average cost of capital

## NOTES

- (i) The fiscal year (FY) of the borrower ends on 31 December.
- (ii) In this report, "\$" refers to US dollars.

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**BASIC DATA**  
**RMIT International University Vietnam**  
**(L1827/EI7169-Viet Nam)**

<b>Key Project Data</b>	<b>As per ADB Loan Documents</b> (\$ million)	<b>Actual</b> (\$ million)
Total Project Cost	33.0	24.10
ADB Investment:		
Loan:		
Committed	7.5	7.25
Disbursed		3.50
Outstanding		0.00
Debt–Equity Ratio at Completion		0.87

ADB = Asian Development Bank.

<b>Key Dates</b>	<b>Expected</b>	<b>Actual</b>
Concept Clearance Approval		7 Feb 2000
Board Approval		26 Apr 2001
Loan Agreement		3 May 2002
Loan Effectiveness		3 May 2002
First Disbursement		15 Sep 2004
Commercial Operations Date		15 May 2005
Loan Closing		3 May 2002
Months (effectiveness to commercial operations date)		36

<b>Project Administration and Monitoring</b>	<b>No. of Missions</b>	<b>No. of Person-Days</b>
Due Diligence	3	54
Loan Negotiations	1	9
Project Administration	2	2
XARR Mission	1	8

XARR = extended annual review report.

## EXECUTIVE SUMMARY

On 26 April 2001 the Asian Development Bank (ADB) Board approved a loan of \$7.5 million without government guarantee to the RMIT International University Vietnam (RIUV) for the construction of a private university in Ho Chi Minh City, Viet Nam (the “project” or “Saigon South campus”). The main components of the project include a main campus building with a learning resource center, a faculty building, a student and staff amenities building, equipment, and fixtures. RIUV offers undergraduate programs including associate degrees and diplomas, postgraduate programs, industry training and short courses, English language training, and university preparatory studies. The sponsor of the project is the Royal Melbourne Institute of Technology (RMIT), a leading tertiary education provider in Australia. The total project cost was originally estimated at \$33 million, of which \$15 million was to be funded from a donation from Atlantic Philanthropies. The ADB Loan Agreement was executed on 3 May 2002.

On 23 December 2003, ADB approved changes in the implementation and scope of the project relating to the delay in construction of the Saigon South campus, reduction of the project size, revision of the repayment schedule, and opening of the Hanoi campus. The total project cost was revised down to \$24.6 million, and the loan amount was subsequently reduced to \$7.25 million. On 19 July 2004 an amendment to the Loan Agreement was executed to reflect the changes. The actual project cost was \$24.1 million and was financed mainly by grants from Atlantic Philanthropies and loans from ADB and the International Finance Corporation of \$3.5 million each. RIUV commenced operations of its Hanoi campus in June 2004 and the Saigon South campus in May 2005.

The overall assessment of the project is *successful*, based on the criteria set forth in the Project Administration Instructions 6.07B on the preparation of extended annual review reports for nonsovereign operations, issued in July 2008. Four main criteria were used: (i) development impacts and outcomes, (ii) ADB investment profitability, (iii) ADB work quality, and (iv) ADB additionality.

Development impact and outcomes are evaluated using four subcriteria: (i) private sector development; (ii) business success; (iii) economic sustainability; and (iv) environmental, health, and safety performance. The project’s contribution to private sector development is rated *excellent*. The project maintained high operational performance built on the international standards ensured by its sponsor, RMIT. The project has successfully established itself as a private university contributing to the development of Viet Nam and its neighboring countries.

Business success is rated *satisfactory*. In 2006 the enrolled student head count had increased by 75% compared to 2005. Steady average growth of 20% after 2006 was realized until 2010. During 2011–2013 enrolment growth slowed to 10%, reflecting Viet Nam’s economic circumstance and that RIUV had reached its full capacity and needed to expand.

The project is rated *excellent* for economic sustainability. The project has contributed to the country’s economic development by providing Viet Nam’s workforce with the skills, competencies, and qualifications required in an emerging and vibrant market economy.

The project is rated *satisfactory* for environmental, health, and safety performance. As an educational facility, project impacts are more from the construction phase than the operational phase. ADB’s review indicated impacts from operations are minimal and

appropriately managed. Key impacts from construction included increased dust, vibration, and noise which were managed according to an environmental management plan.

The project is rated *partly satisfactory* for ADB's investment profitability. The interest rate margin charged on the ADB loan reflected the risks of the project as assessed during appraisal and was benchmarked against market trends as well as other Private Sector Operations Department transactions in Viet Nam. The borrower made all scheduled interest payments on time and complied with the financial covenants. The initial loan repayment was scheduled for 15 May 2009 and the final repayment on 15 November 2013. However, on 15 May 2008, RIUV made an early prepayment of its outstanding loan of \$3.5 million.

ADB's overall work quality is rated *satisfactory*. ADB was requested by the sponsor, RMIT, to finance the construction of RMIT International University Vietnam, tapping ADB's expertise and financial capacity. Following concept clearance in February 2000, ADB led due diligence and confirmed the project's sound fundamentals. ADB Board approval was obtained in April 2001 and the ADB facility agreement was signed in May 2002. An amendment to the facility agreement was signed in July 2004. ADB maintained close contact with RMIT and closely monitored the implementation of the project through site visits, reports, financial statements, operating reports, and annual review.

ADB's additionality is rated *excellent*. RMIT chose ADB as its preferred primary finance partner because of ADB's high standing, major development role, experience, expertise, and financial capacity. ADB played an anchor role in catalyzing long-term debt financing from another multilateral institution, the International Finance Corporation, at a time when (i) access to affordable finance was limited because education projects were less appealing to commercial banks because of the risks involved, and (ii) the government's budget was constrained. ADB's involvement enabled the project to be optimally financed, thus bringing significant and sustainable development impacts, such as the creation of job opportunities during construction and operations, and more importantly the project's major contribution to Viet Nam's skills development and poverty alleviation through scholarships.

In April 2008, in view of RIUV's strong performance and cash generation, RMIT made an early prepayment of its loan. Having fulfilled its development role in the transaction, ADB exited from the transaction.

## I. THE PROJECT

### A. Project Background

1. In 1998, tertiary education in Viet Nam was underfunded and under great strain from the increasing number of students who wanted to enroll. Moreover, universities in Viet Nam were not efficient because of their small size, and most graduates of public universities were ill-equipped to work effectively in the market economy. The quality of educational service from private universities was also poor. Most classrooms were overcrowded and the learning materials inadequate, largely because of the shortage of funds.

2. In 2000 significant reforms were undertaken. Viet Nam officially moved to open up the sensitive health, education, and science and technology research sectors to foreign investors in a bid to lure much-needed investment capital. Under Decree 06/2000/ND-CP dated 6 March 2000, all kinds of investments, including joint ventures and 100% foreign-owned firms, were allowed in the areas of health, education, and science and technology. The decree specifies that foreign entities are allowed to invest in education and training projects at all levels. Investment may embrace science and technology, education, mechanical studies, science and technology-related services, clinics, and hospitals in all investment forms. Opening up these sectors was necessary as Viet Nam wanted to make relatively fast progress in improving education and health systems, which in some areas lagged behind developed country standards by several years.

3. In a bid to develop private universities and encourage foreign investments in education, the government invited the Royal Melbourne Institute of Technology (RMIT), one of the world's largest international tertiary education providers based in Melbourne, Australia to establish a university in Ho Chi Minh City.<sup>1</sup> In May 2000 RMIT approached the Asian Development Bank (ADB) to finance the construction of a university campus in Viet Nam, located in the South Saigon Development Corridor of Ho Chi Minh City. On 26 April 2001 the Board of Directors of ADB approved a loan of up to \$7.5 million to the RMIT International University Vietnam (RIUV) from ADB's ordinary capital resources.<sup>2</sup> The ADB facility agreement was signed on 3 May 2002.

4. RIUV was established in 2001 for the sole purpose of undertaking the project. RIUV is wholly owned by RMIT through the wholly owned RMIT Viet Nam Holdings.<sup>3</sup>

5. The first phase of the project opened in May 2001 in a rented office compound in Ho Chi Minh City (phase 1). The phase 1 project was implemented successfully and within budget and was funded solely by sponsor's equity.<sup>4</sup> The second phase of the project was the construction of the main university campus in Ho Chi Minh City, which was funded by the ADB loan, and the establishment of a branch in Hanoi in 2004 (phase 2).<sup>5</sup>

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<sup>1</sup> Investment License No. 2157/GP dated 20 April 2000 was issued by the Ministry of Planning and Investment.

<sup>2</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to RMIT International University Vietnam in the Socialist Republic of Viet Nam*. Manila.

<sup>3</sup> RMIT Holdings acts as a trust account for funds and philanthropic donations for the operations of RIUV.

<sup>4</sup> The temporary campus in Ho Chi Minh City was established to build presence in the new market and to test the sustainability of demand for tertiary education.

<sup>5</sup> The rationale for opening a branch in Hanoi was that the city is the home of key research institutions and Viet Nam's best universities. A presence in Hanoi would help foster collaboration among universities and help transfer of knowledge.

6. The cost of the project was originally estimated at \$33 million, of which \$15 million (45.5%) was to be financed by debt and \$18 million (54.5%) by equity. The total debt of \$15.0 million was to be equally funded by ADB and the International Finance Corporation (IFC). Because of changes in the implementation and scope, the total project cost was revised down to \$24.60 million, and the ADB and IFC loan amounts were subsequently reduced to \$7.25 million each. As access to affordable finance was limited at that time, and education projects were less appealing to commercial banks than traditional industrial infrastructure projects because of the risks involved, ADB, given its expertise and financial capacity, was approached to arrange a financing package for the project.

## **B. Key Project Features**

7. The project involved the setting up and construction of a 100% foreign-owned international university in Ho Chi Minh City in Viet Nam, and was sponsored by RMIT, which obtained most of its funding from philanthropists. It is situated on a 12-hectare site leased from the Ho Chi Minh City People's Committee. The structure of the project was sufficiently flexible to allow for future expansion. The campus can cater for up to 2,500 students at one time.<sup>6</sup>

8. The main components of the project included (i) a main campus building with a learning resource center, (ii) a faculty building, (iii) a student and staff amenities building, (iv) staff and student housing, and (v) equipment and fixtures. The principal activities of RIUV are to conduct education and training activities for both undergraduate and postgraduate levels; conduct scientific research and applied research in the areas of science and engineering, technology, economics, and foreign languages; and provide services directly serving training and research and development.

## **C. Progress Highlights**

9. The ADB Loan Agreement was executed on 3 May 2002. An amendment to the agreement was executed on 19 July 2004 to reflect the delay in the implementation of the project,<sup>7</sup> reduction of the project size,<sup>8</sup> revision of the repayment schedule,<sup>9</sup> and the opening of a Hanoi branch.<sup>10</sup> With the reduction of the project size, the actual project cost was brought down to \$24.1 and was financed mainly by a grant of \$17.1 million from Atlantic Philanthropies<sup>11</sup> and the initial loans from ADB and IFC of \$3.5 million each. RIUV commenced operations of its Hanoi campus on leased premises in June 2004 and the Saigon South campus in May 2005.

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<sup>6</sup> The project's initial campus design was reduced from a lot size of 62 hectares to 12 hectares, reducing the number of students to 2,500 students against the original design, which was for 4,000 students.

<sup>7</sup> Despite the initial success of the temporary campus, RMIT management decided to delay the construction of the permanent campus in Saigon South for several reasons. First, management wanted to be assured of the sustainability of the demand by continuing with the temporary campus experience for 2 more years. Second, RIUV was not ready to provide postgraduate programs, which would enable it to attract new students. Third, management wanted to review the cost of the new campus.

<sup>8</sup> Management found the initial campus design too ambitious for a new and untested market. The site leased was reduced from 62 hectares to 12 hectares.

<sup>9</sup> According to the Loan Agreement, the first repayment was to begin on 15 November 2007 and the last on 15 May 2012. With the delay in disbursement, the repayment period was amended to start on 15 May 2009 and end on 15 November 2013.

<sup>10</sup> The cost of the Hanoi campus of \$1 million was entirely financed by equity.

<sup>11</sup> Atlantic Philanthropies was founded and incorporated by Charles F. Feeney in 1982. Atlantic Philanthropies is a foundation supporting not only higher education but also projects involving the ageing, disadvantaged children and youth, population, health, and human rights issues. Charles F. Feeney and the foundation's board have committed to spend all of its endowment by 2020 and to complete active grant making by 2016.

10. The ADB loan of \$3.5 million was disbursed on 16 September 2004. Construction of the project started at the end of 2003 and achieved practical completion in May 2005. Operations officially started in July 2005.<sup>12</sup>

11. In 2005, RIUV had a strong enrolment growth rate of 33% compared to 2004. The trend continued with annual enrolment growth averaging 20% from 2007 to 2010, slowing to 10% starting 2011 as RIUV was reaching its enrolment capacity.<sup>13</sup> Nevertheless, revenues continued to grow, reaching an average growth rate of 33% during 2005–2013 as the result of an increase in student head count as well as tuition fee adjustment. In April 2008, RIUV made a prepayment of the ADB outstanding loan of \$3.50 million and cancelled the undisbursed loan commitment of \$3.75 million.<sup>14</sup>

12. In November 2013, graduation ceremonies were held for 1,294 graduates, giving a cumulative total of over 6,500 graduates since RIUV was established in 2001.

## **II. EVALUATION**

### **A. Project Rationale and Objectives**

13. The project was expected to directly increase the number of student enrolments and bring into Viet Nam expertise in vocational and higher education that would have a positive impact on the education programs in local universities. As a pilot education project, the project was expected to be a role model for the standard of education and training and for sustainability in the education sector. ADB was also expected to play a key role in demonstrating that commercially viable education projects can be undertaken through project finance in Viet Nam and in other developing member countries. With its lead role in structuring the project, ADB was expected to strengthen the commercial, financial, environmental, social, and legal aspects of the project. ADB's participation was also expected to ensure that proper attention was given to social and environmental issues.

### **B. Development Impact**

#### **1. Private Sector Development**

14. The project has advanced private sector development. With its high operational performance to international standards brought about by its sponsor (RMIT), the project has successfully established itself as a private university contributing to the development of Viet Nam and its neighboring countries.

15. RMIT has brought into Viet Nam internationally recognized tertiary and vocational education. The project has enhanced the quality and relevance of the education programs to the country's needs, particularly in information technology, engineering, and business administration. All RIUV's degrees are recognized by the Viet Nam Ministry of Education and Training (MOET) and are audited by the Australian Universities Quality Audit Agency to ensure

<sup>12</sup> In March 2001, RIUV started preliminary operations in a leased office compound in Ho Chi Minh City. The objective of the preliminary operations was to test the market demand for RIUV before the commencement of the main campus operations, and to establish its name in the market. The preliminary operations were successful, with strong enrolments.

<sup>13</sup> During the field visit, it was disclosed that RIUV management was planning to expand its physical capacity in view of the increasing student population.

<sup>14</sup> The IFC loan was prepaid on 27 May 2009.

that the quality of education and operating procedures of RIUV are consistent with those of RMIT. About 92% of the first batch of graduating students in 2004 were recruited and offered jobs at well-known international companies.

16. There is a shortage of public tertiary education opportunities in Viet Nam. The project has provided access to tertiary and vocational education by filling in the gap and freeing up government resources for other public initiatives. The project has provided the necessary skills and job for more than 6,500 graduates,<sup>15</sup> which in turn has helped reduce poverty through economic development. Some graduates started their own businesses, which also helped increase employment. Further, through its scholarship schemes the project helped increase access to education for people who cannot afford higher education.

17. The project is Viet Nam's first university of international standard. As such, it has lessened the need for Vietnamese students to go abroad to obtain necessary training because it is available at home at much lesser cost. The project can serve as a model for replication in other developing member countries, and ADB's involvement acted as a catalyst for more private investments into the education sector and into Viet Nam as a whole.

18. The project benefitted approximately 44,726 students during 2005–2013 compared with projections in the report and recommendation of the President of about 150,000 students during the 25-year project period. The actual student population growth is exemplary considering that the project size was reduced by 80%. The project's contribution to private sector development is rated *excellent*. The private sector development indicators and ratings are in Appendix 2.

## 2. Business Success

19. RIUV commenced offering programs in 2001 in Ho Chi Minh City and in 2004 in Hanoi. From the graduation of the first batch of students in November 2004, as of 2007 the RIUV had already grown to host more than 3,000 students and established a high reputation, with 92% of graduates recruited within 3 months from graduation and many securing jobs in well-known international companies. By 2005, and with the opening of the new campus in Saigon South, RIUV achieved a strong enrolment growth rate of 33% compared to 2004.

20. The year 2005 was the first year of operations of the project.<sup>16</sup> In 2006, the enrolled student head count had increased by 75% compared to 2005. Steady average growth of 20%<sup>17</sup> after 2006 was realized until 2010. During 2011–2013 enrolment growth slowed to 10%, reflecting Viet Nam's economic circumstance and that RIUV had reached its full capacity and needed to expand.

21. A critical factor in RIUV's successful performance is its establishment under the foreign investments laws of Viet Nam,<sup>18</sup> and therefore has certain autonomy such as fee setting. However, RIUV's operation is still regulated by other education-related law. Nevertheless, RIUV's enhanced freedom has allowed RIUV greater flexibility to (i) charge market-based tuition fees, (ii) construct its campus in a relatively short time, (iii) set salaries and employment conditions that allow RIUV to engage and retain academic and administrative staff, and (iv) establish and continually adjust programs to ensure it meets labor market needs.

<sup>15</sup> Aggregate number of graduates since RIUV was established in 2001.

<sup>16</sup> The new campus commenced commercial operations in 2005 under ADB funding.

<sup>17</sup> Source: RMIT International University Vietnam.

<sup>18</sup> In 2007, the law was replaced by the Enterprise Law.

22. The project's contribution to business success is rated *satisfactory*.

### **3. Economic Sustainability**

23. The project has contributed to the country's economic development by providing Viet Nam's workforce with the skills, competencies, and qualifications required in an emerging and vibrant market economy. The project brought quality graduates to the job market in Viet Nam and implemented corporate training programs to improve the skills set of employees of various public and private sector entities.<sup>19</sup> Human resources are the primary resource in the modernization and industrialization of a country. The project has greatly contributed to improvement in the standard of living in Viet Nam; income has been redistributed to the benefit of all Vietnamese people and human capital has been developed for sustainable development.

24. The project also resulted in the creation of job opportunities during construction and operation of the campus, and stimulated economic activity. More than half of the total number of employees are female. The project resulted in an increase in personal and household income and therefore in increased expenditure on food, rent, transport, entertainment, clothing, education, and health. The project is rated *excellent* for economic sustainability.

### **4. Environmental, Social, Health, and Safety Performance**

25. The project was classified category B for environment and required an initial environmental examination which was prepared in accordance with the environmental assessment requirements of ADB in March 2000.<sup>20</sup> Construction of the facility was completed in May 2005, operations commenced in May 2005, and the stage one development officially opened in July 2005.

26. The constructed project is smaller than the proposed project for which the initial environmental examination was prepared; therefore, project impacts are less than originally anticipated. Key impacts from construction included increased dust, vibration, and noise which were managed according to an environmental management plan.

27. ADB's review identified that the project has a strong focus on sustainable practices. Dedicated resources develop sustainable programs and sustainability is a key element. One initiative is the establishment of a sustainability team and sustainability working group. The project carried out an internal benchmarking audit program to benchmark against Australia's Green Building Council Green Star building design and sustainability program. A Green Ribbon<sup>21</sup> initiative has also been organized to raise awareness and get students involved in environmentally friendly activities, such as encouraging students to tie green ribbons to their motorbike mirrors as a bold statement against littering, helping some factories analyze pollution problems in their areas and recommend solutions, and teaching kindergarten children basic facts about environmental protection.

28. It was confirmed during the extended annual review mission that all activities and compliance requirements associated with the project were adequately met. Environmental

<sup>19</sup> Such as the Vietnam Immigration Office, Vietnam Airlines, and Hanoi French Hospital.

<sup>20</sup> The project's environmental requirements, including the environmental management and environmental monitoring plans, were specified in the initial environmental examination.

<sup>21</sup> Green Ribbon is a group of environmental activists established in January 2013 by a lecturer at RIUV, working with many university students throughout Ho Chi Minh City.

impacts from this education project were not significant, and there is day-to-day oversight of the potential environmental impacts. There is regular and transparent communication with other stakeholders, such as the government, nongovernment organizations, and surrounding communities. The project demonstrated a commitment to being an environmentally responsible campus.

29. As a result of the reduced footprint of the campus—from a 62 hectare site to 12 hectares—the design layout was modified and the land acquisition requirements were totally avoided. Therefore, RIUV did not require implementation of the resettlement action plan. The extended annual review report mission confirmed that no informal settlers or temporary land users were displaced from the site and there was no evidence of any unresolved complaints relevant to land ownership or land use of the project site.

30. RIUV has a human resources policy which is compliant with the national labor laws. RIUV ensures that there is no discrimination in terms of salaries and benefits and provides equal opportunities for men and women. RIUV confirmed the involvement of local people as workers during construction as well as in the operation stage.

31. The rating for environment, social, health, and safety performance of the project is *satisfactory*. Appendix 4 discusses the project's significant environmental and social impacts.

### **C. ADB Investment Profitability**

32. Since the start of commercial operations in 2005, RIUV has made all scheduled interest payments on time and has complied with the financial covenants. Initial loan repayment was scheduled on 15 May 2009 and final repayment on 15 November 2013. However, on 15 May 2008, RIUV fully prepaid its outstanding loan of \$3.5 million.

33. Based on the criteria in ADB's guidelines on evaluating the profitability of ADB investment in cases with early prepayment for loans of less than \$10 million,<sup>22</sup> a lower rating than the result arrived at should be applied. Thus, ADB investment profitability is rated *partly satisfactory*.

### **D. ADB Work Quality**

34. In May 2000, RMIT approached ADB to finance the construction of a university campus in Viet Nam. Following concept clearance in February 2000, ADB conducted due diligence. In July 2000, KPMG Consulting, Australia was engaged by ADB to assess the feasibility of the project. The study indicated the project was financially viable. ADB had a leading role in structuring the project to make it viable by strengthening the commercial, financial, environmental, social, and legal aspects. On 26 April 2001, the Board of Directors of ADB approved a loan of up to \$7.5 million to RIUV from ADB's ordinary capital resources.<sup>23</sup> The ADB facility agreement was signed on 3 May 2002.

35. On 23 December 2003, ADB approved changes in the implementation and scope of the project relating to the delay in the construction of Saigon South campus, reduction of the project size, revision of repayment schedule, and the opening of the Hanoi campus (para. 9). An

<sup>22</sup> ADB. 2008. Extended Annual Review Reports for Nonsovereign Operations. Project Administration Instructions. PAI 6.07B. Manila.

<sup>23</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to RMIT International University Vietnam in the Socialist Republic of Viet Nam*. Manila.

amendment to the Loan Agreement was executed and signed on 19 July 2004 to reflect the changes to the implementation and scope of the project, and initial loan disbursement of \$3.5 million was made on 15 September 2004.

36. In May 2006, the borrower requested ADB and IFC to release the undisbursed portion of \$3.75 million, ahead of the commitment termination date,<sup>24</sup> in view of the continuing positive trend in its operations and positive long-term outlook. RIUV also received grants and believed it no longer needed the remaining amount. ADB consented to the cancellation of the undisbursed commitment and waived the corresponding cancellation and commitment fees. In line with the ADB Private Sector Strategy of promoting the development of a strong and dynamic private sector, the waiver of fees was proof of ADB's commitment to the development of the educational system in Viet Nam. The move also sought to further enhance the relationship between ADB and RIUV.<sup>25</sup>

37. ADB maintained close contact with RIUV and closely monitored the implementation of the project through site visits, reports, financial statements, operating reports, and annual review. ADB followed RIUV's growth and plans and offered advice as necessary. In April 2008, in view of RIUV's strong performance and ability to build a credit standing high enough to obtain financing from commercial banks at attractive terms, RIUV made an early prepayment of its loan. Having fulfilled its development role in the transaction, ADB exited from the transaction.

38. Work quality materially met ADB good practice standards and ADB kept itself sufficiently informed to react in a timely manner to any material change and take timely action. ADB's overall work quality is rated *satisfactory*.

## **E. ADB's Additionality**

39. RMIT chose ADB as its preferred primary finance partner given ADB's high standing, major development role, experience, expertise, and financial capacity. RMIT was not in a position to sign an exclusive mandate with any other lender except ADB. As such, ADB played an anchor role in catalyzing long-term debt financing from another multilateral institution—IFC—at a time when access to affordable finance was limited as education projects were less appealing to commercial banks because of the risks involved, and the government's budget was constrained.

40. ADB's involvement enabled the project to be optimally financed, thus bringing significant and sustainable development impacts, such as the creation of job opportunities during construction and operations, and more important was the project's major contribution to Viet Nam's skills development and poverty alleviation through scholarships.

41. In addition to its success in terms of private sector financing, the project is considered a critical component of Viet Nam's higher education system. RIUV was the first wholly foreign-owned fully fledged university in Viet Nam and was ADB's first involvement in the education sector through its private sector window. The development impact ADB demonstrated through the project was very strong in that the project significantly improved the quality of higher education in Viet Nam, which was then under great strain and underfunded while facing escalating demand with the growing population.

<sup>24</sup> Commitment termination date is the fifth anniversary of the date of the facility agreement or 3 May 2007.

<sup>25</sup> In June 2006, RMIT requested for the reinstatement of the undisbursed commitment as RIUV was expanding its facilities to accommodate the growing number of students. The remaining amount was finally cancelled during loan prepayment.

42. ADB finance was necessary for the realization of this project. ADB's additionality is therefore rated *excellent*.

## F. Overall Evaluation

43. Overall, the project is considered *successful*. Table 1 shows the overall assessment of the project.

**Table 1: Evaluation of the RMIT International University Vietnam**

Indicator/Rating	Unsatisfactory	Partly Satisfactory	Satisfactory	Excellent
<b>Development Impact</b>				
Private Sector Development				X
Business Success			X	
Economic Sustainability				X
Environment, Social, Health, and Safety Performance			X	
<b>ADB Investment Profitability</b>		X		
<b>ADB Work Quality</b>			X	
<b>ADB Additionality</b>				X
				<b>Highly</b>
	<b>Unsuccessful</b>	<b>Partly successful</b>	<b>Successful</b>	<b>successful</b>
<b>Overall Rating</b>			X	

ADB = Asian Development Bank.

Source: Asian Development Bank estimates.

## III. ISSUES, LESSONS, AND RECOMMENDED FOLLOW-UP ACTIONS

### A. Issues and Lessons

44. Education projects have long-term benefits through the development of needed skills for national development. In 2008, ADB exited from the RIUV project as ADB had already fulfilled its development role in the transaction and its resources could be better redeployed elsewhere at that time. Since then, ADB's Private Sector Operations Department has ceased to fund the education sector, as ADB's strategy is to focus on infrastructure finance.

45. The project team believes that ADB should continue to use its resources on education at all levels, particularly at the tertiary level. Several developing countries have set the goal of being industrialized by 2020 but do not have the necessary resources to achieve their education and training goals and therefore must rely on overseas expertise, including sending students to study overseas. As the first international-standard university in Viet Nam, RIUV lessened the need for Vietnamese students to go outside the country because high-quality tertiary education is available at home and at less cost to students. The project has proven to be highly successful.

### B. Recommended Follow-up Actions

46. With the success of the project, RIUV has disclosed its plans to expand. However, it is still studying possible funding sources and will most likely seek funding from commercial banks.

If RIUV pursues its expansion plans, ADB could offer a direct loan and/or commercial cofinancing. This is an opportunity for ADB to be involved once again in the education sector in Viet Nam. Thus, it is recommended that ADB support the expansion and participate in the possible financing arrangement.

47. Given the success of this investment, ADB should also seek to increase the number and size of private sector investments in the social sectors, including education and training. These should include privately financed traditional investment projects and public–private partnerships.<sup>26</sup> Increasing ADB investments in the social sectors would help meet its Strategy 2020<sup>27</sup> commitments to increase the private sector share of ADB lending and its lending to education, in particular.

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<sup>26</sup> PSOD will closely collaborate with the regional departments in identifying opportunities in the education and health sectors.

<sup>27</sup> ADB. 2008. *Strategy 2020*. Manila.

## PROJECT-RELATED DATA

**A. Investment Identification**

1.	Country	Viet Nam
2.	Loan Number	1827/7169
3.	Type of Business	Human Development
4.	Project Title	RMIT International University Vietnam
5.	Investee Company and/or Borrower	RMIT International University Vietnam
6.	Amount of Approved ADB Assistance	\$7.5 million (Direct Loan)
7.	Extended Annual Review Report Number	XARR: VIE 1827/7169

RMIT = Royal Melbourne Institute of Technology, VIE = Viet Nam, XARR = extended annual review report.

**B. Investment Data**

1.	Concept Clearance Approval	7 February 2000		
2.	Date of Board Approval	26 April 2001		
3.	Signing Date of Legal Documents	3 May 2002		
4.	Date of Loan Effectiveness In Loan Agreement			
	Actual	3 May 2002		
	Number of Extensions			
5.	Loan Closing Date (end of availability period) In Loan Agreement			
	Actual			
	Number of Extensions	None		
6.	Disbursements			
		<b>Initial Disbursement</b>	<b>Final Disbursement</b>	<b>Time Interval</b>
		15 September 2004	15 September 2004	0
		<b>Effective Date</b>	<b>Original Closing Date</b>	<b>Time Interval</b>
		3 May 2002		0
	Amount Disbursed: \$3,500,000.00			
7.	Loan Repayment		<b>Original</b>	<b>Revised</b>
	Initial Repayment Date		15 November 2007	15 May 2009
	Final Repayment Date		15 May 2012	15 Nov 2013 <sup>a</sup>

LIBOR = London interbank offered rate.

<sup>a</sup> Full prepayment was made on 15 May 2008.

**C. Data on ADB Missions**

Name of Mission	Date	No. of Person-Days	No. of Persons	Specialization of Members
Due Diligence	9–13 Aug 1999	8	2	Senior investment officer, investment officer
	5–14 Jun 2000	18	2	Senior investment officer, investment officer
Loan Appraisal	12–16 Feb 2001	8	2	Senior investment officer, investment officer
Loan Negotiations	1–4 Aug 2001	9	3	Senior investment officer, investment officer
Loan Signing	18–21 Feb 2002			Senior investment officer, investment officer, counsel
Review Mission	24–25 Nov 2005	1	1	Structured finance specialist
XARR Mission	5–6 Mar 2014	8	4	Investment specialist, associate investment officer, safeguards specialists

ADB = Asian Development Bank, XARR = extended annual review report.

Sources: Asian Development Bank mission authorization requests.

## PRIVATE SECTOR DEVELOPMENT INDICATORS AND RATINGS: INFRASTRUCTURE

Impact of the Project	Ratings				Justification/ Annotations
	Impact to Date	Potential Impact (sustainability) and Risk to its Realization		Combined Rating <sup>a</sup>	
	Rating <sup>b</sup>	Rating	Risk <sup>c</sup>		
<b>1. Beyond Company Impact</b>					
<b>1.1. Private sector expansion</b> Contributes as a pioneering or high-profile project to facilitating or preparing for more private participation in the sector and economy at large	Excellent	Excellent	Low	Excellent	RMIT has brought into Viet Nam internationally recognized university tertiary and vocational education. The project has enhanced the quality and relevance of education programs to the country's needs, particularly in information technology, engineering, and business administration.
<b>1.2. Competition.</b> Contributes new competition pressure on public and/or other sector players to increase efficiency and improve access and service in the industry	Excellent	Excellent	Low	Excellent	The project aims to improve Viet Nam's educational system and make quality higher education more accessible. Students in Viet Nam now have the option to study locally instead of abroad. It also attracts foreign students to study in Viet Nam.
<b>1.3. Innovation.</b> Demonstrates efficient new products and services, including in areas such as marketing, distribution, tariffs, production, and technology; and ways to cover or contain cost, manage demand, etc.	Excellent	Excellent	Low	Excellent	RIUV offers courses and programs that are in heavy demand but short supply, such as engineering, information technology, and business administration. The courses offered by RIUV have the same quality standard as their equivalent courses offered at RMIT. RIUV has demonstrated technical and operational excellence, which are the main requirements for stable operations.
<b>1.4. Linkages.</b> Relative to investments, contributes notable upstream or downstream linkage effects to business clients, consumers, suppliers, key industries, etc. in support of growth	Excellent	Excellent	Low	Excellent	The project contributes to economic development by providing the necessary skills and job for more than 6,500 graduates, which in turn has helped reduce poverty. Further, through the project's scholarship schemes, the project has helped increase access to education for people who cannot afford higher education. Most of the graduates of RIUV have been employed by local and foreign companies. Foreign companies include the Sheraton Hotel, Unilever, Colgate-Palmolive, Park Hyatt, AC Nielsen, Toyota, KPMG, Deloitte, PriceWaterhouseCooper, and Ernst & Young.

Impact of the Project	Ratings				
	Impact to Date	Potential Impact (sustainability) and Risk to its Realization		Combined Rating <sup>a</sup>	Justification/ Annotations
	Rating <sup>b</sup>	Rating	Risk <sup>c</sup>		
1.5. <b>Catalytic element.</b> Contributes by including pioneering and/or catalytic finance, mobilizing, or inducing more local or foreign market financing and/or foreign direct investment in the sector	Excellent	Excellent	Modest	Excellent	Being RMIT's preferred finance partner for its experience, expertise, and financial capacity, ADB played an anchor role in catalyzing long-term debt financing from another multilateral institution, IFC, as well as funding from philanthropists, at a time when access to affordable finance was limited. Additional funding from philanthropists helped RIUV prepay its debt. The project's successful implementation and strong development impact demonstrates an effective approach to accelerating private sector participation in the education sector in Viet Nam.
1.6. <b>Affected laws, frameworks, regulation.</b> Contributes to improved laws and sector regulation for PPP, concessions, joint ventures, and BOT projects, and to liberalizing markets as applicable for improved sector efficiency	Satisfactory	Satisfactory	Modest	Satisfactory	The Government of Viet Nam has undertaken reforms to improve the quality of the educational system in Viet Nam. Through the project, the quality and relevance of the education programs to the country's needs have been enhanced.
<b>2. Company Impact with Wider Potential</b>					
2.1. <b>Skills contribution.</b> Contributes to new strategic, managerial, and operating skills with actual or potential wider replication in the sector and industry	Excellent	Excellent	Low	Excellent	RMIT has brought into Viet Nam an internationally recognized university and vocational education. All degrees offered by RIUV are recognized by the Viet Nam Ministry of Education and Training (MOET) and are audited by the Australian Universities Quality Audit Agency to ensure that the quality of education and operating procedures of RIUV are consistent with those of RMIT. RIUV has produced quality graduates, having been identified as possessing international and multicultural orientation, superior problem solving skills, and strong teamwork and leadership capabilities.

Impact of the Project	Ratings				Justification/ Annotations
	Impact to Date	Potential Impact (sustainability) and Risk to its Realization		Combined Rating <sup>a</sup>	
	Rating <sup>b</sup>	Rating	Risk <sup>c</sup>		
<b>2.2. Demonstration of new standards.</b> Demonstrates new ways to operate the business and compete, and investee performance against relevant best industry benchmarks and standards	Excellent	Excellent	Low	Excellent	The project has demonstrated excellence in the education business by producing high-quality graduates. It has earned the following awards and recognition from various government ministries: (i) Certificate of Merit from MOET for its outstanding development and operations (2011); (ii) Viet Nam's Golden Human Resource Award (2011); (iii) Diploma of Merit from the prime minister; (iv) Certificate of Merit from the chair of Ho Chi Minh City People's Committee for contributing to the social and economic development of Viet Nam (2006, 2007); (v) Clean and Green Award (2005, 2006); (vi) Letters of Commendation from the Ho Chi Minh City Taxation Authorities for good compliance with taxation policies and obligations (2004, 2005); and (vii) Top Trade Services Award organized by the Ministry of Industry and Trade and Trade News (2007, 2008, 2009, 2010).

Impact of the Project	Ratings				
	Impact to Date	Potential Impact (sustainability) and Risk to its Realization		Combined Rating <sup>a</sup>	Justification/ Annotations
	Rating <sup>b</sup>	Rating	Risk <sup>c</sup>		
2.3. <b>Improved governance.</b> As evident in set standards in corporate governance, stakeholder relations, ESHS fields, and/or in good energy conservation standards	Satisfactory	Satisfactory	Low	Satisfactory	The foreign sponsor, RMIT, has brought its extensive international business experience to the project by transferring technical and managerial skills and practices, which contributes to the project's efficient and sustainable operations.
<b>3. Overall PSD Rating.</b> Unsatisfactory, partly satisfactory, satisfactory, and excellent. The rating is not an arithmetic mean of the individual indicator ratings, and does not have fixed weights. Actual positive or negative impacts, future impacts, and risks to its realization need to be considered	Excellent	Excellent	Low	Excellent	Overall, the project is considered an excellent success for private sector participation in the development and improvement of the education sector.

ADB = Asian Development Bank, BOT = build-operate-transfer, ESHS = environment, safety, and health system, IFC = International Finance Corporation, MOET = Ministry of Education and Training, PPP = public-private partnership, PSD = private sector development, RIUV = RMIT International University Vietnam, RMIT = Royal Melbourne Institute of Technology.

<sup>a</sup> The combined rating should weigh future impacts and risks to its sustainable realization.

<sup>b</sup> Unsatisfactory, partly satisfactory, satisfactory, and excellent. The rating is not an arithmetic mean of the individual indicator ratings, and these have no fixed weights. Consider already manifest actual impact (positive or negative), and the potential for impact, as well as risk to its realization.

<sup>c</sup> Risk rating scale: high, medium, modest, and low.

Source: Asian Development Bank.

## INDUSTRY REVIEW

1. **Education system in Viet Nam.**<sup>1</sup> The education system in Viet Nam consists of a preschool year, 5 years of primary school, 4 years of lower secondary, 3 years of upper secondary, and 4–6 years of higher education. Two ministries play a major role in providing and overseeing education in Viet Nam—the Ministry of Education and Training (MOET), which has responsibility for preschool, primary, secondary, and higher education; and the Ministry of Labor, Invalids and Social Affairs, which has responsibility for managing much of the technical and vocational education and training.

2. MOET is responsible for education and training in Viet Nam and directly controls all universities which offer diploma qualifications. However, the nature of the delegated responsibility varies by level of education and training. In primary and secondary education, MOET is responsible for general policies, syllabus, and curriculum programs. Implementation of the policies is the responsibility of the provincial and district departments of education and training. Meanwhile, the Ministry of Labor, Invalids and Social Affairs is responsible for elementary and vocational training, intermediate vocational training, and higher vocational training.

3. **Higher education in Viet Nam.**<sup>2</sup> There has been significant growth in higher education in Viet Nam since the mid-1980s. The number of students grew from 133,136 in 1987 to 1,719,419 in 2009. Tertiary student enrolments for 2003–2004 rose to 178,000 in colleges, 838,500 in universities, and 390,000 in vocational training centers. As of 2010 there were 306 public and 80 private higher education institutions in Viet Nam. There is also evidence of growing private sector participation in higher education. Most schools do not have complete laboratories, libraries, and recreation grounds for students. With the cooperation of various industries and investment from society as a whole, infrastructure and facilities are gradually upgraded. The demand for higher education is being driven by economic modernization, the changing labor market, private sector growth, technology, skills' impact on productivity, and rising rates of return to education. However, gaps in technical skills are still evident, particularly in practical job knowledge. According to a World Bank report, the quality of university graduates is a serious issue in Viet Nam; for instance, only 10% of graduating class engineers had the potential to become effective employees.<sup>3</sup>

4. **Higher Education Reform Agenda 2006–2020** (footnote 2). With the rising demand for higher education and the lack of academic skills, the government prepared a new reform agenda that aims to develop a competitive higher education system with advanced teaching and research capacity. The main objectives of the Higher Education Reform Agenda are to (i) dramatically increase the participation rate in universities, (ii) boost quality and efficiency, (iii) strengthen research capacity in universities, and (iv) improve governance of the higher education system.

<sup>1</sup> ADB. 2011. *Working Paper: Viet Nam Education and Training Sector Assessment, Strategy, and Roadmap*. Manila.

<sup>2</sup> N. La Rocque. 2011. *Viet Nam Country Programming Strategy Retreat*. Viet Nam, 24-25 March 2011.

<sup>3</sup> World Bank. Is Higher Education Meeting its Promises?  
[http://siteresources.worldbank.org/EASTASIAPACIFICEXT/Resources/226300-1279680449418/7267211-1318449387306/EAP\\_higher\\_education\\_chapter2.pdf](http://siteresources.worldbank.org/EASTASIAPACIFICEXT/Resources/226300-1279680449418/7267211-1318449387306/EAP_higher_education_chapter2.pdf) (accessed May 2014).

5. By 2020, the government aims to increase enrolment to 450 students per 10,000 population, raise the number of university teaching staff with master's degree level to 60%, lift the number of university teaching staff with doctorates to 35%, and reduce the student-staff ratio to 20:1. As at 2010, there were 2,020,000 tertiary students enrolled in Viet Nam: 62% undertaking a university first degree, 35% a short vocational course, and 3% a graduate course.

## ENVIRONMENTAL AND SOCIAL IMPACT

### A. Environment

1. The project was classified category B for environment and required an initial environmental examination which was prepared in accordance with the environmental assessment requirements of the Asian Development Bank (ADB) in March 2000. Construction of the facility was completed in May 2005, operations commenced in May 2005, and the stage one development officially opened in July 2005.

2. The project's environmental requirements, including the environmental management and environmental monitoring plans, were specified in the initial environmental examination.

3. The constructed project is smaller than the proposed project for which the initial environmental examination was prepared; therefore, project impacts are less than originally anticipated. As an educational facility, project impacts are more likely from the construction phase than the operational phase. ADB's review indicated impacts from operations are minimal and appropriately managed. Key impacts from construction included increased dust, vibration, and noise, which were managed according to an environmental management plan. The review mission confirmed that RIUV staff oversaw implementation of mitigation measures to address construction impacts. ADB's review identified that the project has a strong focus on sustainable practices. Dedicated resources develop sustainable programs and sustainability is a key element of ongoing planning. A sustainability team and sustainability working group have been established. The project has carried out an internal benchmarking audit program to benchmark against Australia's Green Building Council Green Star building design and sustainability program. According to RIUV the project would have Green Star equivalency (a verifiable Green Star audit cannot be carried out as the project is not in an Australian jurisdiction). The project runs sustainability initiatives such as antilittering campaigns and the campus is a member of the International Sustainable Campus Network. Refurbishment of Academic Building One is scheduled for 2014 to target LOTUS gold rating with the Vietnam Building Council and LEED gold rating with the US Green Building Council. Occupational health and safety risks are managed in accordance with RIUV procedures.

4. It was confirmed during the extended annual review mission that the compliance requirements, including all required permits and clearances during construction and operation of the project, are adequately met. Environmental impacts from this relatively small education facility are not significant, and there is day-to-day oversight of the potential environmental impacts. There is regular and transparent communication with other stakeholders, such as the government, nongovernment organizations, and surrounding communities. The project has demonstrated a commitment to being an environmentally responsible campus.

5. Significant environmental impacts based on the environmental management plans and mitigation measures are discussed in paras. 6 - 8.

6. **Wastewater discharge.** An onsite package sewage treatment plant treats domestic wastewater. The plant was designed to meet discharge standards, with effluent treated to a tertiary level. In addition, effluent is used in an effluent reuse program on playing fields. As there are no laboratories or other industrial infrastructure on site, there is no industrial wastewater discharge. Storm water is collected from all building roofs and paved areas and directed to the naturally occurring wetlands and the canal system via underground pipes and channels. The

environmental staff of RIUV carry out periodic monitoring of the effluent quality to ensure National Environmental Monitoring System standards are met.

7. **Air emissions.** The only equipment at the site with the potential to generate air emissions is emergency generators. As these only operate during power failures and have contemporary emission controls, project air emissions are insignificant.

8. **Solid waste and hazardous waste generation.** The campus is being serviced by an urban waste management company which collects solid waste daily and transports it to an appropriate landfill site. The project generates only minor quantities of hazardous wastes, such as used motor oil and paint. Procedures on handling, storage, and disposal of hazardous wastes are in accordance with RIUV's waste management strategy.

## **B. Social Safeguards**

9. In 2001 RMIT proposed the development of a new university campus on a 62-hectare site in Tan Phong Ward, District 7, in the South Saigon New Urban area. To address the land acquisition and resettlement impacts, RMIT prepared a resettlement action plan (RAP) to ensure that necessary measures were established to satisfy the requirements of the International Finance Corporation (IFC) and ADB, as well as the various laws and regulations of Viet Nam. Prior to the designation of the site for development as a university in the South Saigon Master Plan, the southern portion of the site (12.76 hectares) was acquired (1995–1999) by the South Saigon Development Corporation for construction of the South Saigon Parkway. The census carried out during preparation of the RAP identified 107 households occupying the site requiring relocation. A budget of \$2.65 million was committed by RMIT to implement the RAP provisions. Because of the changes in the South Saigon land market subsequent to 2001,<sup>1</sup> RMIT was unable to secure the whole of the site as originally planned. Consultations were held with the Ho Chi Minh City People's Committee in 2002 to discuss siting of the campus, based on which RMIT was offered the 12.76-hectare portion of the site that was already acquired. As a result of the reduced footprint of the campus, the design layout was modified and the land acquisition requirements were totally avoided. No informal settlers or temporary land users were displaced from the site. Therefore, RMIT did not need to implement the RAP.

10. The prior resettlement was unrelated to the RIUV project and the relocation of people from the current site was carried out as part of the South Saigon Parkway, not in anticipation of the development of the RIUV campus. The land acquisition was carried out in accordance with regulations and directives issued by the Ho Chi Minh City People's Committee and government for investment projects in the South Saigon New Urban area, in addition to the applicable national laws and regulations. RMIT fully reimbursed the People's Committee for the amount of the compensation and resettlement benefits that were already paid to the affected people. RMIT, prior to initiation of site development, reviewed the resettlement records and confirmed with the affected people that the compensation amounts as per the applicable laws and regulations were received. It was confirmed that there were no grievances pertaining to resettlement or cases of nonreceipt of compensation from the affected households. RMIT consulted with the affected households and undertook field investigations to confirm that there were no outstanding issues related to land acquisition and compensation.

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<sup>1</sup> A sharp increase in the land prices in the South Saigon area was witnessed after 2001 because of the implementation of the South Saigon Master Plan and significant infrastructure improvements (such as the Saigon South Parkway) and other major developments in the area.

11. **Other social dimensions.** RIUV has a human resources policy which is compliant with national labor laws. RIUV ensures that there is no discrimination in terms of salaries and benefits and provides equal opportunities for men and women. RMIT confirmed the involvement of local people as workers during construction as well as in the operation stage.