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## **The role of ODA in developing highly qualified human resources in Vietnam**

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### **Abstract**

Today the role of International business management is the maximum as compared to the previous years or decades. Most of the organization wants to expand its business globally by participating in cross-cultural activities with the help of joint ventures, collaborations, etc. International business has increase the scope for availing so many opportunities with challenges for individuals, management, organization or to the local government. It involves understanding of cross-culture, interactions with MNC's, corporate prescriptive. With the help of this paper, we will learn about International business, its environment, and challenges of international business and modes to enter into international trade.

**Keywords:** ODA, highly qualified human resource, Vietnam

### **1. Introduction**

Origin of ODA: The history of ODA can be summarized as follows: After World War II, developed countries agreed on assistance in the form of grants or loans with concessional savings for developing countries. The WB has been established at the conference on finance and monetary held on 7-1944 in the US.

Concept: ODA (Official Development Assistance) - non-economic goals, development cooperation between the government of a country and foreign governments, inter-governmental, non-governmental or inter-national organizations (Nguyen Hoang Tien, 2015, pages 16-29) <sup>[11]</sup>.

There are many definitions of ODA in business and management documents that stand for Official Development Assistance. It is an official source of foreign assistance for a country, including grants and loans on preferential terms. In essence, it is the financial support of developed countries for developing countries. According to Decree No. 87-CP of August 5, 1997 of our Government, ODA includes non-refundable aid or preferential loans with a portion of at least 25% of value of the loan (Nguyet San, 2010; Helmut Future, 1975; James Riddleberger, 1961; Williard Thorp, 1963; Ed Martin, 1967; Maurice Williams, 1974; John Lewis, 1979; Rud Poats, 1982; Joe Wheeler, 1986; Ray Love, 1991; Sherwood Fine, 1961; Bill Parsons, 1966; André Vincent, 1969; Richard Carey, 1980).

ODA is called support because these investments are often low-interest or low-interest loans with long periods of time. Called development for the nominal purpose of these investments is economic development and enhancement of welfare in the country of investment. ODA is called official, because it is often lent to the State. The objective of this paper is to try to study and determine the role of ODA capital in the development of qualified human resources in Vietnam.

### **2. Theoretical framework**

#### **a) Concept and characteristics of ODA**

In order to properly understand the nature of ODA and apply it effectively, we need to carefully study the development process and its development process. ODA was born after World War II along with the Marshall Plan, to help European countries restore war-ravaged industries. In order to receive aid from the Marshall Plan, European countries have launched a coordinated economic recovery program and established a European economic cooperation organization, now (OECD).

Official development assistance - ODA, as its name implies, is an external funding agency that provides (support) to developing and least-developed countries, or countries facing financial difficulties in order to create favorable conditions for the socio-economic development of these countries.

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ODA has the following main characteristics: by the government of a country or international organizations to the official agencies of a country; It is not granted to commercial programs and projects, but only for humanitarian purposes, to help economic development, overcome financial difficulties or raise socio-economic benefits of recipient countries; Preferential treatment accounts for over 25% of the loan value.

The process of providing ODA benefits both sides: developing and underdeveloped countries have a large amount of foreign investment to accelerate economic development in a small scale of the economy. The other side also gains benefits under mandatory conditions with loan aid, and indirectly creates favorable conditions for the operation of their companies when making investments in other countries receiving aid.

On the other hand, ODA is humane, demonstrating the duty and concern of rich countries to poor countries, and promoting the promotion of good external relations between countries and international organizations.

ODA forms are divided into three main categories, each of which is further divided into several subcategories:

- Classification according to the mode of reimbursement, there are: non-refundable aid: the foreign party provides aid (but the recipient is not refundable) for the recipient to implement programs and projects according to the agreement between the parties; Reimbursement aid (also known as concessional credit): the donor lends the country a loan (depending on the size and purpose of the investment) with a preferential interest rate and appropriate repayment period; Mixed ODA: is a combination of partial and non-refundable ODA and commercial credit under the conditions of the Organization for Economic Cooperation and Development, even the type of ODA combined. 3 types include one ODA grant, one incentive part and one commercial credit.
- By source of supply, there are: bilateral ODA: direct aid from one country to another (developed countries to support developing and underdeveloped countries) through the agreement signed covered; Multilateral ODA: is an official development aid of an international organization, or a regional organization, or of a country itself for a Government of a country, but can be done through multilateral organizations such as UNDP (United Nations Development Program). It is possible that grants from international financial institutions are channeled directly to the recipient.
- Classification according to use targets: Supporting payment balance; business credit; program aid; project aid.

#### **b) Developing high quality human resources**

In recent years, there have been many domestic and foreign studies on developing high quality human resources. In general, the development of high-quality human resources must be associated with the tendency of forming a market economy.

Firstly, foreign research works have relatively attractive and convincing ways of analyzing and interpreting the importance of knowledge and intelligence in the process of forming a market economy. Since then, the authors have particularly emphasized the need to renew mindsets so that each individual becomes more active in the strong

development of today's era. Although the concept of high-quality human resources is not used, the terms such as business people, leadership teams, scientists, creative classes, knowledge workers and intellectual workers. The author uses as another expression of this force that has shown a special interest in the authors' studies of the elite of society, the most decisive force for the formation of the foundation of global market economy. These studies show a strong relationship between high quality human resources and a market economy. However, these are studies that are primarily relevant to the context of the formation of a market economy in the world's leading developed countries, not those that pertain to the Vietnamese context.

Secondly, studies on high-quality human resources of domestic authors are associated with the Vietnamese context but mainly in the context of industrialization, modernization and the context of international economic integration. The study of high-quality human resources associated with the process of forming a market economy in Vietnam has not been conducted in depth. All of the aforementioned works, at different levels, have enabled us to have some of the materials and knowledge necessary to be able to form common insights, shed light to reach, and deepen the research in developing high-quality human resources to shape the knowledge economy in Vietnam.

#### **3. Research methodology**

In order to implement this research, we mainly used a number of methods: logical-historical method, analysis-synthesis method, statistical method, and comparison method. Specifically, the logical method - the history of the research on the theoretical basis related to ODA, international experience on ODA management and use. We combine analytical methods with synthesis, statistical methods and comparison. At the same time applying the learned knowledge to synthesize data, make tables, diagrams for main analysis and evaluation of the reality of using ODA capital in the field of developing highly qualified human resources in Vietnam. From there, make the best comments and comments on the role of ODA in the field of high-quality human resource development in Vietnam and then propose some suitable solutions and recommendations.

A high priority for qualitative research methods in developing countries may present difficulties in conducting large-scale experimental research (Husted & Allen, 2006; Jamali & Mirshak, 2007). With no exceptions, the case study is also a designated research method for the purpose of this paper to study and identify the significant changes of the country's economies in the face of the high human resources development support according to government policies and regulations.

#### **4. Research results**

##### **Current situation of ODA attraction in Vietnam**

With a rapidly developing country like Vietnam, the capital demand is huge. Official development assistance ODA is one of the important development investment capital sources for Vietnam. In the past, Vietnam received two major bilateral ODA funds, one from SEV countries (Economic Assistance Council), mainly from the former Soviet Union. This is a significant and most important source of aid in both size and quality, as well as price, credit conditions. This aid has helped us build some of the most

important sectors of the construction and economic development, especially for Vietnamese human resources. In the period of 1993 - 2007, Vietnam achieved impressive results in ODA attraction and use. According to statistics, the committed ODA donor committed to Vietnam is 37 billion USD, accounting for about 2% of the total global ODA. Of which USD 22.6 billion has been signed. On average, Vietnam has attracted US \$ 2.5 billion in ODA annually. ODA inflows to Vietnam tend to increase but not always. The committed capital in 1997 and 1998 decreased due to the impact of the Asian monetary crisis. During 1993 - 2007, ODA disbursement increased more than 4 times. Most of the long-term increase in disbursement is in loans rather than grants. Nearly half (49%) of the loans have interest rates lower than 1% / year and the repayment period is at least 30 years, including 10 years of grace. One third of the loans are with an annual interest rate of 1% to 2.5%.

### **Current situation of ODA management and use in Vietnam**

It can be said that ODA has a great role and benefit for Vietnam, contributing to promoting Vietnam's human resources. Through ODA capital, many constructions and programs have been built and implemented. In particular, ODA helps to absorb modern scientific and technological achievements and develop human resources. One of the important factors contributing to accelerating the process of industrialization and modernization of the country is the factor of science and technology and the ability to absorb advanced scientific achievements of the labor force. Through ODA projects, donors have activities to help Vietnam improve science and technology level and develop human resources such as: providing technical documents, organizing seminars with the participation of foreign experts, sending Vietnamese officials to study abroad, organizing study tours to study experiences in developed countries, sending experts directly to Vietnam to support the project. And directly provide technical equipment, modern technology lines for programs and projects. Through these activities, donors will contribute significantly to raising the level of science, technology and human resource development of Vietnam and this is the basic and long-term benefit for us.

### **Situation of ODA resources for human resources development in Vietnam**

With its advantages, ODA has had many positive impacts on human resources in Vietnam such as:

- Help absorb modern science and technology and develop human resources.
- Through ODA projects, our country can improve its level of science and technology and human resources by donor activities. Increasing opportunities and diversifying investment methods, improving the quality of human resources and the income of the majority of people.
- Through this process of participating in indirect investment, domestic and foreign investors, people will have the opportunity to "rub", train and foster knowledge, experience, skills, helping to improve themselves in particular and the quality of human resources in general. Thanks to the renovation policy of economic development, the quality of human resources has been greatly improved. The education and

intellectual standard of Vietnamese human resources is quite high. In recent years, the Party and the State have prioritized the development of education and training, so it has achieved certain achievements. Many economists and many Vietnamese scientific staff have also acquired and accessed many modern scientific and technological advances of the world; Many Vietnamese workers and workers through labor export and foreign experts have had access to modern machinery and industrial labor styles. Through the quality of human resources Vietnam has also been improved.

- Promote growth, improve people's lives. By providing loans or non-refundable investments, investing countries have contributed to the addition of our state budget. Creating conditions for investment in economic and social development, especially the development of Vietnamese human resources.

This source of capital has played an important role in our country's growth strategy, institutional reform, and human resource development. ODA has contributed to the success of a number of national programs with profound implications such as "Population and development program, expanded immunization and child nutrition". For example, ODA invested in educational projects such as the project "Enhancing school readiness for preschool children". The investment in industry or services will use a lot of labor in our country, thereby helping our country's redundant labor force to have a job, bringing a stable income, thereby improving people's lives as total national income increased in a relation with economic growth. The technical and professional qualifications of human resources are constantly improved. Human resources in Vietnam also have the advantage of acquiring the historical tradition of the country: tradition of hard work, diligence, hard work, love of labor. Vietnamese workers are considered to be intelligent, industrious, skillful, relatively highly educated compared to national income level, quickly absorbing scientific and technological advances of the world. This is a significant comparative advantage for Vietnam's human resources in the integration process.

Negative: Vietnam's human resources are weak in quality, lack of dynamism and creativity, industrial labor style. The quality of training, structure by industries, fields, regional and local distribution of human resources is not really consistent with the needs of society, wasting resources of the state and society. High quality human resources and skilled workers are still inadequate compared to the social needs to develop Vietnam's key economic sectors, especially to participate in the global value chain as well as upgrade Vietnam's position in that value chain. This is also the judgment of domestic experts: the quality of human resources in Vietnam is low and there is a big gap with other countries in the region.

The number of workers with professional and technical qualifications, even those with high qualifications, tends to understand the theory well, but is poor in their practical capacity and adaptability in an industrially competitive environment. Additional training or retraining is still needed for effective use. In addition, a large proportion of workers are currently not trained in industrial labor discipline, arbitrary hours and behaviors, ability to work in groups, professionalism and ability to use foreign languages. Communication and working tools of human resources are very limited. In the working environment with foreign

elements, foreign languages, world cultural understanding is always the weakness of Vietnamese labor. Workers are not equipped with working knowledge and skills, lack of ability to cooperate and bear risks, hesitate to promote inventions and share work experience, labor productivity is low compared to many countries in the region and the world. On the other hand, it is worrying that Vietnam's labor productivity tends to increase more slowly than other developing countries in the region such as China, India, and Indonesia.

## 5. Discussion

This paper seeks solutions to improve the management level of state officials. The need for investment capital to be applied and used effectively will promote economic and social growth. At that time, there must be strict management of the State to ensure development, forcing state officials to improve their management capacity and qualifications for the economy. (Pham Thi Mai, 2015).

In fact, not all ODA sources always achieve its full efficiency, but state officials must change in accordance with the current requirements for the development of Vietnam's and foreign human resources. Do Manh Cuong, (2015) to bring into full play the abundant and talented young human resources of Vietnam. Change to develop in time to catch up with global integration. In particular, industrialization modernizes among regions and localities, and even more so is the country with abundant labor resources and countries that lack labor resources and shift labor sources or supply hard so that the most reasonable. For such changes, ODA plays an important role in the rapid development of the economy, bringing many positive benefits to Vietnam. This is an aid that most developed countries participate in but must be consistent with the policies and priority directions of the two sides.

In our case studies, in recent years, ODA commitments that donors to Vietnam have increased significantly: in 2005 reached about 3.5 billion USD, in 2006 reached 3.75 billion USD, year 2007 was US \$ 4.45 billion, and for 2008 it was US \$ 5.426 billion. This is a record level of commitment, bringing the total value of ODA committed in the two years 2006-2007 to nearly 9.88 billion USD, equal to 49% of the forecasted ODA commitment for the whole 2006-2010 period at a good level; Average life expectancy increased rapidly (73.1 years in 2013). The physical strength and stature of human resources have been improved and gradually improved. The number of human resources recruited for training at all levels increased rapidly. The labor force that has been attracted to work in the economy is quite high. But the reality is that ODA has not yet used up its effectiveness.

In particular, choosing an ODA project is difficult, but the slowest preparation in Vietnam when ODA is available is the ground preparation, and there is no counterpart funding available in the projects. Human conditions and technical economy have slowed down the disbursement process. Restrictions on high-quality labor resources in Vietnam:

- Firstly, the national resources and ability to invest in human resource development of most families are limited.
- Secondly, state management on human resource development still has shortcomings compared to requirements.
- Thirdly, the national education system - the core force

in training and developing the country's human resources reveals many limitations.

- Fourthly, international cooperation and integration in the field of human resource development has not met the requirements of our country's increasingly extensive economic, social and cultural integration with the world.

In general, Vietnam is still developing well thanks to low-interest ODA capital. In our case studies, we have had a solution to the need to increase the speed of ODA disbursement which is the responsibility of both the Vietnamese side and the donor community. On the Vietnamese side, the government needs to simplify legal documents and procedures related to ODA. On the donor side, harmonizing and simplifying procedures and procedures with the Vietnamese government is also essential to ensure the effective implementation process.

Specific recommendations are needed, such as: perfecting the legal environment for ODA mobilization and implementation; complete the management and supervision system for the implementation of ODA capital. Organize the implementation of the "Monitoring and evaluation framework for ODA programs and projects in the period of 2006-2010" in order to make timely assessments and adjustments in order to limit the slow disbursement and to formulate plans for next projects. That makes the source of high-level labor force in Vietnam slower now than in other countries. On the other hand, it is less likely that ODA is often accompanied by political and economic constraints on the host country. Aid always contains two goals that foster economic growth and reduce the poverty of the recipient countries, and at the same time expand the markets for product and capital consumption. Competition for goods between developed and developing countries is likely to cause debt burdens for receiving countries: In the first time of receiving and using ODA, debt factors often do not appear due to favorable loan conditions. Some countries borrow subjectively with this capital and do not use it effectively. Therefore, despite using a large amount of capital, it did not create corresponding conditions for economic development

## 6. Conclusion and recommendation

We are facing an open period of economy, science and technology of other countries in the world which have developed strongly, requiring us to meet that speed. In order to improve the quality of human resources, meeting the cause of industrialization and modernization of the country, there should be many solutions for training and solutions for rational and intelligent use. First of all, the state training needs to have the right policies and guidelines, try to invest more teaching equipment, laboratories, practice. with training cooperation with schools. Other in the world, there is an organic link with recruiting speculators. So, there are methods to attract investment of domestic and foreign enterprises, of the people as a driving force. However, besides the training, it is also necessary to use human resources in a way that is most effective and most thorough. It can be said that official development assistance ODA is a very beneficial source for Vietnam. However, to manage and use this capital effectively is a difficult problem. In fact, in recent years, Vietnam has attracted a lot of ODA. This is a huge profit of Vietnam. But up to 80% of ODA is borrowed, which is already paid. So, how to choose the

investment plan to best promote the huge amount of loan, and then implement it in the most economical and economical way. If you still keep the ideology of enjoyment, the payment has been made after the generation, the use of ODA will never be effective, moreover, the loss of construction is a serious disease. Therefore, if the government does not have effective measures to change the ideology and prevent this "money from using" money in the future, Vietnam will no longer attract more ODA, it will no longer be Important partner of international donors. Therefore, if Vietnam's capital demand is not met, capital shortage will not be able to invest in growth and socio-economic development, so the introduction of wrong policy solutions to enhance attraction. and using the government's ODA is very important and necessary.

Finally we are proposing some solutions to improve the quality of Vietnam's human resources in the coming time:

- Improve the educational level, promote education reform

Strongly develop and improve the quality of vocational and professional training schools. Planning and implementing the planning of the network of universities, colleges and vocational schools throughout the country. To build education in the direction of "standardization, modernization and socialization". Conducting education and training quality accreditation at all educational levels. Reform the objectives, contents, forms of examination, examination and evaluation of education and training results, accelerate the application of information technology, and raise the quality of scientific and technological research and application. into education and training. Establishing a labor market information system to provide and process information to create a reliable basis to identify training and retraining needs, and associate the use of manpower with employment. Pay attention to career guidance, vocational training, focusing on human resources goals.

- Continue to renovate state management on human resource development

It is necessary to focus on perfecting the human resource management apparatus, renovating the management methods, improving the capacity, effectiveness and efficiency of the managerial system on human resource development. It is necessary to establish an agency responsible for collecting and building up a system of information on labor supply and demand in the whole country in order to ensure a balance of supply and demand of human resources for socio-economic development.

- Ensuring financial resources for human resource development

The state budget is the main resource for developing the national human resources by 2020. Increasing investment in human resource development in both absolute value and proportion of the total social investment capital. It is necessary to develop a plan to allocate state budget in the direction of focusing on spending to implement training programs, tasks and projects according to priority objectives and implement social justice (training and development support). human resources in remote areas for ethnic minority people, policy beneficiaries). Promote socialization to increase the mobilization of capital resources for human resource development. The State has mechanisms and policies to mobilize capital from people to invest and contribute to human resource development in the forms of: Directly investing in building education, training and health

facilities, culture, sport. Contributing capital, buying bonds, forming human resource development funds. It is necessary to regulate corporate responsibilities for human resource development, create favorable conditions and have strong mechanisms and policies for enterprises of all economic sectors to increase investment in human resource development in general and training, fostering and vocational training in particular.

Today, ODA capital flows are mobilizing with many new nuances. This is also one of the factors affecting ODA attraction. Understanding these new advocacy trends is therefore essential for recipient countries, which are:

- Firstly, there are increasingly important commitments in official development assistance.
- Secondly, protecting the ecological environment is the priority focus of donors.
- Thirdly, the issue of women in development is often mentioned in the ODA policy of many donors.
- Fourth, the goals and requirements of donors are increasingly specific. However, there is increasing consensus among donors and recipient countries for one goal.
- Fifth, the amount of ODA increases slowly and competition keeps developing countries in attracting ODA.

Therefore, we need to grasp the trends of ODA mobilization in order to have effective measures to attract ODA from donors.

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