



Synergies between Danish Development Cooperation and Commercial Activities in Vietnam

Experience from green growth
and fisheries

EVALUATION STUDY

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Evaluation study

**Synergies between Danish Development Cooperation
and Commercial Activities in Vietnam**
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The views expressed in this study are those of the author and do not necessarily represent the views of the Ministry of Foreign Affairs of Denmark. Errors and omissions are the responsibility of the author.

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Annex: Cases

List of Acronyms

B2B	Danida Business-to-Business Programme
CBS	Copenhagen Business School
DBF	Danida Business Finance
DBP	Danida Business Partnerships
IFU	Investment Fund for Developing Countries
MPI	Ministry of Planning and Investment, Vietnam
PSD	Private Sector Development
TC	Danish Trade Council

1. Introduction

The purpose of this paper is to explore possible synergies between Danish development cooperation and Danish commercial activities in Vietnam.

Few previous studies have been done on aid related synergies, which for the purpose of this study are understood as the linkages between aid and commercial support instruments provided by the Danish Government and the effects of these linkages. These combined effects of aid and commercial private sector support could take different forms. In this study, the focus is on increased company growth or employment in Vietnam and/or in Denmark.

The aid instruments applied in Vietnam can be divided into two broad groups: Programme aid, including sector programme support; and Danida Business Instruments mainly including partnerships between Danish and Vietnamese companies¹, and soft loans through Danida Mixed Credits (from 2011 Danida Business Finance). IFU support has both commercial and development objectives, and is for the purpose of this study considered an aid instrument.

The official commercial instruments included² in this study are offered by the Danish Trade Council (TC), for most of which Danish companies pay a fee. These include TC advisory services from the Danish Embassy and activities such as trade fairs and delegations.

This paper is mainly focused on the aid and commercial activities in two areas: fisheries and “green growth” (water & sanitation, waste and energy efficiency). There has been important development cooperation as well as considerable Danish private sector interest in these areas.

The paper is mainly based on field work and analytical work in Denmark and in Vietnam from November 2013 – February 2014³. It involved interviews with 21 companies identified by the Danish Embassy who are, or have been, engaged in commercial activities in Vietnam in the two sectors, as well as interviews with key informants from both Vietnam and Denmark who have been involved in cooperation and/or support of commercial activities. The study is

¹ Originally, the Private Sector Development Programme from 2005, the Business-to-Business Programme and from 2011, the Danida Business Partnerships.

² In addition, the Embassy offers the possibility of representing the companies in relation to Vietnamese authorities (labelled Global Public Affairs), but this aspect is not considered in this study.

³ Undertaken by Henrik Schaumburg-Müller and Lotte Thomsen (CBS).

furthermore based on, the Danish embassy's registration of the activities of Danish companies in Vietnam, Danida policies and guidelines and programme documents and registration of companies use of various instruments (see Appendix 1 for a brief description of the methodology).

The study represents a “snap-shot” of the situation, primarily based on the Danish companies presently operating in Vietnam. It should be taken into account that over the last ten years, the linkages between the aid programme and commercial interests have changed considerably. Firstly, there has been a gradual untying of aid for procurement of Danish goods and services. Secondly, there has been a mainstreaming of private sector issues across development cooperation. In 2005, the first Business Sector Programme was initiated in Vietnam, focusing on private sector development in Vietnam. This marked an opening of sector-level interventions rather than merely micro-level business support, while commercial cooperation was also highlighted. With the decision to phase out the Danish development cooperation from 2007, the development programme has gradually been focused on the transition from traditional development cooperation to wider relations, including commercial relations.

The paper addresses the following questions:

- To what extent do Danish companies in Vietnam use aid instruments, commercial instruments and a combination of the two?
- What are the effects of Danish development aid and commercial instruments on Danish commercial activities in Vietnam?
- What are the effects of Danish commercial activities in Vietnam on company growth and employment in Vietnam and in Denmark?
- Are there lessons to be learnt about the way synergy was organised and approached as part of the phasing-out strategy from Vietnam that could be of benefit in similar situations in other countries?

2. Danish investment and trade with Vietnam

Vietnam is growing as a trading partner for Denmark. In 2005 Danish export to Vietnam came to 422 mill Danish kroner growing to 1200 mill Danish kroner in 2011. (UM, 2012). Danish export of goods to Vietnam includes a large share of food products, including unprocessed fish and seafood, and also machinery. Danish imports from Vietnam are mainly from labour intensive sectors such as clothing, furniture and processed food (DI, 2014) According to the Danish Embassy's registration, there were 151 companies with Danish ownership present in Vietnam by the end of 2013⁴ (see Table 1). Representative and branch offices accounted for 32%, wholly owned subsidiaries of Danish companies accounted for 26% and equity joint ventures and Business-to-Business (B2B)/Danida Business Partnership (DBP) projects constituted 32%. The following analysis is based on lists and documents on company activity provided by the embassy.

Table 1: Danish companies in Vietnam 2013

	Production	Sales & services	Others/n.i	Total
100% subsidiaries	17	23	0	40
Equity joint ventures	15	21	0	36
B2B projects	8	4	0	12
Representative & branch offices	5	40	3	48
Other/no information	3	6	6	15
Total	48	94	9	151

Thirty-two percent (32%) of the Danish owned companies have invested in production facilities in Vietnam, while 62% only have sales and service functions, which means that their investment has been rather small and they employ relatively few people. For the 21 companies in the Green Growth area and the fisheries sector interviewed for this study, the picture is as shown in Table 2.

⁴ Some Danish companies have several units (branches, subsidiaries) in Vietnam and they are registered as different companies. Hence, there are 151 registered Danish companies in Vietnam. The number of Danish companies that have units in Vietnam is approximately 120.

Table 2: Activities of companies (Green growth and fisheries) interviewed in Vietnam & Denmark 2013

	Production	Sales & services	Total
100% subsidiaries	1	5	6
Equity joint ventures	0	4	4
Representative & branch offices	0	6	6
Others	0	1	1
Only present in Denmark	-	-	4
Total	1	16	21

The Danish companies that have extended their activities to Vietnam can be divided into four main categories according to their entry strategy:

- Manufacturing and service companies investing in production facilities as outsourcing or offshoring from Denmark. Most products are exported, mainly to Denmark, but also to other markets.
- Trading firms attracted by access to raw materials and/or processing facilities. They are often highly knowledge intensive and are relatively ‘foot-loose’.
- Market seeking manufacturers investing in sales and service subsidiaries, or representative offices that often use local distributors and agents to market their products in Vietnam.
- Market seeking consulting and engineering service companies that establish sales subsidiaries, or representative offices that operate on a project basis supported by a home office or local partner staff.

It should be noted that these four strategies have different potentials in terms of investments and jobs created in Vietnam, and therefore potentially different development effects. Only the first group of companies would possibly aim to establish a significant and permanent presence with possible employment and other development effects. These manufacturers could potentially have a simultaneous negative short-term employment effect in Denmark by moving jobs to Vietnam. Trading firms and market seeking manufacturers would be expected to invest and employ less in Vietnam, but may potentially have an important indirect effect by sourcing products locally. Consulting and engineering companies could potentially have a significant

employment effect in Vietnam, but due to the project nature of most of their work, this would not be on a permanent basis.

3. Danish companies' engagement with Danish aid and commercial instruments in Vietnam

To a large extent, Danish companies in Vietnam do use services offered by the Trade Council, and many of them have also been involved in Danish development aid. Of the approximately 120 Danish companies present in Vietnam, 76 have used TC services or participated in TC trade promotion activities, and 29 of these companies (38%) have also been directly involved with development activities (Danida partnership projects or Danida Business Finance/Mixed Credit or IFU⁵). Over time, more Danish companies have used these programmes, but they are no longer present in Vietnam.

For the 21 companies interviewed for this study within green growth and fisheries (Table 3), the linkages between aid and commercial instruments are even stronger. This may be due to the relatively large presence of instruments and activities in fisheries and green growth. Thus, 16 of the 21 companies have been involved in TC activities, and 15 (71%) have been involved in Danish aid activities: Nine of the 21 companies through direct linkages with Danida programme aid (most often as suppliers of goods or services) and ten of the 21 companies through Danida partnership projects. Thirteen companies have been involved with both aid and commercial instruments.

⁵ Furthermore, a number of companies have been involved as suppliers to Danish development programmes, but this has not been systematically registered.

Table 3: Use of instruments by the interviewed firms in the Fishery and Green Growth Sectors

Firm no.	Supplier	DBP/B2B	DBF	IFU	TC services	TC delegations or & exhibitions	Total
1	X					X	2
2	X	X		X		X	4
3		X			X	X	3
4	X					X	2
5	X	X			X		3
6					X	X	2
7	X					X	2
8	X		X		X	X	4
9	X		X		X	X	3
10							0
11					X	X	2
12	X	X					2
13	X	X				X	3
14				X		X	2
15	X	X				X	3
16						X	1
17		X			X	X	3
18							0
19							0
20		X			X	X	3
21		X					1
Total	10	9	2	2	8	15	

The rest of this paper is based on interviews with the 21 companies in the fishery sector and green growth (water and sanitation, energy efficiency) selected for this study.

4. Effects of aid and commercial instruments on Danish commercial activities in Vietnam

Danish aid instruments, including sector programme support in Vietnam have clearly contributed to *attracting* Danish companies, including companies that would otherwise not have moved to the country. Companies' initial decisions and motivation for working in Vietnam was often, but not always, driven by their knowledge of specific instruments and/or business opportunities related to the Danish aid programme.

4.1 Involvement with sector programmes

The strongest linkages between aid instruments and the 21 interviewed Danish companies were found in relation to Danida programme support, where companies have had direct cooperation with the programmes, for example as subcontractors or as consultants. Although it was not always clear to the companies, more indirect exposure to the effects of programme support was also identified as important. Such effects may include branding of, and building a market for, Danish products and competencies in Vietnam through the programmes.

The benefits of Danida sector programmes to Danish companies were remarkably different between the two sectors.

For the vast majority of Green Growth companies in the sample, the main motive for being in Vietnam was the opportunity to supply goods or services to Danida sector programmes⁶. These companies were primarily market seeking, and the companies commonly saw such contracts, for example supplying equipment, technical expertise or consultancy services, as key to their business in Vietnam; and those that had not succeeded in winning contracts considered it a disadvantage. Some of those green growth firms that offered consultancies had provided technical advice in planning and implementation of Danida sector programmes. In contrast to this, none of the interviewed Danish fishery companies saw their presence in Vietnam as closely or directly linked to Danida support of the fishery sector, which ended in 2012. This was obviously reflected in the limited number of fishery companies interviewed, but it was also confirmed by Danida advisors and former Embassy personnel that cooperation between fishery businesses and the programme had been limited. Still, the fact that these companies saw Vietnam as a valid location for their activities may be seen as indirectly linked to the upgrading of the local fish farming and processing industry towards international quality, and also food safety standards supported and promoted by the Danida Fishery Sector Programme. The companies currently present in Vietnam are predominantly trading firms that import fish to Vietnam, use the surplus fish processing capacity in Vietnam and re-export most of the processed fish. It was mentioned during interviews that the fact that other Danish companies were already established in Vietnam had motivated respondents' own decision to start working

⁶ This could be in the form of goods and services to Vietnamese partners, funded fully or partially by Danida, or as suppliers and service providers in relation to aid programme preparation and management.

in the country; thus, some ‘clustering effects’ of the Danish companies in Vietnam may be seen as being indirectly related to the sector programme.

Two main strategies for dealing with the phasing out of Danish aid were identified among those companies that had previously seen aid activities as important to their businesses. The first strategy was simply to downscale or close down company activities in Vietnam and move to more aid dominated countries. At least three larger consulting and engineering companies interviewed were in the process of leaving/downscaling in Vietnam, due to the phasing out of aid, as they greatly depended on aid financed business. The second strategy was used by the majority of green growth companies who saw possibilities for future assignments in Vietnam. They planned to retain all, or part of their business in the country. In some cases, these companies regarded such opportunities as closely linked to their earlier aid funded activities, for instance in water and sanitation, in the way that networks and references were now useful for getting new contracts and a valuable asset in partnerships with local companies and public entities. Renovation of Hanoi’s water system exemplifies a future tender where Danish companies saw themselves as qualified to win, based on their previous aid-financed experience in the sector. Those green growth companies that were never aid contractors in the first place had been forced at an early stage to base business on other sources, sometimes in partnership with local companies. They clearly stated that the phasing-out of Danish aid meant little to them. However, it was clear from interviews that those companies that decided to stay in Vietnam commonly saw Danish aid activities in the country as supportive for the creation of a market for their products in the future as well. It should be noted that for the companies, this was a clear outcome of the fact that aid had been focused on ‘their’ sector, whereby references, connections to local authorities, product branding etc. had been created.

4.2 Use of Danida business instruments and IFU support

There is a clear linkage between Danida business instruments and commercial activities conducted by Danish companies that were interviewed. Companies that have received support from Danida business instruments generally considered this support essential. Ten of the 21

interviewed companies had used different business instruments, and generally stressed that the support for creating partnerships in Vietnam had played a role in their initial decision to start working in the country. Especially smaller companies with little international experience saw the support for training, participation in fairs and support for choice of local partners, as key to decreasing market risks in Vietnam.

IFU support had been used by two green growth companies, who stressed market knowledge provided by IFU as a main benefit. For companies, this was linked to the fact that IFU advisors with experience from other companies working in Vietnam were internalised in companies as board members. This was highlighted as a feature that distinguished IFU support from what was considered to be more generalised support from Danida partnership programmes.

4.3 Use of commercial instruments

Most of the interviewed companies had participated in delegations to Vietnam, and/or in trade fairs in Vietnam or Denmark prior to entering the market. Such events were, in the vast majority of cases, stressed as having played an important part in the decision to enter Vietnam. They were seen as useful for branding the company and its products, and for creating contacts with possible customers and partners.

Fifteen companies had participated in trade delegations and exhibitions, and eight companies had made use of TC services, e.g. advice on investment and/or exports. Several of these companies found that such services had been important for their ability to operate in the emerging market of Vietnam, both when they first entered the country and after their establishment. Larger green growth consultancy firms referred to commercial services as useful for “opening doors” and for “official appearance” at project openings. Likewise, five equipment suppliers that operate through sales and service offices in Vietnam mentioned that TC services played an important part in promoting their business in the country. Others were, however, more skeptical towards the advice obtained from TC. Criticism included that the advice provided tended to be overly generalised and needed to be more sector specific to be useful. Still, respondents generally felt that the usefulness of country-specific advice on regulation, for example, had increased with the recent employment of local advisors with sector knowledge at the Danish Embassy. The fact that TC employs a former local advisor to the

fishery programme was thus mentioned as essential by fishery companies who saw this as very valuable for the provision of sector specific advice.

Danish firms in both sectors that plan to stay in Vietnam after phasing out Danish aid often have a continued need for getting information and/or other services offered by TC. This was especially the case for new entrants. Companies that had been in the country longer often stressed that labour issues and issues related to regulation and corruption were difficult to deal with individually in Vietnam. Companies continuously participated in TC organised delegations and fairs in Vietnam, as well as in Denmark, and saw these as key to maintaining and creating essential networks.

4.4 Use of instruments in combination

Danish companies that were interviewed often use more than one instrument. Out of the 21 companies, nine had used a combination of three or four instruments. It is also noteworthy that 13 companies used different combinations of aid and commercial instruments.

Businesses' use of aid instruments and commercial services in combination were often regarded as complementary. For example, three green growth companies recently entered Vietnam using Danida partnership programmes in combination with TC support, and felt that this had facilitated entry into the market. While aid instruments supported technical matters such as training of local staff, and provided access to local partners and contacts, commercial services were often seen as a useful supplement to support the promotion of business activities, further contact establishment and solve business disputes. The latter was often seen as important, since companies generally stressed that the Vietnamese institutional and commercial environment lacks transparency. Likewise, the majority of companies that came to Vietnam (intending) to supply sector programmes used Danida business instruments and/or TC services to support the move. Thus, five green growth companies had supplied sector programmes, while also using both partnership programmes and TC.

Use of IFU and Danida partnership support was only combined by one company in the sample. Most companies in the sample had not attempted to cooperate with IFU. Several companies considered the scope for cooperation under-utilised.

5. Effects of aid and commercial instruments on jobs and company growth in Vietnam and Denmark

Obtaining reliable quantitative data on growth and employment was not possible; companies interviewed in Denmark were not able to quantitatively assess their development in terms of growth and employment in Denmark, related to the supported activities in Vietnam and distinguish it from their overall business. These figures could not be extracted from quantitative company data that was not broken down to the relevant levels. Therefore, this section mainly points to more qualitative aspects. It should be noted, however, that most companies reported falling turnover with the downturn of economic growth in Vietnam and worldwide. The direct impact of Danish commercial activities on jobs in Vietnam, and hence a likely multiplier effect from Danish companies' economic activities in Vietnam, is closely related to whether the company established manufacturing in the country. There were relatively few manufacturing companies among the 21 interviewed. Similar to most other Danish companies working in developing countries, the companies rarely based their activities in Vietnam on direct foreign investment.

Trading firms and market seeking manufacturers usually established representative offices with few employees or rented production space, which meant that the number of employees hired directly by these Danish companies in Vietnam amounted to between four and 35.

The market seeking manufacturers were mostly in the green growth sector, and the situation of these companies varied considerably. One solar energy manufacturer for instance, stated that 50-60% of its total growth in 2013 was attributed to production in Vietnam. An equipment supplier to the water sector constituted a rather different example and reported that sales in Vietnam comprised 'only a very small, and unspecified, percentage of its total turnover'. The number of direct employees was relatively small in this sector, as it was the case more generally, as most companies had small representative offices in Vietnam and reported to regional headquarters.

Trading companies were mostly found in the fishery sector. Several of these companies were based on a business strategy involving the acquisition of production space for processing and

packaging from Vietnamese contractors; quite surprisingly not to process local product, but fish imported from Europe. The (semi-)finished product was re-exported to Europe after processing. This has created some job creation/preservation and growth effects in Vietnam. In another case, fishery products were sourced locally, which was estimated to benefit some 200 rural families working in aquaculture. The fast growing trade flows in fishery products between Vietnam and Denmark may indicate increasing revenues from this trade for Danish companies. They seem to be part of a trend in which Danish processing companies restructured, laid-off workers and off-shored production, in these cases to Vietnam. Thus, the number of employees tended to decrease rather than increase within Danish firms during project periods, while company growth may have been increasing. These companies pointed to the creation of ‘a handful’ of new jobs in Denmark after processing was relocated to Vietnam. These were seasonal blue-collar jobs related to loading fish and unloading finished products.

Market seeking, consulting and engineering service companies were mostly found in the green growth sectors. To a large extent, they established their business around aid contracts. They tended to create a limited number of direct jobs in Vietnam as well as in Denmark, since they depended on participation in projects and worked through representative offices in Vietnam, and they often relied on external partners and staff employed on a project-to-project basis. However, the larger consulting companies often employed Vietnamese full time staff during the period of Danida contract implementation. For example, one consulting company employed what they described as 30 highly skilled employees at the peak of ‘20 good years in Vietnam’. Also, projects involving green growth companies often created a number of indirect jobs in supply sectors within subcontracting companies.

6. Lessons from the way synergy was approached as part of the phasing-out strategy

The notion of synergies between aid and commercial cooperation developed over time. Initially, the focus was solely on supporting an emerging private sector in Vietnam. But there are also examples of the Embassy introducing a Danish company to a programme advisor, thereby creating a contact that could lead to a commercial contract to the benefit of this Danish

Company. There does not seem to have been a more systematically strategic approach to asking which Danish companies could have been useful in the Vietnamese context to promote the overall goals, e.g. in the green sectors. During the 2000s, the so called Wall Street meetings were initiated to enhance cooperation between development staff and trade counselors.

The planning of the phasing out of assistance to Vietnam only addressed indirect synergy aspects. The underlying strategy contained a “From Aid to Trade” vision that laid out guidance for the phasing out, with a view to in the process support Danish commercial interests. Hence, in 2007 when the decision was made to gradually phase out assistance due to the positive economic development in Vietnam, programme activities related to green growth and business development were phased out over a longer period of time, and at the same time there was a decision to continue the business instruments, including the Business-to- Business programme and the Mixed Credits.

An Aid to Trade Forum was established in the Embassy to promote synergies between aid and commercial activities through concrete activities and an exchange of information on leads and networking. The Forum involved staff from sector programmes, Danida Business Finance and the commercial section. One concrete outcome was the decision, in collaboration with the Government of Vietnam, to use a small part of the budget left in the Fishery sector programme to fund activities that promoted closer cooperation on commercial terms between companies in this sector, with the aim of transferring technology to the benefit of the fishery sector.

There were also efforts to more systematically use the sector knowledge acquired through many years of development aid. As indicated above, the close sector knowledge and a local contact network in the sectors are aspects that were highly appreciated by the Danish companies. At the same time, the commercial services were developed further, and there was also a staff expansion at the Consulate in Ho Chi Minh City.

The Danish Growth Market Strategy for Vietnam (2012) emphasised synergies and it stressed that the opportunities for expanding commercial cooperation would take the already well-established Danish–Vietnamese cooperation as a starting point. Hence, focus sectors for this strategy are green growth, agriculture and fisheries, as well as health and education. The

intention is to build on the networks in a number of sectors developed during the years of development cooperation, as well as the considerable embassy knowledge acquired in the past.

It should be noted that a possible new tendency for broader cooperation between Danish and Vietnamese public and private partners seems to emerge, exemplified most clearly in our sample by the case on Vietnamese Danish Aqua Technology Excellence Centre (Vidatec) (see Annex). The implementation of this commercial initiative received public funding from four sources.

7. Conclusions

1. To a relatively large extent, Danish companies combine commercial instruments with an engagement in aid activities and consider these complementary.
2. The presence of Danida sector programmes and business instruments has made a difference in attracting Danish companies to Vietnam, as has the support from TC activities.
3. Experiences from the two sectors underscore that synergies can be direct and indirect. Sometimes companies were attracted directly by the prospect of aid related business, and sometimes indirectly through opportunities created in a sector, e.g. by improving the capacity and the regulatory framework of a specific sector. Supplying goods and services to aid funded programmes is important for the short-term strategy of some companies; whereas in the fishery sector, the results of the aid cooperation had an impact on the longer term engagement of Danish companies.
4. Some of the Danish companies have presently decreased their presence in Vietnam, or exited completely, due to the phasing out of aid. Other companies have attempted to build a new market based on the competencies, experiences and network/references gained. The Embassy plays an important role in facilitating this transition.
5. Some companies expect to continue to benefit commercially from the aid engagement at a sector level, due to the branding of Danish solutions, the contacts established and the sector insights present at the Danish Embassy.
6. In terms of employment, the contribution from the Danish companies in the fishery and the green growth sectors have been limited. However, there are potentially other development effects which need to be considered for a more complete picture.

Companies' use of, and benefit from being involved with aid has been identified in this study, but little information was gained on how Danish companies contributed to development objectives. It would be pertinent to analyse whether the use of Danish companies was beneficial to reaching the development objectives and, related to this, whether demands could have been made to Danish companies in order to better reach the development objectives.

Such issues seem not to have been high on the agenda in the discussion of synergies in the context of Danida. Identifying and analysing these issues is important in order to assess further if *synergies* in the form of a mutually beneficial cooperation between ODA and commercial interests are to be more thoroughly addressed.

During the out-phasing of Danish aid, initiatives were taken to combine instruments using knowledge and resources from sector programmes and support from other aid and commercial instruments to achieve both development and commercial objectives in the transition “from aid to trade”. Expanding the commercial services and building on the accumulated knowledge and experience from both aid and commercial activities have facilitated the transition process.

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ANNEX

Case: Vidatec⁷

Vietnamese Danish Aquaculture Technology Excellence Centre (Vidatec) is an initiative that exemplifies the transition from aid to trade in Vietnam. The Vidatec case illustrates how different instruments (sector programme support, Business Partnership funding, Danida research grants, Trade Council funds for export promotion, and contributions from Danish Companies) may be used to initiate a broad public-private partnership comprised of companies, industry organisations, research institutions and government agencies in Vietnam and Denmark. The purpose is to increase the productivity and ensure environmentally friendly production methods in aquaculture farming in Vietnam through the use of Danish technology and knowhow.

The initiative emerged from two sides. Companies with experience from upgrading aquaculture farming in Denmark formed a platform to use their knowledge and technology for export, and at the same time the governments of Denmark and Vietnam wanted to use Danida funds to increase productivity of aquaculture farming in Vietnam using environmentally friendly technology. In Vietnam, aquaculture farming and export have grown fast over the past couple of decades, and the government's policy was to double production by 2020. In order to limit the transfer of farm land into aquaculture ponds, the productivity of existing ponds has had to be raised, and at the same time quality and in particular environmental problems have had to be solved. Sound management of chemicals in the ponds and cleaning of waste water have constituted serious problems for increased production. The Vietnamese and Danish

⁷ The case builds on interviews with Vidatec partner companies and organisations, as well as documents received from MFA and DIBD.

governments agreed to use the remaining funds from the fishery sector programme to support upgrading.

The active partners on the Danish side are seven Danish companies: Aqua Circle (association of aquaculture companies), the Environmental Protection Agency, the Confederation of Danish Industries International Business Development (DIBD), Aarhus University and the Danish Embassy in Hanoi. Active Vietnamese partners include Vietnam Association of Seafood Exporters & Producers and Can Tho University.

Vidatec activities started in 2010. The initial planning showed that potential Vietnamese customers were hesitant to buy the advanced technology and equipment, and the Danish solutions were thought to be expensive and had to be bought on commercial terms without aid subsidies. It was therefore decided that Vidatec should be a non-profit demonstration and training centre. By the end of 2013, the two year implementation plan for the partnership project was approved with funding for training-of- trainers at the university, technical assistance for demonstration of the Danish technology in the Vietnamese environment and administrative support to promote and develop Vidatec. Finally, at the same time, the Danida funded research cooperation between Aarhus University and Can Tho University started.

The various funding instruments have been essential for initiating the Vidatec platform. The case demonstrates how an initiative in the transition from aid to trade can be supported by aid grants and commercial services simultaneously.

Case: Fishery⁸

Vietnam is one of the World's largest exporters of fish products. Denmark has supported the development of the Vietnamese fishery sector since the development cooperation began in 1993. The Danish support has, among other things, contributed to the development of the framework conditions necessary for the commercial actors to operate and export from Vietnam. In particular, quality control, food safety and export support are important outcomes. Around ten Danish companies were identified to have been involved in fish trading in Vietnam over the past ten years – but there may well be more. Several of the companies have participated in the Trade Council's export promotion delegations to Vietnam, and two

⁸ The case builds on information from interviews with companies, Danida and Embassy staff and advisors.

companies have been included in Danida Business Partnership programmes – one established a long time ago and later dissolved, and one started recently. A Danish company started around 2002 sourcing shrimp and later pangasius in Vietnam, and after experiencing problems of traceability and quality it went into a partnership with a Vietnamese company with support from Danida. Other companies say that they have not considered using the aid instruments or do not want to, due to perceptions of being delayed by bureaucratic formalities. But they all benefitted – knowingly or not - from the general improvements and heightened standards in the fishery sector brought about through support from the Danida Fishery Sector programmes. More could have been done to bridge the gap between the Danida activities and the commercial activities. Danish companies were not – until recently – given access to the knowledge in the Embassy’s development section about the fishery sector programme, and the knowledge from the Danish fish companies was not included in the development programme activities.

The Danish trading companies continue to be drivers of the intra-industry trade between Denmark and Vietnam; not only with the import of fish from Vietnam, but also through exporting fish to Vietnam for processing, taking advantage of excess capacity in the processing sector. Links in these commodity chains go back to the import of salmon from fish farming in Norway, where Danish traders buy and export fish for processing and consumption in Vietnam. Salmon fish heads that are used in soups are for example in demand, while other parts of the salmon are being processed and re-exported from Vietnam all over the world.

Appendix 1: Methodology

Selection of industrial sectors was based on (i) relevance for Vietnam as well as for Danida interventions in the country. Thus, the green growth sector was chosen due to its bearing on Vietnam's attempts to move towards more technology intensive sectors as well as on Danish export and investment projects. The fishery sector was chosen because of long lasting importance for the Vietnamese economy and Danida sector interventions in Vietnam; and (ii) the assumption that 'synergies' between ODA and commercial activities were most likely to be found in these sectors. In other words, if 'synergies' were not identified in these sectors they were considered rather unlikely to occur in other sectors. It should thus be noted that these sectors were not chosen to be representative of, but rather to be important for, Danish activities in Vietnam and thus key to this first attempt to identify cooperation between ODA and commercial activities.

Data include:

- Primary data in the form of a total of 21 interviews with company managers in the selected sectors in Vietnam and Denmark.
- Primary data in the form of key informant interviews with the purpose of collecting background information on possible synergies and cooperation
- Secondary data, including Danida reports, lists of Danish companies and their use of instruments in Vietnam and company annual reports.

Company level interviews were semi-structured and check-list based. Interviews aimed at exploring (i) the extent to which the existence of ODA and non/ODA instruments affects Danish companies' choices of working in Vietnam, (ii) Danish companies' engagement with these activities over time, and (iii) how important and useful the instruments are for Danish companies, including in terms of effects on company growth and employment rates.

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