

Management Response and Follow-up Note

Evaluation of Danida Energy and Environment Cooperation in South-East Asia

This Management Response and Follow-up Note summarises the final evaluation report, including its main findings, conclusions and recommendations, and the Ministry of Foreign Affairs' comments and follow-up to the evaluation. The evaluation was commissioned by the Evaluation Department and conducted by a consultancy team from NCG and Orbicon, Denmark.

Introduction and Approach

The purpose of this evaluation is to assess and document the experiences and results from Danish support to Energy and Environmental Cooperation (EEC) in South-East Asia. The Danish assistance has included interventions in Malaysia and Thailand from 1994, in Vietnam, Laos and Cambodia from 1997, and in Indonesia from 2005. The evaluation covers the period from 2002 to 2016 and due to the overall thematic focus of this evaluation, only the interventions in Indonesia, Malaysia and Thailand are included¹². EEC interventions in Thailand and Malaysia were completed in 2008/2009 while they are still ongoing in Indonesia.

The evaluation focuses in particular on two selected thematic areas: energy efficiency (EE) and renewable energy (RE), both of which are covered by Danida's interventions in all three countries covered by the evaluation. An important aspect of the evaluation has been to assess and document experiences in relation to the effects from development cooperation on commercial collaboration with Denmark. In all three countries, engagement of Danish private sector actors is seen as an important part of the transition process from development cooperation to new forms of cooperation, and the lessons learned in this regard are considered of importance to inform other programmes under transition.

The evaluation serves both learning and accountability purposes, with an emphasis on learning aimed at: a) programmes and institutions involved in the same thematic areas as the ones evaluated; b) programmes that will undergo a phasing-out process; and c) general discussions about how to promote synergy between development and commercial cooperation.

The evaluation was undertaken in the period from January to October 2016 through a combination of desk study, key informant interviews as well as fieldwork missions to all three countries.

¹ Until 2001 activities in Malaysia and Thailand were under the Danish Cooperation for Environment and Development (Danced).

² Energy efficiency is also an issue in Vietnam, but the programme has already been evaluated and this evaluation draw on that work.

Main findings from the evaluation

Due to the high profile, timeliness and long-term presence of the EEC, Denmark gained a high level of legitimacy and trust with the partner governments in all three countries. This created a conducive environment, where a significant part of the outputs developed through the supported interventions were adopted into national policies and plans, and included among the specific tools and measures in energy and environment strategies and action plans. This built a strong relationship with the governments and other stakeholders, and made Denmark a country that the governments today still turn to for advice on environment and energy issues.

Effects from Energy and Environmental Cooperation on national Energy Efficiency and Renewable Energy development

The expectations from the EEC was that the support provided to EE and RE would contribute to increased EE and increase the share of RE within the supported countries. The development in RE took off faster in Thailand than in Malaysia: In Thailand, the RE share (electricity) of total energy consumption increased from 0.5% in 2006 to 12% in 2014. While in Malaysia, the RE share (installed capacity) grew from 0.2% (53 MW) in 2009 to 0.8% (243 MW) in 2014. In relation to EE, the short-term decrease in the energy intensity of the economy has been more significant in Malaysia than in Thailand (in Malaysia, the energy intensity declined 12% in the period from 2002 to 2012, while it stayed at the same level in Thailand over the same period). In Indonesia, the assessment of development results from the EEC interventions is still premature, since the Danish development engagement was initiated later than in Thailand and Malaysia and is still ongoing.

The achievement of the short-term impacts has depended on the extent to which progress was made within a number of interrelated outcome areas and to what extent some key assumptions were fulfilled, mainly related to priorities, commitment and capacities of central and local governmental institutions. Both Malaysia and Thailand provide good examples of countries where Danish support has contributed to important achievements in the areas of EE and RE, and where a foundation for further impact within these areas has been established. There are good indications of sustainability, but this will have to materialise in a context, which is highly influenced by important internal factors, e.g. continued political support, opposition from vested interests, and external factors (such as prices of fossil fuels and renewable energy technologies).

While the EEC in Indonesia has made a significant contribution to the enabling environment for EE and RE through support to environmental laws and regulations (including Strategic Environmental Assessments), this has not resulted in increased EE and an increased share of RE. It is only recently that concrete steps have been taken to link the results of EE/RE demonstration projects with improved policies and strategies at national level. Implementation delays mean that it is still too early to pass judgement on the short-term impacts from these interventions. From Indonesia, there are examples that important “merits” from the EEC had been lost and Denmark not fully obtained the credit it deserved for contribution to important sector development initiatives. Instead, other development partners have taken up this “space” and used it as a platform for further cooperation, also commercially.

In Indonesia, the evaluation also found that current EEC interventions provide good potential for synergies with other development programmes, in particular the Democracy and Good Governance Programme. This potential had not been identified previously by the embassy, but initiatives have now been taken to ensure a closer coordination of interventions across the two programmes.

Influence on national policies and plans have been significant

According to policy-makers and key stakeholders, the EEC interventions in Malaysia and Thailand contributed to a changed political and institutional context in favour of EE and RE. A key reason for this is that the interventions began at a time when the need for an increased focus on EE and RE became apparent for political decision-makers, while Denmark was well known for its capacity and experience, and the only development partner active in the field at the time. The interventions introduced a number of specific policies, action plans and instruments, which have been important for the countries' further implementation of national goals on sustainable development, climate change, environment, as well as EE and RE. The evaluation was able to identify a substantial number of such Danish 'footprints' in Malaysia, Thailand and Indonesia.

Knowledge and awareness raising was an important basis for decision-making

The Danish support has helped raise political attention and general awareness in Thailand and Malaysia, as well as in Indonesia. This has happened through capacity strengthening of governmental institutions, and by support to data collection, information and awareness-raising activities. In Thailand, policy and decision makers and implementers were very uncertain regarding the feasibility of generating significant shares of the total energy consumption from RE and whether it was at all possible to reach the relatively ambitious national targets. The combination of targeted studies and resource assessments, practical demonstrations of EE and RE solutions and study tours to Denmark for relevant management and staff (e.g. visit to Samsø as a renewable energy island (wind farms, pig farms with biogas)) was mentioned by key stakeholders as a major contributing factor for convincing of decision makers and implementers of RE potentials, and for paving the way for a significant increase in Thailand's RE share within a relatively short period of time.

Institutional strengthening was important for continuity

In Malaysia and Thailand, the Danish interventions resulted in a number of new institutional structures that still play an important role today. In Malaysia, this includes the Sustainable Energy Development Agency. Its key role is to administer and manage the implementation of the feed-in tariff mechanism, which is mandated under the Renewable Energy Act 2011. The feed-in tariffs are currently a key driver for RE development in the country. In 2008, the Energy Commission's Unit for Energy Management was upgraded to a department, based on recommendation from the EEC. Most of the current staff in the department was trained through the EEC, including the director. In Thailand, institutional structures include the Energy Regulatory Commission and the Local Energy Planning Centre in the Ministry of Energy. The Energy Regulatory Commission is a Power Regulatory Body established in 2009 based on direct inspiration from Denmark having the aim of regulating the power market. The Local Energy Planning Centre was established as a direct follow-up on the Danish programme and continues to roll out local-level planning activities.

Several universities in Malaysia, Thailand and Indonesia have been supported through capacity development activities on sustainable energy during the EEC implementation. The evaluation noted the important role universities play as advisers to governments and the private sector. The capacity built in the local universities is thus important for the continued development of EE and RE in the recipient countries, and therefore also for the long-term impacts and sustainability of the Danish support. After the completion of the EEC, the availability of technically highly qualified people within the RE and EE area in Malaysia and Thailand has dropped remarkably largely as a consequence of a limited focus in the universities on these research areas.

Human capacity development has helped sustain impacts

The EEC clearly demonstrates the important potential of human resources development in sustaining impact over time. Several government staff in Malaysia, Thailand and Indonesia, trained during the EEC,

have subsequently had a career path that has brought them into decision-making roles. Interestingly, some still see themselves as being “Danced/Danida alumni”. The fact that some of them over time have advanced in the governmental system and become influential decision-makers, is an important contributing factor to maintaining the conceptual thinking in national energy strategy and policy-making, which was introduced via the Danish EEC.

Demonstration projects had an impact as game changers

The Danish interventions have helped introduce specific designs and technologies in both Malaysia, Thailand and Indonesia, which still today play an important role as demonstration projects, and which have helped create awareness among public and private decision-makers about green energy technologies and systems. This includes support to low energy and zero-energy office buildings in Malaysia (the Low Energy Office Building, the Green Energy Office Building and the Diamond Building), which were inspirational for the creation of a Green Building Index and which also contributed to capacity building and information dissemination, e.g. towards foreign delegations, architects and engineers.

Likewise, the business-to-business partnerships created between Indonesian and Danish architects has been the focus on EE and green building design, resulting in the construction of the Gran Rubina high-rise complex in central Jakarta. There is now an increased demand – particularly in Jakarta – for EE design in new construction, and discussions are ongoing on moving from optional to mandatory green building design as part of the revision of the Green Building Regulations.

Effects from EEC on Danish companies

Danish companies and competencies have benefitted from different elements of the EEC interventions, and often from a combination of two or more of these elements. Below, the contribution from different EEC elements on the Danish commercial engagement in EE and RE in the three countries is discussed in more detail.

Effect from purchase of services or products related to implementation of EEC activities has been low

The evaluation findings show that – in the short-term – Danish consultancy companies have benefitted more than Danish manufacturing companies from the direct buying of services and products through the EEC. A number of small Danish consultancy companies were established in Malaysia and – to less extent – in Thailand during and after completion of the EEC, mainly in relation to energy efficient buildings, waste management (including waste-to-energy), biogas and wind power. These companies were established mainly by Danish consultants and advisors who had been involved with implementation of EEC activities. In Indonesia, where EEC implementation is still ongoing, it is still too early to assess the direct effect from the EEC on Danish companies. However, so far the effect seems to be limited. Danish manufacturing companies have only benefitted to a limited extent from EEC contracts. In general, the EE and RE funded activities have included limited provision of equipment, with the large majority being tendered and produced locally.

Effect from demonstration and branding of Danish technologies has been limited

In all three countries, the Danish support was appreciated for focusing more on knowledge transfer than on technology export. This included a number of demonstration events, including study tours to Denmark, for a large number of key national stakeholders, many from the government system. The practical demonstration of Danish technologies was supplemented by elaboration of relevant studies and assessments of potentials for different RE sources and EE initiatives. The spin-off for Danish companies from these activities has however been relatively limited so far. Only very recently, and mainly due to newly discovered potentials and incentives for wind energy projects in both Thailand and Indonesia,

Denmark has started to become a more significant RE player in the region. In the area of biomass/biogas, the EEC included a large element of technology demonstration as did the Clean Development Mechanisms³ projects but the direct effect on Danish companies from these demonstrations have been minimal.

The phasing-out of EEC interventions in both Thailand and Malaysia left a sudden “vacuum” in the level of interaction and personal relationships between Danish advisors/consultants and management/staff from energy institutions in both countries. At the same time, technical studies and standards for EE and RE, developed with support from the EEC, gradually became outdated in the absence of sufficient follow-up. This resulted in a gradual change in priorities within the governmental institutions, from having a large degree of quality and technology orientation during the period of the EEC, to become more focused on the short-term price parameter when making investments. The gaps in technical knowledge and capacities that have occurred after completion of the EEC interventions in both Thailand and Malaysia, do not only relate to governmental institutions. The concerns also relate to the limited availability of relevant technical expertise among national experts, which is largely a consequence of limited focus in the universities on these research areas.

Effect from dissemination of values and attitudes and environmentally-friendly solutions has been positive

In both Thailand and Malaysia, there have been positive effects from EEC awareness raising activities on sustainable energy. In particular, the EEC supported activities at local levels have been important to address the scepticism of EE and RE technologies and convince local stakeholders of their potentials as reliable solutions for future energy planning. The dissemination and awareness activities have been important complementary elements to the technical demonstrations and institutional support, and have indirectly had a positive effect on Danish commercial activities. As regards Indonesia, it is still too early to assess the effect from these interventions on Danish commercial activities.

Effect from introduction of Danish knowhow and establishing networks has been important

An important comparative advantage of Danish companies in EE and RE is related to knowhow, including technical knowledge, design and process management and during the EEC this has been extensively promoted in all three countries. The long-term Danish engagement within key governmental institutions made it possible to develop inter-personal connections and relationships considered very important for companies for doing business in the region.

Danish companies working with EE and RE in the region emphasized the importance of formal and informal network relations with other Danish companies in the region, in order to join efforts for lobbying and mutually supporting each other. This requires the presence of a ‘critical mass’ of Danish companies with continued interest and engagement in EE and RE development. This ‘scenario’ was only fulfilled in Malaysia, where a few large Danish manufacturing companies together with recently established small Danish consultancy firms with “roots” in the EEC have established different network relations.

Effects from Danish support to improvement of framework conditions lost momentum

In all three countries, the EEC has provided comprehensive support to the development of political preparedness, framework conditions and incentives to stimulate investment in RE and EE technologies. However, the evaluation findings also show that it takes time for these processes to develop from

³ The CDM allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in developing countries. Such projects can earn saleable certified emission reduction credits, which can be counted towards meeting Kyoto targets.

planning to the implementation stage, and that the effect on Danish companies from these efforts may only materialize some years after. This also relates to the character of especially larger RE projects, which may need some years of planning and development, before implementation starts.

With the closure of the EEC in Malaysia and Thailand in 2008/2009, and without a dedicated follow-up strategy, the opportunity to directly influence the development, by sustaining the outcomes, addressing the remaining barriers and strengthening implementation, became significantly reduced. The experiences from these two countries show that this resulted in a loss in momentum and even a series of missed opportunities⁴.

In addition, small- and medium-sized Danish manufacturing companies have found it difficult to comply with requirements from EKF to “create value for Denmark”, their businesses have been too small for IFU to become involved, and services offered by the Danish Trade Council have been considered relatively expensive, and not differentiating between larger and smaller companies. The companies find that these challenges have been particularly strong in relation to EE and RE projects, as these are considered having a relatively high risk in the financial markets.

Conclusions and Recommendations

Conclusions

The evaluation findings lead to the following main conclusions:

Conclusion 1 – Relevance: The relevance of the EE and RE supported interventions under the EEC has been high in view of national needs and priorities as well as in relation to Danish development priorities, commercial interest and key competencies. The Danish support has been an important driver for placing EE and RE higher on the political agenda in all three countries. At a time where national policymakers and the population in general were looking for solutions, the experience and contribution from Denmark on the potentials of EE and RE was critical. At the same time, Danish EE and RE competencies and technologies were meant to have a large export potential and are priority areas in Danish development assistance.

Conclusion 2 – Danish companies: So far, the EEC interventions, together with other Danish business instruments, have only had a limited effect on Danish commercial engagements in the three countries. Mainly smaller Danish consultancy companies have benefitted in the short-term while Danish manufacturing companies (mainly within wind power and biogas/biomass/waste-to-energy) are only more recently starting to benefit indirectly from improved national framework conditions, which have roots in the EEC support. Considering the great potential for Danish commercial interests in relation to EE and RE in the region, there is a clear indication of “missed opportunities” after the development cooperation came to an end in both Thailand and Malaysia.

Conclusion 3 – Transition: In Malaysia and Thailand, no effective transition process was planned when the cooperation shifted character from being mainly focused on development cooperation to becoming mainly focused on commercial cooperation. In Indonesia, the recent initiative, with the contracting of a Danish Growth Advisor and the Danish Energy Agency, presents a new form of targeted Danish bilateral sector cooperation which may become important to ensure continued impacts on EE/RE policy and market development.

⁴ The EEC in Indonesia appears to be gearing up to avoid that a similar situation occurs there.

Conclusion 4 – Development Results: The EEC interventions have contributed to important progress towards achievement of planned development results within key areas for EE and RE development in the three countries. The development results are most visible in Malaysia and Thailand, where EEC interventions were completed several years ago. The evaluation findings clearly show that it takes time for institutional development processes to develop from the planning to the implementation stage, and to ensure commitment and support in the political and legislative system as well as among various energy stakeholders and consumers. In general, the results from the EEC are not well-documented and in Indonesia the evaluation found that Denmark had not fully obtained the credit it deserved for contribution to important sector development initiatives. Instead, other development partners had taken up this “space” and used it as a platform for further cooperation, also commercially.

Conclusion 5 – Capacity and Technology Development: Although evidence from both Thailand and Malaysia shows some continuation and follow-up on the EEC support to strengthening of EE and RE institutional frameworks, serious gaps have developed in EE/RE technical and research capacities after the completion of the EEC interventions. From a commercial perspective, the lack of sufficient national technical expertise and knowledge has, as a consequence, privileged a focus on price rather than quality, which has resulted in import to the local markets of EE/RE products and services based on cheap technologies (often coming from China) at the cost of more expensive, but higher technical quality, products and services from countries such as Denmark.

Conclusion 6 – Networking and Local Private Sector: Establishing of business partnerships with local private sector actors have been important for Danish companies involved with EE and RE activities in the region. Smaller as well as larger Danish companies depend on local private sector Partners/agents/suppliers to develop, operate and market their EE/RE business activities. Danish companies emphasize the importance of formal and informal network relations with other Danish companies, in order to join efforts for lobbying and mutually supporting each other.

Conclusion 7 – Regionalisation and Coherence: Coordination and transfer of learning and experiences has taken place mainly ad-hoc across the EEC interventions in Thailand, Malaysia and Indonesia. This is in contrast to the reality faced by Danish companies involved with EE and RE activities in the South-East Asian region. They largely operate from a regional perspective, where learning, experiences – and to some extent also partners – are transferred across countries. In Indonesia, the coherence and potential synergies between EEC and other sector programmes (e.g. governance) were not thoroughly considered until very recently.

Conclusion 8 – Danish Business Support Instruments: Danish business support instruments, such as the trade council services, investments with IFU, export credits through EKF as well as the ad-hoc support provided directly by the embassies provide an important leverage for Danish companies with the ambition to develop business in the South-East Asian countries. However, while investments remain critical issues for all companies, the particular needs and abilities to benefit from the different instruments vary considerably.

Recommendations

The findings and conclusions from the evaluation lead to the following strategic and operational recommendations:

Strategic Recommendations (to the Danish Ministry of Foreign Affairs (MFA)):

Strategic Recommendation 1: In order to mitigate the risk of critical “capacity gaps” upon completion of development programmes, it is recommended that the MFA considers how targeted support

mechanisms, such as cooperation and partnerships on research and capacity development within specialised technological areas as well as an extended and more flexible role of the embassies, may be used as a strategic tool in the transition process from development to commercial cooperation.

Strategic Recommendation 2: It is recommended that the MFA gradually develop a business support approach that is better aligned to Danish companies' strategic commercial engagements, which often take point of departure in a "regional" rather than a "national" perspective. An important innovation could be posting of a "regional" commercial counsellor at an embassy with a particular strategic importance in the region. It could also include introduction of more effective mechanisms for coordination and sharing of learning and experiences from commercial activities across countries within the same region.

Strategic Recommendation 3: The Danish business support instruments should be developed with a more specific view to reflecting differences in needs, abilities and risk taking of Danish companies in the specific markets. In particular, more tailor-made products should be developed for the smaller and medium-sized companies, to better reflect the realities of these companies in terms of financing and production processes⁵.

Strategic Recommendation 4: The MFA should consider including a mandatory "transitional phase" during the last 1-2 phases of development programme implementation, in particular within countries and sectors where the development programmes would be expected to create opportunities for Danish commercial cooperation. The Danida "Guidance Note on Country Exit from Bilateral Development Cooperation" (March 2015) needs to become more operational and opportunity driven and an increased level of flexibility for the embassies should be introduced in terms of budget and resource allocations. The evaluation experiences from Thailand, Malaysia and Indonesia show that policies and business incentives often change with relatively short notice and it is important that the embassies have both the tools and abilities to assist Danish companies effectively during the transition period

Operational Recommendations (to Danish embassies)

Operational Recommendation 1: The embassies should more explicitly consider how Danish-funded interventions in other sectors (e.g. governance) could become complementary and supportive to facilitate Danish commercial engagements within targeted thematic areas in countries where potentials for Danish commercial cooperation have been identified (such as e.g. EE and RE in South-East Asia). The Country Programme Guidelines may provide a better platform for this and hence for creation of better results in the future but it needs to be considered already from the preparatory programming phases.

Operational Recommendation 2: The embassies should introduce a more effective system for documentation and uptake of learning and experiences across different programme phases, and across different sectors. It would be useful, if such a system could also include learning and experiences from the links between development cooperation and commercial cooperation. The Project/Programme completion reports could be used more proactively as a tool especially if they become more forward-looking.

Operational Recommendation 3: Country programme formulations should more explicitly include guidance and clarity on how – and to what extent – development and sector cooperation could be

⁵ It is acknowledged that a number of adjustments of the Danish business instruments have taken place recently and that this process is still ongoing. The "Export Start Programme" initiative from the MFA, which now includes possibility for a 35% subsidised counselling on work hours from the Trade Council for smaller enterprises, is an example of a recent adjustment, which is in line with this recommendation.

expected to lead to commercial cooperation within a particular development engagement. A more specific definition of targets (short- and medium-term), indicators and specific support measures will be required.

Operational Recommendation 4: The Danish embassies should consider how the Strategic Sector Cooperation ("Partnering with Denmark") could be used as a strategic vehicle for linking up different kind of partnerships and agreements to strengthen the Danish commercial engagement within a particular sector and to facilitate and encourage networking initiatives among Danish commercial actors in the country and/or region. This could include different types of private-public partnerships (e.g. for research cooperation at local universities) as well as more explicit provision of support to maintain focus on critical systemic issues and institutional relationships within the countries, as support to Danish commercial potentials. In this way, the Strategic Sector Cooperation could become an important facility in countries where a transition between development cooperation and commercial cooperation is taking place.

The evaluation findings from both Thailand and Malaysia have clearly demonstrated the importance of continuing the bilateral relationships after the completion of development cooperation interventions as well as to keep momentum and follow-up on those strategically important institutional and capacity development areas, which were supported through the development interventions.

Ministry of Foreign Affairs' Management Response

General comments:

The Ministry of Foreign Affairs welcomes the evaluation of Danida energy and environment cooperation in Southeast Asia and agrees with most of the conclusions and recommendations.

The MFA notes the evaluation's conclusion that the Danish support has been an important driver for placing energy efficiency and renewable energy higher on the political agenda in Malaysia, Thailand and Indonesia and has been relevant in terms of national needs and priorities. It is also noted with satisfaction that there has been considerable impact and likely sustainability of a number of the interventions in Malaysia and Thailand completed in 2008 and 2009.

The Ministry of Foreign Affairs also notes that the evaluation has not been able to document significant effects of the development programmes on the commercial cooperation within energy efficiency and renewable energy, although some commercial opportunities did materialise in Malaysia for Danish consultancy companies, and recently in relation to wind energy in Indonesia. In Malaysia, several individuals involved in the cooperation programme since moved up in the hierarchy of the Malaysian authorities which resulted in a continued demand for Danish expertise. However, the Ministry of Foreign Affairs agrees that with few specific follow-up activities in the subsequent years, knowledge regarding Danish expertise and technology related to energy efficiency and renewable energy was generally not well maintained in Thailand and Malaysia. Recent commercial initiatives in Thailand may improve the overall picture, but the lesson learned is that there is a need for bridging activities from development cooperation to commercial cooperation.

The evaluation concludes that in Indonesia, where the development programme is still on-going, the issues related to securing a transition from development assistance to commercial cooperation are being addressed to a larger extent than it was the case when the programmes in Malaysia and Thailand were completed. The evaluation thereby reflects the recent initiatives and increased focus by the Ministry of

Foreign Affairs on securing a better transition from development assistance to commercial cooperation, for instance through the initiative “Partnering with Denmark”.

The Ministry of Foreign Affairs does not recognize the evaluation’s conclusion that in Indonesia important merits from previous EEC activities have been lost and that Denmark thereby has lost commercial opportunities. The evaluation highlights that Denmark is having a very high profile in the energy sector in Indonesia and is using this position to promote commercial interests. One example of this is wind energy, where a strategic approach by the embassy based on a wind map of Indonesia developed by the ESP3 programme led to the signing of the first commercial Indonesian wind farm project in Copenhagen in September 2016 and an expected significant contract to a Danish turbine supplier.

Follow-up to recommendations:

Strategic Recommendation 1

The Ministry of Foreign Affairs agrees with the recommendation and has recently launched initiatives which in the future may enable a better transition from development assistance to a broader and more comprehensive partnership. This is reflected in the new strategy for Danish development and humanitarian cooperation and involves for instance the programme “Partnering with Denmark” as well as research collaboration and scholarships in the growth and transition countries. These areas of cooperation will make it possible to maintain some level of cooperation and increase the awareness in the partner institutions in relation to fields where Danish technology is in demand.

Strategic Recommendation 2

From 2016 the Trade Council has been regionally organised in approx. 20 regions, with a regional coordinator designated to administer private companies’ interest on a regional level. The regional organisation in the Trade Council is continuously being improved and further integration is encouraged.

Strategic Recommendation 3

All Trade Council support and instruments offered to companies are tailor made according to the specific needs and wishes of the individual companies. The Trade Council works continuously to increase the value creation for the individual companies through greater flexibility and simplification of the programmes and support offered to Danish companies. The documented experience indicates that longer, tailor made programmes provide the biggest value to the small and medium-sized companies.

Danida business instruments engage the private sector in addressing relevant development challenges. The aim is not to respond to Danish companies’ needs in specific markets, but to engage with companies and investors in partnerships for development, and the Ministry of Foreign Affairs does therefore not find the recommendation relevant for this work.

Strategic Recommendation 4

The Ministry of Foreign Affairs agrees that consideration of the linkages to future commercial cooperation is needed in countries where this is relevant when development assistance is being phased out. The “Guidance Note on Country Exit from Bilateral Development Cooperation” is relatively new and provides a good framework for planning the transition.

The current revision of Danida guidelines for bilateral programmes and projects will stress the need for programmes in a transition phase to consider – at an early point – how the transition will take place and what resources will be required. In countries where development cooperation is phased out and where there is potential for commercial cooperation, the programme preparation process will include analysis of opportunities for enhanced linkages to commercial cooperation and reflect this in a possible exit plan. Exit plans will be discussed and approved during presentation of concept papers and programmes and assessed as part of programme reviews.

Operational Recommendation 1

The Ministry of Foreign Affairs agrees that there is scope for increasing synergy across thematic programmes at country level. This has been addressed with the introduction of country-level programming which replaces sector-specific programming and provides an opportunity for ensuring that thematic programmes complement each other where relevant. The country programming process includes a consideration of such issues already in the preparatory analyses carried out during the programme formulation process.

Operational Recommendation 2

During country programme formulation, the learning from earlier (thematic) programme phases is integrated as part of the preparation phase and plays an important role in adjusting intervention strategies and choices of partners etc. The Country Policy Papers constitute a useful framework for considering links between development cooperation and other foreign policy objectives, including commercial cooperation. In order to strengthen monitoring and learning during country programme implementation more resources are generally allocated for monitoring, and Real Time Evaluation has been introduced as a new instrument in a number of countries to strengthen learning across the country programme.

Operational Recommendation 3

The new strategy for Danish development and humanitarian cooperation emphasizes the need to explore synergy between development and commercial cooperation in countries where it is relevant, especially growth and transition countries. For countries where opportunities for developing commercial and trade related cooperation exist, the country programming process will pursue these during formulation and ensure that relevant development policy and commercial or trade related instruments are applied – and that targets for such cooperation are developed.

Operational Recommendation 4

The recommendation tallies well with the three parallel objectives the Strategic Sector Cooperation (SSC), where the special competencies of line ministries are mobilized to 1) promote Denmark's international cooperation and global economic interests, 2) support core development priorities in the partner country through improving policies and regulatory frameworks and public/private sector cooperation and 3) improve opportunities for Danish private sector commercial engagement and investments in fields, which may at the same time contribute to sustainable development. The SSC programmes are all designed with a focus on improving framework conditions in sectors, where Danish private companies are expected to be able to contribute positively in the longer term and efforts are made by the embassies to involve private sector representatives through continuous dialogue during implementation. With the allocation of research funding for SSC countries from 2017, efforts will also be made to create and develop partnerships with universities and research institutions, which can deepen relationships and make capacity development efforts more sustainable.