

Management Response and Follow-up Note

Evaluation: Vietnam-Denmark: Transformation of a Partnership

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 Lattanzio Advisory.

Vietnam has undergone rapid socio-economic development over the last three decades. The government launched far-reaching political and economic reforms (*Doi Moi*) in 1986 with three main elements, (i) shifting from a planned centralised economy based on public ownership to a multi-sector economy based on the market; (ii) building a state based on rule of law; and (iii) strengthening external cooperation with other countries. The reforms have transformed the country from one of the poorest in the world, with per capita income around USD 100, to lower middle-income (MIC) status, with per capita income exceeding USD 2,019 by the end of 2015.

Vietnam was a priority country for Danish development cooperation (“programme country”) from 1993 to 2015. During the 15 years from 2000 to 2015, which corresponds to the evaluation period, Denmark disbursed a more than DKK 5.5 billion in Official Development Assistance (ODA), making it one of the largest bilateral donors in Vietnam. For long stretches, Denmark was among the top ten bilateral donors engaged in Vietnam and was the main donor in the fisheries sector. Danish development cooperation focused on building capacity at all levels – national, provincial and local – prioritising its support for poorer provinces.

Recognising Vietnam’s development successes, the Danish government decided to change the relationship between the two countries in 2007 by increasingly transforming the cooperation from its strong development focus to one that reflects the political and economic interests of the two countries. Following discussions with the Vietnamese Government in 2010, the Ministry of Foreign Affairs (MFA) developed an action plan for phasing-out Danish development assistance to Vietnam for 2011-2015. The partner governments agreed to the plan and took steps to implement the plan incrementally. In 2013, Vietnam and Denmark signed a Comprehensive Partnership Agreement (CPA) that provides the formal framework for relations in the post-ODA era. The agreement focuses on strengthening political, cultural and commercial cooperation, and envisions increased cooperation in the education, environment and climate sectors.

In early 2016, the Royal Danish Embassy in Vietnam and the Vietnamese Foreign Ministry signed a new bi-annual joint action plan (which followed the first one of 2014-15) to continue implementing the comprehensive partnership with a view to further accelerating bilateral cooperation in green growth, food safety, environmental management, research and education. The process involved transferring knowledge and developing efficient systems for environmental management and controlling industrial emissions, among other thematic areas.

In January 2016, the Danida Evaluation Department (EVAL) launched the present evaluation of Danish assistance to Vietnam. The evaluation covers the period 2000-2015 and is built upon the available documentation, national and provincial monitoring, earlier studies and evaluations, field visits to selected projects, as well as stakeholder interviews. It has the following three objectives:

- **Results:** To document the changes and results achieved by the Danish-Vietnamese Partnership from 2000 to 2015
- **Sustainability:** To assess whether the benefits from these changes and results are continuous and lasting
- **Transformation:** To document the transformation and its success in promoting the new partnership and to establish lessons learned from this transformation.

The evaluation aims to assess Danish support for six sectors (fisheries, environment/climate, water/sanitation, governance, culture, and the business sector) and five provinces (Quang Nam Province in the central region, Lao Cai in the North, Dak Lak in the central highlands, Ben Tre and Can Tho in the South) as well as Hanoi and Ho Chi Minh City (HCMC).

Main Conclusions

Results and Sustainability of the Danish-Vietnamese Partnership

Overall Danish support generated an impressive number of results, including, but not limited to the following:

- Scores of new or amended laws, decrees and regulations that covered virtually all sectors;
- Improved employment opportunities and better working conditions for thousands of Vietnamese skilled and semi-skilled employees;
- Increased export volume and income generated from fisheries and aquaculture products, largely due to improved product health and safety standards, and Forest Stewardship Council (FSC) certifications supported by Danida, thereby opening new markets demanding international quality and safety standards;
- Increased competitiveness of Vietnamese companies thanks to the transfer and application of approaches covering the entire value chain (for example in pig production and fisheries);
- Improved planning skills and more efficient and effective organisation and management (including performance-based management systems) of government units involved in the implementation of Public Administrative Reform (PAR);
- Contribution to improved access to clean water and sanitation for millions of households in Vietnam, leading to improved health and living conditions for rural populations and a reduction in waterborne diseases;
- Climate change adaptation and mitigation measures.

Danish support contributed to achieving long-term changes across all sectors and at both national and provincial levels: Danish development cooperation has been at the forefront of policy dialogue and helped catalyse changes in mind-set, policy, legislation and practice through demonstration and interchange of Danish-Vietnamese experiences across all sectors. One of the most visible changes to which Denmark evidently and strongly contributed was in the field of human rights. The Water and Sanitation (W&S) programme helped millions of urban and rural people gain access to hygienic water, sewerage and latrine systems. The Environment Sector Programme (ESP) introduced a number of best practice models for pollution control, urban environmental planning, environmental reporting and marine conservation that are being replicated and thereby contributing to Vietnam's efforts to reduce environmental hazards and health risks affecting people's lives in densely populated areas, especially the poor. The Fisheries Sector Programme Support (FSPS) was one of the important

drivers of the rise in Vietnam's lucrative seafood and aquaculture exports and raised tens of thousands of rural people, half of whom were women, out of poverty.

Danish cooperation had clear comparative advantages in achieving outcomes. Due to the trust gained over the past decades, as well as Danish know-how, technology and superior equipment in the green growth and fisheries sectors, Denmark was well-placed for getting support from the highest levels of government to solidify many of the outcomes. Danish cooperation was also flexible and adapted to facilitate rapid responses to changes in circumstances: Stakeholders did not identify any major problems regarding the flexibility in the programming and delivery of Danish support. Most interviewees mentioned the good responsiveness of Danida in general and of the Danish Embassy to any new ideas and concepts put forward by the Vietnamese partners.

In the **governance sector**, Denmark contributed to reducing red tape within the bureaucracy, enhancing public services (including the establishment of One Stop Shops to streamline administrative processes), and to strengthening of: provincial capacity for administration of institutional reform requirements; management and training of public servants; and the ability to apply modern management techniques and practices. Danish support also contributed directly to the empowerment of the legislature, the National Assembly. One of the most visible changes to which Denmark contributed in the governance sector was in the field of human rights and materialised in the establishment of human rights centres at the Law Faculty of the Vietnam National University (VNU) in Hanoi, the Ho Chi Minh City Law University (HCMCLU) and the Vietnamese Academy of Social Sciences (VASS). Overall, Danish support was instrumental in opening the discourse on human rights in Vietnam. A further important outcome was the establishment of the Vietnam Bar Federation (VBF) in 2009, which markedly increased the image of lawyers in Vietnam and their status within the legal system.

Denmark supported a broad range of **cultural activities** in Danish-Vietnamese relations, including but not limited to directly supporting local artists and cultural institutions, festivals and workshops. Together, these activities contributed to the development of culture and art of Vietnam, were instrumental in establishing public-private partnerships (PPPs) in the cultural sector, increased the intercultural understanding between the two nations, and fostered networks among the Government, NGOs, and cultural experts, lecturers and artists from both countries. The support also resulted in more liberal and open arts spaces and made a strong contribution towards linking art projects with public and social discourse. The Vietnam-Denmark Children's Literature Supporting Project 2006-2015, implemented in cooperation with Kim Dong Publishing House, opened the door for cultural exchanges between Vietnamese and Danish writers and illustrators and promoted the creativity of Vietnamese writers and illustrators with new skills and working methods.

Economic relations between Denmark and Vietnam expanded substantially during the evaluation period. Between 2005 and 2015 the total value of bilateral trade in goods increased more than four times and Danish investments in Vietnam nearly tripled. Danish aid instruments played an important part in achieving the growth in economic activity. The Private Sector Development Programme (PSD, 1993-2006) and the Business-to-Business Programme (B2B, 2006-2011) were instrumental in attracting Danish companies to Vietnam, including companies that would otherwise not have moved to the country. In many cases, knowledge of specific instruments and/or business opportunities related to the Danish aid programme drove the companies' initial decisions and motivation for working in Vietnam. Per estimates from different sources, PSD/B2B resulted in the creation of several thousand direct jobs and indirect employment at suppliers.

Danish support for the **Water and Sanitation (W&S) sector** passed through two periods that began with a focus on urban environments and culminated with rural W&S (2005-2015). It produced key results contributing to Vietnam's National Target Programme, including new policies, legislation and

sectoral strategies, reducing water-borne diseases and providing clean/hygienic water in Vietnam. Together with support from other key donors, the Danish-Vietnamese partnership surpassed the expected results by expanding drinking water coverage and provided 85% of the rural population with clean/hygienic water, including over two-thirds of rural poor households, while over 90% of schools and clinics now have access to hygienic water and hygienic sanitation systems at the end of the programme. These impressive efforts in bringing cleaner water to millions of Vietnamese notwithstanding, most of those interviewed stated that they generally considered the water to be acceptable for washing, but many households still boil the water before they drink it. However, it is difficult to know whether this is from bad experiences with drinking the water, or the long-standing habit that many Vietnamese have to boil, no matter how clean it is. Efforts fell far short of the target of improving the lives of marginalised people (especially extremely poor indigenous people) living in remote mountainous areas, with sanitation lagging far behind clean drinking water delivery to those rural populations.

The five components of the **Environment Sector Programme** generated a broad range of results that included new environmental policies, training government institution staff, piloting cleaner production industries (CPI) and reducing environmental hazards and risks that affect people's lives in densely populated areas, especially the poor. CPI addressed shortfalls in industries' environmental management practices by assisting 243 companies among which 60 investment projects were realised with energy savings ranging from 10-60% over three years. It also contributed to the formulation of a National Strategy for Cleaner Production and developing new approaches to promote cleaner production in more provinces than planned. The component "Pollution control in poor densely populated areas" (PCDA) produced numerous legal and technical tools and guidelines, as well as key legal documents, and implemented 16 pollution control projects in poor areas that tripled the number of industries that reduced emissions by the end of the project (from a baseline of 12 industries 2008). The applied arsenic research was one small but significant research activity that stood out. The government successfully applied the investigation results to develop: new policies on naturally elevated arsenic concentrations in groundwater drinking supplies, an awareness-raising strategy and campaign, and technological solutions that reduced serious health risks to over 7 million people along the lower Red River basin. The results were later applied to neighbouring countries with a similar problem and reduced health risks to over 10 million more people.

There is no question that Danida's 18 years of support to the **fisheries sector** (capture fisheries, aquaculture and improving the processing quality of seafood/aquaculture products) helped make it one of Vietnam's major export drivers, positioning the country as the sixth largest seafood exporter in the world. Results from the aquaculture (SUDA) programme indicated that investing in skill development at the grass roots level, creating organisational synergies, solid technical support and innovation can alleviate poverty and drive economic growth. For example, over 40,000 farmers (half of them women) rose from poverty, nearly doubling their household incomes and more than doubling the number of ethnic minority groups taken out of poverty in the mountainous provinces. Innovative management tools like co-managed marine protected areas, pilot projects in aquaculture and lagoon management were locally successful.

In the field of **Climate Change Adaptation and Mitigation** (CCAM), Denmark has played a central role in preparing enabling conditions for Vietnam to address climate change (CC) impacts, despite its relatively small budget. The CCAM programme not only helped put CC policies in place, but it also funded activities that produced a wide range of outputs, such as measures for promoting greater energy efficiency and greenhouse gas emissions reductions, and climate change adaptation (CCA) pilot measures. CC interventions like mangrove reforestation and shoreline protection helped build more resilient coastal ecosystems and rural livelihoods, helping thousands of households to overcome severe saltwater intrusion and drought impacts in the Mekong. Multi-purpose storm shelters in targeted

districts continue to reduce risks that thousands of vulnerable people face each year with the monsoon season.

Transformation

Denmark based its design and implementation of the transformation on a phasing-out strategy, which was well conceptualised and comprehensive. This strategy was well coordinated with the GoV and clearly communicated to the stakeholders involved in the cooperation programme. The fact that the new approach was developed and implemented over a period of several years – as part of Danish-Vietnamese development cooperation – and embedded in high-level policy consultations strongly contributed to its acceptability. However, the emphasis of Danish development cooperation was primarily on the phasing-out of aid, rather than on the post-2015 partnership. While the 2010 phasing-out action plan for the Danish development assistance to Vietnam for 2011-15 comprised clear action points, targets and milestone for the phasing-out of Danish aid at programme level, it did not include any guidelines or indicators for the transformation of bilateral relations.

Both the Royal Danish Embassy in Hanoi and Danish Economic and Commercial Office in HCMC made substantial contributions towards achieving the transformation through, inter alia, regular meetings and workshops with key government and non-state stakeholders. The Embassy has built strong sectoral knowledge in the field of agriculture and food, environment, climate and water and governance.

Generally, the **widespread perception of Denmark as a global beacon of good governance, human rights and cultural pluralism has positively influenced the transformation of governance and culture.** The Danish-Vietnamese Comprehensive Partnership Agreement (CPA) provides a suitable framework for high-level policy dialogue to communicate the message that increased Vietnamese ownership is needed to enhance the sustainability of results in the governance sector. In the cultural sector, following the effective implementation of the Vietnam-Denmark Development Cooperation in Culture (DCC) Programme, which resulted in Denmark's high visibility in Vietnam, the Comprehensive Partnership Agreement has enabled the expansion of art and cultural collaboration between the two countries. Specifically, several exchange activities under the Danish Arts Agency have now become available to Vietnamese artists and institutions, including the Danish International Visiting Artists Programme, Residencies, Information and counselling, press and communication support.¹ Thus, support for culture is a good example of a successful transition from the aid programme to the new bilateral partnership.

As part of the transformation agenda since 2011, Denmark has placed strong emphasis on **strengthening synergies between development aid and Danish commercial interests.** Thereby, Danish companies have secured market share in the food sector, particularly in agriculture and fisheries, and in other sectors including alternative energy and water resource management, education, environment and health. There are currently 135 Danish companies doing business in Vietnam, primarily in wooden furniture, garments, clean energy, information and communications technology, electronics and software, maritime transport and logistics, and food. Within the EU, Denmark is the third largest exporter of goods and services to Vietnam, measured per capita. Of all EU countries with comparable export volumes to Vietnam in 2005 (Finland, Sweden, Poland, Austria, Spain), Denmark achieved the second-highest overall increase (after Spain) and by far the largest growth per capita.

The **green growth sectors** are among those in greatest demand for assisting Vietnam to achieve its new sustainable development goals (SDGs). According to a 2014 World Bank report, the transition to a low carbon economy and greater environmental efficiency sector offers the highest potential growth

¹Aide Memoire. Vietnam (2013), p. 2.

opportunities for private sector investment.² These investments not only offer good economic returns, but also help drive Vietnam's Green Growth Strategy, particularly when it comes to addressing water scarcity and flooding which increasingly affect agriculture and water supplies in both rural and urban areas. However, Danish companies have been slow to invest in Vietnam's water and sanitation, CCAM and environment sectors.

On the other hand, the fisheries-aquaculture sector has not only been an important recipient of specialised Danish equipment and technology, but is also processing seafood originating from the EU and re-exporting it back to Denmark. Much of this success can be traced to Denmark's contribution in ODA-supported improvements.

Recommendations

1. **Make available small grant funds under the new Comprehensive Partnership Agreement** to support strategic interventions in the governance (including economic governance), human rights and culture sectors with the aim of maintaining impact, visibility and leverage in these fields.
2. **Both MFA and the GoV should initiate high-level discussions for exploring how to attract Danish investors in the W&S and Green Growth sectors into an increasingly more level playing field and a stronger institutional framework.** These discussions should also include mechanisms that could be developed to help ensure that there is sufficient capacity for delegating FDI at the provincial level to support investors' needs.
3. **Create a Sector-specific Knowledge Dissemination Facility:** Following the need for sector-specific information on market conditions and opportunities, the partners should immediately examine the feasibility and potential effectiveness of developing a cloud-based Knowledge Facility.
4. **Examine the steps required for harmonising disjointed interventions and creating project synergies within the LCEE³** and any future climate change envelope support into a more clearly articulated partnership framework.
5. **Danida should ensure that phasing-out strategies for other countries follow the Danish-Vietnamese model** of communicating Denmark's intentions and plans well ahead of the actual termination of the ODA relationship.

The RDE and MFA should consider efforts to:

6. **Create a pool of stand-by local green-growth sector experts to advise interested Danish investors** as required, developing mechanisms for ensuring that consultancy services paid by those investors.
7. **Ensure that LCEE has a forward-looking Exit Strategy** that will help guide future work after funding ends.
8. **Improve the conditions for attracting Danish investments** using favourable relations Denmark enjoys with the GoV.
9. **Integrate interactive environmental governance⁴ mechanisms** and the required capacity to improve synergies and improve decision-making into the design of future Danish-supported interventions to help ensure transparency, accountability and collaboration where the state is unable to govern the sustained deliver of environmental goods and services effectively.

²WB (2014).

³ The strategy is presently an assortment of fragmented and incoherent activities through individual rather than integrated coordinating mechanism. Until a coherent strategy is developed, the effectiveness of these collective contributions will remain difficult to assess.

⁴ Defined as the *whole of interactions taken to solve societal problems and to create societal opportunities; including the formulation and application of principles guiding those interactions and care for institutions that enable and control them* (Kooiman et al. 2005, p. 17).

Ministry of Foreign Affairs's Management Response

General comments:

The Ministry of Foreign Affairs (MFA) welcomes the evaluation "Vietnam-Denmark: Transformation of a Partnership" and agrees to most of the conclusions and recommendations. **Overall**, the MFA is satisfied with the evaluation, which confirms the high impact and relevance of Denmark's development programs in Vietnam 2000-2015 and provides useful lessons for aid transformation processes in other Danida priority countries, as well as guidance for Denmark's future engagement in Vietnam with smaller-scale support-instruments focused on a partnership for sustainable growth.

The MFA notes with satisfaction the evaluation's conclusion that Danish support generated an impressive number of results and contributed to achieving long-term changes across **all six sectors** assessed (fisheries, environment/climate, water/sanitation, governance, culture and the business sector) and at both national and provincial levels. Among many key results it is noted that Danish support was particularly instrumental in the **governance sector** including in opening up the discourse on human rights in Vietnam, as well as in the **fisheries** sector helping it develop into one of Vietnam's major export drivers and source for significant poverty reduction.

For **water and sanitation** the evaluation concludes that together with support from other key donors the Danish-Vietnamese partnership surpassed the expected results by providing access to hygienic water to 85% of the rural population. The MFA, however, does not agree to the evaluation's conclusion that efforts under the national programme (NTP) fell far short of the target of improving the lives of marginalised people living in remote mountainous areas, with sanitation lagging far behind drinking water delivery to those rural populations. Firstly, improving the lives of marginalized people was not the main objective of the NTP (the government had other national programme directly targeting these groups). Secondly, the NTP actually achieved its sanitation target by end 2015 with 65% of the rural population having access to hygienic latrines. The government was well aware that sanitation progress was much more challenging to obtain than water delivery (85%), and set a lower target (65%) accordingly.

As for the **business sector** the MFA notes that the evaluation did not seek to quantify the extent to which the B2B program had achieved its overall objective of contributing to reducing poverty by promoting economic growth and social development, but the MFA agrees that the program, together with the Business Sector Programme Support (BSPS), has played an important role in developing the commercial relations between Denmark and Vietnam and has substantially contributed to technology transfer, as well as job creation and sustainable development through CSR and environmental standards.

Regarding the **transformation agenda**, the evaluation notes that while the 2010 phasing-out action plan for 2011-15 comprised clear action points, targets and milestones for the phasing-out of Danish aid at programme level, the plan paid less attention to guidelines or indicators for the transformation of bilateral relations after 2015. The MFA is of the opinion that the transformation process in Vietnam on the one hand was guided by the phasing-out plan, but on the other hand and in a very purposeful and determined way was guided by the Danish Growth Market Strategy for Vietnam of 2012 and in

particular the Bilateral Comprehensive Partnership Agreement (CPA) of 2013, both launched at HoS/HoG-level. The CPA was negotiated over almost two years, and added to the ownership of the transformation also on the Vietnamese side, both horizontally and at highest political level. The MFA, however, acknowledges that while the evaluation at this point reflects a good lesson and practice from Vietnam, it also pertinently reflects the MFA's work over recent years on how to better underpin and ensure that transition from traditional development partnership leads to stronger commercial cooperation and, where relevant, broader bilateral partnerships, ref. also response to recommendation 5 below.

In the same regard and as the evaluation emphasizes, "**synergies**" between Danish development aid and commercial activities succeeded very well in Vietnam, and Denmark was able to establish itself as the largest EU exporter of goods to Vietnam per capita in the last year of the phasing-out period (2015). The MFA has undertaken a number of initiatives to support this "synergies"-agenda in transition and emerging economies, including the programme "Partnering with Denmark".

Going forward, the MFA also takes note of the emphasis on support for **culture** as a good example of a successful transition from the aid programme to the new bilateral partnership, and recognizes that the Vietnamese-Danish Comprehensive Partnership of 2013 provides a suitable framework for addressing continuous needs in i.a. the **governance** sector including human rights.

Finally, the MFA agrees that the **green growth** sectors are among those in greatest demand for assisting Vietnam to achieve its new sustainable development goals (SDGs) and at the same time offer high potential growth opportunities for private sector investments. As the evaluation also points out, however, fundamental premises for Vietnam's future development strategy are rules-based governance and a more effective anti-corruption plan, which in combination with a challenging business environment, are some of the barriers that must be overcome if the full potential of trade and investments between Denmark and Vietnam is to be realized.

Follow-up to recommendations:

1. Make available small grant funds under the new Comprehensive Partnership Agreement.

Although Denmark has phased out the traditional bilateral development programme with Vietnam, a number of tools continue under the development assistance, which are used actively by the embassy to leverage further cooperation. The available tools and programmes have actually increased over the recent years with the introduction of i.a. new business instruments, the programme "Partnering with Denmark" and the renewed research and scholarship collaboration. The Ministry of Foreign Affairs has taken note of the evaluation's recommendation to consider emphasising such partnership tools in relation to the more 'soft diplomacy' areas, such as governance and culture, but at the moment there are no immediate plans to introduce these. From 2015, however, the embassy has been part of the pilot scheme – the "Mini Grant Facility" – that allows for small-scale strategic activities such as workshops and study-visits up to DKK 100,000, and where the embassy is prioritizing activities within good governance (including economic governance) and the human rights agenda. The MFA also recognizes

the pertinence of further consideration on how Denmark can continue to support targeted interventions promoting democratisation, civil society and human rights after phasing-out, which is also reflected in the new Danish strategy “World 2030 – Development Cooperation and Humanitarian Assistance”.

2. Both MFA and the GoV should initiate high-level discussions for exploring how to attract Danish investors in the W&S and Green Growth sectors into an increasingly more level playing field and a stronger institutional framework.

The Ministry of Foreign Affairs agrees to this recommendation which is relevant for several sectors. The embassy in Hanoi has frequent contacts and discussions with relevant Vietnamese authorities, including within the water & sanitation and green growth sectors, and possesses strong knowledge and experiences in these sectors based i.a. on the long development cooperation with the relevant Vietnamese partners. On the basis of Vietnamese demands and Danish strongholds, four priority areas have been selected for enhanced cooperation with the Vietnamese authorities through the programme “Partnering with Denmark”, including within industrial pollution and sustainable food production. The embassy will continue to pursue opportunities for addressing framework conditions with Vietnamese authorities where possible also in other areas, as well as continue to ensuring that the topic of framework conditions is part of the agenda in future meetings of the Danish-Vietnamese Joint Governmental Committee for Trade and Investments at ministers-level.

3. Create a Sector-specific Knowledge Dissemination Facility.

The Ministry of Foreign Affairs agrees that sector specific knowledge gained through the Danida sector programs as well as acquired (and still being acquired) through the work of the Trade Council, must be disseminated to the benefit of companies whenever relevant. Various networks for knowledge exchange and dissemination exist within Danish commercial sectors, and the Ministry of Foreign Affairs contributes to knowledge sharing through these networks. The embassy’s Trade Section furthermore develops and maintains knowledge related to the prioritised sectors for Danish commercial cooperation in Vietnam, including drawing upon knowledge and networks, and offers services based on this knowledge to Danish companies active or interested in Vietnam. Establishing open-source knowledge dissemination facilities parallel to the existing facilities is not considered a task for the Ministry of Foreign Affairs and it does therefore not agree with this recommendation.

4. Examine the steps required for harmonising disjointed interventions and creating project synergies within the LCEE.

The embassy has consistently pursued and promoted project synergies and harmonisation where possible throughout the implementation of the programme Low Carbon Transition within the Energy Sector in Vietnam (LCEE). Examples are a large number of workshops/seminars with knowledge-sharing within the LCEE-network and external actors, as well as knowledge sharing with Danish companies to help them to build up partnerships and promote business in Vietnam, e.g. in the food processing, building and water sectors. Building on good results and lessons learnt of the current support (2011-2017) is also part of the ongoing formulation process for a new energy-partnership phase with Vietnam (2018-2020). The Ministry of Foreign Affairs has also prepared generic guidelines

for the Climate Envelop in which private finance is included as an important objective, and takes note of the recommendation to update the guidelines for the Climate Envelope with more detailed instructions on how to maximise Climate Envelop fund to attract private finance when relevant.

5. Danida should ensure that phasing-out strategies for other countries follow the Danish-Vietnamese model.

The Ministry of Foreign Affairs has recently published an updated and revised version of its Guidelines for Programmes and Projects, which takes into account the orientations from the new Danish development and humanitarian strategy and the most recent experience with programming and implementation of Danish development cooperation. The experience from the exit in Vietnam is to a large extent reflected in the Guidance Note on Country Exit from Bilateral cooperation (March 2015). However, the conclusions from this evaluation on the importance of including explicitly considerations of not only phasing out development cooperation, but also ‘phasing in’ stronger economic/commercial and political cooperation should be brought to the attention of embassies facing a similar situation.

Recommendations 6-9 (suggestions for consideration)

6. Create a pool of stand-by local green-growth experts to advise interested Danish investors on paid-for basis.

The MFA agrees to the rationale behind this suggestion and notes that the Trade Council under the MFA and at the embassy is serving exactly this purpose. Moreover, it should be noted that Vietnam in 2015 as the first ASEAN-country became member of the Danish-led Global Green Growth Forum (3GF) and is actively engaged herein. Likewise, the planned new energy partnership programme (2018-2020) and the “Partnering with Denmark” projects within environment and food can also give access to relevant networks.

7. Ensure a forward-looking Exit Strategy of the LCEE that will help guide future work.

The MFA agrees and the suggestion will be taken into account during the closure of LCEE in 2017 and in connection with the formulation of the expected new energy partnership programme with Vietnam for the period 2018-2020.

8. Improve the conditions for attracting Danish investments using the favourable bilateral relations.

The MFA agrees and this has been a main priority for Denmark’s engagement in Vietnam for several years and with considerable success, ref. i.a. that Denmark according to official Vietnamese data (January 2017) ranks as No 9 among EU countries in terms of investments volume in Vietnam and No 5 in number of FDI-projects.

The Danish Government is utilising all opportunities established i.a. through the development partnership with the Vietnamese Government to emphasize the need for Vietnam to have a more level playing field and a stronger institutional framework. For example during the recent visit in October 2016, the Danish Foreign Minister at all political meetings raised some of the challenges for Danish

companies in Vietnam, including with corruption and sometimes seemingly arbitrary application of laws and regulations, particularly within customs and taxation.

The MFA also believes that the expected implementation of the EU-Vietnam FTA from 2018 would give an extra push to the required economic and institutional reforms in Vietnam, contributing to improving the business environment for Danish investors in Vietnam.

Among concrete examples of successful utilisation of Denmark's comparative advantages in Vietnam and a combination of aid instruments for attracting new Danish investments to Vietnam, is the "Danish-Vietnamese business partnership in pig farming" described in the evaluation's case study T1.

9. Integrate environmental governance mechanisms in the design of future Danish-supported interventions.

The Ministry of Foreign Affairs recognizes that despite the very good results emphasized by the evaluation, ensuring sustainability of environmental programmes is challenging, not least in a country as Vietnam, where the implementation and enforcement of environmental legislation is weak. The MFA also agrees that improving framework conditions and capacity building for environmental governance is an important aspect of promoting sustainable development. As indicated in the new Danish strategy for development and humanitarian assistance, the sustainable development goals on water, energy, industry and climate will be among the goals prioritized by Denmark in growth and transition countries, where environmental governance is especially important. The Ministry of Foreign Affairs will continue to include issues related to environmental governance in the dialogue with partner countries when relevant.

In Vietnam, the weak environmental governance is also recognised by the Vietnamese authorities and has been a key driver for entering into the new "Partnering with Denmark" Strategic Sector Cooperation on Industrial Compliance that is focusing on good governance, implementation, enforcement and awareness raising related to environmental protection. Likewise, environmental governance is part of the formulation of a new Danish-Vietnamese energy partnership programme for 2018-2020.