



# VIETNAM-DENMARK: TRANSFORMATION OF A PARTNERSHIP

## Synthesis Report

**EVALUATION**

January 2017





# **Evaluation: Vietnam-Denmark: Transformation of a Partnership**

## **Synthesis Report**



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Production: Evaluation Department, Ministry of Foreign Affairs of Denmark  
January 2017  
Cover: Joseph Dennis Ryan  
Graphic Production: Datagraf Communications A/S

ISBN: PDF: 978-87-7195-002-1  
ISBN: HTML: 978-87-7195-003-8

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## List of Abbreviations

AC	Anti-Corruption
ADB	Asian Development Bank
B2B	Business-to-Business
BSPS	Business Sector Programme Support
CC	Climate Change
CCA	Climate Change Adaptation
CCAMP	Climate Change Adaptation and Mitigation Programme
CCM	Climate Change Mitigation
CDE	Capacity Development for Environment
CDM	Clean Development Mechanism
CDS	Clean Development Systems
CIEM	Central Institute of Economic Management
CP	Clean Production
CPA	Comprehensive Partnership Agreement
CPI	Cleaner Production Industry
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
CSR	Corporate Social Responsibility
Danida	Danish International Development Aid
DARD	Department for Agriculture and Rural Development
DBP	Danida Business Partnerships
DC	Development Capacities
DCC	Development Cooperation in Culture
DCE	Development Cooperation in the Environment
DEA	Danish Energy Authority
DECO	Danish Economic and Commercial Office in Ho Chi Minh City
DoH	Department of Health
DoITs	Departments of Industry and Trade
DoNRE	Department of Natural Resources and Environment
EEBC	Energy Efficiency Building Code
EEZ	Exclusive Economic Zone
EIA	Environmental Impact Assessment
EM	Environmental Management
EQ	Evaluation Question

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ERG	Evaluation Reference Group
ESP	Environment Sector Programme
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FGD	Focus Group
FIRM	Facilitation Implementation and Readiness Mitigation
FMP	Fisheries Master Plan
FSC	Forest Stewardship Council
FSPS	Fisheries Sector Programme Support
GAP	Good Aquaculture Practices
GBS	General Budget Support
GCF	Global Competitiveness Facility
GDP	Gross Domestic Product
GG	Good governance
GHG	Greenhouse gas emissions
GI	General Inspectorate
GIF	Green Investment Facility
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GmbH)
GOPA	Good Governance and Public Administration Reform Programme
GoV	Vietnamese Government
HCMC	Ho Chi Minh City
HCMCLU	Ho Chi Minh City Law University
HCWF	Ho Chi Minh City Child Welfare Foundation
HEI	Higher Education Institutions
IDA	International Development Association
IFU	Investment Fund for Developing Countries
ILO	International Labour Organization
IMF	International Monetary Fund
JAR	Joint Annual Review
JC	Judgment Criteria
JICA	Japan International Cooperation Agency
JOPSO	Support for Legal and Judicial Reforms in Vietnam
JPP	Justice Partnership Programme
LCEE	Low Carbon Transition in the Energy Efficiency Sector
LCTU	Low Carbon Transition Unit (of DEA Global Cooperation and MCEB)
LMPA	Livelihoods in Marine Protected Areas

## LIST OF ABBREVIATIONS

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MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MIC	Middle-income Country
MoC	Ministry of Construction
MoCST	Ministry of Culture, Sport and Tourism
MoET	Ministry of Education and Training
MoFI	Ministry of Fisheries
MoIT	Ministry of Industry and Trade
MoLISA	Ministry of Labour, Invalids and Social Affairs
MoNRE	Ministry of Natural Resources and Environment
MoPI	Ministry of Planning and Investment
MoU	Memorandum of understanding
MPA	Marine Protected Area
NA	National Assembly
NACA	Network of Aquaculture Centres in Asia-Pacific
NDF	Nordic Development Fund
NGO	Non-Governmental Organisations
NIB	Nordic Investment Bank
NRWSSS	National Rural Clean Water Supply and Sanitation Strategy
NSEP	National Strategy for Environment Protection
NT RCC	National Target Programme to Respond to Climate Change
NTP	National Target Programme
O&M	Operation and Maintenance
ODA	Official Development Assistance
OFID	OPEC Fund for International Development
ONA	Office of the National Assembly
OPEC	Organization of the Petroleum Exporting Countries
OSH	Occupational Safety and Health
OSS	One Stop Shop
PAR	Public Administrative Reform
PARAFF	Public Participation and Accountability Facilitation Fund
PCDA	Pollution Control in Poor Densely Populated Areas
PCI	Provincial Competitive Index
PGBS	Partnership General Budget Support
PMU	Programme Management Unit



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POSCIS	Programme on Strengthening the Comprehensive Capacity of the Inspectorate Sector
POSMA	Post-harvest processing (FSPS)
PPC	Provincial People's Committee
PPP	Public Private Partnership
PRSC	Poverty Reduction Support Credit
PSD	Payment Services Directive
PSD	Private Sector Development
RDE	Royal Danish Embassy
RWSS	Rural Water Supply and Sanitation
SCAFI	Strengthening of Capture Fisheries Management Component
SDU	Sustainable Development Unit
SEA	Strategic Environmental Assessment
SEDP	Socio-Economic Development Plan
SEDS	Socio-Economic Development Strategy
SME	Small and Medium Enterprises
SPC	Supreme People's Court
SPP	Supreme People's Procuracy
SSC	Strategic Sector Cooperation
STOFA	Strengthening of the Fisheries Administration
SUDA	Sustainable Development Aquaculture
TA	Technical assistance
TC	Trade Council
ToC	Theory of change
TPBS	Targeted Programme Budget Support
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNHCR	United Nations High Commissioner for Refugees
VASEP	Vietnamese Association of Seafood Exporters and Producers
VASS	Vietnamese Academy of Social Sciences
VBF	Vietnam Bar Federation
VIDATEC	Vietnam-Denmark Aquaculture Technology Centre
VNEEP	Vietnam National Energy Efficiency Programme
VNU	Vietnam National University

## LIST OF ABBREVIATIONS

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W&SP	Water and Sanitation Sector Programme
WB	The World Bank Group
WHO	World Health Organization
WSSP	Water Supply and Sanitation Strategy

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# Executive Summary

## Short introduction

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 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 10 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 (GoV) 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 (RDE) in Vietnam and the Vietnamese Foreign Ministry signed a new biannual 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 RDE 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 RDE 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.<sup>1</sup> 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 opportunities for private sector investment.<sup>2</sup> 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 eco-

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1 Aide Memoire. Vietnam (2013), p. 2.

2 WB (2014).



conomic 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 LCEE<sup>3</sup>** 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 governance<sup>4</sup> 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.

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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).

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# 1 Introduction

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, more than DKK 5.5 billion<sup>5</sup> in ODA (Official Development Assistance) was disbursed, establishing Denmark as one of the largest bilateral donors in Vietnam. For long stretches, Denmark was among the top 10 bilateral donors engaged in Vietnam; in the fisheries sector Denmark was the top 10 donor. Danish development cooperation carried out interventions at all levels – national, provincial and local – with priority given to support for poorer provinces.

Bilateral cooperation has been under transition since 2007, evolving towards a more comprehensive and mutually beneficial partnership. An initial plan for the phasing-out of traditional development cooperation by 2015 was adopted in 2007, communicated to Vietnam, and afterwards expanded into a more comprehensive strategy focussing on achieving sustainability, capacity development and managing the transition (2009).

Against this backdrop the evaluation examines the cooperation in a holistic manner, not only providing the Danish and Vietnamese people with an assessment of how efficiently and effectively these funds were spent, but also highlighting the lessons learned that could further guide the transformation of the partnership between Denmark and Vietnam. The analysis also aims to communicate the Danish-Vietnamese experiences to other countries in the process of transforming development cooperation as they approach medium-income country status. An evaluation of Danish Development Assistance to Vietnam covering the period from 1993 to 2000 was published in 2002. Hence, the current evaluation<sup>6</sup> covers the period 2000-2015, building on national and provincial monitoring, earlier studies and evaluations as well as stakeholder interviews. It has the following three objectives:

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

The evaluation examines all development cooperation activities during the period 2000-2015, of which most support was provided through a number of sectoral and cross-cutting programmes (see below). Against this backdrop the evaluation assesses:

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5 Source: Portfolio Analysis, see Chapter 3.

6 The evaluation team for this evaluation is composed of: Joern Dosch (Team Leader; expert for governance, culture, business support), Joe Ryan (expert for environment, climate change, water & sanitation and fisheries expert), Le Duy Binh (national & private sector expert), Eva Broegaard (Methodological Expert), Silvia Cifarelli (Research Assistant)

- **Major longer-term changes** – by identifying and examining the contribution of Danish support for long-term changes achieved across all the major support programmes
- **Specific result areas** – by identifying and examining the contribution of Danish support in achieving targeted results within six sectors (fisheries, environment/ climate, water/sanitation, governance, culture, and the business sector) and five provinces (Lao Cai in the North; Quang Nam and Dak Lak in the central region; Ben Tre and Can Tho in the South) as well as Hanoi and Ho Chi Minh City (HCMC).

The sectors selected reflect core areas of the cooperation and provide insight across results, sustainability and transformation. The geographical focus for both longer-term changes and specific results areas is on provinces where significant support was provided, including one from the central highlands, one from the North and one from the South representing both poor and more economically developed regions. For more on the approach and methods, see Annexes D and E.

The findings presented in this report are organised in two main chapters: i) Results and sustainability, including the added value of Danish cooperation, and ii) Transformation. The conclusions are presented in a single chapter but are clearly linked to the three objectives; the recommendations address the conclusions.

The following chapters of the report provide a brief overview of Vietnam's development in the past 15 years, describe the Danish ODA portfolio in the country and briefly summarise the aid provided by other donors. The evaluation is presented in three parts: an assessment of the results of Danish-Vietnamese development cooperation and their sustainability; an analysis of the transformation of the partnership from traditional development cooperation to post-ODA relations; and a concluding chapter that revisits the findings of the previous two chapters against the backdrop of the evaluation questions and judgement criteria. The report concludes with a list of recommendations. The 15 case studies in Annex C provide additional analysis and findings on Danida's support to Vietnam as well as the transformation of the bilateral partnership.

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## 2 Background

### 2.1 National context

Vietnam has gone through a period of rapid socio-economic development over the last three decades. After reunification in 1975, Vietnam switched its focus to reconstruction and development following the country's long period of crisis during the 1970s and 1980s directly related to severe damage caused by war, policy weaknesses and a difficult international environment. Vietnam launched 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 the 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 status with per capita income of over USD 2,019 by the end of 2015.

Vietnam's economic growth rate averaged 6.4% per year in the 2000s, but began to slow in the wake of the global financial and economic crisis in 2008-09. However, driven by strengthening domestic demand, GDP accelerated to 6.3% during the first half of 2015, the fastest first-half-of-the-year growth rate in the past five years. Vietnam has managed to improve macroeconomic stability, with the consumer price index rising just 0.63% in 2015, down from 4.3% a year earlier, marking its lowest level since 2001.

The Socio-Economic Development Strategy (SEDS – 2011-2020) gives attention to structural reforms, environmental sustainability, social equity, and emerging issues of macroeconomic stability. It defines three “breakthrough areas”: (i) promoting human resources/skills development (particularly skills for modern industry and innovation), (ii) improving market institutions, and (iii) infrastructure development.

The country has completed the five-year Socio-Economic Development Plan (SEDP) 2011-2015 with a focus on higher quality and more sustainable economic growth, improved living standards of ethnic minority populations, strengthened environmental protection, and mitigation and prevention of the adverse impacts of climate change. The SEDP II 2016-2020 acknowledges the slow progress of the reform priorities of the SEDP 2011-2015 and emphasizes the need to accelerate these reforms in 2016-2020 to achieve the targets set out in the 10-year strategy. The 12th National Congress of the Communist Party held in January 2016 reiterated the determination to build a market economy per international norms and practices. Institutional reforms and efforts to improve the quality of governance are expected to be accelerated in the future in support of this objective. Furthermore, the Resolution also aims at further efforts to build a lean and efficient political system as well as to bolster the fight against corruption, state budget waste and bureaucracy.<sup>7</sup>

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7 Government of Vietnam (2011). Socio-Economic Development Strategy (SEDS) 2011-2020. The document is a revision carried out by the Eleventh Congress of Vietnam Communist Party of the “Socio-economic Development Strategy for the period of 2001-2010”.

## 2.2 MDG achievements

Vietnam has made significant progress in achieving the MDGs. According to the GoV and the United Nations, Vietnam has achieved several MDGs and has met its targets in areas such as (i) eradicating extreme poverty and hunger, (ii) achieving universal primary education, (iii) promoting gender equality in education, and it has achieved certain health-related indicators such as reducing the maternal mortality ratio and the child mortality ratio. The country also achieved the target for malaria and tuberculosis control, as well as combating the HIV/AIDS prevalence rate, and today it is on the way to achieving the targets for universal access to reproductive health services and improving maternal health. Vietnam has also made remarkable progress in reducing poverty. Using the USD 1.90 2011 PPP line, the fraction of people living in extreme poverty dropped from over 50% in the early 1990s to 3% today.

Significant work remains in the areas of combatting HIV/AIDS and ensuring environmental sustainability. While overall poverty levels have dropped remarkably and there were improvements in health and education, the pace of reduction has not been even across regions and population groups, as the recent UN Vietnam Human Development report shows. Ethnic minority groups have fared less well across the MDGs, along with the landless and poor urban migrants. There are also significant gaps between urban and rural residents and between regions of the country, with the northern mountains, central highlands and central coastal regions all faring less well.<sup>8</sup>

Vietnam recently attained the status of a lower-middle-income country (MIC). While this reflects the significant changes in Vietnam over the past 25 years, new challenges have emerged. According to the UNDP Human Development Report for Vietnam 2015, in recent years Vietnam has not been as successful as it had been in the past in translating economic gains into health and educational improvements, and the rise in income has been higher than the rise in the HDI indicators. There are also many issues related to pollution that have reduced the resilience of ecosystem services, particularly in the country's extensive aquatic and marine environments, including important fishery nursery-reproductive areas, aquaculture farms and productive fishing grounds.<sup>9</sup> The attainment of the country's MIC status and these new challenges have strong implications for the development cooperation landscape in Vietnam.

## 2.3 Danish cooperation with Vietnam

Denmark has been an active development partner engaging across the board from support for good governance reforms and the rule of law, to the sectors of fisheries and agriculture, environment, energy and water; and finally, yet importantly, support for private sector development and budget support. In addition to country framework funding, Vietnam received substantial funding from business-to-business instruments and to civil society. The overall purpose of the development cooperation throughout the period was support for sustainable socio-economic development, inclusive economic growth and

8 Country report: 15 years achieving the Vietnam Millennium Development Goals – the GoV and UN, September 2015.

9 WB 2011; The et al. 2014.

poverty reduction, and good governance. The partnership integrated the cross-cutting objectives of gender equality, environmental sustainability, capacity-building of partners and participation, and gave attention to curbing the spread of HIV/AIDS. Denmark also contributed to the harmonisation and alignment agenda, increasingly working through Vietnamese structures and systems in the implementation of Danish development assistance. During the period 2000-2015, more than DKK 5.5 billion (USD 825 million – see following chapter for breakdown) was disbursed in Vietnam. Denmark carried out its cooperation at all levels – national, provincial and local – with priority given to support for poorer provinces.

As mentioned earlier, the focus within development cooperation between Denmark and Vietnam since 2007 has increasingly been on private sector development and climate change as the partnership evolved. The strategic framework for cooperation with Vietnam today is based on the Strategic Partnership in the areas of climate change, environment, energy and green growth<sup>10</sup> (2011), Growth Market Strategy for Vietnam (2012) and the Comprehensive Partnership Agreement (2013).

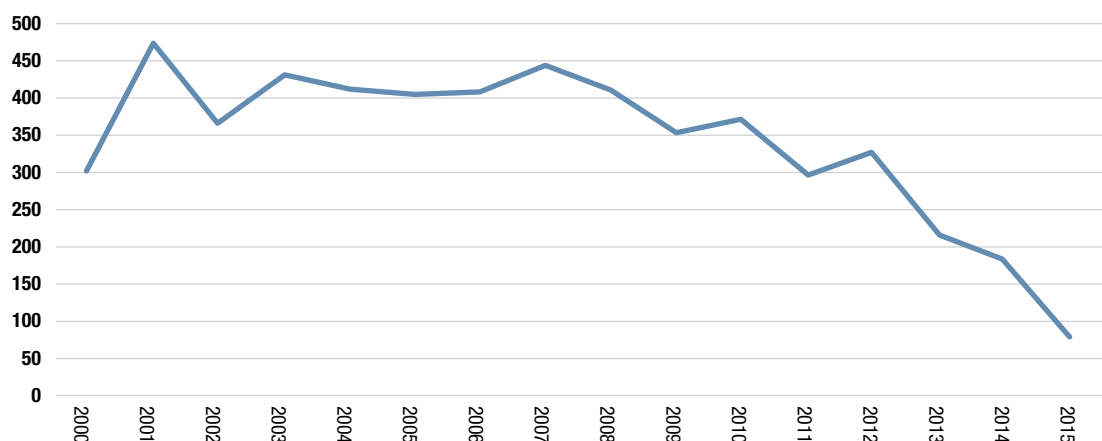
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10 The Joint Declaration for the establishment of the Strategic Partnership in the areas of climate change, environment, energy and green growth has been signed by the MFA and the GoV in November 2011.

### 3 Portfolio Analysis

The analysis covers all Danida-implemented<sup>11</sup> projects between 2000 and 2015. Funds disbursed over the evaluation period amounted to DKK 5.5 billion (USD 825 million) for a total of 694 interventions. The average contribution per year was DKK 342 million (USD 51.3 million), but from 2007 the disbursements sharply decreased, reaching DKK 78 million (USD 11.7 million) in 2015 (see Figure 1).

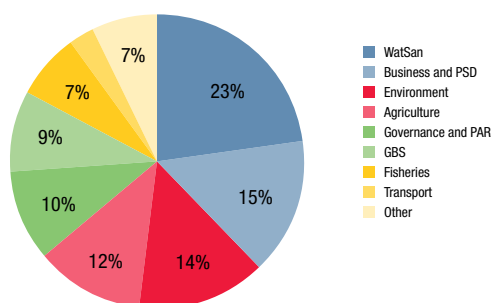
**Figure 1: Danida Disbursements by year, DKK Millions (2000-2015)**



Source: Danida internal database.

In terms of sectoral distribution, it is evident from the figure below that the Danish cooperation and partnership was mainly focused on the Water and Sanitation sector (DKK 1.2 billion, USD 180 million), Business Development (DKK 806 million, USD 120 million) of which 49% was deployed to the industry sector, Environment (DKK 762 million, USD 114 million) and Agriculture (DKK 639 million, USD 96 million). Support for governance (DKK 531 million, USD 80 million) – particularly through Budget Support (DKK 515 million, USD 77 million) – has also been significant.

**Figure 2: Danida Disbursements by sector, (2000-2015)**

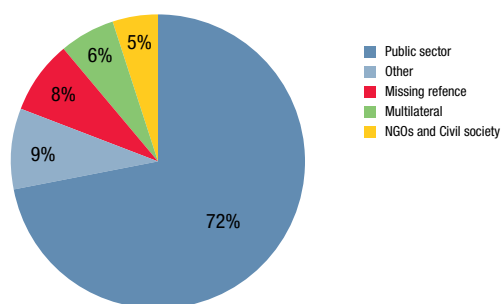


Source: Based on data from Danida internal database, January 2016.

<sup>11</sup> The analysis of the portfolio is based on the data provided by Danida in January 2016. For a detailed description of the methodology see Annex G.

In terms of recipients, it is worth noting that 72% of the funds have been disbursed through the public sector of which 94% was through the GoV.

**Figure 3: Danida Disbursements by recipient (2000-2015)**



Source: Based on data from Danida internal database, January 2016.

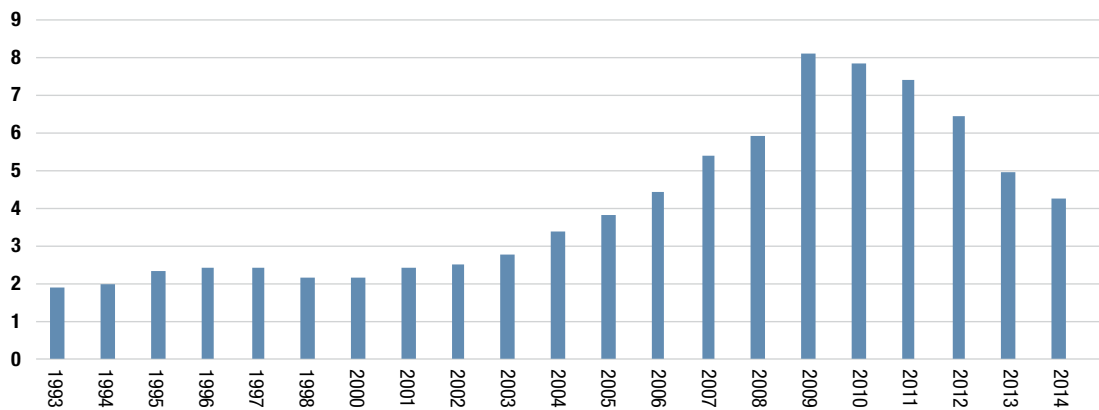


## 4 Overview of other Donor ODA

Vietnam is one of the largest recipients of Official Development Assistance (ODA) in the world, receiving support from over 50 bilateral and multilateral donors. Vietnam has received ODA as grants, concessional loans and a mix of the two. From 1993 to 2014 the total ODA committed to Vietnam amounted to USD 89.5 billion of which USD 60 billion was disbursed during the evaluation period (2000-2014). On average USD 3.5 billion per year was committed to Vietnam. Loans cover 75% of total ODA commitments, see Figure 5.

Vietnam's achievements in socio-economic and political development over the past 30 years of Doi Moi are at least partly due to 20 years of ODA. In an international conference held in 2015 to review two decades of ODA in Vietnam, the GoV acknowledged that ODA had played a critical role in turning Vietnam from a poor country into a low middle-income country, reducing poverty and enabling the country to integrate deeper into the world economy and trade systems.

**Figure 4: ODA commitment to Vietnam (Billion USD)**



Source: The Ministry of Planning and Investment (MPI).

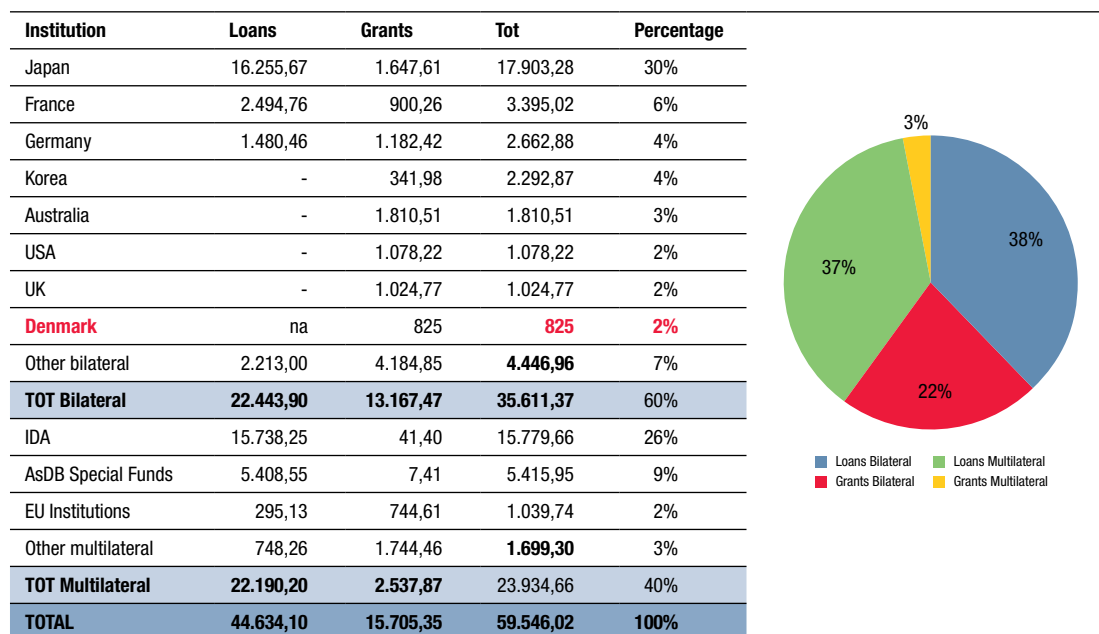
Bilateral donors account for 60% of total ODA commitments disbursed during the evaluation period (2000-2015) and include the governments of Ireland, the UK, Austria, Poland, Belgium, Canada, Kuwait, Denmark, Germany, the Netherlands, South Korea, Hungary, Italy, Luxembourg, Malaysia, the US, Norway, Japan, New Zealand, Australia, Finland, France, the Czech Republic, Spain, Thailand, Sweden, Switzerland, China, and Singapore. Throughout the evaluation period (2000-2015) Japan figures as the largest bilateral donor with USD 18 billion, while Denmark ranks 8<sup>th</sup> with USD 825 Million, see figure below.

Multilateral donors account for 40% of ODA commitments to Vietnam and include international financial institutions and funds such as: International Development Association (IDA) – the branch of the WB for the poorest – that ranks 1st with USD 16 billion, the International Monetary Fund (IMF), the Asian Development Bank (ADB), the OPEC Fund for International Development (OFID), the Kuwait Fund, the Saudi Fund, the Nordic Development Fund (NDF), and the Nordic Investment Bank (NIB). Other international organisations and intergovernmental organisations have also been

## 4 OVERVIEW OF OTHER DONOR ODA

involved, including: the European Union (EU), which ranks third with USD 1 billion, the United Nations High Commissioner for Refugees (UNHCR), the Joint United Nations Programme on HIV/AIDS (UNAIDS), the United Nations Development Programme (UNDP), the United Nations Environment Programme (UNEP), the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the World Health Organization (WHO), and many others.

**Figure 5: ODA Commitments grants and loans, 2000-2015 , millions USD**



Source: OECD/CRS database, own elaboration.

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## 5 Results and Sustainability of the Danish Vietnamese Partnership

### 5.1 Overview

Based on an agreement with the GoV in the 1990s the initial cooperation focussed on the country's social and economic development and particularly supported productive sectors, i.e. agriculture, fisheries and water supply. These priorities were chosen against the backdrop of both the country's destruction due to the extended periods of war and the challenges of the far-reaching economic reform process *Doi Moi* initiated in 1986.

The 2000 Strategy for Danish Bilateral Development Cooperation with Vietnam confirmed '*social and economic development, with due regard for the most impoverished groups*' as the overarching objective of Danish support but also acknowledged that cooperation had been more difficult than foreseen. Extensive policy dialogue with the GoV resulted in the decision to continue support for the productive industries, agriculture and fisheries, where large sections of the poorest groups earn their income. The same applied to the water sector, where lessons learned had shown that further targeting of assistance would be necessary to achieve increased poverty orientation.

Hence, while the sector concentration from the previous strategy remained unchanged, the intervention areas focused on the water and agricultural sectors and were adjusted with the dual objectives of enhancing interaction between individual activities under sector programme support and strengthening the poverty orientation of Danish aid to Vietnam. Capacity building at national level aimed at more efficient administration and growth in the focal sectors. The geographical focus of programme implementation was selected with the intention of reaching some of the poorest population groups in the country. Danish efforts also focused – as full components of the cooperation programme – on good governance, support for the legal system, human rights and the reform process in general, with the aim of supporting the establishment of a more open, transparent society.<sup>12</sup>

At the same time, the introduction of budget support marked a significant shift in the delivery of aid. The Partnership General Budget Support (PGBS) in Vietnam had been provided through the World Bank's Poverty Reduction Support Credit (PRSC) since 2001. The PRSC initiated a more partnership-oriented approach to budget support. It provided funding for the government's own reform programme, the Comprehensive Poverty Reduction and Growth Strategy (CPRGS), which was later integrated into the Socio-Economic Development Plan 2006-2010. The performance framework for the PRSC was based on expected development outcomes. This framework had been progressively better defined and documented over time. A development outcome matrix was established to monitor achievements.<sup>13</sup> In 2004 a group of donors and partner governments commissioned a joint evaluation of General Budget Support (GBS) to

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12 Danida-MFA (2000).

13 RDE Hanoi (2009-2011).

assess to what extent and under what circumstances GBS was relevant, efficient and effective for achieving sustainable impacts on poverty reduction and growth. The report on the Vietnamese case concluded that PGBS in Vietnam ‘*represented a successful case of donor-government collaboration, of learning from experience and achievement of objectives.*’ It further stated that ‘*...PGBS appears to be an efficient and effective way to support poverty reduction*’ in Vietnam.<sup>14</sup> It should be noted that while Danida has worked with country systems processes, it has used procurement and value for money audits as safeguards.<sup>15</sup>

### **Cooperation after 2005**

A 2002 evaluation of the country strategy found most of the activities relevant but noted that more attention should be given to poverty alleviation, gender equality, good governance and ownership by Vietnamese partners. These recommendations were reflected in the subsequent country strategy for 2006-2010, which established ‘*poverty reduction through promotion of sustainable, private-sector-led development and strengthening of democratization, respect for human rights and good governance*’ as the main objective for the new phase.

Based on and aligned with Vietnam’s Socio-Economic Development Plan/SEDP (2006-2010)<sup>16</sup> and in consideration of interventions by other donors, five approaches formed the backbone of Danish assistance:

1. Increased support for Vietnam’s national reform programme with primary emphasis on support for Poverty Reduction Credits, Public Administrative Reform (PAR)<sup>17</sup> and judicial reforms. Additional activities focused on curbing corruption and promoting good governance and were to be implemented as part of all Danish assisted programmes and projects.
2. Sustainable production increases in agriculture, fisheries and other parts of the private sector where the potential for pro-poor growth was highest.
3. Continued support for the development of Vietnam’s human resources in all sector programmes and other activities but with a focus on the provision of safe water and sanitation.
4. Strengthening of democratisation, popular participation, and respect for human rights as well as gender and environment as both cross-cutting issues and independent objectives of Danish assistance. Furthermore, increased emphasis was to be given to cultural cooperation aimed at increasing creativity, people’s access and participation, as well as diversity.

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14 Bartholomew, Ann; Robert Leurs; Adam McCarty (2006), p. 91.

15 Norad (2011), p. 29.

16 Denmark was actively involved in the donor-government consultations on the draft SEDP 2006-2010. The basis for Denmark’s involvement was its development profile as it is established in its country programme for Vietnam. Denmark was especially active in establishing indicators for the monitoring of progress under the SEDP. Denmark’s country programme is aligned with the SEDP 2006-2010 and consequently, the overall poverty reduction strategy.

17 PAR aims to “successfully building a democratic, strong, clean, professionalised, modernised, effective and efficient public administration system which operates in line with the principles of the socialist ruled-by-law State under the leadership of the Party” (Ngo Thanh Can 2013, p. 111).

5. Strengthening the fight against the HIV/AIDS-epidemic in Vietnam and mainstreaming HIV/AIDS into all sector programmes and other relevant activities, including the Business-to-Business Programme.<sup>18</sup>

Under the new strategy, the RDE in Hanoi took several initiatives within most programmes to ensure increased alignment. These actions included:

- a substantial reduction of the number of Programme Management Units (PMU) and long-term advisers (27 in 2004)
- increased use of the GoV's public financial management system
- the reflection of putting aid on budget<sup>19</sup>
- transfer to using the national procurement systems of Vietnam in all programmes from 2008.

Overall – and in clear response to the alignment and ownership requirements of the Paris Declaration (2005) – the RDE changed the way it worked, gradually using the structures and systems of the GoV for implementing programmes and projects. As one of the results, the role of Danida advisors evolved from primarily managing programmes to advising government. The RDE also became more involved in policy dialogue with Vietnamese partners. Value-for-money audits, spot checks to determine aid effectiveness, and needs assessments to monitor the programmes run by the GoV afford a clearer idea of when to disburse funds to the government.<sup>20</sup>

However, a performance review report found that the Public Financial Management agenda had not been systematically pursued at the RDE despite a high degree of alignment. Furthermore, the complexity of the country programme was not initially reduced and in 2011 the RDE was still managing '*a large and complex portfolio of nine programmes, two major stand-alone projects (anti-corruption and Mekong River Commission), the CDM [Clean Development Mechanism] instrument, three business instruments and culture and research cooperation.*'<sup>21</sup>

### **The transformation of the partnership**

Meanwhile, in early 2007 and in recognition of Vietnam's development successes, the Danish government decided to change the relationship between the two countries by increasingly transforming the cooperation from its strong development focus to one that reflects the political and economic interests of the two countries. "From Aid to Trade" has since become an often-used term for the phasing-out of the traditional bilateral develop-

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18 Royal Danish Embassy Hanoi (2009-2011), p. 19-20.

19 The Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008) commit donors to report aid on budget and make use of country systems. Putting aid 'on budget' means aligning aid with the budget.

20 OECD (2009), p. 78.

21 MFA (2011), p. 1-2.

ment cooperation.<sup>22</sup> Yet, the term does not do full justice to the comprehensive nature of the new partnership, which goes substantially beyond economic interests. Denmark communicated the overall strategic priorities for the phasing-out approach to the GoV during their annual High Level Consultations in 2008, and in 2009 the Technical Advisory Service of Danida assessed the ongoing phasing-out process. The report recommended that the RDE prioritise four principles: capacity-building in partner institutions, reduction of components in future programming, further reduction in the number of Danida advisors and alignment to GoV systems.<sup>23</sup> The transformation phase is analysed in detail in Chapter 6.

### **Sectoral results and their sustainability**

The following sections present evaluation findings on the results and sustainability of Danida cooperation in seven sectors:

- Governance
- Culture
- Private sector development/business support
- Water and sanitation programme
- Environment sector programme (DCE)
- Fisheries Sector programme
- Climate change adaptation and mitigation (CCAM)

In each section, key findings are highlighted in a box, and these are followed by text that is more detailed. Case studies are presented in Annex C. See Annex F for evaluation questions and judgement criteria.

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22 See for example Thompson (2015) example and also the contract notice for this evaluation; <http://um.dk/en/danida-en/activities/business/contracts/long/contract-opportunities/newsdisplaypage/?newsid=3f9ce557-d699-462d-8490-f96e040a3cdc>

23 Ministry of Foreign Affairs. Technical Advisory Services (2009).

## 5.2 Governance

### Results:

- Assessed against its objective to ‘*enhance the impact of public administration and democratic reforms in Vietnam*’, the Good Governance and Public Administration Reform Programme (GOPA, 2008-2012/13) resulted in a broad range of relevant outcomes including, but not limited to, reduction of red tape within the bureaucracy and enhancement of public services; the strengthening of provincial capacity to adapt to the administration of institutional reform requirements; and the ability of government officials to apply modern management techniques and practices.
- Danish-Vietnamese cooperation established with the Office of the National Assembly (NA), universities and research institutions, the strengthening of capacity among parliamentarians and provincial delegates, and founding of human rights centres at Vietnamese Higher Education Institutions (HEIs).
- Support for human rights was a particularly visible result as Danida support was instrumental in changing the mind-set of both governmental and non-state stakeholders on this topic.
- GOPA and the Justice Partnership Programme (JPP) contributed to constitutional and legislative change, including the 2013 amendment of the Constitution, which introduced new provisions on human rights, as well as several new laws or amendments to existing laws.
- A major achievement of two programmes in support of legal and judicial reforms (2005-2015) was the establishment and continuous support of the Vietnam Bar Federation (VBF), which markedly increased the image of lawyers in Vietnam and their status within the legal system.

### Sustainability:

- Results achieved in the governance sector are sustainable in so far as they contributed to reform processes and structural change that have passed the point of no return and generally enjoy the strong support of Vietnamese governmental and, where relevant, non-governmental stakeholders.
- However, this does not apply to all sub-sectors and activities to the same extent. For example, in the absence of new or alternative funding after the phasing-out of Danida support, the future remains uncertain for: human rights centres at several universities, capacity-building in all formerly supported areas, and key achievements in the context of legal and judicial reforms, such the VBF as an important representative and coordination body.

The overall purpose of the **Good Governance and Public Administration Reform Programme (GOPA)**, which was implemented from 2008 to 2012 (one activity in Dak Lak province continued until 2013) with a committed budget of DKK 70 million was to *enhance the impact of public administration and democratic reforms in Vietnam*. GOPA was designed with two thematic pillars: a Public Administration Reform (PAR) component and a good governance (GG) component comprising parliamentary support and human rights. The pillars were separate thematic programmes; the GG pillar in fact comprised three separate projects. Within PAR, the programme initially supported capacity development in four provinces (Dien Bien, Lao Cai, Lai Chau and Dak Nong). In early 2010 another province (Dak Lak) was added. Hence, ultimately five poor provinces were strengthened in terms of targeting and managing the process of public administration reform.

The evaluation found that **the programme contributed to the reduction of red tape within the bureaucracy and enhancement of public services, and to strengthening provincial capacity to adapt to the administration of institutional reform requirements.** Cooperation established with the Office of the National Assembly (NA), universities and research institutions under the GG Component strengthened the capacity of parliamentarians and provincial delegates, parliamentary administration and research education institutions in human rights. The support directly resulted in the founding of human rights centres and indirectly in degree programmes at Vietnamese Higher Education Institutions (HEIs). However, according to stakeholder interviews, one of the expected outputs of GOPA I, the establishment of a Petition Committee of the National Assembly, was not achieved as it was no longer a Vietnamese priority during the programme's implementation period.

Building on the achievements and lessons learned from GOPA I, a committed budget of DKK 60 million was provided for a second phase of the programme (GOPA II 2012-2015), extended until 2016 in order to, *inter alia*, support the National Assembly in implementing the new Law on Organisation of the NA as well as the new tenure of the NA. GOPA II aimed at strengthening the development of democratic governance and public management and accountability, comprising three components: 1) Public Administration Reform (PAR); 2) Human Rights Education and Research; and 3) Public Participation and Accountability. The three components represented interventions in central areas of reform, each of which aimed to promote concepts and means of improving public management and democratic accountability. The overall development objective for GOPA II was '*to strengthen the development of democratic governance and public management and accountability in Vietnam.*'<sup>24</sup>

Denmark's support for the **National Assembly** (see case study R2) dates back to 1997 when a Danida-financed UNDP project in 1997 provided assistance to the Office of the National Assembly (ONA). Ever since Danida has aimed to '*strengthen the National Assembly as the policy- and law-making entity in the political system.*' This included activities in the field of parliamentary procedures, legal training, communication and information, IT development, and English language training. The support particularly aimed at enhancing the legislative process of the NA, improving the quality of policy formulation through strengthening the working procedures of the parliamentary committee system, and advancing access to and use of information technology by MPs in policy analysis and legislative work.

Per interviews at the NA, long-term **Danish support has directly contributed to the empowerment of the legislature.** For example, in June 2013 the NA held unprecedented confidence votes for the 47 most senior government and state officials who had previously been elected or approved by the legislature, including the President, the Prime Minister, the Chairman of the National Assembly, cabinet members and judges of the Supreme People's Court. Interviewed stakeholders confirmed that Danish assistance contributed to the professionalization of the law-making process and supported major legislation, such as the Law on State Audit and Law on Local Government. Generally, with the support of Danida (as well as Sweden, CIDA and UNDP) the NA has

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24 MFA (no year). Component 3 of GOPA II (the Public Participation and Accountability Facilitation Fund/PARAFF) was co-funded by the UK's Department for International Development (DFID) with an amount of GBP 1.5 million (VND 50 billion).



become more active in supervision of law-making, including anti-corruption issues.<sup>25</sup> Furthermore the introduction of directly televised question periods has reinforced the representative functions of the NA.

**One of the most visible changes to which Danida contributed in the governance sector was in the field of human rights** (see case study R1). Most stakeholders agreed that Vietnam needed to strengthen human rights and Danida support made a strong contribution to changing the mind-set of both governmental and non-state stakeholders. Per Vietnamese beneficiaries of GOPA, in addition to generally increasing the level of awareness of human and civil rights in Vietnam, the programme was instrumental in bringing about constitutional and legislative change, including the 2013 amendment of the Constitution, which introduced new provisions on human rights, as well as several new laws or amendments to existing laws. A total of 36 articles in the Constitution are now devoted to human rights.<sup>26</sup> While these changes cannot be directly attributed to GOPA, the programme made two decisive indirect contributions. First, it opened the discourse on human rights in Vietnam – only 10 years ago open discussions of human rights were not possible owing to the sensitivity of the issue. Second, and equally important, several experts and scholars of GOPA-supported Human Rights Centres advised the drafting of the constitutional amendments.

GOPA was instrumental in establishing human rights centres at the Law Faculty of the Vietnam National University (VNU) in Hanoi and the Ho Chi Minh City Law University (HCMCLU).<sup>27</sup> Once the initial scepticism and partial resistance of state agencies were overcome, the development of several specialist degrees in human rights at these higher education institutions have proved very successful and have already produced several thousand MA and PhD candidates who work on human-rights-related topics. At the Law Faculty of VNU, between 20% and 30% of all Master dissertations and PhD theses have focussed on human rights in the past few years. GOPA clearly achieved its sub-goal of strengthening the integration of human rights teaching into university curricula. In addition, the human rights centres developed training curricula on HR for government officials, which form the basis for short-term courses at national and provincial levels. GOPA also promoted networking activities and the centres have established strong and sustainable research links with universities and human rights centres, particularly in Denmark, Sweden, Norway, Thailand and Malaysia. At the same time, however, not much collaboration seems to have taken place between the three HIEs and with other universities in Vietnam.

Overall, these accomplishments offer a solid indicator that change has taken place, as did the words of one interviewee who said ‘*Before the Danida support, human rights were considered a very sensitive issue and it was difficult to talk about it. Now we have more open discussions and human rights is certainly no longer a taboo.*’ It should be noted, though, that it is difficult to conclusively isolate the Danish contribution as other donors, such as Sweden and the EU, also had strong human rights agendas. All interviewed stakeholders agreed that much work still needs to be done. For instance, at the 50 law schools and centres in Vietnam, courses on human rights are only mandatory at VNU while they are

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25 Norad (2011), p. 38; Andersson, Göran Pär Granstedt Barbro Rönmo Nguyen Thi Kim Thoa (2012).

26 Interviews in Hanoi between 25 and 28 January 2016.

27 Stakeholder Interviews; Danida-MFA (2010a); Danida-MFA (2010b).

optional at five other HEIs. According to a widespread view, the awareness of human rights has risen nationwide but implementation of international human rights standards remains a challenge. While the HR centres and degree programmes will continue to exist, in the absence of both donor and GoV funding the HEIs might find it difficult to expand or even maintain the law libraries that were established through GOPA. Furthermore, current research activities on HR, especially within international academic networks, are unlikely to be sustained.

**At the provincial level, results included: an increase in awareness of the Public Administrative Reform; increased capacity to plan, manage and implement the PAR (e.g. through the development and use of results-based work planning and management methodologies and of monitoring and evaluation systems as well as more transparent and streamlined administrative procedures); and strengthened capacity of government officials in provinces and communes.** The latter was achieved *inter alia* through the support of provincial “Political Schools”, e.g. curriculum development for good governance training programmes, training of trainers and the introduction of innovative teaching and learning methods and approaches.<sup>28</sup> According to the Department of Home Affairs, as a direct result of PAR implementation, Lao Cai Province’s ranking on the Provincial Competitive Index (PCI) improved from 58 in 2005 to 38 in 2010 and 30 in 2015 (out of 63 provinces).<sup>29</sup>

**A particularly visible result of the administrative reforms was the GOPA-supported enhancement of local governance in providing public services with the establishment of One Stop Shops (OSS)** (see case study R7). OSS or administrative service centres are easily accessible and offer a wide range of administrative services (licences, permits, etc.) involving different offices through one desk providing client-oriented services. For example, at the Lao Cai OSS obtaining a construction licence which would previously have taken several months, is now issued within a maximum of 20 days. The transparency of administrative procedures was increased through simple yet effective measures such as the highlighting all the costs and procedures entailed by the respective services through notice boards in OSS. Furthermore, in many OSS, the phone numbers of office and division heads are publicly available to facilitate immediate access to decision makers if needed, for example in the case of complaints. Although data or surveys are not yet available, OSS directors explained that customers would make active use of this opportunity. Stakeholder interviews at seven OSS also pointed in the direction of increased management capacity of provincial administrative staff. However, it was not possible to measure the outcome owing to the absence of a baseline and previous M&E systems.<sup>30</sup>

In terms of support for PAR in general, stakeholders in the visited provinces noted that some shortcomings in inter-agency cooperation in Vietnam are a limiting factor for the full achievement of PAR. They also mentioned that exchanges between provinces on best

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28 Office of the National Assembly & Danida (2015). Good Governance and Public Administration Reform Programme, phase II (GOPA II), 2012-2015; Stakeholder interviews in March 2016.

29 Introduced in 2005, the USAID supported Provincial Competitiveness Index (PCI) on Vietnam’s business environment conducts an annual business survey, assessment and ranking of the economic governance quality of provincial authorities in creating a favourable business environment for development of the private sector. See <http://eng.pcivietnam.org/gioi-thieu-pci-c2.html>

30 Interviews in March 2016.

practice in the implementation of PAR in general and of OSS was limited and required further improvement.<sup>31</sup>

A novel feature of GOPA II was support for **non-governmental organisations (NGOs)** provided through a grant scheme mechanism in component 3. This mechanism consisted of a grant fund and a capacity-building facility. The grant fund, named the Public Participation and Accountability Facilitation Fund (PARAFF), paid special attention to marginalised groups in society and women. The 2015 Technical Review of PARAFF concluded, *‘We view the project as a success. There are few other projects that have attempted to work at this nexus of civil society, public participation, law-making and accountability. [...] Any work in this area at this stage in Vietnam is a step forward. [...] In particular, the PARAFF project has played an important role in building capacity for the wide range of organizations PARAFF has supported, and is helping organizations begin or increase some policy advocacy.’*<sup>32</sup>

Support for NGOs was also provided through mechanisms outside GOPA. A prime example is the Ho Chi Minh City Child Welfare Foundation (HCWF) which received funding through the Danida-supported Danish-Vietnamese Friendship Organisation as HCWF’s most important partner since 2005. HCWF is the oldest registered NGO in HCMC. It was founded in 1988 and carries out social work for the benefit of disadvantaged children and their families. Over the years, HCWF has conducted work targeting children’s rights and helping children and young people with care, education and job placement. Danish support especially enabled HCWF to (re-)integrate several hundred migrant children and street children into the social and education systems and prepare them for the labour market. Overall Danish support enabled HCWF to develop close and beneficial relations with Vietnamese governmental institutions, other NGOs and local communities in HCMC (see case study T5).<sup>33</sup>

Additional interventions in the governance sector, which were complementary to GOPA, included **support for legal and judicial reform**, an area in which Denmark had been active since 1997 as one of the first donors. Initial assistance to the Office of the National Assembly (ONA), the Supreme People’s Court (SPC), and the Supreme People’s Procuracy (SPP) was provided through UNDP. These three projects represent the first and most significant technical assistance provided to Vietnam’s legal development, especially to the Court and the Procuracy, since the socialist bloc legal assistance in the 1960s. Three separate but closely linked projects were carried out between 1996 and 2000 with Vietnam’s highest level legislative, judicial and prosecutorial agencies. Two of the projects, with the Supreme People’s Court and the Supreme People’s Procuracy, represented historic “firsts”, as neither agency had been the focus of an internationally-sponsored programme of activities, nor had they regularly been visited by western-trained specialists and consultants. The projects successfully combined the commitment of the three agencies with shared development resources, and produced a remarkable record of achievements during their initial phase.<sup>34</sup>

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31 Interviews in March 2016.

32 Sidel, Mark and Pham Quang Nam (2015), p. 6.

33 Interviews in March 2016; see also <http://www.sheltercollection.org/ngos.html>;  
<http://www.humantrafficking.org/organizations/276>

34 UNDP (2001).

From 2001 the support continued in a second phase in the form of a bilateral programme with the same organisations, while a third phase, named **Support for Legal and Judicial Reforms in Vietnam (JOPSO)**, was implemented between 2005 to 2009 and co-funded with Sweden and the EU. The budget for JOPSO was DKK 45.5 million. In 2010 the same three donors initiated the Justice Partnership Programme (JPP) (2010-2015).<sup>35</sup> It had a budget of 18.7 million Euro (the Danish contribution was DKK 78.7 million) which made it the largest project of its kind in Vietnam. JPP was aligned with the national Justice Reform Strategy (2005) and followed the objective of ‘*an ethical, democratic and rights-protecting justice sector development.*’<sup>36</sup>

**A major achievement of JPP was the establishment of the Vietnam Bar Federation (VBF) (see case study R3) in 2009, which markedly increased the image of lawyers in Vietnam and their status within the legal system.** The VBF had received funding through JPP since the preparation stage, which began with a small workshop organised by Danida. In line with the Law on Lawyers, JPP aimed at empowering a self-managing Bar Federation and putting into place norms and structures for the self-management and regulation of the legal profession. Both objectives were achieved. Participants at a VBF roundtable discussion noted that JPP had been instrumental in establishing and running the organisation as well as overcoming several structural problems. ‘*Danida<sup>37</sup> supported all crucial steps from setting up the Federation’s legal structure, its internal rules for the governance of the organisation and a communication strategy, the development of a database of lawyers, the formulation of a financial sustainability charter as well as the procurement of equipment at the national and provincial level. Danida experts did not only provide advice in Hanoi but also in the provinces. This was important for the nationwide establishment of standards for lawyers and to advocate for the interests of lawyers and their status within the country’s judicial system.*’<sup>38</sup> The final external evaluation of JPP<sup>39</sup> found that the ‘*programme achieved a degree of sustainability in that it contributed to Vietnam moving closer to international standards in key legislative areas.*’<sup>40</sup> Stakeholder interviews confirmed this assessment, but stressed that it was too early to speak of long-term changes in the judiciary.

Given its firmly established position within Vietnam’s judicial system, the VBF has the potential to maintain and further strengthen its role as an important representative and coordination body. However, stakeholders expressed concern about VBF’s financial sustainability. In 2015, donor contributions constituted 54% of the VBF budget and the contribution from the JPP was by far the largest (51%) of the donor share, and included expenses associated with the CBA (phased out in mid-2014). The membership fees constituted only 15% of the VBF budget. Over the past few years, income from

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35 Sweden ended its support in 2013 when the country phased out its bilateral development cooperation with Vietnam.

36 MFA (no year).

37 While the support was jointly provided by Denmark, Sweden and the EU, Denmark had by far the largest share (approximately 54%). When Sweden phased out ODA in 2013, Denmark absorbed Sweden’s share.

38 Stakeholder Interviews between 25 and 28 January 2016 in Hanoi. See also VBF’s website: <http://liendoanluatsu.org.vn/en/>

39 Final programme evaluation commissioned by the EU who co-funded the JPP Programme, October 2015

40 IBF International Consulting and Niras International Consulting (2015), p. 9.

membership fees and other resources were just sufficient to cover the core funding of VBF's operational costs (i.e. staff salaries, electricity, internal meetings, etc.). Donor funding was used for professional activities (i.e. training for lawyers, law reform work, legal aid activities, protection of lawyers' rights and interests, communication, website development, etc.). Furthermore, when the GoV cut its subsidy to VBF in 2012, JPP donors agreed to meeting part of the costs of the National Council of Lawyers (which meets twice per year) and the Standing Committee (which meets at least four times a year), as long as these meetings were combined with JPP activities. Since no new funding is currently available to make up for the shortfall caused by the termination of JPP, professional activities must be scaled down. The JPP also funded several pro bono and legal aid activities by lawyers in some bar associations, and encouraged them to continue this practice after JPP funding ends. For example, VBF provided free legal advice to more than 31,000 poor beneficiaries. However, given limited resources and skills in legal aid provision of local lawyers, these activities are unlikely to continue. Funding provided by a small number of other donors, such as Japan (JICA) and Germany (GIZ), supports study trips and small workshops but does not support VBF as an organisation. As one interviewee put it, '*JPP was very unique and is not easily replaceable.*'<sup>41</sup>

**Denmark was also a pioneer (alongside Sweden) in engaging with Vietnam on anti-corruption (AC) measures.** The Danish support for the General Inspectorate (GI), which began in 2004 and ended in 2014, was one of the first projects in this area. Denmark and Sweden, in cooperation with other donors, '*provided extremely valuable assistance to ratifying the United Nations Convention Against Corruption (UNCAC); in developing AC legislation; in reviewing progress on AC; and in supporting the strengthening of AC activity through a capacity-building programme POSCIS, which is centred on the GI.*'<sup>42</sup> Danida's as well as Sweden's, DFID's and UNDP's AC-specific interventions are regarded as particularly valuable for an understanding of corruption and the remedial action needed.<sup>43</sup>

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41 Stakeholder Interviews; IBF International Consulting and Niras International Consulting (2015).

42 Norad (2011), p. xiv.

43 Ibid, p.

### 5.3 Culture

#### Results:

- Danish support for cultural activities, particularly through the Vietnam-Denmark Development Cooperation in Culture (DCC) Programme, generally contributed to the development of culture and art of Vietnam.
- This assistance was instrumental in establishing PPPs in the cultural sector, increasing intercultural understanding between the two nations, and fostering networks among the Ministry of Culture, Sports and Tourism (MCST), NGOs, and cultural experts, lecturers and artists from both countries.
- Equally important, DCC resulted in more liberal and open arts spaces and made a strong contribution to linking art projects with public and societal discourse, for example on homosexuality. The Vietnam-Denmark Children's Literature Supporting Project 2006-2015 under DCC was especially important as it resulted in new creative concepts in the production of children's books.

#### Sustainability:

- In a general sense, support in the cultural sector greatly strengthened the visibility of Denmark in Vietnam, which in turn provided a fertile ground for cooperation in other sectors and for the partnership in general.
- Some initiatives funded or supported by Danida, such as the Monsoon festival (the first "Made in Vietnam" international music festival first staged in 2014) continue with alternative funding while other activities have not attracted funding to guarantee their survival.
- However, the Danida-supported new approaches in using arts as an effective way of communication in general and in creating children's books are here to stay. Reading clubs for children, which were established as part of the Children's literature project throughout Vietnam, also continue, mainly with the self-funding of the former main beneficiary of the project.
- The support for art education for primary schools enabled the Ministry of Education and Training (MOET) to change to a new teaching approach which places students at the centre. The support is also sustained as all the new teaching manuals and training materials have been approved by MOET and have been used – and continue to be used – as MOET formal training documents.

The Danish Strategy for Cultural Development (2002) set the overall principles for working with culture as an integrated part of Danish development assistance. The strategy applied a '*wide understanding of culture encompassing not only artistic expressions but also the total complex of mental structures and shared values, beliefs, and knowledge that underpin behaviour and characterise a society or social group.*'<sup>44</sup> Against this backdrop the **Vietnam-Denmark Development Cooperation in Culture (DCC)** Programme (Phase I: 2006-2010, DKK 13.9 million; Phase II: 2011-2015; DKK 15.6 million) was important in its own right but also had at least an indirect link with governance issues. Based on the objective of '*People in Vietnam have access to and participate in arts that are culturally diverse*', phase II of the DCC programme prepared several new art and culture policies, including The Right to Art and Culture (June 2013), and the draft National Strategy for the Development of Cultural Industries in Vietnam to 2020, Vision 2030

44 RDE, <http://vietnam.um.dk/en/danida-en/culture/>

under the auspices of the Ministry of Culture, Sport and Tourism (MoCST)<sup>45</sup> in Vietnam. The Right to Art and Culture framework's strategic priorities include, *inter alia*, ensuring freedom of expression for artists and cultural actors, while the National Strategy for the Development of Cultural Industries in Vietnam had an emphasis on governance, investment and regulation.<sup>46</sup>

DCC supported a broad range of cultural activities in Danish-Vietnamese relations, including but not limited to local individual artists and cultural institutions, festivals, workshops and a website (Hanoigrapevine.com) set up by a Canadian artist to popularise Vietnamese art to the public. Together, **these activities contributed to the development of Vietnamese culture and art, were instrumental in establishing PPPs in the cultural sector, increased the intercultural understanding between the two nations, and fostered networks among the MoCST, NGOs as well as cultural experts, decision makers, lecturers, and so forth.** The latter took place mainly within the framework of the “Dialogue between Cultural Policymakers and Cultural Thinkers” in which the Danish Embassy played a strong facilitating role. In addition, DCC greatly strengthened the visibility of Denmark in Vietnam, which in turn provided a fertile ground for cooperation in other sectors and for the partnership in general.<sup>47</sup> This is exemplified by the quote of the renowned Vietnamese composer and festival director general, Quoc Trung, who said on the occasion of the DDC-supported<sup>48</sup> first Monsoon Music Festival in October 2014, ‘*The performance will help to strengthen the friendship between Vietnam and Denmark. It will also present a message about environment protection and climate change prevention, in which Denmark is providing major assistance.*’<sup>49</sup> The media attention in itself illustrates the broader attention and visibility in other sectors.

Leading Vietnamese and foreign performers gathered at the first-ever “Made in Vietnam” international music festival. A second, even bigger festival took place in October 2015 and a third is planned for 2016 for which some remaining Danish funds are still available. However, the annual festival is likely to continue in the coming years as there is strong support from the city of Hanoi and Vietnamese state and non-state stakeholders in the cultural sector.<sup>50</sup>

**DDC resulted in more liberal and open arts spaces and made a strong contribution to linking art projects with public and societal discourse.** A good example in this regard is the 2012 photo exhibition “The Pink Choice” on the lives and loves of gay and lesbian people in Vietnam. The exhibition, which received funds from DCC, was held at the Goethe Institute Hanoi and, according to news stories and stakeholder interviews,

45 With support from by the British Council and UNESCO in Vietnam, February 2010.

46 RDE (2010).

47 Interviews in January and March 2016; Asia News Monitor [Bangkok] (19 June 2009); Asia News Monitor [Bangkok] 8 May 2009; Asia News Monitor [Bangkok] 24 Apr 2009.

48 Additional support was provided by the UK, France, Belgium, the Republic of Korea and Japan.

49 VietnamNet. International music fest reaches to the stars, <http://english.vietnamnet.vn/fms/art-entertainment/111462/international-music-fest-reaches-to-the-stars.html>

50 Interviews in January and March 2016.

was an important stepping stone towards more tolerance in society.<sup>51</sup> However, these are perceptions that cannot be substantiated in the absence of relevant surveys.

The Vietnam-Denmark Children's Literature Supporting Project 2006-2015, which was implemented in cooperation with Kim Dong Publishing House, (see case study R6) opened the door to cultural exchanges between Vietnam and Danish writers and illustrators and promoted the creativity of Vietnamese writers and illustrators with new skills and working methods. First and foremost, however, it provided Vietnamese children with better access to various forms of creativity and new activities, organised 'story-telling trains' for children in remote areas, brought new books to all regions in Vietnam and established reading clubs.<sup>52</sup> As of March 2016, nearly 50 story-telling trains and 16 readers' clubs were set up and more than 43,000 books were given away to children.<sup>53</sup> The results achieved by the project have a good prospect for sustainability. While not all activities will continue owing to lack of funding, new approaches in using arts as an effective way of communication in general and in creating children's books are here to stay. The reading clubs also continue, mainly with the funding of Kim Dong Publishing House, the former main beneficiary of the project.

The Comprehensive Partnership Agreement between the Government of the Kingdom of Denmark and the Government of the Socialist Republic of Vietnam (September 2013) facilitates the expansion of art and cultural collaboration between the two countries. Specifically, a number of 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.<sup>54</sup> Thus, support for culture is a good example of a successful transition from the aid programme to the new bilateral partnership.

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51 Interviews in January and March 2016; see for example <http://invisiblephotographer.asia/2012/10/22/photoessay-thepinkchoice-maikaelan/>; <https://www.vietnambreakingnews.com/2016/01/no-to-sorrow-lomography-exhibition-in-hanoi/>

52 Interviews in March 2016; Asia News Monitor [Bangkok] (14 Nov 2012).

53 Awards presented to outstanding literature works for children, 4 March 2016, <https://www.talkvietnam.org/2016/03/awards-presented-to-outstanding-literature-works-for-children/>

54 Aide Memoire. Vietnam (2013), p. 2.



## 5.4 Private sector development/business support

### Results:

- More than 20 years of Danish private sector development and business support in Vietnam have had multiple effects. The Private Sector Development Programme (PSD), the Business-to-Business Programme (B2B) and the Danida Business Partnerships Programme (DBP) supported approximately 160 joint ventures between Danish and Vietnamese companies between 1993 and 2013.
- Although hard to substantiate, according to estimates from different sources this led to the creation of several thousand direct jobs and indirect sources of employment at suppliers and the implementation of often ground-breaking Corporate Social Responsibility (CSR) approaches at many of these companies, making a contribution to stronger CSR awareness in Vietnam in general. While an evaluation of the Danida B2B global programme (2006-2011) provided a critical assessment of the programme overall, B2B in Vietnam stood out as the most successful case.
- While it is impossible to quantify to what extent B2B achieved its overall objective of contributing to reducing poverty by promoting economic growth and social development, there can be no doubt that the programme was crucial in expanding commercial relations between Denmark and Vietnam.
- Today 135 Danish companies are present in Vietnam. Not least, these companies have substantially contributed to technology transfer.
- A second, more traditional private sector development programme, the Business Sector Programme Support (BSPS, 2005-2010) and its successor the BSPS Phasing-out Support (BSPS 2011-2014) assisted Vietnamese companies in consolidating and expanding their business while creating employment opportunities through application of advanced technology and innovative business models. The programme is believed to have created nearly 28,000 jobs and increased income between 10% and 200% for the target group of farmers and households. The programme also contributed significantly to improvement of the Government's capacity in evidence-based economic policy-making through the establishment of unique datasets on Vietnamese households and enterprises and development of high-quality policy recommendations.

### Sustainability:

- Not all the original Danida-supported joint ventures succeeded and several Danish companies left Vietnam. However, many of those who stayed established a firm presence and often grew substantially and expanded their business activities within the country or even beyond Vietnam's borders. The business support programmes have contributed to the creation of structures that are highly sustainable in terms of employment opportunities for skilled and semi-skilled workers, technology transfer and CSR as well as environmental standards.
- The GoV recognised the importance of data on enterprises' technology and competitiveness made available for the first time in Vietnam thanks to the BSPS programme's support. Subsequently, the General Statistics Office decided to integrate survey modules on firm-level technology and competitiveness in its annual enterprise surveys from 2015.

A **Private Sector Development (PSD) Programme** was introduced in Vietnam in 1993 and replaced by the **Business-to-Business (B2B) Programme** in 2006. The transformation was based on an evaluation that recommended stronger integration of private sector support with other business-related development interventions, particularly the Invest-

ment Fund for Developing Countries (IFU) and Danida sector programmes. Moreover, the analysis stressed the importance of creating platforms for networking between companies involved in projects supported by the B2B Programme to share experiences.<sup>55</sup>

In 2008 an early review of the B2B programme in Vietnam concluded that it been highly successful in promoting long-term, sustainable partnerships between Vietnamese and Danish companies and thereby contributed to promoting economic growth and local business development.<sup>56</sup> B2B was succeeded by the **Danida Business Partnerships Programme** (DBP, 2011-2014) which aimed to contribute to local growth and employment, promote corporate social responsibility, and share Danish know-how through commercial partnerships with local companies and partners in developing regions, including Vietnam. At the same time the programme switched its focus *'to only the green growth sector as part of the overall Danida's development strategy in Vietnam.'*<sup>57</sup> Between 1997 and 2013, through PSD, B2B and DBP, Danida granted a total of DKK 386 million for over 300 preparation phase projects and 160 long-term partnerships in Vietnam.<sup>58</sup>

By 2013, among all Danish-owned companies in Vietnam, about one-third were representative and branch offices, one-third were wholly owned subsidiaries of Danish companies, and equity joint ventures and B2B/DBP projects accounted for a further one-third. Roughly one-third of the Danish-owned companies have invested in production facilities in Vietnam, while the rest only have sales and service functions, which means that their investment has been rather small and they employ relatively few people. According to the Danish Economic and Commercial Office in Ho Chi Minh City (DECO), in early 2016 the number of Danish companies in Vietnam stood at 135, with 95 based in the HCMC area.

**While it is impossible to quantify the extent to which B2B achieved its overall objective of contributing to reducing poverty, there can be no doubt that the programme was crucial in expanding commercial relations between Denmark and Vietnam.**<sup>59</sup> *'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.'*<sup>60</sup> This was confirmed by representatives of several Danish companies in Vietnam who were interviewed for the evaluation:

- *'We would not have come to Vietnam without the initial Danida support.'* (Mascot International A/S, a producer of workwear, which opened a factory in Vietnam in 2008 and employs about 2000 workers)
- *'We were immediately convinced to invest in Vietnam when we made a Danida funded exploratory visit in 2001, which was still during the PSD programme.'* (VIEDAM,

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55 Ministry of Foreign Affairs (2006).

56 MFA (2008).

57 RDE (2011), p. 3.

58 RDE (2011), p. 4 and stakeholder interviews.

59 Thomsen (2015).

60 Ibid, p. 11.

a high-tech company which manufactures moulds and parts for a wide range of industries, employing about 160 skilled engineers and factory staff).

About 60 Danish companies in Vietnam received Danida support when they started their activities in the country. A condition of B2B was that the supported Danish companies would enter a 50:50 partnerships with a Vietnamese company; pure equity investments were not allowed. Several companies have kept their original 50:50 share with the Vietnamese partner until today, although an exact figure is not available. The demand for B2B support was very high, but as one interviewee involved with the programme explained, *‘only the very serious companies got the support. Sometimes the equal share provision was a problem as it could prove difficult managing a company with only a 50% share. But we thought that the 50:50 partnerships were important.’* During the lifetime of B2B on average about 40 Danish companies annually conducted Danida-funded visits to Vietnam for one-week evaluation meetings which usually resulted in the identification of seven or eight potential Vietnamese partners. Approximately 20 of the 40 companies proceeded to the next stage of a start-up facility and trial production, leading eventually to around ten new long-term B2B partnerships per year. Thus, some 25% of the companies with an initial interest in B2B eventually established a presence in Vietnam.

However, not all were successful. The joint venture model, which was strictly enforced in Vietnam, *‘was not always productive as it is the most complex business alliance and in many cases was contradictory to company policies and wishes [...] Such a formula was not conducive for effective partnership and it meant that some seemingly viable partnerships were rejected for no other reason than formality.’*<sup>61</sup>

**According to estimates by the RDE, as well as an independent evaluation, the PSD/ B2B resulted in the creation of several thousand direct jobs and indirect employment at suppliers.** Furthermore, *‘there has been an upgrading of the quality of occupational health and safety and working conditions in many local companies. Improvement of the external environment has been achieved through introduction of “clean technology” and improved management systems of resource utilization and pollution control.’*<sup>62</sup> Equally important, many companies implemented often far-reaching Corporate Social Responsibility (CSR) approaches, making a contribution to stronger CSR awareness in Vietnam in general.<sup>63</sup> A good example is the Danish company **Esoftflow** that started as a B2B joint venture and engages in back-office professional visualisations through digital graphics for the real estate sector. The company today employs more than 300 persons and has integrated a strong CSR approach into its business operations and development. It has a well-developed focus on gender and on creating employment for disabled staff, the latter group making up more than 10% of the workforce today. The company is also providing training for former sex-workers and recovering drug-users, providing general training to groups of young people going through a public rehabilitation programme, and providing employment opportunities for them.<sup>64</sup>

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61 Danida (2014), p. 66-67.

62 Devfin Advisors (2014), p. 13. The period in which the jobs were created is not specified in the report. Presumably the figure refers to the lifetime of the B2B programme, i.e. 2006-2011.

63 Stakeholder interviews, 25 January 2016 in Hanoi.

64 Danida (2014), p. 78-79.

A second, more traditional private sector development programme, the **Business Sector Programme Support (BSPS)**, started in 2005. The first phase (2005-2010) had a total budget of DKK 196 million and comprised five components addressing (i) promotion of provincial business environment, (ii) improved labour conditions, (iii) business services for global competitiveness, (iv) commercial dispute resolution, and (v) business sector research. The second phase, the BSPS Phasing-out Support (BSPS 2011-2013, extended until 2014) had a total budget of DKK 123 million. Based on the overall objective of *strengthening the competitiveness of Vietnamese growth- and export-oriented enterprises and creating decent jobs*, it focussed on three components:

- **Component 1: Global Competitiveness Facility (GCF)** – Objective: increased competitiveness of non-public Vietnamese businesses in export-oriented sectors in target provinces through better access to relevant business services and exposure to innovative business models
- **Component 2: Improved Labour Conditions in Private Enterprises** – Objective: improved working conditions, contributing to the sustainable development of the nation, through reducing pollution in the work environment, preventing occupational accidents and diseases and taking care of workers' health
- **Component 3: Business Sector Research** – Objective: research and analytical capacity for guiding economic policy-making in Vietnam further improved.<sup>65</sup>

**Danida's own estimates, as communicated by the RDE, indicate that the Global Competitiveness Facility (GCF) has created nearly 28,000 jobs and increased income between 10% and 200% for the target group of farmers and households.**

The support for the Kim Hung Crafts company in Can Tho Province provides a good example of the GCF's approach and results. The company was founded in 2006 with 40 employees, produced handicrafts from water hyacinth, and turnover at that time was USD 500,000; today it stands at USD 2.5 million. Currently people from up to 2,000 households in several communes and districts (Thanh Phu, Phu Thu, Tan Phu, Le Binh and Dong Phu; Chau Thanh District, Hau Giang Province) work for the company on a regular or seasonal basis. The GCF provided a total value of VND 4 billion to Kim Hung Crafts, including funds from the project support (VND 2 billion) and from reciprocal funds of Kim Hung Crafts (VND 2 billion). Most of the funds were invested in much-needed technical equipment. According to the company, Danida support sped up the company's development plan and helped it achieve its objectives much faster than would have been possible without the support.<sup>66</sup>

Overall, GCF succeeded in helping Kim Hung to (i) change the company's vision and business strategy and thereby reach out to export markets with its own brand names and diversified designs, (ii) provide livelihoods and create increased income to thousands of households in the Mekong Delta, many of which are poor and marginalised, through sustainable embedded business services, (iii) increase production efficiency through deployment of innovation in the water hyacinth drying process.

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<sup>65</sup> Government of Vietnam Programme Support Document (2010).

<sup>66</sup> Stakeholder interviews in March 2016; The Global Competitiveness Facility in Kim Hung Crafts (Can Tho), <http://www.khcraft.com/news/item/424-danish-ambassador-check-the-progress-of-the-global-competitiveness-facility-in-kim-hung-crafts-can-tho.html>

Interviewees noted that the two approaches to private sector support, B2B/DBP and BSPS, tried to link up to produce synergies. However, it is not clear to what extent this was achieved.

## 5.5 Water and sanitation programme

### Results:

- Danida initiated the 2000-2005 W&S component<sup>67</sup> in urban settings, subsequently shifting to rural households during the final decade of its support (2005-2015). Key achievements included strengthening Vietnam's National Target Programmes by supporting the development of new water policies legislation and sectoral strategies to reduce water-borne diseases and provide hygienic drinking water for over three quarters of Vietnam's population.
- Together with support from other key donors, the Danish-Vietnamese partnership surpassed the expected results by expanding hygienic drinking water coverage from 36% of the rural population in 1990 to 85% by the time the programme ended in 2015. This included over two-thirds of rural poor households having access to hygienic water, and over 90% of schools and clinics with access to hygienic water and hygienic sanitation systems. However, only 9% of the rural poor have been connected to water-piped schemes and most of the rural population extract their water from boreholes that require careful management to prevent saltwater intrusion. These impressive efforts in bringing hygienic/clean 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.
- Although Danida's support to urban sanitation during the first five years lagged far behind advances in providing clean drinking water, it made impressive improvements in meeting most of its rural W&S targets during the final decade.

### Sustainability:

- At the time of writing, it is not possible to measure the degree to which the government and local stakeholders have sustained the environmental, economic and social results the programme achieved, because Danish support for W&S only ended one year ago. Issues related to saltwater intrusion and unstable power supplies affect the timely delivery of hygienic/clean water supplies in the Mekong provinces.
- Governance and regulatory impediments to sustainability include the reticence of most state-owned enterprises to comply with government regulations to establish

<sup>67</sup> Although Danida began its support to the W&S sector in the 1990s, the evaluation focuses on support from 2000 onward. The programme provided large water supply and waste water in the cities of Ha Long, Da Lat and Buon Ma Thuot between 2000-2005, with a sizeable component supporting rural water supply and sanitation. One hundred percent of Danida's support between 2005-2015 was for rural water supply and sanitation. Although support to urban water supply and sanitation was small by comparison to its rural support, this evaluation also examines efforts the urban programme.

realistic tariffs to facilitate recovery of annual Operation and Maintenance (O&M)<sup>68</sup> costs for sanitation and drinking water services, as well as difficulties in prioritising solutions to sanitation issues<sup>69</sup>, particularly household connections to treatment plants.

- Vietnam is faced with an urgency to finance and maintain sewerage services for 36 million urban people in 2025 (estimated at around USD 8.3 billion). Poor sanitation is not only a serious social issue, but also an economic one, as data suggest that the country currently loses around USD 780 million in its annual GDP due to poor sanitation<sup>70</sup>. As a global leader in the water sector, Denmark has an opportunity to contribute to improving the situation in Vietnam under competitive market conditions.

As the thirteenth most populated country in the world,<sup>71</sup> Vietnam faces many challenges with ensuring that the growing population has safe water supplies and adequate sanitation services in rural and urban areas. One of the major advances in addressing these issues was achieved through Vietnam's cooperation with Denmark in the water sector since the early 1990s. Danida's first SWAP (2000-2005) supported Vietnam's National Rural Water Supply and Sanitation Strategy (NRWSSS) through **WSPS I**, with a grant of DKK 725 million. When the programme began, communicable diseases were responsible for nearly half of all visits to health clinics and hospitals. Half of those medical health-related visits correlated with water and environmental sanitation issues, thereby forcing the government to spend a sizeable share of its health budget aiming to prevent water-borne illnesses.<sup>72</sup> WSPS I targeted poverty and improving living standards by developing fundamental policy and legal frameworks<sup>73</sup> that contributed to the NRWSSS, partly by providing hygienic latrines to over 15 million rural people,<sup>74</sup> which helped balance the strong emphasis on drinking water supplies with sanitation and thereby set out to provide a more balanced set of interventions to the other components.<sup>75</sup>

68 2000-2006 in Dalat, Buon Ma Thuot and Ha Long; Few rural water systems have updated information on their operation and maintenance investments, and there is little monitoring to determine the number of systems that are efficiently operating today; 21 provinces still require improved sanitation systems.

69 Including Dak Lak and Dak Nong. In some cases, PMUs failed to follow Danida's Bluebook Guidelines specifying synchronization of water and sanitation services.

70 As one wastewater expert stated, "the issues are huge and very like any other city in Vietnam". A WB study (WB 2014) estimated that Vietnam loses roughly 1.3% of its GDP due to costs associated with sanitation and human health issues. Interviews with several W&S experts found this value to be reasonable, although one Danida expert dismisses it as being exaggerated. This does not include economic losses associated with sewerage polluted estuarine nursery areas that are crucial to offshore capture fisheries.

71 The latest population figures place the country at 88 million people (WB 2014).

72 Per the joint GoV-donor sector review in 2008.

73 Important policies/legislation included the Law on Water Resources and the National Rural Water Supply and Sanitation Strategy, as well as the *Strategic Development Plan for Water Resources Management in Vietnam from 2005-2010 and Orientations towards 2020*. However, the effectiveness of the supported legislation documents is difficult to measure (WSPS I Completion Report 2006). The National Capacity building component helped train government staff and set up a course on water economics at the Water Resources University.

74 AusAid and WB (2013). GFA (2015).

75 WSSP I consisted of four components: i) National capacity building for the water sector, ii) Rural Water Supply and Sanitation, iii) Water Resources Management at River Basin and Provincial Level, and iv) Urban Water Supply and Sanitation.

This set the stage for WSPS II (2006-2010) and WSPS III (2011-2015) which, together with funding from other donors, were largely responsible for the expansion of Vietnam's clean water supply coverage and a reduction of water-borne diseases in many parts of the country.<sup>76</sup>

Denmark and other donors<sup>77</sup> recognised, therefore, the need to move outside the large population centres and shift from programme and project-specific support to a sector budget-support modality, providing joint financial support to help Vietnam achieve universal coverage of Rural Water Supply and Sanitation (RWSS).

Investments in these joint interventions focused on improving the development impacts and overall sustainability of the RWSS-National Target Programme (NTP Phase II) under **WSSP II**<sup>78</sup> (2006-2011).<sup>79</sup> The primary component was the National Rural Clean Water Supply and Sanitation Strategy (NRWSSS) supported with DKK 288.7 million through GoV's NTP2 as Targeted Programme Budget Support (TPBS).

Subsequent Joint Annual Reviews (JAR) confirmed significant positive changes.<sup>80</sup> Figure 6 highlights some of these achievements. **By the end of 2010, 75% of the rural population had access to safe water supply, thereby contributing substantially to achieving MDGs for water supplies, despite facing issues with water quality and quantity and a serious economic crisis.** For example, Vietnamese and international water sanitation engineers involved with different phases of Danida's support stated that design issues have continuously plagued most of the rural water systems in 13 provinces. Intermittent rural power spikes still cause damage and considerable down time of electrical pumping systems, while there are problems with water quality resulting from pollution and saltwater intrusion, which was especially aggressive during the 2016 El Nino event.<sup>81</sup> In 2012 Denmark provided funding for a pilot project to supply solar energy pumps to some water-piped schemes in 13 Mekong Delta provinces; the project ended in 2015. Currently, owing to a low water tariff that cannot ensure sufficient return on

76 Water supply in the 12 districts increased from 38% to 50% of the population from 2002 to 2006 (211,415 direct WSPS I beneficiaries). Sanitation coverage improved from 34% to almost 41% of the population during the same period.

77 In addition to Denmark and Australia, the Netherlands and the UK contributed additional budget support in accordance with the Hanoi Core Statement on Aid Effectiveness, with MARD designated as the executing ministry. The World Bank and other donors also contributed (see footnote #15)

78 WSSP II had three components: i) rural water supply and hygiene, ii) sanitation, and iii) integrated water resources management,

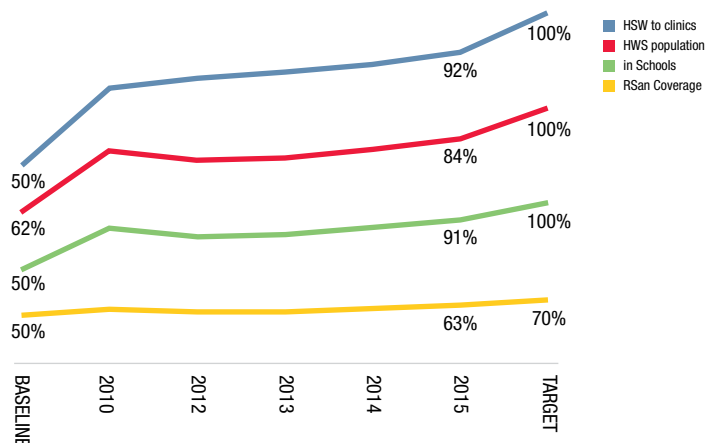
79 RWSS/NTP2's development objective was to improve health and living conditions of the rural poor, including ethnic minorities through the provision of clean water, sanitation, hygiene promotion and protection of the environment. Programme implementation was divided into two sub-phases – a two-year pilot phase focusing on nine provinces and a three-year national roll-out phase, all of which were designed in accordance with the national priorities defined in the CPRGS and the GoV five-year socio-economic development plan for 2006-2010.

80 JAR (2007), (2008), (2009), (2010) and (2011).

81 The GoV prepared a new National Target Programme for Integrated Water Resource Management in 2010, as a common IWRM programme for donors to provide budget support. However, with Danida's phasing out programme only lasted for three years, the RDE chose not to join in the initiative, given the short time left for exiting (Concept Note – Water and Sanitation Sector – Phasing out Programme. December 2011-December 2014. RDE, June 2010). Stakeholder Interviews in March 2016.

income, of the 13 provinces in the pilot, only Tra Vinh province is developing a project to borrow money from Danida Business Finance to replicate usage of solar energy pumps in their provincial water-piped schemes.

**Figure 6: W&S Performance<sup>82</sup>**



Urban and rural sanitation<sup>83</sup> lagged far behind the achievements of the good results achieved for drinking water by the joint<sup>84</sup> initiatives supported by Danida, other donors and the GoV. While only 10% of the municipalities had treated their wastewater in 2008, urban drinking water supply coverage increased from an already high 88% to 99% by the end of the programme. However, 42% of households lacked connections to the wastewater treatment system because the government had not met its obligations set forth in the financing agreement. There is also wide class disparity in people's access to water and sanitation, possibly historical and unrelated to Danida's support, but a real issue nonetheless. For example, 95% of the wealthiest families are connected to piped water but only one-third of the poor benefit from it. The difference is more striking in rural areas where just 3% of the poorest households have a connection, compared with the richest quintile, of which 43% are connected.<sup>85</sup> Although improved sanitation systems providing people with latrines and flush toilets increased from 64% to 93% over the same period, only around 10% of the wastewater and sludge in the entire country was treated. With no sludge treatment alternatives, these untreated residual human and animal sludge wastes are dumped directly into combined storm water/waste-water systems emptying into receiving waters, many of which contaminate productive estuarine nursery grounds and nearshore fishing areas.<sup>86</sup> There are of course many health risks to humans directly exposed to these wastes.

82 Source: Summary of results based on changes in the pre-2005 baselines for rural sanitation coverage with hygienic latrines (RSan), Health Water System in Schools, Clinics and population (HWS) throughout the country (compilation of all JARs, and AusAid-WB 2013, GFA 2015).

83 Rural sanitation tools included various types of hygienic latrines (for details, see WSPSII Completion Report 2011), biogas facilities for livestock wastes, production of bio-fertilizers, reflux oxidation canal and biological lake digestion, among others.

84 AusAid, DFID and the World Bank were also part of this initiative.

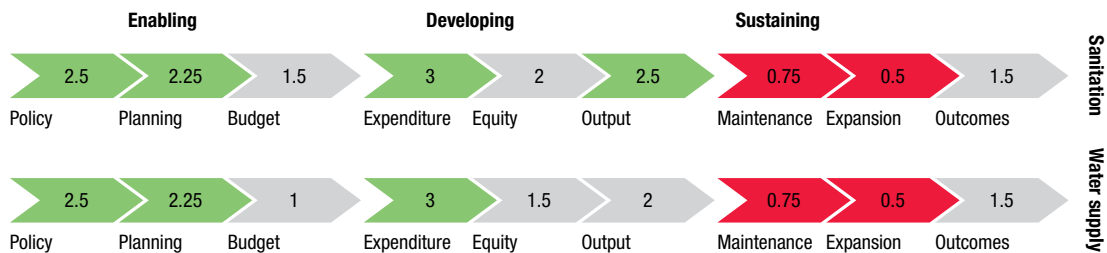
85 WB (2014).

86 *Op cit.*



While there have been impressive advances in achieving results contributing to good production conditions for drinking water and rural sanitation systems, their overall sustainability is weak, as shown in the scorecards below (Figure 7).<sup>87</sup> For example, a recent study showed that a significant number of schemes were not fully operational because Operation & Maintenance (O&M) recovery from tariffs was inadequate and new expenditures focused on expansion with new schemes rather than rehabilitating existing ones.<sup>88</sup> The biggest deficits were recorded for smaller and poorly-managed piped water schemes.<sup>89</sup> National Steering Committee (NSC) meetings, required by a Joint Funding Agreement,<sup>90</sup> could have addressed these and many other serious challenges. However, the government chose not to invite donors to three NSC meetings in which these concerns could have been discussed.<sup>91</sup>

Figure 7: Water & Sanitation Results and Sustainability Scorecard 2013<sup>92</sup>



Despite well-documented implementation issues,<sup>93</sup> NTP2 made significant progress in developing the policy framework for the RWSS sector and in increasing the rural population's access to clean water. However, per Danida's own review, increasing the coverage of hygienic sanitation has been less successful and has fallen short of acceptable WHO and UNICEF levels.<sup>94</sup>

87 *Op cit.*

88 GFA (2015); Per the WSPS II RAM 2008.

89 Per the WSPS II RAM 2010.

90 Per the WSPS II RAM 2011.

91 AusAid and WB (2013); WB (2014); GFA (2015).

92 Source: Scorecard summarizing the scores of the three pillars of Sanitation (top scorecard) and water supplies (bottom) in Vietnam as of 2013 (WB 2014).

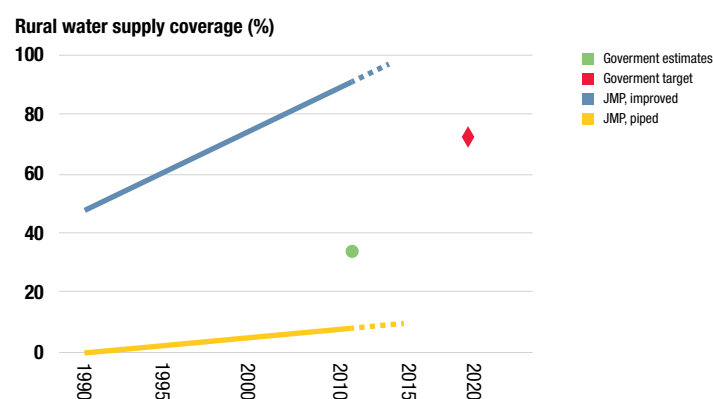
93 It is noteworthy that the Gender and Pro-Poor Targeting Report in RWSS-NTP draft report (August 2011) highlights critical shortcomings in poverty targeting and gender awareness issues affecting implementation of the RWSS NTP2.

94 Danida-WSSP II (2011). AusAid and WB (2013), WB (2014).

Following positive results from Phase II, Denmark, Australia and UK funded Phase III of RWSS (RWSS/NTP3)<sup>95</sup>, which operated between 2012 and 2015,<sup>96</sup> continuing with the focus on the poor, improving sanitation and hygiene, as well as increasing piped water coverage, water quality and O&M. The first joint annual review (JAR) in 2012 identified several challenges that included the need for improving the functionality of piped water schemes and threats from climate changes and sea level rises in some parts of the country. Threats to water resources from salinity and pollution, extreme weather events and flooding affecting water and sanitation infrastructure were also major risks, as was the deficit in NTP3's earmarked funding arrangement to ensure increased allocations for sanitation and IEC<sup>97</sup> at provincial level.

Figure 8 illustrates the results of the rural water supply initiative and shows the progress towards achieving the government's target for improved water systems. However, the percent coverage of people with piped water fell far short of the target. By the time support ended in 2015, Vietnam achieved its MDGs<sup>98</sup> with more than 85% of the rural population having access to hygienic water and 45% having access to clean water.<sup>99</sup>

**Figure 8: Rural water supply coverage and target under the Joint Management Programme (JMP)<sup>100</sup>**



95 Vietnam's third National Target Programme (NTP3) aimed to expand rural water supply and sanitation services to the rural poor and in difficult areas.

96 RWSS/NTP3 focused on four components: 1) Rural water supply, including a sub-project on water quality standards; 2) Rural sanitation with both household, school and public sanitation; 3) Rural environment improvement, including construction of hygienic livestock pens with biogas production, collection and treatment of domestic waster and treatment of waste from trade villages; and 4) Hygiene awareness, capacity building and technology transfer that includes among others IEC, training, capacity building and technology transfer (Joint Appraisal 2011). Sanitation and hygiene resulted in a Rural Sanitation and Hygiene Implementation Plan (RSHIP) developed by MoH and there were barriers to sanitation progress, including: i) limiting the use of sanitation subsidies, ii) focusing on low-cost options to make sanitation more accessible to the poor, iii) promoting the use of targeted IEC and more effective sanitation promotion methods, including 'innovative' approaches, and iv) collaborating with the Women's Union and the VBSP to target poor households for sanitation loans.

97 Per the WSPS III RAM (2012).

98 AR (2004) and WSSP I Completion Report (2006).

99 Standards established by the Ministry of Health.

100 Source: data compiled in WB 2014.

A recent annual review of the Joint Management Programme (JMP) indicated that the government is not properly maintaining the water plants and pipes at provincial level, and this raises concerns about what will happen if the systems fail due to a lack of proper maintenance.<sup>101</sup> M&E data indicate that only 33% of piped water supply schemes are operating sustainably, 41% are operating adequately, while 26% are either functioning poorly or not functioning at all,<sup>102</sup> and the biggest problem is that most Provinces and State-owned enterprises<sup>103</sup> are chronically reluctant to comply with Decree 80<sup>104</sup> which, among other things, demands sustainable cost recovery tariffs to ensure O&M of urban wastewater treatment systems, despite Danida's repeated insistence on charging sustainable tariffs. As a result, many W&S projects are under-performing and this situation will only worsen unless investments in plant maintenance increase. Danida's assessment of PMUs, operators and local institutional settings of these plants clearly described the situation in several annexes to a RDE-funded training strategy document that aims to help overcome many of the above-mentioned deficiencies.<sup>105</sup> This included the funding of training courses to help develop the capacity of politicians and managers to implement Decree 80.

**Sanitation in urban and rural mountainous areas fell short of the targets set by Danida and other donors, largely because the government concentrated on building treatment systems that did not include appropriate waste collection solutions<sup>106</sup> or connecting households to urban wastewater treatment plants during the first five years of Danida's support. As of 2014 there was no effective septic waste management anywhere in Vietnam.**<sup>107</sup> For example, 90% of Vietnamese households use septic tanks but only 4% of the waste is treated,<sup>108</sup> creating a serious pollution problem because much of this waste is simply discharged into waterways. Furthermore, the government has paid relatively little attention to addressing O&M issues related to sanitation facilities in schools, public places and clinics.<sup>109</sup>

101 *Op cit.*

102 Per the WSPS III RAM (2014).

103 Urban water supply service providers are typically government owned enterprises with legally independent status and many are combined water and drainage companies, but theoretically under control of the PPCs.

104 Decree 80 (with seven chapters and 49 Articles, implemented in January 2015) only covers Urban Sanitation, and reflects on Danida 2000-2006 grant projects under the Danida WWSP for Dalat, Buon Ma Thuot and Ha Long waste water plants and systems built by Danida. None of these three Provinces or companies have implemented Decree 80, and they lack sustainable tariffs and do not follow law. It stipulates important principles such as: i) drainage and sewerage in urban areas and rural residential centres is a public service; ii) polluters pay and the income from providing services is to ensure gradual sufficiency towards full cost recovery; iii) drainage and sewerage systems shall be comprehensively developed and maintained; iv) storm water and wastewater shall be collected; wastewater shall be treated to meet the prescribed standards; v) hazardous wastewater shall be managed according to regulations on hazardous waste management and other relevant regulations; vi) the community shall be mobilised to take a part in investment, operation and maintenance of the systems.

105 GFA (2015).

106 *Op Cit*; Stakeholder interviews in March 2016; Interviews #16,21,24,68.

107 AusAid and WB (2013); WB (2014).

108 *Op cit.*

109 Per the WSPS II RAM (2011).

Although the government and provincial authorities had directed considerable effort to making the systems operational and aggregating data at different levels,<sup>110</sup> these efforts have focused more on the physical structure for water coverage targets than on the quality of the services.<sup>111</sup> As a result, Vietnam is faced with the urgency of financing sewerage for the 36 million urban people in 2025 (estimated at around USD 8.3 billion), because the country currently loses about 1.3 % of its GDP (USD 780 million) due to poor sanitation.<sup>112</sup>

### 5.6 Environment sector programme

#### Results:

- The five components funded by the Development Cooperation in the Environment (DCE) programme produced a broad range of results that included new environmental policies, training of government institution staff, piloting of cleaner production industries (CPI) and reduction of environmental hazards and risks that affect people's lives in densely populated areas (PCDA), especially the poor.
- CPI addressed shortfalls in industries' environmental management practices by assisting 243 companies, because of which 60 investment projects were realised with energy savings ranging from 10% to 60% over three years. It also contributed to the formulation of a National Strategy for Cleaner Production and development of new approaches to promoting cleaner production in more provinces than planned.
- The PCDA (Pollution Control in Densely-populated Areas) produced numerous legal tools and technical guidelines,<sup>113</sup> as well as key legal documents, guidelines and 15 pollution control demonstration projects in poor areas that resulted in tripling the number of industries that reduced pollution emissions by the end of the project (from a baseline of 12 industries in 2008).
- The SDU (Sustainable Development in poor Urban areas) produced 12 demonstration projects, technical guidelines and handbooks used throughout the country and expected to demonstrate concrete improvements into the future. It also developed institutional capacity for implementing urban planning and mapping using tools at national level, mobilizing communities to participate in the urban planning process and ensuring that the SEA and EIA technical guidelines are used and effectively implemented. However, the impact of this training was difficult to assess.
- The applied arsenic research was one small but significant development research activity that stood out. The government successfully applied the investigation results in developing new policies on naturally elevated arsenic concentrations in groundwater drinking supplies, and developed an awareness-raising strategy and campaign and technological solutions that reduced serious health risks to over 5 million people along the lower Red River basin.
- Results reported for the remaining components were simply outputs and there is no evidence in reports that those led to measurable outcomes. Particularly vague was the capacity development component that underscored the number of people trained, but offered no concrete outcomes resulting from the training.

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110 Danida-WSSP III (2012).

111 Per Concept Note – Water and Sanitation Sector – Phasing out Programme. December 2011 – December 2014. Embassy in Hanoi, June 2010.

112 WB (2014); Interviews with four former/present advisors to the Danida.

113 PDCA Completion Report (2013).

**Sustainability:**

- Although DCE developed national policies and provincial action plans, few provinces have integrated environment into their development planning and decision-making and provincial staff are largely unprepared to ensure sustainability or enforce supporting regulations.<sup>114</sup>
- However, one encouraging sign is that provincial pollution control action plans in four provinces now have government budget support (1% of provincial GDP) for pollution control measures, with an expected increase if other sources are unavailable.
- The domestic animal waste treatment project in Ben Tre, with the initial building of five biogas tanks in Phu Le commune, has multiplied into the hundreds today because of their simplicity, effectiveness and economic suitability for rural residential areas.
- Environmental issues were also integrated into development strategies, planning and the Socio-Economic Development Plan (SEDP) was institutionalised with concrete guidelines.

Denmark took the role as lead-donor<sup>115</sup> with DKK 250 million for the **Development Cooperation in the Environment (DCE) Programme** between 2005 and 2011. This helped Vietnam integrate environmental management into its rapidly growing economic development,<sup>116</sup> aligning with the National Strategy for Environment Protection (NSEP) and focusing on more secure livelihoods and environmentally-friendly living conditions for the poor. The DCE programme developed **five inter-related components** in collaboration with five ministries in six provinces to control pollution in densely populated areas (PCDA),<sup>117</sup> promote cleaner production in industries (CPI)<sup>118</sup> and sustainable development in poor urban areas (SDU),<sup>119</sup> improve livelihoods in marine protected areas (LMPA),<sup>120</sup> and develop environmental management capacities (CDS)<sup>121</sup> for government, NGOs and private sector shareholders. Gender was regularly integrated as a cross-cutting issue, mainly by building women's capacities and involving them in income-generating activities. The LMPA component was especially proactive in engaging women.

1. **The CPI** component not only achieved its planned outcomes,<sup>122</sup> but was instrumental in establishing a functional Cleaner Production (CP) Unit in MoIT, promoting and

114 Stakeholder interviews in March 2016; Bass et al. (2010).

115 The primary donors were within the Nordic Plus group (Sida, DFID, Danida, CIDA, Norway, Netherlands) are the main cluster of donors,

116 Bass *et al.* (2010).

117 PCDA worked in collaboration with the Ministry of Natural Resources and Environment (MoNRE) and it achieved all its outcomes by: i) preparing the necessary technical guidelines, systems, and tools and applying them in the selected provinces, ii) setting up better pollution control in selected provinces; and by iii) demonstrating and replicating pollution control models in poor densely populated areas and hereby contribute to improved living conditions of residents.

118 Closely collaborating with the Ministry of Industry and Trade (MoIT).

119 Working with the Ministry of Construction (MoC).

120 Working with Ministry of Agriculture and Rural Development (MARD).

121 Working with the Ministry of Planning and Investment (MPI).

122 The overarching goal was to protect and improve the environmental quality, human health and ensure the sustainable development. Planned outcomes were: i) improving the capacity and commitment to implement cleaner production established amongst key national players, ii) by preparing the national Cleaner Production strategy covering large, medium and small-scale industry, and by iii) demonstrating cleaner production techniques and experiences gathered to replicate the policy in other provinces.

preparing a plan to address shortfalls in the existing industrial incentive systems and regulatory framework, helping Vietnam prepare its National Strategy for Cleaner Production and rolling out approaches to promote cleaner production in more provinces than originally planned. It far exceeded expectations by launching demonstration projects to introduce cleaner production technologies for 61 enterprises<sup>123</sup> in the five target provinces.<sup>124</sup> CP promotion units and Action Plans were further expanded through the Departments of Industry and Trade (DoITs) and in developing CP Action Plans for CP activities in the 12 provinces, eight similar CP Units and nine CP Action Plans. By 2011, more than half of the country's provinces had operational CP units.<sup>125</sup> The National Strategy for Cleaner Production was approved by a Prime Ministerial Decision in 2009 (1419/QD-TTg), with a target of applying cleaner production in industries to increase efficiency in using natural resources, building materials and fuels, as well as reducing emissions and pollution acceleration rates.<sup>126</sup> Public funding allocations helped sustain the results by providing continuous investments in cleaner production and the operation of the CP Centre located in MoIT. This laid the foundation for continued expansion and operation after the DCE programme ended in 2011 and for a transition phase. Nonetheless, there is presently no documentation on the overall sustainability of these efforts.

**2. The SDU** (sustainable development in poor urban areas) component also met its outcomes by integrating environmental and participatory planning principles into urban planning, infrastructure and urban service provision at central level through the Ministry of Construction (MoC), developing the policy and management tools to improve urban planning, infrastructure, and service provision. Concrete results include support for the National Policy Framework, improved building codes, as well as technical guidelines and handbooks for ensuring that urban development is sustainable; the focus was on developing the institutional capacity to implement the tools developed under the first policy outcome. These included:

- improving urban planning and mapping with tools developed at national level, mobilising communities to participate better in the urban planning process, and ensuring that the Strategic Environmental Assessment (SEA) and Environmental Impact Assessment (EIA) technical guidelines were used and effectively implemented;
- support for the five provinces at departmental level; and
- development of appropriate models for the provision of reliable services to urban residents, through implementation of demonstration projects using participatory environmental planning principles.

However, numerous sources and available documentation highlight the low level of capacity possessed by provincial staff to facilitate the implementation, and there are no follow-up assessments of replication of the approaches or of the degree to which the pilots were scaled up.

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123 The original target was 40 enterprises.

124 CPI Completion Report (2011), p. 7.

125 CPI Completion Report (2011), p. 7.

126 CPI Completion Report (2011), p. 9.

**3. LMPA** (livelihoods in marine protected areas) provided ingredients for building a network of marine protected areas (MPAs) between Halong Bay and the Cambodian border (Phu Quoc). The Cu Lao Cham LMPA remains one of the programme's most effective and lasting achievements (see Case Study R4). Danida was the only donor working with livelihoods and developing policies to protect marine biodiversity. Its support was crucial for offering alternative income-generating activities that effectively reduced fishing pressure and the degradation of the marine environment around the Cham islands. It offers a model of good practices with many good lessons replicated by the Cambodian government in its first MPA (approved by the government in June 2016).<sup>127</sup> Its achievements included creating policies and regulations for governing (through a co-management model) the MPAs, significantly reducing fishing pressure on the islands, increasing household incomes by more than 30%, capturing tourism earnings and entrance fees to provide a sustainable financing mechanism to carry out management and enforcement. The component achieved its targeted outcomes<sup>128</sup> by developing legal instruments and guidelines, establishing an MPA forum for information exchange, as well as a functioning capacity-building network including trainers and mentors. In 2010, the GoV issued Decision No. 742/QD-TTg on Approving the Planning of Vietnam Marine Protected Areas System to 2020,<sup>129</sup> including alternative sustainable livelihoods<sup>130</sup> aimed at reducing fishing pressure through diversifying incomes, improving living standards and increasing incomes in the tourism sector.<sup>131</sup>

**4. The CDS** (clean development systems) component achieved its targeted policy outcomes by creating access to modern tools for integrating environment and sustainability concerns into policy and training for environmental management professionals in the public, private and NGO sector. Tools included Strategic Environmental Assessment (SEA), a SEA circular issued in May 2011 and a manual prepared to facilitate implementation of Decision No. 129/2009/QD/TTG on Incentive Mechanisms for Investments in Natural Resources and Environmental Protection. The GIZ and ADB also contributed to this effort of improving inter-sectoral and interregional collaboration on environmental investments, among others. Component monitoring information indicated that an increasing number of government documents incorporated environmental aspects. The approval of guidelines was an important step in ensuring that the next round of

127 <https://news.mongabay.com/2016/06/cambodia-declares-first-ever-marine-protected-area/?n3wsletter>

128 i) providing support to ensuring that important habitats and biodiversity in Vietnam's Marine Protected Areas (MPAs) are being restored and protected without compromising the livelihoods of surrounding communities, which is achieved through an MPA network that covers priority areas of Vietnam's coastal waters, with effective management systems in place, ii) through supporting vulnerable communities living in and around selected MPA sites to enable them to meet their livelihood requirements without having to deplete or degrade the environment, and iii) by supporting Vietnam in fulfilling its commitment to international efforts to develop MPA networks and provide experiences of how to address the needs of vulnerable communities.

129 This stipulates that by 2015, at least 0.24% of Vietnam's sea areas will be in the marine protected areas and about 30% of the area of each MPA will be strictly protected with expansion of the system (post 2016), based on further surveys.

130 The focus was on maintaining both livelihoods and biodiversity through the implementation of a broad range of activities, including support to the legal establishment of the areas, administration and management, awareness raising and training, infrastructure investments and livelihood support.

131 AR (2010).

Socio-Economic Development Plans (SEDPs) clearly included environmental aspects.<sup>132</sup> However, there is no evidence at this time that the government has used the SEA tool effectively for balancing environment and development objectives, and M&E remains weak, making it impossible to measure the effectiveness of the new tools and policies over time.<sup>133</sup> Danida, together with several other donors such as ADB, supported the formulation of technical guidelines and environmental impact assessment (EIA) manuals for 15 sectors, five State of the Environment Reports and the framework for Pollution Control Action Plans and accompanying guidelines.

One weakness is that most EIAs are of low quality – they rarely identify risks and long-term impacts, and follow-up monitoring and evaluations to measure the effectiveness of mitigation measures is generally lacking.<sup>134</sup> Presently, one can only speculate about the reasons why the government does not fully apply the EIA training and guidelines that Danida helped support.

Moreover, while the CDS component undoubtedly trained a significant number of people, there are no systematic assessments available to show how the results of this training contributed to positive and lasting changes in environmental management in the target provinces. CDS also implemented 12 demonstration projects in four provinces, and MoC put considerable effort into communicating results and replication.

**5. The PCDA** (Pollution Control in Poor Densely Populated Areas) component helped Vietnam confront overwhelming pollution issues, including degraded water and other natural resources, throughout the country.<sup>135</sup> Impossible to solve even with Danida's sizeable budget and technical support, the programme made significant contributions to build a foundation for executing environmental management (EM) following the end of the programme through developing standardised EM guidelines and building capacities within different ministries to address threats to environmental sustainability. "Golden environmental indicators" were developed to highlight good practices derived from component-specific demonstration projects that included pollution control management tools, cleaner factories, and improved waste management (via treatment and recycling). Widely recognised successes included biogas systems used for treating livestock waste, the building of a water supply station in Ben Tre, and the rubber tree plantations for land restoration in Quang Nam. These and all other pollution treatment projects increased incomes or contributed to community well-being by reducing diseases and improving environmental quality and landscape,<sup>136</sup> while developing the necessary technical regulations and guidelines, systems and tools to support improved environment management in the country.

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132 The component also supported the Department of Planning and Investment (DoPI) in Quang Nam province by training the staff to carry out a strategic environmental assessment of the 2006-2010 development plan. Activities included learning-by-doing training. The experience in the province was presumably being used to develop the SEA guidelines under the first policy outcome. An additional pilot activity supported the Hanoi Agricultural University to implement training courses, with a focus on community participation in environmental planning.

133 Stakeholder Interviews in March 2016.

134 Baird and Frankel 2015; Interviews.

135 ESP-AR (2012).

136 PCDA Completion Report (2011), p. 18.



The DCE programme effectively complemented the Fisheries Sector programme (FSPS) and green growth sectors such as the Climate Change Adaptation and Mitigation Programme (CCAM) and Water and Sanitation (W&S) sectors (provided physical environmental management measures). The programme also worked together with the private sector to raise awareness of pollution control and support improved environmental conditions during production processes in six provinces, and applied wastewater and solid waste treatment measures at the end of the production processes. It set the standard for new private sector development projects in Vietnam, which should comply with Danish standards for environmental protection and occupational health. For example, B2B projects aimed to ensure that 100% of participating companies conducted Occupational Safety and Health (OSH) training and assessments.

## 5.7 Fisheries sector programme

### Results:

- As the primary donor during the past decade, Denmark was a key donor supporting multiple aspects of Vietnam's fisheries sector to become one of the country's major export drivers and positioning the country as the sixth largest seafood exporter in the world.
- Denmark's investments targeting improved fisheries administration (STOFA), improving the management and monitoring of capture fisheries (SCAFI) and post-harvest processing (POSMA) were instrumental in Vietnam's rapid rise, not only in exports, but also in alleviating poverty.
- Results from the aquaculture (SUDA) programme indicated that investing in skill development at grass roots level, creating organisational synergies, solid technical support and innovation could alleviate poverty and drive economic growth.
- Over 40,000 farmers (half of them women) rose out of poverty as a result of fisheries sector growth, nearly doubling their household incomes. Furthermore, the number of ethnic minority people taken out of poverty in the mountainous provinces doubled.
- Innovative management tools such as co-managed marine protected areas, pilot projects in aquaculture and lagoon management were locally successful.

### Sustainability:

- Danida's goal was to help Vietnam build a legal, political and instructional platform for effective fisheries administration, as well as the capacity and knowledge-sharing instruments to enable Vietnam to meet international hygienic and other certification standards that could ensure sustained production for local markets and exports to international markets.
- SUDA-supported aquaculture continues to be a major source of jobs and incomes, while production and sales continue to rise, although demand for catfish decreased in 2016.
- However, capture fisheries are in trouble. Although SCAFI stated in its completion report<sup>137</sup> that the evidence for sustainability is "undeniable", recent data by independent scientists suggest that offshore fishery captures are declining, despite policies, legislation and management tools such as co-management models and resource

137 SCAFI developed capacity and guidelines for small-scale fishery co-management, capture fisheries and a Fishery Strategy looking toward 2020 (signed by the Prime Minister), evidence that the completion report attributes to "undeniable evidence" that the component is sustainable.

protection measures introduced by Danida and other donors, and that urgent action is required to improve fisheries monitoring and enforcement.<sup>138</sup>

- Despite the significant economic and social advances made with Danida's support, many issues remain, particularly with governance and weak protection of nursery and reproductive areas, and these pose a serious threat to the sector's economic, social and environmental sustainability.
- Additionally, countries have increasingly rejected Vietnamese shrimp exports owing to the presence of antibiotics and other chemicals,<sup>139</sup> as well as pathogens, in samples of Vietnamese aquaculture exports,<sup>140</sup> raising serious questions about Vietnam's capacity to sustain the results obtained with Denmark's support for food product safety.

With more than 3,200 km of coastline, a shallow continental shelf (<50 m) covering some 206,000 km<sup>2</sup>, some 3,000 islands and a one million km<sup>2</sup> Exclusive Economic Zone (EEZ), Vietnam had barely tapped its enormous fisheries potential when Denmark and other donors (e.g. WB, Norway) started supporting the country's fisheries sector through their first ODA projects in 1993. At the time, annual fishery exports amounted to only about 1 million tons, earning the country around USD 200 million. Danida approved DKK 41 million for Phase I of the Fisheries Sector Programme (FSPS I)<sup>141</sup> to support further improvements in fisheries administration and management, strengthening policymaking and developing capacity to promote exports so that they meet international standards relating to food safety and hygiene and, importantly, developing the Fisheries Master Plan (FMP). FSPS II subsequently supported the implementation of the Fishery Master Plan and the Socio-economic Development Plan. By the time Danida's ODA-support ended in 2012, exports had grown to USD 6.1 billion.

The **SCAFI** (Strengthening of Capture Fisheries Management) Component, with a total budget of around DKK 220 million, was so successful in terms of poverty alleviation and export incomes that fisheries became a major social and economic development driver, largely supported by socially, economically and environmentally sustainable aquaculture that was heavily supported by Danida. It contributed to the country's efforts to eliminate hunger and reduce poverty, especially among marginalised fisheries participants and to meet its Millennium Development Goals of reducing the percentage of poor and hungry households, and ensuring gender equality by empowering women and promoting environmental sustainability throughout the fishing sector. The programme also helped the government implement its Comprehensive Poverty Reduction and Growth

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138 Teh et al. (2014); Pomeroy et al. (2009); Wageningen 2(2002).

139 On May 27, 2014, the EU's RASFF distributed notice of another border rejection of Vietnamese shrimp by Denmark, this time for the presence of both ciprofloxacin and oxytetracycline. Five days earlier, on May 22, 2014, RASFF also sent out notice of yet another border rejection of Vietnamese shrimp by Denmark for oxytetracycline. On May 15, 2014, RASFF noted another border rejection of Vietnamese shrimp by Denmark for tetracycline. On February 24, 2014, RASFF issued "Information for Attention" regarding Denmark's detection of oxytetracycline in another shipment of Vietnamese shrimp.

140 Noor *et al* (2012).

141 FSPS II's budget totalled 245.7 million.

Strategy (CPRGS) objectives, supported through four Danida-supported components.<sup>142</sup> Although capture fisheries and aquaculture production exceeded 4.5 million tons in 2008, Vietnam only exported 15% of this production volume.

SCAFI focused on capture fisheries and strengthening institutional capacity. It also helped formulate sustainable capture fisheries management, while the POSMA (post-harvest processing) component helped secure and improve the livelihoods of small-scale fisheries producers by developing their capacity to produce higher quality and safer seafood. POSMA actually exceeded its target of increasing annual exports by 10%, helping small-scale producers raise their annual incomes by over 9% in two provinces and doubling the number of certifiable quality hygiene small-scale fishery establishments.<sup>143</sup> Also important was the effort to address the producer and distributor marketing chain risks and inefficiencies for small-scale producers with assistance from trained extension workers and fishery stakeholder associations to improve the post-harvest process (e.g. improved hygiene, traceability, which launched a platform for having greater access to international markets with high demands in terms of quality and traceability).<sup>144</sup> By 2010 increased seafood export earnings contributed approximately USD 5 billion to the economy.<sup>145</sup>

The FSPS programme supported the development (in 2006) of a comprehensive Financial Management and Procurement Manual detailing the Programme's financial management, which adhered closely to Vietnam's pertinent laws and regulations and Danida's Aid Management Guidelines. It also attempted to mainstream environmental management considerations into the new mandate of the Ministry of Agriculture and Rural Development (MARD), which absorbed the Ministry of Fisheries (MoFi), and essentially became a macro-management ministry. This included specific fisheries sub-sector SEA guidelines and practical working orientation for its provincial departments, as well as an Environmental Mainstreaming Action Plan for environmental mainstreaming for each pilot area that included impact assessments for inland aquaculture activities.<sup>146</sup> However, none of the available documentation mentions the widely accepted ecosystem-based management approach to manage fisheries, and ecologically important nursery, reproduction and spawning grounds. Nonetheless, the overall results were impressive (see the solid yellow line on the top graph in Figure 9).

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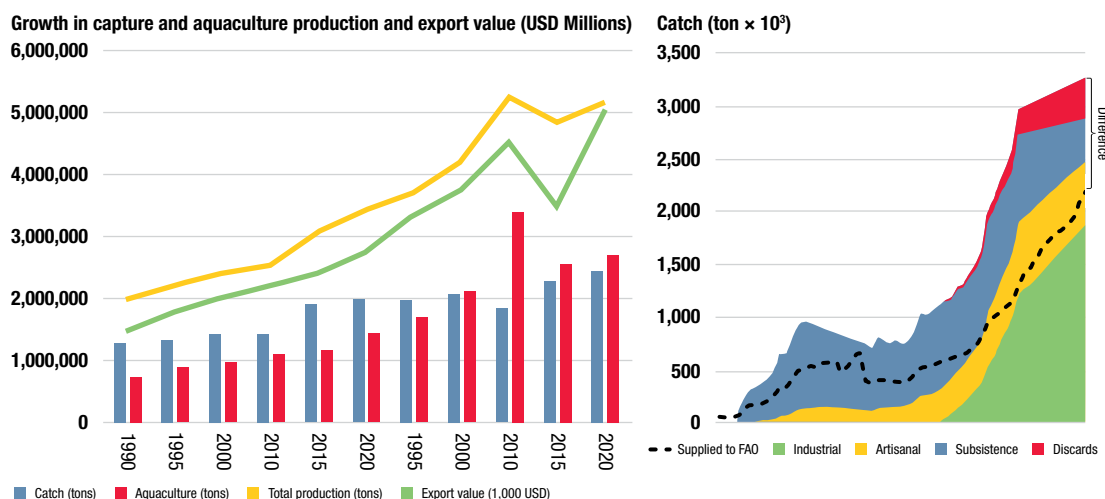
142 The four closely inter-linked components included: a) Fisheries administration (STOFAD); b) Capture fisheries (SCAFI); c) Aquaculture (SUDA); and d) Post-harvest development (POSMA). All four components aimed to integrate and coordinate their activities to address the Vietnam fisheries sector's needs to fulfil the programme's objective and assist MARD with the implementation of the Fishery Master Plan and the Socio-economic Development Plan in eight provinces.

143 Per the Vietnamese Association of Seafood Exporters and Processors (VASEP) there are 534 seafood processing establishments in the country that are licensed by the National Agro-Forestry-Fisheries Quality Assurance Department (NAFIQAD) and which therefore have permission to export. For exports to the EU and US, additional NAFIQAD licenses are required. By the end of 2011, 393 companies were licensed to export to the EU. (PSC 2013; Van Dujin et al. (2012).

144 Danida-POSMA II (2013).

145 Van Dujin et al. (2012).

146 FSPSII-AR 2008

**Figure 9: Growth in Fisheries and Aquaculture Production and Export Value**

Source: Top graph shows fisheries & aquaculture processing production for aquaculture and capture fisheries, while bottom graph shows the reported (FAO dashed line) and projected real values (area above the FAO and officially reported data), which several recent analyses estimate to be 1.9 times greater than what has been reported.<sup>147</sup>

Rapid aquaculture expansion (52%) promoted growth in the last decade, see top graph in Figure 10. While domestic aquaculture and seafood demand is increasing, most of the fishery products (shrimp, striped catfish and hard clams) are exported. Total production grew by 155% and today over 8 million people (10% of the country's population) obtain their main incomes from fisheries (CBI 2012).<sup>148</sup> STOFA II5, with an investment of just around DKK 48 million, was an important part of this success.

**FSPS exceeded expectations** and helped lift over 40,000 farmers (nearly half were women) out of poverty and increased average household incomes by over 70% by the end of the project.<sup>149</sup> This was approximately equivalent to a 13% average increase per year, exceeding its final target by 30%.<sup>150</sup> Meanwhile, annual seafood exports nearly doubled (up by 86%) between 2006 (from around USD3.7 billion) and 2008.<sup>151</sup>

**Together with other GoV programmes, SUDA also contributed by doubling the number of ethnic minority people taken out of poverty in the mountainous provinces.**<sup>152</sup> The same report (SUDA 2012) considered that the farmers sustained and expanded their production with support from Danida-trained government extension workers who helped support them with advice on how to increase their SUDA-derived incomes, a good indicator of social sustainability.

147 Teh *et al* (2014); Watson and Pauly (2013).

148 At the time of this report the government is dealing with a major emergency in the fisheries sector when thousands of fishermen were forced to stop their work after a massive fish kill in deep waters during April 2016. Although the cause has not yet determined, natural causes have been ruled out by Vietnamese scientists (<http://www.rfa.org/english/news/vietnam/as-vietnams-fish-kill-05032016145914.html>).

149 Danida-POSMA 2013, interviews.

150 POSMA 2013.

151 DERG 2010; Wageningen-CBI 2012; Thomsen 2015.

152 SUDA-CR (2012).

The results showed clearly that well-placed investments in developing skills at the grass-roots level, creating organisational synergies, good policies, solid technical support and innovation can effectively and sustainably alleviate poverty. Interviews highlighted that the programme could have been more effective had it developed more demonstration models to stimulate other farmers. Another concern is the potential social and economic risk with the aquaculture model that focuses mainly on two species (*Pangasius* catfish and the giant tiger shrimp), which dominate production and account for nearly two-thirds of total production and value.<sup>153</sup> **Today, the increasingly greater penetration of saltwater intrusion upriver and into coastal lagoons, and the devastating experiences with disease in other countries, raise concerns about the sustainability of the model.**

Although Danida did not work in all provinces in the country, it supported Good Aquaculture Practice (GAP) and safe guidelines and used them in those provinces. This notwithstanding, there is **concern about an increasing pattern of Vietnamese shrimp exports being rejected by the US and EU countries<sup>154</sup> owing to the presence of chemical preservatives in seafood of a not easily traceable origin.** Although the Vietnamese Association of Seafood Exporters and Producers (VASEP) is calling on its members to halt the practice, as it threatens the country's future export potential, there is no information available for 2016 that this has helped reduce the practice. Another problem is the presence of pathogens detected in Vietnamese aquaculture exports (e.g., *Pangasius* catfish, tiger shrimp) by a university of Copenhagen study<sup>155</sup> that implicated poor processing techniques in sub-sampled Vietnamese aquaculture exports. This raises questions about the degree to which the GoV is enforcing the quality guidelines established with Danish support for improving the safety of aquaculture exports. However, recent shrimp exports to China grew by 35% (as of May 2016), and alternative markets exist that may not necessarily put seafood quality high in their priorities.<sup>156</sup>

**Despite the significant economic and social advances, there are still serious issues that threaten the sustainability of the fisheries sector, particularly the capture fisheries.** These include inadequate accounting of the real costs of extractive pressures on marine resources, weak enforcement of regulations, and a general lack of emphasis on recovering the capacity of ecosystem services<sup>157</sup> to avoid a collapse of the marine resource base<sup>158</sup> that feeds and creates so many jobs for Vietnamese families. Although weak governance in the fisheries and environmental sectors may be one explanation for the declining capture fisheries, establishing a causative link is beyond the scope of this evaluation.

153 DERG and CIEM (2010).

154 The European Union's Rapid Alert System for Food and Feed ("RASFF") includes 14 notifications for 2014 for various findings of antibiotic contamination in Vietnamese shrimp, including doxycycline, oxytetracycline, tetracycline, ciprofloxacin, and sulfadiazine. Denmark has rejected shrimp containing both ciprofloxacin and oxytetracycline.

155 Noor et al. (2012).

156 [www.intrafish.com/news](http://www.intrafish.com/news)

157 UNEP et al. (2013).

158 Teh *et al.* (2014).

## 5.8 Climate change adaptation and mitigation

### Results:

- Despite its relatively small budget, Denmark has played a central role in preparing enabling conditions for Vietnam to address climate change (CC) impacts.
- The CCAM programme not only helped put CC policies in place, but also funded activities that produced a wide range of outputs, e.g. measures for promoting greater energy efficiency and greenhouse gas emissions reductions, and climate change adaptation (CCA) pilot measures.
- CC resilience interventions included measures for protecting rural people's farming livelihoods and helping thousands of households overcome severe saltwater intrusion and drought impacts in the Mekong, while multi-purpose storm shelters reduced life-threatening risks for thousands of vulnerable people at district level.
- A water treatment plant helped provide clean water for some 800 households, increasing their resilience to severe saltwater intrusion and droughts. Support for building rainwater collection tanks for 2,500 of the poorest households in two districts,<sup>159</sup> along with a reverse osmosis desalination plant for a school and neighbouring households in Ba Tri District, strengthened social resilience in these pilot areas.
- Denmark has been a pioneer in reducing greenhouse gas (GHG) emissions in Vietnam through its support for a range of innovative interventions. The integration of resilience-enhancing CCA and ecosystem service-building measures provided mixed but mostly positive results. For example, several mangrove afforestation projects successfully built social, economic and ecosystem resilience, while simultaneously protecting the communities with these physical CCA measures. However, at least one private sector investment made a major contribution to building social and economic resilience, but weakened the natural capital by introducing a monoculture of non-native species in areas that are more suitable for mangroves and other wetland vegetation.

### Sustainability:

- It is still too early to measure sustainability of CCAM because there is only limited evidence to date that investments have been sustained, systematic and have replicated changes that contributed to transformation.
- CCAM produced many good outputs that were replicated, including mangrove reforestation (three provinces) using GoV funds, brackish water shrimp farming generating farmer incomes, and water supply systems using solar energy replicated in other provinces in Central Highland.
- A recent evaluation found that 87.5% of the budgeted activities had little evidence demonstrating that the impacts were quantifiable using measurable impact indicators.; however, it is too soon to make a concrete finding on this issue, as impacts are unlikely to be measured until at least five years after a project terminates.
- However, there has been little investment from the Danish private sector to date, despite CCAM potentially being a major investment market for developing good CCAM measures. For example, LCEE and FIRM are still not fully tapped by the private sector and require further incentives (e.g. financial, levelling the playing field with regulatory balances to help encourage genuine competition) that can stimulate more investment in renewables and energy efficiency to help catalyse transformative changes.

Vietnam's low-lying coastline and upstream dams in China further exacerbate the country's high vulnerability to climate change (CC) impacts. Government sources estimated

<sup>159</sup> Giong Trom & Than Phu Districts.

that natural disasters alone would cause a 1.5% loss in GDP,<sup>160</sup> underscoring the need for a comprehensive climate change adaptation (CCA) strategy. Vietnam's contribution to planetary greenhouse gas emissions (GHG) was also a trigger for joint Danish and Vietnamese actions to help reduce the country's GHGs and large carbon footprint.<sup>161</sup> In 2008 the GoV adopted its National Target Programme to Respond to Climate Change (NTPRCC), setting goals that involve a broad range of inter-sectoral institutional measures and reflect the cross-cutting nature of the impacts of climate change, running through 2015.<sup>162</sup> The objective was to increase the capacity of the country to adapt to CC and increase mitigation efforts, with a focus on poverty alleviation.

**Recognising the urgency of supporting Vietnam's efforts to address CC, Denmark became the first donor in the sector and diversified its portfolio in 2005 to support climate change mitigation.** This included the three-phase<sup>163</sup> Climate Change Adaptation and Mitigation (CCAM) programme, launched in 2009 after the Prime Minister requested the Ministry of Natural Resources and Environment (MoNRE) to prepare a National Climate Change Strategy<sup>164</sup> covering the period ending in 2050. Except for the CCAM and some smaller grant allocations for climate research and the Danish Business Partnerships, subsequent support to climate change adaptation and mitigation were largely channelled through Danish climate change envelope commitments. CCAM consisted of two components<sup>165</sup> aiming to achieve greater sustainability in economic and social development and poverty alleviation in Vietnam through increased capacity of the country to adapt to climate change and increase mitigation efforts.<sup>166</sup> The CCA component was fully aligned with Vietnam's National Target Programme to Respond to Climate Change<sup>167</sup> (NT RCC) and the CCM component focused on the government's National Energy Efficiency Programme (VNEEP<sup>168</sup>) through the Ministry of Industry and Trade (MOIT) and other partners.

One initiative involved supporting CCA policy, planning and piloting adaptation measures at community level, through working with two provinces that are highly

160 WB (2013).

161 Data showed a tripling of GHGs and a 50% increase in the country's industrial carbon footprint associated with the rapid economic growth during the first decade of 21st century WB (2014).

162 WB (2011).

163 The three phases included *Start-up* (2008-2010), *Implementation* (Phase II, 2011-2015) and *Development* (Phase III 2016-onward),

164 It is noteworthy that this strategy marked a radical shift by taking ambitious measures to mitigate greenhouse gases and low carbon economic development.

165 Each component focused on two expected outcomes, respectively: i) *Vietnam's future development will be more resilient against climate change and significant improvements will have been implemented in two provinces that will enhance the future livelihood of the poor under threat of adverse climatic and environmental effects*; and ii) *the country's use of energy will be more efficient both within enterprises and in large buildings and thereby support the country's effort of moving toward a low carbon economy* are supported by a combination of funds for recurrent costs, technical assistance and co-financing of physical investments.

166 Danida-CCAM (2008, 2013).

167 Vietnam had already undertaken several CC adaptation measures before the development of the NTP-RCC, which suggests Vietnam is strongly committed to addressing CC, as it should be when it is so vulnerable.

168 The overall aim is to secure savings of 3 to 5% during the period 2006-2010 and 5 to 8% during the period 2011-2015 on total energy consumption compared with the base of the existing forecast on energy development.

vulnerable to climate change in Ben Tre and Quang Nam (see case studies R9 and R10), both being coastal, low-lying provinces within large flood plains and river delta systems. The approach included developing and testing pilot approaches in selected provinces, and developing capacities to improve and scale-up good pilot practices. It also provided budget support at central level to MoNRE, as well as pilot demonstration models in these two provinces. Together these pilot adaptation measures such as mangrove reforestation and new cultivation methods allowed farmers to grow crops in areas severely threatened by saltwater intrusion. A water treatment plant also helped provide clean water for some 800 households, increasing their resilience to severe saltwater intrusion and droughts. Support was provided for building rainwater collection tanks for 2,500 of the poorest households in two districts,<sup>169</sup> and a reverse osmosis desalinization plant for a school and neighbouring households in Ba Tri District, which strengthened social resilience in these pilot areas. Multi-purpose storm shelters that also served as health clinics and shelter for vulnerable people during storms and flooding further added to the list of good adaptation practices. While the mangrove reforestation model has been widely replicated in coastal provinces of Vietnam, there is no evidence of the extent to which these good practices were replicated or scaled up in other areas.

The Green Investment Facility (GIF) funded local small and medium enterprises (SMEs) to support the VNEEP through bank loans. The market transformation effort of GIF is starting to show results in some technologies such as the biomass boiler solution and the ceramic cluster in Kim Lan village for the conversion of coal fired kilns into LPG kilns. When funding ended **in 2012, Denmark played a central role in laying the foundation and providing continued support for eight<sup>170</sup> new initiatives through the Danish Climate Change (KP) envelope (totalling over DKK 100 million for Vietnam)** over a three-year period (2013–2015). Vietnam undertook partial efforts to fund several of these KP-funded initiatives, sending a signal that they have engaged in taking ownership of many of these actions.

The KP envelope provided discrete funding to Vietnam and designated the Low Carbon Transition in the Energy Efficiency Sector (LCEE) Project<sup>171</sup> as its main vehicle, with the aim of extending the effort on energy efficiency carried out under CCM. LCEE is comprised of two new components, the first providing support for SMEs with the Ministry of Industry and Trade (MoIT) in order to promote energy efficiency in the brick, ceramic and food processing industries. The second component provides support for the Ministry of Construction (MoC) to implement a new Energy Efficiency Building Code (EEBC) for new large buildings. It also includes the Green Investment Facility (GIF) a financial mechanism with a budget of DKK 35 million to support concrete SME investments. The GIF had only been operational for two months when the evaluation team visited Vietnam and no information is available on the degree to which private sector companies

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169 Giong Trom & Than Phu Districts.

170 The CC Envelope ran from 2010 to 2013 and included the UN-REDD Global Fund, Southern Voices Capacity Building programme, Facilitation for Readiness for Mitigation (FIRM), Climate Change Partnership with Indigenous Peoples, Mangroves for the Future, Low Carbon Transition Unit, Low Carbon Transition in Energy Efficiency Sector in Vietnam. A total of DKK 65 million was divided between targeted programme budget support to MOIT and MOC, direct technical assistance and a financial mechanism to support concrete investments of SMEs, and Denmark was the only development partner providing budget support to EE.

171 Danida-LCEE (2015a),



are participating. Currently few private sector investors have tried to leverage funds from the Danish-supported National Appropriate Mitigation Actions (NAMA) and the Facilitation Implementation and Readiness Mitigation (FIRM).<sup>172</sup> LCEE provided visible evidence of huge emission reductions by converting coal kilns to gas kilns, saving energy at brick kiln and seafood factories, among other examples. However, a monitoring system should be put in place as soon as possible to track the emission reduction and market transformation of interventions supported by LCEE.

**At the time of this writing, the evidence indicates that Monitoring and Evaluation (M&E) for LCEE remains inadequate, even though the project will end in 2017.**

Therefore, the component runs the risk that it will not fully capture the lessons from implementing the diverse and uncoordinated projects in a way that could help the GoV replicate the projects that contributed to positive changes that Denmark funded, while improving those that were less successful.<sup>173</sup>

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172 LTSI (2015).

173 Danida-CCAM (2013), Danida-LCEE (2015a), LTSI (2015); TAS (2015).

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## 6 Transformation of the Partnership

### 6.1 Overview

**The concept of transformation comprises two dimensions. The first is the degree to which Danish development cooperation supported Vietnam in its goal of becoming a medium income country (MIC) that can participate in globalisation, have an enabling environment for the private sector and better governance, and become a fully engaged partner in international cooperation. The second dimension is the way in which stakeholders involved in the Danish-Vietnamese development cooperation programme have collectively supported an evolution of the bilateral relationship between Vietnam and Denmark towards a mutually beneficial post-ODA partnership.**

**The first dimension was largely addressed in Chapter 5, which provides a detailed analysis of the Danish contribution to the achievement of Vietnam's development objectives.** While the inevitable attribution gap does not allow for a robust qualitative let alone quantitative assessment of the extent to which Vietnam benefitted from Danish support in achieving MIC status, we have shown that Denmark has made important contributions to Vietnam's development across all sectors covered by the evaluation.

For many years, the centrepiece of the partnership was development cooperation. Vietnam was a priority country for Danish development assistance from 1993 to 2015 and for long periods Denmark was among the top ten bilateral donors engaged in Vietnam providing not only funding but also considerable technical expertise. Denmark has been an active development partner engaging across the board from support for good governance and the rule of law, to the sectors of fisheries and agriculture, infrastructure, environment, and water. In recent years, the focus of development cooperation has shifted increasingly towards private sector development and climate change as the partnership evolved with the fast economic progress in Vietnam and new demands. Today, Denmark has strong commercial interests in and links to Vietnam, which in part build on the knowledge and experience gained through development cooperation.

A joint donor evaluation in 2008 on “Managing Aid Exit and Transformation” found that exit decisions are always political. The general finding was that when donors made the decision to exit (often unilaterally) four different arguments could be distinguished:

- The graduation argument: the recipient can manage without the aid
- The governance argument: the recipient is disqualified because of a perceived violation of good governance standards
- The mismanagement argument: the recipient is accused of mismanagement of aid

- Revised criteria for selecting partner countries.<sup>174</sup>

In the case of Vietnam, the first and the fourth point apply. In the eyes of the Danish Government and a growing number of other donors, as a middle income country Vietnam is no longer eligible for traditional ODA.<sup>175</sup> Denmark's decision to move beyond a traditional ODA-based relationship with a country that is no longer one of the world's poorest was consistent with the Danish global development assistance strategy – which declares '*poverty reduction as the overarching goal*' and envisions '*greater priority to Denmark's engagement in fragile states.*'<sup>176</sup> Generally Denmark's recent development cooperation strategy (2012) is based on the concept of '*a global development engagement and a bilateral engagement based on cooperation with a limited number of priority countries.*' The strategy specifies that 'The main focus of Denmark's development cooperation will continue to be on Africa, where needs are greatest.'<sup>177</sup>

After the Danish decision to transform cooperation from a strong development focus to a relationship reflecting the political and economic interests of the two countries, the overall strategic priorities for phasing-out were communicated to the GoV in the High-Level Consultations in 2008. In August 2009, the Technical Advisory Service of Danida assessed the ongoing phasing-out process. In March 2009, a Performance Review of Danish development assistance in Vietnam was conducted by the Ministry of Foreign Affairs. Following up from discussions with the GoV in 2010, a phasing-out action plan for Danish development assistance to Vietnam for 2011-15 was agreed and gradually implemented.<sup>178</sup> It was based on the following principles:

- that decisions on phasing-out/transitions are *communicated* well and in timely fashion both internally (within the MFA and the RDE) and externally – in this case to the GoV and other national partners;
- that *pre-phasing-out strategies and plans are developed*, including overall aspects regarding the country programme and specifically for each sector;
- that *realistic timeframes* are set; it is important to build in the necessary (and realistic) time to ensure maximum alignment and a smooth transfer of responsibilities to recipient institutions;
- that different *stakeholders are involved* in a timely manner, at overall level (country programme) and within sectors and programmes;
- that *proper management* is required to ensure timely communication, monitoring of strategies and follow-up processes, involvement of stakeholders at different levels, flexibility, etc.

174 Slob,/Morten (2008), p. 9.

175 According to World Bank data. As of 1 July 2014, middle income economies are defined as those with a GDP per capita, calculated using the *World Bank Atlas* method, of more than USD 1,045 but less than USD 12,746. See <http://data.worldbank.org/news/2015-country-classifications>

176 Danida-MFA (2011), p. 18.

177 The Danish Government (2012). *The Right to a Better Life. Strategy for Denmark's Development Cooperation*. Copenhagen, June.

178 RDE (2011).

- targeting overall *capacity development and institutional aspects* to the country-specific context in the transition.<sup>179</sup>

However, while Danida developed clear action points, targets and milestones for the phasing-out of the aid at programme level, less attention was paid to guidelines or indicators for the transformation of bilateral relations following the termination of ODA. Yet, in parallel with the implementation of the phasing-out strategy, approaches for post-aid relations were developed at the highest political level.

During a state visit of the Vietnamese President, Truong Tan Sang, to Denmark in 2013 (which was preceded by other high level exchanges such as the visit of Prime Minister Helle Thorning-Schmidt to Vietnam in 2012) Vietnam and Denmark signed a Comprehensive Partnership Agreement (CPA) that provided the formal framework for relations in the post-ODA era. The agreement focused on strengthening political, cultural and commercial cooperation, and envisioned increased cooperation in the education, environment and climate sectors. In 2014, a first joint action plan specified the implementation of the agreement. In early 2016, in light of the 45th anniversary of diplomatic relations between the two countries, the RDE and the Vietnamese Foreign Ministry signed a new biannual joint action plan to continue implementing the CPA and to accelerate bilateral cooperation in green growth-environment, food safety and environmental management by facilitating knowledge transfer and the development of efficient systems for management and control of industrial emissions, among other thematic areas.

Generally, the CPA and related action plan foresee regular meetings and dialogue between the governments and various ministries as well as between the parliaments of the two countries, along with the exchange of delegations and meetings in the margins of international and regional fora. Both governments have planned official annual consultations between their respective Foreign Ministers. At a working level, the implementation of the action plan is based on:

- Strategic Sector Consultations/Cooperation between various Vietnamese and Danish ministries, depending on the area of cooperation and including, for example, Ministry of Education and Training (MoET); Ministry of Labour, Invalids and Social Affairs (MoLISA); Ministry of Health (MoH); Ministry of Agriculture and Rural Development (MARD); the Ministry of National Resources and Environment (MoNRE)
- The effective use of the joint Government Committee for Economic, Trade, Investment, Technological and Know-How Cooperation between Vietnam and Denmark, including the sub-committee on green growth
- The intensified use of regional and global fora and cooperation mechanisms such as the Global Green Growth Forum (3GF) and trilateral cooperation on green growth between Vietnam, the Republic of Korea and Denmark (2012) aiming at supporting Vietnam in the implementation of its green growth strategy

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<sup>179</sup> Ibid, p. 1.

- Bilateral cooperation mechanisms, which still need to be specified, in several thematic areas
- Seminars, works, consultations and promotional activities in all thematic areas.

The CPA and the action points place strong emphasis on green growth for the post-2015 cooperation agenda, as also underlined in the Joint Declaration on the Establishment of Strategic Partnership in the area of Climate Change, Environment, Energy and Green Growth (November 2011) and the MoU on the Bilateral Cooperation in the Fields of Sustainable Aquaculture and Environmental Monitoring in the Context of Climate Change (September 2013). There certainly seem to be good reasons for the strong focus on green growth in the new partnership era. Vietnam is one of the five countries most vulnerable to climate change and the GoV sees clean technologies as key to reducing greenhouse gas emissions by 8-10% between 2010 and 2020, and a further 1.5-2% by 2050. To achieve the country's goal of 50% of enterprises applying green production techniques by 2020, the World Bank Group's Climate Technology Programme estimates that Vietnam's clean technology market will need up to USD 19 billion in investment up until 2025.<sup>180</sup>

Overall, Denmark's post-2010 bilateral cooperation continues building on its achievements with Vietnam through increasingly mainstreaming private sector issues across ODA to forge a comprehensive partnership as the new driver of Vietnam's social and economic development, while still focusing on poverty reduction and creating new jobs through private sector investments. The Danish Growth Market Strategy for Vietnam (2012) aimed to create synergies to help expand well-established Danish-Vietnamese commercial cooperation in the green growth, agriculture and fisheries sectors, in addition to health and education.

Furthermore, by 2015 more than 30 MOUs had been signed between Vietnamese ministries/government agencies and Danish ministries/government agencies in order to provide a solid institutional basis for government-to-government relations in the future.<sup>181</sup> As several stakeholder interviews confirmed, **the *longue durée* of diplomatic and development cooperation relations as well as the incremental nature of the transformation process positively contributed to the deepening of bilateral relations and their re-orientation.** An additional positive factor is said to be the Danish Royal Family's special relationship with Vietnam (due to HRH Prince Henrik's partial upbringing in Hanoi). The Prince Consort has returned to Hanoi on a regular basis and, in 2011, HRH Crown Prince Frederik participated in a large business delegation to Vietnam about the celebration of the 40th anniversary of diplomatic relations between the two countries.

180 The World Bank (2015). New Climate Innovation Centre Launched to Promote Green Growth in Vietnam. December 11, 2015, <http://www.worldbank.org/en/news/press-release/2015/12/11/new-climate-innovation-centre-launched-to-promote-green-growth-in-vietnam>

181 RDE (2016), p. 2.

## 6.2 The approach to transformation of the partnership

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 several years – as part of the Danish-Vietnamese development cooperation – and embedded in high-level policy consultations strongly contributed to its acceptability.<sup>182</sup> A senior official of the Vietnamese Ministry of Planning and Investment (MPI) confirmed, *‘We see the transformation as positive. It is in line with our development priorities. This has been an inevitable process which helps us to get used to the idea of accessing funds in a more sustainable way than during the times of development aid.’*<sup>183</sup>

**Both the RDE and the Danish Economic and Commercial Office in HCMC made substantial contributions to achieving the transformation through, *inter alia*, regular meetings and workshops with key government and non-state stakeholders.** The RDE has built strong sector knowledge in the fields of agriculture and food, environment, climate and water, and governance. The local staff members who have been working with these assistance programmes for more than a decade have established strong relations and networks with relevant government officials and local businesses in several areas, including Danish companies and institutions. As a central part of the approach towards transformation, the RDE strengthened its focus on the press and public diplomacy. In 2012, it appointed a press officer and a Vietnamese journalist with a good network in the media on an hourly basis. Furthermore, all teams started contributing stories to Facebook and other media and public diplomacy was made a permanent agenda item. The most important social medium in Vietnam is Facebook, where the number of users has been growing explosively. Facebook is an important form of communication in a country where press freedom is still restricted. The RDE has about 80,000 ‘friends’ and up to 300,000 users weekly, including opinion leaders, politicians, journalists, etc. There has also often been some ‘spinoff’ from the RDE’s Facebook page to newspapers and online media.

Because of the increased focus on public diplomacy, since 2012 reports on the activities of the RDE and Denmark in general in Vietnam have substantially increased in the Vietnamese media. In 2014 alone, the RDE’s activities were mentioned in 980 newspaper articles, often in major newspapers, and the ambassador gave more than 50 interviews to TV stations. This has all contributed to establishing Denmark as a strong brand in preparation for the post-ODA period.<sup>184</sup>

As already outlined in Chapter 5, under the 2006-2010 phase of Danish-Vietnamese development cooperation and in clear response to the alignment and ownership requirements of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008), the RDE changed the way it worked, gradually using the structures and systems of the GoV for implementing programmes and projects. As one of the results, the role of Danida advisors evolved from primarily managing programmes to advising

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182 Stakeholder interviews in January and March 2016.

183 Interview in Hanoi, 26 January 2016.

184 Stakeholders interviews in Hanoi and Copenhagen between January and April 2016.

government. The RDE also became more involved in policy dialogue with Vietnamese partners. Value-for-money audits, spot checks to determine aid effectiveness, and needs assessments to monitor the programmes run by the GoV facilitated clearer thinking about when to disburse funds to the government.<sup>185</sup>

Increasing donor harmonisation also contributed to the implementation of the Paris Declaration. Regular meetings, exchanges and coordination with other donors in Vietnam took place to maximise the potential for development outcomes. Some projects were jointly designed, funded and implemented with other donors, for example with Sweden and the EU in the governance sector. Furthermore, Danish MFA staff left no doubt that they were well informed about the phasing-out or transition strategies of other donors (including, but not limited to, Sweden and the UK). However, there is no documented evidence to suggest that the approaches of other donors were explicitly taken into account in the design and implementation of the Danish strategy. This is mainly explained by the fact that Denmark was one of the first donors to design a gradual phasing-out and transformation strategy – at a time when there were as yet no experiences and models available from other donors. A donor roundtable organised in Hanoi in January 2016 as part of the evaluation demonstrated that other donors were keen to learn from Danish experiences and some hinted that the lessons learned were important for informing their own future strategies in relation to Vietnam.

The vast majority of stakeholders interviewed during the evaluation positively assessed the process of transformation. However, “From aid to trade”, the catchphrase often used by both Danish and Vietnamese stakeholders to describe the transition, does not do justice to the full scope and comprehensive nature of the new partnership which clearly goes beyond trade.

At the same time, while the Danish-Vietnamese political dialogue meeting in March 2016 in Copenhagen made some progress in defining the new cooperation agenda, the exact nature and scope of the post-2015 partnership, including any Danish financing modalities, remains unclear, according to Vietnamese interviewees at ministerial level. Furthermore, aspects of coordination with other governments are absent from the partnership strategy. As bilateral relations are no longer defined and driven by development cooperation, the necessity for harmonisation between foreign government stakeholders (as former donors) no longer exists. As more and more of Vietnam’s former development partners transform their relations into new approaches that are, first and foremost, based on economic interests, former like-minded donors have become competitors.

Although the phasing-out and transformation strategy was successful at national level, the message was not well conveyed to all government stakeholders in the Danish-supported provinces. If there was a missed opportunity in the way in which the Danish-Vietnamese development cooperation supported the transformation process, it was a lack of direct involvement of sub-national stakeholders. Interviews in Dak Lak, Lao Cai and Ben Tre with representatives from all sectors confirmed that many actors at sub-national level, most importantly Provincial Peoples Committees (PPC) and departments of national line ministries, were largely unaware of the complete phasing-out of traditional Danish ODA. However, it was very clear to PPC officials and the MPA staff in Quang Nam Province

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185 Stakeholder interviews in January and March 2016.

and to recipients of development research support in Hanoi. Asked about their inclusion in the organisation of the phasing-out process, stakeholders of provincial ministerial departments almost unanimously replied that planning in the context of development cooperation only involved the government at national level.

### 6.3 Management and achievements of the transformation

This section provides an assessment of evaluation questions on the transformation (EQs 6 to 9) and the respective judgment criteria; see Annex F. It takes the overall picture of the transformation process into account while also employing a sector-specific perspective. Key findings are further developed in five case studies (see Annex C)

**An assessment of the effectiveness of the transformation cannot ignore the question as to what extent Danish development cooperation has managed to sustain key results of the pre-2015 partnership during the phasing-out phase. It is important to note that it is neither possible nor useful to draw a clear and exact line between the results and sustainability of the Danish-Vietnamese partnerships and its transformation.** The Danish Foreign Ministry's internal assessment of the strategy for phasing-out traditional development cooperation between Vietnam and Denmark (2009) identified sustainability as a key challenge. *'... the basic issue to be addressed in the transition or phasing-out process is how to ensure the sustainability of relevant development activities. A basic precondition for ensuring this is that maximum alignment of the development activities to national systems, procedures and capacities is pursued continuously not only during the phasing-out but also prior to this phase. Transfer of responsibilities and development of capacities in most cases cannot be achieved if a concerted effort has not been made to ensure alignment prior of phasing-out.'*<sup>186</sup>

#### Governance

**There is mixed evidence regarding the extent to which the phasing-out strategy reached its objectives on alignment, reduction of technical assistance (TA) and private sector engagement and hence has paved the way for the sustainability of changes in the governance sector.** The phasing-out strategy stated,

GOPA II is designed with a clear and inherent existing strategy based on the following overall principles: i) gradual takeover of Danish funded activities by partners through increased partner capacity; ii) gradual decrease of Danish financing in most activities; and iii) focus on lessons learned and dissemination of theses.

On the one hand, extensive capacity-building took place in all areas of both GOPA I and II, creating the necessary framework conditions for increased national ownership and thus the potential for results to be sustained. In addition, reforms implemented and new structures built in relation to judicial sector reform and PAR are principally sustainable because of the high level of GoV ownership they enjoyed right from the beginning and, in a related respect, because they were closely aligned with GoV strategies. On the other hand, there has been no full take-over of Danish-funded activities by partners owing to

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186 MFA. Technical Advisory Service (2009), p. 6.



a lack of funding or substitution for the former Danish support. Thus, the phasing-out and transformation strategy has only partly achieved its objectives.

For example, stakeholders of all three higher education institutions which established human rights centres and degree programmes (see case study R1) stressed that there was no government funding available to make up for terminated Danish support. Interventions that were aligned with national target plans, for instance with regard to PAR, will continue but only with already allocated GoV funding which is only a small fraction of the Danida support. Not a single interviewee reported that GoV funding had increased or new funding sources had become available to substitute for the phased-out Danish assistance. It seems possible, even likely, that project outcomes in several areas will not be sustainable without some new funding. This, however, does not necessarily have to be donor funding. **The Danish-Vietnamese Comprehensive Partnership Agreement provides a suitable framework for high-level policy dialogue to communicate the message that increased Vietnamese ownership is needed to enhance the sustainability of the results in the governance sector.** Generally, policy dialogue and inter-ministerial cooperation, as well as exchanges between the parliaments, are important and might well stimulate and support reform processes in the governance sector in general and in the judicial sector and about human rights, political participation, accountability and transparency of decision-making. However, it is too early to assess any results of such dialogue in the post-aid era.

Since three large donors – Japan, the World Bank (IDA) and the Asian Development Bank (ADB) – contribute between 80% and 90% of Vietnam's ODA disbursements, **at first glance the loss of some bilateral donors such as Denmark is having a relatively minor effect on overall ODA volume, although it may have a substantial impact in sub-sectors or areas such as governance and culture. Donors that have been disengaging, such as Denmark and Sweden, are those with a strong governance focus.** While there are still others, for example the EU, that drive the good governance policy agenda, and multilateral organisations that have increasingly taken over the policy advocacy role, a transformation to more commerce-oriented partnerships almost inevitably decreases the leverage of bilateral donors, including Denmark, on key GoV reform agendas.<sup>187</sup>

### Culture

**Following up the effective implementation of Vietnam-Denmark Development Cooperation in Culture (DCC) Programme, which resulted in high visibility of Denmark in Vietnam, the CPA facilitates expansion of art and cultural collaboration between the two countries.** Specifically, several exchange and other 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.<sup>188</sup> Thus, support for culture is a good example of a successful transition from the aid programme to the new bilateral partnership.

187 Roundtable Luncheon of “like-minded donors” with the participation of Sweden, Netherlands, Switzerland, Canada, Australia, UK, Finland, Germany and Denmark, Hanoi, 27 January 2016; Cox, Marcus and Tran Thi Hanh (2014).

188 Aide Memoire. Vietnam (2013), p. 2.

**Generally, the widespread perception of Denmark as a global beacon of good governance, human rights and cultural pluralism has positively influenced the transformation of Vietnamese politics and society in the areas of governance and culture and thus is a good basis for the transformation of the partnership, which can build on this positive image.**<sup>189</sup> While Denmark was not the only donor in the broad fields of governance and culture, interviewees confirmed the uniqueness of the Danish approach which often found important niches (such as the establishment of human rights centres and the “Right to Art and Culture” programme), thereby achieving outcomes in an effective manner. Particularly important was the contribution of Denmark to helping create more transparent and professional journalism, and the executive director of the Vietnamese Journalists’ Training Centre presented the Danish advisor with an honorary lifetime membership in the Vietnamese Journalists Union (VJA) in recognition of her efforts and success in support of their cause.

### **Business support**

While Chapter 5 addressed the specific results of business support programmes, the following draws on their overall effects on economic relations between the two countries as a main pillar and driver of the transformation from development cooperation to the post-ODA environment. As part of the transformation agenda, since 2011 strong emphasis has been placed on **strengthening links between development aid and Danish commercial interests**. This has enabled Danish companies to secure a market share, including in the food sector, and particularly in agriculture and fisheries, as well as in alternative energy and water resource management, education and environment. Currently, 135 Danish companies are present and doing business in Vietnam, primarily in wooden furniture, garments, clean energy, information and communications technology, electronics and software, maritime transport and logistics, and food.<sup>190</sup> Danish aid instruments played an important part in stimulating 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, the companies’ initial decisions and motivation for working in Vietnam were driven by their knowledge of specific instruments or business opportunities related to the Danish aid programme. An independent study on the “Synergies between Danish Development Cooperation and Commercial Activities in Vietnam” found: *‘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.’* About 25% of all Danish companies present in Vietnam today received Danida support when they first entered the country.<sup>191</sup>

The RDE and the Economic & Commercial Office have very pro-actively supported Danish business interests by providing general market information and advice, putting Danish companies in contact with Vietnamese businesses, assisting companies in their

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189 Stakeholder interviews, January and March 2016.

190 Many of these companies have maintained the original 50:50 share with their respective Vietnamese partners.

191 Many of these companies have maintained the original 50:50 share with their respective Vietnamese partners.

dealings with the state authorities and offering legal advice. While these services are chargeable, several company representatives stated that the support of the RDE was less expensive and more effective than comparable services provided by law firms and consultancies. The RDE has also regularly organised information dissemination events and workshops in collaboration with the Vietnam Chamber of Commerce and Industry (VCCI) and other organisations.<sup>192</sup>

**Table 1: Danish-Vietnamese Trade in Goods, 2011-2016**

Million DKK	2011	2012	2013	2014	2015	Jan.- Apr. 2015	Jan.- Apr. 2016
Export	1,172	1,075	1,201	1,547	2,720	609	735
Import	1,569	1,665	1,617	1,925	2,296	907	801

Source: Ministry of Foreign Affairs of Denmark.

**Table 2: Structure of Danish Exports to Vietnam, 2015**

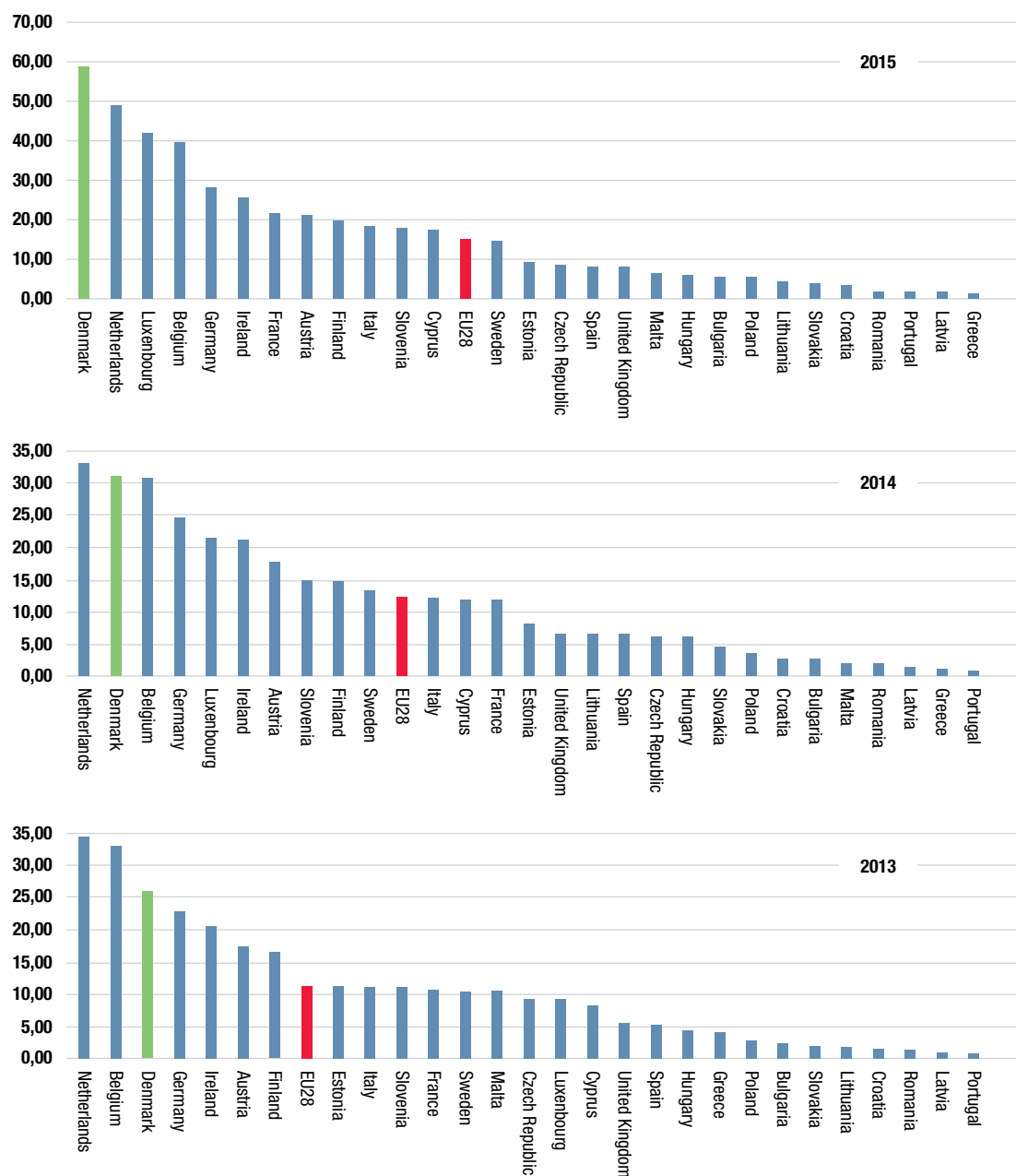
Trade of goods	Volume in million DKK (2015)	Growth in percentage compared to 2014
Hides, skins and fur skins, undressed	813	1540%
Fish, seafood etc.	785	14.5%
Medical and pharmaceutical equipment	186	44.5%
Grains/crops etc.	121	57.1%
Transport, other	71	1551.5%
Total export of goods to Vietnam	2,720	75.8%

Source: Ministry of Foreign Affairs of Denmark.

**Not least, owing to the support provided to Danish companies, economic relations between Denmark and Vietnam have expanded substantially over the past decade. Between 2005 and 2015, bilateral trade in goods increased more than four-fold and Danish investments in Vietnam nearly tripled.** Within the EU, Denmark is currently the largest exporter of goods and services to Vietnam as measured per capita (see Figure 10). In 2015 Denmark was ranked 25th among 101 countries and territories investing in Vietnam, with 111 investment projects worth USD 705.26 million, according to the Vietnamese Ministry of Planning and Investment.

<sup>192</sup> See for example Asia News Monitor (12 Aug 2014).

Figure 10: Exports of goods to Vietnam Euro per capita 2013-2015



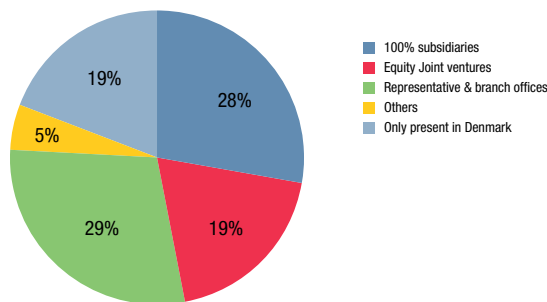
Source for all three figures: Eurostat, provided by the Ministry of Foreign Affairs of Denmark.

Of importance was the response from Danish companies during the transformation period in terms of investment in Vietnam’s water and sanitation, CCAM and environment sectors. Overall, there have been both catalysts and barriers in respect of attracting or encouraging Danish companies.

Denmark has developed several instruments to encourage companies to create Danish and Vietnamese partnership companies through soft loans available through Danida Mixed Credits (since 2011 Danida Business Finance), or from IFU, which supports commercial and development objectives. Further, the Danish Trade Council (TC)

offers advisory services from within the RDE in Hanoi,<sup>193</sup> while the Climate Envelope offers financial credits to Danish businesses through FIRM, GIF and its other facilities. However, notwithstanding the strong emphasis on the Green Growth sectors in the transformation of the partnership, only 16% of the 135 Danish businesses listed for 2015<sup>194</sup> had invested in the Fisheries sector and the three Green Growth sectors in Vietnam (water and sanitation, environment and CCAM). While most (57%) of them have branch or subsidiary offices, only about 20% are equity-joint ventures (Figure 11).<sup>195</sup> The weak regulatory setting, subsidies for state-owned enterprises, and the government's reluctance to establish rational cost-recovery tariffs all combine to create an unfavourable investment climate for many government-owned enterprises. Most of the companies surveyed (75%) took advantage of Danish Trade Council (TC) activities and said they were attracted because of TC's hands-on knowledge of specific incentive instruments or business opportunities relating to the new Danish aid programme.<sup>196</sup> Of the companies that took advantage of a business partnership in Vietnam, 71% were involved in Danish ODA-related activities, while over half of them had been involved with both aid and commercial instruments. Conversely, only three companies<sup>197</sup> appear to have accessed IFU funds.

**Figure 11: Composition of Danish Green Growth & Fisheries sector companies in Vietnam**



Source: Thomsen 2015.

**The available data show that over half of the companies in green growth sectors and fisheries made small investments in sales and services, rather than establishing businesses that can offer employment opportunities for the Vietnamese. Most of these investors focused on the fisheries and aquaculture sector and most of those businesses either sold equipment or took advantage of Vietnam's excellent and low labour-cost processing of seafood that rarely originated in Vietnamese waters.** Table 3 summarises the potential for private sector investments in each of the four sectors, including some of the recent catalysts and barriers in respect of establishing business operations in Vietnam. Interviews and existing documentation helped identify catalysts that paved the way for a smooth transformation from ODA to private business investments in each sector.

193 TC provides advisory services from the Danish Embassy and activities such as trade fairs and delegations.

194 Thomsen (2015).

195 *Op Cit.*

196 Thomsen (2015).

197 The three companies using IFU financing include a two solar and one seafood companies (IFU 2014).

Although little information is available on how many jobs this has created, Danish companies investing in green growth and fisheries obtained very different results and benefits, as described below.

**Table 3: Summary of the Danish investment potential in four sectors, catalysts and barriers to investment, and the results to date, based on the available information**

Sector	Potential <sup>198</sup>	Catalysts	Barriers	Result
Fisheries	Medium	Exit strategy, VIDATEC Knowledge Facility, TC services Advisor, IFU, Trade Expos, VASEP + VINAFISH support	Product Q&S, raw materials	10 +companies
Green Growth Sector	CCAM	High	Green Funds, FIRM, GIF, IFU	Regulations, low Tariffs, 7+ companies
	W&S	High	Green Funds, FIRM, GIF, IFU	Regulations, low Tariffs, subsidies to State-owned companies 3+ companies
	Environment	Medium	Green Funds, FIRM, GIF, IFU	Regulations, low Tariffs 0 investments

Source: Compiled from Thomsen 2015.

Clearly, there are several measures that could further promote the transformation. Appreciating them requires a careful look at the tremendous potential for private sector growth in Vietnam, especially at the incentives that have attracted Danish investors, while overcoming the barriers that may have made them reluctant to develop potentially lucrative partnerships with Vietnamese companies.

The **green growth sectors** are among those in greatest demand to help Vietnam achieve the sustainable development goals (SDGs). The water and sanitation sector and the LCEE subsector are considered the sectors with the highest ceiling for growth opportunities in terms of private sector investment.<sup>199</sup> Such opportunities potentially offer win-win outcomes that not only provide good economic returns for investors, but also support Vietnam's Green Growth Strategy, particularly in developing solutions to address water scarcity, flooding and saltwater intrusion that increasingly affect agriculture and water supplies in both rural and urban areas. Guaranteeing water security is one of the main considerations of Vietnam's climate policy<sup>200</sup> in the W&S sector, which not only includes provision of clean water, but also irrigation – which ranks high on the government's priority list.

198 Refers to growth potential for Danish investors (Medium= < USD 5 billion; High = > USD 5 b.; Excellent = > USD 45 b.)

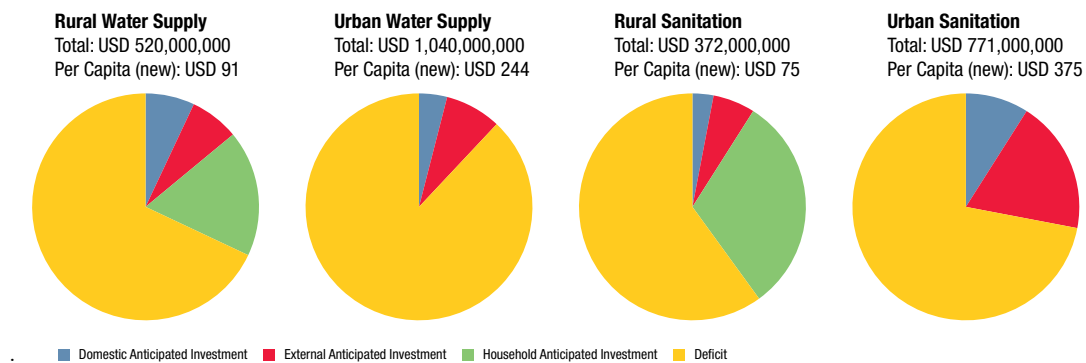
199 WB (2014).

200 Trujillo et al. (2015).

As a world leader in domestic water use efficiency,<sup>201</sup> Denmark offers an impressive portfolio with global experience that could play an important role in helping Vietnam achieve its National Climate Change and Green Growth strategies. Danish firms such as Grundfos have had a continuous presence in Vietnam, supplying equipment to water and wastewater plants, solar pumps and other water-distribution needs. Surprisingly, private investments in the W&S sector have been insignificant, mainly limited to sales and marketing of pumps and other equipment.<sup>202</sup> Danish sales to public sector entities on a commercial basis have been challenged by public entities used to receiving equipment on an ODA basis.

The volume of investments required for Vietnam to meet its water and sanitation targets by 2020 is enormous and the World Bank estimates that around USD 1.6 billion for water supplies and USD 1.1 billion for sanitation<sup>203</sup> are urgently needed (see Figure 12).<sup>204</sup> Most investments are required in urban areas (87%), replacing existing assets (60% for water supply) in order to meet the drinking water needs of 3.7 million people (50% in rural and 50% in urban areas), and provide 6 million people with waste water treatment systems and 2 million latrines in rural areas by 2020.<sup>205</sup>

**Figure 12: Estimated investment needs for W&S in Vietnam between 2016-2020 (WB 2014)**



Source: WB 2014.

201 Denmark has reduced its domestic water use by more than one-third over the past twenty years and its minimal 6-7% water loss from delivery pipes is one of the lowest in the world, while Vietnam continues to lose nearly 40% of its drinking water due to backward technology and weak infrastructure (VBF 2011).

202 This is due to four primary obstacles: i) uncertainty about the ownership of water supply assets; ii) ambiguity in the regulatory environment favouring government subsidised State-owned companies; iii) unsustainable tariff rates which continually ignore Decree 80 demanding cost recovery for re-investing in O&M; and iv) lack of confidence in the government's willingness to allow water tariff rates to increase as needed over time. ADB (2012); Stakeholder Interviews, March 2016

203 MOC identified investment needs for urban sewerage systems to be on the order of \$3.2 billion, with around USD 1.4 billion estimated for urban domestic solid waste systems between 2016 and 2020.

204 World Bank WSP (2014); ODI (2015).

205 Ibid.

As a recent World Bank study states:

Given the deficits in public funding, and the current lack of fiscal space in the government budget, it is increasingly important for the GoV to improve the efficiency and effectiveness of public spending, which could be assessed through a sector specific Public Expenditure Review. Moreover, leveraging private sector investment would deserve high priority to reduce the financing gap, as well as through increasing user financing through cost recovery tariffs and effective software activities.<sup>206</sup>

However, addressing governance issues related to the previously-mentioned investment barriers could help level the playing field, thereby opening up this sizeable market to Danish companies.

Given the reduction of international ODA and the ceiling Vietnam has reached in obtaining loans, the main source of short-term private investments will be domestic, with support likely to target government funding of small- and medium-sized W&S enterprises. This of course will require an increase in tariffs and fees to attract private investments and lead to expanded budgetary resources to continue with the required investments in the country.<sup>207</sup>

**The poorer provinces in Vietnam find it especially difficult to attract investments to meet their W&S needs and the Danish Business Finance (DBF) programme has been active in helping Vietnamese and Danish companies develop partnerships in the sector during the transformation process.** The DBF programme is providing soft loans to six ongoing water projects of which five (in Ha Giang, Cao Bang, Quang Binh, Buon Ma Thuot and Hau Giang) are for building waste water treatment plants and systems and one in Thanh Hoa for building water supply systems. It provided funds that would be used to tender for services to be provided by Danish businesses who would partner with the local provincial-owned enterprise through a transparent bidding process using FIDEC rules. These projects focus on strengthening the foundation for sustainable growth by reducing urban pollution and transmission of water-borne diseases.

### **Climate change adaptation and mitigation**

Climate Change Adaptation and Mitigation (CCAM) offer even larger green growth sector opportunities for private sector investments, and Danish companies are well positioned to make a good return on their investments. Although companies have been attracted through different modalities, the available evidence indicates that private sector involvement has been limited in the CCAM sector for several reasons. The sector lacks a clear strategy on how to increase private investments.<sup>208</sup> Currently, LCEE and Low Carbon Transition Unit (LCTU) mainly employ expertise from Denmark's public sector, but administrative structures within government agencies such as the Danish Energy Authority (DEA) raise questions as to how to fill this void once the programme ends.<sup>209</sup> In terms of meeting the LCEE objective of establishing at least two private sector

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206 WB (2014).

207 Trujillo et al. (2015).

208 LTSI (2015); Stakeholder Interviews, March 2016.

209 Op cit.



partnerships, only one partnership using Danish expertise has materialised to date (wind energy).<sup>210</sup>

Danish know-how, technology and investments could help Vietnam with mainstreaming CC adaptation tools in the planning process and could also open opportunities, particularly in the highly vulnerable coastal areas of the country. It could contribute to implementation of the GoV's key policy instruments on climate change adaptation and mitigation. **Although two green growth companies used IFU's market knowledge to establish operations in Vietnam, few Danish private sector investments have taken full advantage of Denmark's Climate Envelope**, per the available evidence. The Envelope funds initiatives that attract Danish expertise on energy efficiency and renewable energy, FIRM<sup>211</sup> and Green Investment Facility (GIF)<sup>212</sup> in CCAM. Several green growth companies lasted beyond their ODA consultancies because of their vision of future markets in which to sell their products, their good references and branded products within the country and, importantly, good connections to local authorities.<sup>213</sup> Three new Danish green growth companies used a combination of instruments (e.g. TC support) to enter the Vietnamese market, while employing aid instruments to train their local staff and gain access to local partners and contacts, while commercial services supplemented their need to promote business activities, expand their list of contacts and resolve business disputes.<sup>214</sup> However, the results varied widely and, for example, one solar energy manufacturer attributed over half of its growth to production in Vietnam.<sup>215</sup>

As with the W&S sector, State subsidies and low tariffs have effectively priced many green power businesses out of the private sector energy-producing market (except for Vestas, described below) even while Vietnam will always have a huge demand for energy and the country is likely to face energy shortages in the next decade that will affect industrial production capacity in the future. One high-level government official stated that Vietnam's developing power industry will require USD 41.8 billion in investments by 2020 for developing the country's power system, that is roughly USD 6 billion annually that could be directed to a shift in favour of a low carbon energy system. However, this is complicated by the government's subsidies that effectively capped electricity and fossil fuel prices to a level that is not fiscally sustainable.<sup>216</sup> Nonetheless, high-level officials<sup>217</sup> have proposed that specific investment incentives be developed for attracting foreign energy developers.

Most wind power developers have been unable to secure financing, because the existing tariff rate does not meet the minimum feed-in tariff of 11.5 cents per kWh if Vietnam is to reach its target of 1,000 MW of wind power by 2020.<sup>218</sup> However, the Danish wind

210 Thomsen (2015), Stakeholder Interviews, March 2016.

211 FIRM has the potential to generate development impacts through wind and pig waste NAMAs, MRV and low carbon sector plans.

212 LTSI (2015).

213 Op cit.

214 Most companies have emphasised that the Vietnamese institutional and commercial environment lacks transparency (Thomsen 2015).

215 Thomsen (2015).

216 Stakeholder Interviews, March 2016.

217 Deputy Minister of Industry and Trade Tran Tuan Anh.

218 Power Master Plan VII.

turbine-manufacturer Vestas Wind Systems has entered into a Danish Business Partnership and recently signed a MoU with a Vietnamese company<sup>219</sup> to build a 170 MW wind power project worth USD 2 billion, with contribution estimated to start this year with a feed-in tariff of 9.8 cents per kWh. The partnership is currently in the study phase and turbines could be installed by the end of 2016.

Other recent investments are related to oil and gas production and pig breeding equipment (see case study T1), with Denmark's Haldor Topsøe and Petro Vietnam (PVN) joining forces, while Vissing Agro a/s and Danbred have paired up with Vietnamese companies on these two sectors, respectively. Both private sector partnerships are major sources of carbon footprints and emissions of GHG<sup>220</sup> and Danish know-how oriented to yield more efficient pig farming, smaller carbon footprints and water usage, thus potentially contribute to Vietnam's Green Growth Strategy. Knowing Danish pig technology to be among the best in the world, it is expected that the Danish Farm Concept representing the entire Danish model for pig production will ensure that GHG emissions from 35 million new pigs by 2020 do not prevent Vietnam from achieving its GHG emission goals, and that efficient water and sanitation measures that ensure a continuous flow of ecosystem services in those intensive pig farming areas are provided.

### **Fisheries sector**

**Denmark has been a pioneer in helping Vietnam raise its fisheries sector to a higher level. The sector still offers opportunities for further contributing to economic growth and poverty reduction. Much of this success can be traced to Denmark's contribution in the ODA-supported improvements, in areas such as quality and safety of aquaculture and capture fishery products. These improvements helped the country meet international food standards.** Seeing opportunities for continuing their joint work in the transformation process, Danish seafood companies and Vietnamese seafood producers and processors<sup>221</sup> created several mutually beneficial partnerships. On the one hand, these partnerships focused on exporting Danish equipment and technology to improve the quality of Vietnam's processing industry. On the other hand, they agreed to ship EU-captured seafood for processing in Vietnamese plants to create jobs and new sources of income. As will be described later, there are still many opportunities for continuing this fruitful relationship, since Vietnam has a long way to go to consistently meet those requirements.

The RDE used considerable effort to build a proactive exit strategy linking Danish businesses with the fisheries sector while ODA was being phased out. At first the RDE invested in building stakeholder networks and linking them through a Knowledge Centre, focused on improving sectoral governance mechanisms and developing inclusive communication tools. Thus, the RDE helped Vietnam lay the foundations for up-scaling

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219 The project will be implemented together with the Phu Cuong Group in Soc Trang Province.

220 About 44% of livestock emissions are in the form of methane (CH<sub>4</sub>). The remaining part is almost equally shared between Nitrous Dioxide (N<sub>2</sub>O, 29%) and Carbon Dioxide (CO<sub>2</sub>, 27%). Based on data from (Bonesmo et al. 2013), the estimated GHG intensity averaged for several pig farms in Norway was 2.65 kg CO<sub>2</sub>eq kg<sup>-1</sup> CW (range: 1.24–4.03). The production of the feed consumed by the pigs contributed most to total GHG emissions; accounting for 2.14 kg CO<sub>2</sub>eq kg<sup>-1</sup> CW, or more than 80% of the total emissions. Emissions from fossil fuel production depends on the type and quality of the hydrocarbons.

221 MFA (2015).

the results of ODA support, including advances in seafood quality, safety management and to some extent, value chains.

Two key stakeholders were at the core of this strategy – the Vietnamese Association of Seafood Exporters and Producers (VASEP) and the Vietnam-Denmark Aquaculture Technology Centre<sup>222</sup> (VIDATEC).

VASEP was created to facilitate future business linkages with the fisheries sector, whereas VIDATEC was established as a platform for expanding commercial activities benefitting the two countries in the future (see case study T4). Both received Danish support for developing information storage capabilities and communication strategies,<sup>223</sup> which allowed them to expand their network to include other fisheries sector shareholders, something that was lacking in most other Danish-supported sectors. The RDE-funded technical training courses also helped expand the VINAFISH communication outreach bulletins, which further raised the organisation's profile.<sup>224</sup>

One of the major challenges the seafood industry faces is related to a shortage of capital, unstable supply of raw materials, and the need to maintain quality standards and sustainable fisheries production. Danida's FSPS helped open the door for Danish companies to export state of the art fish farming and processing technology to help reverse this situation and contribute to improving seafood quality standards. Equipment included environmentally-friendly pumps, oxygen meters and feeders, and other equipment highly demanded in one of the world's biggest aquaculture technology markets. Efficient and environmentally-friendly equipment is a specialty of companies such as OxyGuard, Grundfos, DHI, RK-plast and AKVA Group, which sell their goods through the Danish EPA's export partnership with VIDATEC. Equipment suppliers, operating sales and service offices in Vietnam mentioned that Trade Council (TC) services played an important catalytic role in promoting their businesses within the country. Having a local advisor who worked with the FSPS was one aspect that attracted Danish businesses.

In addition to creating job opportunities, Vietnam stands to benefit from Danish companies' provision of capital for investment and re-investment in maintenance and new technology.

With the high potential for growth and development, the fisheries sector in Vietnam is still an attractive destination for Danish companies, which by exporting raw materials and re-importing processed products at relatively low cost (albeit, with an unknown carbon footprint) meet the needs of Vietnam's industries. Danish trading companies also acquired physical space and hired Vietnamese contractors in order to use the country's high quality fish processing capacity to package semi-finished European-imported fish products. Processed salmon fish-heads from Europe are used to make local soups, while

222 VIDATEC was supported by the Danish EPA, Denmark's Environmental Technological Development and Demonstration Programme (MUDP) and Danida's Business Partnership.

223 VASEP created an informative and regularly-updated website (<http://www.seafood.vasep.com.vn/>) and received RDE funds to establish a new policy department to train its staff on policy advocacy issues.

224 For example, their most recent announcement for June 2016 informed members that capture fisheries, shrimp and catfish exports rose over 6% during the first quarter of this year. Interviews suggested that this positive news was likely to have attracted new seafood producers to join.

the rest of the fish is re-exported throughout the world. However, while this has created some jobs and contributed to economic growth in Vietnam (200 rural families working in aquaculture are estimated to have benefitted), it appears to have decreased the number of blue-collar Danish jobs.<sup>225</sup>

Notwithstanding these successes, Vietnam's capture fisheries are declining. Explanations include: severe pollution of estuarine and nearshore waters, unsustainable levels of by-catch (including eggs and larvae crucial for replenishing fishery stocks), illegal fishing, and inaccurate fisheries data that understate the effects of these pressures on the country's fisheries.<sup>226</sup>

Today 90% of Vietnam's shrimp production is exported mainly to the EU and Japan, with black tiger shrimp accounting for most shrimp production and white Pacific shrimp (*Vannamei* spp) trailing behind.<sup>227</sup> Recent reports on aquaculture imports to EU countries indicate that the industry is using antibiotics and other chemicals that have led to the rejection of the products in the US (USDA), EU (RASFF) and Japan (IIFIS of Japan's Ministry of Health, Welfare and Labour).<sup>228</sup> Another study by a Danish team indicated that freshwater and marine products contained pathogenic bacteria that probably originated in processing plants. These critical issues could potentially lead to a reduced demand for Vietnamese food exports, unless the Government acts,<sup>229</sup> something that VASEP is already trying to achieve. Consequently, there will be future demand for know-how from Denmark and other countries, as well as equipment to help address some of these issues and simultaneously raise production, while reducing risks to the ecosystem and human health.

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225 Thomsen 2015.

226 The et al. (2014); Pomeroy et al. (2009).

227 Wageninge-CBI (2012).

228 The European Union's Rapid Alert System for Food and Feed ("RASFF") includes fourteen notifications already this year for various findings of antibiotic contamination in Vietnamese shrimp, including doxycycline, oxytetracycline, tetracycline, ciprofloxacin, and sulfadiazine. Denmark has also rejected aquaculture products from Vietnam in 2014 and a record number of rejections in 2015. (<http://www.shrimpalliance.com/shipments-of-vietnamese-shrimp-contaminated-with-antibiotics-discovered-by-fda-again-in-november/>).

229 One source from the sector stated: "*The continuing and undeniably growing problems associated with the Vietnamese shrimp industry are not a secret. The instances of refusals or regulatory actions taken in response to antibiotic contamination from just this year are all public information. Most importantly, there is simply no other shrimp supplier in the world that comes close to having the same terrible results as the Vietnamese industry. None!*"

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## 7 Conclusions

This chapter synthesises the main findings across all sectors, providing concluding answers to the Evaluation Questions which also address the respective judgement criteria under each EQ (see Annex F).

### 7.1 Results from the Danish-Vietnamese Partnership 2000 to 2015

#### **EQ1. What were the key longer-term changes achieved across the entire Danish-Vietnamese partnership 2000-2015?**

**Danish support has been aligned on Vietnamese priorities:** Beneficiaries of Danida support across all sectors unanimously stressed the high relevance of Danish-Vietnamese development cooperation and its close alignment with Vietnam's development objectives and priorities. This has particularly been the case since 2006, which marked the beginning of a new phase in the partnership and was explicitly based on Vietnam's Socio-Economic Development Plan/SEDP (2006-2010). Virtually all interventions in the governance sector at national and provincial levels either actively contributed or were at least related to the GoV's Public Administration Reform (PAR) programme. The cooperation closely aligned water and sanitation (WS) projects with the National Rural Clean Water Supply and Sanitation Strategy, while it implemented the Climate Change Adaptation and Mitigation Programme (CCAM) within the context of the National Target Programme (NTP) on Climate Change. Although not directly responding to a specific national strategy, support for the private sector gained importance in relation to the GoV's efforts in transforming the country into a market economy along with the related approaches to privatisation.

**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 has helped catalyse changes in mind-set, policy, legislation and practice through demonstration and interchange of Danish-Vietnamese experience across all sectors. One of the most visible changes to which Denmark evidently and strongly contributed was in the field of human rights. In addition to generally increasing awareness of human and civil rights in Vietnam, Danida support was instrumental in bringing about constitutional and legislative change, including the 2013 amendment of the Constitution, which introduced new provisions on human rights, as well as several new laws or amendments to existing laws. The Water and Sanitation support helped millions of urban and rural people gain access to hygienic water, sewerage and latrine systems, while on a smaller scale the Environment Sector Programme (ESP) introduced pilot cleaner industrial production systems that are being replicated and are contributing to Vietnam's efforts to reduce environmental hazards and health risks. The Fisheries Sector Programme was one of the important drivers of the rise in Vietnam's lucrative seafood and aquaculture exports and was instrumental in raising tens of thousands of rural people out of poverty.

**The long-term changes were in line with Danish and Vietnamese development objectives and priorities:** All long-term changes corresponded well with Danish and Vietnamese development objectives. Obviously, Denmark's and Vietnam's strategic and conceptual approaches to development are not identical. Most importantly, Denmark has

a strong human-rights-based approach to development, which considers human rights as a driver of change. While human rights-related interventions and activities in other areas, such as cultural projects, strongly supported by Denmark, did not rank highest on the GoV's development agenda, differences in perception did not hamper the cooperation. The resulting changes can still be in line with both countries' overall development objectives.

**Danish support added value in catalysing the changes** in the W&S sector that allowed Vietnam to achieve three MDGs by reducing the prevalence of water-borne diseases, providing drinking water to a large proportion of the population and improving sanitation in both rural and urban environments. The ESP introduced new policies and legislation, cleaner and more efficient industrial production in pilot areas and an excellent, sustainable model for actively engaging local communities in managing their marine resources and meeting the triple bottom line (society, the economy and environment). Support for reducing environmental and human health risks associated with serious arsenic pollution produced a positive development impact for 5 million people extracting groundwater along the Red River and for millions more in neighbouring countries who replicated this knowledge.

**Changes had a direct impact on poverty reduction, gender equality, environment and climate change, water management, good governance and private sector stimulation.** Poverty reduction and equitable gender models were largely focused on the fisheries and aquaculture activities, and to a smaller but equally important extent the model MPA-livelihoods project in the Cham islands. W&S introduced safe drinking water and sanitation delivery systems for millions of people while local climate change adaptation pilot projects not only reduced the vulnerability of thousands of poor people but helped protect their livelihoods and income-generating farming activities. In the good governance sector the changes had the most direct impact on human rights in terms of new policy and legislative provisions as well as human rights education and research. While the private sector and business support programmes have been beneficial to a considerable number of Danish and a small number of Vietnamese companies, and contributed to the transfer of knowledge and technology and fostered labour standards and CSR, the programmes were too small to stimulate the Vietnamese private sector in general.

**The achievements of longer-term changes have been partly influenced or constrained by external factors.** Vietnam's international situation and foreign relations have been stable since the early 1990s. While growth slowed in response to the economic crisis (2008-2009), economic growth has recovered and external factors did not have a decisive influence on Danida-supported reform process and the resulting changes. The major exception is related to the environment. Saltwater has increasingly been penetrating deeper into coastal areas, aquifers and agricultural soils for several decades in response to the fragmentation of ecosystem services (upstream rivers dams, mangrove destruction and excessive groundwater extraction). The extreme 2016 El Nino event highlighted the environmental and social impacts of salinification. Such an extreme event was not anticipated by hydrological models which could have helped provide early warnings to aquaculture, agriculture farmers and water plant operators who were among the most affected.

**Institutional, policy and technical constraints were not always addressed during implementation.** Arguably the lack of transparency and the weak enforcement of regula-

tions have undermined, and continue to impair, the full potential and sustainability of many of Denmark's achievements. Weak governance (particularly environmental), government subsidies to state-owned enterprises and the reluctance of these enterprises to establish realistic tariff rates reduce the effectiveness of many green growth sectoral interventions, while unreliable statistics and weak enforcement of legislation weaken efforts to manage coastal and marine fisheries sustainably, and guarantee safe aquaculture exports.

**EQ2. What concrete development results were achieved by the Danish-Vietnamese partnership 2000-2015?**

**Aid delivery modalities were not always appropriate to the national context.** In the early 2000s Danish support to Vietnam was mainly delivered through technical assistance to relatively autonomous individual projects grouped per sector and named programmes. Danida delivered sectoral budget support primarily to the National Target Programmes for CC and W&S, and supported several provinces, although not as a sector. Activities within these programmes and projects were generally implemented through parallel structures in the form of programme management units run by Danish consulting firms through technical advisors up until 2004 when Danida installed its own technical advisors; the number of TA projects and advisors was gradually reduced after 2005-06, when budget support (BS) increasingly became the main aid instrument. Against the backdrop of Vietnam's rapid economic development and the requirements of the Paris Declaration, there can be little doubt that, at the time, budget support was the most appropriate modality. Yet stakeholders reported frequent delays in the disbursement of funds (a general problem in Vietnam). During the entire evaluation period, Danida also provided individual project grants in areas in which budget support was not suitable, particularly for some interventions in the fields of governance and culture.

**Danish cooperation has added value in achieving sector outcomes:** The evaluation provided ample evidence of strong Danish visibility in all sectors of its development cooperation with Vietnam. For example, advances in human rights are as much associated with Danish support as are achievements on diverse climate change agendas, ranging from energy (including energy efficiency), flood control and storm forecasting, to insurance. One of the challenges ahead will be to sustain Denmark's existing positive image as a driver of change with a different set of instruments.

**Danish cooperation had clear comparative advantages.** Given the trust Denmark gained in Vietnam over the past 50 years due to its know-how, technology and superior equipment in the green growth and fisheries sectors, Denmark was well-placed to obtain support from the highest levels of government to solidify many of the outcomes. One high-level Danish civil servant highlighted that the GoV was exemplary with respect to its perseverance in following through with formal agreements with the Ministry of Foreign Affairs. The partnership also appears to be good for Vietnam, as most of the stakeholders interviewed in governance and culture sectors perceived Denmark to be a global beacon of good governance, human rights and cultural pluralism that significantly contributed to the success of outcomes in these areas.

**Overall, the concrete outcomes are in line with the reconstructed theory of change (ToC)** (see Annex E) The Danish-Vietnamese partnership generated a broad range of outputs and outcomes. Higher level outcomes included:

## 7 CONCLUSIONS

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- Creating thousands of jobs in agriculture, fisheries and aquaculture and other production sectors (including high tech), IT and services
- Improving employment opportunities and better working conditions for thousands of Vietnamese skilled and semi-skilled employees
- Increasing agricultural productivity<sup>230</sup>
- Increasing competitiveness of Vietnamese companies due to the transfer and application of approaches covering the entire value chain (for example in pig production and fisheries)
- Improving planning skills and more efficient and effective organisation and management (including performance-based management systems) of government units involved in the implementation of PAR
- Developing new or amended laws, decrees and regulations across virtually all sectors
- Significantly-improved access to clean water and sanitation for thousands of households in Danida-supported provinces leading to improved health and living conditions for rural populations and a reduction in waterborne diseases.<sup>231</sup>

Lower level outcomes included:

- Increased export volume and income for fisheries and aquaculture products, largely due to product health and FSC certifications supported by Danida, which opened up these products to meet international quality and safety standards
- Climate change adaptation measures included a water treatment plant and also helped provide clean water for some 800 households, increasing their resilience to severe saltwater intrusion and droughts
- Support for building rainwater collection tanks for 2,500 of the poorest households in two districts<sup>232</sup> while a reverse osmosis desalinization plant for a school and neighbouring households in Ba Tri District strengthened social resilience in these pilot areas

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230 Per interviews, for example in Lao Cai the production of crops (rice and corn) increased from 215,000 tonnes in 2011 to 288,000 tonnes in 2015 which equalled an increase of the per capita food volume productivity from 396 kg (2011) to 420 kg (2015) mainly thanks to Danida support.

231 By the time the W&S programme ended in 2015, it had surpassed the expected results and contributed to expand drinking water coverage from 36% access to hygienic water in 1990, to over 85% of the population at termination. This included providing hygienic water to 68% of the rural poor, and over 90% of schools and clinics with access to hygienic water and sanitation. Approximately 30 million people in rural Vietnam now have hygienic water, while 5 million rural house with hygienic latrines during the period 1999-2015. However, most supplies are from boreholes and only 9% of the rural poor have household connections.

232 Giong Trom & Than Phu Districts.



- Multi-purpose storm shelters that also served as health clinics and shelter for vulnerable people during storms and flooding – however, there is no evidence that these good adaptation practices were replicated or scaled up in other areas.

**Danish cooperation was 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 RDE to any new ideas and concepts put forward by the Vietnamese partners. Overall, as also captured by the ToC and confirmed by interviews, the guiding principles, values and objectives of Danish support remained valid and changed little throughout the evaluation period. Within the overall framework, however, there was sufficient flexibility to adapt interventions to changed structural circumstances (for example, new Vietnamese government strategies) or the interests of stakeholders or to design new projects. A case in point was GOPA II which, for the first time, provided direct support for NGOs in providing justice to the small but growing ‘civil society’ (in inverted commas because few Vietnamese NGOs meet the standard Western definition of civil society).

**The evidence is mixed regarding the extent to which long-term impact of the outcomes was achieved in relation to key development agendas:**

- Poverty reduction, which has evidently taken place during the evaluation period, is almost never attributable to a single donor.
- Except for the fisheries and W&S sectors, it has been difficult to integrate gender into the programmes, and this has not changed with the climate change (CC) initiative,
- The long-term development impacts are evident at country level within the governance sector, particularly regarding the firm establishment of human rights in governmental and societal discourses and in legislative and regulative reforms.

**Weak integration in the CC sector:** The lack of an integrated Danish climate change strategy and the weakness of the M&E system make it difficult to assess the effectiveness of the component’s contribution to the Vietnamese green growth strategy, but there is evidence that this situation has improved since the Climate Change Programme (KP) evaluation in 2015.

## 7.2 Sustainability of the changes and results achieved from the Danish-Vietnamese Partnership 2000-2015

**EQ3. Are the key longer-term changes achieved likely to be sustained?**

**Current market forces, incentives and drivers can sustain some of the changes and change processes but the results differ across sectors.** There is no question that Danida’s 18 years of support for capture fisheries, aquaculture and improving the processing quality of seafood and aquaculture products helped propel the sector to become one of Vietnam’s major export drivers, positioning the country as the sixth largest seafood exporter in the world. Denmark’s investments targeting improved fisheries administration (STOFA), improving the management and monitoring of capture fisheries (SCAFI) and

post-harvest processing (POSMA) were instrumental in Vietnam's rapid rise, not only in exports, but also in alleviating poverty. The environment programme's industrial Cleaner Production Initiative helped 60 enterprises reduce their material and energy consumption by 23% over three years, contributing to the formulation of a National Strategy for Cleaner Production as well as new approaches to promoting cleaner production in more provinces than planned; at the same time the PDCA produced numerous legal tools and technical guidelines,<sup>233</sup> as well as key legal documents, guidelines and 16 pollution control projects in poor areas that resulted in tripling the number of industries that reduced pollution emissions by the end of the project (from a baseline of 12 industries in 2008).

**Across the board, there are no strong indications that the GoV has taken measures to enhance the sustainability of outcomes.** On key agendas, particularly in the governance sector, such as PAR, human rights, institutional strengthening of the National Assembly or judicial sector reforms, the GoV is unlikely to provide additional funding, or any funding at all in some cases, to make up for the shortfall in Danish aid. This means that a broad range of activities are unlikely to continue owing to the lack of financial sustainability. The policies and legislation whose formulation was made possible with Danish support will remain in place, as will many of the forward-looking guidelines in the green growth sectors. Although national policies and provincial action plans were developed for the environment sector, few provinces have integrated environment into their development planning and decision-making and provincial staff are largely unprepared to ensure sustainability of management interventions or enforce supporting regulations. Private sector investment in Vietnam has been hindered by the GoV's resistance to setting realistic tariffs for W&S services and accepting profit making in green growth sectors, and its favouring of state-subsidised enterprises.

Nonetheless, many good pilot initiatives could still be replicated or scaled up with government funds. Unless the government acts to eliminate seafood exports containing pathogens and antibiotics, the country could face international pressure that might reduce earlier gains; and unless it improves the accuracy of capture fisheries statistics, it will be impossible to sustain and manage capture fisheries, which are already declining.

**Strategic considerations guiding the phasing-out and transformation were appropriate, well communicated and effective:** The phasing-out strategy was 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 the Danish-Vietnamese development cooperation – and was embedded in high-level policy consultations strongly contributed to its acceptability. Both the RDE and the Danish Economic and Commercial Office in HCMC made substantial contributions to achieving the transformation through, inter alia, regular meetings and workshops with key government and non-state stakeholders.

**EQ4. Are the development results achieved being sustained?**

**Some robust changes took place and are likely to continue yielding benefits, particularly in the fields of environment, climate change, water management, governance and private sector development:** Given the strong emphasis on institution-

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233 PDCA Completion Report 2013.

building and the alignment with key GoV reform agendas, Danida support for most sectors has created favourable structures for achieving sustainability of the achieved results. Generally, the Theory of Change (ToC) pathway analysis shows that Danida's support has made significant gains in building Vietnam's social and economic resilience for responding to global changes in the coming decades. While notable gains were made with several environmental issues, the sectoral nature of the ODA-programming contributed at least in part to a reduced emphasis on re-building ecosystem service resilience in many green growth sectors. Nonetheless environmental governance remains a serious challenge; examples of this shortcoming include widespread pollution of estuarine nursery grounds for coastal-marine resources, saltwater intrusion affecting aquaculture water quality, farming soils and the quality of water supplies.

**The development results of the Danish-Vietnamese partnership are replicable or there is potential for replication.** The phasing-out strategy reached many of its objectives on alignment, reduction of TA and private sector engagement, including changes in aid modalities. However, the available evidence suggests that exit strategies in several sectors were not sufficiently robust and there were many loose ends to sort out, leading the RDE to respond immediately to address these shortcomings. The W&S sector is a case in point, as Danida took the initiative to fund additional training to make the transition to an exit more effective. Nonetheless, weak governance and weak enforcement of regulations and decrees, particularly in green growth sectors, is one of the many factors that must be addressed by the GoV if positive results are to be sustained. It is unfortunate that after all the capacity development and demonstration efforts made through the Development Cooperation in the Environment Sector (and projects prior to the DCE), weak environmental governance appears to remain a major issue in Vietnam.

**Capacity constraints were anticipated and addressed in a timely manner; the same could not be said of financial constraints.** The governance sector is a case in point. On the one hand, extensive capacity-building took place in all areas of both GOPA I and II, creating the necessary framework conditions for increased national ownership and the potential for results to be sustained. Reforms implemented and new structures built around judicial sector reform and PAR are mainly sustainable because of the high level of GoV ownership they enjoyed right from the beginning, and because they were closely aligned with GoV strategies. On the other hand, there has been no full take-over of Danish-funded activities by partners due to a lack of funding to replace Danish support.

**Danish comparative advantages have helped sustain development results:** Many interviewed stakeholders regarded Denmark as particularly suited to achieving outcomes in specific areas because of their perception of the country as a model of good governance, an environmentally-friendly approach to development and a major supporter of human rights and labour standards in the world. Interviewees also stressed as comparative advantages the transfer of cutting-edge Danish technology and the application of approaches addressing entire value chains in support of businesses. Even so, available evidence indicates that government has not invested in replicating many of the good climate change adaptation pilots or the innovative pilot solar energy systems that Denmark financed to lower the risks of equipment damage and ensure more efficient operation of water-piped schemes in the Mekong Delta.

**EQ5. What measures can be taken to enhance sustainability of the results achieved? There is potential to overcome threats to future sustainability.** Denmark significantly supported the creation of essential enabling conditions that could effectively lead to

positive improvements in the governance, fisheries and green growth sectors. Water and sanitation services are reducing health risks for millions of Vietnamese, most of the basic pieces are in place to help Vietnam shift towards a low carbon energy economy, while tens of thousands of new jobs have raised earnings and general well-being for many farmers and aquaculture practitioners. In addition, food exports have fuelled the economy, thanks to improvements in quality standards. Nonetheless, there are numerous obstacles to sustaining the results obtained. The playing field for attracting non-government-owned enterprises is not level. At present, government subsidies and other disincentives to outside investors favour government-owned enterprises in many areas, particularly the green economy. The resistance of many of those enterprises and provincial staff to abiding by government mandates to raise tariffs for recovering O&M costs and effective enforcement of legislation and international guidelines (e.g. seafood safety in export products, EIA, Danida's Blue Book Guidelines) present a formidable challenge to sustaining all that has been achieved throughout the long partnership. Weak capacity to take over and sustain wastewater systems is one major area that has been highlighted. Furthermore, unreliable data collected from EIAs and capture fisheries sector are serious impediments to sustainable management. Essentially, many of these issues can be tied to weak governance (lack of full transparency, accountability issue) in those sectors.

**Necessary actions have been identified and taken in response to capacity gaps, information gaps, market failures or vested interests.** The RDE has taken swift action to provide training for wastewater stakeholders, including developing their capacity to abide by Decree 80. The transformation strategy in the fisheries sector is a viable model that sets the standard for other sectors. Danida and the RDE supported the creation of knowledge dissemination and communication mechanisms that effectively strengthened networks of stakeholders working within the fisheries sector. Although far from perfect, one incipient result is that the sector is making efforts to address violations of legislation, standards and guidelines. The phasing-out strategy has reached its objectives on alignment, reduction of TA and private sector engagement, including changes in aid modalities. However, the available evidence suggests that exit strategies in several sectors were not sufficiently robust for sustaining some of the investments.

### 7.3 Transformation of a partnership

**EQ6. What was Denmark's contribution, working with other development partners, in assisting Vietnam to achieve its goal of becoming a middle-income country? Danish support was characterised by increasing compliance with relevant Paris Declaration indicators on alignment, strengthening partners' systems and effectiveness:** The alignment of Danish-Vietnamese development cooperation with the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) helped the development of country ownership, mutual accountability and inclusive partnership, which provided a fertile ground for the gradual phasing out of Danish aid. Denmark quickly complied with the Paris Declaration. Under the 2006-2010 phase of Danish-Vietnamese development cooperation and in clear response to the alignment and ownership requirements of the Paris Declaration, the RDE changed the way in which it worked, gradually relying on structures and systems of the GoV for implementing programmes and projects.

**Mechanisms have been put in place and are effective in ensuring coordination of Danish support with the assistance of other donors, especially with other EU**

**Member States:** Increasing donor harmonisation contributed to implementation of the Paris Declaration. Regular meetings, exchanges and coordination with other donors in Vietnam focused on maximising development outcome potential. Some projects were jointly designed, funded and implemented with other donors, for example with Sweden, UK and the EU in the governance sector. However, now that Denmark and an increasing number of other donors have terminated their ODA programmes in the wake of Vietnam's achievement of middle-income country status, or are in the process of doing so, opportunities for coordinated approaches are decreasing.

**EQ7. How has the Danish-Vietnamese development cooperation supported the transformation of the Danish-Vietnamese cooperation?**

While the 2010 phasing-out action plan for Danish development assistance to Vietnam over the period 2011-15 comprised clear action points, targets and milestones for the phasing-out of Danish aid at programme level, it did not include any guidelines or indicators for the transformation of bilateral relations. Yet, in parallel with the implementation of the phasing-out strategy, approaches to post-aid relations were developed at the highest political level.

**Danish comparative advantages as well as Danish know-how and competence have been promoted and the use of Danish technologies have increased among relevant Vietnamese partners.** While Vietnam potentially offers an enormous investment return for Danish companies bringing technology and know-how to the green growth sector (estimated to require approximately USD 50 billion in investments<sup>234</sup>), only a handful of companies have taken advantage of some of the Danish financial incentives such as the Business Partnerships opportunity, FIRM, GIF and the Danish Climate Envelope. Two-thirds of the Danish companies maintain small investments in sales and services, which offer relatively few employment opportunities for the Vietnamese. Despite some of these businesses earning good profits from their position in Vietnam, a 2012 study noted that robust FDI growth is frequently limited by the absence of a neutral market environment.<sup>235</sup> Creating such conditions requires reducing restrictions to business and investment activities, as well as eliminating any type of discrimination among all types of enterprises competing in the market. The study further states that such a strategy is better than relying on heavy financial incentives for attracting efficient FDI.

**Commercial activity between the two countries has increased in both quantitative and qualitative terms.** Partly due to the business support programmes, Denmark was able to establish itself currently as the biggest EU exporter of goods to Vietnam per capita, with over 130 companies doing business in the country, primarily in wooden furniture, garments, clean energy, information and communications technology, electronics and software, maritime transport and logistics, and food industry. Danish export trade volume increased markedly between 2005 and 2015 both in total terms and particularly when measured in export values per capita. Of all EU countries with comparable export volumes to Vietnam in 2005, Denmark achieved the second-highest overall increase (after Spain) and by far the largest per capita growth.

234 WB (2014).

235 Vo et al (2012).

**The 2012 Danish Growth Strategy for Vietnam<sup>236</sup> and related strategies and measures were appropriate and well communicated, although there are questions about whether many of the results to date can be sustained.** As the Strategy correctly states, poverty can only be overcome with sustained economic growth, and there are concerns about whether the levels of capture fisheries and aquaculture production can maintain the high levels reached with Danida's support. While Danish assistance contributed to helping Vietnam achieve at least three Millennium Development Goals (MDG), the bar has been raised with the new Sustainable Development Goals (SDGs). Nonetheless, the country is well positioned to meet half of those goals and the final one, establishing global partnerships, is well on track. However, one of the fundamental premises of the development strategy is that market-driven growth requires rules-based governance and a public sector that shows incipient signs of an effective anti-corruption plan. These two ingredients, combined with a business environment and the difficulties many sectors have faced in trying to integrate women into the workforce are some of the barriers that must be overcome if the full potential of investments and trade between the two countries is to be maximised.

**EQ8. What are the lessons learned that are relevant for future cooperation programmes elsewhere?**

**Transformation takes time and needs to be well planned and communicated:** The use of clear objectives and indicators assisted dissemination and implementation of the phasing-out strategy. Equally important, the 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 several years – as part of the Danish-Vietnamese development cooperation – and embedded in high-level policy consultations strongly contributed to its acceptability. Overall, Denmark's long-term engagement in Vietnam as well as the early and gradual preparation for the transformation were crucial factors in the implementation process.

**The role of the Royal Danish Embassy (RDE) was crucial in the implementation of the phasing-out strategy and the transformation of the partnership:** Both the RDE in Hanoi and the Danish Economic and Commercial Office in HCMC made substantial contributions to achieving the transformation through, inter alia, regular meetings and workshops with key government and non-state stakeholders. Both built strong sector knowledge in the field of agriculture and food, environment, climate and water, and governance. Local staff members who had been working on these assistance programmes for more than a decade have established strong relations and networks with relevant government officials and local businesses in several areas, including Danish companies and institutions. For example, the TC within the RDE was effective in attracting the Danish private sector into the seafood industry because the local technical and political expertise within the RDE gained the confidence of the investors. However, the consultancy team also agrees with Vo et al. (2012), whose recommendations based on Vietnam's experience with FDI include the need for a liberal neutral environment with limited restrictive barriers to business and for investment activities instead of heavy financial incentives for attracting efficient FDI.

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236 <http://vietnam.um.dk/en/the-trade-council/market-overview/the-danish-growth-strategy-for-vietnam/>

**Sector-specific knowledge dissemination:** There are many good lessons available from the Danish-Vietnamese Fisheries partnership that could be contextually modified to help build a bridge for a shift to a more inclusive partnership. This includes providing readily accessible sector-specific knowledge on investment climate opportunities and precautions, a good communication system to share that knowledge, as well as creating and strengthening private networks that foster enhanced collaboration. These are a few of the instruments that have helped attract Danish investors into the fisheries and aquaculture sector.

**Results-based M&E:** For many reasons Danida, Danish stakeholders and advisors, and GoV had difficulty implementing<sup>237</sup> results-based M&E systems and providing timely lessons learned in green growth sectors. This makes it difficult to correct mistakes and sustain successful interventions. Had such a system been fully operational, it might have flagged some of the barriers to sustaining the many important results, to adopting the lessons learned from the implementation process, and to up-scaling innovative pilot interventions (although caution has been strongly advised in the overall design of pilots). Instead, there was a general focus on output rather than outcome indicators. An opportunity was lost for an early course correction in several programmes.

**Achieving a triple bottom-line impact (society, economy and environment) is one ingredient in sustainable development:** The partnership has done a remarkable job in increasing economic growth and reducing poverty through the fisheries and aquaculture sector, while improving the health and well-being of millions of people through the environment, climate change and especially water and sanitation sectors. These achievements in building economic and social resilience notwithstanding, the theory of change analysis suggested that the environmental pillar, particularly environmental sustainability, was given less attention. Although environmental considerations were paramount (albeit piecemeal) throughout ODA, there are signals that ecosystem service resilience has weakened and been at least partly responsible for unsustainable capture fisheries harvests and water resource management. Today, capture fisheries are declining due to sewerage, sludge and industrial wastes polluting coastal reproduction and nursery areas, overfishing of trash fish that could replenish declining fish stocks, while unprecedented levels of saltwater intrusion, partly due to degraded wetlands that might otherwise assimilate these pollutants, are reducing the health of aquaculture farming in many areas. Although no causal link can be shown, weak environmental governance appears to be one explanation: more attention could have been given to this important issue which affects both fisheries and green growth.

**Efforts to maximise the benefits of public health targets from improved water supplies are likely to fall short,** unless water delivery is developed concurrently to improve sanitation and hygiene,<sup>238</sup> anchored to stronger sectoral governance mechanisms (transparency, accountability, etc.)<sup>239</sup>.

237 See Billé (2010).

238 The Blue Book was a tool for guiding all Danida W&S projects during most of the 15-year sector support period.

239 Interviews with four former/present advisors to Danida, three Danish private sector investors and three Vietnamese professional engineers.

**Small investments can pay huge development impact dividends:** Relatively small investments in development research and pilot experiments (e.g. the LMPA project at Cu Lao Cham) can yield far-reaching development impacts when the results are integrated into an institutionalised policy-decision-making process, as the applied arsenic-contaminated drinking water research and LMPA projects demonstrated. They both offer good examples of a systematic approach to capturing lessons and adapting to bottlenecks, and in so doing have provided new knowledge resulting in innovation and ownership.

**Stakeholder synergies are key to market-driven growth:** The fisheries sector has demonstrated that creating synergies with diverse producers (e.g. VASEP) offers a mechanism for expanding networks within the sector. This helps the industry police free riders, like the producers who are exporting seafood and aquaculture products containing antibiotics. This approach also offers an excellent example of the importance of integrating other key factors, in this case health and environmental concerns, into the overall strategy.

**Transformation impacts on international coordination:** While cooperation has been working well in Vietnam among traditional donors, the shift from aid to new partnerships that are strongly focused on business opportunities potentially creates a new structural setting in which previously like-minded donors compete with each other for market access, market shares and favourable investment conditions for their respective national companies.

**Importance of transmitting phasing-out/transformation messages to sub-national levels:** Despite the comprehensive and overall effective communication strategy that has accompanied the transformation of the Danish-Vietnamese partnership, stakeholder interviews conducted in January and March 2016 in Hanoi and several provinces revealed that some beneficiaries of Danish aid were not aware of the complete phase-out of development cooperation. Several interviewees expressed hope and even firm expectation that Denmark would still continue to provide some support for activities in key sectors and particularly in the fields of governance, human rights and culture, given that no alternatives are seen on the horizon.



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## 8 Recommendations

The following recommendations are addressed to the Danish-Vietnamese partnership, but may also be relevant for other countries in which Denmark plans to phase out aid and transform partnerships.

1. **Make available small grant funds under the new Comprehensive Partnership Agreement to support strategic interventions in the governance, human rights and culture sectors with the aim of maintaining impact, visibility and leverage in these fields.** This is particularly important in areas where the GoV is unlikely to provide funding to substitute for the phased-out Danish support, such as in the case of the Human Rights Centres at Vietnamese universities. Since cooperation in cultural fields has been very successful in the past and many perceive Denmark as a model promoter of cultural ideas and concepts, the availability of a small grants programme, managed by the RDE, would enable Denmark to sustain its trademark position in this area and its overall attractiveness as a partner. Support for both governance and culture are important tools of soft power.
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 to ensure that there is sufficient capacity for delegating FDI at the provincial level.** This follows recommendations on several studies cited herein, including Vo et al. (2012) who find that fluid FDI investments in Vietnam can be improved through reducing restrictive barriers to business, and that investment activities are better than heavy financial incentives for attracting efficient FDI. Furthermore, improved effectiveness requires delegation of FDI management, although the benefits regarding FDI promotion are by no means automatic. Denmark's investment in developing policies and for training staff to help implement those policies offers an excellent example of an approach that could be useful for other sectors. The Ministry of Planning and Investment (MPI) is a highly relevant actor here and could promote better governance among the different sectors. Following the country-specific recommendation of LTS (2015)<sup>240</sup> *'If private sector involvement is needed or wanted, it should be accompanied by a well-developed and realistic strategy to ensure it will occur.'*
3. **Create a Sector-specific Knowledge Dissemination Facility.** Following the need for availability of sector-specific information on market conditions and opportunities,<sup>241</sup> the partners should immediately examine the feasibility and potential effectiveness of developing a cloud-based knowledge facility capable of capturing and disseminating good practices and lessons learned on technical, policy and investment climate issues for relevant sectors. The aim of the Knowledge Facility is to build and link sector-specific stakeholder partnerships with potential Danish investors by sharing knowledge on markets within those sectors. The Facility should be based on a user-friendly framework that allows for continuous

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240 See Annex 5 of the LTS Evaluation.

241 MFA-Danida (2011).

updating and adaptation as new information and knowledge accumulates. This echoes a recommendation in the Nordic Plus report.<sup>242</sup> Any new model might look to the VASEC and VIDATEC platform in the fisheries sector which should be carefully examined for the many good lessons it has generated during its short existence. Such a Knowledge Facility could benefit greatly from investors reporting on the degree to which they have achieved the triple bottom line, namely contribution to Vietnam's social, economic and environmental resilience for confronting inevitable global change. Additionally, an effort should be made to link emerging local scientific and technological innovations with new business opportunities and ensure that new businesses work to create synergies with sub-sectoral actors who can help contribute to development impacts.

4. **Examine the steps required for harmonising disjointed interventions and creating project synergies within the LCEE<sup>243</sup> and any future climate change envelope support into a more clearly articulated partnership framework.** This includes developing coherent guidelines maximising the effectiveness of the Climate Change Envelope's initiatives and for attracting private sector investments that not only maximise profits, but that also contribute to achieving the strategy.
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** as part of a comprehensive coordination process with the respective governments. The development of such strategies should not only include milestones and indicators for the gradual phasing-out of aid but also a clear vision for the continuation of bilateral relations in the post-ODA era.

The RDE and MFA should:

6. **The RDE, the Commercial office in HCMC and the Ministry of Foreign Affairs (MFA) should examine the feasibility of creating a pool of local green-growth sector experts and making them available for advising interested Danish investors on a pay-for service basis.** Following the positive experiences with fisheries sector investments, explore the possibility over the medium-term, to develop a process for making available a broad-based pool of local technical expertise in different thematic areas of the green growth sectors, to better inform potential Danish investors in these sectors. Based on an agreement on key issues, the GoV should be encouraged to undertake specific actions that will help level the playing field – which currently favours state-owned enterprises – by strengthening governance mechanisms that are sector-specific, predictable and based on rule of law.
7. **Ensure that LCEE has a forward-looking Exit Strategy.** Immediately ensure that the transition from the ODA to private partnership in the green growth sector has a viable exit strategy that documents lessons, assigns responsibilities for follow-up

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242 Cox and Than (2014).

243 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.

as required and helps mainstream successful pilot activities into future business opportunities.

8. **Use the existing favourable relations with the GoV to improve the conditions for attracting Danish investments.** Immediately examine the feasibility of improving the investment climate for Danish businesses in the green-growth sectors. Based on an agreement on key issues, the GoV should be encouraged to undertake specific measures that will help level the playing field that currently favours State-owned enterprises by strengthening sector-specific governance mechanisms (as set forth in Denmark's Growth Strategy). Within this context, the feasibility of lifting tariff barriers on services (e.g. water and sanitation) that are unattractive to non-State-owned enterprises should be examined. Market-driven growth requires a stable macro-economic framework that includes predictable and rules-based governance and a conducive business environment.
9. **Danida should integrate environmental governance mechanisms** (transparency in decision-making, accountability for management interventions) **and capacity development to build ecosystem resilience into the design of future Danish-supported interventions** within the environment, water and sanitation, climate change and fisheries sectors.

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## VIETNAM-DENMARK: TRANSFORMATION OF A PARTNERSHIP

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ISBN: PDF: 978-87-7195-002-1  
ISBN: HTML: 978-87-7195-003-8