

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

## **Short Transformation Report**

**Ministry of Foreign Affairs of  
Denmark / Danida**



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# Contents

- Executive Summary ..... 4
- 1. Introduction ..... 6
- 2. Overview of Denmark's support to Vietnam ..... 6
- 3. Denmark's contribution to the transformation of Vietnam ..... 7
- 4. The Transformation of the Danish-Vietnamese Partnership .....10
- 5. Main Lessons Learned .....13
- 6. Recommendations .....14

# Executive Summary

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 ODA, making it one of the largest bilateral donors in Vietnam. 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. In 2013 Vietnam and Denmark (as the only Nordic country) signed a Comprehensive Partnership Agreement (CPA) that provided the formal framework for relations in the post-ODA era. The agreement focused on strengthening the political, cultural and commercial cooperation, and envisioned increased cooperation in the education, environment and climate sectors. By the end of 2015, most aid had been terminated.

## *Denmark’s contribution to the transformation of Vietnam*

Danish support contributed to achieving long-term changes across all sectors covered by the evaluation and at both national and provincial levels. Overall, 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.

## *The Transformation of the Danish-Vietnamese 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.

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.

## *Main Lessons Learned*

- Transformation takes time and needs to be well-planned and communicated with sector-specific knowledge dissemination
- Many good lessons are available from the Danish-Vietnamese Fishery partnership that could be contextually modified to help build a bridge for a shift to a more inclusive partnership in the seafood processing sub-sector.
- Vietnamese stakeholders and Danida advisors had difficulty implementing results-based M&E systems that could measure intervention effectiveness and systematically capture lessons associated with implementing actions within the green growth sectors.
- Achieving a triple bottom-line development impacts (*society, economy and environment*), rather than single dimension technical solutions, is an essential ingredient for adapting to multiple changing circumstances. However, lasting results require inclusive governance mechanisms.
- Well-placed small investments delivering a triple bottom line (e.g., the Red River arsenic, MPA livelihood projects) can provide huge development impacts that can be further built upon when the local beneficiaries can see concrete benefits from the original investments.

- Beneficiaries who can see concrete benefits from the original investments are likely to create local synergies that promote market-driven growth (e.g., the MPA livelihoods, cleaner production, aquaculture).
- Transformation impacts on international coordination: The shift from aid to new partnerships 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.

### *Recommendations*

1. **Make available small grant funds under the new Comprehensive Partnership Agreement** to support strategic interventions in the governance (including economic governance), human rights and culture sectors with the aim of maintaining impact, visibility and leverage in these fields.
2. **Both MFA and the GoV should initiate high-level discussions for exploring how to attract Danish investors in the W&S and Green Growth sectors into an increasingly more level playing field and a stronger institutional framework.** These discussions should also include mechanisms that could be developed to help ensure that there is sufficient capacity for delegating FDI at the provincial level to support investors' needs.
3. **Create a Sector-specific Knowledge Dissemination Facility:** Following the need for sector-specific information on market conditions and opportunities, the partners should immediately examine the feasibility and potential effectiveness of developing a cloud-based Knowledge Facility.
4. **Examine the steps required for harmonising disjointed interventions and creating project synergies within the LCEE<sup>1</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>2</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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<sup>1</sup> 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.

<sup>2</sup> 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).

# 1. Introduction

In January 2016 the Danida Evaluation Department (EVAL) launched the evaluation of Danish assistance to Vietnam. The evaluation covers the period 2000-2015 and is built on the available documentation, national and provincial monitoring, earlier studies and evaluations, field visits to selected projects, and 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 assesses the Danish support to six sectors (fisheries, environment/climate, water/sanitation, governance, culture, and the business sector) and five provinces (Quang Nam Province in the central region and 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).

This short report summarises important findings on transformation. 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 MIC able to participate in globalisation, create 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 the Danish development cooperation programme has supported the change in or evolution of the bilateral relationship between Vietnam and Denmark towards a mutually beneficial post-ODA partnership.

## 2. Overview of Denmark's support to Vietnam

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 to lower middle-income (MIC) status, with per capita annual income of 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 (USD 825 million) in ODA, making it one of the largest bilateral donors in Vietnam. For long periods, Denmark was among the top ten bilateral donors in Vietnam and it 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. Disbursed funds over the evaluation period amounted to DKK 5.5 billion for a total of 694 interventions. The contribution per year amounted to an average of DKK 342 million (USD 51.3 million), but from 2007 disbursements sharply decreased to DKK 78 million (USD 11.7 million) in 2015.

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 reflected the political and economic interests of the two countries. Following discussions with the Vietnamese Government in 2010, the Danish Ministry of Foreign Affairs (MFA) developed an action plan for 2011-2015 for phasing out Danish

development assistance to Vietnam. The two governments agreed to the plan and took steps to implement it incrementally. In 2013 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 the political, cultural and commercial cooperation, and envisioned increased cooperation in the education, environment and climate sectors.

Denmark's decision to discontinue a traditional ODA-based relationship with a country that is no longer one of the world's poorest is 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>3</sup> Denmark's most 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>4</sup>

### **3. Denmark's contribution to the transformation of Vietnam**

Danish support contributed to achieving long-term changes across all sectors covered by the evaluation and at both national and provincial levels. Overall, Danish development cooperation has been at the forefront of policy dialogue, helping catalyse changes in mind-set, policy, legislation and practice through demonstration and interchange of Danish-Vietnamese experience. Some of the most visible changes to which Denmark evidently and strongly contributed include the following:

- Human rights in which Danida helped to establish university centres, advised on human rights legislation and generally contributed to a changing mind-set on human rights
- Water and Sanitation (W&S) programme helped millions of urban and rural people gain access to hygienic water, sewerage and latrine systems
- 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, thereby contributing to Vietnam's efforts to reduce environmental hazards and health risks affecting people's lives in densely populated areas, especially for the poor
- Fisheries Sector Programme (FSPS) was one of the important drivers of the rise in Vietnam's lucrative seafood and aquaculture exports, as well as raising tens of thousands of rural people, half of whom were women, out of poverty.

Denmark was well-placed to obtain support from the highest levels of government to solidify many of the outcomes through the trust it gained over past decades from providing Danish know-how, technology and equipment in the green growth and fisheries sectors. Danish cooperation was also flexible and well-adapted for facilitating rapid responses to changes in circumstances: interviewed stakeholders did not identify any major problems regarding flexibility in the programming and delivery of Danish support. Most interviewees mentioned the good responsiveness of Danida in general, and of the Danish Embassy in particular, to any new ideas and concepts put forward by the Vietnamese partners.

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<sup>3</sup> Danida-MFA (2011), p. 18.

<sup>4</sup> The Danish Government (2012). The Right to a Better Life. Strategy for Denmark's Development Cooperation. Copenhagen, June.

In the **governance sector** Denmark contributed to reducing red tape within the bureaucracy, and to enhancing public services (including the establishment of One-Stop Shops in several provinces to streamline administrative processes), as well as strengthening of provincial administration of institutional reform requirements. Danish support also directly contributed to the empowerment of the legislature, the National Assembly. One of the most decisive changes to which Denmark contributed in the governance sector came 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 and the Ho Chi Minh City Law University (HCMCLU). Overall, Danish support was instrumental in opening 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 in Vietnam, were instrumental in establishing Public Private Partnerships (PPP) in the cultural sector, increased intercultural understanding between the two nations, and fostered networks between the Government, NGOs, cultural experts, lecturers and artists from both countries. Most importantly, the support resulted in more liberal and open arts spaces and made a strong contribution towards linking art projects with public and societal discourse.

**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 role 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 or business opportunities related to the Danish aid programme drove the companies' initial decisions and motivation for working in Vietnam. According to estimates from different sources, PSD/B2B resulted in the creation of several thousand direct jobs and indirect employment among suppliers.

Denish support to the **Water and Sanitation (W&S) sector** passed through two periods that began with a focus on urban environments until 2005, and shifted to rural W&S (2005-2015). The programme's outcomes contributed to Vietnam's National Target Programme, which included new policies, legislation and sectoral strategies, reducing water-borne diseases and providing clean, hygienic water in many Vietnamese provinces. Together with support from other key donors, the Danish-Vietnamese partnership surpassed its expected results by expanding drinking water coverage and providing 85% of the rural population with hygienic drinking water, including over two-thirds of rural poor households. Over 90% of schools and clinics now have access to hygienic water and sanitation systems. 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. Although the programme applied many pro-poor policies and activities, efforts fell short of the target of improving the lives of marginalised people (especially the extremely poor indigenous people) living in remote mountainous areas, where sanitation lagged far behind clean drinking water delivery.

The five components of the **Environment Sector Programme** generated a broad range of results that included new environmental policies, training of government institution staff, piloting cleaner production industries (CPI) and reducing environmental hazards and risks to people living in densely populated areas (PCDA), especially the poor. CPI addressed shortfalls in industrial environmental management practices by assisting 243 companies and supporting 60 investment

projects, which were implemented with 10-60% energy-savings 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 produced numerous legal tools and technical guidelines, as well as key legal documents and 16 pollution control projects in poor areas. As a result, the number of industries reducing pollution emissions tripled by the end of the project (from a baseline of 12 industries in 2008). Applied arsenic research was one small but significant development research activity that stood out. The government and its Danish research partners successfully applied the investigation results in new policies to address dangerously elevated arsenic concentrations in groundwater drinking supplies, and to develop an awareness-raising campaign and technological solutions that reduced serious health risks to over 5 million people along the lower Red River basin.

There is no question that Danida's 18 years of support to the **fisheries sector** (capture fisheries, aquaculture and quality process in seafood and aquaculture products) helped propel the sector into one of Vietnam's major export drivers, positioning it as the sixth largest seafood exporter in the world. Results from the aquaculture programme (SUDA) indicated that investing in skills development at grass-roots level, creating organisational synergies, solid technical support and innovation can alleviate poverty and drive economic growth.<sup>5</sup>

Despite its relatively small budget, Denmark played a central role in preparing enabling conditions for Vietnam to address climate change (CC) impacts through its support to **Climate Change Adaptation and Mitigation** (CCAM). The programme not only helped put CC policies in place, but also funded activities that produced a wide range of outputs, for example measures for promoting greater energy efficiency and reductions in greenhouse gas emission, and climate change adaptation (CCA) pilot measures. CC resilience interventions included measures for protecting rural people's farming livelihoods and helping thousands of households to overcome severe saltwater intrusion and drought impacts in the Mekong area, while multi-purpose storm shelters reduced life-threatening risks to thousands of vulnerable people at district level.

While results were remarkable across the board, there are no strong indications that the GoV has taken measures to enhance the **sustainability** of the outcomes, owing mainly to scarce public funds and in some cases to the inability to achieve a triple bottom line. 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 replace the Danish support. In a small number of cases, some of Danida's previous work is being funded by other donors, for example the EU-funded Justice Initiative Facilitation Fund (JIFF) under the new EU JULE programme.

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<sup>5</sup> For example, over 40,000 farmers (half of them women) rose out of 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 such as co-managed marine protected areas, pilot projects in aquaculture and lagoon management were locally successful.

## 4. The Transformation of the Danish-Vietnamese Partnership

Denmark based its design and implementation of the transformation on a phasing out strategy which was developed and implemented over several years. The strategy's embeddedness in high-level policy consultations strongly contributed to its acceptability.

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 by the Vietnamese President, Truong Tan Sang, to Denmark in 2013 (which was preceded by other high level exchanges such as Prime Minister Helle Thorning-Schmidt's visit 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 the 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, the Royal Danish Embassy in Vietnam and the Vietnamese Foreign Ministry signed a new bi-annual joint action plan for continued implementation of the comprehensive partnership for accelerated bilateral cooperation in green growth environment, food safety and environmental management by facilitating knowledge transfer and development of efficient systems for management and control of industrial emissions, among other thematic areas.

Overall Denmark's post-2010 bilateral cooperation continues building on its achievements with Vietnam through increasingly mainstreaming private sector issues across ODA in order 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 for expanding 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 and Danish ministries or government agencies to provide a solid institutional basis for government-to-government relations in the future.<sup>6</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 contributed to deepening 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 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 40<sup>th</sup> anniversary of diplomatic relations between the two countries.

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 Royal Danish Embassy changed the way in which 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 Embassy also became more involved in policy dialogues with Vietnamese partners. Value-for-money audits, spot checks to determine aid effectiveness, and

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<sup>6</sup> Ambassaden i Vietnam (2016), p. 2.

needs assessments to monitor the programmes run by the GoV, facilitated clearer thinking on when to disburse funds to the government.<sup>7</sup>

Both the Royal Danish Embassy in Hanoi and 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 Embassy has built strong sector knowledge in the field 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.

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 based first and foremost on economic interests, former like-minded donors have become competitors.

While the phasing-out and transformation strategy was successful at national level, the message was seemingly not transmitted to all government stakeholders in the Danish-supported provinces. If there was a missed opportunity in how the Danish-Vietnamese development cooperation supported the transformation process, it was the 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 Marine Protected Area (MPA) staff in Quang Nam Province 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.

#### **Key outcomes and challenges of the transformation include:**

- **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>8</sup>), only a handful of companies have taken advantage of some of the Danish financial incentives such as the Business Partnerships opportunity, Facilitation Implementation and Readiness Mitigation (FIRM), Green Investment Facility (GIF) and the Danish Climate Envelope.<sup>9</sup> Two-thirds of Danish companies maintain small investments in sales and services, which offer relatively few employment opportunities for Vietnamese. Even though some of these businesses earn good profits from their position in Vietnam, a recent study<sup>10</sup> has highlighted that one limitation of robust FDI relates to the absence of a neutral market environment, which would entail limiting restrictive barriers to business and investment activities, as well as insignificant discrimination between enterprises of all types. One recent study of FDI

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<sup>7</sup> Stakeholder interviews in January and March 2016.

<sup>8</sup> WB (2014)

<sup>9</sup> Nonetheless, each must be assessed in face of the current business environment/investment climate within energy and green growth, as the SOEs in energy are very different from the fisheries sector

<sup>10</sup> Vo *et al* (2012).

comparing Vietnam and Myanmar concluded 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 as the largest 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 the food industry. The volume of Danish exports 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 growth per capita.
- **The 2012 Danish Growth Market Strategy for Vietnam 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 achieved 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 work-force, are some of the barriers that must be overcome if the full potential of investments and trade between the two countries is to be realised.

## 5. Main Lessons Learned

**Transformation takes time and needs to be well planned and communicated:** The use of clear objectives and indicators helped disseminate and implement 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 of the transformation were crucial factors in the implementation process.

**Sector-specific knowledge dissemination:** Many good lessons are available from the Danish-Vietnamese Fishery partnership that could be contextually modified to help build a bridge to a more inclusive partnership. This includes providing readily accessible sector-specific knowledge on investment climate opportunities and precautions, a good communication system for sharing that knowledge, and creation and strengthening of private networks that foster enhanced collaboration. These are a few of the instruments that have helped attract Danish investors in the fisheries and aquaculture sector. Although green growth sectors have a very different business investment climate than say fisheries, knowledge dissemination tools are still lacking and Danish businesses in these sectors lag behind those investing in fisheries partnerships.<sup>11</sup>

**Results-based M&E:** For many reasons Danida, Danish stakeholders and advisors, and GoV had difficulty implementing 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 of several 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<sup>12</sup> impact is one ingredient for sustainable development:** The partnership has done a remarkable job of 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, 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 fishery 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 efficiency 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 that affects fisheries and green growth

**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

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<sup>11</sup> ALGUHAS (2014)

<sup>12</sup> Triple Bottom Line refers to meeting the social-cultural, environmental and economic targets of sustainable development.

projects demonstrated. They both offer good examples of a systematic approach to capturing lessons and adapting to bottlenecks, and in so doing provided new knowledge that resulted in innovation and ownership.

**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>13</sup> anchored to stronger sectoral governance mechanisms (transparency, accountability, etc.)<sup>14</sup>

**Stakeholder synergies are key to market-driven growth:** The fisheries sector has demonstrated that creating synergies with diverse producers offers a mechanism for expanding networks within the sector. This helps the industry police free riders such as producers who are exporting seafood and aquaculture products containing antibiotics. This approach also offers an excellent example of the importance of integrating other sectors, 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 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.

## 6. 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

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<sup>13</sup> The Blue Book was a tool for guiding all Danida W&S projects during most of the 15-year sector support period.

<sup>14</sup> Interviews with 4 former/present advisors to Danida, 3 Danish private sector investors and 3 Vietnamese professional engineers.

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>15</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>16</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 updating and adaptation as new information and knowledge accumulates. This echoes a recommendation in the Nordic Plus report.<sup>17</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>18</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 Royal Danish Embassy (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

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<sup>15</sup> See Annex 5 of the LTS Evaluation.

<sup>16</sup> MFA-Danida (2011)

<sup>17</sup> Cox and Than (2014)

<sup>18</sup> 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.

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 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.