

Strategy for development cooperation with **Vietnam**

January 2009 – December 2013



REGERINGSKANSLIET

Government Offices
of Sweden

**Strategy for phase out and selective cooperation with Vietnam,
2009–2013.**

Summary

During the strategy period, Sweden's regular development cooperation with Vietnam is to be phased out via a selective cooperation. The overall goal of both the phase-out and the selective cooperation is enhanced democratic governance, greater respect for human rights and environmentally sustainable development. Key areas of cooperation during the strategy period, therefore, are human rights and democracy, and environment and climate change.

Under the selective cooperation, partnerships between actors in Sweden and Vietnam will have access to catalytic support through what is termed partner-driven cooperation. The aim is to create conditions for poverty reduction while at the same time strengthening and encouraging the kinds of ties between stakeholders in the two countries that can be maintained after aid financing has ceased. Partner-driven cooperation is to make up the greater part of the selective programme. Since such cooperation is only possible to a limited extent in areas involving the promotion of democracy and human rights, including the fight against corruption, Sweden will also support certain targeted, strategic initiatives in these areas.

Support to an emerging civil society and other non-governmental actors will provide an important complement to Swedish cooperation with public authorities. Vietnam may be considered for Swedish loans and guarantees.

During the strategy period, the total volume of Swedish assistance, drawn from the Asian and research appropriations, will be an estimated SEK 530 million. The total volume of regular development assistance in

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the phase-out of the development cooperation is estimated at SEK 255 million for the period 2009–2013. In the selective cooperation, the volume is expected to increase gradually from 2009 and reach SEK 75 million in 2013. The selective cooperation is to be evaluated in 2011. If progress is clearly being made, the total volume may be increased.

The selective cooperation will be reviewed in 2011 so that outcomes can be determined and recommendations made on the future course of Swedish development cooperation.

PART A. THE PHASE-OUT OF REGULAR DEVELOPMENT COOPERATION

1. Focus of the phase-out

1.1. Objectives and priorities

The overall goal of the programme phasing out Sweden's regular development cooperation with Vietnam is enhanced democratic governance, respect for human rights and environmentally sustainable development. Thus the cooperation is designed to help fulfil both the overarching objective of Swedish development cooperation, i.e. to create conditions that enable poor people to improve their lives, and the stated goal of Sweden's policy for global development, which is to contribute to equitable and sustainable global development. Cooperation is to be based on the two perspectives laid down in the policy for global development, i.e. the rights perspective and the perspective of the poor.

Strategic issues for the dialogue between the two countries are human rights and democratic governance, corruption and environment. Dialogue and communication on the phase-out of Swedish development cooperation will be of key importance.

1.2 Direction and scope

During the strategy period, Swedish development cooperation will be phased out via selective cooperation. The bulk of current project agreements will expire in 2009 and 2010. The last agreement will expire in 2012.

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By the time the agreements expire, sustainable results that can be integrated into Vietnam's own structures should have been achieved. Further support from other donors is therefore considered unnecessary. One exception is a legal aid project where in the Swedish Government's view there is a need for other donors to take over Sweden's role.

Only one agreement, covering the Chia Se project, is deemed appropriate for an extension of Swedish funding. Such an extension should be for two years (2009–2010). The Chia Se project is a cross-sectoral undertaking of relevance to the environment and rural development spheres but also to such areas as grassroots democracy, popular participation and administrative reform. A number of other projects may be extended for a few months, although without any financial commitments being involved, to ensure that they are phased out in a responsible manner.

Assessments show that there are opportunities for partner-driven cooperation within existing areas of cooperation, primarily environment/climate, health, international trade, business development and research cooperation. In the democracy and human rights sphere, initiatives of specific strategic importance can be supported via continued project funding and dialogue.

1.2.1. Areas of cooperation

During the phase-out period, the same objectives will apply in each area as during the strategy period 2004–2008.

Development cooperation to be phased out is focussed in six areas:

i) Natural resources, environment, renewable energy and local initiatives
Sweden may continue to contribute supporting village development and local democracy up to the end of 2010, as part of the Chia Se project. This would mean extending the present agreement by two years. One reason for such an extension is the need to ensure that the lessons learned from the project are turned to account in national policies and programmes. A further reason is the need to strengthen capacity at local level so that the rights-based approach and the methods and tools generated by the project can be properly applied. The

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potential for partner-driven cooperation in this area is considered favourable.

ii) Public administration reform and the fight against corruption

Reform of public administration is one of the Vietnamese government's priority areas, but hitherto results have been only moderate. The one remaining Swedish contribution in this area will be terminated in 2011. Efforts in support of the fight against corruption will be pursued under the selective cooperation.

iii) Human rights, the rule of law, culture and the media

Swedish input here has included measures in such fields as legal training, legal aid, the administration of justice for minors, cultural exchange and the training of journalists. Initiatives in support of these areas will continue under the selective cooperation. Sweden has been the leading donor in a joint project promoting the development of legal aid for poor and underprivileged groups, and this project will be extended without extra funding up to 2010. Discussions are under way with other donors about the possibility of taking over Sweden's role in the project. Other remaining projects in this area will be concluded in 2009 and 2010.

iv) Health cooperation

The main bilateral agreement with the Ministry of health was concluded in 2007, and the final contribution in this area will be phased out in 2009. The focus has been on access to health and medical care for poor and marginalised groups. No additional Swedish funding for regular development cooperation will be provided to the health and medical care sector, but the potential for partner-driven cooperation in this area will be examined.

v) Business development

The only remaining intervention in this area will be concluded in 2009. The focus has been on small enterprises and microenterprises. Numerous donors are active in this area (including the World Bank, the Asian Development Bank and the ILO), and further Swedish support is therefore dispensable. There may be scope here for partner-driven cooperation, however.

vi) Research cooperation

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Bilateral research cooperation will be gradually phased out in 2012. During the phase-out period, the emphasis will be on strengthening and consolidating both research capacity and structures created through earlier research cooperation efforts. The potential for partner-driven cooperation focusing on research and innovation systems will be examined.

The process objective for the phase-out is:

- to phase out the regular development cooperation programme in a responsible manner and ensure favourable results.

1.2.2 Aid modalities

The development cooperation mainly comprises bilateral projects. In certain cases, projects are co-financed by other partners (bilateral or multilateral), and in some of these Sweden is the leading donor.

Bilateral partners include a number of government line ministries and both regional and local authorities. No transition to programme or budget support is planned during the strategy period.

1.2.3 Dialogue issues

Strategic issues for the policy dialogue between the two countries are human rights and democratic governance, corruption and environment/climate.

Dialogue and communication on the phase-out of the development cooperation will be of key importance. In dialogue with the partners concerned, experience gained from the development cooperation effort is to be applied in the selective cooperation.

The dialogue will be conducted at various levels with Vietnam's government, with NGOs and individuals and with other development partners, and also within the EU. Sweden will continue to strive for better coordination and dialogue among EU member states. Sweden's dialogue with Vietnam on development cooperation is to be informed by a rights-based perspective and the perspective of the poor, and is to build on the principles of non-discrimination, participation, transparency and accountability.

1.2.4 Scale (volume)

Regular development cooperation will be phased out during the strategy period. The annual volume of the phase-out will be approximately SEK

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155 million for 2009, SEK 85 million for 2010 and SEK 15 million for 2011, which amounts to approximately SEK 255 for the period as a whole. In 2008, disbursements totalled approximately SEK 230 million, including research funding.

Table 1. Indicative volume for cooperation with Vietnam (incl. research)

Year	2009	2010	2011	2012	2013
Volume (SEK million) phase-out	155	85	15	-	-
<i>Volume (SEK million) selective cooperation</i>	20	30	75	75	75
Total	175	115	90	75	75

Vietnam may be considered for loans and guarantees, particularly in the environment and climate area, on condition that the Swedish Government approves the proposed new credit and guarantee system. Vietnam has expressed an interest in borrowing from Sweden to finance environmental investments.

1.3. Implementation and follow-up

Most of the regular development cooperation will be concluded in 2011.

Vietnam is considered a high-risk country in terms of corruption. The phase-out of Swedish development cooperation, therefore, will necessitate carefully planned follow-up and external control.

1.3.1 Cooperation with other donors, including multilateral actors

A number of initiatives in the development cooperation are channelled through UN bodies, and the Swedish embassy cooperates closely with both the UN and the European Commission. This will continue during the strategy period.

Sweden will continue to strive for better coordination and dialogue in EU circles.

1.3.2 Alignment, harmonisation and coordination

The Paris Agenda and the local Hanoi Core Statement on Aid Effectiveness, including ownership, are to apply as far as possible throughout the strategy period. Sweden will continue to participate in

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key groups promoting aid effectiveness, such as the Partnership Group on Aid Effectiveness (PGAE) and the Like-Minded Donor Group (LMDG).

Sweden will also continue to play a leading role as a donor coordinator in Vietnam in the fight against corruption.

1.3.4 Follow-up

Regular meetings are held both with government ministries and with regional and local partners. Sida undertakes quarterly, bi-annual and annual reviews together with the coordinating Vietnamese ministry. External audits are carried out annually, as stipulated in agreements. Sida's performance analysis is linked to the objectives-based management approach described in this strategy. Sida and the Swedish Ministry for Foreign Affairs consult with one another and exchange information on a regular basis.

The strategy will be followed up via annual plans and will be reported in annual country reports. Impact and outcomes/results will be assessed on an ongoing basis. The 40 years during which Sweden and Vietnam have cooperated in the development field will be followed up and documented during the strategy period.

1.3.5 Formal/Political framework, incl. follow-up dialogue

Sweden intends to enter into a development cooperation agreement with Vietnam for the period 2009–2011.

Part B. SELECTIVE COOPERATION

2. Focus of selective cooperation

2.1 Objectives and priorities

The goals of both Sweden's policy for global development and of Swedish development cooperation will guide the selective cooperation during the strategy period. As is the case for regular development cooperation, selective cooperation is to proceed from the two perspectives that inform the policy for global development: the rights perspective and the perspective of the poor.

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The overall objective of Sweden's selective cooperation with Vietnam – as it is of the phase-out of the development cooperation – is the achievement of greater democratic governance, respect for human rights and environmentally sustainable development. The objective of partner-driven cooperation is to encourage and enhance the establishment of self-supporting relations based on mutual interest between Swedish actors and actors in Vietnam, so as to contribute to the achievement of Sweden's international development cooperation objective.

The Swedish Government's thematic priorities, a) democracy and human rights and b) environment and climate change, will be important starting points for the selective cooperation in Vietnam. A third thematic priority – gender equality and the role of women in development – is an important area in which Sweden has comparative advantages. Gender equality and the participation of women should, therefore, be properly considered and integrated into all interventions, and also into the dialogue.

Strategic issues for the dialogue are human rights and democratic governance, corruption, and environment and climate. Dialogue and communication will also be required on the forms selective cooperation should take.

2.2 Direction and scale

During the strategy period, development cooperation with Vietnam will be phased out via selective cooperation. The aim of the selective cooperation is to broaden and deepen the kinds of bilateral relations between Sweden and Vietnam that can contribute to the overall objective. The selective cooperation will mainly comprise partner-driven cooperation between Vietnamese and Swedish stakeholders.

Partner-driven cooperation

The aim of partner-driven cooperation between partners in Vietnam and Sweden is to strengthen and encourage the development of sustainable relations and thus serve as a bridge between development cooperation and self-supporting relations on equal terms and of mutual interest. A limited amount of funding from the aid appropriation will be used to support relations of this kind.

Targeted interventions

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Under the selective cooperation, it will also be possible to finance targeted aid measures in strategic areas where Sweden is in a position to play an important role but where there are not always opportunities for partner-driven cooperation. In Vietnam's case, therefore, Sweden will provide strategic input in the form of project support to the democracy and human rights area, including anti-corruption.

2.2.1 Areas of cooperation

Priority is to be given to the democracy/human rights and environment/climate areas. Initiatives will also be considered in other areas of mutual interest where opportunities for partner-driven cooperation are present. A clearly defined, well integrated gender equality perspective is to be supported and encouraged in all activities.

i) Democracy and human rights

The goal of cooperation in this area is:

- A pluralistic society in which individual citizens can exercise their rights and claim accountability.

In pursuit of this goal, the emphasis will be on support for civil and political rights in the following sub-areas:

- Freedom of expression and freedom of information, freedom of opinion and free participation in civil society. Here, support will be provided to the media, including journalists, and for the development of an independent civil society.
- Anti-corruption and a transparent society in which citizens can claim accountability. Swedish input will include support for the public sector, civil society and the media, and also for moves to strengthen the rule of law.
- The rule of law, focusing particularly on groups at risk. Swedish support will target legal aid, the position and independence of lawyers, and legal education..

Sweden will support agents for change both in the public administration and in the emerging civil society in Vietnam. It will focus its support on actors capable of carrying matters forward in the promotion of rights-based values. More extensive cooperation with non-governmental actors will be sought. Sweden also intends to promote more open and supportive cooperation between the Vietnamese government and non-governmental partners.

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ii) Environment and climate change

The goal of Swedish cooperation in this area is:

- Strengthened capacity for the management of a sustainable use of natural resources and the environment, and increased awareness and capacity to cope with the impact of climate change.

In seeking to achieve this goal, Sweden will give priority to the following four areas:

- Administrative cooperation in the environmental field aimed at strengthening Vietnam's environment legislation and supervision, including that pertaining to the prevention and control of environmental pollution.
- Sustainable use and management of natural resources for the purpose of securing ecosystem services and food supply and reducing forest clearance.
- Adjustment to climate change through raising public awareness and building public sector capacity for prevention and planning work.
- Enhancement of Vietnam's ability to reduce emissions of greenhouse gases and deal with the adverse effects of climate change.

iii) Other areas

Partner-driven cooperation is to be considered in other areas of clear mutual interest to Sweden and Vietnam where the potential exists for self-supporting relations and where Sweden has relevant experience and expertise.

Such areas include:

- health and social safety nets. Previous cooperation in the health and medical care sector could usefully serve as a basis both for aid-financed, partner-driven cooperation and for commercial relations. Areas of common interest include the health system and the development of primary care, but also pandemic preparedness and the control of infectious diseases, antibiotics resistance, IT solutions in care services, radiotherapy and cancer care, and medicines supply.
- research and innovation systems. Independent, long-term research is both a means and an end in partner-driven cooperation. If research capacity is increased, research findings can be used for development

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purposes to a greater extent, which in turn improves the quality and sustainability of social development.

- trade and business development. There should be opportunities for partner-driven cooperation in areas such as corporate social responsibility (CSR) and international trade, and also as regards Vietnam's capacity to meet both formal and informal export market requirements.

The process objective for partner-driven cooperation is:

- The establishment of a number of cooperative initiatives involving Vietnamese and Swedish governmental and non-governmental partners based on mutual interest and with the potential to become self-supporting in the longer term.

2.2.2 Aid modalities

Selective cooperation will primarily take the form of partner-driven cooperation.

Partner-driven cooperation

Instruments for partner-driven cooperation include the Swedish Research Links Programme, Twinning (incl. municipal partnership programmes and inter-agency collaboration), pre-project undertakings (the Ministry for Foreign Affairs' SymbioCity with Strategic Project Development), the Start programmes, application programmes such as DemoMiljö, and the NGO framework programme.

The following criteria will apply for partner-driven cooperation:

- Swedish aid financing is to be catalytic in aim and limited in time.
- The measures are to be such that they encourage the development of self-supporting relations featuring common ownership and a clear division of roles and responsibilities, e.g. by means of cost-sharing.
- The measures are to help create relations that will be sustainable without aid financing.
- The measures are to build on the interests, needs and experience of Vietnamese and Swedish partners.

In the area of environment and climate change, partner-driven cooperation is to be the principal approach. A number of Swedish

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authorities, enterprises, universities and research institutes have specialist skills for dealing with adjustment to climate change and the sustainable use of natural resources. Ties already established between authorities of a similar type in such areas as land management, chemicals safety, environment protection and agricultural and forestry research can be exploited with a view to developing more formal mutual partnerships in the future. Swedish enterprises can offer commercially interesting environmental technology and skills. Besides partner-driven cooperation, credits and guarantees may be considered.

Targeted interventions

There would appear to be limited scope for partner-driven cooperation in the area of democracy and human rights. Accordingly, Sweden's contribution here is expected to consist primarily of targeted aid interventions, in the form of more traditional project support in strategically important sub-areas where Sweden can have a significant impact.

2.2.3 Dialogue issues

Sweden will give priority to the following issues in the dialogue:

- Enhanced democratic governance, gender equality, effective and correct application of human rights conventions to which Vietnam is a party, with the emphasis on civil and political rights, and the ratification of human rights instruments that the country has yet to ratify.
- Greater transparency and less corruption in Vietnam's public sector and business sector.
- Support aimed at promoting a better understanding of multilateral environmental agreements, and efforts to encourage active Vietnamese participation in the development of a new protocol on the reduction of greenhouse gases.
- Dialogue and communication on what forms the new selective cooperation programme is to take.

The dialogue will be conducted at various levels with Vietnam's government, with NGOs and individuals and with other development partners, and also within the EU. Sweden will continue to strive for better coordination and dialogue in EU circles. Sweden's dialogue with Vietnam on development cooperation is to be informed by a rights-

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based perspective and the perspective of the poor, and is to build on the principles of non-discrimination, participation, transparency and accountability.

In order to improve the dialogue on democracy and human rights, special communication strategies will be developed.

2.2.4 *Scale (volume)*

Sweden's selective cooperation with Vietnam is expected to gradually increase in scale during the strategy period, from approximately SEK 20 million in 2009 to about SEK 75 million in the final year, 2013. The selective cooperation is to be evaluated in 2011. If progress has clearly been made, the total volume may be increased.

Table 2. Indicative volume for cooperation with Vietnam (incl. research)

Year	2009	2010	2011	2012	2013
Volume (SEK million) selective cooperation	20	30	75	75	75
<i>Volume (SEK million) phase-out</i>	<i>155</i>	<i>85</i>	<i>15</i>	-	-
Total	175	115	90	75	75

Vietnam may be considered for loans and guarantees, particularly in the environment and climate area, on condition that the Swedish Government approves the proposed new credit and guarantee system. Vietnam has expressed an interest in borrowing from Sweden to finance environmental investments.

2.3 Implementation and follow-up

An important task during the strategy period will be to examine the potential for cooperation between Swedish and Vietnamese partners in the priority areas and to find ways of facilitating such partnerships. Efforts here will focus on those areas in which Vietnam has specific needs – and to which it gives priority – and in which Sweden has relevant experience and expertise.

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Vietnam is considered a high-risk country in terms of corruption. The selective cooperation, therefore, will be followed up on an ongoing basis and will be subject to regular external audits.

2.3.1 Follow-up

A review and assessment of the selective cooperation, focusing on partner-driven cooperation in particular, will be undertaken halfway through the strategy period (2011). Recommendations on the future course and volume of Swedish cooperation will then be made.

2.3.2 Formal/Political framework, incl. follow-up dialogue

Sweden intends to enter into a development cooperation agreement with Vietnam for the period 2009–2011. The scheduled review of the selective cooperation programme halfway through the strategy period will include an assessment of whether this agreement should be renewed or whether selective cooperation might require agreements of a different kind from 2012 onwards.

3 BACKGROUND

3.1 Summary of the country analysis

Vietnam has experienced two decades of high economic growth and is on its way to becoming a middle-income country. The number of poor people living on USD 1 per day declined from about 58 per cent in 1993 to 16 per cent in 2006. Nevertheless, in 2007 some 14 million people in Vietnam were still living below the poverty line, and many live close to it. A major economic crisis or natural disaster, therefore, could be a serious setback for efforts to reduce poverty. There are also considerable differences between regions and between ethnic groups, and between rural and urban areas. In general, however, Vietnam has been more successful than many other countries in achieving the Millennium Development Goals and will probably achieve them all, with one exception – reversing the trend towards natural resource depletion. Vietnam is facing numerous problems in the sustainable development sphere, including over-exploitation of natural resources, inadequate energy supply and environmental pollution. Also, its topography means the country is vulnerable to climate change. Vietnam itself has identified health as a development priority and noted the need for further improvements if it is to achieve the health-related

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Millennium Development Goals, especially Goal 5 on maternal health and Goal 6 on combating HIV/AIDS.

The statistics show that men and women enjoy relative equality in terms of education, life expectancy and participation in working life. The position of women, especially in rural parts, is however affected by the presence of traditional Confucian values, which tend to limit girls' and women's access to education and the labour market. A number of new laws designed to strengthen women's rights have been passed by the National Assembly, including an Equal Opportunity Act and a law against domestic violence. Awareness of these laws must become more widespread in the country, and they must be properly enforced.

The ruling Communist Party still controls political decision-making at all levels. The lack of democratic development, especially as regards political and civil human rights, remains a cause for concern. Both freedom of expression and freedom of organisation are severely restricted, and there is little scope for judicial proceedings. The Government is actively combating corruption, which is widespread in the country, but much remains to be done before Vietnam can become a transparent, efficiently governed society.

The Vietnamese government's national reform agenda for economic and social development is described in the Socio-Economic Development Plan (SEDP 2006–2010). This is regarded as a credible plan for poverty reduction, and donors, including Sweden, are largely adapting their support to reflect the objectives outlined in it. The SEDP does not, however, include any guidelines on political reform or on how the political and civil rights of individuals might be strengthened.

In sum, Vietnam's rapidly growing economy has led to higher incomes and a higher material standard for most of the country's population. However, the country remains a one-party state, and the Vietnamese government is not meeting its obligations on the human rights front. Sweden should continue to actively press Vietnam to improve the situation as regards civil and political rights. There are signs that Vietnam is becoming increasingly aware of how climate change and environmental degradation threaten the country's economic and social development, but it needs to substantially improve both skill levels and capacity in these areas.

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3.2 Summary of the performance assessment

The previous country strategy for Vietnam covered the period 2004–2008, during which disbursements totalled SEK 1 208 million, distributed over the years as follows:

2004	2005	2006	2007	2008	Total
160	271	281	286	210	1 208

The strategy had two overall development goals:

- To further Vietnam's ability to reduce poverty on a long-term and environmentally sustainable basis.
- To promote openness and progress towards democracy and greater respect for human rights.

Evaluation has shown that projects have been largely successful, and that Sweden is acknowledged as a reliable development partner. It has also shown that Sweden is considered by both Vietnamese partners and other donors to have distinct comparative advantages.

Progress has generally been more rapid and tangible in the case of poverty reduction than in the case of democracy and human rights. In recent decades, Vietnamese society has gradually become more open, and greater respect has been shown for human rights, which has improved prospects for Swedish action in this area. Studies carried out in 2006–2007 show that some improvements have been made in the health and legal sectors and in terms of decentralisation. Cooperation in the media sector has led to the establishment of extensive ties between media actors in the two countries. The combination of well-established Swedish-Vietnamese contacts and market opportunities in Vietnam is paving the way for actor-driven cooperation and possibly for business relations as well.

The half-term reviews of the most important rural development, natural resource and environment programmes show that they have helped facilitate the introduction of new guidelines, laws and concepts. The most important outcomes are the documented benefits of village-led development and local democracy, the overhaul of a number of environment laws governing such areas as land, forestry, environment

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protection and chemicals safety, and the introduction of new, integrated environmental methods and information systems.

Sweden has had a strategic role in coordinating cooperation and dialogue on the fight against corruption. It has also been active in developing policies and strengthening institutions for the task of monitoring anti-corruption efforts in the public sector. Sweden has helped Vietnam to carry out the first diagnostic study into corruption in the country's history, one result of which was a much-needed openness to discuss corruption issues in the country. The Vietnamese government has reaffirmed its desire to see Sweden continue to play a key role in the fight against corruption in the years ahead.

Sweden has been one of the most important partners in Vietnam's efforts to develop its health and medical care services. External evaluations show that the policies undertaken have improved both access to care and the quality of it, and that Sweden's role as a donor in this sector has been unique as regards integrating support into state structures.

Efforts to support the advance of civil society via funds of various kinds have had mixed results. Since the social dynamics in Vietnam are changing rapidly, Sweden needs to improve its relations with civil society there and also step up its support. The trust that Sweden enjoys in Vietnam should be taken advantage of so as to support the emerging civil society more extensively.

The structure of Vietnamese society means that development cooperation has hitherto focused primarily on government administration. Under the selective programme, therefore, an important task will be to broaden cooperation to embrace other actors as well. Swedish development cooperation to date has largely comprised bilateral projects. About 80 per cent of the country allocation for 2007 was channelled via Vietnamese public authorities (but outside the national budget framework), while most of the remaining 20 per cent was channelled via multilateral organisations. Additional financing has been channelled via Swedish organisations in civil society and via research cooperation. Projects have been adapted to national priorities, with few exceptions. Most have been small in scale but have nevertheless managed to be both strategic and catalytic.

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The experience gained and the ties established as a result of Sweden's prolonged cooperation with Vietnam provide a solid basis for the development of new types of partnerships. A strong element in development cooperation up to now has been the transfer of Swedish expertise, which will make it easier to establish new forms of cooperation, built as before on Sweden's comparative advantages.

3.3 Summarised analysis of Sweden's role in Vietnam

Sweden accounted for only 2 per cent of all public development aid (grants and loans) to Vietnam in 2007. Since it was one of the first Western countries to establish diplomatic ties with Vietnam, and one of the few to have maintained an ongoing, long-term development commitment there, Sweden has nevertheless come to enjoy a privileged position compared with other donors. One result has been that Sweden has been asked to assist the country in areas that the Vietnamese consider sensitive and complicated. One example in recent years has been support for initiatives to combat corruption, where Sweden was asked to accept a formal role as the coordinating donor. Sweden is also one of the very few donors in the media sector, and as a result of its good reputation and its commitment has been a leading donor in the legal sphere as well.

3.3.1 Conclusions of Sweden's and the EU's political decisions and processes of relevance to cooperation

The European Commission delegation has spearheaded efforts to promote aid efficiency. Besides contributing actively to the implementation of the Hanoi Core Statement, which represents Vietnam's national adaptation to the Paris Agenda, it is pressing for 50 per cent of the aid to be channelled via national systems and is opposed to the introduction of any new parallel structures for project implementation. The 'harmonisation road map' established by the Commission also calls for a division of work between itself and EU member states in development cooperation .

Sweden is taking part in several of these processes and will continue to play an active role during the strategy period. Where division of work is concerned, it will continue to emphasise the comparative advantages that Sweden possesses in the three thematic priority areas.

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Negotiations on a partnership and cooperation agreement between the EU and Vietnam began in 2008. Vietnam is also involved in the negotiations on a free trade agreement between the EU and the Association of South East Asian Nations (ASEAN) that began in 2007.

3.3.2 Policy coherence for development

Trade between Sweden and Vietnam is still limited in scope and Swedish investments are only modest, but trade is increasing and many Swedish enterprises perceive a considerable potential in Vietnam's economic growth and extensive domestic market. Swedish corporate investments and business activities in the country can help create employment opportunities on relatively good terms, promote corporate social responsibility and build up capacity among Vietnamese suppliers and business partners.

Vietnam's dependence on trade and closer integration in the global economy means that Sweden's trade policy actions have an impact on the country's further development, employment levels included. The EU is one of Vietnam's leading trade partners and accounts for the bulk of foreign investments in the country. Vietnam's entry into the WTO in 2007 opened up the domestic market and thus contributed further to the rapid growth that has been evident in trade and commerce. At present, Vietnam is negotiating a free trade agreement with the EU under ASEAN auspices. Meanwhile, however, Vietnam has been severely affected by the EU's anti-dumping duty and the decision to abolish tariff preferences on shoe exports from Vietnam to the EU zone.

Action at both global and regional level to promote the sustainable use of natural resources and combat climate change can be of crucial benefit to Vietnam, which is vulnerable to climate change and to the mismanagement of natural resources.

3.3.3 Swedish partners and Swedish comparative advantages

Sweden's prolonged commitment to and support for Vietnam's reform process has helped establish good, firm relations with the country and a substantial trust. This is one of the reasons why Vietnam agreed to cooperate with Sweden in areas that the country itself considers sensitive, such as corruption, democracy and human rights. The long

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duration of development cooperation between the two countries has also helped broaden the areas of contact between Swedish and Vietnamese organisations, government agencies, enterprises and individuals, which should facilitate the transition to selective cooperation.

3.4 Considerations concerning objectives and the direction of future cooperation

Vietnam's overall goal is to rapidly lift the country out of poverty and low-income status by focusing on economic growth, as described in the Vietnamese SEDP for 2006–2010. The Swedish objectives and priorities outlined in this strategy are designed to ensure that this economic transition is not only poverty-oriented and environmentally sustainable but also rights-based, inclusive and democratic.

Development cooperation has been informed by a rights-based perspective on poverty reduction and a strong focus on human rights, participation and grassroots democracy. This has been achieved through dialogue and by exploiting opportunities to act in areas such as corruption, culture policy, the media and judicial reform. Swedish support for the change process in Vietnam has yielded favourable results and the experience gained will be applied in the selective cooperation programme. The aim is for selective cooperation to serve as a bridge between the phase-out programme and self-supporting, equal relations of mutual interest.

Vietnamese partners have by and large welcomed Sweden's decision to phase out the regular development cooperation programme and switch to other forms of cooperation. Several other bilateral development partners are moving in the same direction as Sweden and they, too, may focus on issues relating to democratic governance, sustainable development and climate. Sweden and other relevant countries must, however, harmonise their efforts so as to avoid overlapping and so as to ensure maximum efficiency in cooperation with Vietnam.



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