Ministry of Foreign Affairs

Impact of Ending Support

Terms of Reference

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Contents

1 Introduction

In 2010, the Dutch government decided to reduce budgets for development cooperation. Budget cuts had to be realised by reducing the number of countries receiving aid. In addition, the ministry intended to enhance the effectiveness of support by focusing on sectors where the Netherlands would have the highest value added. The minister decided to reduce expenditure to social sectors (especially health, not including SRHR, and education) and to focus more on productive sectors.[1] In November 2012 the government announced new budget cuts as part of a package that aimed at reducing the Dutch budget deficit.

In December 2012, a resolution from Parliament (TK 2012 – 2013, 33400-V, nr 45) requested the Ministry to analyse the effects of the budget cuts in bilateral aid for developing countries. In a letter to parliament (TK 2013-2014, 32 605, nr. 134) the minister announced that IOB would evaluate the effects of the discontinuation of the development cooperation partnership.

These Terms of Reference sketch the proposal for an impact evaluation on the effects of ending Dutch bilateral aid to recipient countries and sectors. Section 2 sketches the background and section 3 provides more quantitative information on the budget cuts. Section 4 reconstructs the theory of change, showing how the Netherlands aimed at enhancing aid effectiveness in spite of the budget cuts. Section 5 includes the objectives of the evaluation, the research questions and the demarcation and section 6 discusses the proposed approach. The final section provides information on the organisation of the evaluation and the planning.

2 Background

In January 2010, the Dutch Scientific Council for Government Policy (WRR) published a report on Dutch development cooperation. While the report was fiercely debated in academic and professional circles, it was well received in the political arena. The authors sensed a change in the thinking about aid and advised the government to focus more on areas where the Netherlands was supposed to have a 'comparative advantage'. The report criticised existing donor proliferation and aid fragmentation, in spite of what was agreed in the Paris Declaration (2005) and later on within the EU. By then the Netherlands provided aid to 105 countries, of which 36 were partner countries. The report advised to reduce the number of partner countries receiving aid to a small number, ten rather than thirty. Country and sector selection should be based on value added from the Netherlands.

The report received a positive reaction from the Liberal (VDD) and Christian-Democratic (CDA) coalition, which aimed at reducing the total budget for development cooperation and by involving Dutch business more into it. The coalition reduced the budget for development cooperation from 0.8% to 0.7% of the GDP.[2] The *Basisbrief Ontwikkelingssamenwerking* (Letter to the House of Representatives outlining development cooperation policy) in November 2010 revealed the first outlines of how the ODA budget would be cut (TK 2010–2011, 32 500 V, no. 15). The new policy's main points were selectivity (limitation to four thematic spearheads), mobilisation of the private sector and a reduction of the number of

[1] Sexual and Reproductive Health and Rights (SRHR) remained a priority.
[2] Effectively, the reduction was higher, as in the future other expenditures (e.g. peacekeeping operations and the reception of immigrants) would also be financed through the budget for development cooperation. The total reduction was EUR 900 million structurally, 18% of ODA expenditure in 2010.

partner countries to a maximum of fifteen. According to the letter, this would give the Netherlands a better position for gaining more in-depth knowledge of the political, economic, social and cultural structures of the countries and would help to reduce the costs of operational management. For the longer run, the coalition would aim at a further reduction to no more than ten partner countries. The letter also announced to phase out support to the social sectors (education and health), focusing more on economic sectors, as it was believed that the value added of the Netherlands in these sectors was not particularly high. The coalition wanted Dutch enterprises to benefit more from development cooperation, and therefore Dutch business would get a larger stake in the implementation of development programmes and projects. The letter also promised to coordinate the partner country choices with other donor countries and the EU in order to realise a more effective international division of labour and to develop a country specific exit strategy. In addition, the coalition intended to reduce the use of the instrument of general budget support (GBS) and make its provision more conditional on good governance and human rights.

The *Focus letter* of the minister, sent to parliament in March 2011 (TK 2010-2011, 32 605, nr. 2), provided an elaboration of the principles as laid down in the Basisbrief.[3] The letter mentioned *seven criteria* that had played a role in the country selection process (p. 13):

- the perspective for realising development objectives, also as a result of Dutch value added <u>and</u> the serving of Dutch interests;
- income and poverty levels. The letter assumed that countries that had recently received the status of (lower) middle income country would be able to finance their own development;
- a 'quick scan', showing in which countries the Netherlands would have something to offer on the prioritised themes;
- opportunities and interests of involved ministries and Dutch interests;
- financial size of the existing programme and possibilities to reduce this programme;
- the quality of governance, including democratisation, respect for human rights and combat of corruption;
- the potential contribution to the reduction of the number of missions abroad.

The Netherlands would continue the partner country relationship with 15 countries and end the partnership on development cooperation with 18 countries (see table 1). For the remaining partner countries, aid would be concentrated on four specific sectors of expertise: security and rule of law, water, food security and sexual and reproductive health and rights (SRHR).

[3] In the in the cabinet of Rutte I, the posts of Minister for Development Cooperation and State Secretary for European Affairs were combined into the function of Secretary of State. Abroad, Knapen had the title of Minister.

Table 1: Selected partner countries and exit countries (expenditure 2010)

Profile 1 Low income, heavily dependent on aid		**Profile 2** Fragile states		**Profile 3** Middle income countries	
Remaining partner countries:					
Mozambique*	62	Afghanistan*	87	Indonesia	62
Ethiopia*	47	Sudan***	64	Bangladesh*	61
Mali*	43	Palestinian Territories	42	Ghana	55
Rwanda*	30	Yemen	20	Kenya*	16
Uganda*	29	Burundi*	16		
Benin*	24				
Exit countries:					
Tanzania*	45	Pakistan	41	Suriname	58
Burkina Faso*,**	41	Colombia	20	South Africa	27
Bolivia**	36	Congo, DRC.*	16	Vietnam	16
Zambia**	28	Guatemala**	16	Egypt	8
Senegal	23	Kosovo	3	Georgia	4
Nicaragua**	20				
Mongolia	7				
Moldova	5				

* Low income countries.
** In these countries the Netherlands would also close the embassy.
*** In 2011, Sudan split and the Netherlands only remained active in South Sudan (profile 2), while cooperation to North Sudan was discontinued.

The minister aimed at continuing the political and economic cooperation with former partner countries. In order to ensure a smooth and sound exit, embassies involved would develop an exit strategy, including a planning and an assessment of the possibilities to end and to turn over the development cooperation programme to other partners. The strategy would adhere to the recommendations of the joint exit evaluation of 2008 (Slob and Jerve, 2008) and the policy reaction in 2009 on this evaluation (TK, 2008–2009, 31 250, nr. 56):

1. timely communication at a political level with the countries involved;
2. taking into account the interests of these counties;
3. realistic planning with participation of the countries involved;
4. flexibility in the allocation of budgets;
5. respecting existing obligations and political commitments;
6. taking into account the existing institutional capacity of recipient countries, in order to prevent the destruction of capital and to assure the sustainability of results.

The embassies would discuss with other donors the possibility of taking over the Dutch aid programmes and, if necessary, finding other donors in order to ascertain the continuation of existing programmes. In addition, the ministry would make an inventory of the results and lessons on bilateral cooperation and disseminate the results in the exit countries.

In several letters, the minister informed parliament briefly about the progress that had been made on the exit strategies (TK 2011-2012, 32 605, nr. 60; TK 2012-2013, 32 605, nr. 115; TK 2013-2014 32 605, nr. 134). It was felt that in general exit strategies were realistic and sufficiently took into account the country specific

situation. Embassies had tried to pass programmes on to other donors and they had organised activities to disseminate the results of Dutch development cooperation. Nevertheless, in a number of countries it was not possible to guarantee the handing over of ongoing programmes to other donors. Among other countries this was the case in Bolivia, Colombia, Guatemala, and Tanzania. The minister concluded that country choices usually are donor driven processes.

In a separate letter, the minister informed parliament about the reduction of support to basic education (TK 2011-2012, 32605, nr. 59).[4] The Netherlands would reduce aid to the education sector in partner countries from EUR 260 million in 2008 to EUR 30 million in 2015. The letter mentioned three strategies for phasing out support to the (basic) education sector:

1. by providing support to Global Partnership for Education (GPE) and through support from the GPE in specific countries to compensate for the Dutch withdrawal;
2. by the exchange of sectors with other donors.
3. by temporary project support.

In November 2012 a new coalition of the liberal Party (VVD) and Labour (PvdA) combined foreign trade and development cooperation in the new post of Minister for Foreign Trade and Development Cooperation, confirming the importance of cohesion between these two policy areas. The coalition also introduced new budget cuts for development cooperation, with cutbacks increasing from EUR 520 million in 2014 to EUR 1.04 billion in 2017. For the first time, the Netherlands would discontinue adhering to the OECD/DAC target of allocating at least 0.7% of GDP to ODA, reducing expenditure to 0.55% in 2017. In the policy document *A World to Gain: A New Agenda for Aid, Trade and Investment* (TK 2012-2013, 33 625, nr. 1) the minister sketched the outline for aid, trade and investment agenda, focusing more on private sector development and mutual interests.

3 Reduction of Expenditure

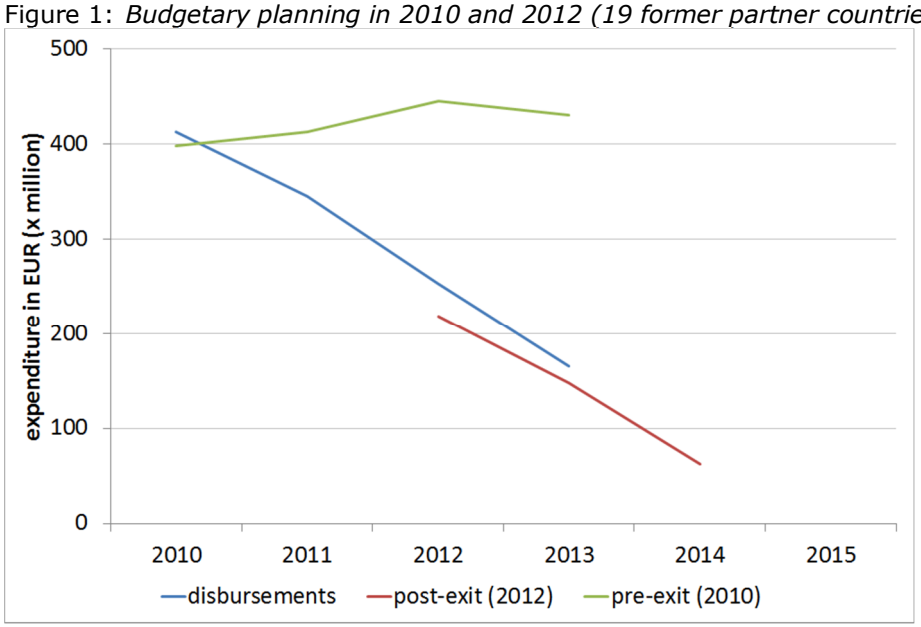
A large part of the cutback in expenditure would be realised by phasing out development cooperation in 19 (former) partner countries.[5] In a letter to parliament, the minister mentioned a reduction of bilateral expenditures for development cooperation in exit and transition countries (Colombia, South Africa and Vietnam) from EUR 342 million in 2011 to 27 million in 2014 and 3 million in 2015 (TK 2012-2013, 32 605, nr. 115).[6]

Figure 1 sketches the expenditure in 19 former partner countries from 2010 onwards. The green line shows the planning prior to the exit decision and the red line the planned expenditure when the decisions on the exit had been taken. The blue line represents the actual disbursements between 2010 and 2013. The figure reveals severe adjustments in the budgetary planning compared to the situation prior to the exit decision. While the original budgetary planning to the 19 exit countries fluctuated between EUR 400 and EUR 450 million annually, the post-exit budgetary planning reveals a clear downward trend. In 2012, the total amount of

[4] There was no separate letter on impact on the health sector.
[5] After the split-up of Sudan, the Netherlands remains active in development cooperation in South Sudan, while discontinuing support to North Sudan; these ToR will therefore refer to 19 exit countries – including North Sudan.
[6] The transition countries are upcoming economies with a stable political climate, a relatively good investment climate, and sound economic policies. The Netherlands aims at strengthening trade relations with these countries.

budgeted and allocated aid to these 19 exit-countries was about a quarter billion euro lower than initially budgeted prior to the exit decision. Post 2014, all activities in the 19 exit countries will be entirely phased out.

Figure 1: *Budgetary planning in 2010 and 2012 (19 former partner countries)*

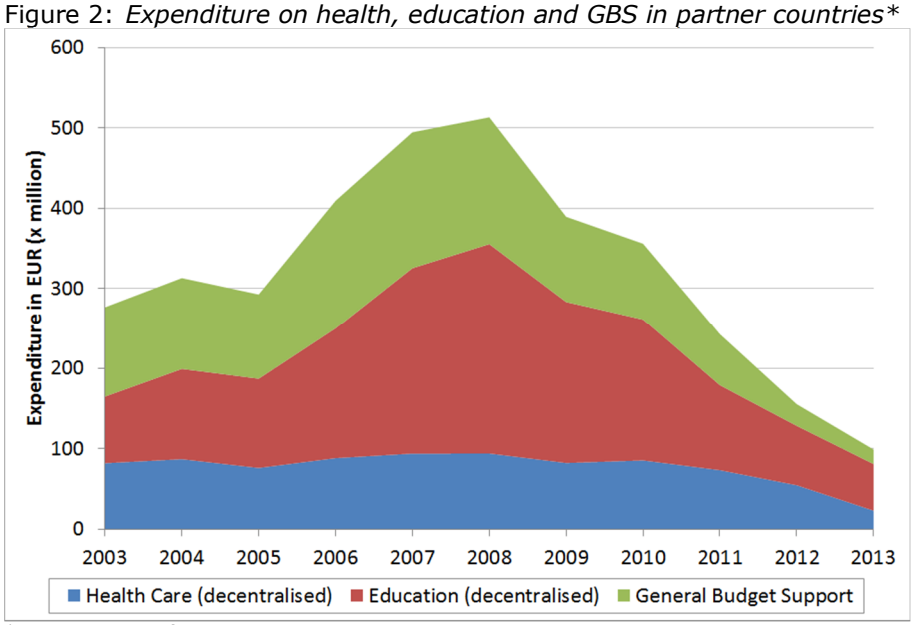


Source: Ministry of Foreign Affairs and annual plans.

The ministry also cut back expenditure on several sectors and especially on education, health (non-SRHR) and budget support, in remaining partner countries as well as in former partner countries.[7] In 2010 the ministry had spent about EUR 356 million on these three budget groups in the 33 partner countries. This figure has been reduced to less than EUR 100 million in 2013, partly as a result of the reduction of partner countries and partly as a result of budget reductions in remaining partner countries. In 2013, Burkina Faso was the only country receiving general budget support from the Netherlands.

[7] In practice it is difficult to discern between health and SRHR expenditures and the decision to end support to the health sector may have resulted in a relabeling of expenditures. Other themes with budget cuts include the environment, good governance, justice and safety and support to Dutch NGOs.

Figure 2: *Expenditure on health, education and GBS in partner countries**



* Former group of 33 partner countries
Source: Ministry of Foreign Affairs

While the evaluation will focus on exit countries, it will also give an assessment of the impact of budget cuts on health, education and budget support.

4 Policy reconstruction

While the exit was induced by the (felt) need to reduce expenditure, the ministry wanted to realise the reductions in such a way that the negative effects would be limited. Dutch policy would become more selective and a stronger focus on sectors where the Netherlands was supposed to have a comparative advantage. This would give the Netherlands a better position for gaining more in-depth knowledge of the political, economic, social and cultural structures of the countries and would help to reduce the costs of operational management.

In principle, the approach of the minister is in line with the Paris Declaration, the Accra Agenda for Action (2008), the conclusions of the Busan Partnership for Effective Development Co-operation (2011), and the EU Code of Conduct on Complementarity and Division of Labour in Development Policy (2007). In this code of conduct, EU member states agreed to limit the number of EU donors in a specific sector in a recipient country to three to five and to reduce the number of sectors to a maximum of three. A stronger focus on thematic areas where the Netherlands has the highest value added and a reduction of the fragmentation over more than hundred countries could help to enhance aid effectiveness and reduce transaction costs.

A specific study, carried out for the European Commission in 2011, concluded that a reduction of the existing fragmentation would enhance aid effectiveness and would lead to large efficiency gains (Bigsten et al., 2011). Another relevant point is the discussion on donor darlings and donor orphans: even if aid by every donor country would be equally effective, the high donor congestion in several countries may lead to high transaction costs and diminishing marginal returns on aid, while the marginal

returns on aid may be higher for donor orphans. The Bigsten study also took into account income levels, and this is in line with another argument for phasing out: the recipient becomes a middle income country and the relationship will be transformed in a non-aid relationship, based on mutual interests (TK 2008–2009, 31 250, nr. 56).

Combining the arguments, it appears that apart from force majeure (the political and security situation impeding effective development cooperation) and domestic arguments (such as budget cuts), there may be three situations that may provide arguments for phasing out:

- *graduation*: high and/or fast increasing income levels in recipient countries, allowing these countries to take over funding by the Netherlands;
- *congestion*: the presence of many other donors, leading to congestion, high transaction costs and a reduction in aid effectiveness;
- *lack of specialisation* and experience in the countries and/or sectors, resulting in a low value added of the bilateral development cooperation.

Conversely, the literature mentions two specific factors that should be taken into account when a donor intends to phase out development cooperation:

1. *the capacity of the recipient to take over* existing interventions (Hedlund, 1994; Slob and Jerve, 2008);
2. *the absence of a financing gap* between what donors provide and recipient governments can afford: the government should be able to retain the level of investment and public services (Catterson and Lindahl, 1999). Recipient countries should be able to replace non reliable long-term sources of income such as foreign grants and loans with domestic tax revenues, improving the sustainability of development investments (Chand and Coffman, 2008).

Hailu and Shiferaw (2012) find that a reduction of aid dependency is associated with high public investments, moderate inflation levels and an increase in domestic manufacturing.

In addition to the arguments of graduation and the value added of Dutch aid in the specific situation, the Dutch selection criteria included the quality of governance, Dutch interests and the contribution to the budgetary reductions and the reduction of missions abroad. The new list of partner countries included low income countries as well as low middle income countries; countries with better scores on good governance, as well as countries with low scores on good governance; countries with a risk of becoming donor orphans as well as donor darlings. For several countries the minister mentioned the large Dutch programme as evidence of the Dutch impact, while for other countries the exit was explained by the large contribution to the anticipated budget reduction. In several exit countries, the Netherlands had a long standing experience with development cooperation, which was less so in other countries where the Netherlands would remain active. Finally, there was a strong focus on the reduction of partner countries, rather than on reducing the number of countries receiving aid.

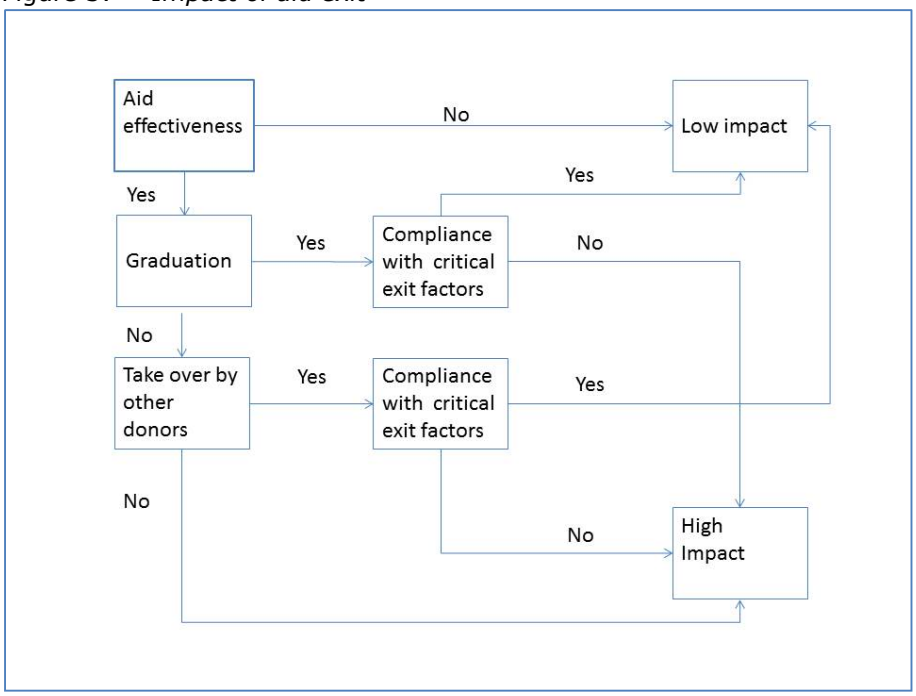
For the exit countries it appears that in practice the ministry has been focusing more on the *process*, following the factors for good exit management as mentioned in the joint exit evaluation of 2008, rather than on the impact of the exit itself. The implicit argument is that if the exit has been managed according to the recommendations of the joint exit evaluation, impacts on recipient countries will be low.

Combining the arguments for phasing out and the critical factors for donor exit, the impact of the Dutch exit will depend on:

- *specific conditions at the start of the process* (such as income levels, aid dependency, presence of donors, value added of the Netherlands in specific sectors, etcetera);
- the *management of the exit process*, taking into account the criteria of the joint evaluation (see section 2);
- the extent to which the recipient country was willing and financially capable of *taking over projects and programmes*, funded by the Netherlands;
- the *institutional capacity* in the recipient country;
- the success of the ministry in *finding other donors* to take over programmes and projects funded by the Netherlands.

Figure 3 provides a schematic overview for an analysis of the exit process.

Figure 3: *Impact of aid exit*



Note: In many cases there is not a dichotomy. Programmes may be partially effective, other donors may take over part of Dutch programmes, etcetera.

In principle, one may discern two types of impacts:[8]

- at *macro level*, focusing on indicators such as financing gap, absorption capacity, total aid, aid dependency, internal revenue, and (total) government expenditure;
- at *micro level*, focusing on the direct impact on existing programmes and (larger) projects. Phasing out assistance without alternative funding may result in financing gaps undermining the sustainability of the intervention's results.

[8] The evaluation focuses on the impact in the recipient countries and not on the impact on the relationship between the Netherlands and the recipient countries.

5 Objectives, research questions and demarcation

5.1 Objectives and research questions

This evaluation seeks to comply with the request of parliament, and a positive reaction of the minister, to evaluate the effects of the budget cuts in bilateral aid and complete withdrawal for the countries and programmes involved. The evaluation will focus on the effects act of the Dutch phasing out on exit countries, including the impact on programmes and (larger) projects. In addition, the evaluation will assess the impact of budgetary reductions in the health and education sectors.

Research questions:

A. On the country selection:

1. What were the arguments to end the development partnership relation and to phase out aid in the specific exit countries?
2. Have the arguments been applied in a consistent way?
3. Did these countries meet one of the arguments for ending the aid relationship, including:
   a. the graduation argument, including the availability of resources and the capacity to take over the Dutch role;
   b. donor congestion;
   c. low value added of Dutch bilateral aid.
4. Did the country or other donors have the resources and the capacity to take over the Dutch role?

B. On the exit process:

5. Was the management of the exit process in line with the six critical factors for donor exit:
   a. timely communication at a political level with the countries involved;
   b. taking into account the interests of these counties;
   c. realistic planning with participation of the countries involved;
   d. flexibility in the allocation of budgets;
   e. respecting existing obligations and political commitments;
   f. taking into account the existing institutional capacity, in order to prevent the destruction of capital and to assure the sustainability of results.
6. How took the process of phasing out shape in practice?
7. Was the embassy able to find other donors for the Dutch programmes and projects?
8. If so, did this handing over have an impact on the funding of sectors previously supported by these donors?
9. To what extent was the recipient government willing and able to take over the Dutch support?

C. On the impact of the reduction in expenditure and the decision to close the embassy:

10. What are the *macro-impacts* of the Dutch decision to phase out, focusing on the financing gap, the absorption capacity, total aid, aid dependency, internal revenue, and (total) government expenditure?
11. What are the *micro-impacts*, focusing on the impacts on specific programmes and projects, previously supported by the Netherlands?
12. What are the *micro-impacts* of the programmes and projects, previously supported by the Netherlands, on beneficiaries?

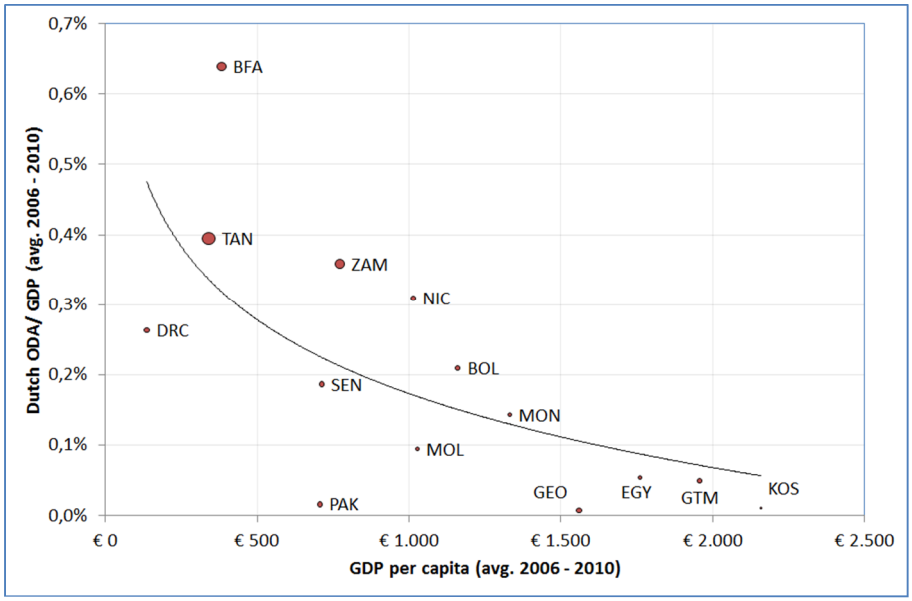
13. In what way contributed central funds in education and health to a softening of the impact of the process of phasing out?
14. What is the impact of the Dutch exit in non-financial areas (such as the policy dialogue or technical assistance)?

5.2 Country selection

This section describes the proposed country selection. The impact of an exit is probably highest in low-income countries where Dutch ODA was relatively high in relation to the national income and where the Netherlands was a relatively important donor. Criteria for country selection for the evaluation are therefore:
1) income (GDP per capita);
2) size of Dutch ODA;
3) size of Dutch ODA in relation to GDP; and
4) size of Dutch ODA in relation to total ODA.

Figure 4 visualises the first three criteria in one scatterplot. The x-axis shows the GDP per capita figures of the (former) partner countries; the recipient's income status partially reflects its ability to absorb financial responsibilities left behind by the phasing out process of the donor. The y-axis presents Dutch ODA (excluding debt relief) in proportion to the recipient's GDP. This gives an indication of the relative importance of the Netherlands as a donor. The size of the scatters represents the absolute size of Dutch ODA.

Figure 4: *Dutch aid/national income vs. recipient income status*



Source: OECD/DAC and Worldwide Development Indicators. Elaborated on by IOB.
Note: The graph includes average data for the years 2006-2010. Suriname, the Palestinian Territories (no data) and the transition countries Vietnam, South-Africa and Colombia are excluded from this graph.

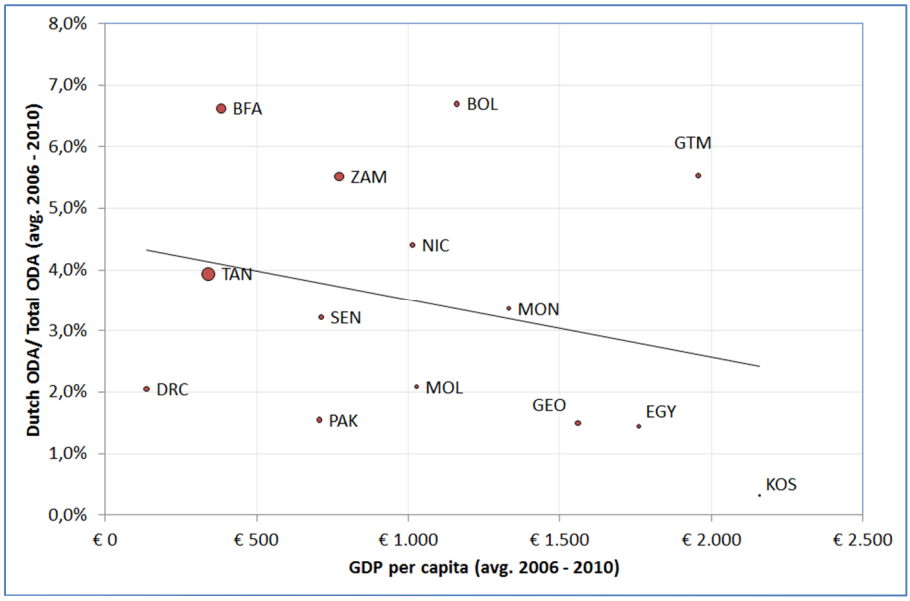
The graph shows that the Netherlands remains exclusively active as a donor in low and lower middle income countries (x-axis). Furthermore, the Netherlands is withdrawing mainly from smaller recipients, both absolutely (size of scatters) and relatively (y-axis). Prior to the exit decision, in the period 2006-2010, the former

partner countries received on average each about EUR 31 million bilateral aid annually; for the fifteen current partner countries this is EUR 47 million annually.

There are some exceptions. DRC, Burkina Faso and Tanzania are amongst the most profound cases. Burkina Faso, Tanzania and Zambia were large recipient countries, receiving EUR 48, EUR 70 and EUR 46 million annually in the period 2006- 2010. The relative importance of Dutch aid compared to the Gross Domestic Product is substantial in these three sub-Saharan African; in Burkina Faso, for example, Dutch ODA compromised about 0.6 per cent of the Burkinabe GDP. On the basis of the above graph, therefore, the sub-Saharan African countries Burkina Faso, Tanzania and Zambia appear as natural cases for analysing the impact of the Dutch exit.

Figure 5 sketches the relative importance of the Netherlands as a donor. A clear pattern is absent. The Netherlands remains active as a donor in a number of countries where Dutch aid makes up for a relatively small part of all aid received, while aid relationships are phased out with several countries receiving relatively much Dutch aid. For instance, the Netherlands was a relatively large donor in Bolivia, Nicaragua and Guatemala. In Bolivia, for example, Dutch aid was about 7% of all aid received between 2006 and 2010. While ODA flows are modest, the relative importance of these transfers has been fairly large. Guatemala has also been chosen as a case because of the role of the Netherlands over there on good governance and justice and safety.

Figure 5: *Dutch aid/total aid vs. recipient income status*



Source: OECD/DAC and Worldwide Development Indicators. Elaborated on by IOB.
Note: Figures are averaged for the 2006-2010 period. Suriname, the Palestinian Territories (no data) and the transition countries Vietnam, South-Africa and Colombia are excluded from this figure.

The evaluation therefore includes six countries: Bolivia, Burkina Faso, Guatemala, Nicaragua, Tanzania and Zambia, with a focus on the three poorest countries (Burkina Faso, Tanzania and Zambia).

Annex II provides several characteristics of these countries and information on the bilateral aid relationship.

5.3 Sector selection

The evaluation aims at focusing on the most important sectors for every country (see table 2). This also leads to a balanced representation of sectors. Annex III provides more detailed information on the sector choice by country.

Table 2: *Sector selection by country*

	Bolivia	Burkina Faso	Guatemala	Nicaragua	Tanzania	Zambia
Budget support		X		X	X	X
Education	X	X		X		X
Health		X		X	X	X
Good governance	X		X		X	

Apart from focusing on exit countries, the evaluation also aims at assessing the impact of the budget cuts on the sectors health, education and on budget support.[9] This assessment will combine the specific results for the exit countries with more general information about Dutch support to the specific sectors as well as existing evaluations and aggregate country level information on aid and expenditure in these sectors. Country visits, however, are limited to the exit countries. The analysis of the impact of budget support will mainly rely on the conclusions of the IOB evaluations on general budget support and the Nicaragua and Zambia evaluations as well as on the recent GBS evaluation for Tanzania (commissioned by the EC).

5.4 Representativeness and generalizability of findings

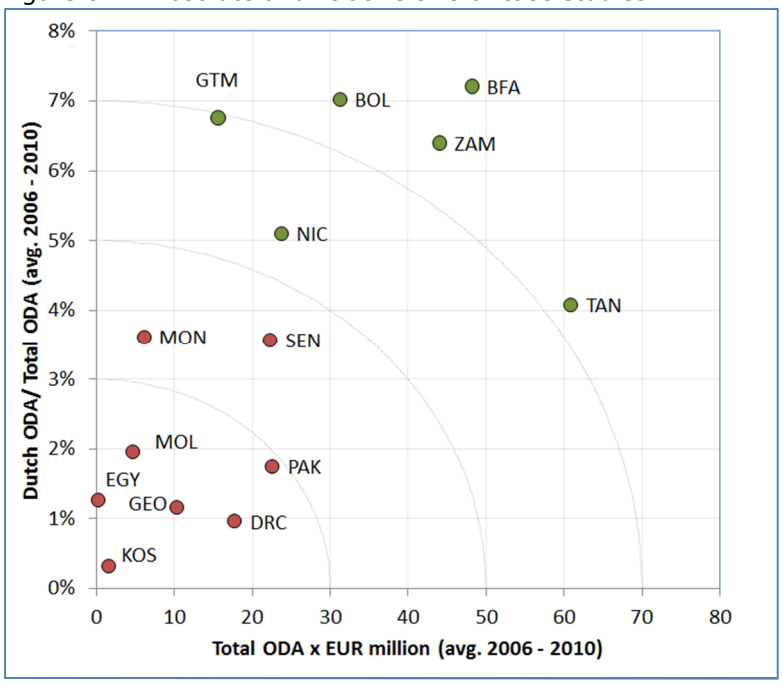
The selected case studies represent the majority of all means transferred to the exit countries in the 2006-2010 period. Figure 6 demonstrates clearly that the selected case studies were amongst the largest absolute and relative recipient of Dutch foreign cooperation. About 68 per cent of all Dutch foreign aid to the exit countries was allocated to these six countries between 2006 and 2010. Excluding incidental support (debt and emergency relief) this was more than 72%. In addition, the size of Dutch aid in relation to total aid was relatively high for these six countries. Therefore, one may expect that with the selection of these six countries, the evaluation analyses the main impacts.

At the sector level, this evaluation focusses on four sectors on and modalities through which the Netherlands has been mainly active: education, health, good governance and budget support. Due to this strategic country selection, the main sectors in which the Netherlands has been active are generally well covered (see figure 7). Between 83 and 99 per cent of the expenditures to the four sectors in the exit countries was spent in the six case study countries.[10] These four sectors cover more than 60% of total bilateral support to the exit countries.

[9] A limited number of sectors in which the phasing out preceded the decision to discontinue all development cooperation to the country (i.e. education sector in Nicaragua) is included in the evaluation for two reasons. First, the findings will contribute to the representativeness and generalizability of sector findings (see 5.4). Second, the decision to discontinue development cooperation to the country may be related to preceding decisions to phase out support to the health or education sector.

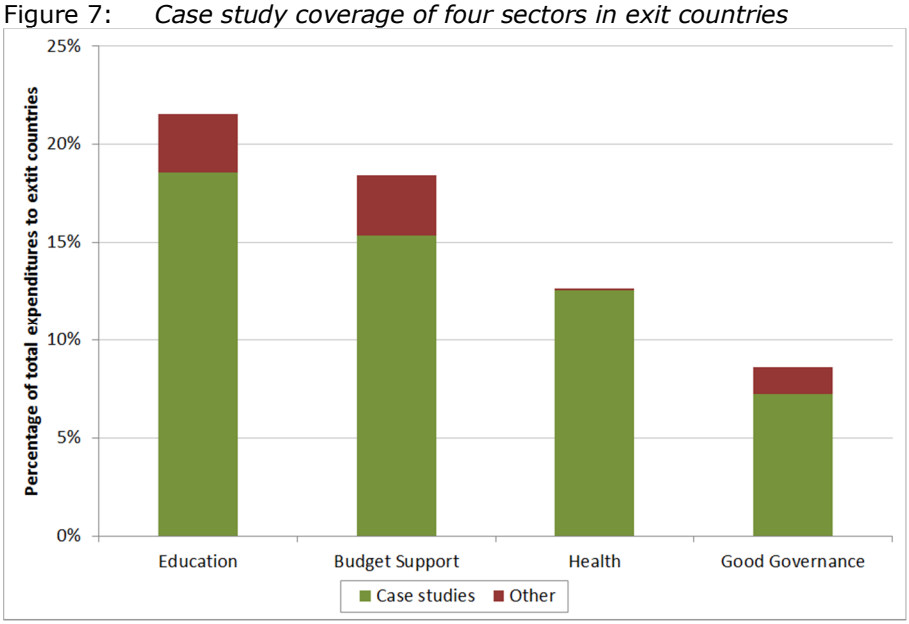
[10] 22 per cent of all means to the exit countries has been allocated in the education sector between 2006 and 2010; 13 percent to the health sector and about 9 percent to good governance. Furthermore, 18 per cent has been channelled through budget support (excluding debt relief).

Figure 6: *Absolute and relative size of case studies*



Source: Ministry of Foreign Affairs and OECD/DAC. Elaborated on by IOB.
Note: The graph includes average data for the years 2006-2010. Suriname and the transition countries are excluded from this graph. Incidental support (debt emergency relief) is also excluded.

Figure 7: *Case study coverage of four sectors in exit countries*



Source: Ministry of Foreign Affairs and IOB (2012). Elaborated on by IOB.
Note: The graph includes average data for the years 2006-2010. Surinam and the transition countries are excluded from this graph. The absolute figures are presented in appendix x.

In order to be able to generalise the findings for the 15 exit countries, the evaluation will include an analysis of the documentation of these countries (exit strategies, progress reports and embassy reports on the lessons of development cooperation in the country), as well as international monitoring reports and data on

support to the sectors and sector results. The exit progress reports will also provide information on the success of efforts to hand over programmes to the government or other donors.

In order to generalise the findings for the *entire* education and health sector and for the budget support modality (thus, for the former group of 33 recipient countries), the evaluation relies on previous (IOB) evaluations and policy reviews on Education (2011), Budget support (2012) and Sexual and Reproductive Health and Rights (2013), as well as findings of the ongoing IOB evaluation of Good Governance. In addition, the evaluation will use the results of (econometric) cross country comparisons and global monitoring reports.

6 Methodology

6.1 Introduction

A rigorous assessment of the impact of ending Dutch support preferably should be based on:
a) measuring the impact before withdrawal;
b) measuring the results after withdrawal;
c) for every programme of project.
Such a detailed analysis is beyond the scope of the current evaluation. This section therefore sketches an alternative approach, combining qualitative and quantitative approaches and relying on existing evaluations, budget and monitoring reports and interviews.

The evaluation discerns three stages:
- an analysis of the selection process;
- an analysis of the exit processes: reaction of the recipient government and other donors (budgetary: what was the impact on the budget; policy/political dialogue: role of the NL in dev. processes);
- estimates of the impact of phasing out.

6.2 Selection process

The evaluation starts with a *qualitative* analysis of the selection process, reconstructing the choices that have been made and assessing the consistency of the arguments that have been used. Here the evaluation will discern between
- arguments on the effectiveness of Dutch aid in the partner country (including graduation, donor congestion, division of labour within the EU, specialisation and good governance);
- existing commitments;
- Dutch interests.

6.3 Exit process

The analysis of the exit process will focus on the critical factors, as identified by the joint evaluation and repeatedly mentioned by the minister. These are:
1. timely communication at a political level with the countries involved;
2. taking into account the interests of these counties;

3. realistic planning with participation of the countries involved;
4. flexibility in the allocation of budgets;
5. respecting existing obligations and political commitments;
6. taking into account the existing institutional capacity, in order to prevent the destruction of capital and to assure the sustainability of results.

The evaluation includes an analysis how the process of phasing out took shape in practice.

The analysis will be mainly qualitative, using causal contribution analysis (see Mayne 2001; Leeuw and Vaessen, 2009). This analysis includes:

- further elaboration of the theory of change (logical consistency, plausibility and acceptance);
- assessment of the implementation of the exit strategy;
- determination of the occurrence of the chain of the expected results: reactions by other donors and the government in the recipient country, impact on funding;
- assessment of the role of other (potential) influencing factors.

6.4 Impact assessment

For individual countries where the Netherlands has ended the existing aid relationship, *five types of impacts* may be envisaged:

- aid has been effective in the past, but due to (financial and institutional) graduation, the country is more and more able to take over the funding of programmes and projects, supported by the Netherlands. Here the negative impact of phasing out is low;
- aid was effective in the past, but as a result of a new division of labour among donors, with other donors taking over the Dutch contribution, there is no negative impact;
- other donors take over Dutch aid, helping to enhance aid effectiveness. Here the impact may even be positive (in theory) if these donors have a higher degree of specialisation in these sectors;
- as a result of donor congestion the marginal returns on aid are relatively low. A reduction in the number of donors will therefore have a limited effect;
- the effectiveness of aid was already low and therefore the impact will be small.

In other situations, ending the aid relationship will have a negative impact.

As the differences between the six countries may be large, the assessment will start with a description and analysis of the specific country context.

Next, the analysis of the *macro-impacts* will focus on descriptive analyses and cross-country estimates:

- on *aid dependency* (descriptive): ODA/GDP and ODA as % of government expenditure (World Bank and IMF);
- on *aid allocation*, focusing on total aid in relation to population and income (GDP/capita). See Bigsten et al. 2011 for this approach. According to the authors, Burkina Faso and Tanzania are aid orphans. The assessment will include recent OECD/DAC and WDI data.
- on donor congestion: number of (bilateral) donors active in the sector and country. The assessment will include recent OECD/DAC and WDI data.

- for *economic development and poverty*, see for instance Arndt. et al. (2010), Alvi and Senbeta (2011), and Galiani et al. (2014). These studies provide estimates of the impact of aid on economic growth and poverty in the long run. Applying the coefficients of these studies, it is possible to give an estimate of the impact of the reduction of the aid budget on economic growth and poverty reduction.

Micro-impacts of the exit decision may be discerned at different levels (Slob and Jerve, 2008):[11]

1. *output level*: at the level of *implementing organisations*, focusing on changes in organisational capacity and/or structure, changes in management, changes in approach, changes in scope of activities, changes in funding, changes in number and type of services delivered, changes in quality of services delivered;
2. *outcome and impact level*: at the level of *beneficiaries*, analysing changes in access to services, changes in service delivery, changes in perception of quality of services delivered, changes in socio-economic indicators related to service delivery.

The evaluation will include both levels, first of all assessing the direct effects on output levels by 'working through' the results chain and by causal contribution analysis and secondly by qualitative and quantitative impact assessment.

Qualitatively, the approach consists of the following *evaluation strategy*:

1. What were the main programmes and projects funded by the Netherlands?
2. What were the main outputs of these programmes and projects? (based on existing monitoring information)
3. What do we know about the direct outcomes and impacts of these programmes and projects? (based on existing evaluations)
4. To what extent has funding been taken over by the recipient country?
5. To what extent has funding been taken over by other donors?
6. As far as the Netherlands was unable to hand over programmes and projects to the government or other donors, to what extent have components of these programme and/or projects have been ended or reduced?
7. Is there information about the effects of the ending/reduction of the programme/project? What are the conclusions?
8. What do we know about the sustainability of programmes and results?
9. In what way contributed central funds in education and health to a softening of the impact of the process of phasing out?
10. What is the impact of the Dutch exit in non-financial areas (such as the policy dialogue or technical assistance)?

The approach implies that existing evaluations about the effects of programmes and projects are the starting point for the analysis. Ideally, the team would also get evaluations analysing the situation after the Dutch withdrawal. However, it does not seem to be realistic to expect that many reports, describing this new situation, will exist. Therefore, in principle, the evaluation will start from the assumption that ending or reducing the support will also end or reduce existing results.[12] This hypothesis will be tested through interviews, and budget and monitoring information about the programmes and projects. The analysis will take into account existing trends.

[11] Slob and Jerve also discern a third level, i.e. the level of bilateral relations. This level is beyond the scope of the current evaluation.

[12] This assumption is in line with the assumptions of the Joint Evaluation Managing Aid Exit and Transformation

Example
In Zambia the Netherlands has supported the education sector. We know from existing evaluations that the ministry used a large part of the sector support for school grants, used for buying books, school maintenance, etc. More specifically, we also know that a reduction (increase) in donor funds directly had an impact on these school grants. Existing evaluations provide information about the effects of these school grants on learning achievement.
The evaluation strategy consists of analysing if and how the Dutch withdrawal had an impact on the budgets for these school grants. This means an analysis of the development of budgets, as well as interviews with the ministry and new donors.

Another impediment for a proper impact assessment is that (rigorous) impact evaluations will not always be available for the programmes and/or projects of analysis. The evaluation will combine the following approaches (through a *triangulation* process) for solving this problem:
1. the use of budget and monitoring reports to assess the impact of budgets on output;
2. more qualitative evaluations for an assessment of the impact;
3. the use of systematic reviews or other evaluations (of comparable programmes and projects) for an assessment of the impact of this kind of programmes;
4. the use of impact estimates based on cross country comparisons.

For budget support the evaluation will use estimates of Zambia, Tanzania and Nicaragua evaluations as well as the IOB policy review.

6.5 Cross country comparison

In order to get estimates of impacts when information is missing and in order to be able to assess impacts of ending support to the health and education sectors, the evaluation will model the effects of sector support. Estimating the (combined) effects of donor flows allows us to make estimates of the impact of this support and thereby of the impact of phasing out (taking into account the more qualitative analysis mentioned above). Annex II provides the details.

6.6 Data

The previous section discerned between an analysis of the selection process, the exit process and an assessment of the impact.

The analysis of the *selection process* is straightforward and includes:
- the section criteria;
- the arguments used for every country (documentation at the ministry);
- quantitative indicators for the criteria.

These indicators include:
- income and poverty levels and human development indicators;
- financial size of the Dutch bilateral support in relation to total ODA and GDP/capita;
- governance and policy indicators (Kaufmann, CPIA, Freedom House, Transparency International);
- size and growth rate of Dutch trade with the country.

For the analysis of the *exit process* the main data sources will be

- Dutch policy documents (MASP, country strategies, exit documents, evaluations, project documentation, monitoring information);
- country background information
- financial data (budgets and expenditure at national, sector and project level, macroeconomic variables, statistical data on trends in aid commitments and disbursements, Medium-Term Expenditure framework (MTEF)
- monitoring and evaluation reports (budget and sector support monitoring information and assessments, monitoring reports and evaluations).

Interviews will be held with:

- (former) embassy staff and honorary consuls;
- representatives of (former) partner countries (Ministry of foreign Affairs, Ministry of Finance, Planning departments);
- other donors;
- representatives of implementing organisations (NGOs).

In addition the *impact analysis* will, wherever relevant, also rely on:

- existing evaluations;
- administrative data (if already available);
- project data;
- national surveys (DHS, living conditions);
- cross country data (OECD/DAC, WDI).

7 Organisation and planning

IOB is responsible for the evaluation. The evaluation will be carried by IOB evaluators Antonie de Kemp and research assistant Caspar Lobbrecht. IOB will hire consultants for country case studies in Bolivia, Nicaragua/Guatemala, Burkina Faso and Tanzania. Total budget will be EUR 275.000.

Deputy director Geet Geut will supervise the evaluation for IOB management. The internal reviewers are Nico van Niekerk and Paul de Nooijer. External review will be carried out by a Reference group consisting of officials from the Ministry of Foreign Affairs (DAF, DWH and BIS) and external specialists (methodological, and knowledge of Africa and Latin America).

Table 3: *Estimate of number of working days*

	Number of days IOB evaluator	Number of days IOB research assistant	Number of days consultant	Local consultant
Africa (3 countries)				
Gathering of information	10	10	15	20
Country visits	20	10	20	15
Analysis	20	10	20	15
Latin America (3 countries)				
Gathering of information		20	15	15
Country visits		20	20	10
Analysis		10	15	10
Synthesis				
Sector analysis (education and health)	10	10		
Cross country analysis	10	20		
Synthesis	10	10		
Writing draft report	15	15		
Reference groups meetings and internal consultation	5	10		
Miscellaneous	5	5		
Total	105	150	105	85

Table 4: *Budget*

Item	Budget
European Consultants	160.000
Travel expenses	25.000
Local consultants	50.000
Travel expenses research assistant	15.000
Miscellaneous	25.000
Total budget	275.000

Table 5 gives an overview of the planning.

Table 5: *Planning*

Activity	Date
Draft terms of reference	June 2014
Reference Group meeting	September 2014
Final terms of reference	September 2014
Desk study	June-August 2014
Hiring consultants	June-July 2014
Country visits	June-November 2014
Country reports	December 2014-February 2015
Sector case studies (2, desk research))	August 2014-March 2015
Reference group Meeting	March 2015
Writing synthesis report	March 2015
Reference group Meeting	April 2015
Final report	April 2015

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Annex I: Country and sector data

Table I.1: *Total support to specific sectors in exit countries (2006-2010; in EUR mln.)*

	Good governance	Health	SRHR	Education	Budget support
Case Studies					
Burkina Faso	4.9	42.8	0.0	90.1	95.5
Tanzania	70.5	84.2		34.1	90.0
Zambia	5.8	54.1		94.2	43.8
Nicaragua	2.5	22.5	8.9	28.4	27.0
Bolivia	21.8	0.2		63.0	
Guatemala	14.7	2.2	3.3		
Total case studies	120.2	205.9	12.1	309.8	256.3
Total other countries	22.7	1.3	0.0	49.4	50.7
Coverage case-studies	84%	99%	100%	86%	83%

Source: Ministry of Foreign Affairs.

Annex II: Cross-country analysis

The empirical cross-country analysis is subdivided in two separate steps.

1. The analysis starts with estimating the impact of funding on government expenditure on targeted sectors, taking into account the issue of fungibility (McGillivray and Morrissey 2000; Morrissey 2014).[13]
2. The next step includes an analysis of the effects of pooled sector basket funds on sector specific targets. Data coverage on MDG-2 (school enrolment rate and pupil-teacher ratio), MDG-4 (under-5 mortality) and MDG-6 (HIV prevalence) is, on an annual level, adequate in the WDI.[14]

The preferred statistical method for this exercise is a Fixed Effects (FE) model with a lagged dependent variable. This is a Cross Sectional Time Series regression analysis, allowing to control for observed (for example; governance, income status, GDP growth and off-budget aid) and unobserved (for example culture) heterogeneity, autocorrelation and reverse causality. Formally, the procedure consist of estimating the following model:

$$Y_{it} = (Y_{it-1}) + \sum \beta X_i + \delta_t + \sum a_i A_i + \varepsilon_{it}$$

$$i = 1, \dots N; t = 1, \dots T$$

Where outcome variable *Y* (government expenditure for step 1, MDG outcome variables for step 2) at time *t* in country *i* is a function of a lagged dependent variable Yit-1 plus the sum of the coefficients of the lagged basket funding variables and the control variables $\sum \beta X_i$, a time element δ_t, a fixed term from the unobservable variables $a_i A_i$ and an error term ε.

[13] It is possible to construct a dataset of on and off budget aid to specific sectors, using the OECD/DAC 2a and OECD/DAC Creditor Reporting System databases. See Van de Sijpe (2013a) for an example of such a constructed dataset. See also Chatterjee et al (2012); Dieleman et al. (2013); Farag et al. (2009); Feyzioglu et al (1998); Lu et al (2010); Marć (2013); Pettersson (2007a; 2007b); Van de Sijpe (2013b).

[14] See, for example, the methodology applied by Dreher et al. (2008) studying the effects of aid to the education sector on primary school enrolment rates and IOB (2012) for an analysis of the impact of budget support on sector results.

Annex III: Country details

Table III.1: *Country characteristics (averages 2006-2010)*

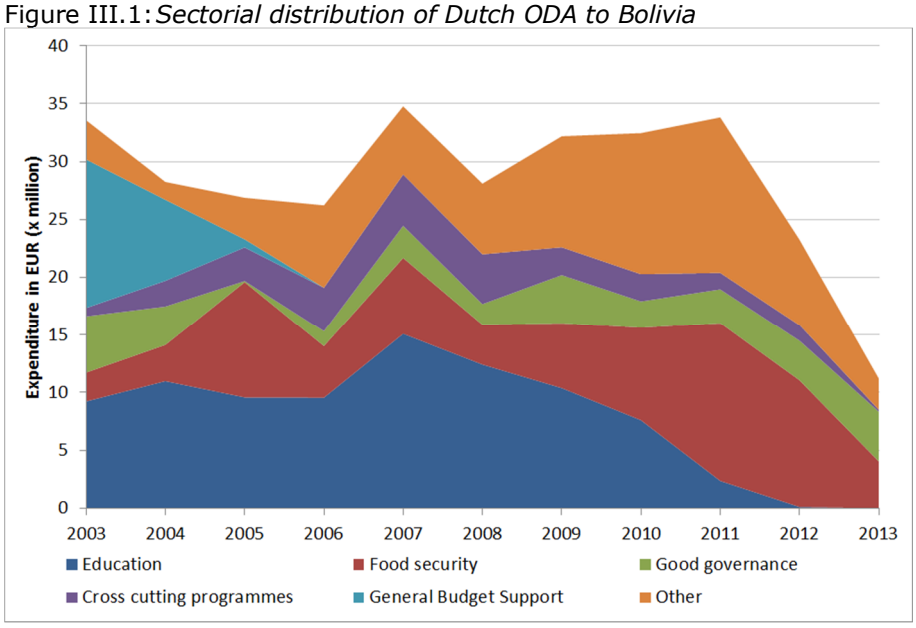
Country	Average GDP growth 2006-200	GDP per capita 2010	WGI 2010	HDI 2010	ODA/GDP 2010	Poverty at $2 a day (PPP)	Gini Index
Bolivia	5%	1,735	-0.55	0.67	0.04	25%	0.56
Burkina Faso	5%	593	-0.28	0.33	0.12	73%	0.40
Guatemala	4%	2,882	-0.59	0.58	0.01	26%	0.56
Nicaragua	4%	1,475	-0.64	0.59	0.08	32%	0.40
Tanzania	7%	525	-0.36	0.47	0.13	88%	0.38
Zambia	6%	1,225	-0.36	0.44	0.06	87%	0.57

Note: Year for Poverty data and Gini: Bolivia 2008, Burkina Faso 2009, Guatemala 2006, Nicaragua 2005, Tanzania 2007 and Zambia 2010.

Bolivia

The Netherlands has had a long bilateral aid relationship with Bolivia. The country became a partner country in 1988. In the last ten years the Netherlands provided more than five percent of all ODA disbursed to Bolivia. The Netherlands was also a forerunner in the process of donor harmonization and aid coordination and mainly provided program support rather than project aid. Figure III.1 presents the distribution of Dutch development cooperation to Bolivia in the past ten years.

Figure III.1: *Sectorial distribution of Dutch ODA to Bolivia*

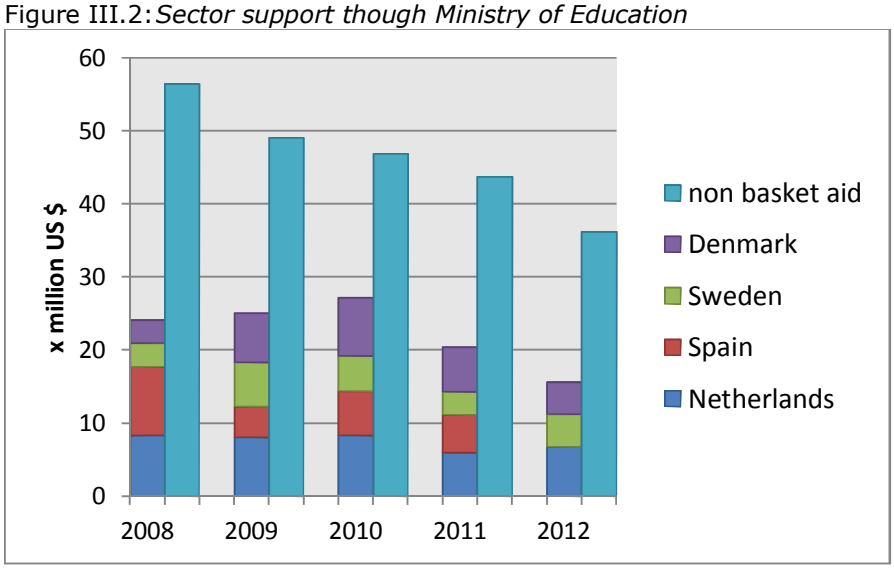


Source: Ministry of Foreign Affairs

The two most important sectors in which the Netherlands has been active as a donor in Bolivia are education (32%) and food security (22%). Other relatively large sectors are environment and good governance.

In the education sector, the Netherlands has been supporting the Bolivian Ministry of Education (ME) since 1999. Since 2004, the Netherlands was active as one of the partners supporting the Strategic Plan (PEI) of the Bolivian Ministry of Education. This plan aimed at improving the productive and community based education for boys and girls. The combined donor contribution to the national plans was about 15%. About 80% of all investments in the education sector have financed by donor funds. In addition, donors financed technical assistance.

Figure III.2: *Sector support though Ministry of Education*



Source: CRS microdata

On food security, the Netherlands supported non-governmental bodies such as FAUTAPO, established in 2005 with the aid of the Dutch embassy. The organisation aimed at promoting the interaction between educational and productive sectors and implemented Quinoa and Grapes projects in the Bolivian productive sector.

Exit strategy

In Bolivia, the Dutch exit-strategy was based on the following principles:
- With the exception of water management and education, all commitments would be respected.
- New commitments or follow-ups would be limited and only aimed at safeguarding the results and creating time for finding other donors.
- The Netherlands continued to participate in the political dialogue.
- The embassy systemised the results and lessons learned of Dutch development cooperation in Bolivia to strengthen continuity and sustainability.
- Staff would be reduced in accordance with the workload on development cooperation.

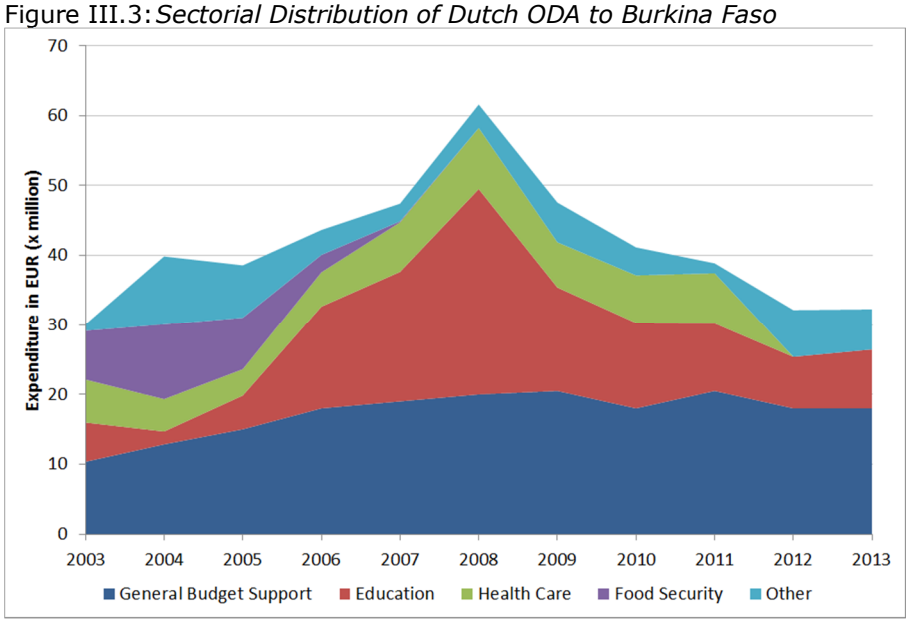
It proved rather difficult to find other donors. In Bolivia the importance of aid has decreased as a result of economic growth and other donors reduced their support as well. In the education sector, DANIDA provided sector support until 2013. Education

is also no longer a priority of the Swedish SIDA. Spain had to suspend its support to the Bolivian education sector because of the economic crisis in Spain. Bolivia is also not eligible for funds from the Global Partnership for Education (GPE). Therefore, the simultaneous phasing out processes of the Denmark, the Netherlands and Spanish may have considerable impact on the level of investment in the education sector. From 2015 onwards, Bolivia is required to increase its own investments in the education sector in order to prevent loss of capital. The exit-strategy proposed to fund FAUTAPO additionally in 2012, because the large contribution of the Netherlands to the budget of the organisation.

Burkina Faso

The Netherlands has traditionally been an important donor in Burkina Faso. While officially becoming a Dutch partner country in 1989, Burkina Faso has received Dutch assistance since the early 1970s. On aggregate in the previous decade, the Netherlands was Burkina Faso's second largest bilateral donor. The decision to phase out the Dutch bilateral aid to Burkina Faso was announced in 2011. Figure III.3 sketches the sectorial distribution of Dutch aid to Burkina Faso in the past ten years.

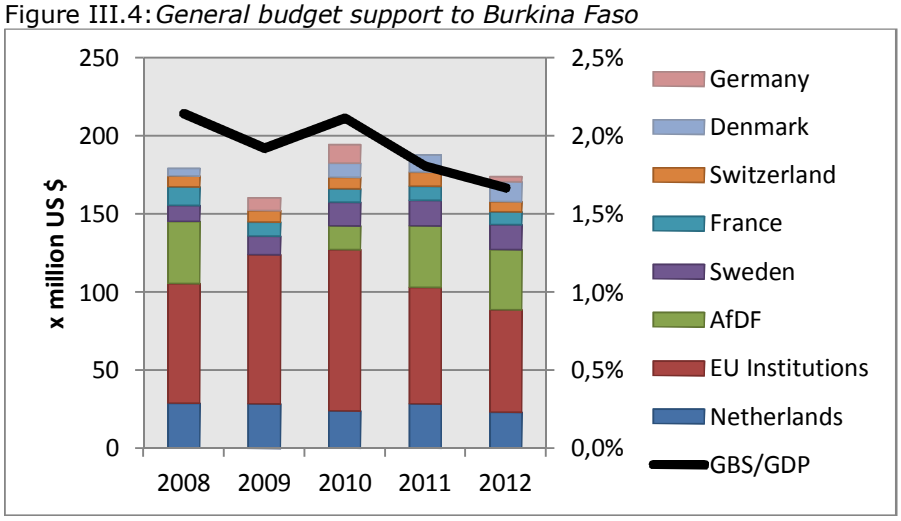
Figure III.3: *Sectorial Distribution of Dutch ODA to Burkina Faso*



Source: Ministry of Foreign Affairs

The most important sectors in which the Netherlands has been active as in the previous ten years were education (27 percent) and health care (12 percent). In these sectors, the main funding modality has been sector support. Furthermore, GBS (39 percent) was an important aid modality to Burkina Faso, making up almost 40 percent of all Dutch ODA. With GBS, the Netherlands contributed to Burkina Faso's Cadre Stratégique de Lutte contre la Pauvreté (CSLP). The Netherlands was the largest *bilateral* GBS donor in Burkina Faso. Both the absolute and the relative (GBS as percentage of GDP) total amount of GBS to Burkina declined since 2010 (see figure III.4).

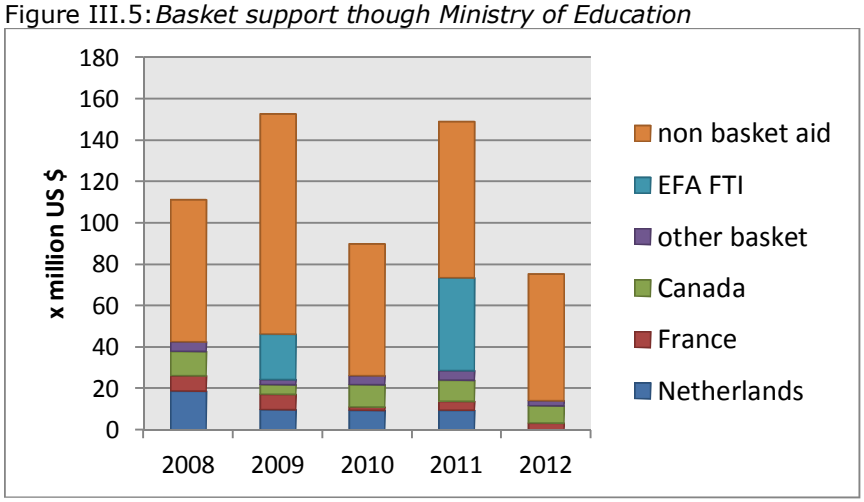
Figure III.4: *General budget support to Burkina Faso*



Source: OECD/DAC CRS

The majority of the Dutch contributions to the education sector have been allocated trough sector support. the Netherlands disbursed a total amount of EUR 46 million between 2006 and 2011.

Figure III.5: *Basket support though Ministry of Education*



Source: OECD/DAC CRS

From 2008 onwards, support to the health sector was provided through the *Health Development Support Programme* (PADS), an initiative of the Ministry of Health (MoH) and development partners. PADS (2008 – 2012) aimed at contributing to successful implementation of the National Health Development Plan.

Exit strategy

The formulated exit-strategy mainly aimed at safeguarding sustainability of results from Dutch development interventions. The Dutch embassy in Bamako will continue to represent Dutch interests in Burkina Faso and an honorary consul has been appointed to support the Dutch private sector.

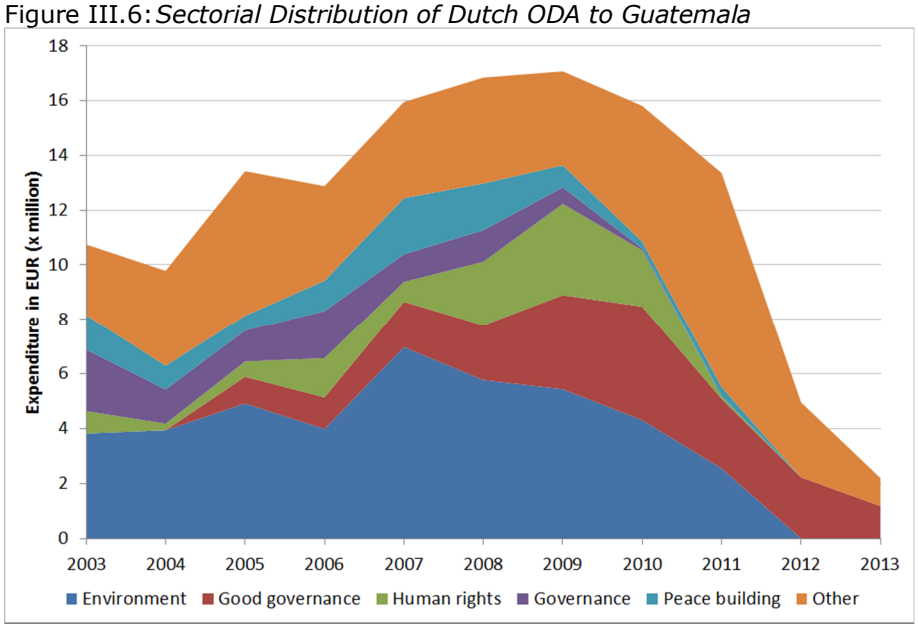
In the education sector the embassy transferred its entire programme to UNICEF, which acted as implementing organisation for the Netherlands during the exit-period. UNICEF furthermore committed to engage in policy dialogues. It was anticipated that the development budget for the education sector would decrease in the coming years. The Netherlands was the largest bilateral funder of the education basket. Furthermore, the Dutch exit from the PDDEB/CAST was accompanied by exits from Sweden and Denmark in 2010 and 2013 respectively.

In the health sector, the Netherlands was the only remaining donor providing un-earmarked sector support. For this reason, the embassy proposed to extend Dutch contributions with an additional year. Because 80% of the un-earmarked funds were used for SRHR related expenses, the collapse of the pooled donor fund increasingly pressured the SRHR sector. In order to match the final transactions to this vulnerable Dutch thematic priority in Burkina Faso, the contributions were directed at the SRHR sector through UNICEF.

Guatemala

Guatemala became a Dutch partner country in the late 1980s and has been a partner country until the 2011 decision to cut the Dutch bilateral aid budget. In the previous decade, Guatemala was the smallest recipient of Dutch ODA in Latin America. Between 2007 and 2010, Guatemala was classified as a profile-I partner country. Figure IIII.6 presents the sectorial overview of the Dutch contributions to Guatemala in the previous decade.

Figure III.6: *Sectorial Distribution of Dutch ODA to Guatemala*



Source: Ministry of Foreign Affairs

Exit strategy

In Guatemala there was understanding for the decision to end development cooperation, but the government regretted the decision to close the embassy. The former Guatemalan Minister of Foreign Affairs – Minister Rodas –, the Attorney-

General Claudia Paz y Paz and NGOs have, without success requested the Netherlands to reconsider the closure. Several other European embassies (Austria, Belgium and Denmark) also closed their posts in Guatemala. Switzerland was about to close their embassy in 2013, but due to pressure from parliament, the government decided to keep it open.

Despite economic growth in Guatemala, the country is the least developed in Central America (source: inequality adjusted HDI 2013)and has witnessed an increase of the inequality over the last decade Furthermore, Guatemala has the lowest tax income as percentage of GDP in the continent and is marked by high levels of homicides, impunity and human rights violations.

Since the closure of the Dutch embassy in Guatemala, the embassy in San José is responsible for Dutch diplomatic representation in Guatemala. Furthermore, an honorary consulate has been opened to serve as a contact point for Dutch inhabitants and the private sector, under supervision of the embassy in Costa Rica.

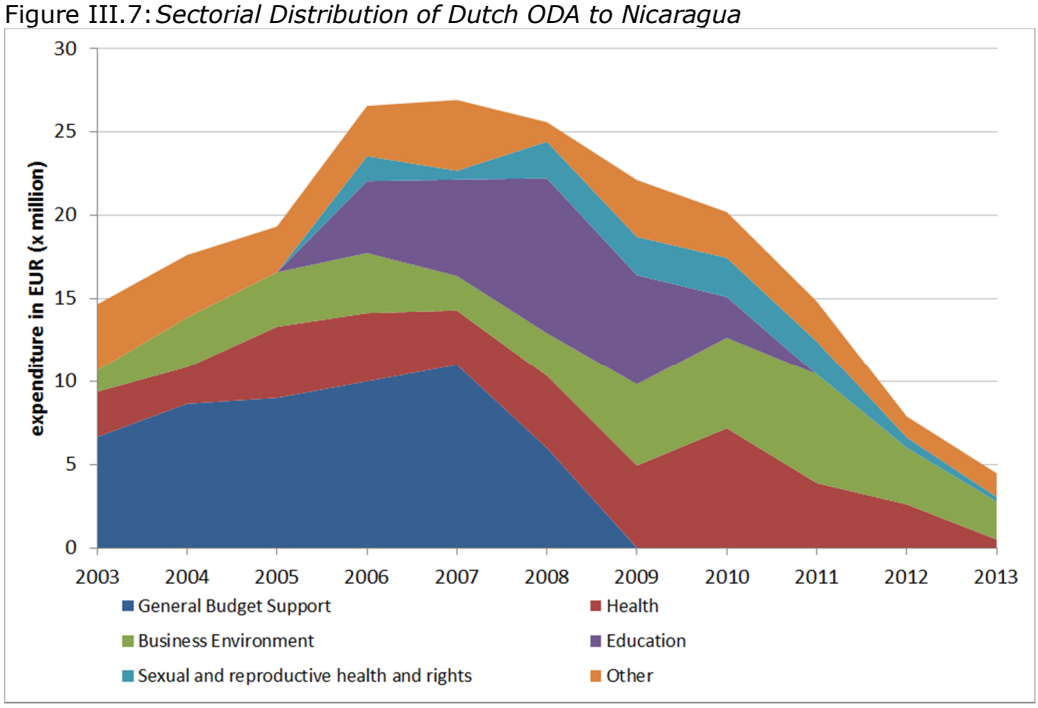
The exit-strategy for Guatemala stressed the limited capacity and financial means of the government to fill the gaps. However, the exit strategy also aimed at maintaining relations by staying active in the sectors *good governance* and *justice and safety* in the Central American Programme (MAP), which focuses mainly on regional cooperation in cross-border challenges in the Dutch thematic priorities security, justice and human rights. As the regional budget for the MAP is substantially lower and covers multiple countries, only a select amount of bilateral activities have been included in the MAP. The MAP is a program that runs till the end of 2015.

Nicaragua

In Nicaragua the Netherlands has been active as a donor since the 1980s, supporting the Sandinista revolution. While the initial activities focused on reconstruction, the aid relationship was intensified and the focus shifted to good governance and democratization processes. In the MASP 2008-2011, the embassy had outlined five strategic sectors of interest for Dutch development cooperation: i) good governance; ii) human rights; iii) sustainable economic development; iv) health; v) basic education. Figure III.7 presents the actual sectorial distribution of Dutch development cooperation with Nicaragua in the past ten years.

Until 2009, a large share of Dutch aid to Nicaragua compromised general budget support (IOB 2010). Together with eight other donors, the Netherlands had signed a Joint Finance Agreement with the Nicaraguan government. During this period, the Netherlands was the largest bilateral GBS donor in Nicaragua – other substantial donors were Sweden and Switzerland. Dutch general budget support was suspended in 2009 after electoral irregularities that year.

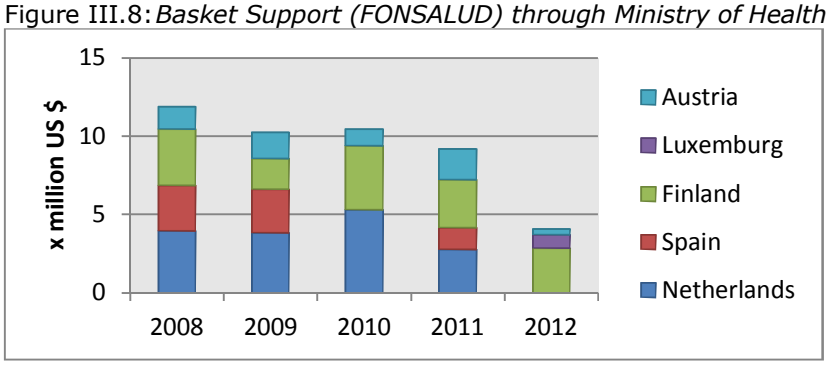
Figure III.7: *Sectorial Distribution of Dutch ODA to Nicaragua*



Source: Ministry of Foreign Affairs

The Netherlands was the lead donor in the Nicaraguan health sector with sector support (FONSALUD) contributing to the Nicaraguan Ministry of Health (MoH). FONSALUD aimed at strengthening the National Health System in providing good quality and equitable health services in Nicaragua, particularly among the poor. In December 2010, the Netherlands was about to sign a Memorandum of Understanding with the Nicaraguan government and Finland, Span, Austria and UNFPA. In this document, the Netherlands would commit itself to a contribution of EUR 4 million annually for the period 2011-2015.

Figure III.8: *Basket Support (FONSALUD) through Ministry of Health*



Source: CRS microdata

In the education sector, the Netherlands had signed in 2006 a *Silent Partnership Education* with CIDA, committing to allocate a total amount EUR 34 million until 2010 on top of Canada's contribution. Dutch contributions have been linked to Canada's contributions at a ratio of 3 (Netherlands): 1 (Canada). Denmark was the other active donor in the sector. The sector support contributed to the national education sector plan PROASE. A financing gap of about 70 million US $ was

foreseen on an annual basis in 2006. The average contribution of donors to Nicaragua's education budget was between 20 and 30 percent between 2005 and 2008 (IOB 2010). While a silent donor, the Netherlands was the largest donor of PROASE.

Exit strategy

Nicaragua wants to become independent from traditional Western donors (it receives now donor funding from Venezuela and Russia), but the country may not be ready for this step. The exit-strategy was based on the willingness to phase out in a responsible way and to hand over responsibilities to other donors, but the uncoordinated exit by a number of like-minded donors complicated this process. Donors' decisions of phasing out aid to Nicaragua have been taken on a bilateral basis and without pre-consultation with other donors.

Generally, all Dutch assistance to Nicaragua was planned to be phased out by the end of 2013. The decision to close the Dutch embassy in Managua (also by end of 2013) followed the decision to phase out development cooperation. After the closure of the embassy, an Honorary Consul was appointed, who, under supervision of the embassy in Costa Rica represents Dutch interests.

In the health sector, the Netherlands has ended its contribution to the FONSALUD programme. With Spain also suspending its contributions to FONSALUD in 2012 and Finland's announcement to leave the Nicaraguan health sector, sector support was almost completely dismantled. Due to the suspension of GBS, the reduction of donor funds to the health sector is even larger. In the education sector, the Netherlands, Canada and Denmark have ended their support. In addition, the GBS of the EU to Nicaragua was earmarked for the education sector. The Education for All/ Fast Track Initiative has committed to support Nicaragua's National Strategic Education Plan (2011 – 2015) with an amount of US $ 16.7 million.

Aiming to maintain existing relations and softening the impact of the exit, the Netherlands had formulated a regional Central American Programme (MAP), focussing mainly on regional cooperation in cross-border challenges in the Dutch thematic priorities security, justice and human rights. One former Dutch funded bilateral project in Nicaragua (OAS Judicial Facilitators project) has been transferred to the MAP and scaled-up at regional level. The MAP runs until the end of 2015.

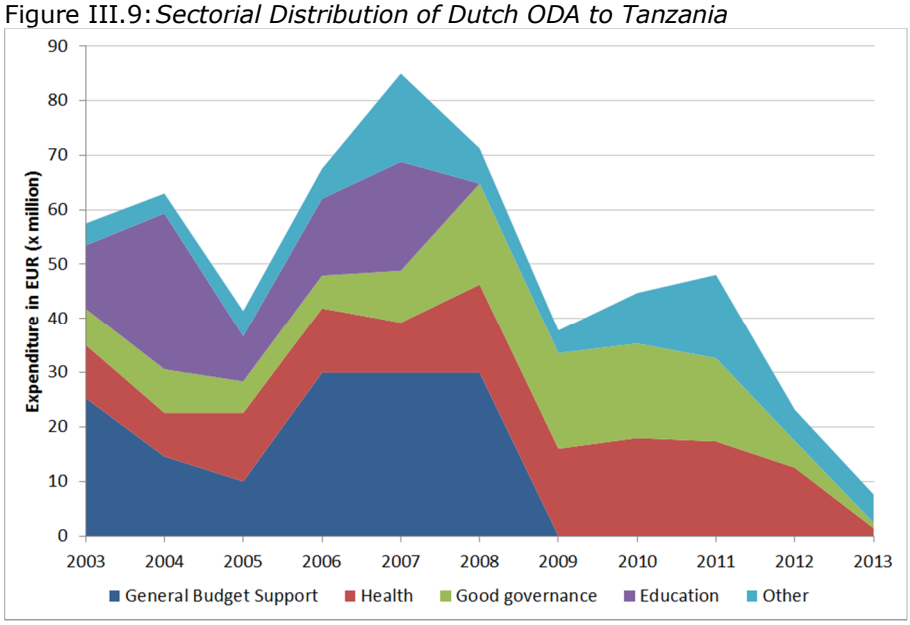
On sustainable economic development (private sector development) it proved also difficult to interest other donors to (Spain, Switzerland, EU, Finland, Canada, USAID, WB/IFC and IDB) to take over the projects previously supported by the Netherlands. In order to facilitate the Dutch exit in this sector, Dutch private sector instruments would continue to be accessible for Nicaragua after 2013.

Tanzania

The Netherlands has been active as a donor in Tanzania since the 1970s. In the previous ten years, the Netherlands was the fifth largest bilateral donor, disbursing about US$ 880 million. In recent years, the Dutch aid relationship with Tanzania had come under pressure because of Dutch worries about the business climate and a dispute about the treatment of a Dutch enterprise in Tanzania. As a result, in 2009 the Netherlands suspended general budget support disbursements. The Netherlands remained active mainly in health and good governance (decentralisation). Combined

these two sectors nearly made up half of all Dutch ODA to Tanzania in the previous ten years. Figure III.9 gives an overview of the Dutch contributions to Tanzania in the previous decade.

Figure III.9: *Sectorial Distribution of Dutch ODA to Tanzania*



Source: Ministry of Foreign Affairs

The Netherlands supported Tanzania's third Health Sector Strategic Plan (HSSP-III; 2009 – 2015) through sector support. The Health Basket Fund aimed at improving the health status of the population in Tanzania by complementing the government funding for the health sector. Initially, the Netherlands committed to support the health sector with EUR 68 million between 2008 and 2012. Later, this activity was extended until 2014 and an additional EUR 10.5 million was made available. In recent years, the Netherlands was the largest donor to the health basket fund.

In the last ten years, the Netherlands also was the largest bilateral donor on decentralisation. Between 2009 and 2013, the Netherlands supported the Tanzanian Ministry of Finance and Economic Affairs with a total amount of EUR 52.5 million between for the decentralization agenda. The purpose was to strengthen Tanzania's local governance through a common basket fund.

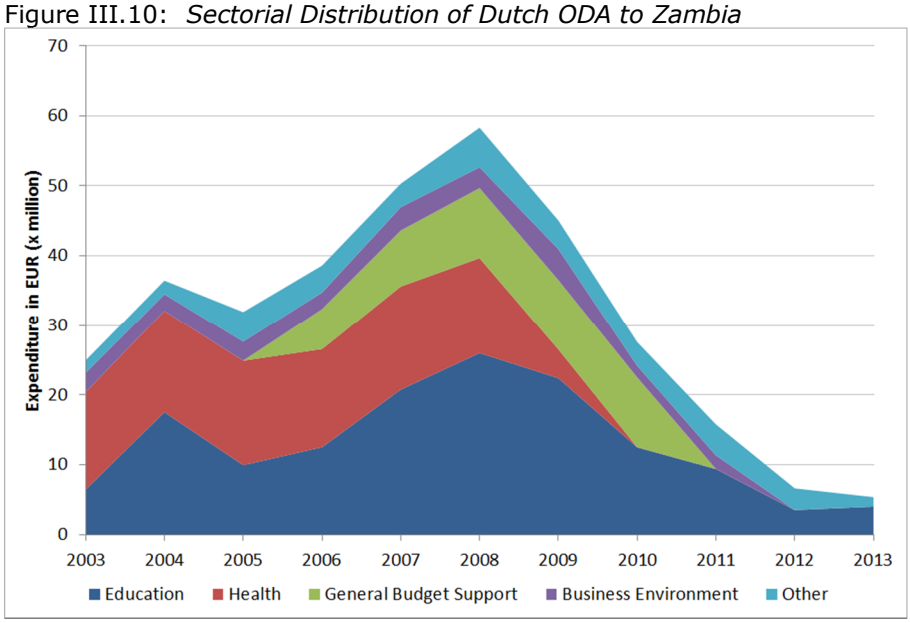
Exit strategy

The exit strategy aimed at ensuring an effective transfer of financial involvement to the Tanzanian Government and other donors. The embassy aimed at finding alternative funding – either by the GoT or other donors. Early phasing out of silent partnerships in the water and gender sectors allowed the EKN to respect the commitments in the local governance and private sector developments, while making a limited number of additional commitments in the health care sector and for some NGOs. Given its pivotal economic and political role for the entire region, the embassy in Dar es Salaam remains open after completion of the phasing out process. The economic function of the embassy would be strengthened. Agreeing on the importance of economic diplomacy, Tanzania decided to reopen its embassy in The Hague, which had been closed since 1994.

Zambia

Since the 1990s, the Netherlands has been an active donor in Zambia. Figure III.10 presents the distribution of Dutch development cooperation to the country in the past ten years. The main areas of Dutch focus were education (about 40%) and health (about 26%). The Netherlands was been the lead donor in the education sector and a silent donor in the health sector. The majority of Dutch aid to these sectors has been provided through the basket funding modality. Furthermore, the Netherlands has disbursed a substantial amount of aid to Zambia through general budget support.

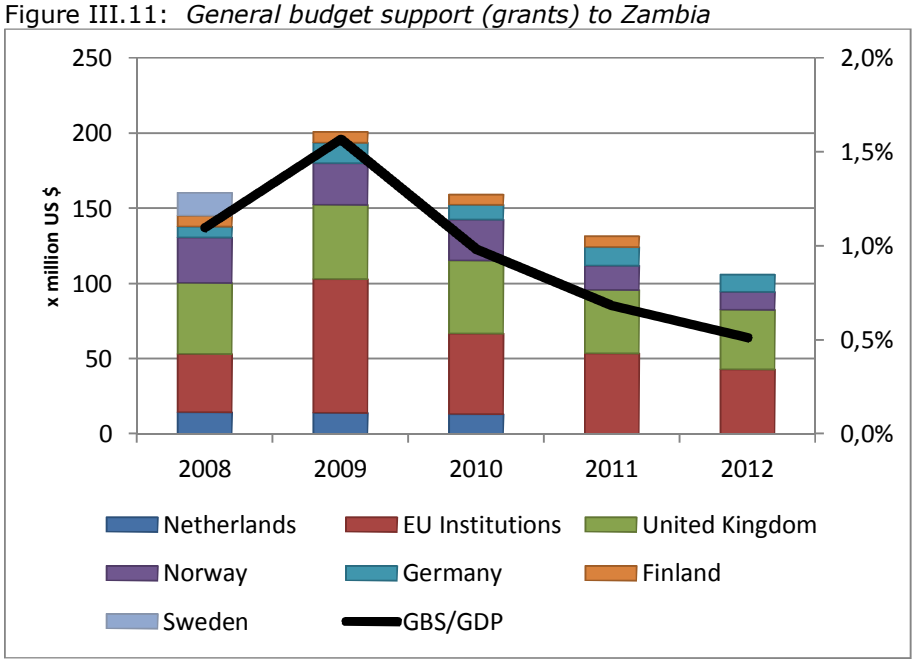
Figure III.10: *Sectorial Distribution of Dutch ODA to Zambia*



Source: Ministry of Foreign Affairs

Between 2008 and 2010, the Netherlands disbursed EUR 10 million annually through the Zambian Ministry of Finance in the form of general budget support. The main objective was to support Zambia to attain its objectives as described in the Fifth National Development Plan (FNDP) more effectively through the provision of more predictable and performance based financing (through introducing incentive tranches for good performance). The EKN has written a joint appraisal with DfID, Norway and Sweden for the GBS arrangements. The GBS modality was deployed to stimulate and strengthen the partnership between donors and the GRZ in working together. A joint evaluation (De Kemp, Faust and Leiderer, 2011) concluded that budget support in Zambia has not performed to its anticipated potential as an instrument for promoting governance, but that this support effectively contributed to allocations towards poverty related sectors. The embassy also recommended continuing GBS, but the Dutch contribution to the modality was ended after 2010, when the Dutch government has decided to reduce budget support. This withdrawal coincided with GBS cutbacks and withdrawals by other donors (see figure III.11). Finland has also suspended GBS from 2011 onwards and the EU and Norway have been reducing their GBS budgets for Zambia. The absolute amount of GBS nearly halved between 2009 and 2012. Relatively, grants from general budget support have also become less decisive.

Figure III.11: *General budget support (grants) to Zambia*

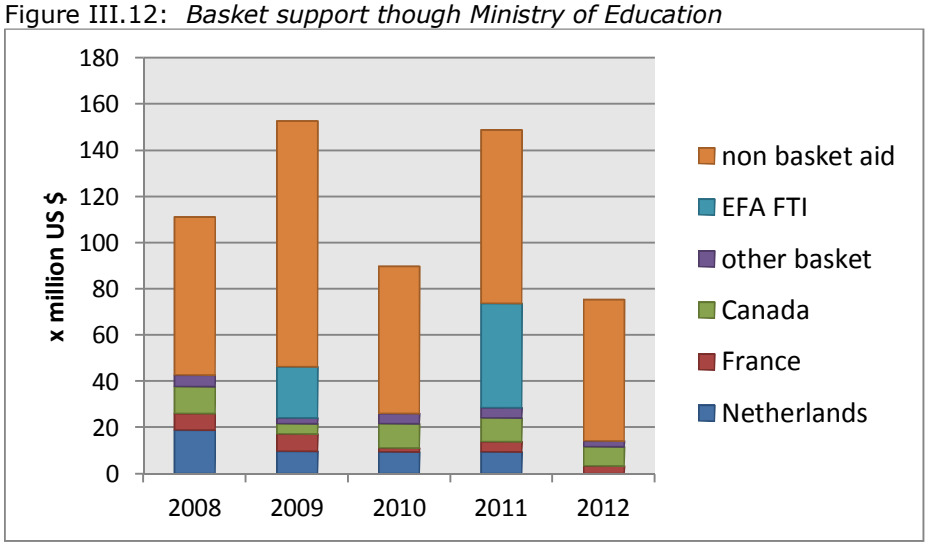


Source: OECD/DAC CRS and WDI

Together with Ireland, the Netherlands took the lead in the Zambian education sector. The Netherlands mainly supported Zambia's national education policy and worked through a common implementation framework. Between 2003 and 2011, the Netherlands supported the subsequent sector-wide plans with about EUR 118 million. In 2010, donors suspended part of the support to the sector (about US$ 40 million donor contributions (including US$ 5 from the Netherlands) and US$ 30 million from EFA/FTI) because of a felt of a lack of progress in the sector. Donor contributions were partially restored by the end of 2011. The importance of donor funds has decreased. In 2009, donors financed about thirteen percent of the sector; this has declined to four percent in 2011.

The Netherlands also provided aid to the health sector, from 2006 onwards as support to the National Health Strategic Plan, as formulated in the Fifth National Development Plan (2006 – 2011) with a total amount of EUR 71 million. SIDA took the lead, taking the responsibility of disbursing to the Ministry of Health (MoH) on behalf of the Netherlands and CIDA. Assistance from the SIDA, the Netherlands and CIDA was temporarily suspended when the Anti-Corruption Commission (ACC) revealed a possible scam of 10 billion Kwatcha (about EUR 1.35 million) at the Ministry of Health. A Joint Working Group composed of donors and Zambian representatives drafted a Governance Action Plan (GAP), outlining the necessary measures to counter corruption at the MoH. Because the MoH did not manage to meet all requirements of the second phase of the GAP, the Dutch support to the health sector ended without additional Dutch funding. Generally, sector support through the MoH has been dismantled after the 2009 corruption scandal; only Sweden partially restored its contributions. At the same time, non-basket assistance to the Zambian health sector has increased significantly after 2010. The Netherlands has been the lead donor in HIV/AIDS, supporting the organizations ZNAN and CHAZ. As a result of several donor-cuts ZNAN was forced to stop its activities.

Figure III.12: *Basket support though Ministry of Education*



Source: OECD/DAC CRS and EFA/FTI database.

Exit strategy

Underlying the decision to end the aid relationship is the premise that Zambia's positive macroeconomic developments and its stable political climate will increase Zambia's access to other forms of development financing; economic growth and corresponding domestic revenue collection are expected to replace Zambia's dependence on foreign aid. The embassy closed in June 2013. In order to represent Dutch interests and the private sector, an honorary consulate was opened in Lusaka.

The exit strategy focused on the sustainability of programmes the Netherlands had supported, by handing over responsibilities to the GRZ and other donors. In the education sector, this was complicated by the fact that Denmark had already announced to end support to the education basket. Through *delegated cooperation* with UNICEF Zambia, it was agreed to contribute to the Ministry of Education's new education programme NIF III and to the UNICEF Education Programme during the exit-phase 2012 – 2013. However, due to persistent financial irregularities at the MoE and subsequent delays in the NIF III, the Netherlands decided to discontinue Dutch contributions to the education basket. On the whole, the amount foreign aid to the Zambian education sector is declining rapidly. From the original basket, Ireland was the only active donor in 2012. While Japan started to contribute a part of its development cooperation through the MoE in 2012 and DfID and UNICEF have committed to become actively involved in the sector, a large part of the pooled fund has been dismantled. As several donors are phasing out aid to multiple recipients simultaneously, funds from EFA/FTI will be insufficient to fully absorb financing gaps resulting from donor exits.