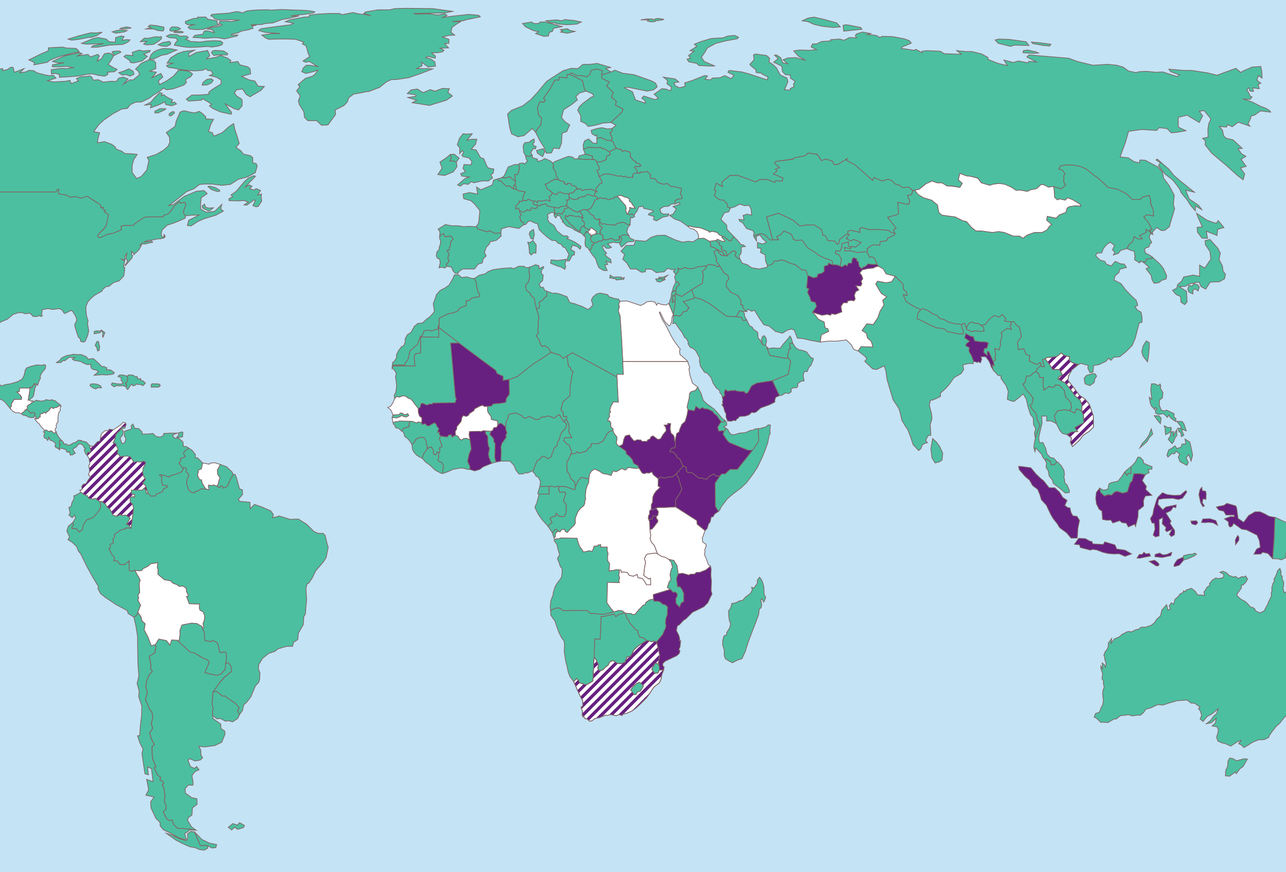
Ministry of Foreign Affairs

IOB Evaluation

The gaps left behind

An evaluation of the impact of ending aid



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July 2016

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Preface

Development cooperation is changing very fast. More than a decade of high economic growth in many developing countries has contributed to an already waning 'beyond aid' debate. In this context, several bilateral donors aim to transform their aid relationship with middle income countries by phasing out bilateral aid and by intensifying their trade relationships. They may have also other arguments for 'exiting' from aid. Fragmentation and proliferation have been widely criticised for undermining aid efficiency and effectiveness. EU donors have agreed to improve their division of labour by limiting their numbers in recipient countries and by reducing the presence of each of them to a maximum of three sectors.

These changes in the relationship between Western countries and emerging economies are also reflected in the bilateral development cooperation policy of the Netherlands. In 2010, a new Dutch government decided to fundamentally review its aid policy. It announced a shift from pure aid policy to an agenda for aid, trade and investment, focusing on economic growth and trade promotion and concentrating Dutch activities on fewer countries and sectors. While the main objective was to enhance the efficiency and effectiveness of aid, budgets cuts on Official Development Assistance (ODA) totalling EUR 810 million were also a main consideration. The Dutch State Secretary for Foreign Affairs reduced the number of partner countries from 33 to 15. In addition, he decided to concentrate support on four themes where the Dutch value added was assumed to be highest: food security, water, sexual and reproductive health and rights (SRHR) and security and the rule of law. Support to social sectors, especially to education, would be phased out.

Such phasing out of aid is not new. In 2008, Sweden, the Netherlands, Denmark and Norway published the results of a joint exit evaluation. The report, titled 'Managing Aid Exit and Transformation', included several guidelines for managing exit processes. The Ministry intended to adhere to these guidelines. Embassies would develop exit strategies to ensure that the closure was done responsibly.

In 2014, at the request of parliament, the Minister for Foreign Trade and Development Cooperation has asked the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs to evaluate the impact of the budget cuts on recipients. This report presents the results of the evaluation. It concentrates on the application of the criteria for country selection, the exit strategies, and the impact of the budget cuts on recipient countries and organisations. The evaluation includes six country case studies: Bolivia, Burkina Faso, Guatemala, Nicaragua, Tanzania and Zambia.

A first conclusion is that the country selection was largely consistent with the selection criteria stipulated by the Ministry. However, the process did not include a thorough analysis of the impact of ending ongoing Dutch programmes. While the exit process was well managed at the level of the embassies, the decision of where to phase out the existing bilateral development relationship was not based on an assessment of its consequences.

The desire for a quick exit and limited budgetary flexibility gave little room for involving stakeholders in the process and taking into account their interests. A main and obvious conclusion is that in most cases it was not possible to end programmes and projects without negative impacts. While most countries show favourable growth rates, large discrepancies remain between required and available budgets, especially in social sectors. Public services remain underfunded with a negative impact on their quality. In general, embassies were unable to hand over programmes to other donors. This points to the failure of attempts to improve the division of labour among bilateral donors within the EU. It also meant that the Dutch exit was less smooth than it could have been.

IOB evaluators Antonie de Kemp and Caspar Lobbrecht have written this synthesis report and have conducted the country case studies, in close collaboration with Prof. Geske Dijkstra (Nicaragua; IOB/Erasmus University), and Willem Cornelissen (Bolivia), Niek de Jong (Guatemala) and Martin van der Linde (Burkina Faso and Tanzania) from the Erasmus University and Ecorys Rotterdam. In addition, several local consultants have contributed to the country reports: Rafael Rojas (Bolivia), Prof. Idrissa M. Ouedraogo (Burkina Faso), Dr. Fredy R. Ochaeta (Guatemala), Alejandro Uriza (Nicaragua), Dr. Donald Mmari (Tanzania) and Saul Banda (Zambia). Geert Geut, deputy director of IOB, supervised the evaluation process. IOB evaluators Dr. Nico van Niekerk and Paul de Nooijer provided valuable commentary on draft reports.

A special word of thanks goes to the expert peer group, consisting of Geert Geut (chairman), external experts Prof. Annelies Zoomers (Utrecht University), Jean Bossuyt, and Dr. Henri Jorritsma, and from the Ministry of Foreign Affairs Ruud van der Helm, Jan Remijn, Ronald Siebes and Matthijs Wolters. A word of thanks also goes out to Paul Gosselink (formerly BIS), Bastiaan Engelhard (formerly embassy San José), and Hinke Nauta (Embassy Tanzania), who helped IOB to collect material for this evaluation as well as Anna van Duijn (Embassy Dar es Salaam) and Marie Zoundi (Burkina Faso), who organised many meetings for the team respectively in Tanzania and Burkina Faso.

Final responsibility for the report rests with IOB.

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List of abbreviations

AHPN	Archivo Histórico de la Policía Nacional (Historical Archives of the National Police)
AIDS	Acquired Immune Deficiency Syndrome
AMREF	African Medial and Research Foundation
CEDLA	Centro de Estudios y Documentación Latinoamericanos (Centre for Study and Documentation of Latin America)
CGD	Centre Pour la Gouvernance Démocratique
CHAZ	Churches Health Association Zambia
CICIG	Comisión Internacional contra la Impunidad en Guatemala (International Commission against Impunity in Guatemala)
CIDA	Canadian International Development Agency
CNP-NZ	Centre National de Presse Norbert Zongo
CPIA	Country Policy and Institutional Assessment
CRS	Creditor reporting system (OECD)
CSO	Civil society organisation
DAC	Development Assistance Committee
DAH	Development Assistance for Health
DFID	Department for International Development
DRC	Democratic Republic of the Congo
DSO	Department of Social Development
EFA	Education for All
EKN	Embassy of the Kingdom of the Netherlands
EPDC	Education Policy and Data Centre
EU	European Union
FAFG	Fundación de Antropología Forense de Guatemala (Forensic Anthropology Foundation of Guatemala)
FAM	Federación de Asociaciones Municipales de Bolivia (Federation of Municipal Associations of Bolivia)
FAO	Food and Agriculture Organization
FAUTAPO	Foundation AUTAPO – Education for Development
FAWEZA	Forum for African Women Educationalists of Zambia (FAWEZA)
FCS	Foundation for Civil Society
FDI	Foreign direct investment
FONAENF	Fonds National pour L'Alphabétisation et L'Education Non Formelle (Fund for Literacy Training and Non-Formal Education)
FONSALUD	Fondo Común del Sector Salud (Nicaraguan Fund for Health)
FTI	Fast Track Initiative
GBS	General budget support
GDP	Gross domestic product
GAVI	Global Alliance for Vaccines and Immunization
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross national income

GPE	Global Partnership for Education
HBF	Health basket funds
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
IEG	Independent Evaluation Group
IMF	International Monetary Fund
IOB	Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie (Policy and Operations Evaluation Department)
JICA	Japan International Cooperation Agency
LC	Laboratoire Citoyennetés
LDC	Least developed country
LGA	Local Government Authority
LGDG	Local Government Development Grants
LGRP	Local Government Reform Programme
LLECE	Laboratorio Latinoamericano de Evaluación de la Calidad de la Educación (Latin American Laboratory for Assessment of the Quality of Education)
MAP	Midden-Amerika Programma (Central America Programme)
MASP	Multi Annual Strategic Plans
MDGs	Millennium Development Goals
MFSII	Dutch Cofinancing System II for 2011-2015
MoE	Ministry of Education
MoH	Ministry of Health
MOHSW	Ministry of Health and Social Welfare
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure framework
NFP	Netherlands Fellowship Programme
NGO	Non-governmental organisation
NICHE	Netherlands Initiative for Capacity development in Higher Education
NNI	Net National Income
NORAD	Norwegian Agency for Development Cooperation
OAS	Organization of American States
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PADS	Programme d'Appui au Développement Sanitaire (Health development support programme)
PAJUST	Programa de Acompañamiento a la Justicia de Transición (Programme for accompanying transitional justice)
PASEC	Programme d’Analyse des Systèmes Educatifs de la CONFEMEN (Programme for the Analysis of Education Systems
PATA	Public Accountability in Tanzania
PCA	Principal component analysis
PE	Personal emoluments
PEI	Plan Estratégico Institucional (Institutional Strategic Plan)
PFM	Public financial management
PISA	Programme for International Student Assessment

PPP	Purchasing power parity
PSD	Private sector development
REPOA	Research on Poverty Alleviaton
REN-LAC	Réseau National de Lutte Anti-Corruption (National Network for the Combat of Corruption)
SACMEQ	Southern and Eastern African Consortium for Monitoring Educational Quality
SBS	Sector budget support
SDGs	Sustainable Development Goals
SRHR	Sexual and Reproductive Health and Rights
SWAp	Sector-wide approach
TB	Tuberculosis
TIZ	Transparency International Zambia
ToC	Theory of Change
UK	United Kingdom
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNESCO	The United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Emergency Fund
USAID	United States Agency for International Development
WASH	Water, Sanitation and Hygiene
WDI	Worldwide Development Indicator
WGI	Worldwide Governance Indicators
WHO	World Health Organization
WRR	Wetenschappelijke Raad voor het Regeringsbeleid (Dutch Scientific Council for Government Policy)

Summary and conclusions

Background

The year 2010 marked an important change in Dutch development cooperation. That year a new government decided to fundamentally review and 'modernise' the Netherlands' policy, with the aim of enhancing its efficiency and effectiveness. The government's coalition agreement announced a shift from aid to investment, focusing on economic growth and trade promotion and concentrating Dutch activities on fewer countries and sectors. There were other arguments as well for these policy changes. Due to the global financial crisis and the European debt crisis, the Dutch budget deficit had increased to nearly 4% of GDP, well above the EU's limits for government deficits of 3% of GDP. Large cuts on government expenditure were deemed inevitable. The government reduced the budget for Official Development Assistance (ODA) by EUR 750 million per year. In addition, the Netherlands Ministry of Foreign Affairs had to downsize Dutch presence abroad and closed ten embassies.

As part of its new aid agenda, the coalition cut the number of countries with which the Netherlands had a structural bilateral development relationship from 33 to 15.[1] The new policy also involved a focus on four themes (security and rule of law, food security, water, and sexual and reproductive health and rights (SRHR), where the Dutch value added was assumed to be highest. The education and health sectors became posteriorities. In addition, the coalition intended to 'drastically cut back' the provision of (general) budget support.

The Ministry aimed at selecting the 15 countries in such a way that the value added of Dutch support would be highest. It was assumed that (a) this would be the case in countries with low income and high poverty levels and where (b) the Netherlands was a relatively large donor; (c) the quality of governance contributed to aid effectiveness; and (d) the Netherlands would be able to focus on the new themes. The selection criteria also took into account (e) Dutch opportunities and interests; (f) the financial size of ongoing programmes and possibilities to reduce them; and (g) the potential to reduce the number of missions abroad.

The Ministry sought to redress the negative impact of the Dutch exit by coordinating the partner country choices with other donor countries and the EU. This should have ensured a more effective division of labour in the EU donor group. Moreover, the embassies in question would develop an exit strategy, in line with the recommendations of the joint evaluation *Managing Aid Exit and Transformation* of 2008. These recommendations included timely communication, involving stakeholders in the process, and taking into account their institutional capacity. Moreover, the embassies were committed to finding alternative donors.

[1] With the aim of further reducing this number to a maximum of 10 in the future.

Evaluation

In 2012, while the embassies were implementing the exit process, a new government decided to further reduce the budget for development cooperation by EUR 1 billion, bringing Dutch ODA down from 0.7% to 0.55% of GNI. In a response to the government's proposals, the House of Representatives asked for an evaluation of the impact of the budget cuts of the previous government (2010–2012) on countries and programmes. This report describes the results of the requested evaluation. It includes an assessment of the impact of:

- the exit on recipient countries and NGOs/CSOs in these countries (including an appraisal of the selection criteria and the phasing-out process);
- the savings on health and education; and
- the ending of the provision of general budget support.

The evaluation covers the budget reductions implemented between 2010 and 2012 and covers the years 2008-2015 for an assessment of their impact.

The evaluation gives an appraisal of the impact of the Dutch budget cuts by a) assessing the effectiveness of the discontinued projects and programmes and b) comparing the exit with the counterfactual situation of continued support. The evaluation assumes that marginal returns of external support are not decreasing, in spite of economic growth. The central argument for this assumption is the undersupply of public goods (quantitative and qualitative) in lower-income countries, due to underfunding.[2] Estimated effects are net effects of the budget cuts. The savings have not been compensated by extra spending in other sectors and/or countries.

The conclusions of the evaluation are mainly based on an analysis of the impact on six countries: Bolivia, Burkina Faso, Guatemala, Nicaragua, Tanzania, and Zambia. These countries represent 47% of the budgets in the 18 exit countries on the eve of the exit decision. The overall assessment of the impact of the ending of bilateral support is based on calculations using country specific indicators.[3]

[2] Per capita education and health expenditure in low-income and lower middle-income countries are on average 1%-2% of the average health expenditure in high-income countries.

[3] Macroeconomic indicators and indicators for health and education.

Conclusions

1. *The reduction of the number of partner countries was mainly motivated by budgetary considerations. In practice, arguments of aid efficiency and effectiveness were less decisive.*

Overall, net ODA expenditure by the Netherlands has increased from EUR 4.8 billion in 2010 to EUR 5.2 billion in 2015.[4] The growth is attributable to the rising spending on receiving asylum seekers (EUR 1.2 billion in 2015). Between 2010 and 2015, ODA expenditure by the Ministry of Foreign Affairs decreased by EUR 547 million.[5] This is a net reduction.
The Ministry achieved these savings as follows:

Exit countries	EUR	378 million
Education (excluding exit countries)	EUR	293 million
General budget support (excluding exit countries)	EUR	70 million
Good governance (excluding exit countries)	EUR	63 million
Total	EUR	804 million

The difference between the savings of EUR 804 million and the reduction of EUR 547 million is explained by higher expenditures on other themes, especially for emergency relief (in total EUR 321 million more).

In the country selection process, the assigned maximum of 15 partner countries and the aim to economise became more important than considerations of aid efficiency and effectiveness. The exercise focused only on the 33 partner countries and not on the bilateral support provided in 70 other countries (including upper middle-income countries) where the Netherlands provided aid. The Ministry phased out the bilateral development relationship with countries where the Netherlands had been a donor for many years and where the embassy was often a lead (or coordinating) donor. Examples are Burkina Faso and Tanzania. At the same time it continued to provide support to other countries where the Dutch role was much smaller. Moreover, the decision to reduce the bilateral budget was not based on an assessment of the efficiency or effectiveness of the channel choice.

The State Secretary did hold on to a maximum of 15 countries, assuming that the value added of bilateral development cooperation in the exit countries was relatively low, instead of assessing – the other way round – the efficiency and effectiveness of Dutch bilateral ODA in these countries and basing the exit decision on the results of such an assessment. Should he have done so without specifying the precise number, he could have avoided the 'difficult decision' of ending support to Burkina Faso. There is no evidence that greater selectivity has contributed to more effective aid.

4 The total of EUR 5.2 billion includes the (ODA) expenditures of all ministries as well as expenditures for asylum seekers, contributions to the World Bank and other development banks and the ODA share in the contribution to the EU. Total ODA expenditures of the Ministry of Foreign Affairs amounted EUR 3.3 billion.
5 Programme expenditures; not including operational costs of the Ministry.

2. *The country selection was largely consistent and in line with the selection criteria stipulated by the Ministry, though with some exceptions. Nevertheless, it was not based on a thorough analysis of the impact of ending ongoing Dutch programmes. This conflicted with the argument of enhancing aid effectiveness.*

The objective of enhancing the efficiency and effectiveness of Dutch aid presupposed a careful country and sector selection. The 15 countries were selected in such a way, that the value added of Dutch support, as well the contribution to Dutch interests, would be highest. The criteria included:
- income and poverty levels;
- the relative importance of the Netherlands as a donor;
- potential for the new themes;
- opportunities for and interests of other ministries in the Netherlands;
- financial size and possibilities to reduce ongoing programmes;
- the quality of governance;
- the potential to reduce the number of missions abroad.

Overall, the selection process was not a technical or mechanical process based on quantitative criteria, but involved a more qualitative and political assessment. However, the application of the criteria, without providing information about their weight (what was more important, what less so), made the process opaque and therefore prone to critique. In addition, the Ministry was selective in its use of arguments to continue or phase out support. Phasing out bilateral cooperation with Tanzania and Burkina Faso cannot be explained solely by applying the Ministry's own criteria. After all, if this were the case, Burkina Faso in particular ends up among the first ten countries (and for most criteria among the first five). More importantly, the selection was based on a small number of macro indicators rather than a more thorough assessment, based on experiences in and evaluations of specific sectors and countries. This evaluation gives examples of specific programmes in Tanzania (health), Burkina Faso (education and health), Nicaragua (SRHR) and Guatemala (human rights). In 2015, the Ministry has started portfolio reviews, assessments of the relevance of specific themes and country and regional programmes. These reviews may to improve decision making on the selection of countries and themes.

3. *Developments in exit countries during the years of implementation of the Dutch budget cuts show that there was little coordination among (European) donors to improve efficiency and effectiveness through a better division of labour.*

The main argument for a greater focus on selectivity is an improved division of labour through better coordination among EU donors. Nevertheless, the country selection was not the outcome of consultations with other European countries. In general, other partners were not willing to take over Dutch programmes. This was not unexpected. Every donor had its own multi-annual programme, priorities and budget constraints, and their flexibility was limited. The Netherlands was also only in a few cases prepared to take over programmes from other donors.

In Bolivia, Nicaragua and Guatemala several donors ended or curtailed their support almost simultaneously. While in these cases political and/or economic developments in the recipient countries played an important role, the cumulative impact of donor decisions on the total ODA volume was substantial. In 2014, total ODA from bilateral donors to Bolivia was 45% lower than in 2010. In Nicaragua, total ODA went down from EUR 550 million in 2009 to EUR 345 million in 2014, mainly because of the exit of bilateral donors.[6] In Burkina Faso, the Dutch exit coincided with the Swedish phasing out of the budget support group and education and health sectors. In Tanzania, the Netherlands, Germany and Norway ended their support to the health basket, while Denmark and Canada reduced their contribution, which resulted in the basket fund resources being cut in half.[7] For countries and sectors where the division of labour was more effective – such as Zambia – the Dutch exit had a major impact on donor presence in the sector. Two of the three donors contributing to the education basket, the Netherlands and Denmark, phased out almost simultaneously.

4. *While embassies tried to adhere to the recommendations of the joint exit evaluation, the absence of an in-depth analysis of the potential consequences, the desire of a quick exit, and a lack of flexibility undermined the possibility to comply with the recommendations.*

The exit process was well managed at the embassy level. Embassies directly informed authorities and other stakeholders. However, the fact that the exit decision was made before discussing its consequences, the desire of a quick exit – instead of a gradual and/or tailor-made one – and limited budgetary flexibility negatively influenced the success of the exit strategies. Existing legal obligations were respected, but the process did not take into account the Dutch role in the sector or the budget or the interests and institutional capacity of the recipients (government and NGOs).

It was decided, for instance, to close the embassy in Guatemala, rather than allowing ongoing projects to be finalised. In the case of Tanzania, where the Netherlands continued its presence, State Secretary for Foreign Affairs chose not to remain active in the health sector, where Dutch support was highly effective, especially regarding the new SRHR theme.

The idea that it would be possible to hand over Dutch programmes to other donors proved to be unrealistic. They were only prepared to take over the Dutch role in very few cases, and for a very small part of Dutch expenditure. They had their own programmes and priorities and did not show much interest in solving other donors' problems. Moreover, in general they followed the same trends, prioritising the same sectors and supporting the same countries. There was much more coordination at the local level (in recipient countries), but the hands of embassies were tied by their respective headquarters.

[6] In the case of Bolivia the importance of external support was reduced by the surplus on the current account, the increased domestic revenues and the budget surplus of the government. In Nicaragua, the reduced contribution of traditional donors was compensated by support from Venezuela.

[7] A pooled arrangement to finance expenditures for a specific sector of subsector.

As a result, it was impossible to prevent the loss of capital. The time for finding alternative funding was too short, especially for NGOs and civil society organisations (CSOs). While core funding for NGOs and CSO improved the institutional strength and capacities of the organisations, the results obtained were not sustainable because other donors generally were unwilling to provide this kind of support.

In addition, the political dimension of the Dutch exit had not received sufficient attention. This was especially the case in countries where the Netherlands closed the embassy, but also in Tanzania. The political signal that a quick withdrawal would send, especially as it concerned a major bilateral donor that had been operating in the country for decades, often as lead donor, was underestimated. For recipient countries, as well as for other donors, it proved difficult to understand that the exit decision was the result of a policy change in the Netherlands and not of a negative development in the partner countries in question.

5. *With the exceptions of Tanzania and especially Burkina Faso, the macro-economic impact of the Dutch exit was limited. Nevertheless, the impact was larger in case of a joint exit (Nicaragua). Moreover, the ending of budget support had a negative impact on the budgets for the social sectors.*

Due to economic growth and reform in recipient countries, development assistance has become a less decisive factor for macro-economic stability in former partner countries. Foreign Direct Investments (FDI), remittances (in Latin America) and trade are playing an increasingly important part at the macro-economic level in former partner countries. In Burkina Faso, total ODA went down from almost 16% of GNI in 2006 to 9% in 2014. In Tanzania this figure decreased from 10% to less than 6% and in Zambia from more than 12% to 4%. As a result of these developments, the ending of budget support, or even the phasing out of all bilateral support, did not have a major impact on macro-economic stability in the countries in question. Dutch GBS and bilateral support were too small to have such an impact. Burkina Faso is the main exception.[8] In 2010, Dutch support equalled 0.6% of the country's GDP, while general budget support (GBS) equalled 2.1% of the total government expenditure (of which 1.2 percentage point GBS). In 2014, the government had to reduce expenditure because of decreasing revenue and grants. This had a major impact on the budgets in the social sectors. In the health sector, expenditure decreased by 10% between 2013 and 2014. For Tanzania, continuation of the Dutch bilateral support at the 2008 level would have been equal to 0.24% of its GDP in 2014.

General budget support was an important modality for maintaining macro-economic stability while at the same time expanding public services. In 2010 the Netherlands provided EUR 106 in the form of GBS, EUR 35 million of which went to former partner countries (Burkina Faso, Georgia, Moldova, Senegal and Zambia) and EUR 69 million to current partner countries (Benin, Burundi, Ghana, Mali and Mozambique).[9] In Burkina Faso, GBS funded almost 40% of the government deficit (before grants) in 2010. Had the Netherlands continued providing GBS, this would have financed 3%–4% of the deficit (before grants).

[8] Suriname is another exception, but this is an upper middle-income country with much higher average income level than the other countries. Suriname was not included in the case studies.
[9] In addition, in 2010 Bhutan received EUR 2 million budget support.

There is ample evidence that recipient countries have used GBS mainly (at least 80%) to increase expenditure in the social sectors. Had the Netherlands continued to provide general budget support (and had it renewed its GBS to Tanzania), expenditures on health and education would probably have been almost EUR 100 million higher.[10] Based on the estimates for the six partner countries, as well as wider evidence from the literature, we estimate that on average one-third (EUR 33 million) would have been spent in the health sector and two-thirds (EUR 66 million) in the education sector. Conclusions 6 and 7 sketch the impact for health and education, respectively.

The impact of the Dutch exit from donor groups providing GBS on the policy dialogue is limited. GBS is more effective for maintaining macro-economic stability and extending public service delivery than for enforcing reform. Moreover, the decreasing share of GBS in the overall government budget reduces its leverage effect. For recipient countries, the dialogue has become too laborious and labour intensive, while alternative funding sources (i.e. new donors and access to commercial loans) have become available. The attractiveness of the modality for donors decreases as the influence through the policy dialogue and the role in maintaining macro-economic stability diminishes. Nevertheless, the Netherlands had a major impact in specific sectors where it provided basket funding, such as health in Tanzania, Burkina Faso and Nicaragua, and education in Zambia and Burkina Faso.
In addition, the Dutch exit has left a gap in the area of good governance and human rights in Guatemala, where the Netherlands supported CSOs financially and politically.

6. *If the Netherlands had continued its support, the budgets for the health sector would have been higher and the funding gap would have been smaller. It would have improved the availability of essential drugs, the functioning of health posts and overall health.*

While Dutch support has shifted from basic health care and HIV/AIDS to SRHR, overall expenditures have gone down (about EUR 43 million between 2010 and 2015). This reduction has been brought about by ending support to the health sector in exit countries such as Tanzania, Burkina Faso, Nicaragua and Zambia. However, with the shift to the new themes, the Ministry has created a distinction between basic health care and SRHR. There is abundant evidence that well-functioning health systems are a prerequisite for perinatal and maternal health and that investing in basic health care may be an effective way of promoting SRHR. With the decision to end aid for basic health care systems and to increase support to SRHR projects, supply-driven arguments became more important than the needs in the countries in question.

The Netherlands ended programmes that effectively contributed to objectives of the new SRHR themes. Governments and donors were successfully reducing morbidity and mortality rates. But in spite of all the progress, the poorest groups still do not have equal access to health facilities, and the financial barriers they face are prohibitive. Morbidity and mortality rates, especially for mother and child, remain high, despite improvements in the past 15 years.

[10] In 2010 Tanzania did not receive GBS from the Netherlands, but the Ministry planned to renew the provision of GBS in 2011 (with an amount of EUR 17.8 million). Therefore, the total would be EUR 123.8 and 80% of that amount is EUR 99 million. Data are on an annual basis.

The reduction of support has had an impact on basic health care services. The drop in support through basket funds has had a negative impact on operations, replacement investments and innovative activities, which are not covered by earmarked project funding or the government budget.

The total reduction of health expenditures (including SRHR and HIV/AIDS) was EUR 56 million.[11] In addition, based on empirical evidence, we assume that about 27% of GBS (EUR 33 million) would have gone to the health sector. Therefore, the Dutch exit implies a loss of about EUR 89 million for the health sectors in recipient countries. This is a net reduction and has not been compensated by budget increases in other sectors and/or countries. It is difficult to give precise estimates of the impact of the Dutch exit. The results are heterogeneous and cannot be attributed to the Dutch support alone. There are many positive effects of investments in health, such as better availability of essential drugs and more and better functioning health posts. This has an impact on morbidity and mortality rates. In medical and health research, it is not unusual to measure the benefits of investments in the health sector in deaths averted (see chapter 7). Researchers have used this approach for estimating the impact of higher investments for many developing countries. In development cooperation, this approach is also not uncommon for estimating programme impacts. DFID, for instance, uses a Lives Saved Tool to estimate the number of maternal and newborn lives saved by DFID programming (Friberg et al., 2016).

Using the results of academic research, we have calculated the potential impact of prolonged Dutch support. Using the data for the countries in question, an investment of EUR 89 million is comparable to the cost of saving about 12,000 lives in these countries.

7. *While in general the Dutch exit from the education sector has not led to a decrease in spending, major investments are needed to reduce the funding gap and to improve the quality of education in developing countries and emerging economies.*

Between 2010 and 2015, the Ministry of Foreign Affairs reduced expenditure on education by EUR 358 million, EUR 260 million of which went to basic education. In addition, estimates show that about 53% (EUR 66 million) of the GBS provided in 2010 have been spent on (basic) education. With the exception of Burkina Faso, embassies did not succeed in finding alternative donors in the education sector for a period of two years, at least not for the analysed countries.[12]

[11] EUR 59 million in exit countries, but a net increase of EUR 16 million in other countries. Additionally, we have included EUR 13 million in the calculations for the health sector in Zambia. This support was suspended in 2009.

[12] Burkina Faso also received funds from the Global Partnership for Education, but the resources are a continuation of support provided by the EFA/FTI Catalytic Fund and unrelated to the Dutch exit. On the contrary, GPE has to reduce its support to developing countries due to decreasing donor support (including the Netherlands). In Zambia, the United Kingdom shifted from GBS to sector support in the education sector.

Higher domestic revenues compensated for the reduction of external support. Nevertheless, financing gaps remain a major constraint in the pursuit of universal education-for-all (EFA) in developing countries and they are an impediment to good-quality education. Evidence shows that the relationship between education expenditure per pupil and learning achievements is in the shape of an S-curve: at the lower spending levels, high investments are needed to improve the quality of education.[13] At current funding levels, the school infrastructure is still inadequate, schools lack basic learning materials, teachers do not possess the required qualifications and classrooms are overcrowded. Additional support would have an impact on access as well as on learning achievements. Huge investments are needed to reduce the high pupil–teacher and pupil–classrooms ratios. The total funding gap for low-income countries has been estimated at EUR 30 billion.

To give an impression of the impact of continued support (EUR 328 million, of which EUR 262 for basic education and EUR 66 million GBS), it may be compared with the costs of government expenditures for 2.5 million pupils, the salaries of 90,000 teachers or the construction of 30,000 classrooms (including offices, storage, furniture, and water and sanitation). Increased investments would have helped to reduce the (too) high pupil – teacher and pupil – classroom ratios.[14] Again, these are net effects.

8. *The budget cuts had a major impact on local non-governmental organisations (NGOs) and civil society organisations (CSOs). They have not had enough time to find other donors, while the support from the embassies was often limited. CSOs had to cut back expenditure, dismiss personnel and reduce activities.*

In the six case study countries, the Netherlands supported several local NGOs and CSOs, not only in health and education, but also in the field of good governance, aimed at enhancing democratisation and human rights and combating-corruption. A specific characteristic of the support to these organisations was the provision of core funding, which other donors often were not willing to do. The sometimes sizeable and long-lasting Dutch contribution also had negative side effects, as it made these organisations dependent on Dutch support. In these circumstances, the quick exit had a major impact on their functioning. Examples are institutions such as Research on Poverty Alleviation (REPOA) and the Foundation for Civil Society (FCS) in Tanzania, the local chapter of Transparency International in Zambia and the Ombudsman and UNIR, a CSO that aimed to improve the political dialogue in Bolivia. In Burkina Faso the impact of the Dutch exit on supported CSOs active in the field of promoting good governance was mixed. Several organisations succeeded in acquiring other sources of funding for other programmes and activities, though others had to cancel their activities. This had an impact on the political dialogue in these countries.

It is not easy to assess the impact of the CSOs on the quality of governance: there is a sizeable gap between the activities of the CSOs and government policies; the influence may be indirect; many other factors may have a larger impact; and it may take a long time before

[13] If the quality of education were to increase to the level of East European countries, then further increases in investment in education would have diminishing returns.

[14] Just as was the case for the health sector, estimates are based on data for individual countries and an assessment of the effectiveness of support in the case-study countries.

results become visible. An exception may be the (ending of) support to tangible processes of transitional justice in Guatemala. The Netherlands provided important political, technical and financial support to a variety of NGOs and CSOs promoting transitional justice for the victims of genocide committed during the internal armed conflict. The Dutch exit left a serious void. The organisations involved were negatively affected in terms of capacity, financial resources and political backing. As a result, for example, fewer police archive files containing information about human rights violations are recovered and digitalised, making it more difficult to identify victims and perpetrators of human rights violations. In the case of Guatemala, Dutch support consisted of temporary programmes and it would have been possible to end support once the activities had been finalised.

Recommendations

1. When considering phasing out bilateral support to a country, make a thorough analysis of the role of the Netherlands in different sectors, the consequences of such an exit as well as an assessment of the time needed for a responsible exit. Provide more qualitative and quantitative information, based on evaluations of the effectiveness of programmes, about the potential impact of discontinuing support to countries, sectors or programmes. In 2010 the Scientific Council for Government Policy (WRR) advised the Ministry to show 'less pretension and more ambition'. One may add 'less assumption and more evidence'.

2. Make an analysis of the whole portfolio when the objective is to specialise and reduce fragmentation. In practice, bilateral aid is not limited to support to the partner countries and total Dutch ODA not to priority sectors. In practice, the Ministry operates in far more countries and sectors. The shift from programme support to project aid has also increased fragmentation and transaction costs. Therefore, if the Ministry aims at enhancing aid efficiency and effectiveness, it may be advisable to reconsider the shift from programme aid to projects.

3. Coordinate programming, including reducing the number of partner countries and phasing out from specific sectors, with other European countries, as was agreed in the EU Code of Conduct on Complementarity and Division of Labour in Development Policy. There are good arguments for specialising and reducing fragmentation, but only if this is based on an agreement between donors and recipient countries to improve the division of labour. Without such coordination, there is a risk that an exit will lead to a less efficient allocation and reduced effectiveness.

4. Show more flexibility when considering the discontinuation of bilateral support. Especially when the Netherlands does not close an embassy (as was the case in Tanzania and Senegal), an exit is not necessarily an all-or-nothing affair in which all activities have to be ended simultaneously. It could start with the withdrawal from one or two sectors. In general, it would be better to grant the phasing-out process more time to minimise potential negative financial and non-financial impacts of the exit decision.

5. Develop an exit strategy in close collaboration with the stakeholders in question, taking into account the planning and budget cycles of the countries and partners. As a rule of thumb, one could think of the length of the past commitment period (often about 4 years). Do not rely on the possibility that programmes will be taken over by other donors, unless this has been explicitly agreed in advance.

6. Devote more attention to the funding of CSOs and NGOs. Funding proposals should not only include an appraisal of the objectives and results, but also provide an assessment of the financial dependence beyond the agreed period for support. An option may be to gradually reduce the provided support.

1 Background

1.1 Introduction

For many years, the Netherlands has been a front runner in development cooperation, actively promoting the sector-wide approach (SWAp), budget support, harmonisation and alignment, the Paris Agenda and better coordination among donors. Since 2010, it has changed its policies rigorously. The government reduced support to the social sectors and moved to an aid, trade and investment agenda. As part of these new policies, the Netherlands has ended its bilateral development cooperation with 18 of its 33 partner countries.

This decision was based on the argument that specialisation and reduced fragmentation would enhance the efficiency and effectiveness of Dutch bilateral aid. It would give the Netherlands a better position in gaining more in-depth knowledge of the political, economic, social and cultural structures in the (remaining) countries and it would help to reduce the costs of operational management. Moreover, the 'modernisation' was also seen as instrumental in realising much-needed budget cuts, resulting from the government's decision to lower Dutch ODA from 0.8% to 0.7% of GNI. The Netherlands Ministry of Foreign Affairs also had to cut its operational budget, forcing it to reduce the Dutch presence abroad. The Netherlands closed ten embassies, five of which were located in countries where the Netherlands had decided to phase out bilateral development cooperation.

This evaluation analyses the direct impact of the Ministry's budget cuts for recipient countries and NGOs.

1.2 Changing aid policies

In general, Dutch policy on development cooperation dovetails closely with changes in international thinking about aid effectiveness. In the late 1990s, these policies were influenced by research at the World Bank, which showed that aid could only be effective in countries with good policies. This resulted in the sector-wide approach and a focus on programme aid to partner countries with sound macro-economic policies and relatively satisfactory levels of 'good governance'. Adhering to the MDGs of 2000, the Netherlands also increased support to the social sectors. In addition, it was a strong supporter of the Paris Declaration (2005) and the Accra Action Agenda on Aid Effectiveness (2008). Dutch embassies tried to improve coordination among donors, to align development cooperation with partner country goals and to provide programme aid wherever possible.

In 2010 the Dutch Scientific Council for Government Policy (WRR) published a report on Dutch development cooperation. 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'. They criticised existing donor proliferation and aid fragmentation, in spite of what was agreed in the Paris Declaration (2005) and later on in the EU. By that time the Netherlands was providing aid to 105 countries, 33 of which were partner countries. The report advised the government to reduce the number of partner countries receiving aid to the small number of 10. Country and sector selection should be based on the value added that the Netherlands could provide.

The WRR report received a positive reaction from the new government that took office in October 2010. The coalition partners felt that the economic and financial crises, as well as the budget deficit necessitated major cutbacks. Development cooperation would not be spared. The government reduced the budget by EUR 750 million per year. As part of the 'modernisation agenda', the government intended to involve the Dutch private sector more in the provision of aid:[15]

'Within the budget for development cooperation, considerably more opportunities will be created for the private sector. Private sector development will be one of the spearheads of our development policy, as will contributing to the achievement of the Millennium Development Goals. Greater coherence will be sought between development cooperation and broader foreign policy. And we will focus on themes in which we have experience and expertise, including water management, agriculture and civil society... In doing so, we will make use of the expertise already available in the Netherlands.' (Coalition Agreement, p. 10).

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. Total budget cuts on development cooperation amounted EUR 810 million per year from 2015 onwards (see Table 1.1).

Table 1.1 Budget cuts development cooperation (EUR million)*

	2011	2012	2013	2014	2015
Reduction ODA budget (from 0.8% to 0.7%)	290	640	660	690	750
Reduction budget for climate programmes (above 0.8%)	50	200			
Inclusion of other expenditure in the ODA budget**	60	60	60	60	60
Total	**400**	**900**	**720**	**750**	**810**

* *Coalition Agreement 2010.*
** *Higher share in EU contributions and the reception of asylum seekers.*

In a letter to the House of Representatives outlining development cooperation policy, the Minister of Foreign Affairs and the State Secretary for Foreign Affairs revealed the first outlines of the budget cuts (*Basisbrief*, TK 2010–2011, 32 500 V, no. 15). The new policy would be selective (with a focus on four thematic spearheads) and would reduce the number of partner countries to a maximum of fifteen. According to the letter, Dutch development cooperation had become fragmented, with too many priorities and activities and too many partners in too many countries. In line with the WRR report, it was concluded that this had resulted in high transaction costs, absorbing scarce resources and preventing specialisation. By reducing the number of partner countries, the Netherlands would be better capable of familiarising itself in more depth with the social, cultural, political and economic structures of each country.
The Ministry would start ending the development partner relationship with countries where

[15] Freedom and Responsibility, Coalition Agreement VVD-CDA, 30 September 2010.

the Dutch value added would be low. In line with the coalition agreement, the letter also announced that the government would begin to phase out support to the social sectors (education and health) and focus more on economic sectors, as it was believed that the value added of the Netherlands in the former sectors was not particularly high.

A letter of the State Secretary for Foreign Affairs, sent to parliament in March 2011 (TK 2010-2011, 32 605, no. 2, *Focus letter*), elaborated on the principles as outlined in the *Basisbrief*. It included a selection of 15 partner countries with which the Netherlands would continue its bilateral development cooperation and 18 countries where the Netherlands would phase out (see Table 1.2). 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).

Table 1.2 Selected partner countries and exit countries (expenditure 2010 in EUR million)

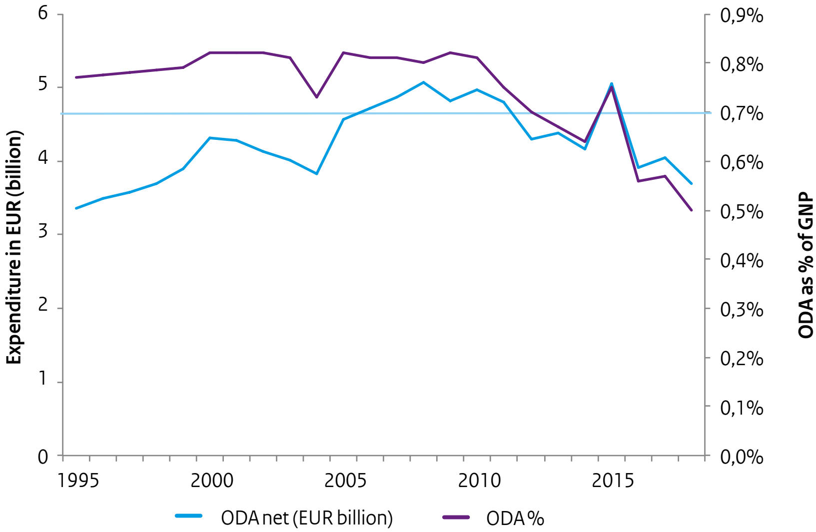
Profile 1 Low income, heavily dependent on aid		Profile 2 Fragile states		Profile 3 Middle-income countries	
Remaining partner countries					
Mozambique*, LDC	62	Afghanistan*, LDC	87	Indonesia**	62
Ethiopia*, LDC	47	(South) Sudan**, LDC	64	Bangladesh*, LDC	61
Mali*, LDC	43	Palestinian Territories**	42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

Profile 1: low income, heavily aid-dependent countries, where ODA is important for achieving the MDGs;
Profile 2: fragile states, where a simultaneous effort on security, legitimate governance and socio-economic development is required for achieving peace, security and development;
Profile 3: middle-income countries with high growth rates, where Dutch and European interests are increasing.
** Low-income countries; ** lower middle-income countries; *** upper middle-income countries.*[16]

[16] By the end of 2010 both Ghana and Zambia were still low-income countries, though both countries would move to the status of lower middle-income country in 2011. Senegal, Sudan, South Sudan, Yemen and Zambia also belonged, and still belong, to the least developed countries.

A large part of the envisaged cutback in expenditure would be achieved by phasing out bilateral development cooperation in the 18 (former) partner countries.[17] A letter to parliament mentioned reducing bilateral expenditures for development cooperation in exit and transition countries from EUR 342 million in 2011 to EUR 27 million in 2014 and EUR 3 million in 2015 (TK 2012-2013, 32 605, no. 115).[18] The Ministry would also cut back expenditure in several sectors, especially in education, health (non-SRHR) and budget support, in remaining partner countries as well as former partner countries.[19]

Figure 1.1 *Development of the Netherlands' official development assistance (1995-2018; EUR billion; constant prices 2013)*



Note: the low net figure for 2004 is caused by debt repayment by India.
The high figure for 2015 is caused by higher costs for receiving asylum seekers.
Source: Netherlands Ministry of Foreign Affairs.

In November 2012 a new coalition 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, increasing from EUR 520 million in 2014 to

17 After Sudan was split up, the Netherlands remained active in development cooperation in South Sudan, though it discontinued support to northern Sudan. Therefore the Netherlands actually phased out in 19 countries.

18 The transition countries are emerging economies with a stable political climate, a relatively good investment climate and sound economic policies. The Netherlands aims to strengthen trade relations with these countries.

19 In practice it is difficult to discern between health and SRHR expenditures. 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.

EUR 1.04 billion in 2017. For the first time, the Netherlands would no longer adhere to the OECD/DAC target of allocating at least 0.7% of GNI 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, no. 1) the Minister outlined the aid, trade and investment agenda, which focused more on private sector development and mutual interests.

Responding to the government's proposals, the House of Representatives asked for an evaluation of the impact of the budget cuts of the previous government (2010–2012) on countries and programmes. This report describes the results of the evaluation requested by parliament to assess the impact of the budget cuts on development cooperation (as agreed by the government in 2010).

1.3 Reading guide

Chapter 2 of this report sketches the methodology for analysing the impact of the Dutch exit. Chapter 3 analyses the country selection and chapter 4 the exit process. Chapters 5 to 8 assess the macro-impact and the impact on respectively good governance, health and education. Chapter 9 provides an overall assessment.

2

Methodology

2.1 Introduction

This chapter formulates the research questions for the evaluation and describes the methodology for assessing the impact of budget cuts on recipients. The next section explains the scope of these cuts, and section 2.3 presents the research questions. Sections 2.4–2.6 give a description of the approach, the case study and sector selection and data sources. Section 2.7 discusses the limitations of the evaluation.[20]

2.2 Delineation

The objective of this evaluation is to assess the impact of budget cuts on development cooperation. The Netherlands government approved these cuts in 2010 and implemented them between 2011 and 2015 (and mainly between 2011 and 2013). The total savings, as agreed in the coalition agreement of 2010, amounted to EUR 810 million per year.[21]

Overall, net ODA expenditure by the Netherlands as a whole, has increased from EUR 4.9 billion in 2010 to EUR 5.2 billion in 2015, but this increase is attributable to the rising expenditure on receiving asylum seekers (EUR 1.2 billion). Between 2010 and 2015, ODA expenditure by the Ministry of Foreign Affairs decreased by EUR 547 million (see Table 2.1). The (row) category 'Other' includes regional and worldwide programmes as well as support through other channels (multilateral organisations and grants to Dutch civil society organisations (CSOs) as part of the cofinancing system for Dutch CSOs (MFS II) for the 2011-2015 period.[22]

[20] The chapter does not include a theory of change. The reason for this is that there is no explicit theory of change governing exit (ICAI, 2016). In the case of the Netherlands, the exit was mainly induced by budgetary considerations. Instead of trying to present a theory of change, chapter 3 assesses the arguments for country selection and the consistency of the application of the criteria. Chapter 4 gives an appraisal of the exit process, based on agreed principles for a responsible exit.

[21] This includes EUR 60 million from a higher share in EU contributions and the cost of receiving asylum seekers to be paid from the development cooperation budget.

[22] In total, an amount of EUR 2.125 billion was available between 2011 and 2015. MFS II was the successor of MFS I (2007-2010). MFS I had a budget of EUR 2.110 billion. For the MFS system, expenditures in 2015 were EUR 154 million lower than in 2010.

Table 2.1 Changes in ODA expenditure by the Ministry of Foreign Affairs (2010–2015; in EUR million)

	Educa-tion	Basic health	SRHR	HIV/AIDS	GBS	Good govern.	Emer. relief	Other	Total
Former partner country	-65	-43	-2	-13	-35	-51	-21	-147	-378
Partner country	-117	-21	47	-10	-69	-54	34	11	-178
Other DAC country	-5	0	0	-10	-2	-7	118	-10	84
Other	-170	20	4	-15	0	-3	190	-100	-74
Total	**-358**	**-45**	**49**	**-47**	**-106**	**-115**	**321**	**-247**	**-547**

Note: Figures may not sum to totals due to rounding.
Source: Netherlands Ministry of Foreign Affairs.

This evaluation report presents the findings of an assessment of the impact of net budget reductions by the Ministry of Foreign Affairs and covers the impact of budget cuts on:

- basic education (EUR 262 million, of which EUR 65 million in former partner countries);
- health (net EUR 56 million, completely realised in former partner countries);[23]
- general budget support (EUR 124 million of which EUR 53 million in former partner countries);[24]
- good governance in exit countries (EUR 51 million).

Overall, the evaluation covers total savings of EUR 493 million. In addition, the evaluation assesses the macro-impact in the exit countries.

2.3 Research questions

The evaluation encompasses the country selection, the exit process and the impact of the Dutch exit.

A. *On the country selection:*
   1. What were the arguments to end the development partnership and to phase out aid in the specific exit countries?
   2. Have these arguments been applied in a consistent way?

B. *On the exit process:*
   1. Was the management of the exit process in line with the recommendations of the 2008 *Joint Exit Evaluation*?
   2. Was the embassy able to find other donors for the Dutch programmes and projects?
   3. If so, did this handing over have an impact on the funding of sectors previously supported by these donors?

[23] This amount equals the sum mentioned in Table 2.1 plus EUR 13 million support to Zambia, which was suspended in 2010. See chapter 7 and country report Zambia.

[24] This amount equals the sum mentioned in Table 2.1 plus EUR 17.8 million the Ministry had planned to provide to Tanzania from 2011-2015. See chapter 5 and country report Tanzania.

C. *On the impact of the budget cuts:*
   1. What are the *macro impacts* of the Dutch decision to phase out, in terms of the financing gap, total aid, aid dependency, internal revenue, and (total) government expenditure?
   2. What are the *micro-impacts*, in terms of the impacts on specific programmes and projects, previously supported by the Netherlands?
   3. What is the impact of the Dutch exit in non-financial areas (such as the policy dialogue or technical assistance)?

2.4 Approach

2.4.1 Country selection

A main objective of the reduction of the number of partner countries was to enhance the efficiency and effectiveness of Dutch support. The countries would be selected in such a way that the value added of Dutch support would be the highest. It was assumed that (a) this would be the case in countries with low income and high poverty levels and where (b) the Netherlands was a relatively large donor; (c) the quality of governance contributed to aid effectiveness; and (d) the Netherlands would be able to focus on the new themes.
In addition, the selection criteria took into account (e) Dutch opportunities and interests; (f) the financial size of ongoing programmes and possibilities to reduce them; and (g) the potential contribution to the of the number of missions abroad.

While it has to be acknowledged that such an exercise cannot be entirely objective and involves (legitimate) political considerations, an assessment of the criteria and their application is relevant because the selection process was a key argument for enhancing aid efficiency and effectiveness. The assessment of the country selection is based on an appraisal of the criteria, the validity and objectivity of the indicators used, and the consistency of the selection process and the argumentation of the choices that have been made. The analysis is based on:

- the documentation for the selection process;
- indicators for the criteria and a discussion of alternative indicators; and
- a procedure for ranking the 33 countries based on every indicator.[25]

2.4.2 Exit process

The analysis of the exit process focuses on the critical factors, as identified by the joint evaluation report and mentioned by the Minister for Development Cooperation in reaction to the report (TK 2008-2009; 31 250, No. 56). These are:

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

[25] Annex II gives a detailed explanation of the assessment process.

The assessment is based on an analysis of policy documents and interviews with stakeholders.

2.4.3 Assessing impact

A rigorous way of analysing the impact of a programme is to compare the change in the intervention group ($i_1 - i_0$) with the change in a control group ($c_1 - c_0$). Such a counterfactual helps to isolate the programme's effect from other factors that have an impact on the results. The use of a control group makes it possible to calculate the net effect, i.e. the difference between the two changes ($(i_1 - i_0) - (c_1 - c_0)$).

In theory, the impact of ending a programme may be estimated in the same way. However, there are caveats, related to the character of Dutch bilateral support. First of all, it is not possible to find a control group. A large part of the aid was provided as general budget support or sector support, meaning that the impact would have to be analysed at the country level. However, the number of partner countries is far too small to be able to assess the differences in the development between former partner countries and the countries where the Netherlands continued the bilateral aid relationship. Moreover, these countries have not been selected randomly. Therefore, the control group (partner countries) and intervention group (former partner countries) are not comparable. Moreover, the Netherlands has also changed the programmes in the remaining partner countries, moving away from budget support and support to the social sectors to a focus on the new themes. The supported sectors also included multiple actors and objectives, and it is impossible to single out the Dutch contribution or to control for all other interventions and changes in support (De Kemp and Dijkstra, 2016).

Therefore, the assessment requires an alternative approach. We use the same counterfactual as in the situation with a control group, but we apply the more qualitative approach of contribution analysis. This involves assessing the pathways, the available evidence and the importance of other influences on outcomes (Mayne, 2001; Leeuw and Vaessen, 2009; White and Phillips, 2012). For this evaluation the analysis includes:

- an assessment of the effectiveness of the programmes and projects that the Netherlands has supported;
- an assessment of the implementation of the exit strategy;
- the determination of the occurrence of the chain of expected results: reactions by other donors and the government in the recipient country, impact on funding; and
- an assessment of the role of other (potential) influencing factors.

Elaboration

The impact of phasing out aid will be low if:

1. *external support had little effect*. This may have several causes:
    - The programmes or projects themselves were not effective;
    - Lack of specialisation and experience in the countries and/or sectors, resulting in low value added of the bilateral development cooperation;
    - Congestion: the presence of many other donors, leading to congestion, high transaction costs and a reduction in aid effectiveness.

2. *external support was highly effective, but aid is no longer needed*. This may have two causes:
   - *completion*: External support was only temporarily needed, for instance to finance infrastructure;[26] and
   - *graduation*: high and/or rapidly increasing income levels in recipient countries, making it possible for these countries to take over funding by the Netherlands.

The graduation argument implies that recipients have the capacity to take over existing interventions (Hedlund, 1994; Slob and Jerve, 2008) and the funds 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).

There may be another situation in which an exit will not have a negative impact, namely when other donors take over the Dutch support.[27] The effectiveness of aid may even increase in the case of congestion and/or when a more specialised donor takes over support. Indeed, one of the main assumptions of the new Dutch policy was that better division of labour and reduced fragmentation would make aid more effective. In addition, the Ministry would try to find other donors willing to take over Dutch support.

It may be tempting to conclude that there will not be a negative impact when a recipient takes over the funding and the level of investment will be maintained. Most low-income and lower middle-income countries have had favourable economic growth rates since the late 1990s, ranging from 5%–10% per year. Given these growth rates, government revenues are increasing fast, leading to higher domestic investment in public services, thereby reducing the share of external support. Therefore, a simple comparison of the size of total investments and expenditures before and after the exit could easily suggest that the discontinuation of external support has not had any negative consequences. However, a simple comparison of the before and after situation is not valid (Farrington et al., 2002; Leeuw and Vaessen, 2009). Such a comparison would also assume that public services are at an adequate level, which is not the case. As long as funding is (far) too low, an exit may have a negative impact, even if the recipient is able to increase domestic resources. Thus, the question is not whether results have deteriorated or improved, but rather what would have happened if the Netherlands would have continued its support.

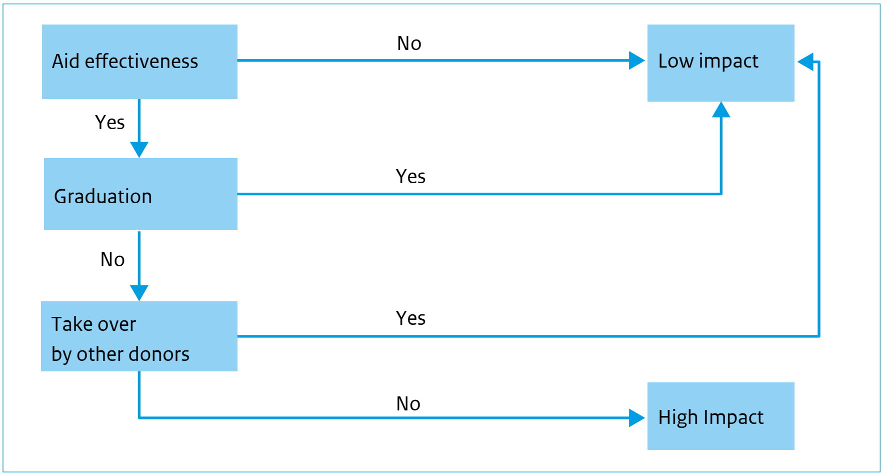
We conclude that a Dutch exit will not have a (major) negative impact if (1) the support was not effective; (2) if the support was effective but no longer needed (the graduation argument); or (3) if the support was effective and other donors are willing to take over the support.

[26] Ratchet effects (Peacock and Wiseman, 1961) may be important here, meaning that the provision and withdrawal of support are not symmetrical: the completion of a specific therapy or cure does not imply that the positive impacts will be undone.

[27] If donors take over Dutch support, this may have a negative impact if the total support remains constant and if it only involves a shift from one sector to another (or even from one country to another country). In our analysis we ignore these indirect effects. However, we have included these effects in the analysis if the 'taking over' of Dutch programmes only involves a shift in modalities.

In other situations there will be a larger impact. Figure 2.1 sketches the pathways for the assessment of the impact of the Dutch exit.

Figure 2.1 *Impact of aid exit*



The evaluation includes a contextual analysis and relies on existing evaluations, budget and monitoring reports, and interviews. 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 other donors?
5. What was the direct impact of the Dutch exit on recipients and their programmes and activities?
6. Is there information about the effects of the ending/reduction of the programme/project? What are the conclusions?

The evaluation distinguishes between two types of impact:

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

The analysis of the *macro impacts* concentrates on a 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).
- on donor congestion: number of (bilateral) donors operating in the sector and country.

Micro-impacts of the exit decision may be discerned at different levels (Slob and Jerve, 2008):[28]
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*: 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 focuses on the first level, but includes an assessment of the second level to the extent that this is possible. Existing evaluations about the effects of programmes and projects are the starting point for the analysis.

Marginal effects

A correct way of assessing the impact of withdrawing external support is to analyse the marginal effects of continued support. Figure 2.2 sketches this relationship for health and education. There is a lot of evidence that investments in health and education have *diminishing returns*: beyond a certain level, constantly increasing budgets are needed to save a life or to improve the quality of education. In order to reduce morbidity and mortality or to promote learning achievements, policymakers will generally start with the 'low-hanging fruit', i.e. the investments with the highest impact. Beyond a certain level, more and more resources are needed to achieve the same rate of improvement. Due to diminishing returns, in combination with increasing domestic resources, the impact of external support decreases when income and welfare levels increase. This is one of the arguments for focusing aid on the poorest countries.

For many developing countries the marginal impact of (extra) external support is not (much) lower than the average impact. The reason is that despite an increase in domestic support to these sectors, they are still heavily underfunded, leading to a major shortage of public goods (quantitatively and qualitatively).[29] Per capita health expenditure in low-income and lower middle-income countries is on average 1%–2% of the average health expenditure in high-income countries. For basic education, government expenditure per pupil in low-income countries is less than 1% of the expenditure in high-income countries.[30]

Available evidence also suggests that the relationship between (per capita) expenditure and impact is not the same for health and education, but that the two sectors have different curves (for detailed evidence see chapters 7 and 8). While the available evidence points to a

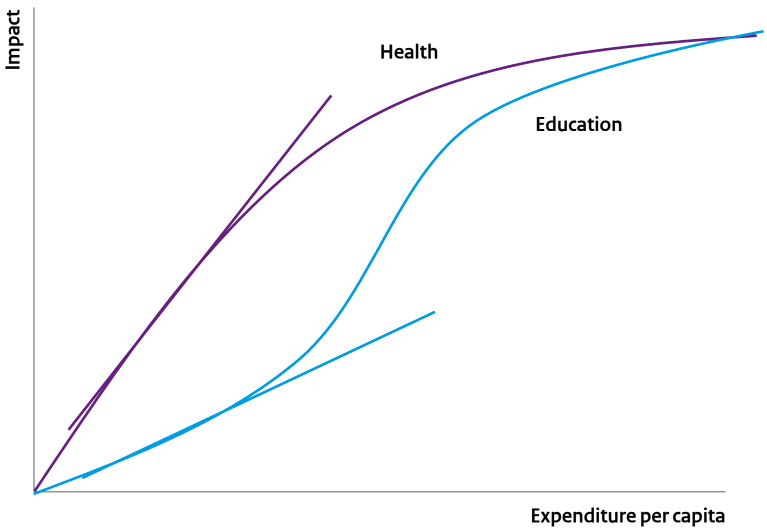
[28] Slob and Jerve also discern a third level, i.e. the level of bilateral relations. This level is beyond the scope of the current evaluation.

[29] Nevertheless, this evaluation takes care of diminishing returns by calculating the impact on individual countries (and therefore at different income levels).

[30] According to some observers, more aid will not automatically lead to higher development impacts and that more aid may also be detrimental (see for instance European Commission, 2008). However, there is not much evidence for this claim for aid provided to the social sectors. While more money is not a sufficient condition for improving service delivery, it often is a necessary condition. Chapters 7 and 8 provide more empirical evidence to support this conclusion. Moreover, our analysis is based on an assessment of the impact of Dutch aid in supported sectors.

log-linear relationship between expenditure and impact, this relationship is more complicated for (basic) education. International tests, such as the widespread PISA tests, suggest a strict log-linear relationship (such as for health, see figure 2.1), but they do not include low-income countries (and hardly any lower middle-income countries). Regional tests such as SACMEQ for Southern Africa or PASEC for Francophone Africa show that at the lower funding level, smaller investments do no lead to a large improvement in learning achievements. A certain minimum level is needed before a further increase can have a major impact on the quality of education. There are several explanations for this finding: (1) in many low-income countries, investment in basic education has mainly contributed to higher enrolment, rather than higher quality education; and (2) the supply of education must satisfy minimum criteria before it becomes effective. This S-curve explains why large investments are needed.[31] At the higher funding level there is a stronger positive relationship between expenditure per student and learning outcome (see chapter 8, for instance, for results in Latin America as measured by the LLECE).

Figure 2.2 *Impact of support to the education and health sectors*



2.4.4 Fungibility

There may be another reason why the impact of a Dutch exit may be low, namely if the exit causes the recipient country to shift the allocation of resources. If a donor supports a programme or project that the recipient would have funded anyway, the latter may use the external resources for entirely different purposes. In this situation, the external support leads to a reallocation of domestic resources, for instance from health to defence (McGillivray and Morrissey, 2000 and 2004; Morrissey, 2006). In addition, it has been suggested that external

[31] This conclusion is consistent with the S-curve that Banerjee and Duflo (2011) use to explain the poverty trap: at the lowest level, investments are ineffective and a 'big push' is necessary to get out of this situation.

support may have a negative impact on domestic resource mobilisation (White, 1998). In these circumstances, a donor exit cause domestic funding to increase.

Nevertheless, there is no consistent evidence that fungibility is really an issue and that it has a negative impact on aid effectiveness (Pettersson, 2007a and 200; Wagstaff, 2011; Van de Sijpe, 2013a; Morrissey, 2015). According to Lu et al. (2010) and Dieleman et al. (2013), donor support does have a negative impact on government expenditure in the health sector, but this effect mainly concerns off-budget support. Moreover, Van de Sijpe (2013b and 2013c) disputes this contention on methodological grounds. Dieleman and Hanlon (2013) conclude that while an increase in aid does have an impact on the level of government spending, a reduction in aid does not. More generally, Morrissey (2006) concludes that if donor and recipient preferences on allocation are aligned, then fungibility is not an issue.

There is also no evidence of aid's negative impact on domestic resource mobilisation (IOB, 2012). Morrissey (2015) concludes that if there is a relationship, the correlation is positive, rather than negative. Aid is associated with less borrowing, though this may be caused by requirements of multilateral agencies (and especially the IMF, see Morrissey, 2015). In the longer run, the lower debt service may allow for an extension of public services (IOB, 2012).

The six case studies for this exit evaluation (see below), do not provide evidence or indications either that the respective governments have increased their support to the social sectors to compensate for the Dutch exit (or the exit of other donors). We conclude, therefore, that fungibility is not an issue for this evaluation.

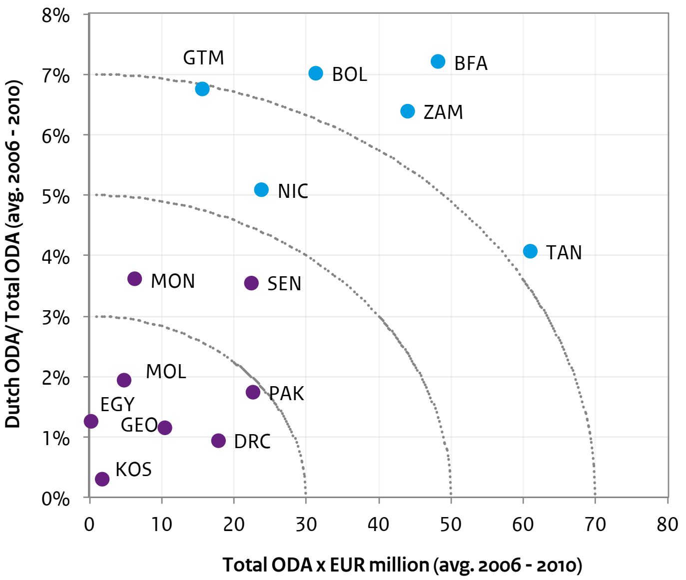
2.5 Case study and sector selection

We have selected six of the eighteen former partner countries for detailed case study analysis in this evaluation. These are all countries where total (Dutch) support was relatively high and where the share of Dutch ODA in total aid was relatively high (see figure 2.3).

Burkina Faso, Tanzania and Zambia were major recipient countries, receiving EUR 48 million, EUR 70 million and EUR 46 million annually in the period 2006–2010.[32] In addition, the Netherlands was a relatively large donor to Bolivia, Nicaragua and Guatemala. For example, Dutch aid was about 7% of all aid received in Bolivia 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 Dutch role in good governance, justice and security.

32 We have selected a longer period because of the volatility of annual disbursements.

Figure 2.3 *Absolute and relative size of Dutch ODA to exit countries*



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

Apart from focusing on exit countries, the evaluation also assessed the impact of the budget cuts on the health, education, budget support and good governance sectors. The detailed analysis of these sectors is limited to the six country case studies. Table 2.2 provides information on the inclusion of sectors in the specific country studies.[33]

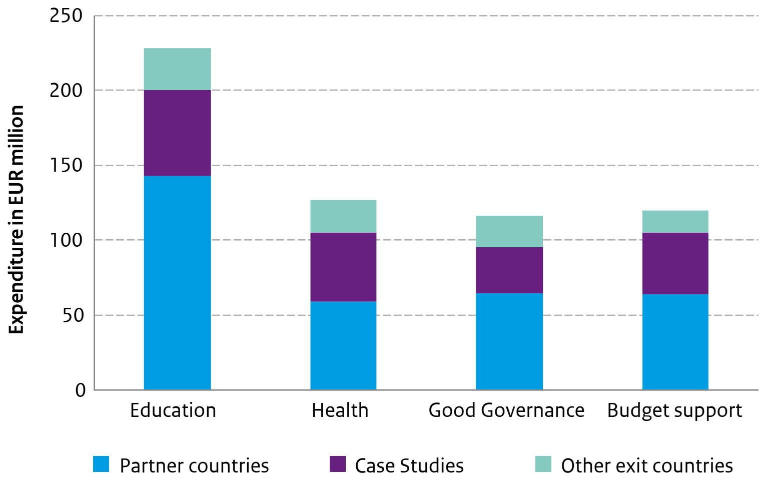
Table 2.2 Sector selection by country

	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	

33 A limited number of sectors in which the phasing out preceded the decision to discontinue all development cooperation to the country (e.g. the education sector in Nicaragua) is included in the evaluation for two reasons. First, the findings will contribute to the representativeness and generalisability of sector findings (see 5.4). Second, the decision to discontinue development cooperation to a country may be related to prior decisions to phase out support to the health or education sectors. Overall estimates are solely based on changes between 2010 and 2015.

Figure 2.4 shows the coverage of these four sectors by the six case studies. For the four sectors, the case studies cover 67% of the expenditures of the exit countries and 30% of the expenditures for the 33 partner countries.

Figure 2.4 *Case study coverage of four sectors*



Note: The graph includes average expenditure for the years 2008–2010.
Partner countries = current 15 partner countries.
Source: Ministry of Foreign Affairs and IOB (2012). Adapted by IOB.

2.6 Data

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

For the analysis of the *exit process* the main data sources are:
- Dutch policy documents (MASP, country strategies, exit documents, evaluations, project documentation and monitoring information);
- country background information; and
- interviews.

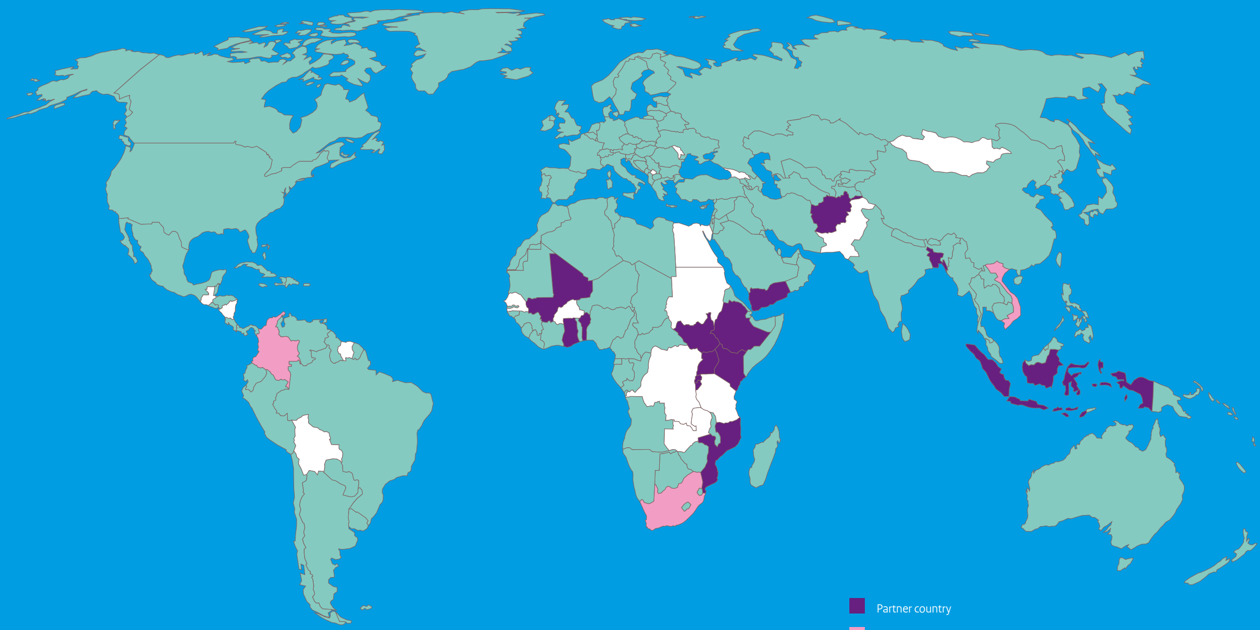
The assessment of the impact of the budget cuts is based on:
- Dutch policy documents (MASP, country strategies, exit documents, evaluations, project documentation and monitoring information);
- country background information;
- financial data (budgets and expenditure at the national, sector and project levels, macroeconomic variables, statistical data on trends in aid commitments and disbursements and a Medium-Term Expenditure framework (MTEF);
- monitoring and evaluation reports (budget and sector support monitoring information and assessments, monitoring reports and evaluations);
- systematic reviews or other evaluations (of comparable programmes and projects) for an assessment of the impact of these kinds of programmes;
- academic literature; and
- interviews.

Interviews have been held with:
- (former) embassy staff and honorary consuls;
- Staff at the Ministry of Foreign Affairs in the Hague;
- representatives of (former) partner countries (Ministry of Foreign Affairs, Ministry of Finance, Planning Departments of Ministries of Education and Health);
- other donors; and
- representatives of implementing and supported organisations (NGOs and CSOs).

2.7 Limitations of the evaluation

The evaluation assesses the impact of budget cuts on development cooperation, as agreed by the government in 2010, in recipient countries. The evaluation does not assess the policy changes or the impact on the Netherlands or the impact on bilateral political and economic relations.

Moreover, the subject of the evaluation requires making assumptions about the counterfactual, continued support. The assessment is mainly based on available evidence about the impact of programmes previously supported by the Netherlands. It was beyond the scope of the evaluation and also impossible to conduct rigorous impact evaluations of programmes previously supported by the Netherlands. The reason is that the character of Dutch aid, i.e. mainly budget and sector support, with multiple actors and objectives, makes it difficult to attribute effects specifically to the Dutch role or to specify which activities have been reduced or put on hold because of the Dutch exit. The heterogeneity of the interventions does not allow for aggregating the findings. We have solved this problem by providing more general estimates of the impact on the health and education sectors.



3

Theory and practice of partner country and sector selection

3.1 Introduction

A central element in the 'modernisation' of Dutch development cooperation was the idea that it would be possible to limit the impact of the budget cuts by enhancing the efficiency and effectiveness of Dutch aid. The government aimed to achieve this objective by (1) reducing fragmentation by limiting the number of countries with which the Netherlands maintained a structural bilateral aid relationship; and (2) by concentrating more support on sectors where the Netherlands would have the highest value added.

This chapter analyses the country selection. It discusses the underlying assumptions, the criteria and the actual choices. The next section discusses the principles of the new Dutch development cooperation strategy that drove these basic choices. Sections 3.3 and 3.4 analyse the selection process, and section 3.5 shows how these choices have affected aid fragmentation. The final section presents the findings. This chapter concludes that while the actual selection was largely in line with the selection criteria stipulated by the Ministry, the selection criteria were not always consistently applied. Arguments for inclusion or phasing out were used selectively. More importantly, the process was based on several not-well-tested assumptions and was insufficiently analysed in terms of the value added and the impact of ongoing programmes. A more thorough analysis may well have generated different results. In addition, the decision to reduce the number of partner countries to a maximum of fifteen provoked arbitrary choices that could have been avoided.

3.2 Principles of Dutch development cooperation

The *Focus letter*, mentioned in the first chapter, elaborated on the principles of the new Dutch development cooperation strategy. It defined four points of departure for development cooperation:

- *selectivity*: development cooperation would benefit from bold choices, and therefore the Ministry would focus on four themes (security and rule of law, food security, water, and sexual and reproductive health and rights (SRHR)), as well as three cross-cutting themes (environment, good governance and gender);
- *synergy*: enhancing the efficiency and effectiveness of Dutch priorities and developing countries' priorities through a coherent policy mix;
- *value added*: Dutch value added was defined by Dutch expertise, comparative advantages of Dutch development cooperation and benefits for the Netherlands. The letter *assumed* that the value added of Dutch development cooperation would be highest for the four themes;
- *effectiveness*: the effects of Dutch development cooperation should be measurable, objectives should be clearly defined in advance and policies should be evidence-based.

The next sections discuss the first three principles.[34]

34 The fourth principle was not relevant for the selection process.

3.2.1 Selectivity

In its report on development cooperation, the Dutch Scientific Council for Government Policy (WRR, 2010) stated that the dilution of aid funds and the mismatch between expertise and financial assistance reduce the effectiveness of aid. The country proliferation would undermine the capacity of donors to acquaint themselves sufficiently with the social, cultural, political and economic structures of a country. The Council's advice, therefore, was to specialise by concentrating aid on a smaller number of countries and sectors.[35]

Focusing more strongly on thematic areas where the Netherlands had the highest value added and reducing the fragmentation of aid spread out over more than a hundred countries could enhance aid effectiveness and lower transaction costs. Fragmentation is considered to have a negative impact on the efficiency of aid for donors and for recipients (OECD, 2009 and 2011; Frot and Santiso, 2010). It undermines budgets, erodes bureaucratic quality in recipient countries and increases transactions costs and the risk of uncontrolled donor spending (Knack and Rahman, 2007). Other studies confirmed the negative impact of fragmentation on aid efficiency (Djankov et al., 2009) and on domestic institutions in recipient countries (Knack and Rahmann, 2007). A study carried out for the European Commission in 2011, concluded that reducing fragmentation would enhance aid effectiveness and would generate major efficiency gains (Bigsten et al., 2011). According to the authors, reducing the number of partner countries by 37% (while keeping the total aid level constant) would reduce the EU's administrative costs by 20% (or about EUR 450 million for the EU as a whole). Additional efficiency gains – of about EUR 250 million – would be gained if donors were to reduce project support and increase programme aid by 20%. The authors also conclude that large gains could be achieved if aid were reallocated from so-called 'donor darlings' to 'donor orphans'. According to the authors, about 70% of EU aid should be reallocated. This would generate a modest increase of poverty among donor darlings and a large decline in poverty in orphan countries (see also Frot and Santiso, 2010).

In the changing aid landscape, donors may also have an argument for greater selectivity: high economic growth rates in recipient countries push down ODA/GDP levels (see chapter 5), and this therefore reduces the impact that donors have on partner country policies. If donors want to maintain their role, they may need to refocus their bilateral aid policies on areas where they can (still) make a difference.

There are also arguments against greater selectivity. Gutting and Steinwand (2015) found strong evidence that fragmentation significantly reduces the risk of political destabilisation associated with aid shocks. Donor fragmentation reduces the negative effects of aid shocks on short-term economic growth and political stability (see also Nielsen et al., 2011). It is precisely a far-reaching division of labour that may generate aid shocks when one or two donors exit. In Zambia, the Netherlands and Denmark phased out from the education sector,

35 The conclusion of the WRR (2010) on donor fragmentation was based on 2001 data. The Council did not provide an empirical underpinning for the number, but only referred to like-minded countries such as Canada, Denmark and Sweden. Canada and Sweden have comparable budgets; Denmark has a smaller budget. Canada has 25 focus countries and another 12 partner countries. Swedish development cooperation targets 33 countries and Norway (NORAD) 36. The Danish programme includes 20 countries.

leaving Irish Aid behind as the only donor that supported the basket fund. In Burkina Faso, the Netherlands was one of the few larger donors that provided unearmarked funding. The Dutch exit had a major impact on the budgets of the Ministries of Education and Health as well as on supported CSOs. Suriname is another example of the Dutch exit having a relatively major impact on the government budget, because the Netherlands was the main bilateral donor. Fragmentation may also get a more positive connotation if the objective is to catalyse endogenous development.

In several fora, donors pledged to decrease fragmentation by improving coordination and by implementing labour division (Frot and Santiso, 2010). The Paris Declaration (2005), the Accra Agenda for Action (2008), 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) explicitly address this issue. In the Paris Declaration, donors committed to provide at least 60% of aid flows as programme support. In the EU Code of Conduct, EU member states agreed to limit the number of EU donors in a specific sector in a recipient country (with a maximum of three to five donors) and to reduce the number of sectors to a maximum of three.

In spite of all these declarations and intentions, the 2011 OECD report concluded that donor proliferation was growing, with regard to the number of partner countries as well as the average number of sectors.[36] Annen and Moers (2016) conclude that donor competition inherently leads to fragmentation and that efforts to improve donor coordination are doomed to failure (see also IOB, 2013a). Dutch efforts to improve donor coordination in order to reduce fragmentation were also limited. The State Secretary had organised an informal meeting with six like-minded EU member States (The United Kingdom, Germany, Denmark, Sweden, Belgium and Spain), but without clear results. He recognised that country choices are nationally driven processes (TK 2010–2011, 32 605, No. 2). The Dutch selection criteria (see section 3.3) also did not include (the results of) improved donor coordination.

3.2.2 Synergy

The government also aimed to use the new development policies to enhance the effectiveness of aid by creating synergy between the themes and by ensuring coherence between the priorities of Dutch foreign policy and development objectives. The *Focus letter* did not elaborate on this principle. The government intended to involve Dutch business more in development cooperation, assuming that coherence would be guaranteed if the Netherlands would select sectors in which the value added of Dutch support would be highest. However, even then synergy cannot be ensured. The WRR (2010, p. 240) had warned that:

[36] The proliferation of Dutch support was slightly below the OECD/DAC average and had remained constant since 2005. More aid came from European countries such as Germany, Sweden, Norway and the United Kingdom.

'It is fashionable to consider practically everything as a win-win situation, but with many coherence issues that is not always possible. Complete coherence is unrealistic in a pluralist society in which different interests, perceptions and values coexist... generally speaking incoherence cannot be avoided and legitimate interests can often clash.'

The Council concluded that coherence policy is not a technical exercise, but 'a political process in which policymakers often have to weigh up conflicting interests and widely varying estimations of the potential consequences of policy against each other' (WRR, 2010, p. 241). This assumed synergy is not evident because Dutch economic interests are not necessarily compatible with development objectives. There is, for instance, little reason to assume that the best opportunities for Dutch business are in the poorest countries (IOB, 2104a). Dutch exports to and investments in these countries are limited. IOB has observed that linking two different objectives does not necessarily create the desired synergy, but can rather lead to a sub-optimal allocation. Research also shows that tying aid to economic interests does not necessarily increase the economic benefits from aid for the donor country (IOB, 2014b).

3.2.3 Value added

The preceding argument is also related to the principle of value added. By choosing the productive food and water sectors the government explicitly aimed to connect development cooperation to Dutch top sectors. The *Basisbrief* (see chapter 1) mentioned education and health as posteriorities. According to the *Focus letter* the Dutch value added in these sectors was rather limited compared to other countries.

The sector selection was based on several *assumptions*:
- The expertise needed in country programmes and projects is the same as the general expertise of Dutch business.
- The sectors where the Netherlands has the highest value added in development cooperation are the same as the sectors where the demand from recipient countries is high.
- Investments in productive sectors are more effective for development than investments in social sectors.
- Donors will be able to benefit more from development cooperation if aid is concentrated on sectors where they have comparative advantages.

The Ministry has not provided empirical evidence for these assumptions, nor has it assessed the effectiveness of Dutch support in specific sectors. The arguments of the WRR for shifting from social to productive sectors were based on contested notions about the impact of investments in these sectors on development.[37] Rather than analysing how Dutch support in

[37] The Council did not provide empirical evidence for its assumption, which has been contested in academic circles. Evaluations by IOB about the impact of support for education (IOB, 2011) and health (IOB, 2013a) are positive, while the policy review of private sector development showed more mixed results (IOB, 2014a). The policy review on SRHR (IOB, 2013a) concluded that reductions in support for health systems were the result of overall policy changes, not of explicit decisions based on analyses of the (in)effectiveness of support to (basic) health.

specific sectors contributed to the achievement of development objectives, the Council stated that:

'In practice, the Netherlands primarily provides a lot of support to education and healthcare because it has always done so: usually there is no more reasoning behind it than that. Investing in primary education is, however, not necessarily the best way to stimulate structural development in every country' (p. 265) and 'Part of the investment in social sectors will, perhaps, in time also contribute to development, but the effect is very indirect, all the more because education in many African countries is not only of poor quality, but is also hardly attuned to local needs. In addition, aid is often so fragmented – across countries, themes and channels – and often so untargeted that it insufficiently stimulates structural development' (p. 263).

The first argument disregards international recognition of the importance of these sectors for development, the commitment of the Netherlands to the MDGs, where health and education played a crucial role, as well as the policy letters and individual Multi-Annual Strategic Plans (MASP) of the embassies that explained the sector choice. Second, the argument ignores the causes of the poor quality in health and education, since it could be argued that substantial investments are exactly what is needed to improve the structural development potential of these sectors. Poor quality could thus be an argument in favour of increasing investments, rather than exiting.[38]

There is increasing recognition that while trade and investment are key factors for economic growth, this growth does not automatically trickle down to the poorest groups in society (Hirano and Otsubo, 2014; Dabla-Norris et al., 2015).[39] Economic growth is a necessary condition for poverty reduction, but it is not a sufficient condition on its own: without targeted policies it takes ages for the effects of growth poles to trickle down to the rest of the economy. The unequal distribution of income and wealth is a symptom of underlying inequalities in access: in access to health, education, the labour market and finance, to name but a few. Inequalities in access and in outcomes are highly correlated. Inequality of opportunities negatively impacts income and vice versa. Moreover, inequality reduces social mobility between generations (Corak, 2013).

[38] In many countries agricultural productivity is low, which is not an argument for ending support, but rather for increasing it.

[39] The theory of trickle down of economic benefits of economic growth to the poorest groups in society was developed by Arthur Lewis, who stated that inequality was good for development because the rich save more than the poor and capital accumulation is key to economic growth. For a long time it was felt that Kuznets had provided the empirical underpinning, until Piketty (2003) showed the weaknesses of his analysis. During the 1980s there were some doubts about the validity of the trickle-down theory. In the Netherlands this contributed to the two-track policy of furthering economic growth and poverty reduction at the same time. However, the idea of trickle down was central in the Washington Consensus and the structural adjustment policies of the 1980s and 1990s (see Stiglitz, 2002 and Rodrik, 2006). Hertz (2001) convincingly showed that the benefits of the Washington consensus policies did not trickle down to the poorest groups. Despite her conclusions, the trickle down hypothesis remained popular during the first decade of the new millennium (see for instance Dollar et al., 2016).

The *Global Monitoring Report 2014/2015* (World Bank, 2015a) shows that investing in health services, child nutrition and the control of child mortality are very cost effective in reducing poverty and inequality, and furthering the equality of opportunities. In addition, the report recommends investing in the quality of (basic) education and improving access to secondary education. In order to achieve educational objectives, it is necessary to reduce the cost of education for parents and combat cultural barriers to education. In addition, social safety nets should ensure that the poorest groups also benefit from increased wealth and overcome the vicious circle of poverty. Experts from the Copenhagen Consensus, a group of distinguished researchers, selected 19 effective targets from a list of 169 Sustainable Development Goals (SDGs) (Lomborg, 2015). These include eight health and three education targets.

3.2.4 Assessment

Two of the principles of Dutch development Cooperation, used for reduction of the number of partner countries and the selection of countries, lacked a solid empirical basis, in spite of the insistence on evidence-based policies. There is no evidence about the assumed synergy or the assumed higher value added of the new priority themes for recipient countries. There are strong arguments for greater selectivity, but mainly in the context of a better division of labour among donors. However, the Dutch selection was not the resultant of improved donor coordination, but mainly a unilateral process. Therefore, the anticipated benefits of reducing fragmentation and aid proliferation were not evident.

3.3 Selection criteria

The country selection was based on seven criteria:

1. the prospects of achieving development objectives, also as a result of Dutch value added and serving Dutch interests;
2. 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;
3. a 'quick scan', showing in which countries the Netherlands would have something to offer on the prioritised themes;
4. opportunities and interests of Dutch ministries and Dutch interests involved;
5. financial size of the existing programme and possibilities to reduce this programme;
6. the quality of governance, including democratisation, respect for human rights and combating corruption; and
7. the potential contribution to the reduction of the number of missions abroad.

The selection process was not a technical or mechanical process based on quantitative criteria, but involved a more qualitative and political assessment. Moreover, in addition to the criteria, the State Secretary chose to maintain the classification of three groups of countries: (1) low income, heavily aid-dependent countries, (2) fragile states, and (3) middle-income countries where Dutch and European interests are on the rise.

An annex of the *Focus letter* provided the arguments for the selected countries, but did not include the assessment of the other 18 countries on these criteria.[40] In combination with the absence of information on the relative weight of the criteria, this led to the perception that it was an arbitrary process (Schulpen et al., 2011). Moreover, it appears that while the requirement to have a thorough knowledge of the country context was an argument for specialisation, precisely this point was not explicitly included in the selection criteria. The WRR's argument for specialisation was mainly based on the assumption that it would be impossible to be familiar with the social, cultural, political and economic structures in a larger group of countries at the same time, but in fact the Netherlands already had long-established aid relationships with most partner countries.

This section assesses the country selection, based on the above-mentioned criteria. The aim is to assess the consistency of the argumentation. This is relevant as it was claimed that applying these principles and selection criteria would enhance the efficiency and effectiveness of development cooperation. Here, we will only discuss the overall results. Annex II provides the data used for the analysis. The indicators, used for this analysis include:

1. *Income and poverty levels:*
   a. per capita net national income (NNI)
   b. per capita gross national income, based on purchasing power parity (GDP, PPP)
   c. the human development index (HDI)
   d. UN classification (LDC status and income status)
2. *Aid levels:*
   a. the Dutch position in the country as bilateral donor
   b. total ODA (per capita)
   c. the share of Dutch ODA in total ODA
   d. the status as donor orphan or donor darling (based on Bigsten et al., 2011)
3. *Good governance:*
   a. the 2009 Worldwide Governance Indicators (WGI)
   b. the 2010 Corruption Perception Index of Transparency International
   c. the Political Rights and Civil Liberties scale of Freedom House
   d. the Democracy Index of the Economist Intelligence Unit (2010)
4. *Contribution of the country to its own development:*
   a. the taxation to GDP ratio
   b. total domestic revenue to GDP ratio
   c. the CPIA score on the efficiency of domestic revenue generation
5. *Potential for the new Dutch thematic spearheads:*
   a. the qualitative assessment of the Ministry on each of the indicators
   b. the % of the population with access to improved drinking water
   c. the % that has been affected by droughts, floods and extreme temperatures

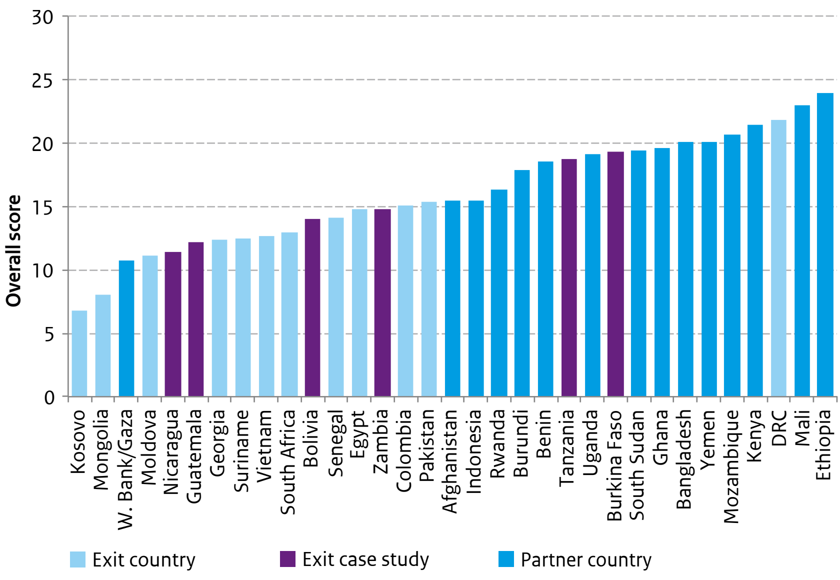
[40] South Sudan became independent in 2011. From then onwards, South Sudan became a partner country of the Netherlands, while the bilateral development relationship with Sudan was discontinued. This report does not include an analysis of Sudan as a separate exit country. First of all, the shift was a consequence of the splitting of Sudan. Second, it is hardly possible to disentangle data for (northern) Sudan and South Sudan before the independence of the latter country.

   d. the contribution of agriculture to the GDP
   e. the percentage of the population employed in agriculture
   f. the fertility rate
   g. the maternal mortality rate
   h. infant mortality
   i. the Foreign Policy Institute's failed state index
   j. the number of internally displaced persons
6. *Dutch interests:*
   a. the qualitative assessment of the Ministry of Economic Affairs, Agriculture and Innovation
   b. exports to and imports from the recipient country
7. *Fragility:*
   a. the Foreign Policy Institute's failed state index

We added fragility (based on the ranking on the Foreign Policy Institute's failed state index) as a separate criterion, to take into account the strong focus on fragile countries. Moreover, we combined the qualitative assessment of the Ministry (on the themes) with more objective indicators. Therefore the overall score is more balanced.

Using these criteria and indicators, we have rated the 33 countries. Figure 3.1 shows the overall assessment. The annex provides more detail about the indicators and the weight that they carry.

Figure 3.1 *Overall assessment of the country selection**



** The scores are based on rankings on individal indicators. The maximum score is 33.*

Overall, there is a good match between the selected countries and the scores presented in the graph. The main exception is the Palestinian Authority. Income levels and the human development index in the West Bank and Gaza are relatively high, and total ODA per capita is high, while the Dutch contribution to total ODA is low. However, the Palestinian Authority was mainly selected for other reasons.

DRC is the fragile state with the highest score. The Minster has not selected the DRC because he felt that the Netherlands' influence on the country's major, complex problems would be limited. Moreover, the Ministry questioned the DRC government's political will to reform. The example of DRC also points to the negative correlation between security and good governance: countries with low scores on governance such as Ethiopia, Uganda, and Rwanda were (also) selected because of the (potential) role of the Netherlands on the theme of security and the rule of law.

Apart from the DRC, two other exit countries have relatively high scores: Burkina Faso and Tanzania. Tanzania was considered a donor darling and the country would have a broad base for its own development. According to the Ministry it should be possible to find other donors who would be willing to take over the Dutch programmes (in spite of warnings from the embassy for the health sector). The donor darling argument has been used quite selectively, as it could equally well have been used for Benin, Kenya, Mozambique, the Palestinian Authority and Afghanistan (see Annex II, Table II.2 and figure II.1). In addition, the conclusion that the country had a broad base for its own development could equally well be applied on Mozambique and Ghana. On the ODA criterion alone, taking into account ODA per capita and the share of the Netherlands in total ODA, Tanzania ranks 8th, well above Benin, Burundi, Kenya, Indonesia and Mozambique.

For Burkina Faso the main argument was that the *existing* programme did not dovetail with the new priorities. However, more objective criteria (such as the % of the population with access to improved drinking water, the contribution of agriculture to the GDP or the maternal mortality rate) could have led to a quite different conclusion. In our analysis of the potential of Dutch thematic spearheads Burkina Faso ranks much higher than the assessment by the Ministry, especially on water and food security. The food security theme provides a good example. According to the Ministry, Dutch agri-business was not interested in Burkina Faso. However, the agriculture sector in Burkina Faso faces several serious challenges such as a low productivity, heavy dependence on weather conditions and dependence on a small number of crops (especially cotton). Irrigated agriculture is poorly developed (FAO fact sheet, 2014). Many children suffer from malnutrition. Moreover, the Ministry has used the argument of the potential for the new themes quite selectively: for Burkina Faso the argument was that the *existing programme* did not dovetail with the new priorities, while for Rwanda, where the Netherlands was active in justice, energy and decentralisation, the *potential* was the argument for selecting the country. The argument that Burkina Faso was more of a donor darling than Benin is not supported by facts.[41] In our analysis, Burkina Faso would rank 3rd, Benin 11th.

41 The WRR (2010) had stated that the impact of Dutch support would be larger in countries such as Burkina Faso, where the Netherlands was the first or second (bilateral) donor.

According to the Ministry, the Dutch selection was made after consulting like-minded donors, based on the objective to improve the division of labour among countries. For instance, he wrote in a letter to parliament that the withdrawal of other donors (Denmark) from Benin was an important argument for staying in the country.[42] In practice, the Netherlands and Denmark have used the argument of a division of labour between the countries without actually taking over each other's programmes (see the country report Burkina Faso).

We have also repeated the analysis using 2014 data. For this analysis we have excluded the Dutch position in the country as bilateral donor and the share of Dutch ODA in total ODA. The results are largely the same as the analysis for 2010. This means that also with hindsight, the conclusions are the same.

3.4 The relationship between the criteria and aid effectiveness

The selection criteria aimed to ensure more efficient and effective bilateral development cooperation. However, the analysis did not include an assessment of the effectiveness of existing programmes and/or Dutch support in partner countries, but relied mainly on macro indicators. As a result, the process did not ensure that reducing the number of partner countries would lead to more effective aid.[43]

The evaluation provides several examples. For instance, while SRHR was one of the new themes, the Netherlands ended effective programmes in Nicaragua, Burkina Faso and Tanzania (see chapter 7 and the country reports). Especially in the latter country, it would have been easy to continue giving support to the health sector. Closing the embassy in Guatemala is another case in point. The country does not score well on most indicators for continuing Dutch support (as is also the case for the other fragile states). The Guatemala case study shows that the Netherlands embassy played an important role in the country. Although a relatively small donor, the embassy had an active dialogue with the Guatemalan government regarding human rights issues and transitional justice and was a critical and vocal partner. The embassy supported human rights organisations that helped to strengthen justice and security and protect Guatemala's most vulnerable groups (Kruijt et al., 2013; IOB, 2014; see chapter 5 as well). With a relatively small budget, the Netherlands would have

[42] The response to questions put forward by the Committee for Foreign Affairs (letter of May 13, 2011).

[43] The general idea is that by concentrating bilateral aid on a smaller number of countries, fragmentation is reduced and therefore efficiency and effectiveness will increase. However, this may also lead to diminishing returns. In addition, increased effectiveness is also not guaranteed if a donor decides to phase out highly effective programmes in order to concentrate aid on less – but also less effective – programmes. Therefore, one may expect that a reduction of fragmentation will especially enhance aid effectiveness if it is part of a better division of labour among donors (see Bigsten et al., 2011).

been able to support important processes in a country where other donors were winding down their activities, even from its embassy in Costa Rica.[44]

Next, the analysis was limited to decentralised bilateral relations, reducing the number of partner countries from 33 to 15, but allowing implementing agencies in the area of private sector development to work with a completely different list of 68 countries.
The implementing agencies were hardly active in many of these countries, while in a number of cases the focus on poverty could also be questioned (IOB, 2014a). More generally, the focus on reducing the number of partner countries also precluded a comparison with other aid channels, including the multilateral channel. Biscaye et al. (2015) conclude that there is no consistent evidence that either bilateral or multilateral aid is more effective.

3.5 Impact on fragmentation

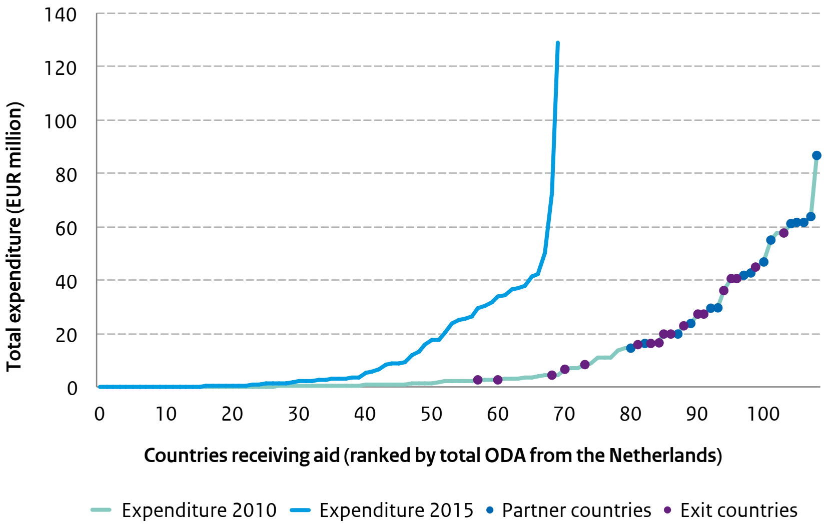
In 2010, the Netherlands provided aid to more than 100 countries (and regions). In about 70 of these countries, total support was rather limited (less than EUR 5 million) and in 47 countries even less than EUR 1 million. At that point, the Ministry was facilitating 2,281 activities with a total of EUR 3.6 billion. By 2015 these figures had shrunk to 1,486 activities with a total of EUR 3.1 billion (including EUR 410 million for asylum seekers) and a total of 69 countries and regions.

Figure 3.2 shows how the Ministry succeeded in reducing aid fragmentation. The horizontal axis ranks the recipient countries (and regions) by the total size of Dutch bilateral support (the vertical axis), for 2010 (the green line) and 2015 (the blue line). The shift to the left means that the number of countries receiving aid has decreased. A large part of the bilateral budget (EUR 129 million) was spent on activities in the African region (67 activities in total).

Even though fragmentation was reduced, the Netherlands still supported many countries with small budgets. In 2015, 24 countries received less than EUR 1 million and 38 countries less than EUR 5 million. In an internal note, IOB (2013c) found a strong (negative) correlation between the size of the budget for bilateral development cooperation and transaction costs. In addition, and in line with conclusions in international research (Bigsten et al., 2011), the transaction costs of project aid are much higher than those of programme aid. The Ministry has reduced the impact of decreasing the number of partner countries on aid fragmentation because he simultaneously shifted from programme aid (especially budget support) to project aid. Of the supported activities in 2015, 683 had a multi-annual budget of less than EUR 1 million and 226 of less than EUR 100,000. While smaller initiatives may help to catalyse development, they also contribute to increased fragmentation and relatively high transaction costs.

44 It must be noted that several ongoing projects were included in the Central America Programme (MAP, 2012–2015) that was managed by the embassy in Costa Rica.

Figure 3.2 *Country fragmentation of Dutch aid (2010 and 2015)**



** The graph does not include support provided to worldwide programmes and support provided in the Netherlands. The graph includes countries and regions (for regional programmes).*
Source: Netherlands Ministry of Foreign Affairs; adapted by IOB.

3.6 Conclusions

This chapter analysed the process of selecting the 15 countries with which the Netherlands would continue a bilateral development relationship. It was assumed that aid efficiency and effectiveness would improve if the Netherlands would reduce the number of partner countries and if the Netherlands would shift from existing themes to new spearheads where the Dutch value added would be higher. However, the Ministry has not provided an empirical underpinning for these assumptions. It introduced a major policy shift without rigorous evidence. Diversity, for instance, gets a more positive connotation if the objective is to catalyse endogenous development.

The country selection process itself was not a technical or mechanical exercise. However, the application of several criteria without providing information about their relative weight also made the process opaque and prone to cherry picking. This added to the perception that it was an arbitrary process. Though the correlation of our assessment and the appraisal of the Ministry is high, phasing out bilateral cooperation with the DRC, Tanzania and Burkina Faso cannot be justified by merely applying the selection criteria. The Ministry was selective in using arguments in favour or against phasing out support.

A more fundamental critique is that the process did not rely on a thorough analysis of the impact of ending ongoing Dutch programmes, and relied only on untested assumptions. The sector choice was not based on empirical evidence about the effectiveness of Dutch support, nor was the selection process based on a case-by-case appraisal. There was a strong focus on reducing the number of partner countries, rather than on reducing the number of countries receiving aid. While the government aimed to enhance the efficiency and effectiveness of aid by concentrating on and reducing aid proliferation, the most fragmented forms of aid (bilateral aid to non-partner countries and PSD programmes) were disregarded. In a way, it was an upside-down process: it started with the decision to discontinue support to 18 partner countries, rather than with an appraisal of the effectiveness of Dutch aid in these countries. The 'difficult decision' to phase out bilateral support to Burkina Faso could have been avoided by simply increasing the number of partner countries by one.[45]

A main instrument for enhancing aid efficiency and effectiveness would be better donor coordination and a better division of labour. However, by focusing on internal criteria instead of promoting a better division of labour among EU donors, the opportunity to really improve aid effectiveness was missed.

45 The formulation 'difficult decision' was used in several letters to Parliament.

4

The exit process

4.1 Introduction

While the Netherlands decided to phase out the bilateral development relationship with 18 countries, it aimed at doing this carefully, taking into account the interests of the recipient countries. The Ministry would comply with the recommendations of the *Joint evaluation of aid exit and transformation*, commissioned by the Netherlands, Norway, and Sweden (Slob and Jerve, 2008). This evaluation advised donors to observe six critical factors when deciding to phase out bilateral development cooperation (see also TK, 2008–2009, 31 250, no. 56):

1. timely communication at a political level with the countries in question;
2. involving stakeholders in the processs;
3. developing a realistic planning with input from the countries in question;
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 loss of capital and to ensure the sustainability of results.

The embassies in question would develop an exit strategy, including an assessment of the options for handing over Dutch programmes to other donors.

This chapter reports the results of an analysis of the exit process in six countries selected by IOB: Bolivia, Burkina Faso, Guatemala, Nicaragua, Tanzania and Zambia. The chapter concludes that while the embassies tried to adhere to the recommendations of the joint exit evaluation, and while they managed the process well, the desire to exit quickly and a lack of flexibility undermined the possibility of complying with the spirit of the recommendations. Moreover, the assumption that embassies would be able to hand over Dutch programmes to other donors was not realistic. As a consequence, there was no way to guarantee that capital would not be lost and that the interests of the recipients would be respected. The time to find alternative funding was too short, especially for NGOs and CSOs.

4.2 Timely communication

Generally, the countries and organisations involved in this process were positive about the clarity and timeliness of communications regarding the Dutch decision to end cooperation. The six embassies directly informed the authorities – usually the Minister of Foreign Affairs, the Minister of Finance and the Prime Minister – in the countries where they were accredited as soon as the final decision had been made. A note verbale, drafted by the Ministry in March 2011, explained that the main aim of reducing the number of partner countries was to enhance the effectiveness of Dutch development cooperation. It added that the Netherlands would phase out its development partnership with the country carefully. The Ministry would honour existing obligations and authorities would be fully involved in the phasing-out process. The embassy in Burkina Faso was handicapped by the long time it took for a final decision to be made. Therefore, the embassy informed the authorities that there was a possibility that the Netherlands would discontinue its bilateral support to the country.

Once authorities had been informed, the embassies communicated the Dutch decision to other ministries, donors and stakeholders. Several embassies (for example Zambia and Burkina Faso) further explained the Dutch decision in communications, speeches and interviews with the media. In Nicaragua the embassy hired a part-time local communication expert to develop an appropriate communication strategy.

In Bolivia the embassy coordinated a study of experiences and lessons learnt over 25 years of development cooperation with Bolivia, encompassing education, the environment, gender and emancipation, productive development, good governance, socio-economic research and culture. It published the results in a booklet called *Brillar Juntos*. In Zambia the embassy commissioned a study to highlight the results of five decades of cooperation between Zambia and the Netherlands (Hoek, 2014). In other countries planned studies were cancelled. These instances were missed opportunities to learn from the provision of aid over a longer period.

Nevertheless, in spite of all communication efforts, these represented limited, one-way consultations with other stakeholders, since the decision to exit and to do so relatively fast, had already been made.

4.3 Involving stakeholders in the process

Given the decision to exit within two years, there were limited options for involving stakeholders in the process and thereby taking into account their interests. Adhering to this principle was not part of the decision-making process, nor was it in the instructions to the embassies. The process was more based on internal procedures of the Netherlands Ministry of Foreign Affairs than on the recipient governments' planning and budgeting process or that of the NGOs it supported. The phasing-out strategy and plan were not developed in close consultation with national partners. In practice, recipients' interests were only respected by trying to extend funding as long as possible within the exit timetable and by trying to find other donors to take over the Dutch role. Several Dutch embassies (including those in Tanzania, Bolivia and Burkina Faso) had warned about the risk of an untimely unilateral withdrawal by the Netherlands, but this had no impact on decision-making or the phasing-out exit strategy.

It proved difficult to engage other donors in the Netherlands' activities. There are several reasons for this. First of all, just like the Netherlands, every donor had its own multi-annual programme, priorities and budget constraints, and their flexibility was limited. Second, while embassies often tried to coordinate at the partner country level, the main decisions were dictated by headquarters (De Kemp, Faust and Leiderer, 2011). Third, while embassies were asked to discuss the handing over of programmes at the local level, they had nothing to offer in return. This shows why it is imperative to discuss the division of labour at the central level.

Sometimes the Dutch exit coincided with a budget increase by another donor. This was the case in the education sector in Burkina Faso (though only for two years). In practice, the Dutch exit sometimes coincided with another donor's exit or budget reduction. In Bolivia a few development partners blamed the Netherlands for pulling out at a time when Bolivian society was undergoing fundamental change and when other donors were already phasing out. This limited the options of finding alternative funding for Dutch activities. In Nicaragua, several large donors (Denmark, the UK and Sweden) also announced that they were ending their support to the country. There was no donor coordination or harmonisation regarding these decisions; indeed, all exit decisions by 'like-minded' donors were taken unilaterally based on domestic considerations. As a result, it was impossible to successfully hand over the programmes. Moreover, the remaining donors moved from social sectors to economic infrastructure and private sector development. This also made it very difficult for them to find other sponsors, and they had limited options of generating their own resources.

Fourth, a specific challenge for the embassies in Zambia and Burkina Faso was the success of donor coordination. The downside of the improved division of labour was that it would be difficult to find other parties to fill the gaps left behind by the Netherlands. In Zambia, the Netherlands and Denmark pulled out of the education sector at a critical stage. Irish Aid was a smaller donor facing budgetary problems. The two departing donors neglected the impact of their exit on the strategic role of the remaining donor. The exit of the Netherlands and Denmark was seemingly overcome by sector support by DFID and pooled funding by Japan (JICA), but in both cases they were merely reallocating portions of their budgets for Zambia. Irish Aid lost a crucial partner with a great deal of experience in governance issues in the dialogue with the Ministry of Education.

In Burkina Faso the Dutch embassy consulted with the EU on the health sector, with UNICEF (on health and education) and with Luxembourg (on education) to redress the negative effects of the Dutch exit. UNICEF agreed to take over the management of Dutch programmes in the education and health sector during 2012 and 2013, thereby enabling the embassy to disburse as much as possible until 2013. However, in other cases consultations were limited.

4.4 Realistic planning

In general, the Dutch exit was well managed by the embassies, within the boundaries set by the Ministry. However, embassies received hardly any support from headquarters. They had been asked to incorporate their exit strategies in the Multi-Annual Strategic Plans (MASP), but the guidelines were less relevant for the embassies phasing out development cooperation. This decision to synchronise the exit strategies with the MASP process lengthened the procedure (until late 2011). It made it more difficult to have timely discussions about the implications of the exit with the government and other stakeholders. Closing embassies also felt that they had to sort out everything by themselves. Although there were administrative regulations regarding the closure of an embassy, there were no precise protocols.

In Tanzania, the embassy had planned an exit by Summer 2013, with another 18 months for administrative winding down. Delays showed that this schedule was not realistic. The embassy had to adapt the schedule, postponing the exit from the summer 2013 to the summer 2014. By the time the exit strategy for Tanzania had been approved, the government had already started preparations for the fiscal year 2012–2013. Therefore, in practice the exit process was extremely short. A main question is why there was a need for a quick exit in Tanzania, given that the embassy would not close. If there had been more flexibility about the number of partner countries and the exit process, it would have been possible to give the phasing-out process in the health sector more time, while discontinuing support to the other sectors. This would have given the embassy a role in the donor group and in the policy dialogue.

The principle of a realistic schedule was more geared towards Dutch interests than to those of the stakeholders. The time to find alternative funding was short, especially for the NGOs and CSOs receiving support. Several exit strategies (for instance Tanzania, Burkina Faso and Guatemala) had a strong focus on internal processes. By temporarily handing over the management of ongoing Dutch programmes to UNICEF, the embassy in Burkina Faso was able to combine the exit with the continuation of support to the government. This was not a viable option for NGOs and CSOs receiving support.

There are several examples of donors taking more time to phase out. In Burkina Faso, Sweden decided in 2012 to phase out its support to the country, but although Sweden is not one of the largest donors, it gave itself much more time. In its exit strategy, Sweden envisaged ending bilateral development cooperation by late June, 2016. One of the principles of the Swedish exit was to provide complementary support that focused on sustainability by safeguarding investments and results. In Zambia, Denmark also opted for a quick exit, but the Danes continued their support for a longer time nonetheless. The United Kingdom announced in 2011 that it would cease its bilateral development cooperation with Vietnam by 2016 (ICAI, 2016). In Ghana the government and donors agreed several years ago to try to end ODA by 2020 (IOB, 2014c).

4.5 Flexibility

The 2008 Joint Evaluation considered flexibility as a key condition for a responsible exit. Without flexibility in time frames, scheduling and financing it would not be possible to involve the stakeholder in the process, to tailor the exit to the existing situation and to include stakeholder and sustainability concerns (Slob and Jerve, 2008). These aspects were neglected too often.

Initially, in May 2011, the Ministry had asked to show some flexibility in scheduling and budgeting. However, several months later, it ordered the embassies in question to ensure a responsible but quick exit and to show restraint in budgetary claims. In combination with the time needed for the approval of the exit strategies, this limited the actual flexibility. The Ministry in The Hague discouraged extra commitments in Zambia or only accepted these after insistence by the embassy. While the embassy succeeded in extending several activities until the end of 2013, the State Secretary did not allow it to extend activities beyond 2013 in Burkina Faso. In that country, as well as in Tanzania and Zambia, the tight timeline of the exit reduced flexibility.

For Nicaragua and Guatemala, the Central America Programme (MAP, 2012–2015) provided some flexibility for certain supported NGOs. The programme targeted activities in the areas of security, governance and human rights.[46] Within the regional programme the embassy in Costa Rica extended two activities in Nicaragua: support to OAS' Judicial Facilitators (until 2015) and a programme with the National Police to combat violence against women (until 2013). For Guatemala, the embassy in Costa Rica took over two ongoing programmes through the MAP: a programme on small arms (Instituto de Enseñanza para el Desarrollo Sostenible) (until 2014) and the Commission against Impunity (Comisión Internacional contra la Impunidad en Guatemala) (until 2013).

4.6 Respecting existing obligations

This recommendation of the Joint Evaluation did not only address legal obligations, but also ongoing commitments. According to the authors, walking out from commitments made in extensive planning processes would negatively affect the institutions in question (Slob and Jerve, 2008).

While the Ministry initially had asked embassies to respect existing legal obligations as well as political commitments, it was more reticent later on. Embassies were able to respect existing (legal) obligations, but not always other commitments. They had raised expectations through multi-annual commitments, membership in donor groups and (sector) working groups, sometimes as lead donor, participation in the development of sector plans and longer-term core funding of NGOs. In 2010 in Zambia, for instance, the Netherlands had proposed to suspend the decision to renew the memorandum of understanding (MoU) for general budget support (GBS), for a period of four years, until the GBS evaluation would be ready. It was expected that the Netherlands would continue to provide general budget support for the years 2011–2014. But when the (positive) evaluation became available, the Netherlands decided to pull out. This also happened in other cases such as GBS in Tanzania. In other sectors the Netherlands had a central role as (lead) donor, for example in the education sector in Zambia and Burkina Faso or the health sector in Tanzania, Burkina Faso and Nicaragua. In the latter country the Netherlands signed an MoU with other cooperating partners and the government to support the health basket fund (FONSALUD) with EUR 4 million annually until 2015. However, there was no signed contract. The Netherlands disbursed EUR 2 million, but the Ministry did not approve the embassy's request to support the fund with another EUR 2 million. Commitments to NGOs were not always respected either, such as in Tanzania. Incidentally the Netherlands provided some

[46] The initial budget for the MAP was EUR 22.5 million, but it has been increased to EUR 44 million. A special coordinator for the regional programme was appointed to the embassy in San José. The Minister discontinued the programme after 2015.

compensation. In Tanzania the Netherlands supported the construction of a new maternity hospital to compensate for the cumulative effect of decision not to provide budget support and an overall budget reduction of 11%.

4.7 Institutional capacity

According to the authors of the Join Evaluation, a responsible exit requires realism about the institutional capacity of the recipient and support for coping with aid exit (Slob and Jerve, 2008).

The Netherlands Ministry of Foreign Affairs did not devote much attention to these points either. An analysis of the institutional capacity of the partner country was allowed, but not required. Moreover, embassies were only advised to try to find other donors willing to take over the Dutch programmes. However, the Ministry had no strategy for handing over activities to other stakeholders, and practice showed that it was unrealistic to assume that this would be possible. Other donors were bound by their own multi-annual plans and commitments. The question of what would happen if no other donor could be found after the exit remained unanswered.

The embassies' exit strategies hardly referred to the recommendation to take into account the existing institutional capacity of recipient countries either, and this was not an issue according to the appraisal of the strategies in The Hague. On several occasions, exit strategies warned about the consequences for the sectors and organisations in question, but they provided no solutions. The consequences for supported sectors were hardly taken into account in the exit decision itself, as is evident such as the health sector in Tanzania, the education sector in Zambia or the supported CSOs in Guatemala. In spite of a long history of Dutch support in several sectors and an agreed division of labour among donors, the government just assumed that the Netherlands' value added in these sectors was limited.

4.8 The political signal

In retrospect, it also appears that not much attention was devoted to the political dimension of a Dutch exit, especially in countries where the Netherlands closed its embassy. The impact of the withdrawal of a larger bilateral donor that had been operating in the country for decades, that was often a lead donor, and that adhered to the Paris principles, was underestimated. Several countries feared a snowball effect.

Several counties tried to convince the Netherlands not to phase out or to close the embassy, including a former Nicaraguan Minister of Foreign Affairs, the Burkinabe Minister of Foreign Affairs and the Guatemalan Minister of Foreign Affairs. The latter argued that the Dutch presence was essential for strengthening democracy, ensuring respect for human rights in Guatemala and the fighting corruption and impunity. The Attorney General and the Commissioner of CICIG requested the Netherlands to reconsider closing the embassy, arguing that it was extremely important to consolidate the improvements achieved in the areas of security and justice (IOB, 2013b).

In Tanzania, this situation was complicated by the suspension of budget support in 2009 and 2010, which was caused by the discussion about the legal rights of a Dutch investor in Tanzania. In December 2010, just when bilateral relations were on the brink of normalising again, the Netherlands decided not to renew its contribution to general budget support and informed the Tanzanian government in March that intended to phase out. The decision came as a surprise, not only to the Tanzanian government, but also to other development partners. The Tanzanian government and several development partners felt that the Dutch decision to phase out was related to the above-mentioned case involving a Dutch investor in Tanzania. Moreover, not everybody understood how the Netherlands could end a long-standing relationship with one of the poorest countries but continue their aid relationship with other countries with a higher income level (such as Kenya and Ghana). The decision to exit quickly also reflected poorly on the Netherlands' image.

In Zambia, Bolivia, and Burkina Faso, the Dutch decision to close the embassy was perceived as a negative political signal towards the government. They feared that the Dutch decision would trigger the exit of other donors as well. For stakeholders in Burkina Faso it was difficult to understand the Dutch decision in the context of the instability in the region and the decision to keep stronger countries (such as Ghana) on the list. The embassy tried to change the perception that the Dutch exit decision was linked to the political situation in Burkina Faso through interviews in the press. However, the embassy's efforts to communicate the reasons for the Dutch exit have never been fully understood.

The exit decision also had an impact on relations between the Netherlands and Zambia and Burkina Faso. In the former country, the Dutch ambassador in Zimbabwe received a lukewarm reception when she presented her credentials. The Dutch ambassador in Mali was not able to present his credentials in Burkina Faso.

4.9 Conclusions

Overall, stakeholders agree that the exit process at the level of the embassies was well managed and that they informed authorities and other stakeholders in a timely manner. However, the possibility of complying with the spirit of the recommendations was undermined by the fact that the decision was taken before consultations had started, by the desire of a quick exit and by the development of exit strategies without involving stakeholders much. Although legal obligations could be respected and there was some budget flexibility, the strategy did not sufficiently take into account the interests and institutional capacity of the recipients (government and NGOs). The time to adapt to the changed situation was rather short and did not take into account the partners' planning process or the time needed to find other funding sources. The institutional capacity of the partners hardly played a role in the discussion. The exit was not based on an assessment of its consequences. Therefore, the prevention of the loss of capital was not ensured.

The embassies hardly received guidance from headquarters. To the extent that they did, it was limited to advice about ensuring good communication, developing a realistic schedule for a responsible but quick exit, and protecting Dutch interests, rather than the interests of the stakeholders, their capacity and the risk of losing capital. While the official argument for overhauling policy had been to enhance aid effectiveness, the Ministry in fact aimed to make a quick exit without damaging the Netherlands.

The idea that other stakeholders would take over Dutch programmes was not realistic. The Ministry expected too much from the option that other donors would be prepared to take over Dutch programmes, thereby neglecting other development partners' planning procedures. Moreover, the Dutch embassies had nothing to offer in return.

In addition, the political dimension of the Dutch exit had not received much attention. This was especially the case in countries where the Netherlands closed the embassy, but also in Tanzania. The political signal that a quick withdrawal would send, especially as it concerned a major bilateral donor that had been operating in the country for decades, often as lead donor, was underestimated.

5

Budget support and macroeconomic impact

5.1 Introduction

Chapter 2 discerned two types of impact of phasing out development cooperation: the macro level and the micro level. This chapter focuses on the macro level and analyses changes in macro indicators and the importance of ODA in relation to the country's GDP and the government budget.

Section 5.2 sketches briefly the impact of the Dutch exit on total ODA and the importance of development assistance for the economies of the 18 former partner countries. Section 5.3 discusses in more detail the impact on the six case study countries. For four of these, Burkina Faso, Nicaragua, Tanzania and Zambia, the chapter also includes an assessment of the impact of ending budget support.[47] Based on this analysis, section 5.4 provides an overall assessment of the impact of ending budget support. Section 5.5 concludes.

One of the conclusions is that in general, and with the exception on Burkina Faso and Tanzania, the ending of budget support, or even the phasing out of all bilateral support, did not have a major impact on the economy of the countries in question. Dutch GBS and total bilateral support were too small to have such an impact. Moreover, in most countries the impact of aid decreases as a result of favourable growth rates, and increases in exports, FDI and remittances (the latter in Latin American countries). However, the fact that macroeconomic impacts are relatively small does not mean that the effects are negligible. Continuing budget support would have resulted in higher expenditures to severely underfunded social sectors.

5.2 Impact of the exit on total ODA

An obvious question is how the country selection impacted the total ODA of the 18 exit countries. Table 5.1 sketches the changes in Dutch support and total ODA between 2008 and 2014. Most countries had an increase in total ODA, despite the Dutch exit. Exceptions are Zambia, Nicaragua, Guatemala, Kosovo, Georgia and Suriname. Of these countries, the ODA to GNI ratio, an indicator of aid dependency, is still relatively high for Zambia, Nicaragua, Kosovo and Georgia.[48] Nevertheless, Kosovo and Georgia have relatively high income levels. Nicaragua and Guatemala are countries where development cooperation has gone down markedly and where the Dutch exit contributed substantially to this development.
In Zambia total ODA decreased by 6%. In 2008, Dutch ODA amounted to almost 8% of the total. Without the Dutch exit, external support to Zambia would have been stable.

In Senegal, the total increase in ODA was relatively small compared to other low-income countries. Without the Dutch exit, the growth in aid would have been 37% higher.

47 The Netherlands provided general budget support to the five of the six countries included in this evaluation, Guatemala being the exception. In Bolivia, the Netherlands had already ended budget support in 2005, because of the instable political situation and vastly improved government finances (IOB, 2006).

48 Dutch aid to Kosovo was modest in 2009 and has not decreased, in spite of the Dutch exit.

This effect is also substantial in Burkina Faso (46%), Tanzania (29%), and Bolivia (26%). Expressed as a percentage of GNI, the impact of the Dutch exit is highest in Suriname (1.2%) and Burkina Faso (0.7%). To give an indication of the volume in the recipient country: the percentage for Burkina Faso is comparable to one-third of the budget for health in the country.

Table 5.1 Changes in ODA in exit countries (2008–2014)

	% Change ODA*	Change Dutch ODA as % of total ODA	ODA as % of GNI (2008)	ODA as % of GNI (2014)	GNI per capita (USD, 2014)	Dutch ODA as % of GNI (2008)
DRC	29	-2.0	9.9	8.3	380	0.17
Burkina Faso	20	-9.1	12.0	9.0	700	0.72
Tanzania	17	-4.9	8.6	5.6	920	0.24
Senegal	8	-3.1	8.0	7.2	1,050	0.25
Pakistan	222	-1.3	0.9	1.4	1,400	0.01
Zambia	-6	-7.6	6.8	3.9	1,680	0.33
Nicaragua	-33	-5.4	9.0	3.7	1,870	0.32
Vietnam	90	-1.6	2.7	2.4	1,890	0.02
Moldova	75	-2.0	4.5	5.9	2,560	0.08
Bolivia	23	-6.1	3.9	2.1	2,870	0.13
Egypt	157	-1.1	1.1	1.2	3,210	0.01
Guatemala	-43	-4.8	1.4	0.5	3,430	0.05
Kosovo*	-24	0.1	13.6	7.7	3,990	0.01
Mongolia	51	-2.7	4.5	2.8	4,280	0.06
Georgia	-19	-1.0	7.0	3.4	4,490	0.05
South Africa	15	-2.9	0.4	0.3	6,800	0.01
Colombia	27	-2.8	0.4	0.3	7,970	0.01
Suriname	-87	-61.5	2.9	0.2	9,950	1.27

** 2009 data instead of 2008.*
Source: OECD/DAC, CRS data; World Bank (WDI); IOB's calculations.

Overall, Suriname, Burkina Faso, Zambia, Tanzania, Senegal, Nicaragua and Guatemala are the most affected countries. With the exception of Suriname and Senegal, but including Bolivia, the next section looks in more detail at the impact in these countries.

5.3 Impact in the case study countries

5.3.1 Guatemala

In Guatemala, the country with the highest income level of the six countries, the ODA/GNI ratio was already relatively low before the Dutch exit. In 2014, the country had the highest income of the six countries (see Table 5.2). A low tax ratio, high levels of informality and widespread tax evasion have contributed to low levels of revenues collected from taxation, undermining the government's potential for (social) investments. Mainly due to the reduction in aid levels, the ODI/GNI ratio went down from 1.4% in 2008 to 0.5% in 2014 (see figure 5.1). The Netherlands provided about 5% of total ODA, so the Dutch exit did not have a major impact on macroeconomic stability. Of course, support to the country was not provided for macroeconomic reasons, but to support the transition from a fragile state to a more peaceful and democratic country (see chapter 6). In this respect, challenges remain. Unemployment is high and unequal power relations between indigenous groups and the white population remain in place, with the deprived groups virtually excluded from the country's social, economic and political life.

5.3.2 Bolivia

In the past ten years, Bolivia has consistently maintained a growth rate of 5% of GDP. Consistent trade surpluses, mostly due to the export of natural gas, silver, zinc and soybeans contributed to growing international reserves (from EUR 5.3 billion in 2008 to EUR 11.6 billion in 2014). In 2006, the Morales government partly nationalised gas and oil extraction. This contributed to an increase in government revenues to 49% of GDP in 2013. It allowed the government to implement various social programmes, while registering a budget surplus at the same time. Despites these developments, challenges remain. In spite of reducing poverty rates and decreasing inequality, Bolivia is still one of the poorest countries in Latin America. Employment opportunities remain low for the youth.

The Netherlands has been a relatively large donor in the country (providing 7% of ODA in 2011). Nevertheless, ODA has remained constant and has even increased in comparison with 2008 levels. The country's dependency on aid decreased from 3.9% in 2008 to 2% in 2014 as a result of economic growth. Given these developments, and especially the trade surplus (for most years), the large international reserves and the government surplus, the impact of the Dutch exit on macroeconomic stability is low.

Table 5.2 Socio-economic characteristics of the six exit countries						
	Burkina Faso	Tanzania	Zambia	Nicaragua	Bolivia	Guatemala
GDP/capita (USD, 2015)	613	865	1,308	2,087	3,095	3,903
Average per capita growth (2005-2015)	2.7	3.4	3.9	2.6	3.2	1.5
Population, total (2015)	18	53	16	6	11	16
Population growth (annual %; average 2005-2015)	3.0	3.1	2.9	1.2	1.6	2.2
Human Development Index (2015)	0.40	0.52	0.59	0.63	0.66	0.63
Extreme poverty (%)	55	47	64	11	8	12
Inequality (Gini; most recent figure)	40	38	58	41	47	52

Source: World Bank (WDI); CIA (The World Factbook).

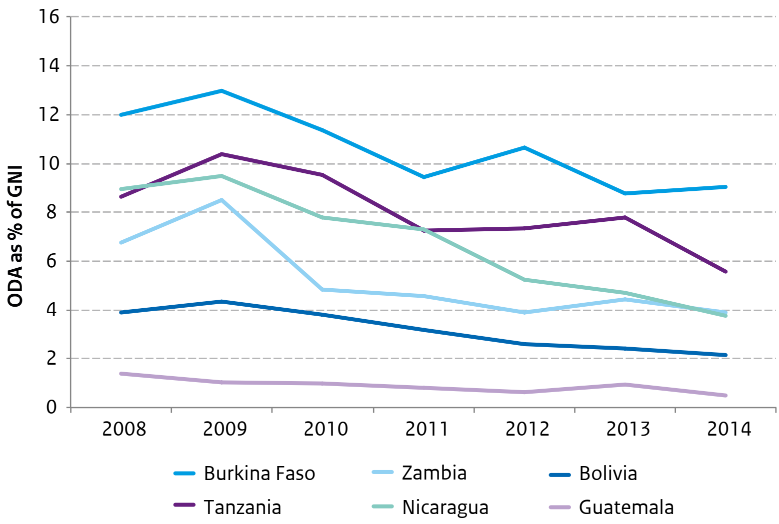
5.3.3 Nicaragua

Nicaragua became a lower middle-income country in 2006 and has achieved economic growth of about 4% since then, though it remains the poorest country in the region and growth rates have only modestly decreased poverty. In 2005, the Netherlands and Sweden both played a critical role in the development towards the provision of general budget support. The Netherlands was the largest bilateral GBS donor, providing 16% of total GBS between 2005 and 2008. In the latter year, it decided to provide only half of the committed amount after the Nicaraguan government excluded two opposition parties from the elections. In late 2008, after fraud was observed in municipal elections, the Netherlands announced that it was ending budget support altogether. Other donors ended their support as well. As a result, programme aid dwindled from 2.3% of GDP in 2007 to 0.4% in 2013. This led to a higher deficit in 2008 and 2009, even though the exit was compensated by (unconditional) oil arrangements with Venezuela.

In the three Latin American countries, foreign direct investment (FDI) and remittances are increasingly replacing the role of ODA in the external balance. In Nicaragua remittances grew to EUR 800 million in 2013, twice the amount of total ODA to the country that year. In Guatemala they increased to EUR 4.1 billion in 2014, 17 times total ODA. In Bolivia the trade balance improved from EUR 0.8 billion in 2010 to EUR 1.8 billion in 2014 and international reserves from EUR 7.3 billion in 2010 to EUR 11.6 billion in 2014.

In the three African countries the role of remittances is still limited. In Tanzania, for instance, total remittances amounted to less than EUR 50 million in 2014. Nevertheless, FDI is expanding. In addition, exports have increased, though in Tanzania and Burkina Faso (and Nicaragua as well) imports have increased much more, leading to a deteriorating trade balance (IMF, 2015).

Figure 5.1 *Total ODA as % of GNI (2008-2014)*



Source: OECD/DAC; WDI; adapted by IOB.

5.3.4 Zambia

While total aid to Zambia has decreased, annual real GDP growth of more than 6% is the main reason for the declining ODA/GNI trend.[49] The economic performance is largely driven by copper mining and exports, responsible for three quarters of Zambia's export earnings. This also makes the growth vulnerable. In 2014 economic growth dipped to below 6%, due to waning prices and demand for copper. The current account deteriorated, international reserves have fallen and the budget deficit increased to more than 6%. As a result of the large fiscal imbalances, public investments have been put on hold. Moreover, while Zambia has become a lower middle-income country, the poorest groups have hardly benefited from economic growth (De Kemp, Faust and Leiderer, 2011). Copper production has been a main driver of the economy, but income from mining is relatively low (IEG, 2015). Low copper prices, waning demand for copper, electricity shortages, and poor rainfall have negatively affected the economy and led to a balance of payments shortfall. Economic growth declined to about 3 percent in 2015 (IMF, 2016). Government expenditures are too high and external financing options have become more limited. Poverty remains high, particularly in rural areas, and the human development index low. According to national data, in 2015 77% of the population in rural areas were poor (and in 2010 58% extremely poor) in comparison with 23% in urban areas (CSO, 2016). In 2015, Zambia ranked 139 on the Human Development Index with a HDI of 0.59. Inequality has increased with a Gini going up from 0.49 in 1998 to 0.69 in 2015 (national data; CSO, 2016).

49 For Zambia and Burkina Faso this is also caused by a recalculation of the national income.

Budget support was an important element in Zambia's aid architecture since 2006. At the peak in 2008, the modality totalled EUR 167 million, of which EUR 146 million were grants. By then, it comprised almost 30% of total bilateral aid and funded 4.6% of government expenditure. The Netherlands was one of the main contributors (see Table 5.3). From late 2008 onwards, relations with the Zambian government changed, however (De Kemp, Faust and Leiderer, 2011). Cooperating partners criticised its slow pace of reform. In 2009 the discovery that funds had been misappropriated in the Ministry of Health put relations on edge. Several donors, including the Netherlands and Sweden immediately suspended their disbursements to the Ministry of Health in 2009. Sweden decided to stop budget support, the Netherlands followed suit in 2011 and in 2013 the World Bank and the African Development Bank made the same decision. In 2015, the instrument ceased to exist.

Between 2006 and 2009, Dutch bilateral aid amounted to about EUR 50 million a year (not including support from Dutch NGOs), about 2.4% of the government budget. About 20% was provided as general budget support. Had the Netherlands continued its bilateral support, it would be comparable to 1% of the government budget in 2014. The higher government expenditure was funded by increased domestic revenue as well as a large deficit (5.9% of GDP in 2014), caused by loose fiscal policy and declining external support (IMF, 2015; IEG, 2015). Had budget support remained constant at the 2010 level, this could have resulted in a 0.4 percentage point lower deficit in 2013 and 2014. The Dutch contribution would have been 8% (or 0.04% of GDP). In the longer run, Dutch GBS resources could have resulted in an increase in the education and health budgets by 0.6% (2014 level).

Table 5.3 Netherlands' budget support in 2010 or the last year of complete disbursement

	Burkina Faso 2010	Tanzania* 2008	Zambia 2010	Nicaragua 2007
Total Dutch bilateral support (EUR million)**	41.2	71.3	28.9	26.9
Total Dutch GBS (in EUR million)	18.0	30.0	10.0	11.0
Dutch bilateral ODA as % of total ODA	5.1%	5.0%	5.0%	5.6%
Dutch budget support as % of total budget support	8.3%	5.8%	5.8%	9.4%
Budget support as % of government expenditure	14.4%	13.9%	4.3%	11.8%
NL BS as % of government expenditure	1.2%	0.8%	0.4%	1.1%
Grants as % of government expenditure	18.5%	17.3%	7.9%	15.7%
Budget support as % of GDP	3.0%	2.5%	0.8%	2.1%
	2014	**2014/2015**	**2014**	**2014**
Budget support as % of government expenditure	7.0%	5.0%	0.6%	1.8%
Grants as % of government expenditure	17.8%	7.9%	3.0%	4.7%

** For Tanzania fiscal year 2008–2009.*
*** Excluding aid through Dutch NGOs and implementing agencies.*
Source: Netherlands Ministry of Foreign Affairs; OECD/DAC; IMF; Central Bank of Nicaragua; adapted by IOB.

5.3.5 Tanzania

In Tanzania ODA has gone down as a percentage of GNI from more than 10% in 2006 to 5.6% in 2014 as a result of economic growth. The value of aid relative to private capital inflows (FDI and public non-concessional borrowing) has also declined (World Bank, 2015b). Nevertheless, as a low-income country, Tanzania still faces important challenges. Its high population growth may negatively impact further poverty reduction and undermine the effectiveness of pro-poor policies (Tanzania country report). The demand for labour is unable to cope with population growth, leading to high youth unemployment. A main challenge for the government is to increase domestic revenue needed for infrastructure investment and social expenditure (World Bank, 2015b).

The Netherlands was a relatively large bilateral donor in the country. The embassy supported the health basket, SRHR activities, local government, private sector development, and, until 2009, general budget support. Dutch GBS comprised 5.8% of total GBS and 0.8% of government expenditure. In 2009 the Dutch Minister for Development Cooperation decided to suspend its GBS because the Tanzanian government had not made enough progress improving the business climate. The immediate cause was a dispute about the legal and financial settlement of the interests of a Dutch investor. One year later, in December 2010, just as bilateral aid relations were on the brink of normalisation again, the Netherlands decided not to renew its contribution to general budget support.

The Dutch exit coincided with a decrease in disbursements by other partners. Donors were moving from budget support and basket funding to project support. Total budget support, including sector budget support, went down from EUR 507 million in fiscal year 2007–2008 to less than EUR 400 million in 2014–2015. As a result, and because of an increase in government expenditure, budget support's contribution to the funding of the expenditure dropped from 17% to less than 8%. This, in combination with disappointing tax revenue, increased the budget deficit and forced the Tanzanian government to reduce expenditures, including poverty related expenditures (World Bank, 2015b).

In 2010, the Netherlands had originally considered a new GBS agreement amounting to about 5% of total budget support.[50] Had the Netherlands disbursed this amount in 2014, the deficit could have been 1.7% lower (0.05% of GDP or 0.3% of government expenditure). In 2008, total Dutch bilateral aid reached a high level of 2.3% of government expenditure (EUR 80 million). Had the Netherlands provided this amount to the Tanzanian government in 2014, the latter could have reduced its deficit (after grants) by 7.7% (about 0.24% of GDP).

5.3.6 Burkina Faso

As one of the poorest countries in the world, Burkina Faso has received a relatively substantial amount of aid. The country still depends heavily on external support, though the role of aid is decreasing as a result of economic growth. The ODA/GNI ratio is falling slightly in spite of constant or even increasing aid levels (depending on the base year).

[50] Starting in 2011 with a total commitment of EUR 110 million and annual disbursements of EUR 17.8 million.

Grants went down from 5.9% of GDP in 2009 to 4.1% in 2014. The share of budget support in total aid is going down as well, partly because of the exit of budget support donors (Sweden and the Netherlands), and partly because of a shift from programme aid to project support. Budget support decreased from EUR 220 million in 2010 to EUR 140 million in 2015. In 2010 budget support was 14% of government expenditure (3.0% of GDP); in 2015 this was less than 6% (1.4% of GDP in 2014). In 2014, economic growth slowed down to 4% after the terms of trade worsened, which was caused by lower prices for gold and cotton, the spill-over effect from the Ebola crisis as well as the impact of internal political upheaval. Low revenues and delayed budget support disbursements forced the government to reduce spending, which negatively affected public investment.

Dutch support to the country started in the 1970s mainly as emergency relief in response to the food crisis in the Sahel region. It accelerated after 2000, when the country became one of the 22 partner countries where the Netherlands wanted to implement the sector-wide approach (SWAp). Between 2006 and 2010 the Netherlands was one of the largest bilateral donors with an annual budget of EUR 45–50 million, mainly in the form of general budget support and support to the education and health sectors. In 2008 Dutch bilateral support peaked at EUR 62 million, comparable with 5% of government expenditure. Three years later, bilateral support reduced to EUR 39 million, about 2.2% of the government budget. In 2014 this would have been enough to fund 1.8% of the expenditure (0.4% of the GDP). The Netherlands was also one of the main GBS providers, the largest among the bilateral GBS donors. Between 2010 and 2013 the Netherlands provided about 9.1% of all GBS disbursed in Burkina Faso. If the Netherlands had continued to provide GBS, government revenue would have been 1% higher. In 2014 and 2015, the budget deficit could have been on average 20% lower. Total Dutch ODA would be comparable with 40% of the budget deficit.

5.3.7 Assessment

Table 5.4 provides an overall assessment of the macro impact of the phasing out of the bilateral development relationship with the six countries. The impact of the Dutch exit on total ODA was significant for the six countries, most so for Burkina Faso, where the Netherlands provided 5% of total ODA (and 11% of bilateral ODA) in 2010. The impact on disposable income also depends on the role of ODA in the economy, being high in Burkina Faso, but also significant in Tanzania, Zambia and Nicaragua. The Dutch ODA/NNI ratio would have been lower for the three latter countries than for Burkina Faso, but still substantial. The impact on the government budget and public service delivery was highest in Burkina Faso and Tanzania. The political impact, however, appears to be highest in Guatemala (see chapter 6).

Table 5.4 Assessment of the impact of the Dutch exit						
	Burkina Faso	Tanzania	Zambia	Nicaragua	Bolivia	Guatemala
On total ODA	++	++	++	++	++	++
On disposable income	++	+	+	+	0	0
On the government budget	++	+/++	+	+	0	0
On public service delivery	++	+/++	+	+	0/+	0
Political impact	+	+	0/+	0/+	0/+	++

0=small; +=modest; ++=significant

5.4 Impact of ending budget support

Based on an extensive literature review as well as econometric research, IOB concluded in 2012 that in general governments have used budget support to increase budgets for the social sectors (see also De Kemp and Dijkstra, 2016). On average about 70%–80% of budget support is allocated to social sectors. Country case studies confirm these findings.
In Zambia, the provision of budget support gave a boost to the government's expenditures on health and education (De Kemp, Faust and Leiderer, 2011). The combination of budget support, GBS policy dialogue, sector dialogue and ownership effectively helped to increase expenditure. For Tanzania, a joint evaluation (ADE, ITAD and COWI, 2013) concluded that budget support has had an important influence on strengthening macro-economic management and on increasing the allocation of government budget resources to high priority sectors, which has contributed to economic growth, improved results in the education sector and reduced non-income poverty. The bulk of GBS resources was absorbed in the education sector, facilitating the continued growth of primary school enrolment, which doubled over the decade, and allowing transition rates from primary to secondary to grow from 20% in 2006 to 54% in 2012 (ADE, ITAD and COWI, 2013). In other sectors, such as health, GBS contributed to steady improvements in outputs and outcomes. Cuts in transfers to local governments had an impact on teacher recruitment and health service delivery.
A recent evaluation of budget support to Burkina Faso concluded that this contributed significantly to budget allocations to health and education and to progress in the provision of public services (Particip, 2016). Other evaluations have reported the same findings (see Lawson 2014; Rønsholt, 2014).

In 2010, Dutch general budget support totalled EUR 106 million (including the co-funding of World Bank programmes), an amount already much lower than the EUR 190 million in 2007. The IOB's 2012 policy review estimated that about 80% was used for social expenditures, especially health and education. Had the Netherlands continued to provide general budget support (and had it renewed its GBS to Tanzania), expenditures on health and education would probably have been almost EUR 100 million higher given that these sectors are still heavily underfunded, in spite of economic growth.[51] Research shows that budget support contributed to higher investments in these sectors, and that the poorest groups in particular benefited from improved access to social services. IOB estimated that the impact on the education budget was almost twice the impact on the health budget, and this is in line with the difference between government expenditure for education and health in many developing countries. Based on the estimates for the six partner countries, as well as wider evidence from the literature, we may estimate that on average one-third (EUR 33 million) would have been spent on the health sector and two-thirds (EUR 66 million) on the education sector. Chapters 7 and 8 include the impact on these sectors.

The Dutch exit had less of an impact on the policy dialogue. In Tanzania, the dialogue was not productive, and decreasing disbursements and the reduced share of programme aid in total aid reflected donor dissatisfaction and a diminishing faith in the effectiveness of the modality, in spite of positive evaluations. In Zambia the modality had lost its role in macro-economic policy as a result of economic growth, increased domestic revenue, the emergence of new donors (China) and improved access to capital markets. Consequently, the instrument also lost its leverage effect (Prizzon, 2013; Delputte and Orbie, 2014; IEG, 2015). In Burkina Faso the Dutch exit (and later on Sweden's announcement that it intended to phase out its bilateral aid programme as well) weakened the policy dialogue, although the government's response to the recent evaluation also shows a loss of interest in this instrument.

5.5 Conclusions

This chapter analysed the macroeconomic impact of the Dutch exit on recipient countries. Ending budget support (in all partner countries), or even phasing out all bilateral support, did not have a major effect on the economy of most countries in question. Moreover, as a result of favourable growth rates, ODA decreased in relation to GDP, especially in the African countries. The Dutch exit had the most profound impact on Burkina Faso and Tanzania. In Nicaragua the withdrawal of several traditional donors had a significant impact on the government budget, though the effect was compensated by aid from Venezuela.
In addition, the six countries feared a domino effect, as the Netherlands has been a front runner in the past.

The fact that the macroeconomic impacts were small does not mean that the effects are negligible. Budget support evaluations for Zambia, Tanzania and Burkina Faso concluded that budget support was mainly used to increase social expenditure (especially for education). Other reports confirm this conclusion. Based on a cross-country comparison, IOB showed in 2012 that in general governments have used budget support to increase budgets for the social sectors. Therefore a continuation of budget support would have resulted in higher expenditures in these sectors. In Burkina Faso, Tanzania, Zambia and

[51] In 2010 Tanzania did not receive GBS from the Netherlands, but the Ministry planned to renew the provision of GBS in 2011 (with an amount of EUR 17.8 million). Therefore, the total would be EUR 123.8 and 80% of that amount is EUR 99 million. Data are on an annual basis.

Nicaragua these sectors are severely underfunded. GBS has contributed to progress on MDG targets, but ending support will slow down progress towards achieving national development goals.

6

Governance

6.1 Introduction

Good governance has been a central theme in Dutch development cooperation. Following conclusions from research by the World Bank, good governance was cited as a condition for the effective provision of aid at the beginning of the millennium. Gradually, it became an objective, as many partner countries did not meet the 'good governance' criteria. Much in line with the World Bank's good governance indicators, Dutch development cooperation adopted the following themes: democratisation, human rights, rule of law, investment climate and combating corruption (IOB, 2006). By 2008 the Minister for Development Cooperation gave the concept a more political interpretation, with a stronger focus on political dialogue and political and human rights. By the end of 2010, his successor replaced the theme of good governance with the new spearhead of security and the rule of law. This marked a major policy shift. Rather than focusing on influencing governments, the objective of enhancing 'security and rule of law' became central, especially in fragile environments.

A main instrument for good governance was the policy dialogue. The Ministry often combined good governance objectives with the provision of budget support (IOB, 2012).[52] Apart from resorting to this modality, embassies supported government institutions such as the Ombudsman and civil society organisations (CSOs), which aimed to improve the quality of governance, political freedom and human rights.

This chapter focuses on the organisations that lost Dutch support because of the exit. The impact of the Dutch exit has been analysed for organisations and institutions in Guatemala, Bolivia, Tanzania, Zambia and Burkina Faso. The analysis does not try to assess the impact on the quality of governance or on human rights in these countries. In general, it is very difficult to determine the effectiveness of these kinds of organisations (IOB, 2015). This being said, there are indications of a loss of capital resulting from the speed of the Dutch exit, from the lack of coordination among donors and from a (felt) lack of funding support from other funders.

6.2 Guatemala

Guatemala has a long history of violence and internal armed conflict, which has resulted in over 200,000 dead or missing persons (between 1960 and 1996). The majority were indigenous peoples, who suffered from economic, political and social discrimination, and human rights violations. Though the government and the *Unidad Revolucionaria Nacional Guatemalteca* signed peace accords in 1996, they have not been fully implemented and

[52] With the policy shift in 2010, political good governance and human rights became strict conditions for receiving budget support. At least in theory. In practice, the provision of budget support was ended everywhere.

instability, impunity and human rights violations continue. The political will for processes of transitional justice in Guatemala has been and continues to be limited.[53]

Dutch development cooperation played an important role in transitional justice in Guatemala. The embassy had an active dialogue with the government regarding human rights issues and transitional justice.[54] It supported human rights organisations that helped to strengthen justice and security and to protect Guatemala's most vulnerable groups.

The Netherlands actively supported the five-year *Programa de Acompañamiento a la Justicia de Transición (*PAJUST) that was launched in 2010. The other main donors of the programme were Sweden and USAID, and the programme was administered by UNDP. The Dutch embassy played an important role in the design and implementation of PAJUST and the Dutch ambassador was actively involved in formulating the programme. The programme aimed to strengthen government institutions in the area of transitional justice and to encourage collaboration between state institutions and CSOs. A variety of state institutions and CSOs were supported through PAJUST; important examples include the support to the *Archivo Histórico de la Policía Nacional* (AHPN) and the *Fundación de Antropología Forense de Guatemala* (FAFG).

The discovery of the *Archivo Histórico de la Policía Nacional* in 2005 was a landmark in the search for truth regarding human rights abuses and forced disappearances during the internal armed conflict. The first joint project with the Netherlands embassy started in 2006. AHPN prioritised the restauration and digitalisation of documents from the period 1975–1985, when the major human rights violations took place. The programme had a tangible effect: as of 2014, the Public Prosecutor has requested nearly 3,600 files and the Prosecutor for Human Rights another 700. Files were also available and often requested for private use (i.e. families of victims) and by social organisations. A lot of work still remains to be done; AHPN has digitalised about 17 million documents (about 20% of the total) with the assistance of PAJUST.

Another organisation supported by PAJUST from 2010 onwards is the *Fundación de Antropología Forense de Guatemala* (FAFG), which had also been supported by the Netherlands for a long time. FAFG tries to localise disappeared people, for example by exhuming military installations and municipal cemeteries, and identifying them by taking DNA samples and comparing and analysing them with DNA samples taken from relatives. A publicly available database with the results of all completed investigations (cases, victims and skeletal remains) has been set up and forensic evidence is provided to the Guatemalan Justice System and the Public Prosecutor's Office. Over time, FAFG continuously strengthened its expertise in finding and identifying victims of human rights violations. The programme

53 Transitional justice is the process of discovering and documenting the truth about the civil war and human rights violations, doing justice to the victims, compensating them and avoiding a repetition of events.

54 Illustrative for the vocal Dutch role was the presence of the Dutch ambassador during the trial of former General Efraín Ríos Montt, accused of genocide against indigenous populations during the civil war.

contributed to the prosecutions in cases of human rights violations and sexual violence against women during the internal armed conflict (NCG/Nexus Consultants, 2014).

When the decision was made to close the embassy in Guatemala, the Dutch embassy intended to hand over the financial responsibilities of supporting projects and programmes to other donors. Sweden raised its annual contribution to PAJUST and agreed to contribute to a second phase of that programme. Despite this, the budget for PAJUST was affected by the ending of Dutch support; an estimated budget of EUR 19 million was available for the second phase, roughly a reduction of 30% compared to support during the first phase of the programme.

This had both financial and political implications. PAJUST financed about 90% of FAFG's activities. Initially, FAFG was forced to fire its personnel in late 2014. In 2015 the organisation could reopen and hire parts of the staff back for the second phase of PAJUST. The reduced budget has interrupted, scaled down and slowed down FAFG's activities, affecting reparation processes for the families of victims of human rights violations and access to justice through possible prosecutions.

For AHPN similar effects occurred. The estimated budget for AHPN was about EUR 2.6 million for the second phase of PAJUST, less than half of the support the organisation received during the first phase. Consequently, AHPN had to reduce its personnel and decrease the scale of the operations. It has weakened the contribution of the organisation to the prosecution of human rights violations and reparation for family members.

Apart from the financial impact, the Dutch exit has weakened PAJUST politically. FAFG and AHPN's partnership with the Netherlands embassy gave them political backing. Other donors have not been able to fill the political gap left behind by the withdrawal of the Netherlands. IOB (2015) concluded that the Netherlands has lost its prominent position in the field of human rights in Guatemala. The regional programme for Central America (MAP) only offered a temporary solution for only a few of the Dutch governance-related activities in Guatemala. The Netherlands could have chosen to support ongoing programmes on transitional justice several years longer through the embassy in San José.

6.3 Bolivia

In Bolivia, the Netherlands has supported the institutionalisation of democratic processes. These processes still face important challenges, like strengthening the decentralised state structures.[55] The Netherlands aimed to contribute to the legitimacy of the Bolivian state and the effectiveness of its public administration. The embassy supported several institutions and organisations, such as the Supreme Court for Elections, the Ombudsman, the Ministry of Autonomy, the Bolivian Federation of Municipal Associations (FAM), the Prefectural

55 Although the decentralisation is vested in the constitution, many obstacles remain and the state seems politically more centralised than a decade ago.

Management and UNIR, a foundation focused on conflict mediation. The Ministry of Autonomy was established in 2009 to support the new constitution. The institution's mandate is to formulate and implement policies aimed at strengthening political and administrative decentralisation. The Netherlands was the first and most important donor supporting the Ministry (from 2011-2013).

Table 6.1 Supported organisations and the impact of the Dutch exit

Organisation	Activity/Goal	NL support in 2010 (x EUR 1,000)	NL support 2011-2013 (x EUR 1,000)	Impact exit
Guatemala				
Programa de Acompañamiento a la Justicia de Transición (PAJUST)*	Strengthening transitional justice and foster the collaboration between state institutions and CSOs	1,001	4,522	Budget reduction by 30% in spite of increase contribution Sweden
Archivos Históricos de la Policía Nacional	Restauration and digitalisation of documents in the search for truth regarding human rights abuses and forced disappearances	Through PAJUST	Through PAJUST	Reduction of personnel and decrease in the scale of the operations. Impact on prosecution of human rights violations and reparation for family members
Fundación de Antropología Forense de Guatemala	Localisation and identification of disappeared people	Through PAJUST	Through PAJUST	Reduction of personnel. The reduced budget has interrupted and scaled down activities, affecting reparation processes for family of victims of human rights violations and access to justice through possible prosecutions
Comisión Internacional contra la Impunidad en Guatemala (CICIG)	Reinforcing the national criminal justice system and helping with reforms and the process of transitional justice	2,051	1,571	Reduction in personnel from 2011 onwards due to exit of donors. Support in 2013 through embassy San José (MAP)
Instituto de Enseñanza para el Desarrollo Sostenible*	Small arms project	0	2,508	Project was extended through the MAP (Embassy San José)
Asociación de Amigos del Desarrollo y la Paz	Enhancing participation and democratic opportunities of predominantly excluded groups	493	1,481	Large reduction of the budget; staff reduction (50%)

Table 6.1 Continued

Organisation	Activity/Goal	NL support in 2010 (x EUR 1,000)	NL support 2011-2013 (x EUR 1,000)	Impact exit
Contraloría General de Cuentas (Public Auditor's Office)	Supporting modernisation and professionalisation of audit function	361	1,437	Project was completed
Centro para la Acción Legal en Derechos Humanos	Promoting human rights	288	1,415	Budget reduction and reduction of staff (almost 50%). Decrease of political support
Consejería en Proyectos (Project Counseling Services)	Promoting women's rights	272	1,061	Reduction of the duration of the project (from 5 to 3 years)
Instituto de Estudios Comparados en Ciencias Penales de Guatemala	Conducting research, training and consultancy in the areas of criminal justice, safety and human rights	252	333	No other donors found
Bolivia				
Supreme Court for Elections	Responsible for national and subnational elections; provision of voting entitlement	715	2,285	Government took over Dutch funding
Ministry of the Autonomy	Strengthening of political and administrative decentralisation	0	2,147	No other donors, reduction of the budget by more than 50%. Scaling down of activities
Ombudsman	Protecting the rights of citizens against public bureaucracy	143	460	Other donors ended their support as well. Reduction of staff, scaling down of activities and presence, especially in the rural areas
UNIR	Conflict mediation	678	2,358	Staff reduction by 50%, no funds for operational costs, and reduction of activities after the Dutch and Swedish exit
Federation of Municipal Associations*	Improving the capacities of municipalities to prepare municipal investment	430	4,935	Scaling down of activities and reduction of activities Discontinuation of technical assistance and legal support

Table 6.1 Continued				
Organisation	**Activity/Goal**	**NL support in 2010 (x EUR 1,000)**	**NL support 2011-2013 (x EUR 1,000)**	**Impact exit**
Burkina Faso				
Centre de Gouvernance Démocratique	Promoting democratic governance through research, training, education and dialogue	69	123	Large decline of resources and activities
Centre National de Presse Norbert Zongo	Promoting transparency and freedom of the press.	32	140	Partly and temporary (2013 and 2014) compensation by a new donor; budget declined by 18%
Réseau de Lutte Anti-Corruption	Combating corruption, lobby and advocacy	71	115	Funding by other donors (Germany and France).
Laboratoire Citoyenneté	Promoting social and political dialogue at the local level through strengthening the capacity of CSOs involved in public dialogue	50	539	Programme came to a premature end because the organisation did not succeed in finding other donors
Tanzania				
Foundation for Civil society	Providing grants for lobby and advocacy and strengthening CSOs	1,430	3,300	Reduced budget and grants (40%). Hardly new grants to CSOs
Public Accountability in Tanzania	Improving accountability at local level	276	1,957	Other donors (DFID, UNICEF) have funded comparable projects
Research on Poverty Alleviation	Research on economic growth and poverty reduction	712	2,546	Reduced core funding (25%), larger dependence on commissioned research
Zambia				
Transparency International Zambia	Combating corruption, lobby and advocacy	300	831	Norway remained active; 25% reduction of the budget

* 2011-2014.

The impact of the Dutch exit is mixed for these organisations. In the case of the Supreme Court for Elections, the government took over Dutch funding. UNIR, on the other hand, depended almost entirely on international donors. The Bolivian government was not interested in supporting oppositional organisations such as UNIR. The organisation received core funding from the Netherlands and Sweden (85% of its budget). Due to the exit of both donors the organisation had to dismiss half of its staff and reduce most of its activities.

As an effect of the Dutch withdrawal, the Ministry of Autonomy also faces a financing gap. Other donors have been unwilling to provide earmarked support to the Ministry and there were insufficient domestic resources to fill the gap. Dutch support was mainly used for technical assistance. The Bolivian Federation of Municipal Associations (FAM) and the Prefectural Management tried to consolidate Bolivia's decentralised state structure but they were forced to scale down activities as a result of the ending of financial support from the Netherlands.

Another important activity previously provided through basket funds from the Netherlands was the Ombudsman. As one of the few institutions critical of the government, the organisation has always depended on donor funding. The immediate financial effects of the Dutch withdrawal were limited because the exit was integrated into the organisation's multi-annual strategic plan. However, other donors ended their support as well. As a result, the organisation was forced to reduce its staff, scale down its activities and presence, especially in the rural areas.

6.4 Burkina Faso

In Burkina Faso the embassy supported and promoted *good governance and human rights* via two instruments: (i) the provision of general budget support accompanied by an active policy dialogue focusing, among other things, on good governance issues, and (ii) through support to CSOs promoting good governance. The supported CSOs included Laboratoire Citoyennetés (LC), the Centre pour la Gouvernance Démocratique (CGD), the Centre National de Presse Norbert Zongo (CNP-NZ) and the Réseau National de Lutte Anti-Corruption (REN-LAC).

The Laboratoire Citoyennetés is the operational wing of the 'Association Construisons Ensemble – Recherche sur les Citoyennetés en Transformation' (ACE-RECIT). Its main aim is to promote social and political dialogue at the local level through strengthening the capacity of CSOs involved in public dialogue. The embassy provided EUR 589,000 core funding between 2010 and 2013. The Centre pour la Gouvernance Démocratique supports democratic governance in Burkina Faso through applied research, training, education and democratic dialogue. The Netherlands embassy contributed EUR 200,000 between 2010 and 2013. The Centre National de Presse Norbert Zongo promotes transparency and freedom of the press. The embassy supported the organisation with EUR 170,000 between 2010 and 2013. The 'Réseau National de Lutte Anti-Corruption' was established by approximately

20 CSOs to help reduce corruption in Burkina Faso. REN-LAC received EUR 200,000 between 2010 and 2013 from the embassy. These organisations had a role in the removal of the former President Compaoré.

The effects of the Dutch exit are mixed. In the past, the embassy had been active in reducing the dependence of CSOs on Dutch aid. As a result, a complete closure of activities because of the Dutch exit could be prevented. The Laboratoire Citoyennetés succeeded in acquiring other sources of funding for other programmes and activities. The Réseau National de Lutte Anti-Corruption was able to secure additional funding from KfW Development Bank and France for its third strategic plan (2013–2016), which more than compensated for the loss of funding from the Netherlands. However, REN-LAC's ambitious third strategic plan was not fully funded and various activities had to be cancelled.

For other organisations it proved more difficult to find other sponsors. The phasing out of the Dutch support had major consequences for the Centre pour la Gouvernance Démocratique. After the Netherlands stopped funding in 2012 and Sweden in 2014, the financial resources of CGD and consequently its level of activities declined drastically. This has weakened one of the main participants in the political dialogue in Burkina Faso, which was and is striving for democratic governance. The Dutch support to the Centre National de Presse Norbert Zongo came to an end in 2012, but another sponsor was willing to increase its financial contribution during the years 2013–2014, which compensated partly for the loss of support from EKN and the decrease of funding from Denmark. Nevertheless, the financial resources available to CNP-NZ declined by about 18% on an annual basis and in 2015 its strategic plan for 2014–2017 was not (yet) fully funded. The phasing out of the Dutch support has not endangered the continued existence of CNP-NZ, but its financial resources have declined substantially.

6.5 Tanzania

The Netherlands has also supported decentralisation and local government reform in Tanzania, in total EUR 60 million between 2008 and 2012. The Dutch embassy played an important role in setting up the system for *Local Government Development Grants* (LGDG) and the *Local Government Reform Programme* (LGRP). LGDG is a system for transferring funds to the Local Government Authorities (LGAs) for financing development activities and investments, implemented by those LGAs, for decentralised service delivery, socio-economic development and poverty reduction. LGRP aims to create a better, more enabling environment for the programming of the *Local Government Development Grants* system. EKN co-chaired the development partner group for local governance for more than four years up till March 2011. Nevertheless, the impact of the Dutch withdrawal was limited. Donors would have phased out their support to LGDG anyway after mid-2013, as the government was to gradually take over funding of LGDG. In this respect, GBS was more important, as donors would fund LGDG indirectly through GBS. LGRP was a temporary programme planned to be phased out by mid-2014. In addition, the programme was dysfunctional, there were many irregularities and results were disappointing.

In addition, the embassy supported the *Foundation for Civil Society* (FCS), a Tanzanian non-profit organisation providing grants, advice, networking facilities and training to civil society organisations all over Tanzania. The overall goal of the organisation is to strengthen CSOs to become key catalysts of ongoing change and development processes. The foundation focuses on policy engagement (influencing), governance and accountability, and capacity strengthening of CSOs. A mid-term review concluded that the FCS had been effective in strengthening the capacities of CSOs to engage in policy dialogues and put pressure on the government to improve governance and accountability. Since its establishment in 2002 the CSO has received financial support from more than 12 different donors (of which five major funders), including the Netherlands since 2004. At the time of the decision to phase out, the Netherlands embassy was the second donor (contributing about EUR 1.5 million annually, about 25% of the foundation's budget), with the Department for International Development (DFID) as the main sponsor. Since 2013 three main donors have ended their support: the Netherlands, Canada and Norway, leaving only two donors to provide core funding (DFID and Denmark). FCS managed to find a few alternative sponsors, though no major funders. Though DFID increased its contribution, the direct effect of the phasing out of Dutch support to FCS has been a reduction in the number of CSOs benefitting from funds for their activities. Since 2013 disbursements have decreased and in 2014 the organisation only approved a few new grants (compared to more than 600 in 2012).

Another initiative is the *Public Accountability in Tanzania* (PATA) partnership, which supports accountability initiatives and projects undertaken by local capacity builders. The PATA programme, which had an initial budget of USD 10.6 million for the years 2010–2014, has helped to improve accountability at the local level, in particular water, sanitation and hygiene (WASH), and cattle dip functionality, and it has also strengthened the oversight capacities of local councillors. The impact of the Dutch exit was limited, as other donors have funded comparable projects.

An example of long-term core funding by the embassy is the support to the *Research on Poverty Alleviation* (REPOA) institution. The Netherlands has been one of REPOA's core funders for almost two decades. Between 2010 and 2013 the Netherlands provided about 45% (EUR 3.3 million) of REPOA's core funding of REPOA, which was more than 60% of the institution's total income. IOB (2007) concluded in an extensive evaluation that REPOA is a highly relevant and successful institution with an important role in Tanzanian socio-economic and development-related research. The organisation helped strengthen the national research capacity, while showing strong ownership. According to the report, core funding is necessary to ensure an independent position in the relationship with the government. The withdrawal of the Netherlands and Sweden contributed to a large deficit in the budget. As result, REPOA has become more dependent on commissioned research, with a negative impact on independent scientific socio-economic and poverty-oriented research in the country.

6.6 Zambia

In Zambia the Netherlands embassy supported the Zambian chapter of Transparency International (TIZ) in the fight against corruption. TIZ's main activities include monitoring (for example through the Bribe Payers Index and the Corruption Perception Index) and strengthening legal and policy frameworks, lobbying and advocacy, empowering citizens and improving the organisation's financial management. The organisation provides checks and balances of Zambia's democratic system and the Zambian population considers TIZ to be the country's most trusted anti-corruption institution. The Netherlands and Norway were the only major donors that provided core funding (The Netherlands EUR 1.6 million between 2010 and 2013), directly contributing to the implementation of TIZ's multi-annual strategic plans. Other funding partners provided earmarked funding for specific projects. In addition, the Dutch ambassador provided political backing, important for organisation's overall functioning.

TIZ is a (scarce) example of a successful transfer of Dutch involvement. Norway took over as a major sponsor of TIZ when the Netherlands withdrew its support. The donor had originally intended to withdraw, but it reconsidered this position when the Netherlands left. Nevertheless, the contribution of Norway has not fully compensated the Dutch exit, and in 2015 TIZ's budget was 25% lower than in 2014, forcing the organisation to reduce its activities.

6.7 Conclusions

The overview in this chapter shows that embassies have promoted good governance by supporting various organisations, sometimes with smaller budgets. This may suggest a fragmented landscape, but this would be too simplistic a conclusion. While the transaction costs of the support may be relatively high, it is more important to focus on the cost effectiveness. If embassies succeed in supporting organisations with a catalysing function in society, the funds provided may be used in a very cost-effective way.

A problem is that in general there are no rigorous evaluations to assess the effectiveness of these organisations. In most cases impacts will only be visible after a long time. Nevertheless, several organisations are able to show tangible results. Examples are AHPN and FAFG in Guatemala. An example of ineffective support was the contribution to LGRG in Tanzania. Therefore, the Dutch withdrawal in this case had no negative impact.

In many cases the Netherlands was the only donor, or one of the few donors, willing to provide core funding for a longer time, sometimes more than ten years. An unintended effect was the creation of aid dependency, even though embassy staff had tried to find other sponsors or had encouraged the organisations to do so (for instance in Burkina Faso). The incentives to do so proved inadequate: rather than gradually reducing support, the Netherlands remained a main funder and in some cases at least created the impression that support would continue for several more years. In general, when support ended rather abruptly, the organisations survived the Dutch exit, though they had to reduce their staff (FAFG) and had to cut down their activities in the absence of other donors willing to fill the gap left behind. In several cases, the Netherlands was not even the only donor ending support. However, no real exit coordination took place, with some exceptions (such as REN-LAC in Burkina Faso and Transparency International in Zambia). While, there were some cases of increased donor contribution (to PAJUST in Guatemala and FCS in Tanzania), most organisations do not think that the embassies have been very helpful in finding other funders.

The survival of these organisations is not an end in itself, and objectives may also be achieved by other means. Nevertheless, by prioritising the speed of the exit rather than attaching importance to the sustainability of the supported organisations, the Ministry risked losing capital. In several cases this risk materialised.

7

Health

7.1 Introduction

For many years, the Netherlands has supported (basic) health care and sexual and reproductive health and rights (SRHR) in low-income and lower middle-income countries. It contributed to public health institutions through general budget support (GBS), sector budget support and multi-donor basket funds. In 2010, the State Secretary announced that budgets for supporting integral health systems would be reduced. While SRHR would remain a priority area for the Netherlands, the health sector as a whole would no longer be a priority in Dutch development cooperation.

This chapter assesses the effects of the budget cuts on health care in development cooperation. Section 7.2 sketches the policy background and corresponding consequences that Dutch development assistance had on health care. Section 7.3 discusses the relationship between health expenditure and health outcomes. Subsequently, section 7.4 presents the impact assessment for the budget cuts on health. Section 7.5 presents conclusions.

Overall, the budget cuts on health have been fully implemented in former partner countries. In countries such as Tanzania, Burkina Faso, Zambia and Nicaragua, the Netherlands had effectively helped to improve health systems. While the policy change in 2010 created a distinction between basic health care and SRHR, these programmes effectively contributed to objectives of the new SRHR theme. Although benefiting from economic growth, the supported countries still face large financing gaps in health care. Continued investment in (basic) health systems would have improved mother and child health, for example.

7.2 The role of the Netherlands in the sector

In the 2008 policy document *Choices and opportunities* (Keuzes en kansen, 2008), Minister for Development Cooperation emphasised the importance of a sector-wide approach in health and SRHR. He stated that the substantial (multilateral) amounts allocated for combating HIV/AIDS, malaria and tuberculosis (TB) have not been accompanied by improved health systems; poorly functioning health systems were seen as a bottleneck for achieving health targets, especially among the most vulnerable groups. Therefore, the Minister announced his intention to increase the budget for bilateral support for health and SRHR.

Facing overall budget cuts for development cooperation, his successor phased out support to the health sector, while maintaining SRHR as a priority theme (see chapter 1). This was an important policy shift. Before 2011 the link between SRHR and health (including HIV/AIDS) has been at the core of Dutch policy. The Ministry almost completely ended the sector-wide approach in the health sector and only continued to invest in health when actively contributing to the SRHR priority theme. SRHR (and women's rights) has remained a priority theme under the watch of Lilianne Ploumen, Minister for International Trade and Development Cooperation.

These policy changes significantly reduced Dutch support to overall health systems. The Netherlands continued supporting SRHR/health programmes in eight of the current fifteen partner countries, and with the exception of Ethiopia the Netherlands did not initiate any new integral health systems.[56]

A major part of Dutch support to the health sector is channelled through specialised multilateral agencies, such as UNFPA, GFATM and UNAIDS. These organisations provide earmarked funding that focuses on specific diseases (such as malaria, TB and HIV/AIDS) and on vaccination programmes. A third channel is support through NGOs. Through MFSII, for example, the Netherlands allocated about EUR 187 million to various alliances working on MDG-4, MDG-5 and MDG-6 for the period 2011–2015.[57] Finally, the Ministry is increasingly providing support through Public-Private Partnerships (PPPs).

Table 7.1 Health, HIV/AIDS and SRHR expenditure (in EUR million)

	2008	2009	2010	2011	2012	2013	2014	2015
Bilateral	147	129	128	130	116	89	79	76
o/w Partner country	*64*	*54*	*59*	*62*	*75*	*74*	*77*	*75*
Former partner c.	*72*	*70*	*60*	*51*	*37*	*15*	*0*	*0*
Other country	*10*	*5*	*10*	*16*	*3*	*0*	*0*	*0*
Multilateral	251	255	221	210	170	220	235	213
o/w UNFPA	*84*	*95*	*85*	*72*	*72*	*74*	*63*	*62*
GFATM	*80*	*60*	*62*	*69*	*40*	*67*	*74*	*55*
UNAIDS	*36*	*36*	*32*	*25*	*20*	*20*	*20*	*20*
GAVI	*25*	*25*	*19*	*20*	*25*	*39*	*46*	*46*
WHO	*23*	*21*	*20*	*24*	*13*	*21*	*16*	*16*
Other	*3*	*17*	*4*	*0*	*1*	*0*	*17*	*15*
NGOs	67	91	72	49	54	68	80	63
o/w International	*30*	*38*	*37*	*25*	*28*	*35*	*34*	*25*
Local	*7*	*5*	*4*	*1*	*0*	*1*	*1*	*1*
Dutch (MFS)	*31*	*48*	*31*	*23*	*26*	*32*	*46*	*37*
PPPs	10	13	7	8	7	22	21	32
Total	**476**	**487**	**428**	**396**	**347**	**400**	**416**	**385**

Source: Ministry of Foreign Affairs.

56 SRHR/health is a priority in Bangladesh, Yemen, Ethiopia, Mozambique, Burundi, Benin, Mala and Ghana.
57 MFS II was the grant framework for Dutch CSOs.

In 2009, the total budget for health, SRHR and HIV/AIDS reached a level of EUR 487 million, but since then it has declined. From 2011 onwards, budget reductions were mainly introduced in former partner countries. Bilateral assistance to health systems ended in Burkina Faso, Zambia, Tanzania and Nicaragua. Current Dutch support to health systems mainly focuses on continued support to Mali and Mozambique and new support to Ethiopia.

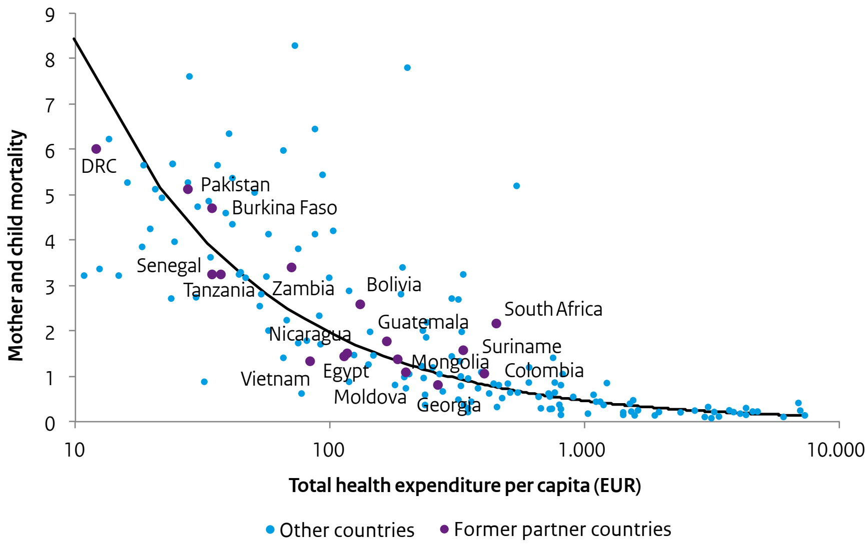
7.3 Effects of investing in health

There is overwhelming empirical evidence that additional investments in health, either funded by donors or governments, improve health outcomes in low-income and lower middle-income countries (see annex III).[58] There are diminishing marginal effects related to investing in basic health care, whereas returns on investment in basic health care are highest in the poorest countries (see figure 7.1).

Government health expenditure in low-income and lower middle-income countries is not adequate for coping with the sector's main challenges. In most African countries health expenditure remains below the Abuja target and only a handful of African countries spend at least 15% of the government budget on health. Additionally, high population growth increases the burden on health systems. The low levels of funding in former partner countries mean that marginal returns on investment are high and hardly diminish. So even if government budgets increase, continued support would have more or less the same impact as during the years when the Netherlands supported these countries.

[58] Montoya et al., 2014; Baldacci et al., 2008; Williamson, 2008; Chauvet et al., 2008; Mishra and Newhouse, 2009; Wilson, 2011; Nunnenkamp and Ohler, 2011; Ziesemer, 2012; Burguet and Soto, 2012; Feeny and Ouattara, 2013; Ssozi and Amlani, 2015; Yan et al., 2015; Moreno-Serra and Smith, 2015; Gyimah-Brempong, 2015; Hsiao and Emdin, 2015; Moreno-Serra and Smith 2015.

Figure 7.1 *Relationship between health expenditure and mother and child mortality*

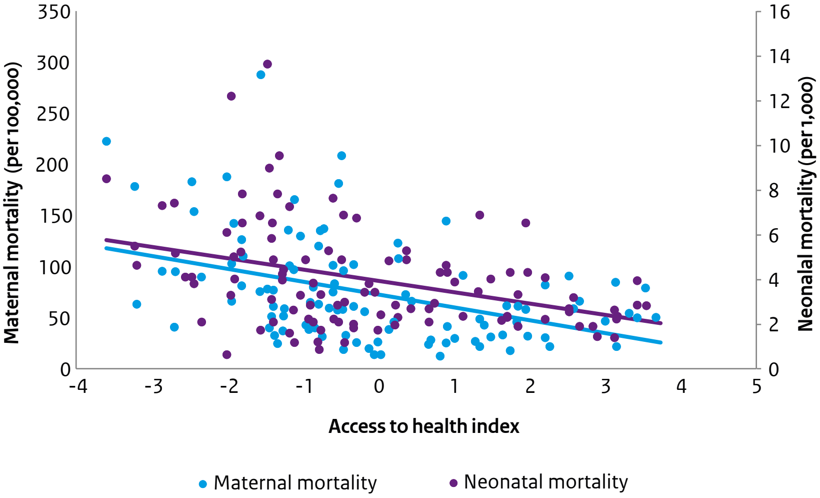


Note: Data are at country level. Log scale for expenditure. Former partner countries are highlighted in red. Mortality index constructed using infant, under-5 and maternal mortality.[59] The three negative outliers are (from right to left) Equatorial Guinea, Angola and Sierra Leone. Syria was a positive outlier, with relatively low mortality rates.
Source: Data (2013) obtained from WHO.

Several evaluations confirm these positive effects of support to the sector on health outcomes. The evaluation of budget support in Zambia found a positive relationship between unearmarked funding and health outcomes (IOB 2011; IOB 2012). The funds help improving access to health. Research for this evaluation confirms this finding. Figure 7.2 sketches the relation between access to (basic) health services and mother and child mortality in Nicaragua. The horizontal axis combines several access to health indicators (with a mean of 0 and a standard deviation of 1). The vertical axes denote maternal and neonatal mortality, respectively. The graph shows the positive relationship between the two: departments with better access to health services have lower maternal and child mortality rates than departments with less access.

59 Log(10)=1; log(100)=2; log(1,000)=3, etc. The variables have been combined using Principal Components Analysis (PCA), a statistical technique for transforming a number of correlated variables into a smaller number of (uncorrelated) variables. The correlation between the constructed principal component and WHO's impact variable Disability-adjusted life years (DALY's) is 0.94.

Figure 7.2 *Access to (basic) health and SRHR outcomes in Nicaragua (2007-2013)*



Note: The horizontal axis is a composite index of access to health indicators, with a mean of 0 and a standard deviation of 1. Data are at department level; (unbalanced) panel 2007-2013.
Source: Ministry of Health Nicaragua; adapted by IOB.

The IOB policy review on SRHR (IOB, 2013a) concluded that Dutch non-earmarked funding for (basic) health increased perinatal and maternal health service use and decreased maternal and child mortality in Tanzania, Nicaragua and Zambia. The evaluation also revealed that while the poorest groups have benefited in particular from improved health services, inequities in health outcomes remain substantial. The review also concluded that well-functioning health systems are a prerequisite for perinatal and maternal health, and investing in basic health care is an effective way of promoting SRHR (IOB, 2013a). The IOB evaluation on the Netherlands and the WHO stresses the importance of improving national health systems for the prevention of global epidemics (IOB, 2016).

In the response to the IOB reports on SRHR and the WHO, the Netherlands government acknowledged these points. Therefore, sector health support would remain a viable Dutch policy option, though under strict(er) conditions regarding human rights, corruption and governance. Moreover, the Netherlands would continue to advocate the importance of integral health support through multilateral organisations and encourages an increasing role for the private sector.

7.4 The impact of Dutch withdrawal

7.4.1 Case studies

This section describes the effects of ending Dutch support in four cases where the Netherlands had been active in the health sector: Burkina Faso, Tanzania, Zambia and Nicaragua.[60] In these countries, the Netherlands channelled the majority of its support to the sector through the respective governments in the form of basket funding. In general, while domestic health budgets are increasing, unearmarked external support tends to decline (see Table 7.2). This creates challenges for investments and health facilities because much of the increase in domestic resources is needed to pay the salaries of health workers.

Table 7.2 Health expenditure Case studies (2008-2014; EUR million)

	2008	2009	2010	2011	2012	2013	2014
Burkina Faso							
NL non-basket	0	3	3	0	0	0	0
NL basket	9	6	7	7	6	6	0
Total basket	12	9	13	10	9	8	3
Earmarked	16	26	41	8	37	25	27
Ministry of Health	88	99	114	111	137	157	141
Tanzania*							
NL non-basket	4	3	4	6	4	4	0
NL basket	15	15	16	17	13	1	0
Total basket	47	63	63	72	85	69	54
Earmarked	74	97	110	96	89	124	141
Ministry of Health	235	284	307	303	365	371	423
Zambia							
NL non-basket	3	3	1	0	1	1	0
NL basket	13	4	0	0	0	0	0
Total basket	43	28	0	9	18	6	0
Total MoH	237	179	240	293	376	334	469
Nicaragua							
NL non-basket	4	5	6	4	3	1	0
NL basket	3	3	4	2	0	0	0
Total basket	14	13	11	8	6	1	1
Total MoH	161	181	185	187	231	237	298

** Calculated from fiscal years 2007–2008 – 2014–2015.*
Source: country case studies.
Note: Zambia: expenditure for MoH and Ministry of Community Development, Mother and Child Health; Tanzania: expenditure for MOHSW.

60 This section is based on the more extensive country reports.

In *Tanzania*, the basket fund was relatively stable until 2012. Since then, foreign contributions to the basket decreased from EUR 87 million in the fiscal year 2011–2012 to EUR 35 million for 2015–2016, due to the exit of major donors, including the Netherlands, Norway and Germany. This has a particularly big impact on the purchase of essential medicines at local levels and will contribute to the burden of disease. It especially impacts the poor and most vulnerable. The Netherlands has been a main donor in the health sector in the country. In 1999, the Dutch embassy was one of the first contributors to the basket fund and until its withdrawal also the largest bilateral and lead donor to the fund, disbursing about EUR 76 million between 2008 and 2013. Roughly half of the health basket fund was disbursed to district councils, enabling them to expand basic health services, especially for maternal, newborn and child health. The funds contributed to high immunisation coverage, malaria control, improved breastfeeding, improved nutrition and higher vitamin A coverage, thus helping to reduce child mortality. The Dutch health expert had a central role in the functioning of the health basket and improving the health sector, especially regarding the new Dutch spearhead SRHR. The Netherlands had insisted on increasing attention on SRHR in the health sector plans and additionally supported well-designed projects that contributed to the reduction of child and maternal mortality. Support for fistula repair and a maternal hospital are examples. In addition, the embassy initiated the development of an advanced monitoring system.

In spite of all the progress, the health sector remains severely underfunded. The strategic sector plan for 2015-2020 foresaw a funding gap of about EUR 200 million to EUR 1 billion, depending on the aspiration level. The size of the health force is gradually growing, but there are still shortages. Maternal and child health care are not performing well, and levels of neonatal mortality and maternal mortality are still too high, despite having gone down. The reduction of funds forced district councils to scale down activities. In addition, NGOs, previously supported by the Netherlands, were not able to attract other donors and had to reduce their activities on HIV/AIDS, malaria and SRHR (for example fistula repairs, provided by AMREF Health Africa). The Netherlands' expertise and role was highly valued by all stakeholders and the country's exit was perceived as a great loss because of persisting, severe shortages, the loss of a highly qualified sector expertise and the withdrawal of other development partners.

This is also the case in *Burkina Faso*, where the Netherlands has provided bilateral aid to the health sector for several decades. It was a main promoter and sponsor of the basket fund and *chef de file* (lead donor) from 2005 to mid-2011. With its departure, the sector has lost a leading partner. This has had a direct impact on the role of the PADS basket fund as a mechanism for external support and sector dialogue. Other donors have ended their support as well (Sweden in 2010 and KfW in 2016). The EU has committed to invest EUR 36 million in the health sector, EUR 30 million of which will be used for sector budget support in 2013–2015. However, this contribution merely represents a shift from GBS and therefore has not increased external funding. The drop in funding of the basket directly contributed to severe underfunding of the sector. There is less money available to finance operational costs, small replacement investments and innovative activities which are not covered by earmarked project funding or the government budget.

The sector still faces many challenges. Infrastructure, equipment and logistics coverage are low. The number of health centres has increased, but disparities in health coverage persist both between health regions and within regions. Public health facilities lack essential equipment and medicine. There is a chronic shortage of qualified health personnel and the distribution is unbalanced in favour of urban areas. Training institutions lack adequate facilities. In rural areas, the availability and quality of health products, including drugs, vaccines and blood products, remains inadequate.

Table 7.3 Health indicators for case studies

	Burkina Faso	Tanzania	Zambia	Nicaragua
Health expenditure per capita (EUR, 2014)	27	39	65	134
Health expenditure (% of GDP, 2014)	5	6	5	9
Public health expenditure, public (% of government expenditure, 2014)	11	12	11	24
Nurses and midwives (per 1,000 people)*	0.6	0.4	0.8	1.4
Births attended by skilled health staff (%)**	66	49	64	88
Maternal mortality (per 100,000 live births, 2015)	371	398	224	150
Mortality rate, under-5 (per 1,000 births, 2015)	89	49	64	22

** Burkina Faso 2010; Tanzania 2012; Zambia 2010; Nicaragua 2014.*
*** Burkina Faso 2010, Tanzania 2010; Zambia 2014; Nicaragua 2012.*
Source: WDI; UNICEF; WHO

In *Zambia*, the Netherlands was also one of the active partners in the health sector contributing to the health basket fund, as was agreed in the division of labour among donors. In 2008 it became a silent partner of Sweden. The Dutch embassy focused more on HIV/AIDS (as lead donor), providing core funding to several NGOs working in the sector.[61] The Dutch contribution to the basket was about 30%, while the basket funded 20%–25% of the Ministry's total expenditure (the Dutch contribution to the budget being approximately 7%–8%). Over the years, there have been massive increases in the flow of funds to the health sector, and between 2006 and 2010, donors financed almost 50% of Ministry of Health's (MoH) budget, for a large part through vertical programmes for HIV/AIDS, Malaria and TB. These funds are rigid and unpredictable, however, and may not be moved to other priority areas without the donor's approval (MoH, 2011). In 2009–2010 several donors (including the Netherlands and Sweden) suspended their contributions after funds were stolen in the MoH (De Kemp, Faust and Leiderer, 2011).

[61] The embassy foresaw ending Dutch support to the health sector in 2011 and expected that the health sector would continue to benefit from Dutch support after 2011 through the provision of general budget support.

The reduction in donor funding impeded the implementation of government programmes and worsened service delivery in the Zambian health sector by scaling down programme implementation. The number of health personnel is now far below the target, and there are many other shortages. Despite improvements, health outcome indicators lag behind comparator countries in sub-Saharan Africa: the country failed to achieve most of the MDG targets regarding mother and child mortality, and continues to have a high disease burden. The withdrawal of Dutch support to the Churches Health Association of Zambia (CHAZ) meant a reduction in funding for church health facilities, which affected the institutional strength of the organisation and basic health service delivery at the local level.

In *Nicaragua*, a basket fund was established in 2005 with the Netherlands and Sweden as the main donors. In 2008, the Netherlands became the lead donor and set up a technical secretariat, which was a central hub for communication between donors and the government. Furthermore, the embassy was the most progressive and outspoken actor regarding respect for SRHR and played an active role against the penalisation of therapeutic abortion, through policy dialogue and support to NGOs. In 2010, the Netherlands signed a MoU outlining its intention to continue supporting the health basket, but in the end no contract was signed because of the pending exit. It disbursed EUR 2 million in 2011. It proved almost impossible to find new donors for the basket, as Sweden had already withdrawn and Finland ended support in 2012.

This donor exit had a major impact on the health sector. External funds accounted for the majority of the investments in health and, overall, reductions in donor funds decreased investments from 12% to about 4% of the health budget between 2008 and 2011. Investments in public health services in the poorest and most deprived departments in the country also decreased. Ending support to civil society organisations working in sensitive SRHR areas has caused substantial financial gaps and forced these organisations to scale down activities. For example, post-abortion care provided by Ipas, a nongovernmental organisation dedicated to ending preventable deaths and disabilities from unsafe abortion, is now only provided in five departments, while this was previously available countrywide.

7.4.2 Impact analysis

Despite the fact that mortality rates have dropped, most former partner countries were unable to comply with the MDG health and SRHR targets for reducing mother and child mortality. There is still a large gap between actual funding and funding needed to comply with the proposed SDG targets in most former partner countries.[62] Underfunding in the health sector translates into a lack of medicine, medical supplies and a shortage of qualified health personnel.

[62] WHO Global Health Observatory.

Given the heterogeneity of activities and the role of many actors, including that of the recipient governments, it is difficult to give a precise estimate of the impact of the Dutch exit. It is, however, possible to give some indications. Researchers have quantified the costs of upscaling health interventions in low-income and lower middle-income countries.[63] Their calculations measure the benefits of investments in the health sector in terms of deaths averted. This is not unusual in medical research. In development cooperation, this approach is also not uncommon for estimating programme impacts. DFID, for instance, uses a Lives Saved Tool to estimate the number of maternal and newborn lives saved by DFID programming (Friberg et al., 2016). For illustrative purposes, this study combines the country-specific estimates of two impressive papers, which both estimate the costs and health benefits of scaling up specifically targeted health interventions in low-income and lower middle-income countries (Jamison et al., 2013 and Sternberg et al., 2013). They are based on an extensive review of rigorous empirical research and include estimates for individual countries.[64]

Using the results of Jamison et al. (2013), we have estimated the effects of prolonged Dutch support.[65] The total Dutch savings on the health sector were achieved by phasing out support to health in the exit countries (see 7.2). In other countries it merely reflected a shift from basic health care and HIV/AIDS to SRHR. In the exit countries it meant a reduction of EUR 56 million.[66] In addition, we may assume that about 27% of GBS (EUR 33 million) would have gone to the health sector (see chapter 5). Overall, then, the Dutch exit meant a loss of about EUR 89 million for the health sector in recipient countries. Such an investment is comparable to the cost of saving about 12,000 lives per year (of which roughly 3,600 in Tanzania, 2,800 in Burkina Faso and 2,400 in Zambia). Investing in health has also many additional positive effects, such as better availability of essential drugs and better functioning health posts.

63 Jamison et al., 2013 (integral support including system costs); Stenberg et al., 2014 (women and child support including system costs); Bhutta et al., 2014 (running costs women and child health); Bartlett et al., 2014 (midwifery and obstetrics, running costs). Calculating the cost per death averted, these studies present additional evidence for the thesis that there are diminishing marginal returns for investments in health; in general, deaths can be averted at a lower cost in poorer countries.

64 Several tools have been developed in recent years to more directly link health investments to health outcomes and more profoundly disentangle the relationship. The most sophisticated in this regard is the OneHealth Tool. This includes a wide range of effect-size estimates for various health interventions and country-specific information on human resources, health infrastructure and logistics, health information system, health governance and health financing for 75 low-income and lower middle-income countries.

65 In our calculations we use country-specific estimates.

66 In chapter 2 we had calculated a net reduction of EUR 43 million between 2010 and 2015. To this amount we add EUR 13 million of support to the health sector in Zambia. In Zambia, the Netherlands had suspended the disbursement because of the corruption scandal in the health sector.

7.5 Conclusions

This chapter analysed Dutch involvement in the (basic) health sector, a priority theme in Dutch development cooperation until 2010. The primary objective of support to (basic) health care was to improve the quality of integral government health systems in recipient countries, which, in turn proved an effective way of promoting SRHR. The de-prioritisation of basic health created a distinction between the two interlinked policy themes.
The Netherlands has ended programmes that effectively contributed to objectives of the new SRHR theme in former partner countries. Continued support would have had an impact on health facilities, medical supplies and investments in the sector. Evidence shows that Dutch support was effective in Burkina Faso, Tanzania, Nicaragua and even in Zambia, where the Netherlands had discontinued support because of the abuse of funds.

In spite of the progress and increasing government expenditure on health, the poorest groups still do not have equal access to health facilities, and the financial barriers they face are prohibitive. Most former partner countries continue to face financing gaps. Morbidity and mortality rates, especially for mother and child, remain high. Had the Netherlands continued its support in these sectors, this would have had the same impact as during the years when these countries received Dutch support, because marginal returns hardly decrease at the current low levels of funding. The reduction of support has an impact on basic health care services. The drop in support through basket funds had a negative impact on operations, replacement investments and innovative activities which are not covered by earmarked project funding or the government budget.

The budget cuts on (basic) health and SRHR were almost entirely realised in the exit countries and resulted in a loss of about EUR 89 million annually for the health sector in recipient countries. This is comparable to the cost of saving about 12,000 lives per year in these countries.

8 Education

8.1 Introduction

The Netherlands has supported (basic) education projects and programmes for about two decades. In 1999, basic education became a priority sector in Dutch development cooperation. Two years later, parliament asked to spend at least 15% of the total budget on education. As a result, expenditure on (basic) education rose sharply. Globally, the Netherlands was the fourth largest donor between 1999 and 2009, spending an average of EUR 350 million per year.
In 2010, however, the new government decided that education would become a posteriority, despite the government coalition agreement's that 'we will focus on themes in which we have experience and expertise' (Coalition Agreement Rutte I).

This chapter assesses the effects of phasing out Dutch sector support on education. Section 8.2 sketches the policy background and corresponding consequences that Dutch development assistance have had on education; section 8.3 reviews the existing evidence on the effectiveness of support prior to the exit; section 8.4 presents the impact assessment of the budget cuts for education and the policy shift away from the sector-wide approach. Section 8.5 concludes that the previously supported countries still face substantial financing gaps and are in need of major investments in the education sector. Prolonged Dutch support would have had positive and significant effects in the countries previously supported.

8.2 The role of the Netherlands in the sector

In 1990 representatives of 155 countries agreed during the Education for All (EFA) conference in Jomtien in Thailand that they would ensure that by 2000 all children in the world would have access to primary education (IOB, 2008). At the time, more than 100 million children were deprived of education. The world community did not achieve the EFA goal, though gradually it did trigger more attention for basic education. In 2000, the targets were renewed for 2015 during the World Education Forum in Dakar and in the Millennium Development Goals (MDGs).

The Netherlands started to invest in (basic) education almost from the very moment that the Jomtien conference took place. A main impetus came from target two of the Millennium Development Goals (MDG-2) on universal primary education, as well as from the input target of spending 15% of the development cooperation budget on education.
The simultaneous shift towards a sector-wide approach paved the way for support to the education sector through basket funding (Burkina Faso, Mali, Zambia and Bolivia), budget support (Uganda) and silent partnerships (Nicaragua). In 2002, the Dutch Minister for Development Cooperation also launched the *Fast Track Initiative* (FTI) together with the World Bank, the aim of which was to accelerate progress towards quality universal primary education in low-income countries. For many years, the Netherlands was the largest donor of the FTI, which in 2011 was renamed the *Global Partnership for Education* (GPE).

By then the Dutch government had decided to deprioritise education as a theme. Education only retained a function in support of other priority areas. The intention was to end sector support to education altogether from 2014 onwards. Embassies in partner countries were requested to formulate exit strategies. The Ministry expected GPE to financially compensate the Dutch withdrawal from the education sector. Support to the GPE was extended until 2014 with a commitment of EUR 120 million. Expenditure for basic education went down to almost zero in 2015 (see Table 8.1). The budget for higher education also decreased during this period, but not as much, mainly due to continuing contributions to the NICHE/NFP+ programme.

Table 8.1 Dutch support to education (in EUR million)

	2008	2009	2010	2011	2012	2013	2014	2015
Bilateral	278	214	188	113	80	63	20	4
o/w Partner country	*168*	*123*	*115*	*67*	*42*	*30*	*9*	*1*
Former partner	*104*	*85*	*67*	*44*	*37*	*33*	*10*	*2*
Other country	*6*	*6*	*5*	*2*	*0*	*0*	*0*	*0*
NGO	8	11	6	1	1	0	0	0
Multilateral	41	46	75	77	36	35	36	4
o/w GPE	*5*	*1*	*35*	*30*	*30*	*30*	*30*	*0*
UNICEF	*26*	*37*	*24*	*30*	*0*	*0*	*0*	*0*
UNESCO	*8*	*7*	*13*	*15*	*3*	*4*	*6*	*4*
Total Basic education	327	271	270	191	118	99	55	8
Higher education	116	132	144	116	107	103	46	48
Total	**443**	**403**	**414**	**307**	**225**	**202**	**101**	**56**

Source: Ministry of Foreign Affairs.

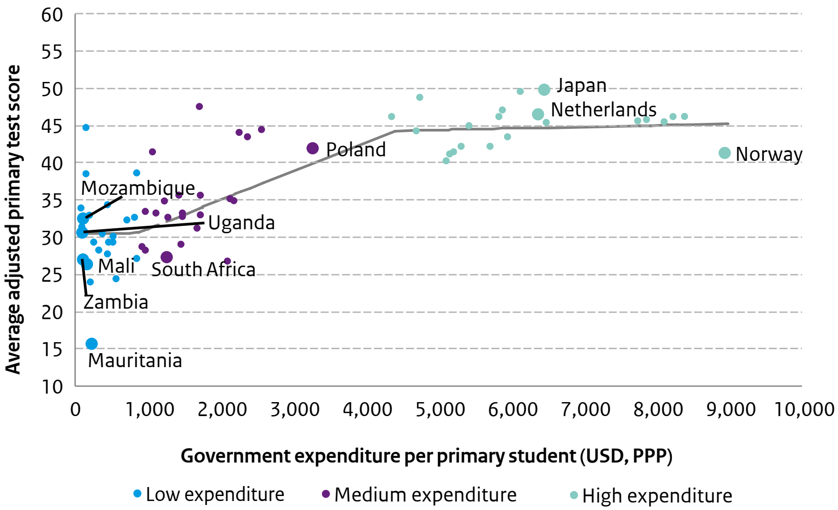
8.3 Effects of investing in education

In 2011 IOB published the results of a policy review of basic education for the period 1999–2009. This was based on a literature review, impact evaluations and country case studies conducted between 2008 and 2011, and an analysis of the role of Dutch NGOs. The report, entitled *Education Matters*, concluded that sector cooperation was successful and that despite the enormous challenges, the sector could point to impressive results. The Netherlands had made an important contribution to the progress towards the Education for All targets and the education-related MDG-2, and at the country level remarkable progress had been made in improving access to education. Nevertheless, major investments were needed to improve the quality of education. Indeed, improved access, but also a substantial increase in enrolment resulting from high fertility rates led to overcrowded classrooms, high pupil–teacher ratios and lack of school facilities. Thus, major investments were still needed to improve the quality of education. According to the review, external support to the education sector was still ‘unfinished business’.

Other empirical evidence shows a positive effect of aid on education outcomes, such as enrolment, gender equality, repetition and pupil–teacher ratios in low-income and lower middle-income countries (d'Aiglepierre and Wagner, 2013; White, 2004; IOB, 2008; De Kemp and Ndakala, 2011). Investments in school infrastructure, such as constructing or upgrading school facilities are necessary to improve learning outcomes (see Kremer et al., 2013; McEwan, 2013; Psacharopoulos 2014; Glewwe et al., 2011)

The available evidence suggests that the relationship between education expenditure and educational outcomes is in the shape of an S-curve (see figure 8.1). Below a certain level of educational expenditure there is a shortage in every part of the sector; school infrastructure is inadequate, schools lack basic learning materials, teachers do not possess the required qualifications and classrooms are overcrowded. The marginal effects of investing in education are highest after reaching this threshold of educational expenditure. However, the S-curve does not mean that at the lower levels do not have an effect, but rather that major investments in education are necessary in low-income countries to positively affect learning outcomes. This is in line with the conclusions of the IOB policy review.

Figure 8.1 *Relationship between education expenditure and learning outcomes*



Note: Country level data.
Source: Data derived from Angrist et al. (2013) and UNESCO-UIS.[67]

[67] Measuring quality of education has been a challenge given the limited comparability of data across countries and years. An excellent recent exercise by Angrist et al. (2013) normalises a variety of regional learning-outcome datasets, producing a globally comparable dataset on student achievement for 128 countries around the world from 1965 to 2010. Since the data for 2005 are the most complete, these are used here. Kuwait (outlier) is excluded from the graph; this country has very high (average) expenditure per student but lower learning achievements. Plotting government expenditure against learning outcomes as measured by SAQMEC (Southern Africa region) or PASEC (Francophone Africa) confirms the non-significant relationship between learning outcomes and education expenditure at the lowest end of the income spectrum as demonstrated in this figure. Madagascar (the high score on the left) seems a positive outlier, but has low enrolment rates.

On average, low-income countries spent about EUR 52 per student between 2011 and 2015, which is less than 1% of the education expenditure in high-income countries. In 2009, the Education Policy and Data Center (EPDC) and UNESCO estimated that to achieve universal education with minimum standards (such as a pupil–teacher ratio of 40:1) 46 countries almost would have to double their education expenditure between 2008 and 2015.[68]

8.4 The Impact of Dutch withdrawal

8.4.1 Case studies

The Netherlands supported the education sector in four of the six countries studied, Tanzania and Guatemala being the exceptions.[69] Dutch sector support partially alleviated financial gaps in the education sector and contributed to the successful implementation of multi-annual plans of the Ministries of Education.

Table 8.2 shows for the four countries two diverging tendencies: increasing domestic expenditure, for a large part for salaries and other recurrent costs and decreasing external (basket) funding. This is in line with the development sketched in chapter 7 for the health sector. Nevertheless, the reduction of non-earmarked funding is not only an effect of the exit of donors or a reduction of their budgets, but also an expression of a shift from programme aid to project support.

68 In 2009, the Education Policy and Data Center and UNESCO published a paper that aimed to estimate the costs and resource implications for achieving education for all in low-income countries by 2015. Using country-specific simulation techniques, the paper presents a broad indication on the level of (financial) resources needed to achieve universal education for 46 low-income countries. The model calculates costs by multiplying projections of the number of school places required in each year by the cost of providing each school place. It then compares these costs with projections of the government resources that are likely to be available in each year. The model used for the costing exercise includes most areas covered by the EFA goals such as pre-primary, primary and lower secondary levels of education as well as adult literacy programmes.

69 This section relies on the country case studies. In Tanzania, the embassy ended direct sector support in 2007. The Ministry of Education received direct Dutch funding until 2008. From then on aid to the sector was provided through budget support and through local government development grants.

Table 8.2 Education expenditure Ministries of Education, basket funding and Dutch support (EUR million)							
	2008	2009	2010	2011	2012	2013	2014
Burkina Faso							
NL non-basket	17	8	5	3	0	0	0
NL basket	13	7	7	7	7	8	0
Total basket	33	35	53	48	19	25	36
Total MoE	202	189	286	290	324	364	333
Zambia							
NL non-basket	2	1	1	1	4	5	0
NL basket	24	21	12	9	0	0	0
Total basket	44	72	24	41	12	8	12
Total MoE	439	405	458	521	680	727	987
Nicaragua							
NL non-basket	0	0	0	0	0	0	0
NL basket	9	7	2	0	0	0	0
Total basket	18	11	6	10	0	0	0
Total MoE	159	176	175	175	200	212	250
Bolivia							
NL non-basket	6	4	5	2	1	0	0
NL basket	6	6	6	4	5	4	3
Total basket			18	13	20	16	
Total MoE			86	59	83	76	90

Note: Non-basket funding includes support to NGOs. Burkina Faso MoE (Ministry of Education) expenditure is expenditure for PDDEB/PDSEB, minus externally funded projects. For Burkina Faso and Zambia the FTI Catalytic Fund and GPE are included in the basket fund data. Bolivia MoE expenditure is only the expenditure at the Central Ministry of Education.

In *Burkina Faso*, the Netherlands was one of the main donors and promotors of the sector-wide approach since the late 1990s, contributing more than EUR 80 million to the sector between 2008 and 2013. At the beginning of the millennium, Burkina Faso had one of the weakest education systems in the world. Since the introduction of the basic education development plans (the first in 2002 and the second in 2012) indicators have improved a lot. While the country was not able to achieve the MDGs on education, its improvements in access to education are impressive. In primary education, net enrolment rates improved from 37% in 2001 to 67% in 2014; the primary education completion rate increased from 27% to 61%. Nevertheless, the sector still faces huge challenges. While the government invests a great deal, total expenditure per pupil (around EUR 100 per pupil) remains too low to ensure educational quality. The funding gap for basic education was about EUR 600 million in 2015. To bridge this, the government would have to spend 45% of its entire budget on basic education.

External support to education has decreased because the Netherlands, Sweden and Denmark instigated a phased-out withdrawal. This led to a temporisation of development expenditure including the construction of schools and classrooms and the procurement of desks and books and a slow-down in the achievement of goals set for the basic education sector. It has been suggested that the contribution from the GPE (EUR 21 million in 2014) to the basket has compensated for the Dutch loss, but this was not an annual amount, just part of a total package of USD 78 million (about EUR 65 million) for 2013–2017. Moreover, support from GPE is a continuation of support from the FTI Catalytic Fund (USD 102 million between 2009 and 2011, about EUR 75 million). According to GPE staff, the total amount for GPE for Burkina Faso was not related to the Dutch exit. More effective was the attempt by the Dutch embassy and the Ministry of Education to persuade Luxembourg to support the (basic) education sector in 2014 and 2015, though it was a rather lucky coincidence that Luxembourg had just decided to increase its support to Burkina Faso for these two years (in total EUR 15 million). For 2014 and 2015, this limited the negative impact of Dutch withdrawal.

The Dutch exit also has a major impact on the *National Fund for Adult Literacy Training* (FONAENF). The Netherlands has supported this fund since its inception in 2002 and was the main donor up to 2010, and in 2008 it even funded more than 50% of FONANEF's budget. Together with the Netherlands, other donors have also ended or reduced their support leading to a reduction of FONAENF's budget by 50%–70%. As a result, the organisation had to stop funding more than half of its training centres (from 13,000 down to 6,000). This has had a major impact on the number of people that receive literacy training. For Burkina Faso, it will become more difficult to combat the still high illiteracy rates (around 70% of the population). The end of Dutch support means that between 11,000–12,000 fewer people are being successfully trained every year.

Had the Netherlands continued its support (overall about EUR 15 million annually), this would have enabled the government to increase investments in the sector, thereby helping to further increase access and improve the quality of education. To give an idea of the value of such a level of additional funding for the education sector in Burkina Faso: it is comparable to the cost of enrolling 150,000 pupils or constructing 2,000 classrooms. This would help to raise enrolment, improve the learning environment and thereby reduce the dropout rate and improve learning achievements.

In *Zambia*, the Netherlands has also been a main donor in the education sector. The embassy's involvement in basic education started in the late 1990s. The embassy was lead donor, together with Ireland, from 2005 onwards. Between 2006 and 2010, the Netherlands contributed EUR 87 million to the sector through pooled funding and another EUR 7 million for specific NGOs and projects. The Netherlands was also the supervising entity for the management of EUR 44 million (between 2009 and 2011) from the FTI Catalytic fund. The Dutch embassy was especially keen on improving the Ministry of Education's financial management in the sector, including procurement and auditing. Dutch expertise helped to improve the Ministry's financial management and planning.

An unintended negative effect of the division of labour among donors in Zambia was the major impact that the two major donors Denmark and the Netherlands had when they decided in 2011 to end their support. This had a substantial effect on the basket fund, dwindling disbursements from EUR 72 million in 2009 to EUR 12 million in 2014.[70] Subsequent commitments by GPE (EUR 26 million for 2013–2016; disbursements for 2014 included in Table 8.2) have not been sufficient to compensate for the Dutch and Danish exit.

Domestic resources for education have increased a great deal since 2008, and this has reduced dependency on external resources. External support to the Ministry has declined to less than 2% of the total budget. Nevertheless, a large part of the budget increase was spent on personal emoluments, leaving only a limited budget for infrastructure, the school feeding programme and capitation grants (school grants). The sector still faces many challenges. Shortages persisted, while enrolment will continue to increase as a result of the demographic development. The quality of education is poor, mainly because of underfunding and a lack of capacity.

In addition to collaborating with the Ministry of Education, the embassy supported the Forum for African Women Educationalists of Zambia (FAWEZA), the leading NGO in Zambia for championing girls' education. The Netherlands provided core funding, together with Denmark and Irish Aid. As a result of Denmark's and the Netherlands' exit, FAWEZA had to halve its staff and scale down its activities by 50%. This has affected the education of girls in Zambia, though it is difficult to quantify the impact.

The Zambia country study presents the results of an estimate of the effects had the Netherlands continued its support. If that had been the case, then the Ministry of Education would have been able to construct 4,500 classrooms, recruit about 4,500 teachers or increase school grants to EUR 13 per pupil. Overall, Dutch support (of about EUR 24 million) was comparable to the cost of enrolling 140,000 pupils in primary education. The Dutch exit also had a broader impact. A great deal of experience disappeared, and this has also had an impact on the policy dialogue and the Zambian Ministry's planning and financial management. The Netherlands left the sector at a critical moment when Dutch expertise was sorely needed to improve the Ministry's financial management and planning.
New donors have not taken over the Dutch role.

In 2005 in *Nicaragua*, Canada and Denmark supported the national education plan through pooled funding. The Netherlands joined two years later as a silent partner. The Dutch contribution was linked to that of lead donor Canada at a 3:1 ratio. The Netherlands committed a total amount of EUR 34 million between 2006 and 2010. The withdrawal of the Canadian International Development Agency and subsequently the Netherlands practically ended the pooled fund. The Ministry of Education in Nicaragua has a perennial financing gap and the funds from the education basket were strategically used to fill financial gaps in the budget. Ending the basket fund decreased the level of investment at the MoE from

[70] DFID started to provide sector budget support (EUR 33 million in 2014), but this was merely a shift from GBS to SBS. In addition, DFID took over the Dutch role as supervising entity for GPE funds.

10% to 3% of the budget between 2009 and 2011. The government has been able to partially compensate for reduced investments from 2012 onwards. The withdrawal of basket funds temporarily but significantly reduced investments in the renovation and construction of new schools and classrooms and the procurement of desks. Moreover, school books, solidarity school packs and the school feeding project received fewer funds, as the government could not immediately compensate for the decrease in discretionary spending.

Table 8.3 Education indicators for the exit countries (most recent)

	Burkina Faso	Zambia	Nicaragua	Bolivia
Education expenditure per primary student (in USD, PPP)[1]	320	480	440	1,070
Education expenditure, public (as % of GDP)[1]	4.5	5.6	4.5	7.3
Primary				
Net enrolment rate (%)[2]	67	87	97	88
Completion rate (%)[2]	61	81	85	96
Pupil–teacher ratio[3]	44	48	30	24
Access to electricity (%)[4]	11	26		
Access to potable water (%)[4]	53	89		
Lower secondary				
Net enrolment rate (%)[5]	21	31	42	66
Completion rate (%)[5]	25	55	67	90
Pupil–teacher ratio[6]	30	48	29	16
Access to electricity (%)[4]	52	82		
Access to potable water (%)[4]	75	98		

[1] Burkina Faso 2014; Nicaragua 2010; Bolivia 2013; IOB estimate for Zambia (2014).
[2] Burkina Faso 2014; Zambia 2013; Nicaragua 2010; Bolivia 2008.
[3] Burkina Faso 2014; Zambia 2013; Nicaragua 2010; Bolivia 2007.
[4] Burkina Faso 2014; Zambia 2012.
[5] Burkina Faso 2014; Zambia 2013; Nicaragua 2010; Bolivia 2013.
[6] Burkina Faso 2009; Zambia 2013; Nicaragua 2010; Bolivia 2007
Source: UNESCO-UIS.

The Netherlands has also long been active in the education sector in *Bolivia* and has supported reform processes, aimed to close the gender gap in access to education and support indigenous groups. Between 2008 and 2014, the Netherlands disbursed about EUR 35 million to Bolivia's central Ministry of Education and focused mainly on improving policy and monitoring quality. The embassy also strategically supported vocational training institute FAUTAPO and research institute PIEB. In Bolivia, the central Ministry of Education's expenditure only represents a fraction of the entire education expenditure in the country, given Bolivia's decentralised system. Therefore the Dutch contribution was small in relation to total education expenditure (about 0.3%). Despite Bolivia's budget surplus, the Institutional

Strategic Plan (PEI) of the central Ministry of Education shows both a financing and liquidity gap for the period 2015–2020. The effects of ending basket funding on the quality of education were limited, because the majority of investments in (primary) education came from sub-national governments. Basket funds were used for recruiting external consultants, teacher trainings, curriculum development and central investments. The Bolivian government should have been able to take over the external support received through the basket. But Dutch withdrawal weakened the donor group, which no longer an effective role in the dialogue (on issues such as the quality of education and quality indicators).

The Dutch exit had a larger impact on FAUTAPO, which had to close 2 of the 12 offices, decrease its staff by 50% and reduce its activities. Given the Dutch role, this will have an especially harsh impact on the training of women. In addition, a research programme that depended heavily on core funding from the Netherlands had to reduce its staff by 70% and cut salaries by 30%–50% and discontinue new research.

8.4.2 Impact analysis

Despite increased budgets for education and higher enrolment rates, universal and high-quality basic education are still unavailable in (former) partner countries. There is a large financial deficit between actual and necessary expenditure on education. The Global Partnership for Education does not compensate for the Dutch exit. After 2014, its allocations to several low-income and lower middle-income countries have been cut for various reasons. Countries that have suffered from these cuts include the Central African Republic, Guinea, Kenya, Kyrgyzstan, Niger and Uganda. According to GPE's staff, the withdrawal of the Netherlands contributed to these so-called *prioritisation measures*.

Between 2010 and 2015, the Ministry of Foreign Affairs cut annual expenditure on education by EUR 358 million, EUR 262 million of which was for basic education. In addition, it may be assumed that about 53% of GBS (EUR 66 million) would have been spent on (basic) education (see chapter 5). To give an impression of the impact of this total of EUR 328 million, it may be compared to the cost of government expenditure for 2.5 million pupils (of which about 140,000 in Zambia and 180,000 in Burkina Faso), the salaries of 90,000 teachers or the construction of 30,000 classrooms (including offices, storage, furniture, and water and sanitation).[71] This would have helped to increase enrolment, but especially it would have reduced the high pupil–teacher and pupil–classroom ratios. For instance, if the budget would have been used in Zambia for recruiting teachers in primary education, it would have been possible to reduce the pupil-teacher ratio in basic education from 47:1 to 45:1. Nevertheless, given past agreement about the use of the basket fund, probably a large part would have been used for an increase of the school grants (about EUR 5 per pupil). For Burkina Faso continuation of the Dutch support would have enabled to reduce the pupil-teacher ratio from 42:1 to 37:1.

71 Calculated using country-specific estimates using data from EDPC/UNESCO (2009) and UNESCO-UIS database.

8.5 Conclusions

In the 2000s, the Netherlands was among the largest donors in the education sector. The Ministry had an input target of 15% of development assistance for education and made an important contribution to progress on the Education for All target and the MDGs for education through the support of (basic) education. Despite these positive effects, the government did not select education as one of the new priority themes by the end of 2010.

The Global Partnership for Education was expected to (partially) compensate for the Dutch withdrawal from the education sector. Country case studies for Burkina Faso and Zambia provide no evidence for this. On the contrary, the ending of Dutch support to GPE in 2014 affected the partnership's allocation of funds. Partially as a result of the Dutch withdrawing their support, the organisation cut back its support to a number of low-income and lower middle-income countries.

The withdrawal of Dutch support affected education expenditure in three of the four countries studied for this evaluation: Burkina Faso, Zambia and Nicaragua. It contributed to ongoing financing gaps and reduced discretionary spending and investments in education. The impact of ending support to the education sector in Bolivia was rather small.

Expenditure on education in (former) partner countries remains far too low, and major budget increases are necessary to improve the quality of education. Continued support for basic education would have helped to increase investments and the quality of education in all (former) recipient countries where the Netherlands was active in the education sector. The total budget cuts of EUR 328 million annually would have allowed the countries to further reduce pupil–teacher and pupil–classroom ratios.

9

Overall Assessment

In 2010, a new Dutch government announced that it would fundamentally review development cooperation, aiming to enhance the efficiency and effectiveness of aid. In its view, Dutch development cooperation had become fragmented, with too many priorities and activities and too many partners in too many countries. There were other compelling arguments for 'modernising' aid. The government had decided that the budget for development cooperation would be reduced by an annual total of EUR 810 million.
ODA expenditure by the Ministry of Foreign Affairs decreased by EUR 547 million between 2010 and 2015.

The Ministry achieved these savings by:
- phasing out the bilateral development relationship with 18 countries of the 33 partner countries: EUR 378 million;
- ending support to (basic) education: EUR 293 million (not including the exit countries);
- stopping general budget support: EUR 70 million (excluding exit countries);
- cutting down expenditures on good governance: EUR 63 million.

The difference between the savings of EUR 804 million and the reduction of EUR 547 million is explained by higher expenditures on other themes, especially for emergency relief (in total EUR 321 million more).

At the request of parliament, this report presents the results of an assessment of the impact of budget cuts on development cooperation, as implemented by the Dutch government between 2010 and 2012. It focuses on the impact on former partner countries as well as on general budget support, health and education.

The analyses show that the *assumption* that aid is more effective if a donor concentrates its support on a small number of countries and sectors was not guided by much empirical evidence. In the implementation, realising budget cuts became the main driver rather than the pursuit of aid effectiveness:
- it was *assumed* that the value added of aid would be highest in Dutch top sectors such as water and food security. This assumption was not based on empirical evidence of the effectiveness of Dutch development cooperation in these and other sectors;
- the analysis focused on (decentralised) bilateral aid, without assessing the relative efficiency and effectiveness of other aid channels (aid through NGOs, through multilateral organisations and through implementing agencies, especially private sector development);
- the literature on aid fragmentation stresses the importance of stronger coordination and a better division of labour among donors. However, the Ministry began by selecting recipient countries and only then tried to negotiate with other donors. As a result, it proved almost impossible to hand over Dutch programmes to other (European) donors;
- the criteria for the country selection were too general and did not take into account the effectiveness of existing programmes;
- while it was stressed that a thorough knowledge of the economic, social and political context of a country was crucial for the effectiveness of Dutch aid, the actual expertise of the Netherlands in the partner countries did not play a role in the country selection;

- rather than assessing the effectiveness of Dutch support in individual countries, the government held on to the envisaged maximum of 15 partner countries;
- while the objective was to reduce the fragmentation of Dutch aid, the exit process solely focused on the small group of official *partner* countries instead of the more than 70 other countries receiving Dutch support;
- the Ministry had reduced programme aid in favour of project support, which entails much higher transaction costs.

However, the report also notes that the country selection process was largely in line with the criteria the Ministry had set. There were four main exceptions: the Palestinian Authority was included as one of the 15 remaining partners, though it ranks low on most criteria. Here, political considerations were decisive. The other exceptions were Tanzania, Burkina Faso and especially DRC. These countries were not selected, in spite of high scores on most criteria. For DRC the argument to discontinue bilateral development cooperation was based on the conviction that the Netherlands' influence on the country's major, complex problems would be limited.[72] For the two other countries, the Ministry was rather selective in its argumentation. The minster has defended phasing out of Tanzania because the country would have enough other donors, while this was not a reason for ending support to Mozambique. For Burkina Faso the argument was that the existing programme did not dovetail with the new priorities, while for Rwanda, where the Netherlands was active in justice, energy and decentralisation, the *potential* was the argument for selecting the country.

The report shows that Dutch support to the social sectors in Tanzania and Burkina Faso was actually effective. In both these countries and for Nicaragua and Zambia, Dutch support was ended that had effectively contributed to the realisation of the objectives of one of the new priority themes (SRHR). In Tanzania, where the Netherlands did not close the embassy, it would have been easy to continue support to the health sector, where the Netherlands was a much respected lead donor. The Netherlands could also have decided to remain active in Burkina Faso. This shows that the selection process was too mechanistic, focusing rigidly on a maximum of 15 countries and on dichotomous outcomes (partner country or not), rather than on a substantial assessment of the effectiveness of Dutch aid in specific sectors. The examples of Nicaragua and Guatemala show that it is important to look beyond macro-indicators. These two countries ended up with low scores, partly because of the Ministry's assessment that they held little potential for the new Dutch policy priorities. The evaluation shows that in both countries the Dutch did actually manage to play a positive role in two of these new priority fields, i.e. in SRHR in Nicaragua and in governance and human rights in Guatemala.

The exit process was rigid in another way. While embassies tried to adhere to the recommendations of the joint exit evaluation, their room for manoeuvre was restricted by the desire of a quick exit and limited budgetary flexibility. Discussions with partners on the exit process started when the exit strategies had already been finalised. In letters to

[72] In practice, the Netherlands provides support to DRC (and especially Kivu) through projects for the Great Lakes Region.

parliament, the expectation was expressed that the Netherlands would be able to hand over Dutch programmes to other donors, but this expectation hardly materialised. Especially NGOs and CSOs, who had received core funding, were hit very hard. Here, long-term dependence on Dutch support clashed with a quick exit.

As a result of favourable growth rates, the dependence of developing countries on foreign support decreases. Moreover, in most (of the 18) exit countries, the contribution of Dutch support to total ODA or the ODA/GNI ratio was already relatively low, though there are exceptions. At the macroeconomic level, the Dutch exit had the most profound impact on Burkina Faso and Tanzania. In Nicaragua, the simultaneous withdrawal of several donors also had a significant impact on the government budget, though the effect was compensated by aid from Venezuela.

High economic growth and increasing domestic revenues meant that the Dutch exit did no lead to reduced sector budgets. However, this does not mean that the effects of ending Dutch support were negligible. Even though sectors budgets were increasing, there still is a huge gap between the funding actually available and the funding that would be required for providing access to qualitatively acceptable services. Estimates of continued support to the health and education sectors, based on the evidence provided by the country case studies as well as data for individual countries where the Netherlands was active, show that:

- the budget cuts on (basic) health (about EUR 89 million annually, almost entirely realised in the exit countries) are comparable to the cost of saving about 12,000 lives in these countries;
- the budget cuts on (basic) education (in total about EUR 328 million) may be compared to the cost of government expenditure for 2.5 million pupils, the salaries of 90,000 teachers or the construction of 30,000 classrooms (including offices, storage, furniture, and water and sanitation). This would have helped to reduce the high pupil – teacher and pupil – classroom ratios and would therefore have contributed to an improvement of the quality of education.

In sum, the *net* Dutch budgets cuts had negative impacts for recipient countries and organisations. These could not have been avoided completely. It is impossible to stop effective programmes without negative impacts. Nevertheless, the large budget cuts already from 2012 onwards, seriously limited a flexible exit, as was advised by the authors of the joint evaluation 'Managing aid exit and transformation' (Slob and Jerve, 2008).
The inflexibility of the exit process (and especially the quick exit) created extra challenges for recipient countries and organisations, as most donors were not willing to fill the gaps left behind.

Efforts by the Dutch government to help to improve tax collection in several countries, including exit countries, are an important contribution to the mobilisation of domestic resources. The Dutch Minister for Foreign Trade and Development Cooperation and the State Secretary for Finance have initiated a programme for improving tax legislation, regulation, levy and collection in developing countries. The Netherlands supports countries with technical assistance, provided by the Dutch Ministry of Finance and the International

Bureau of Fiscal Documentation for additional expertise and training. For the programme, the two Ministries have made available EUR 1 million until the end of 2015. The programme was open for the 15 partner countries as well as for several other countries with which the Netherlands has or wants to conclude a tax treaty, including Tanzania and Zambia. In addition, the Netherlands has proposed to 23 low income and lower middle income countries to include anti-abuse provisions in bilateral tax treaties (TK 2014–2015, 34 000 XVII, No. 4; TK 2015–2016, 34 475 XVII, No. 1). In 2015 the Netherlands launched, with 17 other donor countries, 11 low-income countries, seven international organisations and the Gates Foundation, at the international conference Financing for Development (FfD) the *Addis Tax Initiative* to enhance the mobilisation and effective use of domestic resources and to improve the fairness, transparency, efficiency and effectiveness of their tax systems. In the Declaration, participants have committed to double their technical cooperation in the area of domestic mobilisation, to integrate partner countries into the global tax debate, to step up domestic resource mobilisation as a key means of implementation for attaining the SDGs and inclusive development and to improve taxation and management of revenue from natural resources. However, in the short run these initiatives are not enough to ensure a strong improvement of educational quality or to guarantee that minimum health care is available to everybody. The gaps are too large and income levels too low, to solve the challenges by higher domestic revenue alone. Preliminary estimates show that the investments needed to realise the SDGs cannot be met through domestic resources and private financing alone (Sachs, 2015; Schmidt-Traub, 2015; Schmidt-Traub and Sachs, 2015).

Negative impacts of phasing out may be reduced in future by taking more time for the whole process (see for example Ghana), by investing more in an analysis of the consequences, by examining a wider range or continuum of options for (dis)engagement rather than just the two options of it (full of no partner) and by involving stakeholders much more in the process. In 2015, the Ministry has started portfolio inspections, assessments of the relevance of specific themes and country and regional programmes. These inspections may to improve decision making on the selection of countries and themes. Even more importantly, if European donors want to take the reduction of fragmentation and donor proliferation seriously in future, they should start discussing a division of labour instead of ending support to the same countries and sectors in an uncoordinated way.

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Annexes

Annex I Coverage exit countries

Table I.1 Total support to specific sectors in exit countries (2006–2010; in EUR million)

	Education	Health	Good governance	Budget support
Case Studies	311	222	126	256
Bolivia	63	0	22	0
Burkina Faso	90	43	5	96
Guatemala	0	5	20	0
Nicaragua	28	35	3	27
Tanzania	35	84	71	90
Zambia	94	54	6	44
Other Exit countries	138	98	91	92
Total Exit countries	**449**	**320**	**217**	**348**
Coverage	69%	69%	58%	74%

Source: Ministry of Foreign Affairs.

Annex II Analysis of the selection process

This Annex explains the approach for assessing the country selection. As was mentioned in chapter 3, this selection was based on seven criteria (see 3.3):
1. the prospects of achieving development objectives
2. income and poverty levels
3. potential for the new Dutch themes;
4. Dutch interests;
5. financial size of the existing programme;
6. the quality of governance;
7. the potential contribution to the reduction of the number of missions abroad.

For this assessment, the Ministry used six groups of indicators: income, ODA levels, the quality of governance, the contribution of a country to its own development and the potential for the new themes and Dutch (trade) interests. Given the importance of fragile states in the Dutch policy, we included fragility as a separate criterion.

II.1 Income and poverty levels

For the analysis of income and poverty levels, the Ministry used only one indicator: income per capita. Poverty data are incomplete, but there are other indicators for comparing development levels of countries, such as the human development index or LDC status. We have made an analysis of the first criterion using per capita net national income (NNI), gross national income (based on purchasing power parity (GNI), gross domestic product (GDP, PPP), the human development index (HDI), and the UN classification (LDC status). We believe that this combination better reflects the development of a country. Moreover, in several cases, differences between lower middle-income countries and low-income countries are smaller than the differences within the large group of lower middle-income countries. We have combined the indicators using Principal Components Analysis (PCA). This resulted in an overall score (see Table II.1)

The results of this analysis suggest a selection of 16 countries (and in this order): Burundi, Democratic Republic of the Congo, Mozambique, Burkina Faso, Ethiopia, Mali, Rwanda, Afghanistan, Uganda, Benin, Senegal, Tanzania, Bangladesh, South Sudan, Yemen and Zambia. For three countries the results were less conclusive: Kenya, Ghana and Pakistan. Based on income and development levels as measured by these indicators, the Palestinian Authority and Indonesia would not have been selected. However, it is obvious that these countries were selected for other reasons.

Table II.1 Income indicators (2010)								
NR	Country	PCA score	GNI/PC	NNI/ PC	GDP/PC PPP	HDI	Poverty	LDC
1	Burundi	-1.21	213	131	693	0.39		1
2	Congo (DRC)	-1.17	298	192	584	0.41		1
3	Mozambique	-1.13	406	352	895	0.40	61%	1
4	Burkina Faso	-1.12	589	502	1,394	0.38	44%	1
5	Ethiopia	-1.10	341	264	1,054	0.41	37%	1
6	Mali	-1.03	585	488	1,503	0.41	51%	1
7	Rwanda	-0.95	549	456	1,302	0.45	63%	1
8	Afghanistan	-0.92	574	510	1,629	0.45		1
9	Uganda	-0.88	600	460	1,522	0.47	38%	1
10	Benin	-0.86	727	563	1,724	0.47	52%	1
11	Senegal	-0.80	987	862	2,143	0.46	34%	1
12	Tanzania	-0.74	702	606	2,068	0.50	56%	1
13	Bangladesh	-0.58	1,098	735	3,717	0.55	43%	1
14	South Sudan	-0.54	989	1,387	2,487	0.47		1
15	Yemen, Rep.	-0.50	823	971	2,402	0.50		1
16	Zambia	-0.44	1,238	986	4,286	0.56	74%	1
17	Kenya	-0.07	1,301	887	3,021	0.53		0
18	Ghana	0.07	1,356	1,075	3,211	0.55		0
19	Pakistan	0.07	1,083	970	4,210	0.52	13%	0
20	Nicaragua	0.36	1,480	1,341	3,943	0.62	9%	0
21	Vietnam	0.42	1,283	1,015	4,396	0.65	4%	0
22	Moldova	0.53	1,769	1,593	3,846	0.67	1%	0
23	Bolivia	0.54	1,896	1,448	5,298	0.64	11%	0
24	West Bank and Gaza	0.61	2,494	1,997	4,078	0.67	0%	0
25	Guatemala	0.75	2,723	2,400	6,533	0.61	14%	0
26	Mongolia	0.93	2,428	1,821	7,553	0.70		0
27	Georgia	0.97	2,565	2,276	5,818	0.74	14%	0
28	Indonesia	1.09	3,041	2,736	8,294	0.67	18%	0
29	Kosovo	1.14	3,335	2,670	7,767	0.71		0
30	Egypt	1.17	2,615	2,232	9,897	0.68	2%	0
31	Colombia	1.76	6,005	4,815	10,680	0.71	7%	0
32	South Africa	1.92	7,232	5,969	11,842	0.64	14%	0
33	Suriname	2.29	8,356	6,066	14,217	0.71		0

Source: WDI; UNDP (HDI)

II.2 Official Development Assistance

One of the main arguments for reducing the number of partner countries was enhancing efficiency and effectiveness by focusing on a smaller number of countries where the Netherlands would have the highest value added. As an indicator the Ministry used the Dutch position as bilateral donor in the country. For instance, in Yemen and Ghana the Netherlands was the third donor in the country, while it was the tenth donor in Ethiopia. Here as well it seems sensible to include more indicators, such as the total amount of aid (per capita) and the share of Dutch ODA in total bilateral ODA. In addition, we have added an analysis of Bigsten et al. (2011) showing how aid should be reallocated from donor darlings to donor orphans in order to enhance aid effectiveness. The four indicators have been combined by adding the rank of a country on each indicator (see Table II.2). The result is a minimum score of 4 (an indicator for the highest priority) and a maximum of 132 (an indicator for the lowest priority). This composite indicator gives a more complete picture of the role of Dutch (bilateral) aid in a country.

Figure II.1 shows the results of the calculations. The vertical axis is an overall measure for assessing the importance of Dutch ODA, as measured by the mentioned indicators. Applying these indicators would lead to:

1. Twelve countries with relatively low aid levels, where the Netherlands was a relatively important donor: Bangladesh, Yemen, Burkina Faso, Ghana, Mali, Guatemala, Uganda, Ethiopia, Tanzania, Suriname, Benin and the Democratic Republic of the Congo (DRC).
2. The Netherlands could have considered to remain active as a bilateral donor in seven countries: Burundi, Colombia, Bolivia, Rwanda, Kenya, Zambia and Indonesia.

Figure II.1 *Importance of Dutch ODA in relation to total aid*

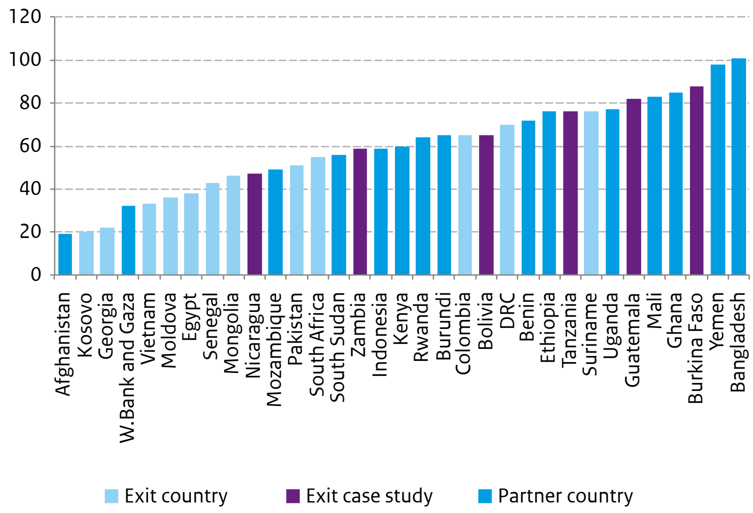


Table II.2 ODA indicators (2008-2010)

Rank	Country	Total score	Rank NL as donor	NL contribution to ODA	Total ODA PC	Orphan/ darling
1	Bangladesh	19	7	0.07	12	9,288
2	Yemen, Rep.	22	3	0.11	28	0
3	Burkina Faso	32	4	0.11	67	131
4	Ghana	35	3	0.1	64	0
5	Mali	37	5	0.1	67	2
6	Guatemala	38	5	0.07	29	0
7	Uganda	43	7	0.05	52	532
8	Ethiopia	44	10	0.04	41	2,655
8	Tanzania	44	7	0.05	61	204
8	Suriname	44	1	0.74	238	0
11	Benin	48	7	0.08	70	0
12	Congo, Dem. Rep.	50	9	0.03	40	187
13	Burundi	55	5	0.06	70	0
13	Colombia	55	5	0.04	20	-227
13	Bolivia	55	5	0.08	69	-295
16	Rwanda	56	8	0.07	94	0
17	Kenya	60	15	0.02	45	835
18	Zambia	61	4	0.08	81	-338
18	Indonesia	61	6	0.05	14	-648
20	South Sudan	64	4	0.06	64	-372
21	South Africa	65	7	0.04	22	-387
22	Pakistan	69	15	0.02	16	-294
23	Mozambique	71	6	0.06	83	-381
24	Nicaragua	73	9	0.06	122	-293
25	Mongolia	74	7	0.04	110	0
26	Senegal	77	10	0.06	77	-385
27	Egypt, Arab Rep.	82	15	0.01	18	-527
28	Moldova	84	10	0.02	94	0
29	Vietnam	87	15	0.02	38	-627
30	W. Bank and Gaza	88	10	0.02	680	0
31	Georgia	98	15	0.01	172	-213
32	Kosovo	100	15	0	233	0
33	Afghanistan	101	10	0.02	201	-1,372

Rank NL as donor = The rank of the Netherlands as bilateral donor in 2008. NL contribution= total contribution of the Netherlands to total ODA (2010). Total ODFA PC= Total ODA per capita in 2010 (in USD). Orphan/darling = redistribution of aid in USD million proposed by Bigsten et al. (2011).

In this analysis the Netherlands would not have selected Mozambique (donor darling, many active donors), and Afghanistan and the Palestinian Authority (high aid per capita levels). The minster has defended phasing out of Tanzania and Burkina Faso because these countries would have enough other (smaller) donors. This conclusion contradicts the findings of this section, as well as the conclusion of the WRR that the impact of Dutch support would be more substantial in countries such as Burkina Faso, where the Netherlands was the first or second (bilateral) donor.

II.3 Good governance

Donors, including, the Netherlands have tried to provoke reform and improve governance, including democratic structures and control (IOB, 2012). One of the arguments is that democratic institutions help to drive economic growth. Economic development is correlated with elements on the good governance agenda, such as effective control of corruption, an effective state respecting the rule of law and property rights, and this leads some authors to conclude that these kinds of institutions are a necessary condition for development (North 2005; North et al., 2009; Acemoglu and Robinson, 2012). Empirical evidence about a causal relation is weak, however (Khan, 2010; Dijkstra, 2013a). Chang (2011) argues that there is a great deal of evidence suggesting that the impact of development on institutions is larger than the reverse. He argues that the supposed impact of institutions and development is theorised in a rather simplistic, linear and static way. Institutions are an important part of development, but there is no 'one size fits all' (Levy and Fukuyama 2010; Levy 2010). Representative elections are not a guarantee that corruption will be reduced and patronage relations will be weakened (Collier, 2009).

Countries in East Asia such as Hong Kong, Singapore and more recently China owe their high economic growth to a strong centralised state (Holmberg, Rothstein and Nasaritousi, 2009). Moreover, today's developed countries also had an authoritarian system in their early stages of development (Chang, 2002). Vietnam and Rwanda are not very democratic, but have relatively effective governments.

The Ministry had based the assessment of the quality of governance on four indicators (see Table II.3):
1) the 2009 Worldwide Governance Indicators (WGI);
2) the Corruption Perception Index 2010 of Transparency International
3) the Political Rights and Civil Liberties scale of Freedom House
4) the Democracy Index of the Economist Intelligence Unit (2010).

The Kaufmann indicators (WGI) cover different dimensions of politics and governance: political stability, freedom of expression and democratic accountability, regulatory quality, rule of law, control of corruption and government effectiveness. Therefore, they include the other three indicators as well, meaning that they carry more weight than government effectiveness, regulatory quality or rule of law. Moreover, the assessment is not clear on how the criteria were combined or how much weight the indicators carried.

Table II.3 Governance indicators

Rank	Country	Total score	Governance	Democracy	Liberties	Corruption	CPIA
1	South Africa	10	2.5	7.8	2.0	4.5	
2	Suriname	14	2.5	6.7	2.0		
3	Ghana	20	1.1	6.0	2.0	4.1	3.9
4	Benin	38	-3.2	6.2	2.0	2.8	3.4
5	Colombia	40	-3.7	6.6	1.0	3.5	
6	Indonesia	43	-4.3	6.5	2.0	2.8	
6	Mongolia	43	-3.6	6.4	2.0	2.7	3.4
8	Georgia	50	-1.5	4.6	1.0	3.8	4.4
9	Mali	51	-3.8	6.0	2.0	2.7	3.6
10	Tanzania	53	-3.2	5.6	1.0	3.0	3.7
10	Zambia	53	-3.6	5.7	1.0	3.0	3.4
12	Moldova	55	-4.7	6.3	1.0	2.9	3.7
12	West Bank and Gaza	55		5.4	0.0		
14	Guatemala	56	-6.7	6.1	1.0	3.2	
15	Bangladesh	59	0.0	5.9	1.0	2.4	3.5
15	Burkina Faso	59	-3.1	4.0	1.0	3.1	3.8
15	Senegal	59	-3.6	5.3	1.0	2.9	3.6
18	Mozambique	64	-1.2	4.9	1.0	2.7	3.7
19	Bolivia	70	-7.8	5.9	1.0	2.8	3.7
19	Kosovo	70	-3.8		1.0	2.8	3.4
21	Rwanda	78	-4.7	3.3	0.0	4.0	3.8
22	Nicaragua	81	-6.9	5.4	1.0	2.5	3.6
22	Uganda	81	-5.9	5.1	1.0	2.5	3.7
24	Egypt, Arab Rep.	83	-4.2	3.1	0.0	3.1	
25	Ethiopia	92	-9.4	3.7	1.0	2.7	3.4
26	Kenya	93	-8.2	4.7	1.0	2.1	3.7
27	Pakistan	96	-11.0	4.6	1.0	2.3	3.1
28	Burundi	100	-11.0	4.0	1.0	1.8	3.1
29	Vietnam	102	-6.0	2.9	0.0	2.7	3.8
30	Yemen, Rep.	116	-12.0	2.6	0.0	2.2	3.1
31	Congo, Dem. Rep.	123	-16.0	2.2	0.0	2.0	2.6
31	South Sudan	123	-15.0	2.4	0.0	1.6	2.4
33	Afghanistan	125	-18.0	2.5	0.0	1.4	2.6

Governance= the 2009 Worldwide Governance Indicators (WGI); Democracy= the Democracy Index of the Economist Intelligence Unit (2010); Liberties= the Political Rights and Civil Liberties scale of Freedom House; Corruption= the Corruption Perception Index 2010 of Transparency International; CPIA= the World Bank's Country Policy and Institutional Assessment (2010).

For our analysis we have given all indicators the same weight. The total score is based on a ranking on the individual indicators, with the exception of the third indicator (political rights and civil liberties, as this indicator has only three values (0, 1 and 2).[73]

Another source for measuring the quality of government is the World Bank's Country Policy and Institutional Assessment (CPIA). The CPIA indicators are arranged into four groups: economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. CPIA and WGI are highly correlated (IOB, 2012).

In practice, governance scores apparently did not play a major role in the assessment. Governance scores are lowest for fragile and conflict countries (Afghanistan, South Sudan, DRC, Burundi, Pakistan and Yemen), while the differences for a large group of other countries are rather small. In addition, selected partner countries such as Kenya, Ethiopia, Uganda Rwanda and Mozambique also had relatively low scores on the indicators. Benin scored relatively well according to the assessment, while the CPIA score and the Kaufmann score was relatively low. Benin's scores for democracy, political liberties and corruption are relatively high. Vietnam and Rwanda are good examples of the difference between indicators of democracy and the effectiveness of government (as reflected by CPIA scores). While these two countries rank low on democracy and political freedom, government effectiveness is relatively high.

II.4 Contribution of a country to its own development

The Ministry operationalised this indicator as the tax to GDP ratio (average 2004-2008). However, while taxes are the main instrument for domestic revenue generation, they are not the only instrument. Therefore a better indicator is the total domestic revenue generation (excluding external grants). In addition, the World Bank also assesses the efficiency of domestic revenue generation (as one of the CPIA indicators). We have combined these three indicators for our assessment (through PCA). Table II.4 provides the details.

73 We have given the indicator values of 6, 17 and 28.

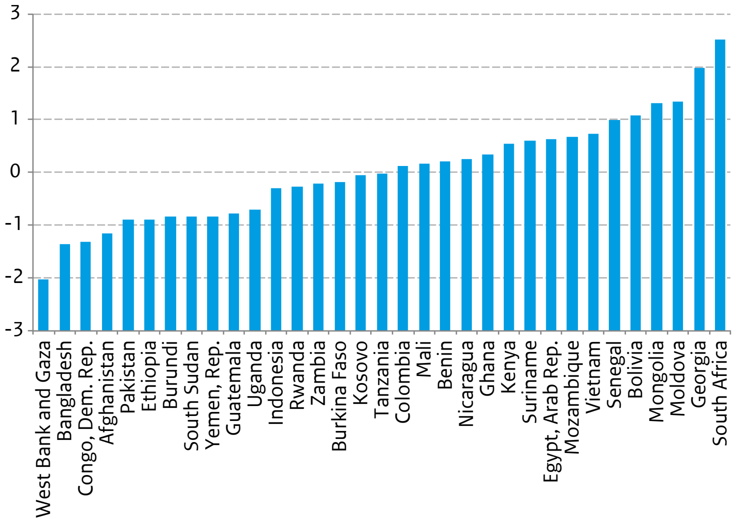
Table II.4 Domestic revenue mobilisation

Rank	Country	Total score	Taxes/GDP (2004-2008)	Domestic revenue/GDP (2010)	CPIA score on revenue (2010)
1	South Africa	2.51	25%	28%	
2	Georgia	1.98	22%	24%	4.5
3	Moldova	1.34	18%	32%	3.5
4	Mongolia	1.32	20%	29%	3.5
5	Bolivia	1.08	17%	23%	4.0
6	Senegal	1.00	19%	19%	4.0
7	Vietnam	0.73			4.0
8	Mozambique	0.67	16%	18%	4.0
9	Egypt, Arab Rep.	0.64	14%	25%	
10	Suriname	0.61	16%	20%	
11	Kenya	0.54	16%	16%	4.0
12	Ghana	0.34	13%	17%	4.0
13	Nicaragua	0.25	14%	15%	4.0
14	Benin	0.21	16%	17%	3.5
15	Mali	0.16	15%	18%	3.5
16	Colombia	0.13	12%	22%	
17	Tanzania	-0.03	12%	13%	4.0
18	Kosovo	-0.06			3.5
19	Burkina Faso	-0.18	13%	15%	3.5
20	Zambia	-0.21	13%	14%	3.5
21	Rwanda	-0.27	12%	14%	3.5
22	Indonesia	-0.29	11%	15%	
23	Uganda	-0.70	10%	11%	3.5
24	Guatemala	-0.78	10%	11%	
25	Burundi	-0.84	18%		3.0
26	South Sudan	-0.84	6%		3.0
27	Yemen, Rep.	-0.84			3.0
28	Ethiopia	-0.89	8%	11%	3.5
29	Pakistan	-0.90	10%	14%	3.0
30	Afghanistan	-1.15	9%	11%	3.0
31	Congo, Dem. Rep.	-1.31	9%	15%	2.5
32	Bangladesh	-1.35	8%	10%	3.0
33	West Bank and Gaza	-2.03	5%	5%	

Domestic revenue excluding grants; CPIA indicator on efficiency of revenue mobilization rating (1=low to 6=high)
Source: WDI and IMF

Figure II.2 shows the ranking on the three indicators.

Figure II.2 *Effectiveness of domestic revenue mobilisation*



The graph shows a group of 11 countries with low scores, including the Palestinian Authority, Bangladesh, DRC, Pakistan, Ethiopia, Burundi and Uganda. A larger middle group ranges from Indonesia to Ghana. This group also includes Tanzania, Zambia and Burkina Faso. The group with the highest scores, also from the World Bank, includes 11 countries, of which only Kenya and Mozambique were selected as partner countries.

The country assessment by the Ministry mentioned domestic revenue collection as an argument for Benin, Mozambique, Uganda, Rwanda, Burundi, Kenya, Ghana, Indonesia and South Africa, while it was silent on the low score for the Palestinian Authority and inconclusive for Bangladesh.

II.5 Potential for the new themes

The conclusions of the Ministry on the potential for the four Dutch priority themes were based on an assessment by the involved embassies and departments in The Hague. This assessment did not include measurable indicators. This complicated the possibility of comparing countries. Moreover, it appears that the conclusions were biased as they focused more on existing priority sectors than on an analysis of the potential in the (near) future. There were quite a number of differences of opinion between the embassies and the departments in The Hague, especially on water and security, which shows that the choice was not that evident. We compared the conclusions of the Ministry with several more objective indicators for the four priority themes. Using these indicators (see below), it is not obvious why the potential for effective aid on the themes of water and food security were quite good in Ethiopia, Mali, Rwanda and South Sudan, but not in Burkina Faso.

For the *water* sector, we used the percentage of the population with access to improved drinking water (2010) and the percentage of the population that has been affected by droughts, floods and extreme temperatures (average 1990–2009).[74] Of course, these are rough indicators for the Dutch potential in the water sector, but they are measurable and allow a comparison between countries. For *food security* we selected two indicators: the contribution of agriculture to the national income (GDP) and the role of agriculture in total employment. Using these two indicators we created a list that is quite consistent with the selected countries. For *SRHR* we used three indicators: the fertility rate, maternal mortality and infant mortality. The last of the four priority themes is security and the rule of law. This theme aims to address fragility, conflict and violence. This spearhead is not related to other themes. It is rather the expression of the government's ambition since 2007 to focus more on fragile states (profile 2 countries). It appears that the importance of support to several of these countries, also for international political reasons, lends much more weight to scores on this indicator than on other indicators. We have selected two indicators for this theme. These indicators are the failed states index of the Foreign Policy Institute and the number of internally displaced persons. It is difficult, nevertheless, to grasp (political) reality in these two indicators. Therefore, we have ranked countries by the assessment by the Ministry, then by the failed states index and third by the number of internally displaced persons.

Finally, we included the assessment by the Ministry on the four themes, giving this assessment equal weight as our ranking, which is based on more objective indicators.[75] The result is a more balanced overall score, taking into account more objective, quantifiable indicators as well as a more subjective assessment (see Table II.5). It must be noted that by using this procedure, the results of the analysis are determined for 50% by the assessment of the Ministry. Nevertheless, there are sometimes large differences between this assessment and more objective (quantifiable) indicators. For instance, according to the assessment of the Ministry there were opportunities for Dutch activities in the water sector in Ghana, Rwanda and Mali, but not in Zambia and Burkina Faso.

For food security the correlation between the list of the Ministry and our indicators is high. There is one main exception: Burkina Faso received a low score, in spite of the fact that by then more than 60% of the working population was working in agriculture and agriculture contributed 36% of the country's GDP. The score contrasts with high scores for comparable countries such as Burundi, Uganda, Mozambique, Ghana and Mali. However, according to the Ministry, Dutch agri-business was not interested in Burkina Faso. The argument seems to mix up value added for Dutch development cooperation and value added for Dutch businesses. The agriculture sector in Burkina Faso faces several serious challenges such as

74 We ranked the countries on each indicator and then took the mean.

75 We calculated an average score, based on our indicators for the four themes and added the score by the Ministry. The Ministry gave on every theme a maximum score of 4, and therefore a maximum score of 16 on the four themes. We doubled these scores and subtracted it from 33 (indicating that a low score means a high priority). Then we averaged our score and the calculated scored.

a low productivity, heavy dependence on weather conditions and dependence on a small number of crops (especially cotton). Irrigated agriculture is poorly developed (FAO fact sheet, 2014). Many children suffer from malnutrition.

The ranking based on the three SRHR indicators is much in line with the Ministry's assessment. Based on the analysis one would select 17 countries: South Sudan, the Democratic Republic of the Congo, Mali, Burundi, Mozambique, Afghanistan, Ethiopia, Burkina Faso, Benin, Zambia, Uganda, Tanzania, Senegal, Kenya, Ghana, Rwanda and Pakistan. This list would also be in line with income and poverty levels, though it would include several countries already receiving substantial aid.

Table II.5 Country scores on the thematic indicators

Rank	Country	Total	Assessment Ministry				Indicators water		Indicators agriculture		Indicators SRHR			Indicators security	
1	South Sudan	5.1	3	4	3	4	59	2.8	45	25	5.4	876	71	112	4.5
2	Ethiopia	6.4	4	4	4	2	48	3.3	10	45	4.9	680	51	99	0.0
3	Mali	7.3	3	4	4	3	67	0.7	71	41	6.6	460	83	79	0.0
4	Mozambique	8.1	4	4	4	1	49	3.7	52	30	5.6	410	72	81	0.1
5	Congo, Dem. Rep.	9.9	1	4	2	4	51	0.0	41	23	6.4	550	85	109	0.1
6	Kenya	10.9	4	4	0	2	60	6.5	49	28	4.6	488	42	101	0.1
7	Yemen, Rep.	12.0	4	2	4	3	55	0.1	25	11	4.7	148	42	98	0.0
8	Burundi	12.4	0	2	1	4	75	2.4	71	40	6.3	500	64	96	0.0
9	Tanzania	12.5	2	4	4	0	55	1.5	67	32	5.4	450	42	81	
10	Afghanistan	13.8	0	2	0	4	48	1.1	47	27	5.8	330	75	108	0.4
11	Uganda	14.1	0	4	2	2	73	0.9	74	28	6.2	440	50	97	0.2
12	Rwanda	14.2	2	4	0	2	73	1.3	75	33	4.4	480	44	89	0.0
13	Bangladesh	14.8	4	4	2	0	84	4.6	48	18	2.3	220	39	98	0.6
14	Zambia	15.6	0	4	2	1	61	4.2	71	10	5.7	480	53	84	0.0
15	Ghana	15.7	2	4	4	0	83	1.0	42	31	4.3	450	50	66	
16	Benin	16.1	4	2	2	0	75	0.9	45	26	5.1	400	71	76	0.3
17	Nicaragua	17.2	2	3	4	2	85	0.8	32	19	2.4	67	22	83	0.1
18	Egypt, Arab Rep.	17.3	4	3	3	2	98	0.0	28	14	3.2	55	24	89	
19	Burkina Faso	17.6	0	1	4	0	78	1.3	62	36	5.9	340	70	91	0.0
20	West Bank and Gaza	18.2	3	2	0	4	70		12	7	4.2	54	20	106	0.2
21	Bolivia	18.8	3	2	2	1	87	1.3	32	13	3.2	310	37	86	0.1
22	Pakistan	19.1	2	0	2	2	91	1.1	45	24	3.9	250	74	104	11.1
23	Indonesia	19.3	4	2	2	1	85	0.2	38	14	2.5	230	27	84	0.4

Table II.5 Continued

Rank	Country	Total	Assessment Ministry				Indicators water		Indicators agriculture		Indicators SRHR			Indicators security	
			Water	Food security	SRHR	Security	Access water (%)	Floods (%)	Employ-ment (%)	% of GDP	Fertility	Maternal mortality	Infant mortality	Failed states index	Dis-placed
24	Vietnam	20.5	4	4	0	0	91	1.6	47	19	1.8	69	20	77	0.4
25	Senegal	20.6	3	2	0	1	75	0.6	46	18	5.2	390	47	74	0.0
26	South Africa	21.3	4	2	1	1	91	1.8	5	3	2.5	154	38	67	0.0
27	Colombia	21.6	4	2	0	2	91	0.7	19	7	2.0	73	16	89	3.6
28	Georgia	26.2	1	2	0	1	97	0.8	15	8	1.8	19	15	92	
29	Guatemala	26.8	0	0	0	1	91	1.3	38	12	3.4	140	28	81	0.2
30	Suriname	27.4	2	1	1	0	94	0.3	14	8	2.5	83	22	73	
31	Mongolia	27.6	0	0	0	0	63	2.6	34	13	2.6	47	25	62	
32	Kosovo	28.1	0	0	0	2	90		5	16	2.3			91	
33	Moldova	28.9	0	0	0	1	87	0.3	28	14	1.5	45	15	85	

Assessment Ministry= a score by thematic department and embassy of 0, 1 or 2, leading to a maximum of 4 for each country. Failed states index 2010 Foreign Policy Institute.

The other indicators are derived from the World Bank (WDI), 2010 figures.

Of the six countries with the highest scores on the security and rule of law indicators, only the Democratic Republic of the Congo was not selected as one of the 15 partner countries. The Ministry felt that any attempt by the Netherlands to influence the government and developments in the DRC would be very limited. The conclusion was more positive for Afghanistan, South Sudan, Burundi, Yemen and the Palestinian Authority. For other countries the indicators also contributed to a positive assessment of the Dutch role in these countries, even though the correlation between security and good governance is negative. In other words, countries such as Ethiopia, Uganda and Rwanda were (also) selected because of the (potential) role of the Netherlands on this theme. Two countries received low scores in terms of the potential on this theme, despite relatively high fragility scores: Burkina Faso and Bangladesh.

II.6 Fragility

Fragility was not an explicit selection criterion, but the Minster chose to maintain the classification of three groups of countries: (1) low income, heavily aid-dependent countries, (2) fragile states, and (3) middle-income countries where Dutch and European interests are on the rise. Therefore, in practice the criterion was rather important. A country like Afghanistan would not score very high on most indicators. Afghanistan is an LDC and extremely fragile, but ODA per capita is relatively high; the Netherlands is a small donor, and the potential for implementing the Dutch spearheads is not particularly high (with the exception of security and rule of law). However, the country was mainly selected because of its fragility and for political reasons. Therefore, we have added fragility (based on the ranking on the Foreign Policy Institute's failed state index) as a separate criterion.

II.7 Dutch interests

For this criterion, we used two indicators:
a) the qualitative assessment by the Ministry of Economic Affairs, Agriculture and Innovation;
b) exports to and imports from the recipient country.

Because of the volatility of trade flows, we used 3 year averages (2008-2010) for exports and imports. In addition, we gave exports twice the weight of imports. Next, we ranked the countries by the assessment of the Ministry of Economic Affairs, Agriculture and Innovation and secondly by the export/import value.

Table II.6 Economic interests

Rank	Country	Assessment Econ. Affairs	Exports	Imports
1	Indonesia	2	820	3,067
2	Egypt, Arab Rep.	2	1,400	430
3	Vietnam	2	583	1,267
4	Ghana	2	363	573
5	Kenya	2	337	493
6	Ethiopia	2	69	91
7	Mozambique	2	44	40
8	Mali	2	29	4
9	South Africa	0	2,100	3,200
10	Colombia	0	373	1,667
11	Pakistan	0	430	383
12	Bangladesh	0	110	697
13	Senegal	0	257	23
14	Suriname	0	220	75
15	Benin	0	247	12
16	Tanzania	0	116	113
17	Congo, Dem. Rep.	0	132	39
18	Guatemala	0	68	130
19	South Sudan	0	117	25
20	Yemen, Rep.	0	127	3
21	Uganda	0	46	113
22	Afghanistan	0	85	13
23	Georgia	0	76	21
24	Moldova	0	73	14
25	Bolivia	0	29	82
26	Zambia	0	33	42
27	Nicaragua	0	14	39
28	Burkina Faso	0	30	4
29	Rwanda	0	20	1
30	Mongolia	0	10	8
31	Burundi	0	5	0
32	Kosovo	0		
33	West Bank and Gaza	0		

Exports= average value exports to the country 2008-2010;
Imports= average value of imports from the country 2008-2010.

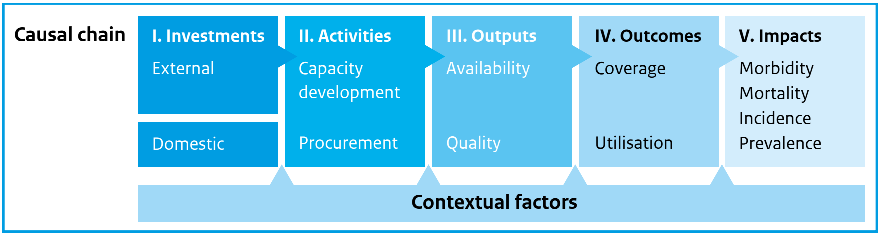
II.8 Calculation of the overall score

We have calculated the overall score by averaging the rankings on all seven criteria.
We combined the score for governance and domestic revenue (one average score) to ensure that this criterion would not get too much weight. Solely for presentation purposes we recoded the average rankings into an overall score (with the highest score to the countries with the highest scores on the separate indicators). Theoretically the highest overall score is 33 and the lowest score 1. Section 3.3 presents the findings.

Annex III Health research

There is a broad base of research on external support to the health sector. Based on a systematic review, De Jongh et al. (2013) investigated the following causal chain in order to establish the link between (disease-related) health outcomes in developing countries and development assistance for health (DAH) provided by the international community.

Figure III.1 *Causal chain of the impact of external support for health*



Source: De Jongh et al. (2013)

In general, the authors found surprisingly few studies that were able to describe the entire or almost the entire causal chain. In their analysis, De Jongh et al. (2013) were able to trace 13 articles investigating several (detailed) steps in the chain. While the studies were heterogeneous in terms of setting and effect size, *the conclusion is that the main findings all point towards increased health outcomes and impacts as a result of DAH*.

Here we supplement the causal chain with macro analyses, generally linking external investments (I) directly to health outcomes (V) in cross-country and time-series analyses (using panel data). We move beyond disease-related health outcomes towards integral health care. The next table provides a (non-systematic) literature overview with the effect sizes of the various (mostly peer-reviewed) empirical studies that aimed to relate changes in health outcomes to DAH.

The earliest empirical study that aimed to relate health outcomes such as child mortality rates to development assistance for health (DAH) did not find a causal relation between the two (Williamson, 2008).[76] This is not very surprising, however; these studies deployed aggregate measures for DAH, including both on- and off-budget aid with a wide range of policy objectives. For example, the Global Fund's main focus is fighting HIV/AIDS, malaria and tuberculosis, while child mortality in developing countries is for the most a result of diarrhoea, pneumonia and malnutrition. Over time, however, DAH variables were increasingly disaggregated as a result of better data availability. Moreover, the authors estimated health impacts with increased precision as a result of more sophisticated statistical methods better suited to addressing endogeneity and reverse causality. As a result,

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most studies find expected and significant effects of DAH on several health indicators such as infant, under-5 and maternal mortality, although the effect size sometimes varies per study. The vast majority of the studies that recorded an effect also found that the marginal effects of development assistance for health are largest in the lowest income countries. There are higher returns on investment in the lowest income countries. There is scientific consensus on the positive impact of various measures of development assistance for health, also in macro analyses.

Table III.1 Estimates of the effect of Development Assistance for Health

Authors	Year	Countries	Years	Estimation method	Variables of interest	Dependent variable	Effect size*
Baldacci et al	2008						
Williamson	2008	208	1973 - 2004	FE - IV	1. DAH (per capita)	a. Infant mortality (/1,000) b. Life expectancy c. Death Rate (LN) d. Immunization DTP (%) e. Immunization measles (%)	1a. -0.035 1b. 0.015 1c. -0.014 1d. -3.12 1e. -3.45
Chauvet et al	2008	98	1987 - 2004	2SLS	1. LN DAH (per capita) * GDP per capita 2. LN DAH (per capita)	a. LN U5 mortality (/1,000) b. LN Infant mortality (/1,000)	1a. 0.22** 1b. 0.22*** 2a. -1.78** 2b. -1.77***
Mishra and Newhouse	2009	118	1973 - 2004	GMM	1. LN DAH (per capita)	a. LN Infant mortality (/1,000)	1a. -.02**
Wilson	2011	84		GMM	1. DAH (per capita)	a. infant mortality (per 1,000) b. child mortality (per 1,000) c. life expectancy (per 1,000)	1a. -0.007 1b. -0.006 1c. 0.004
Nunnenkamp and Ohler	2011	47	1998 - 2007	DDD	1. DAH-HIV (per capita) 2. DAH-bilateral (per capita) 3. DAH-multilateral (per capita)	a. AIDS deaths b. New infections	1a. 1,753 1b. 5,552 2a. 1,851 3a. 2,031
Ziesemer	2012	65	1981 - 2010	GMM-SYS	1. DAH growth (%)	a. Life expectancy (years)	1a. 0.011*
Feeny and Ouattara	2013	109	1990 - 2005	GMM-SYS	1. DAH (% GDP)	a. measles and; b. DTP immunization (% 12-23 months)	1a. 0.53*** 1b. 1.59***

Table III.1 Continued

Authors	Year	Countries	Years	Estimation method	Variables of interest	Dependent variable	Effect size*
Ssozi and Amlani	2015	43 - SSA	1995 - 2011	GMM-SYS	1. LN DAH-gov (% GDP) 2. LN DAH-NGO (% GDP) 3. LN Domestic health exp (% GDP)	a. LN life expectancy b. LN infant mortality (/1,000) c. LN U-5 mortality (/1,000)	1a. 0.005*** 1b. -0.011*** 1c. -0.013*** 2a. 0.004*** 2b.-0.005*** 2c. -0.005*** 3a. 0.005*** 3b. 0.015*** 3c. 0.019***
Yan et al.	2015	147; 55	1995 - 2010	FE	1. DAH GF (per capita)	a. adult mortality b. U-5 mortality c. U-5 malaria mortality	1a. -0.0014*** 1b. -0.0005 1c. -0.0069**
Moreno-Serra and Smith	2015	153 (LMIC)	1995 - 2008	IV-2SLS	1. Domestic health exp. (USD 100, per capita) 2. Immunization coverage (10s of %)	a. U-5 mortality b. female adult mortality c. male adult mortality	1a. -13.19** 1b. -2.58** 1c.-2.21** 2a. -2.20* 2b. -9.84** 3c. -7.86**
Gyimah-Brempong	2015		1990 - 2004	GMM	1. DAH (/GDP) 2. DAH (per capita) 3. Domestic health exp (% GDP)	a. Infant mortality (/1,000)	1a. -.27** 2a. -.26** 3a. -10*** - -0.22**
Hsiao and Emdin	2015	94 - 120	1996 - 2010	FE (GMM robustness check)	1. LN DAH Malaria (per capita) 2. LN DAH HIV (per capita) 3. LN DAH TB (per capita)	a. LN Malaria mortality b. LN HIV mortality c. LN TB mortality	1a. -0.26*** 1b. 0.03 1c. 0.09 2a. -0.06** 2b. -0.25*** 2c. -0.00 3a. -0.05 3b. 0.22 3c. -0.12

Annex IV List of interviewees

Netherlands Ministry of Foreign Affairs

Dr. H.P.M. Knapen	State Secretary for Foreign Affairs October 2010 - April 2012
Mrs. Dorothée Batiga	Former Specialist Governance Netherlands Embassy in Ouagadougou
Mr. Jan Bauer	Former Head of Cooperation at the former Embassy of the Kingdom of the Netherlands in Managua
Mrs. Reina Buijs	Former CdP at the former Embassy of the Kingdom of the Netherlands in Managua
Mrs. Norma Casapia Johanson	Head internal Affairs and Senior Administrative Officer. Embassy of the Netherlands in Lima
Mrs. Anke van Dam	Former Sector Expert Education, Head Development Cooperation, Embassy of the Netherlands in La Paz
Mrs. Beatriz Delgadillo	Former Administrative officer former Embassy of the Netherlands in La Paz
Mr. Bastiaan Engelhard	First secretary and coordinator of the MAP at the Embassy of the Netherlands in San José
Mrs. Els Fliervoet	Consular and General Affairs Officer, Honorary Consulate of the Kingdom of the Netherlands in Lusaka
Mr. Jaap Frederiks	Ambassador, Netherlands Embassy Dar es Salaam
Mr. Mauricio Gómez	Netherlands Honorary Consul Nicaragua
Mrs. Mette Gonggrijp	Ambassador of the Netherlands in San José
Mr. Paul Gosselink	Former Senior Advisor, Office for International Cooperation
Mr. Peter de Haan	Former First Secretary Decentralisation, Anti-corruption, Health and HIV/AIDS, Good Governance, Netherlands Embassy Lusaka
Mr. Jan van der Horst	Former Health Specialist Netherlands Embassy in Ouagadougou
Mr. Chris de Nie	Former Education Specialist at DSO
Mr. Nkuruma Chama Kalaluka	Trade and Investments Officer, Honorary Consulate of the Kingdom of the Netherlands, Lusaka
Mr. Paul Kuijper	Honorary Consul General of the Netherlands in Bolivia
Mrs. María Jesus Largaespada	Former Health expert EKN Managua
Mr. Paul Litjens	Head Central and Southern Africa Division, Former Head of Development Cooperation Netherlands Embassy in Cotonou
Mrs. Alejandra Marquez	Former thematic expert governance, Embassy of the Netherlands in La Paz
Mrs. Teddy Mcha	Senior Advisor Economic Department, Netherlands Embassy Dar es Salaam
Mr. Ron Muyzert	Former Ambassador of the Netherlands to Bolivia
Mr. Silmiraogo Nabalma	Honorary Consul, Netherlands Ministry of Foreign Affairs, Ouagadougou

Mrs. Hinke Nauta	Deputy Head of Mission, Netherlands Embassy Dar es Salaam
Mr. Ernst Noorman	Former Ambassador, Royal Netherlands Embassy in Ouagadougou
Dr. Rik Peeperkorn	Former Health Specialist, Royal Netherlands Embassy Dar es Salaam
Mrs. Delphine Pronk	Coordinator Diplomatic Network
Mr. Jan Remijn	Senior Policy Officer, Sub-Saharan Africa Department
Mr. Jan Rinzema	Former Macro Economist Netherlands Embassy in Ouagadougou
Mr. Jaap Jan Speelman	Former Head of Cooperation, Netherlands Embassy in Ouagadougou
Mrs. Ardi Stoios-Braken	Former Head of Cooperation and Head of Mission, Netherlands Embassy, Lusaka
Mrs. To Tjoelker	Former Gender Specialist Netherlands Embassy in Ouagadougou
Mrs. Jeanette Trujillo	Former thematic expert governance and gender at the former Embassy of the Netherlands in La Paz
Mrs. Alexandra Valkenburg	Deputy Head of Mission, Head of Development Cooperation at the former Embassy of the Netherlands in Guatemala-City
Mr. Jan Jaap van der Velde	Former Dutch Ambassador in Guatemala-City
Mr. Bert Vermaat	Former Specialist Politics and Governance, Royal Netherlands Embassy in Burkina Faso
Mrs. Maria Villareal	Former thematic expert education at the former Embassy of the Netherlands in La Paz
Mr. Marcel van Vlaanderen	Honorary Consul of the Kingdom of the Netherlands, Lusaka
Mrs. Renet van der Waals	Former Head of Development Cooperation, Netherlands Embassy Dar es Salaam
Mr. Johan L.C. Van der Werff	Ambassador of the Netherlands in Lima
Mr. Hans Wessels	Former Head of Cooperation at the former Embassy of the Kingdom of the Netherlands in Managua
Mrs. Naomi Yorks	Second Secretary at the Embassy of the Netherlands in San José
Mr. Leo van der Zwan	Former Education Specialist, Netherlands Embassy, Lusaka

Bolivia

Mr. Noel Aguirre Ledezma	Vice-Minister for Alternative and Special Education, Ministry of Education of Bolivia
Mr. Antonio Aramayo Tejada	Executive director, Foundation UNIR
Mr. Marcelo Barrón Rondón	Leader advisor Public Policies, coordinator Eurosocial, SNV Bolivia
Mrs. Christina Betancourt	Ministry of Autonomy Bolivia
Mrs. Rebecca Borda	Programme Officer Education, Embassy of Sweden
Mr. Hernán Cabrera Marza	Ombudsman (Defensoría del Pueblo), Representative Department Santa Cruz

Mr. Rodolfo Candia Castillo	Strategic Planning Expert, Department for Strategic Planning and Public Policy, Departmental Autonomous Government of Santa Cruz
Mrs. Eliane Capobianco Sandoval	Lawyer Brio Consultants, Santa Cruz
Mrs. Carolina Floru	Programme Officer Institute for Democracy and Electoral Assistance IDEA
Mr. Francisco Garcia	First Secretary, Head of Cooperation section, Delegation of the European Union in Bolivia
Mr. Jorge Julio Garrett Kent	Country director SNV Bolivia
Mrs. Myragliha Giles Castillo	General Director External Finance Management, Vice-Ministry of Public Investment and External Finance (VIPFE), Ministry of Planning and Development
Mrs. Barabar Jäggi	Head of Cooperation, COSUDE, Embassy of Switzerland
Mrs. Blanca Laguna de Vera	Head International Cooperation. Ombudsman (Defensoría del Pueblo)
Mr. Sergio Martín-Moreno LLansó	General coordinator of Development Cooperation, Embassy of Spain in Bolivia
Mrs. Monia Mendoza Esprella	External finance analyst, Vice-Ministry of Public investment and external financing (VIPFE)
Mrs. Roxana Mojica Sandi	Executive Director, Federation of municipalities in Bolivia FAM
Mr. Gary O. Montaño	Advisor to the Minister for Productive Development and Diversified Economy. Former programme officer former Embassy of the Netherlands in La Paz
Mr. Andreas Preisig	International Executive Director FAUTAPO
Mr. Bernardo Ramos Quino	Head Finance, Ministry of Education of Bolivia
Mr. Godofredo Sandoval	Director Foundation PIEB
Mr. Juan Soria Acero	National Director for Strategic Development. Elections High Court (TSE)
Mrs. Conny Toornstra	Regional Director ICCO South America
Mr. Nicolás Torres	Head of Financial Department, Ministry of Education, Department Santa Cruz
Mrs. Carla Valcarce Torrico	National Coordinator, Unit Capacity Development, Foundation UNIR
Mrs. Wilma Velasco Aguilar	President of the Elections High Court (Tribunal Superior Electoral FSE)

Burkina Faso

Prof. Augustin Loada	Minister of Civil Service, Labour and Social Protection, Director of the Centre pour la Gouvernance Démocratique Burkina Faso.
Mr. Pascal Batjobo	Ambassador, Director General of Bilateral Relations, Ministry of Foreign Affairs and Regional Cooperation
Mr. Jean Bengaly	Director Europe, America Oceania and the Caribbean, Ministry of Foreign Affairs and Regional Cooperation

Mr. Lassané Kaboré	Director General, Directorate General of Cooperation, Ministry of Economy and Finance
Mr. Amidou Ouedraogo	Director of Bilateral Cooperation, Directorate General of Cooperation, Ministry of Economy and Finance
Mr. Halidou Ouedraogo	Director, Department of Studies and Planning, Ministry of Economy and Finance
Dr. Seglaro Abel Somé	Executive Secretary, Accelerated Growth and Sustainable Development Strategy (SCADD), Ministry of Economy and Finance
Mr. Victor Arnold Dakissaga	Inspector of the Treasury, Management of Economic Policy, Department of Public Debt, Ministry of Economy and Finance
Mr. Serge L.M.P. Toe	Head of the Department of Monitoring Studies of the Public Debt, Ministry of Economy and Finance
Mr. David Bagnikoué Bazonga	Director of Forecasting and Operational Planning (DGESS), Ministry of National Education and Literacy
Mr. Sankara Seydou	Director DEP, Ministry of National Education and Literacy
Mr. B. Bonaventura Segueda	Inspector Primary Education, Directorate General of Sector Studies and Statistics, Ministry of National Education and Literacy
Mr. Ibrahima Kaboré	Permanent Secretary PDSEB, Ministry of National Education and Literacy
Mr. Jean-Edmond Zida	Deputy Permanent Secretary PDSEB, Ministry of National Education and Literacy
Mrs. Tafoya	PDSEB, Ministry of National Education and Literacy
Mrs. Alice Tiendrebeogo	General Director, FONAENF
Mrs. Emilienne P. Balima-Rouamba	Deputy General Director, FONAENF
Mr. Emmanuel Mano	Director Administration and Finance, FONAENF
Prof. Banza-Baya	Director National Institute of Statistics and Demography
Dr. S. Sylvain Dipama	Director General Studies and Statistics
Dr. Dieudonné Eric Valea	Director Department of Monitoring, Evaluation and Capitalisation
Mr. Jean Charlemagne Yoda	Coordinator, Health Sector Support Programme
Mr. Irisso Kagoné	Director of Policy Formulation / DGESS
Mr. Patrice Ali Coulibaly	Director General Health, Ministry of Health
Mr. Moise Sanuidi	Department Administration and Finance, Ministry of Health
Mr. Harouna Diarra	Accounting Officer PADS, Ministry of Health
Dr. Abdoulaye Alassane	Technical Assistant, Head Equipe 2, Head Monitoring and Evaluation Sector-Wide Approach (PNDS)
Mr. Laurant Kaboré	Education Specialist, UNDP, former Education Specialist Royal Netherlands Embassy in Burkina Faso
Mr. Félix-Marie Yaméogo	Technical Secretariat of the Donor Troika
Mr. Sebego Mamadou	Technical Secretariat of the Donor Troika
Mr. Jean-Baptiste Le Hen	Resident Representative International Monetary Fund

Mrs. Miriam Diop	Programme Manager Budget Support and POSEF
Mr. Ousmane Diaddié Haidara	Sr. Health Specialist, The World Bank
Mr. Claude B. Bationo	Sr. Operations Officer, The World Bank
Mr. Isiyaka Sabo	Senior Economist, Head of Strategy and Policy Unit, UNDP
Mr. Tankien Dayo	Macroeconomist, African Development Group
Mr. Denis Garnier	Nutrition Specialist, UNICEF
Mr. Adama Traoré	Education Specialist, UNICEF
Dr. Denis Muhoza	Health Specialist, UNICEF
Michael Pulichino	Head of Economics and Social Sectors
Mrs. Anne Joseph	Programme Officer Economics and Social Sectors
Mrs. Lyn Voegele	First Secretary, Embassy of the Grand Duchy of Luxembourg
Mrs. Charlotte Just	Deputy Head of Mission, Royal Danish Embassy
Mr. Abdoulaye Ouedraogo	Programme Officer Macroeconomics, Education and HIV/AIDS, Royal Danish Embassy
Mrs. Dominique Crivelli	Director Development Cooperation, Swiss Development Cooperation
Mr. Jean Alexis Bancé	Programme Manager, Swiss Development Cooperation
Mr. Ambroise Tapsoba	Programme Manager, Swiss Development Cooperation
Mr. Luc Pince	Head of Aid, Embassy of Canada
Margareta Kristianson	Head of Cooperation, Embassy of Sweden
Mr. Abdoulaye Sanou	Programme Manager Public Finance, Embassy of Sweden
Mr. Bakary Kinde	Programme Manager Public Finance and Decentralisation
Prof. Augustin Loada	Director of the Centre pour la Gouvernance Démocratique Burkina Faso
Mr. Claude Wetta	Executive Director, Réseau de Lutte Anti-Corruption (REN-LAC)
Mr. Harouna Sinon	Economist, Programme Management, Réseau de Lutte Anti-Corruption (REN-LAC)
Mrs. Aminata Kassé	National Director, National Democratic Institute Burkina Faso
Mr. Dany K. Ayida	Programme Director, National Democratic Institute Burkina Faso
Mr. Abdoulaye Diallo	Directeur Centre National de Presse Norbert Zongo (CNP NZ)
Mr. Justin Coulibaly	Communication Expert, Centre National de Presse Norbert Zongo (CNP NZ)
Mr. Benjamin Zio	Acting Director SNV
Mr. Erik Boonstappel	Manager Sector Renewable Energy, SNV
Mr. Issa Konda	Manager Sector Agriculture, SNV
Karim Savadogo	Advisor WASH, SNV
Mr. Raogo Antoine Sawadogo	President Laboratoire-Citoyennetés
Mr. R. Armand Joseph Kaboré	Permanent Secretary Laboratoire-Citoyennetés
Mrs. Leontine Keijzer-Gango	Burkina Faso Platform

Guatemala

Anonymous	ADP
Anonymous	AHPN
Anonymous	CALDH
Mrs. Christina Laur	Embassy of Canada
Mrs. Heidy Sandoval	CGC
Anonymous	CICIG
Anonymous	PCS
Anonymous	CPS
Mrs. Stella Zervoudaki	Ambassador of European Union
Mrs. Lieze Van Wymelbeke	European Union
Mr. Juan María Jiménez Bravo	European Union
Anonymous	FAFG
Anonymous	IIARS
Mr. Jaime Ordónez	ICG
Anonymous	ICCPG
Anonymous	IEPADES
Mrs. Bárbara Quiñonez	Ministerio de Gobernación
Mr. Carlos José Arroyave Prera	Subdirector of Foreign Politics, Ministry of Foreign Affairs
Mrs. Mayra Mirales	Ministerio Público (Cooperación Internacional)
Mr. Herber Morales	Ministerio Público (Cooperación Internacional)
Mr. Mario Azmitia Zaldaña	Ministerio de Relaciones Exteriores
Mrs. Claudia Flores	Ministerio de Relaciones Exteriores
Mrs. Silvia Porras	Organization of American States
Mr. Kristof Smits	Human Rights Officer at OHCHR
Mrs. Barbara Manon Derks	SECAP
Mr. Raúl Bolaños	SEGEPLAN
Mrs. Carmen María Marroquín	SEGEPLAN
Mrs. Ericka Rodas	SEGEPLAN
Mr. Hans Magnusson	Embassy of Sweden
Mrs. Lucy Turner	UNDP
Igor Garafulic	UNDP
Mr. Fernando Paredes	World Bank

Nicaragua

Mrs. Blanca Yañez Minondo	AECID
Mrs. Esmeralda Morales	Central Bank of Nicaragua
Mr. Freddy Ruiz	COSUDE
Mrs. Ysabel Blanco	CIDA, Head of Cooperation
Mrs. Nadia Prado	Embassy of Finland
Mr. Jesus del Barrio	European Union, Head of Cooperation
Mr. Jorge Bastino	European Union
Mrs. Sandra Peña	European Union
Mrs. Isabel Tercero	European Union
Mr. Han Marcel Kok	Previously at Embassy of Luxembourg in Managua
Mrs. Dineke van den Oudenalder	HIVOS
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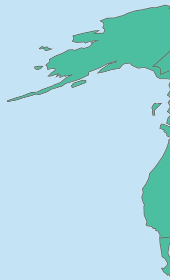

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