A critical evaluation on the impact of phasing out bilateral aid in a number of Dutch partner countries – an IOB report

In 2010, the government reduced the budget for Official Development Assistance (ODA) by EUR 750 million per year and policy on Dutch development cooperation was revised with the aim of enhancing its efficiency and effectiveness. The government announced a shift from aid to investment, focusing on economic growth and trade promotion as well as concentrating Dutch activities on fewer countries and sectors. As part of its new aid agenda, the government cut the number of countries with which the Netherlands had a structural bilateral development relationship from 33 to 15. Dutch development focus was reduced to four themes: security and rule of law, food security, water and SRHR. The education and health sectors were cut from the development assistance agenda. The ministry sought to redress the negative impact of the Dutch exit by coordinating the partner country choices with other donor countries in the EU.

In 2012, while embassies were implementing the exit process, a new government decided to further reduce the budget for development cooperation by 1 billion, bringing Dutch ODA down from 0,7% to 0.55% of GNI. Following these decisions, the House of Representatives requested an evaluation be conducted on the impact of the budget cuts implemented by the previous government (2010-12) on countries and programs. The IOB report outlines the result of the requested evaluation, including an assessment of the impact of:

- the exit on recipient countries and NGOs in these countries
- the savings on health and education; and
- the ending of the provision of general budget support

Conclusions drawn by the IOB report

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. The analysis shows 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, realizing budget cuts became the main driver, rather than the pursuit of aid effectiveness.

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 on going Dutch programs. This conflicted with the argument of enhancing aid effectiveness.

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.
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.

5. With the exceptions of Tanzania and Burkina Faso, the macro economic impact of the Dutch exit was limited. The ending of budget support had a negative impact on the budgets for the social sectors.

6. If the Netherlands had continued it 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.

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.

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

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 estimate of the time needed for a responsible exit.

2. Make an analysis of the whole portfolio if the objective is to specialize and reduce fragmentation; it may be advisable to reconsider the shift from program aid to projects.

3. Coordinate programming, including reducing the number of partner countries and phasing out from specific sectors, with other European Countries. There are good arguments for specializing and reducing fragmentation, but only if this is based on an agreement between donors and recipient countries to improve the division of labour.

4. Show more flexibility when considering the discontinuation of bilateral support. 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.
5. Develop and exit strategy in close collaboration with the stakeholders in question, taking into account the planning and budget cycles of the countries and partners. Do not rely on the possibility that programs will be taken over by other donors, unless that 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.

Negative impacts of phasing out may be reduced in future by taking more time for the whole process, by investing more in an analysis of the consequences, by examining a wider range or continuum of options for disengagement rather than just the two options of it (full or no partner) and by involving stakeholders much more in the process.

Note:

You can download the complete report over here: