# Managing Aid Exit and Transformation

Malawi Country Case Study

Joint Donor Evaluation

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# Foreword

This is one of five country case study reports for the evaluation of Managing Aid Exit and Transformation, jointly initiated and funded by the evaluation departments of the ministries and government agencies responsible for development cooperation in Denmark, the Netherlands, Norway, and Sweden. Based on studies of completed and ongoing exits by one or several of the four donor countries from bilateral government-to-government development cooperation with Botswana, Eritrea, India, Malawi, and South Africa the larger evaluation is intended to make a contribution towards the formulation of a shared international framework for the ending and tranformation of bilateral aid relatioinships.

The evaluation was conducted by an independent evaluation team representing a consortium of ECORYS Netherlands BV, Rotterdam, and Christian Michelsen Institute (CMI) , Bergen, Norway. While Ms Anneke Slob, ECORYS, and Mr Alf Morten Jerve, CMI, were the principal team leaders and jointly authored the evaluation Synthesis Report, each country study was managed by a separate country team that included both local and international evaluators.

As stressed in the evaluation Synthesis Report every development cooperation exit has its own unique features and must be planned and implemented accordingly. What this means is developed in detail in the five case study reports. Whereas readers interested in the broader picture must consult the Synthesis Report, each of the country reports can be read and understood on its own.

While the evaluation Synthesis Report is published in print as well as electronically, the five country studies must be downloaded from the Internet (http://www.sida.se/exitevaluation) or from the CD-ROM attached to the Synthesis Report.

*Stefan Molund*
*Evaluation Manager*
*Department for Evaluation (UTV)*
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# Preface

This Country Report Malawi is an integral part of the joint evaluation of aid exit and transformation management. The report is one of the building blocks for the Synthesis Report for this evaluation.

The evaluation was an initiative of four donor countries: Denmark, the Netherlands, Norway and Sweden. The Terms of Reference were published in 2006. Sida has acted as a lead agency for the management of the study. The Terms of Reference asked for five country studies: Botswana, Eritrea, India, Malawi and South Africa. The purpose of the evaluation is to facilitate mutual learning on issues of exit from development co-operation partnerships at country level. Although primarily catering for the information needs of the four donors, it is also expected to be useful for the developing countries that participated in the case studies. The evaluation is seen as an opportunity for donors, development organisations and their developing country partners to share experiences and learn from each other with regard to country exits and their management.

The evaluation was contracted out to the consortium ECORYS (the Netherlands) and Chr. Michelsen Institute (Norway) and started in February 2007. A Steering Group composed of representatives of the aid evaluation departments of the four commissioning donors[1] provided guidance throughout the evaluation. The evaluation was led by a core team with a team leader (Anneke Slob) and a deputy team leader (Alf Morten Jerve) and two assistants for file research. The country case studies were carried out by five separate country teams with both national and international evaluators.

The Synthesis Report presents a full comparative analysis based on the five country reports. Furthermore, it provides recommendations for donors when considering guidelines for exit management. The country reports and the Inception Report provide detailed insight into the methodology and the research findings.

The authors of this country report are presented on the front cover. It has been checked by the core team for consistency with the overall methodological framework developed for this evaluation. The core team was also responsible for quality assurance. For enhanced comparability the core team has produced summaries of the country reports that are included as annexes in the synthesis report. Therefore, this report does not contain an executive summary.

Responsibility for the synthesis report, the five country reports and the inception report rests entirely with the evaluation team.

Anneke Slob — Director Evaluation ECORYS NL
Alf Morten Jerve — Senior Researcher, CMI

1 Evaluation Department of the Ministry of Foreign Affairs of Denmark, Policy and Operations Evaluation Department (IOB) of the Dutch Ministry of Foreign Affairs, Evaluation Department of Norad, and Evaluation and Internal Audit Department (UTV) of Sida

# Chapter 1

# Introduction

A consortium of four donor countries – Denmark, the Netherlands, Norway and Sweden – pooled resources to commission a joint evaluation of country level exit processes in a number of their development co-operation partners. The five selected country cases included Botswana, Eritrea, India, Malawi, and South Africa, which represent a range of exit justifications. The Terms of Reference (ToR) specify three main stages in the exit process: (i) the exit decision and its justification in context; (ii) the planning and management of the exit; and (iii) the consequences of the exit for the recipient countries in question. This report recounts the experiences from Malawi and sets out the findings.

*Defining the evaluation object*

In the course of the inception phase it was agreed that some flexibility would be acceptable in terms of substantive emphasis and format of reporting because the country cases are rather different; 'one size does not fit all'. As a result, 'customising' the report would be admissible. However, no evaluation of the exit decision itself was to be undertaken. Basically, the exit decision should be taken as the point of departure for the subsequent analysis, even though some discussion would be warranted of the justification and context of the exit decision in so far as it would bear on the management of the exit and its consequences for the recipient partner country. The main emphasis should be put on the management and implementation of the exit decision, and on its consequences for the recipient – to the extent possible also for the end beneficiaries at the grassroots. It was acknowledged, however, that given the time constraints the grassroots effects would be difficult to gauge.

A further delimitation of the assignment concerned its scope. According to the ToR the evaluation should cover 'exits from bilateral country-level development co-operation' only. It should not comprise multilateral co-operation or support for civil society organisations. In the case of Danish and Dutch aid to Malawi the term 'exit' meant phasing out all state-to-state aid relations. Assistance through multilateral channels would not be affected, however, nor would civil society support. The process towards a complete exit involved the scaling down of activities at different speed – fast in the case of Denmark and slow in the case of the Netherlands.

*Purpose*

The purpose of the evaluation is to generate lessons learned that may serve to guide the planning and management of future exits. Since the evaluation was commissioned by donors it would be expected that the learning process would cater primarily to their needs and less to those of the recipient countries. However, the part of the evaluation dealing with the consequences for the recipients may also be relevant to the recipient countries and give clues as to how sudden and less sudden exits could be met or prepared for. Furthermore, the lessons learned would no doubt also be useful for donors other than the consortium commissioning this evaluation and for other recipient countries.

*Scope*

In view of the time constraint it was not possible to cover the full gamut of aid relations. Hence, a selection of interventions was necessary. Three main sectors were selected – agriculture (with some sub-sectors), education, and health – based on the criteria that these sectors are fundamentally important for the recipient country and the fact that Denmark (agriculture and education) and the Netherlands (health) were heavily involved in them until the exit.

The agricultural sector was not covered in its entirety, only selected interventions such as agricultural investment; irrigation; human resources development; smallholder support, and training (see section 5 below for details). The educational interventions were confined to secondary education. The health sector activities were focused on institution-building for training of medical personnel; delivery of health services at national and district levels and health monitoring and information.

*Methodology and data collection*

The evaluation methodology was elaborated in the inception report on the basis of the requirements stemming from the ToR. A common methodology/approach had been worked out for all five country case studies. The main elements are reflected in the structure of the country reports. Minor adaptations were made to tailor the methodology/approach to the specific circumstances at hand in the countries concerned. The main common elements of the methodology/approach were:

- An overview of the volume of aid and aid strategies of each of the donors and an overview of the trends in total aid volume to the country concerned (chapter 2);
- An analysis of phasing out, aid transformation or exit *decisions and planning* from the perspective of the donors and the recipient country (chapter 3);
- An analysis of the *management and implementation* of these decisions from the perspective of the various actors involved (chapter 4);
- An analysis of the *consequences* of these decisions at different levels and for different groups of stakeholders. This analysis was based on a sample of selected development interventions, which also *illustrated exit management at the programme and project level* (chapter 5).

The data foundation includes secondary sources (see non-exhaustive list of key documents in Annex 1) such as donor and recipient government reports and memoranda, academic publications, and above all, key informant interviews with stakeholders, principally in Malawi but also in Denmark and the Netherlands (see list of interviewees in Annex 2). We were fully aware that Malawian respondents might be defensive and arguably inclined to exaggerate out of proportion the adverse exit effects or be too accommodating out of politeness. The same would apply to the (fewer) Danish and Dutch respondents who were directly involved. Efforts were made, therefore, to corroborate information provided from different sources and in the analysis the interests of various stakeholders were taken into account and balanced against each other.

At the end of the field mission (from 30 July until 10 August 2007) a debriefing session was held on 13 August 2007 for interested parties with a view to validate the preliminary findings presented (see list of participants in Annex 3). The feedback and comments provided during that session have been incorporated in this report.

*Organisation*

The Chr. Michelsen Institute (CMI) and ECORYS formed a consortium that bid successfully for the assignment and was commissioned to undertake the evaluation. The Malawi team comprised Esther van der Meer (ECORYS), Arne Tostensen (CMI), and Maxton Tsoka (Centre for Social Research, University of Malawi at Chancellor College in Zomba). In Copenhagen, Rotterdam and Bergen, Maria Petersen, Anja Willemsen and Vibeke Wang, respectively, were most helpful in acquiring documents and data for the team.

*Report structure*

While allowing for some adaptation from one country case study to another, a uniform structure of the report was suggested.

The second part of the report – after this introduction – provides a background to the country in question with some basic socio-economic indicators, as well as an overview of aid relations, including the degree of aid dependency.

The third part recounts the exit decisions by the two donors that exited from Malawi, including their justification and context.

The fourth part describes the planning and management of the implementation of the exit, with emphasis on time scales and procedures.

The fifth part analyses the consequences of the exit for Malawi, with emphasis on the selected sectors where Denmark and the Netherlands were heavily involved up until the exit.

The final concluding part points to lessons learned and suggests some recommendations as to how donor practice may be improved when future exit decisions are to be taken.

# Chapter 2

# Exit country characteristics

## 2.1 Country background

Malawi gained independence from Britain in 1964 and acquired republican status in 1966, at which time it was formally declared a one-party state under the tutelage of the Malawi Congress Party (MCP) with Kamuzu Banda at the helm. In 1971 Banda was declared Life President. For three decades Malawi's destiny was determined by a repressive, authoritarian regime. However, domestic and international pressures for democratic change began to mount in the early 1990s and in 1993 a referendum was held to decide whether to retain the one-party state or to opt for a multi-party dispensation. The referendum resulted in a victory for the democratic forces.

In 1994 a multi-party election was held. The United Democratic Front (UDF) won a resounding victory and Bakili Muluzi succeeded Banda as president. A period of euphoria ensued but gradually it became apparent that economic mismanagement and repressive practices lingered. Social problems continue to persist, including poverty and a high rate of HIV/AIDS infection. In the governance field a number of corruption cases surfaced.

The 1994 and 1999 elections displayed a marked regional voting pattern. The UDF dominated the populous southern region, while the central region formed the stronghold of the MCP. In the northern region the Alliance for Democracy (AFORD) predominated. This pattern was largely coterminous with ethnic boundaries. The 2004 elections, however, saw a partial break-up of this pattern in that new coalitions were formed and a large number of independent candidates contested and won.

Prior to the 2004 elections attempts were made to amend the constitution so as to allow the incumbent president to stand for a third term which the existing constitution prohibits. The constitutional amendment motion was defeated. The UDF presidential candidate, Bingu wa Mutharika, won the 2004 elections and upon taking office he seemed to turn against his former UDF allies by instituting corruption investigations. He pre-empted his expulsion from UDF by leaving voluntarily to form his own party: the Democratic Progressive Party (DPP). A number of former UDF MPs and some from other parties defected to the new party and many independents joined the ranks of the DPP. The peculiar situation emerged that the state president headed a party that had never faced the electorate in a general election.

Malawi's party structure is unstable. Parties are generally dominated by strong personalities who 'own' their parties. Politicians defect with ease – apparently for opportunistic reasons – and sometimes return to the fold after a while, allegedly after having been given some sort of 'inducement' to do so. Coalitions are volatile. The shifting party constellations and the lack of party loyalty by members have become a governance problem for Malawi.

Malawi has a singularly presidential system of governance in which the executive holds wide discretionary powers. Parliament is under-resourced and generally incapable of checking the exercise of power by the executive. The judiciary is by and large independent and has in a number of cases ruled against the interest of the executive. Several institutions of restraint are in place such as the Anti-Corruption Bureau, the Auditor-General, the Ombudsman, etc. However, these institutions appear not to have been effective in curbing corrupt practices.

**Table 2.1 Socio-economic indicators**

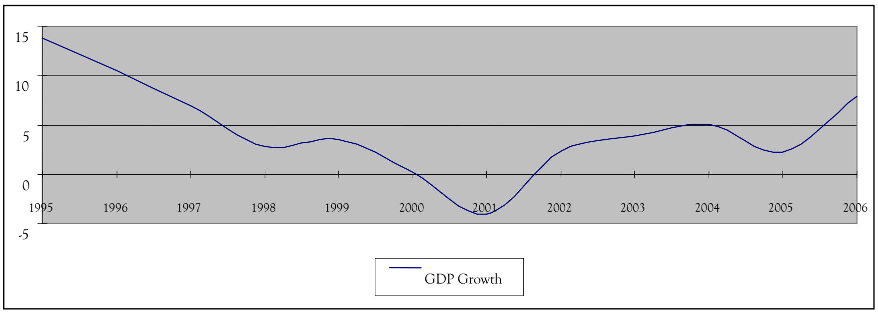
| Indicator | 2005 |
|---|---|
| Population (million) | 12.3 |
| GNP per capita (USD) | 156 |
| Inflation rate (%) | 15.5 |
| Poverty incidence (%) | 52.4 |
| Extreme poverty incidence (%) | 22.4 |
| Food secure households (%) | 84 |
| Life expectancy at birth (years) | 40 |
| Maternal Mortality Ratio (MMR) (per 100,000) | 984 |
| Infant Mortality Rate (IMR) per 1,000 | 76 |
| Under 5 Mortality Rate (per 1000) | 133 |
| Under 5 Stunting prevalence (%) | 43 |
| HIV/AIDS prevalence among 15-49 aged (%) | 14 |
| Literacy rate (%) | 63.9 |
| Completion rate in primary school (%) | 28 |
| Population with access to safe potable water (%) | 66 |

*Source: Malawi Growth and Development Strategy.*

Malawi is a small country in Southern Africa with an estimated population of 13.2 million (2007). Its small economy was estimated at USD 2,188 million in 2006, which translates to per capita income of USD 171.5. It is one of the poorest countries in the world – ranking 12th from the bottom in terms of the HDI and 2nd from the bottom in terms of PPP GDP per capita in 2004. In 2005 54.2 percent of the population was considered poor. The socio-economic indicators depict its poor status (see Table 2.1).

The economy is predominantly agrarian, mainly based on smallholdings. During the period 1994 to 2006, the share of agriculture in total output averaged 36 percent, with just over three-quarters (76 percent) deriving from smallholders. The health of the economy depends largely on the performance of the rain-fed and predominant low-productivity smallholder agriculture. Thus, despite a healthy annual average GDP growth of 4.6 percent over the 1995–2006 period (see Figure 2.1 for the unstable trend), poverty levels have remained constant.

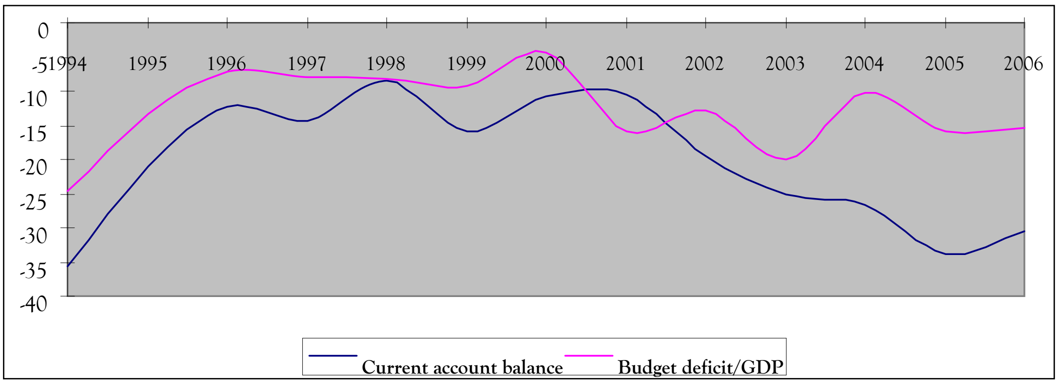
**Figure 2.1 GDP growth 1995–2006**



The fluctuating economic performance stems from the fact that most of the growth emanated from sectors with low multiplier effects such as the smallholder sector (which grew by an average of 9.5 percent); construction (8.0 percent) and financial and professional services (8.7 percent). The manufacturing sector is small and dwindling (down from 17 percent in 1994 to 10 percent in 2006). The vagaries of weather – droughts and floods – have also contributed to fluctuating growth rates, at times leading to severe food security crises.

Government is a prominent actor in the economy. Although a number of loss-making parastatals have been privatised and others are being privatised, the state still has a large stake in the economy. The government budget as a proportion of GDP averaged 39 percent in the period from 1994 to 2006. Malawi perpetually runs into budget and external account deficits, thereby requiring constant and high levels of foreign aid. Thus foreign aid, in the form of grants and concessional loans, plays a crucial role in filling the gaps in the state budget and external sectors. For example, foreign aid as proportion of the government budget averaged 38 percent over the period 1994–2006, the bulk of which were grants (averaging 72 percent of all foreign aid).

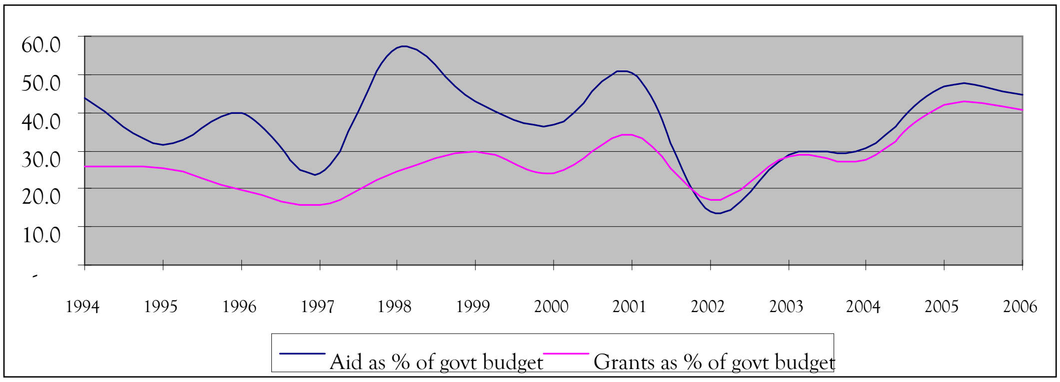
**Figure 2.2 Budget and BOP gaps (% of GDP)**




This high aid dependency has posed a number of challenges. Starting from the 1980s the International Monetary Fund (IMF) and the World Bank have exerted considerable influence on the country and other donors to the extent of directing the country's economic management, ostensibly to the benefit of the country as a whole. Withdrawal or suspension of foreign aid in the early 1990s was effectively used to force the then one-party dictatorship to open up political space to other players. In the early 2000s, amidst economic mismanagement, the IMF suspended its economic programme, which was followed by suspension of most budget and balance of payment (BOP) support.

The period since the democratic opening has three main characteristics in terms of foreign aid. The first period coincided with the first elected term of the UDF government (1994–1999), during which the new government embarked on a campaign to attract donors to the country. Most of the previously suspended foreign aid was resumed and new donors came in. Denmark was one of the countries that resumed aid to Malawi and became big in certain sectors within a few years. Other prominent newcomers included Norway and Finland. However, cases of fiscal malpractices and resource mismanagement surfaced in the very first year of the new government and allegations of corruption mounted over time. Foreign aid gradually declined and only went up in response to the 1999 elections funding requirements. The second phase coincided with the second term of the UDF government (1999–2004). With no improvement in economic management, non-emergency foreign aid declined and troughed in 2002 when the IMF suspended its programme. This move was followed by likeminded donors, which also suspended their budget and BOP support. The third period started with the administration of the new president elected in May 2004, Bingu wa Mutharika. With his much-publicised zero tolerance policy on corruption and evident good economic management donors have slowly but steadily started to increase their aid, most of which in the form of grants (see trends in Figure 2.3).

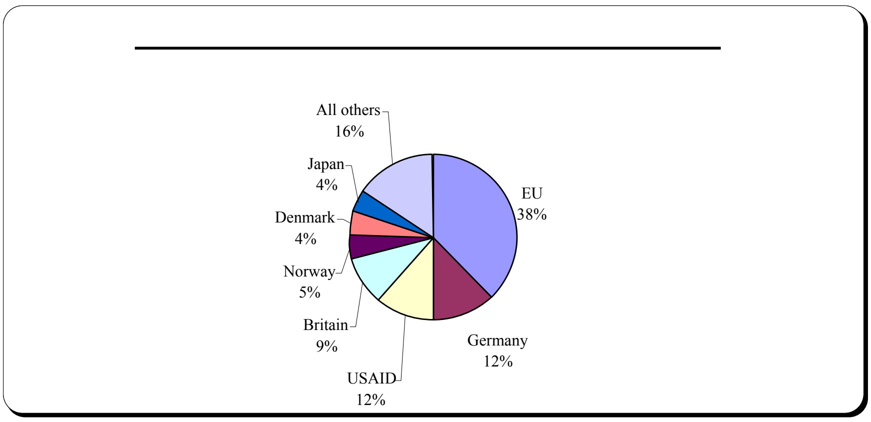
**Figure 2.3 Share of foreign aid in government budget**




Despite its high levels of poverty, Malawi does not have a large number of donors. There are a handful of donors in Malawi and few of them can be termed 'traditional' donors, in terms of levels and consistency. On the basis of information collected from budget documents for the period 1994 to 2006, Malawi has dealt with at most 30 donors, the major ones being less than ten in terms of their total contribution. While the World Bank and the African Development Bank (AfDB) are the main loan financiers, the European Union (EU) has been the biggest and most consistent grant donor in Malawi since 1996/97 (see Figure 2.4 for the shares of the grant donors).

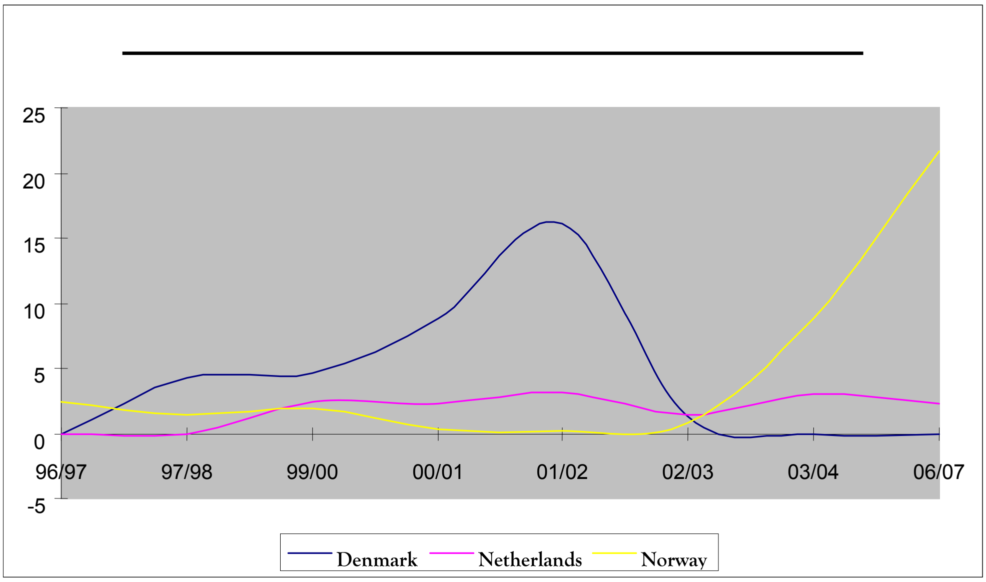
The EU is generally prominent in infrastructure projects and also provides large amounts in special years such as during elections (59 percent of total grants in 1998/1999) and food crises (60 percent in 2001/2002). Germany and the United States Agency for International Development (USAID) were very big grant donors until 2001/02. On the other hand, the United Kingdom (UK) came back in a big way after 2002/03. In fact, in 2006/2007 UK grants accounted for the highest contribution of 32 percent. Denmark started as a major contributor and within five years its contribution stood at 15 percent of total grants in 2001/2002. Denmark's aid was particularly significant in selected sectors. For example, in the education sector Denmark contributed close

**Figure 2.4 Average donor grant shares 1996/7–2006/07**



to one-quarter (23 percent) of the capital budget, representing more than half (57 percent) of Denmark's total aid to the country. Norway seems to have taken the role of Denmark after the latter's exit. The share of Norway's grants since 2002/2003 has increased from 1 percent to 22 percent. Norway was third largest grant donor in 2006/2007 just as Denmark was in 2001/2002 (see Figure 2.5).

**Figure 2.5 Trends in some donor grant shares since 1996/97**




*Sources: Ministry of Finance: Financial Statements since 1996/97; Ministry of Economic Planning and Development: Economic Report 1997 to 2004; and Annual Economic Report 2005 to 2007.*

A noteworthy feature of aid modality is general budget support (GBS). In the early 2000s a group of donors established a working arrangement dubbed Common Approach to Budget Support (CABS) through which they pooled aid resources. The GBS proportion of total aid flows has remained relatively modest. In 2003/2004 GBS accounted for two percent of government expenditure, rising to four percent in 2004/2005. At its peak in 2001/2002, GBS constituted 12 percent of total official development assistance (ODA). This period was characterised by suspension of GBS owing to the non-compliance of the Malawi government with the conditions of the IMF's Poverty Reduction and Growth Facility (PRGF).

Overall, Malawi can be characterised as a highly aid-dependent country with few donors compared to neighbouring countries such as Mozambique, Tanzania and Zambia. Its public sector is weak and erratic at the top level for political reasons, despite a cadre of well qualified professionals. However, down the ranks of the civil service shortages of skilled staff seriously impede policy implementation.

## 2.2 Involvement of the four donors

All four donors in the consortium that commissioned the evaluation were at one time involved in various activities in Malawi. But only two of them – Denmark and the Netherlands – have decided to exit from the country. The other two – Norway and Sweden – still maintain assistance programmes. The sections below give a brief overview of the nature and volume of involvement by these four donors.

### 2.2.1 Denmark

Similar to the Netherlands, Denmark had a history of aid to Malawi from the 1960s during the Kamuzu Banda era. Areas of intervention included vocational schools, health, rural water supply, etc. However, the increasing authoritarianism of the Banda regime made it untenable to maintain an aid programme, which led to its suspension in 1992. After the democratic opening in the mid-1990s Denmark decided to resume aid activities and selected Malawi as a partner country in 1995. An Embassy was opened in 1996.

Danish assistance to Malawi (1996–2000) was focused on agriculture (animal husbandry and irrigation), education (mainly secondary level and vocational training), the environment (urban environment and support to environment funds), telecommunications; balance-of-payment support; as well as the promotion of democratisation and human rights as cross-cutting concerns. Total disbursements during the period amounted to DKK 671.3 million for all areas (Danish MFA/Danida/NCG 2001:x).

According to the 2001–2005 country strategy support to the telecommunications sector would be phased out and replaced by roads while support for secondary education and agriculture would continue. Assistance to democratisation and human rights activities was stated as a priority, not in the form of sector support but rather as cross-cutting concerns (Danish Ministry of Foreign Affairs, Malawi: Strategy for Danish-Malawian Development Co-operation 2001–2005, 3rd revised draft).

**Box 2.1: 2002 Change of Danish Development Co-operation Policy**

The new government taking office after the November 2001 elections announced on 29 January 2002 the following main policy changes (excerpts from the Preface to the official Statement in Danish, unofficial translation):

*Denmark will also in 2002 rank highest concerning assistance to developing countries. This is the case even after the implementation of cuts in the appropriations for development and environmental assistance to developing countries to the tune of 1.5 billion Danish Kroner compared to the budget proposal of the previous government.*
*Countries receiving Danish development assistance must live up to basic principles of good governance. The review shows that some countries, but not all, live up to these principles. The Government will therefore:*

- *o Stop all development assistance to Eritrea (oppression of the opposition and the press), Malawi (systematic intimidation of the opposition, corruption) and Zimbabwe (a president greedy of power, economic chaos).*

Of the remaining Danish partner countries, six experienced no cuts in Danish bilateral assistance and nine had their country programmes reduced.

Danish-Malawian development co-operation took an unexpected turn in 2002 when Denmark decided to discontinue its bilateral assistance programme altogether. The only official forewarning was the suspension of Danish general budget support in the last quarter of 2001 due to concerns about economic management. Only in June 2001 had the Embassy completed the final draft of a new country strategy (2001–2005), with indicative grant figures of DKK 155 million per year. But its implementation was overturned by political developments in Denmark. The new Danish government that took office after the November 2001 elections announced substantial cuts in the aid budget and a revision of the list of partner countries (see Box 2.1).

With the January 2002 decision to drop Malawi as a bilateral programme partner country existing projects and programmes were to be phased out within five months: by 30 June 2002 all programme activities were to cease. The

Danish Embassy was closed one month earlier. As a result, the phase out period was very short and hurried.

### 2.2.2 Netherlands

During the Kamazu Banda era Dutch bilateral development aid had been gradually reduced because of authoritarian practices and human rights violations. Support was shifted from bilateral state-to-state relations to civil society as an alternative channel. The Netherlands decided to resume bilateral development assistance on a modest scale with the democratic opening after the 1993 referendum. From 1996 onwards, Dutch bilateral development assistance to Malawi was resumed with activities in the sectors/areas of health, environment and good governance.

Bilateral development assistance increased from almost EUR 2 million in 1999 to EUR 5.1 million in 2001. The newly developed portfolio contained a large programme in the health sector. Next to Human Resource Development activities and support through UNICEF (HIV/AIDS) a significant five-year support to the Malawi Health Population and Nutrition Programme (EUR 10.2 million) started at the beginning of 1999 after thorough preparation. This health programme was intended as a forerunner to a Sector-Wide Approach (SWAP) in the health sector. The Netherlands was considered as a smaller donor in the fields of environment and good governance (in the latter case support was channelled through the United Nations Development Programme (UNDP).

In 1999 the bilateral development programme encompassed 32 activities, of which all but one were completed by the end of the five-year phase out period. To safeguard the investments made at the College of Medicine the technical assistance programme was allowed a three-year extension and came to an end in 2007 as the last Dutch-funded aid activity. Support to HIV/AIDS continued in a regional programme through UNICEF.

In 1997, 1998, 1999 and 2001 the Malawi government received EUR 4.5 million in debt relief. Further debt relief was not considered on account of the political situation in the country. In May 2000, the Netherlands promised that it would support Malawi if it qualified for support under the Heavily Indebted Poor Countries (HIPC) initiative.

While at the turn of the year 1998/1999 preparations of new sector programmes in the health and agro-forestry sectors were almost finalised, concurrent discussions took place in the Netherlands about limiting the number of partner countries. In 1999 the Dutch government decided to exit from Malawi on account of a policy to concentrate on fewer partners. Factors of consideration were mainly of a practical nature. The Netherlands had no Embassy in Lilongwe and the added value of Dutch activities was considered limited.

Hence, an exit strategy was formulated with a five-year phase out period (1999–2004). The Dutch government indicated that all existing commitments would be honoured and that support for activities to counter the HIV/AIDS pandemic would still be possible through regional programmes and multilateral channels. Owing to questions raised in the Dutch Parliament in 2001 a new review of Malawi was carried out in 2002 to check again its eligibility as a partner country for the Netherlands. The review was generally positive, but Malawi did not make it back as a partner country because of perceived new non-democratic developments.

In 2002, in light of its policy on basic education reflecting the second Millennium Development Goal (MDG 2) on universal primary education, the Netherlands entered into a silent partnership with the Department for International Development (DFID) of the UK (*Programme on Basic Education*) to support this sub-sector in Malawi. Funds for this purpose are channelled from The Hague to London.

### 2.2.3 Norway

Norway remains a donor to Malawi with which development co-operation commenced in 1995, and in 1996 it was made a priority country. After discussions on development co-operation between Norwegian and Malawian authorities in February 1997 a Letter of Intent was signed in June 1997. It was agreed to concentrate co-operation in the sectors of education, health, agriculture, and in good governance as a cross-cutting concern. A Memorandum of Understanding (MoU) laid down the guidelines for co-operation from 1998 onwards (Norad Annual Report 1997:24). A new country strategy for the period 2001–2005 on the overall priorities and framework for future co-operation was agreed upon on 5 April 2001 (MoU Norway-Malawi 02.09.2004). The 2001–2005 strategy redefined the four main areas of co-operation as health, HIV/AIDS, good governance and budget support. Later agriculture found its way back into the programme. In the new Letter of Intent signed in 2005 the priority areas remained the same (St.prp.nr.1, 2006-2007).

Since January 2002, Norway has administered Swedish development co-operation with Malawi with a view to enhancing aid effectiveness and to reducing the administrative burden on the Malawi government (Sida Annual Report 2004:23–24). Norway thus had the authority to represent Sweden in three of the four areas of priority: good governance, HIV/AIDS, and health. Budget support was managed by Stockholm but the financial management was joint. All Norwegian-and Swedish-funded activities were integrated in a joint programme (Sida/Norad programme 02.09.2004). The MoU was revised in 2004 for the period 2005–2010.

### 2.2.4 Sweden

Similar to Norway, Sweden maintains a development co-operation programme with Malawi. Co-operation was broadened after the demise of the Banda regime in 1994. In 2001 Sweden and Norway decided to join hands in Malawi, which led to a formal agreement between the two countries. Thus, from January 2002 Norway has administered Sweden's bilateral project portfolio.

Sida bases its co-operation on the Norwegian strategy to the extent possible. Norway is responsible for planning and drawing up guidelines in conjunction with the Malawian counterparts. Sida's input is expertise (whenever needed) and money. Widespread poverty in Malawi in addition to positive developments with respect to human rights and democracy is said to motivate Swedish assistance. A new joint development programme covering the period 2006–2009 commenced in July 2006.

Sida's development co-operation with Malawi amounted to SEK 142 million in 2005 and SEK 126 million in 2006. Support centres on democratisation and good governance (e.g. supporting collaboration between the Swedish National Audit Office and the Malawian National Audit Office), health care (health sector support) and HIV/AIDS, as well as economic reforms (budget support and capacity-building for the administration of public finances). Malawi is among the largest recipients of Sida's health support (Sida Annual Report 2004).

# Chapter 3

# Analysis of country exit decision and planning

## 3.1 Denmark

To most Malawians the decision by Denmark in January 2002 to discontinue its aid programme came as a thunderbolt out of the nearly blue sky. Only in June 2001 had the Danish Embassy finalised a new country strategy for Malawi covering the period up until 2005 and all was set for its implementation. Admittedly, there had been a diplomatic episode in late 2001 which led to the departure of the Danish ambassador after the Malawi government had requested that he be replaced. But most circles saw withdrawing from Malawi altogether as a reaction out of proportion to the nature of the diplomatic turbulence. For some time not only Denmark but the entire donor community had been concerned about governance issues and corruption. This had repeatedly been brought to the attention of the government, but to no avail it seemed in the eyes of the donors. As far as Denmark was concerned there had been persistent problems in the education sector in particular and some money remained unaccounted for.

A particularly egregious example of corruption was the committee for Inter-Party Peace and Unity Technical Committee that had been set up after violent clashes between the youth wings of party organisations in connection with the 1999 elections. The secretary-general of the UDF had chaired that committee. When the money could not be accounted for it led to a court case. This probably aggravated the bad relations with the incumbent party.

These problems of governance were a continuous source of friction and came to a head in October 2001. Ostensibly, at about that time the Danish ambassador had made a jocular though derogatory remark about then President Muluzi at an internal meeting in the Embassy. Allegedly, an Embassy employee – a Malawian national – had reported the remark to senior government officials who apparently conveyed it further to the Office of the President and Cabinet. The ambassador was then summoned to the Ministry of Foreign Affairs and thereafter the Malawi government requested Copenhagen to replace him. He left Malawi on 17 October 2001. There is a perception in Malawi, even among senior civil servants, that the 'misunderstanding', as it is often referred to, between the ambassador and the President, was the real reason why Denmark decided to phase out its development assistance to Malawi.

However, the Danish general election on 21 November 2001 had brought to incumbency a centre-right coalition government after an election campaign that had signalled substantial aid cuts. Upon taking office the new government decided to cut the previous government's aid budget proposal for 2002 by DKK 1.5 billion, a considerable amount which represented about 10 percent of the total aid budget. One-third of the amount would affect bilateral co-operation. It was left to the bureaucracy of the Ministry of Foreign Affairs to make specific proposals as to how and where the cuts would be made. After deliberations on which countries to drop from the list of so-called programme countries, a decision was finally made on 29 January 2002 to delete Malawi along with Eritrea and Zimbabwe (see Box 2.1). Incidentally, the Malawians did not like being put in the same group with Eritrea and Zimbabwe: 'how could they put us in the category with those rogue states?' Other country candidates in the discussion were Burkina Faso, Kenya and Uganda. Ultimately, the review process resulted in the reduction of programme countries from 18 to 15. Although it seems plausible, it is a matter of speculation whether the diplomatic incident that led to the departure of the Danish ambassador had any effect on the selection of Malawi among the three casualties of the budget cut. The persistent governance and corruption problems were the main factors that tipped the scales in Malawi's disfavour, although at the time Malawi did not perform so badly on governance and corruption indicators compared to other countries in the region, as suggested by Malawi's ranking on Transparency International's corruption perception index.

It also warrants mention that there was no strong pro-Malawi lobby in Denmark that could have exerted pressure on the government to spare that country. It was only after the decision had been taken and when it was being implemented that a public debate emerged in the Danish media. Particular attention was given to poor women who by Denmark's exit had been left in the lurch and landed in indebtedness through a disrupted micro credit scheme for poultry production.

On 29 January 2002 the Danish government issued an official statement on its review of Denmark's development and environment co-operation with developing countries, including a specific section on Malawi giving the reasons why that country was dropped as a partner (see also Box 2.1 above). The statement warrants quotation at length (authors' unofficial translation):[2]

[2] Royal Danish Ministry of Foreign Affairs, Redegørelse for Regeringens Gennemgang af Danmarks Udviklings- og Miljøsamarbeide med Udviklingslandene [Statement on the Government s Review of Denmark s Development and Environment Co-operation with Developing Countries], Copenhagen, 29 January 2002.

Danish aid has so far been sought given as sector programme support in close collaboration with the recipients and other donors. Experiences show thus far, however, that the sector programme concept does not seem feasible in Malawi. The country's weak administrative structures in combination with a fragile democracy and a correspondingly weak civil society have led to an increasing need for reordering priorities with regard to interventions, greater decentralisation and the inclusion of the private sector, and not least greater control of the implementation of the aid programme. Support to the educational sector has encountered a number of problems owing to weaknesses in the Ministry of Education combined with an increasing party politicisation of the sector. However, the Ministry has declined a Danish offer of technical assistance to mitigate the institutional weaknesses. Support to vocational training has yielded results in terms of institution-building but its effect on the labour market and its sustainability are in question. It has also been difficult to arrive at a common understanding with the Malawian authorities about the use of macro-financial support. Through donor collaboration great efforts have been made to establish acceptable procedures for economic and budget management and satisfactory measures towards a better distribution of income. The results, however, have not been satisfactory, and Denmark has, therefore, along with the UK, chosen not to disburse budget support in the last quarter of 2001. The Danish ambassador to Malawi was recalled for consultations in late 2001 in order to assist in a further clarification of the circumstances that had led to accusations against him to the effect that he had made derogatory remarks about Malawi's president. Apart from the personal motives of a former employee at Denmark's Embassy in the country it is also possible that the accusations against the ambassador may be attributable to his initiative – as part of regular procedures regarding ongoing aid activities in Malawi – to audit a specific project, which clearly indicates that Danish aid funds are being misused by politically influential persons in Malawi. The relevant persons have been asked to comment upon the prepared audit report. Further steps have been taken to look closer at the use of other Danish aid funds in Malawi. Other donors are also making investigations based on suspicions of the misuse of aid money.

**Conclusions**

The government [of Malawi] has not shown any will to ensure that the principles of the rule of law are upheld, including respect for differences of political opinion and freedom of expression. The opposition is systematically being intimidated. Corruption is a fast increasing problem, and there is suspicion of the misuse of aid funds from Denmark as well as from other donors. This notwithstanding, the government [of Malawi] has declined offers of technical assistance to mitigate the institutional weaknesses. Malawi is one of the world's poorest countries and Danish aid has been orientated towards poverty reduction, but the collaborative relationship is currently characterised by very difficult conditions.

- Development co-operation with Malawi will be discontinued and the country's statusas a partner will cease;
- No new activities will be initiated, neither in the development nor the environment sectors, which in 2002 will mean savings, respectively, of DKK 127 million and

Apart from direct communication to Malawi's Ministry of Foreign Affairs, a two-page press statement was issued by the Danish Embassy in Lilongwe on the following day, 30 January 2002, citing the main reasons why Malawi was dropped from the list of partner countries. Three points related to governance were listed:

- A weak administration, combined with a fragile democracy and a weak civil society, had made it difficult to implement sector-wide approaches which formed the basis of Danish government-to-government co-operation programmes. The educational sector was mentioned specifically as particularly difficult. In terms of macro-economic support inadequate control procedures had compelled Denmark to suspend budget support as from the 4th quarter of 2001;
- In the political arena increasing intolerance had been witnessed, including politically motivated violence, systematic intimidation of the opposition and attempts to circumscribe the independence of the judiciary;
- Corruption was seen to be on the increase and the misuse of Danish and other donor funds was suspected.

On the basis of the above points of criticism the statement said that Denmark had decided to drop Malawi as a programme country. However, the statement contained a reassurance that all ongoing activities would be completed 'in an appropriate manner'.

The ToR precluded the Malawi country study team to undertake interviews about the exit decision with Danish government representatives in Copenhagen. Nevertheless, it is warranted to highlight the responses and perceptions on the Malawian side to illustrate the drama with which the Malawians viewed the exit decision. The Malawi High Commissioner to Denmark had been informed in advance of the impending decision at a meeting with the head of Danida on 28 January 2002, one day prior to the formal decision by the Danish government. The Malawian government was very upset about the decision to the extent that both the Minister of Foreign Affairs and the Minister of Education were sent to Copenhagen in February 2002 to plead with the Danish government to reconsider its decision. However, they were not allowed to see the Danish Minister of Foreign Affairs who was said to be out of the country; 'if he were in Copenhagen he must have been hiding', according to an interviewee. They met instead on 20 February 2002 with the head of Danida, whose 'shoulder was colder than the winter', as an informant put it. In that meeting the Danish position was expounded and the two Malawian ministers responded by conceding that there were governance problems but denying that corruption was a problem and that the opposition was intimidated. They underscored the adjustment problem Malawi would face as a result of the abruptness of the phase out. Although a palpable overstatement, the Minister of Education went as far as to claim that the abrupt cessation of Danish support might cause the entire educational system to collapse. The two ministers returned to Malawi disappointed and dismayed.

Malawi was faced with a *fait accompli* based on a unilateral decision, although informal warnings had been communicated through other donors. Also, in November 2001 a Malawian newspaper carried a report to the effect that Denmark was scaling down its aid programme due to corruption and mismanagement of donor funds, and was possibly poised to withdraw altogether (*Malawi News* 3–9 November 2001).

## 3.2 Netherlands

Throughout the late 1980s and the 1990s a debate took place in the Netherlands – as it did during the same period in many other donor countries – on new aid policies in order to enhance their effectiveness. This debate culminated in 1998 with a decision to reorient Dutch bilateral aid, based on the following main principles:

- selectivity and choice of partner countries;
- good governance as a precondition for aid rather than merely as a target;
- concentration on three sectors in the recipient countries concerned;
- strong move towards sector support in terms of aid modality;
- emphasis on recipient ownership.

In accordance with the above principles, the Dutch Government in 1999 introduced a new policy that meant a concentration of its bilateral development assistance to a limited number of countries and sectors and a focus on sector-wide approaches. The minister decided that the new policy be implemented expeditiously. A list of 22 'priority countries' was drawn up. In addition, there was a list of 'theme countries', i.e. those only qualifying for support in respect of specific themes (good governance, human rights, environment, and peace building). In 2003 this thematic approach was dispensed with and a consolidated list of 36 'partner countries' was retained.

When establishing the list of priority countries in 1999, the following criteria were used:

- the degree of poverty and need for aid;
- the socio-economic policy of the recipient country;
- the governance situation of the recipient country.

In a number of steps, the application of these criteria led to a list of 22 countries presented to Parliament on 26 February 1999. Malawi was not on the list. Although several amendments to the list were later made on the insistence of Parliament, e.g. Pakistan and Zimbabwe were removed in 1999 and Benin and Rwanda added in 2001, the status of Malawi remained unchanged.

An exit strategy for Dutch development co-operation with Malawi over a period of five years was approved and a plan for the progressive phasing out of aid activities was to be developed. Efforts were made by lobby groups to get Malawi back onto the list, leading to parliamentary questions in 2001, but to no avail. Despite a new positive screening of Malawi, non-democratic developments in Malawi prevented its return.

The exit decision was met with incomprehension in Malawi. Malawi certainly qualified as a country greatly in need of aid and actually scored better on the good governance criterion than Zambia. The Embassy in Lusaka informally inquired with the Ministry of Foreign Affairs in The Hague whether the decision could be reversed but was given to understand that efforts to that end would be wasted.

The Dutch Embassy staff in Lusaka was disappointed with the exit decision since they had spent years building up a co-operation programme with Malawi. The Embassy emphasised the importance of the new programmes for Malawi, especially in the health sector and advocated normal completion of the programmes.

In 1999, the Dutch Embassy in Lusaka drew up an exit strategy, indicating when and how each aid activity would be ended, including an assessment of the expected consequences of the withdrawal. This was done with varying depth and success for the different components, depending on the availability of alternatives. The 1999 decision to phase out Dutch aid led to a careful exit process: activities were not cut short though it was made clear that no new (follow-up) commitments would be made. The annual report 1999 and plan for 2000 by the Embassy mentioned that the exit decision was expected to have little consequence for the Embassy's activities in the short run, since activities would continue for another five years.[3]

The Ministry of Foreign Affairs in The Hague discussed different phase out options with the Embassy in Lusaka. As the second phase of Dutch-funded programme in the health sector had barely started, one option was to spend the Malawi Health Population and Nutrition Programme (MHPN) funds on debt relief instead. The considerations mentioned were pragmatic: the absence of a Dutch resident representation in Malawi and limited absorption capacity by Malawi. On the insistence of the Embassy, it was finally decided that the programme would be allowed to run its course to completion over a period of five years. It was made clear, however, that no follow-up phase would take place (i.e. no new commitments would be made). The Embassy stated that the exit process would involve using the five-year period to help the Malawian authorities to find alternative means to continue the programme.

Support to the Christian Health Association of Malawi (CHAM) was planned to run its course and be phased out in 2001.

The follow-up support to the College of Medicine (CoM) was planned to be strongly focused on the transfer of skills and training of Malawian physicians, clinical officers, postgraduates and students. It was recognised from the beginning, therefore, that this second phase of Dutch support was of great importance to the Malawian authorities and that it would be disastrous from a human resources perspective to withdraw too quickly from this component, when the CoM activities of the previous phase were just starting to bear fruit.

Taking cognisance of the fact that Dutch support would be discontinued the agro-forestry training support programme (TSP) formulated a strategy to overcome the shortfall of aid funds. In order to ensure institutional continuity and financial sustainability, it was at first thought to set up a training fund, to which other donors could contribute. Eventually, the TSP management launched the idea that the programme evolve into a commercial service provider (mainly consultancies).

The 30 other (small) projects and activities which the Embassy had been overseeing were completed within a three-year period.

The political decision to reduce the number of priority or partner countries was, in effect, the exit decision. Formal criteria were presumably used but other, pragmatic considerations such as the absence of a Dutch Embassy in Malawi seem to have played a role. Mention was also made in documents and interviews of Malawi's limited aid absorption capacity as a factor. With the expansion of other donors' activities in Malawi at the time (Norway, Sweden, Canada), the added value of Dutch presence was perceived to be limited. The latter argument is remarkable in view of the fact that today Malawi is a very aid-dependent country with few donors.

Notwithstanding the general exit decision, it should be noted that Dutch involvement continues through a silent partnership with the DFID in support of Malawi's primary education sub-sector. Activities are defined and carried out by the DFID. The Netherlands initially selected key areas they wished to support within the overall programme: construction of schools and teacher training. The Dutch participate in the annual joint reviews and monitor the programme implementation but do not interfere. A five-year agreement was

[3] Royal Netherlands Embassy in Lusaka, Jaarplan 2000, Lusaka, October 1999.

entered into in 2002 with a budget of EUR 29 million. The first phase ran until 2006, with a subsequent budget-neutral extension until March 2008. The silent partnership will be evaluated in the near future with a view to informing policy in a possible follow up.

Silent partnerships can be established in countries not necessarily on the partner country list because there is no active involvement of the Dutch government in programme implementation. Such arrangements are in line with the Paris Declaration and lower the transaction costs primarily for the beneficiary countries. In the education sector they were designed as an innovative mechanism for disbursing the 15 percent allocation of the total development budget to the educational sector. It also served to promote the MDG on universal primary school enrolment.

## 3.3 Norway and Sweden

Since both Norway and Sweden are still development co-operation partners with Malawi they have no exit histories in that country.

## 3.4 Conclusion

The persistent governance problems – including cases of corruption – that were a source of serious concern for the entire donor community at the turn of the century no doubt contributed in some measure to justifying the dropping of Malawi as a partner country for Denmark and the Netherlands. However, in both cases the reasons for discontinuing the relationship of development co-operation were predominantly domestic and political in the two donor countries.

In Denmark the change of government following the November 2001 elections led to a new policy of reduced aid volume and a dramatic cut in overall flows. In that process Malawi was a casualty. Similarly, in the Netherlands a revised policy of concentration to fewer partner countries led to a number of countries being deleted from the list of aid recipients, among them Malawi. To that were added pragmatic considerations such as the lack of a Dutch Embassy in Lilongwe.

Notwithstanding the similar domestic justifications for discontinuing aid to Malawi, with political overtones, the manner in which the exits were planned differed drastically. Since the primary objective of Denmark was to save money, the emphasis was placed on dismantling the Danish-funded programme in Malawi as fast as possible – in a time span of months only. The abruptness and speed of the Danish mode of exit had serious disruptive effects in key sectors such as education and agriculture.

By contrast, the Netherlands decided to phase out its programme over an extensive period of five years, allowing all ongoing programmes to run until their planned completion. However, the timing of the Dutch exit decision was most unfortunate. After stepping up aid to Malawi in 1995 and preparing new programmes in 1996 and 1997, the exit decision coincided more or less with the launching of these programmes. Still, by allowing activities to run their planned course the disruptive consequences were mitigated and gave Malawi time to adjust.

The differing time horizons of the Danish and Dutch modes of exit management thus produced two contrasting cases at the extreme ends of a spectrum.

# Chapter 4

# Analysis of exit management and implementation

## 4.1 Denmark

The exit decision by Denmark entailed that all programmes were to cease operations by 30 June 2002, i.e. within a very short period of five months only. Legally, standard co-operation agreements contain a clause to the effect that six months' notice must be given when terminating an agreement. In other words, the legal treatment of the pull-out was impeccable, even though some Malawians questioned the legality of the action, presumably because they were oblivious of the provisions of the agreements.

However, it must be underlined that the withdrawal from Malawi was first and foremost a political affair rather than a purely legal matter, not only with respect to the decision in the context of domestic politics in Denmark but equally much to the repercussions in Malawi. Most of the ongoing Danida-funded programmes in Malawi were at the time nearing the end of their respective phases but new phases of continuation had been planned and some prepared in great detail. Some of the new phases that were about to be launched involved considerable Danish input in terms of funds and technical assistance. Apart from the overall strategic plan for the period 2001–2005, which had been finalised only half a year previously, these new programmes on the drawing board had raised expectations of major Danish inputs in the years to come. As a result of the exit decision these expectations were not met, however. On the contrary, the recipient line ministries on the Malawian side were faced with tough challenges to fill the resource gap left by the Danes.

To ensure an orderly withdrawal a phase out 'plan' of sorts was drawn up for remaining activities. But rather than a proper plan it was a time schedule for dismantling all ongoing projects and for effecting outstanding disbursements. It contained an overview of all remaining projects: amounts granted and outstanding balance to be disbursed; current status; and actions to be taken by designated responsible officers. The Embassy was closed on 31 May 2002, one month before the programmes were to stop. The early closure of the Embassy led to the hiring a commercial audit firm – Graham Carr & Co. – to tie up a number of loose ends and to perform audits of smaller projects once they had run to completion, even until 2003 in a few cases.

The purpose of excluding Malawi from Denmark's list of development partners was essentially to save money, motivated by domestic Danish politics. The premature closure of the Embassy in Lilongwe only served to underscore the preoccupation with saving money. It is not justified, therefore, to say that the exit was planned. On the contrary, a new situation had arisen suddenly for which no contingency plans existed. Consequently, the bureaucratic response largely took the form of 'fire fighting' and improvisation. As a small and poor country Malawi bore a disproportionate brunt of the cuts by being one of the countries that were dropped entirely as a recipient. The strategic plan for activities until 2005 in Malawi that had been finalised in June 2001, was thrown overboard by a unilateral Danish decision that can hardly be construed to accord with the operative policy document at the time: *Partnership 2000*.

Against a background of preparation and design of new interventions/ phases the exit decision took everybody by surprise, regardless of previous diplomatic ripples and friction over governance. It is of some interest to note that other donors to Malawi apparently did not assign as much weight to governance and corruption as did Denmark, though they may have had other reasons for being more lenient. The unilateral nature of the Danish decision, its abruptness and its hurried implementation left little scope for consultation and dialogue in the spirit of partnership. Arguably, it also led to more acrimonious relations in some sectors where friction had been encountered prior to the exit decision. At the political level on the Malawian side complaints were made that no dialogue had taken place.

In the circumstances, after the exit decision was taken the ambition was just to make the exit management as orderly as possible. Several respondents – Danish as well as Malawian – have depicted as very hectic the four months from early February after the exit decision was formally made through May 2002 when the Embassy closed. Besides endeavouring to make the exit orderly there was much time pressure to complete the necessary tasks involved in winding up activities. The contingency nature of the situation was clearly felt.

As seen from the Danish side most Malawian civil servants seem to appreciate the predicament in which the Embassy staff had been landed and even understood the justification of the exit decision as a political one made in Copenhagen, even though they regretted and deplored the developments. As a result, the winding up process generally occurred in a cordial and professional or businesslike atmosphere, much to the surprise of Embassy staff. In cases where money could not be accounted for – such as in the decentralisation programme – the relevant amount was repaid. On reflection, this attitude on the part of the Malawians was perhaps not so surprising. Almost without exception the Malawian respondents praised the practices of Danida as a donor: alignment with Malawian priorities; a hands-off procedure without meddling once agreements had been reached; flexibility; but firm requirements of accountability down the line.

The exception to the cordial atmosphere was the educational sector where long-standing friction had soured relations, especially with the minister and his principal secretary. This led to a notice of termination being served on 18 February 2002 with regard to the state-to-state agreement in the educational sector which was due to expire in 2004. Reference was not made to the general cessation of aid flows but specifically to breaches of the agreement in several respects, not least in financial management.[4]

With regard to the disposal of equipment there were two options, legally speaking, in terms of existing agreements: (a) equipment would become the property of the Malawian unit/organisation involved after the completion of the project/programme; or (b) the question was left open. In Malawi the practice was mixed. As a rule there was a legal obligation to hand over equipment to the partner organisation, be it a government department or an NGO. Oth-

[4] E-mail to Copenhagen from Finn Skadkær Pedersen, Chargé d affaires in Malawi,,dated 27 March 2002.

erwise, an assessment was made on a case-by-case basis. Some equipment, including vehicles, was auctioned, and the proceeds reverted to the Danish state or were ploughed back into the project components most in need. The latter applied to the educational sector. It was a transparent operation, however, in which equipment was advertised for sale.

Apparently, a story reached newspapers about even the sale of carpets that allegedly had been removed from offices in the Ministry of Education. This story was repeatedly related to the evaluators by Malawian respondents although some doubted its truthfulness. However, it turned out to be a hoax which had been officially denied by the Danish Embassy. Still, the fact that it had gained such wide currency testifies to the widespread resentment about Denmark's departure.

The unexpected withdrawal of Danish development co-operation took not only the Malawians and the Danish Embassy staff by surprise. It was also a development that caught other donors unawares in the sense that they were ill prepared for filling the shortfall left by Denmark. None of the donor respondents could confirm that such eventualities were ever discussed in the donor group that meets once a month in Lilongwe under the alternating chairship of the World Bank and the UNDP. The agenda of those meetings tended to centre on challenges within Malawi, such as economic affairs (including budget support), corruption and general political governance. Arriving at a common stance on specific issues was often on the agenda, e.g. suspending aid disbursements when Malawi had gone off track on IMF conditionalities. But it was evidently never raised for discussion what measures to take should a donor choose to pull out altogether, for whatever reason. Donor coordination did not extend that far.

Since gap-filling after exits was a non-issue among the donors, any attempt by Denmark to encourage other donors to replace their outflow of resources occurred on a bilateral basis, predominantly with likeminded donors. The resource gap was principally in the educational sector with regard to the construction of schools. The UK Department for International Development (DFID) took over some of that responsibility and was able to do so because there had been delays in the DFID's own disbursement and the unspent funds could, therefore, be diverted to complete Danida's school-building programme. Similarly, there was an understanding with the World Bank, the European Union and the DFID in the environment sector and with Norway to take over some responsibility in the decentralisation programme. In the case of Norway the decisive factor was its pre-existing engagement in the sector. It was feasible, therefore, to expand the scope of ongoing involvement but not to enter new areas.

Denmark tried to get other donors involved also in other sectors from which it exited, but because there were no ongoing programmes there, only plans for launching new programmes or successor phases of previous interventions that were winding up, Denmark was not successful to that end. Anyhow, the legal commitments had been met. Nevertheless, on account of the great expectations raised, the programmes that were about to start or about to enter a new phase were severely affected. In the environment and natural resource management sector some NGOs entered the picture, i.e. the Hunters' Association of Denmark in wildlife management.

## 4.2 Netherlands

At the start of the Dutch-funded health programme in April 1999, indications were given as to the uncertain future of Dutch aid to Malawi. However, the Dutch exit decision was officially communicated to Malawian Ministry of Foreign Affairs by the Dutch ambassador on 22 July 1999.

The implementation of the exit strategy was discussed with the counterpart authorities in July 1999 after the decision was known though not formally communicated. Malawian authorities were encouraged to start looking for alternatives. The Lusaka Embassy encouraged and supported the revision of existing project plans. Accordingly, strategies and work plans of the MHPN, the CoM and the agro-forestry project were modified to accommodate the fact that there would be no follow-up Dutch financing after the current project periods.

In the MHPN, the development of the Health Management Information System (HMIS) was originally planned to be based on two pilot districts in order to be scaled up later to cover the rest of the country. The approach was modified by going less deep but covering the whole country from the start. This was deemed feasible within the five-year phase out period and based on hopes that other donors could gradually be brought in to strengthen the nationwide HMIS.

The responsible unit in the Ministry of Health realised fully only in 2002 that Dutch support would not be forthcoming beyond 2004. Hopes that the political exit decision might be overturned also persisted in the Dutch Embassy in Lusaka as well as in other (Dutch) organisations and among persons involved in the health sector in Malawi. By 2002/2003, however, the work plan for the SWAP had been developed to such a stage that the prospects of continued support to the HMIS from the SWAP pool had become firmer. Had this not been the case, the Embassy's attitude might have been different. Efforts might have been made to advocate an extension in the interest of the sustainability of the programme's results, as was done for the CoM. As it were, this appeared not necessary.

The other MHPN component, support to district level health care, was less flexible and less able to adapt to the exit decision. The support provided at the district level consisted principally in the rehabilitation and construction of health facilities as well as the provision of equipment, and just had to be implemented within the time frame.

In the case of support to the CoM, the exit decision coincided with the launch of the programme. Consequently, the focus of the programme was reviewed, leading to the reinforcement of training (transfer of skills) by Dutch doctors whose contracts were about to expire.

In 2002 it became absolutely clear that the exit decision would not be reversed. At the same time, it was acknowledged that the country programme could never be successfully completed before 2004. In line with the Dutch Minister's declaration at the time of the exit decision that the utmost would be done to ensure the quality and sustainability of the programme outcomes, the Embassy intensified its efforts in favour of a continuation of the Dutch country programme in order to consolidate these results. Discussion with other donors also took place, in particular with Norway, which was interested in joining the programme. These combined efforts created the necessary platform for the approval of an exceptional three-year extension. The extension as of 2005 was channelled through and managed by the Norwegian Embassy through a specific agreement for that purpose. Thus the administrative burden on the Dutch Embassy was eased, in line with the exit process.

Mid-term evaluations or reviews were held for the MHPN in 2001 and for the CoM in January 2003 and March 2006. Each of these reviews discussed the future perspectives of the programmes, defined priorities, assessed minimum needs for sustainability, and suggested alternatives where possible.

Monitoring was carried out through the ongoing involvement in and support of the programmes by the Embassy staff, though the Embassy's annual reports are not very explicit about this aspect.

The Netherlands attached great importance to limiting the damage to its image as a reliable partner, to meeting commitments made and to tailoring each exit to the programme concerned. This stance was expressed by the Minister at the start of the exit process and was adhered to in practice. The exit duration varied by programme and one of them (support to the CoM) even got an extension in 2003.

The Dutch phase out was taken into account in each and every activity: intervention logics were reviewed and revised in order to mitigate the adverse effects on the institutional (and to some extent financial) sustainability of the programme components.

## 4.3 Norway and Sweden

Since both Norway and Sweden are still development co-operation partners with Malawi there are no exit histories to relate.

## 4.4 Conclusion

In both cases, the withdrawal from Malawi was first and foremost a political affair, i.e. decisions in the context of domestic politics in Denmark and the Netherlands. The political nature of the exit decisions, however, led to rather different exit management responses.

In the case of Denmark it was imperative to ensure a financially orderly withdrawal. To that end, a phase out 'plan' of sorts was drawn up for remaining activities, which did not amount to much more than a time schedule for dismantling all ongoing projects and for effecting outstanding disbursements. The premature closure of the Danish Embassy in Lilongwe underscored that the main purpose of exiting from Malawi was saving money. No contingency plans existed for the new situation that suddenly arose. Consequently, the bureaucratic response largely took the form of 'fire fighting' and improvisation. It is not justified, therefore, to say that the exit was planned in any meaningful sense of the word.

Although the Dutch exit was also primarily motivated by domestic politics, the Netherlands case contrasts with that of Denmark in two important respects in terms of exit management. First, the time horizon allowed for the withdrawal was much longer. Second, a dialogue was conducted with the Malawian authorities on how to manage the exit. These postures stemmed from the great importance the Dutch placed on limiting the damage to their image as a reliable partner, on meeting commitments made and on tailoring each exit to the programme concerned. The logic of each intervention was reviewed and revised in order to mitigate the adverse effects on the institutional (and to a far more limited extent financial) sustainability of the programme components.

# Chapter 5

# Analysis of exit consequences

## 5.1 Introduction

The respective development assistance country programmes of Denmark and the Netherlands were diverse, with a plethora of smaller projects including support for civil society organisations. Nonetheless, the two donors had concentrated their support to a few major sectors, largely reflecting Malawian priorities and the donors' respective competence profiles. In other words, the alignment with the recipient country's wishes was in order. Denmark occupied a prominent role in the educational and agricultural sectors whereas the Netherlands was heavily involved in the health sector. For that reason the evaluation focused on those three sectors (with emphasis on some sub-sectors): agriculture, education, and health.

Within the agricultural sector the following sub-sectors, programmes and projects were selected: (a) the Malawi Agricultural Sector Investment Programme (MASIP); (b) irrigation; (c) the Natural Resources College (NRC); (d) the National Smallholder Farmers' Association of Malawi (NASFAM); and (e) the Training Support Programme (TSP). In the educational sector emphasis was put on the secondary education level, whereas in the health sector the following programmes and projects were targeted: (a) the College of Medicine (CoM), University of Malawi (Unima); (b) the Christian Health Association of Malawi (CHAM); (c) the Health Management Information System (HMIS); and (d) district level health care services.

## 5.2 Changing bilateral relations

On account of Malawi being a small economy in Southern Africa without a significant geo-political position that would interest the four donor countries, the state-to-state relationships centred overwhelmingly on aid. Quintessentially, it is no exaggeration to say that aid was/is the relationship between Denmark, the Netherlands, Norway and Sweden, on the one hand, and Malawi, on the other. Economic relations in trade and investment are minimal, except perhaps the Danish interest in Carlsberg Breweries.

It is indicative that when the Danish aid programme wound up the Embassy was closed because it had primarily handled aid matters. After the closure of the Danish Embassy bilateral relations are handled from Maputo in neighbouring Mozambique. The Netherlands did not even have an Embassy in Lilongwe; the aid and other relations with Malawi were serviced from the Dutch Embassy in neighbouring Zambia.

What is left of bilateral aid relations is channelled through civil society organisations at a low level of engagement. Otherwise, Malawi's bilateral relations with Denmark and the Netherlands outside the aid sphere are normal and cordial, albeit minimal in scope, as would be expected between a small, poor developing country and small or medium-sized, but rich, developed countries with no common history. It is plausible, however, that there might be a negative legacy of the Danish exit in some circles among politicians or civil servants.

## 5.3 Danish and dutch support to the agricultural sector

In an agrarian economy like that of Malawi, the development of the agricultural sector is critical both in terms of its growth potential and its ability to generate jobs. This was the rationale for Danish support to the sector which was substantial in resource terms and coverage of several sub-sectors. It predated 1995 and accounted for about one-quarter of Danish bilateral assistance. Within the donor community Danida was the lead donor in the agricultural sector. The objectives included productivity enhancement, soil fertility improvement, land reform, diversification of the cropping pattern, and capacity-building in the planning department of the Ministry of Agriculture where technical assistance personnel was placed. Essential components in this endeavour included credit facilities for smallholders and access to markets through support to farmers' associations. Two sub-sectors or programmes were particularly important: MASIP and irrigation.

Two phases of support – Danish Agricultural Support Programme (DASP I and II) – had been completed. By the time the exit decision was made detailed preparations had been made for DASP III – which subsumed the MASIP and irrigation programmes – and a new MoU was about to be signed to formalise the agreement.

*Malawi Agricultural Sector Investment Programme (MASIP)*

The planned Danish support for the MASIP programme was described as 'massive' by one respondent, in relative monetary terms accounting for two-thirds of the total programme input at the time of the pull-out. Other donors included the World Bank, the DFID and Norway. The sudden withdrawal by Denmark as a lead donor in the agricultural sector sent misguided signals to the donor community. Owing to Danida's exit, including technical assistance personnel, the planned MASIP never really took off and the adverse effects were very severe in terms of missed opportunities on a large scale, wasted time spent in the preparation of the programme, plus further delays as a result of loss of confidence and credibility. The adverse effects are felt to date. The high expectations created and the elaborate plans laid came to naught. For an agrarian country vulnerable to food deficits the foregone benefits of major agricultural investment were very serious as long as other donors were unable to fill the resource gap. The Ministry of Agriculture effectively had to start from scratch and only now – five years later – is the sector recovering from the adverse impact of Denmark's exit.

The adverse impact of the pull-out was aggravated by the fact that it coincided with a serious food security crisis caused by drought. As a result, the government was compelled to devote attention to the food deficit emergency in the short term, thereby neglecting long-term investment until the food crisis was over.

It should be underlined that the adverse consequence of the Danish pull-out was not only material. The psychological effects were also significant in that it produced disappointment and demoralised staff, as well as loss of credibility among the farmers whose expectations were let down.

In retrospect, however, it might be said that the dark cloud left by the Danish exit had a silver lining. MASIP was originally seen as a Danida secretariat, i.e. a parallel structure not fully integrated into the Ministry of Agriculture. As an unforeseen side effect of the shock that Denmark's departure represented, however, new institutional thinking emerged. Hence, the Agricultural Development Programme (ADP) was born as an integral structure of the Ministry. Through an elaborate participatory process a new institutional framework was put in place, with five priority pillars: (i) land and water management; (ii) agribusiness and market development; (iii) food security and risk management; (iv) research, technology and dissemination; (v) institutional development and capacity building. The ADP currently forms the basis of broad agricultural development in the country and might be dubbed a mini-SWAP. The intention is to scale up the ADP to a fully-fledged SWAP for the agricultural sector. A Code of Conduct on how to operationalise ADP implementation is being prepared and MoUs with a number of donors are under negotiation. In fairness, Malawian respondents claimed that previous inputs by Danida were used in the facilitation of the current ADP. In other words, the shock treatment had some positive effects although considerable time and many opportunities were lost on account of Danida's sudden withdrawal. It is a counterfactual question whether the situation would have been more donor-dominated had Danida continued as originally planned, as opposed to the current situation in which the process is driven by the government of Malawi. At any rate, a bitter lesson learned by Malawi is to avoid dependency on one donor. A number of multilateral donors are involved at present, e.g. the UNDP, the FAO, IFAD, the World Bank, and the EU. It is a matter of risk management. The government input is substantial and the government is in the driving seat.

*Irrigation*
Irrigation was one of the agricultural sub-sectors in which Danida was set to become heavily involved. Water harvesting and management is critical in a drought-prone agrarian economy such as that of Malawi. It could be said that the irrigation programme was ahead of policy developments in the sector. It is only in the recently launched Malawi Growth and Development Strategy (MGDS) that the government has acknowledged that Malawi can no longer rely on rain-fed agriculture only for its food security; it also needs another leg to stand on: irrigated agriculture. Global warming and extreme weather conditions have reinforced the inadequacy of rain-fed agriculture.

Danish involvement had started with a study of the status of small dams around the country to determine needs for rehabilitation and construction of new dams and other infrastructure. The drilling of shallow wells was also part of the programme as was training of extension workers and farmers in maintaining the dams and the pumps.

The smallholders were keen to engage in irrigated agriculture but needed assistance for investment capital. The positive attitude on the part of the farmers was taken as a point of departure for community mobilisation and further reinforcing local ownership. Thus, the local communities increasingly provided inputs in kind, e.g. sand, bricks, stones and other building materials. Empowerment of local smallholders was an element of the programme. Since dams tend to be breeding grounds for bilharzia and malaria vectors, drug boxes were to be provided and replenished from time to time on a revolving basis to counter adverse health effects. A sizeable component was capacity-building at headquarters. There was even a link to the decentralisation programme in order to involve the District Assemblies in the implementation of the irrigation endeavour. In other words, the concept and design of the programme were sound and comprehensive in scope.

The implementation of the irrigation programme was just about to start when the message came that Denmark would discontinue its assistance to Malawi. Since the material input by Denmark was of a substantial order of magnitude the immediate adverse effect was very severe. Great opportunities were missed for increased production from irrigated agriculture in badly needed efforts to boost food security in a drought-prone economy. A respondent claimed that the sub-sector is yet to recover from the sudden exit. The irrigation policy that was adopted in 2002 remained largely an empty shell for some time. The government made efforts to increase the allocation from the regular budget but it was far from enough to fill the shortfall created by Danida's departure.

Arguably, the adverse psychological effect was worse. The expectations of farmers had been raised, perhaps to unrealistic levels. Their contributions in kind attested to that. Then all of a sudden they were told that hardly any assistance would be forthcoming and their efforts would come to naught. The positive spirit of mobilisation was thus reversed and resulted in pessimism. Government officers who had been involved in the preparation of the programme in conjunction with the local communities got the tough job of trying to explain how and why the sudden turn of events could happen. The relationship of trust that is needed between extension workers and farmers were shattered and the impact is felt even today', it was claimed. Extension workers lost credibility in the eyes of the farmers and have not managed to regain it yet.

*The Natural Resources College (NRC)*

The Natural Resources College (NRC) had been moribund for some time when its resuscitation and transformation were embarked upon jointly by the governments of Malawi and Denmark. It was to move from being part of the Ministry of Agriculture to acquiring a semi-autonomous status as a public trust, which also entailed being self-sustaining financially. To achieve that objective a new course programme would have to be mounted and new staff recruited. By February 2002 only one training programme was running, with only eight students.

The first phase of the transformation process ran for two and a half years until June 2002. A second phase was envisaged in the project document but never materialised because Danida pulled out. As a consequence, the NRC had to reposition itself and adjust to the new situation. A new diploma programme with 100 students was launched in agriculture and natural resources management, sponsored by the Ministry of Agriculture, because there was a dire need for this type of middle management cadre in the country. Part-time lecturers were farmed out by Bunda College of Agriculture and the nearby agricultural research station. Currently efforts are in progress to build up a compliment of resident staff. If phase II of the Danida programme had come on stream there would have been scholarships for upgrading of staff.

The repositioning was possible thanks to the beneficial Danish legacy, i.e. equipment, vehicles, computers, a refurbished cafeteria and a residential capacity for 680 students. Immediately after Danida's departure excess capacity was hired out in order to raise income. In addition, short courses helped to generate revenue. In August 2007 the NRC had 1200 students on five diploma programmes and one certificate. The NRC operates on open market rates but the demand for student places seems to remain high, partly because the Ministry of Agriculture guaranteed employment as extension workers and partly because some scholarships were provided. Admission exams are administered and university entry requirements are applied. The courses, however, are light in theory but heavy in practice. But plans are afoot to launch a degree programme by 2011.

The NRC is another example of need being the mother of invention. The shock treatment resulting from Denmark's withdrawal spurred new thinking and initiatives. The new programmes would probably not have been established had Danida not pulled out. The Danish presence and resource input had created some complacency. That said, it should not be underestimated that Danida's exit caused the college to neglect investments in new infrastructure, especially class rooms. Lack of teaching materials, Internet access and a well stocked library also resulted from the Danish withdrawal. The NRC has not yet been successful in soliciting the assistance of new donors, mainly because most donors are reluctant to finance infrastructure.

*National Smallholder Farmers' Association of Malawi (NASFAM)*

NASFAM is a nationwide umbrella organisation of local smallholder associations, with more than 100,000 individual members. In a variety of ways it promotes the interests of smallholders in crop production and marketing of produce. Smallholders make up 90 percent of all farmers in Malawi and they contribute about one-third of the country's GDP. Danida used to be NASFAM's largest donor (others included Bread for the World, the EU, Norway and the USAID). Danish support was provided in four areas: (a) expansion of the association; (b) human resources development, i.e. management training of diploma holders from Bunda College of Agriculture; (c) crop finance and marketing of produce; and (d) technical assistance as a cross-cutting activity. The overall objective of the Danish-funded programme was to improve the food production and income level of smallholders.

NASFAM is helping local associations to get started by training elected officers and contributing to the construction of offices through the matching of locally mobilised resources. Only half of the affiliated associations have their own offices. By 2002 studies had been done in 26 locations throughout the country to ascertain cropping patterns with a view to setting up associations and assisting the smallholders. A key role of NASFAM is to establish local associations and nurture them to a minimum level of functionality before accepting them as NASFAM member associations.

At the smallholder level human resources development focused on mobilisation and awareness-raising; election of officers to positions of trust within the local association and the provision of management and technical training. An important component was the preparation of training material. Staff development at headquarters involved upgrading of skills.

Access to local markets for their produce is a major challenge for smallholders. They need settlement in cash at points of sale. Hence, NASFAM as a buyer and marketing channel needed credit, for which purpose a revolving fund was set up with Danida's assistance. The intention was to play a significant role in price determination in favour of the smallholders. Due to high operational costs, however, the fund was gradually depleted and thus ceased to be revolving. Owing to the withdrawal of Danish aid the fund was never replenished and consequently some local associations risked losing their assets (buildings). Liquidity was a persistent problem and the very high interest rate of 59 percent charged by commercial banks at the time made loans prohibitive.

The first three-year phase had been successfully concluded and advanced preparations had been made for the next three-year phase when word came that Danida was withdrawing its planned support altogether. Phase II which was on the launching pad represented a big push but simply collapsed. The considerable management time at headquarters that had been invested in the plans for phase II was to a large extent wasted. The designated expansion areas largely remained virgin territory for NASFAM. The pull-out was simply too abrupt, because it disrupted plans and necessitated major adjustments. NASFAM's loss of credibility with the smallholders who had great expectations is still being felt in some areas, particularly with respect to marketing.

On the positive side, it must be noted that NASFAM was allowed to keep assets such as buildings, vehicles, computers, etc. Furthermore, Norway to some extent expanded its role as donor and partially filled the gap left by the Danes. Despite the adverse impact of Denmark's withdrawal NASFAM has managed to survive but it would have been miles ahead with the anticipated Danish support that never materialised.

*Training Support Programme (TSP)*

This programme, supported by the Netherlands, was set up in 1998. TSP was originally linked to the Ministry of Agriculture but was also working closely with the Ministry of Natural Resources (forestry and extension departments). It emerged from the Malawi Agro-Forestry Programme to cater for training in community-based natural resource management. The TSP had four key foci:

- Organisation management and development of government departments. After identifying capacity needs existing training institutions such as the Natural Resources College (see above) were used to design and run short courses for extension workers and trainers;
- Scholarships for short courses;
- Course design and development;
- Networking and linkage to policy through information dissemination to extension and community workers.

Through the decentralisation programme in Ntcheu and Mzima districts as pilot areas the TSP sought to link government and community level civil society, e.g. through the Coalition Unit for Rehabilitation of the Environment (CURE). This ambition was reflected in the composition of the steering committee. The scholarships were shared between government (65 percent) and CSOs (35 percent). In total 400–450 people were trained through short courses, including extension workers.

Starting in 1998, the TSP received a total aid grant of EUR 1.22 million from the Netherlands. By the end of the phase out period in 2002 that amount had practically been spent as planned. Spurred by the Dutch pull-out, but on the initiative of its leadership, a proposal to transform the TSP into a self-sustaining, autonomous unit was submitted to and supported by the Dutch Embassy. Thus, the TSP evolved to establish itself as a legal personality in 2001, and it is now registered as an NGO. In 2003 the TSP elaborated a new strategy taking account of the Dutch exit. To fill the revenue shortfall after the Dutch exit, it began developing short organisation management courses on a commercial basis and offered them to the private sector and civil society organisations. Upon the Dutch withdrawal the TSP lost its equipment and vehicles to the Ministry of Agriculture in 2003 because these assets legally belonged to the government. This was tough on the organisation but it managed to survive – barely. Today the programme is kept afloat thanks to support from a mix of small donor and a few customers paying for consultancies and courses. Although the TSP is not managing to continue all its earlier work in the natural resource management sector efforts are made to expand such activities. Its current staff compliment numbers seven professionals but it draws on a network of some 25 trainers.

The TSP is an example of a Dutch-supported entity that has managed to survive as a self-supporting NGO in defiance of dried-up funds from abroad. The evolution to NGO status was partly prompted by the discontinuation of Dutch support when the TSP leadership heard what was in store. It is also worth noting that the TSP left the legacy of a training model in community-based natural resource management from the pilot areas in Ntcheu and Mzima which is emulated elsewhere in EU-funded projects under the European Development Fund (EDF).

## 5.4 Danish support to the educational sector

The volume of Danish support to Malawi's educational sector was substantial, with a grant of DKK 245.7 million to be disbursed over the period 2000–2004. By the time of the exit only DKK 83.3 million (about one-third) had been spent. Unlike most other donors that were involved at the primary level on account of MDG no. 2 which prioritised universal primary education, Denmark concentrated on secondary education. Apart from the volume of support, the Danish-funded programme also involved a major policy shift which entailed reorganising the sub-sector. The original programme had four basic components: (i) rehabilitation and construction of primary school buildings (completed by the exit); (ii) upgrading of primary school teachers and the establishment of teachers' training centres; (iii) construction, rehabilitation, and maintenance of secondary schools; and (iv) the development of teaching materials for secondary schools.

For some time there had been serious concern about the low quality of secondary education. The pass rate had troughed at 13 percent, largely due to lack of textbooks and well qualified teachers, and appropriate teaching materials. The policy shift that the Danes introduced at about 2000 was in part intended to redress the quality problem. An entirely new concept was launched: clusters of secondary schools. About 5–10 schools with a distance of about 10 km apart were organised in so-called clusters. These clusters comprised a mix of national schools, district boarding schools and day secondary schools. One of the schools in the cluster was assigned a lead role. Through generous funding – transport, accommodation, and facilitation – the basic idea was to induce the better schools to assist the worse off by sharing staff, experience and teaching materials developed in tandem with curriculum reform. This was to be achieved through regular meetings at the lead school for all cluster teachers to promote professional development, and through study circles for teachers at every school. Teachers were also trained in specific subjects. Moreover, with Danish funding school headmasters and their deputies were trained in school management at the Malawi Institute of Education (MIE) in Zomba. Furthermore, Danish support contributed to more frequent school inspections which discouraged complacency and spurred good performance. In sum, the vision underlying the cluster concept was tantamount to a fundamental change of the whole system – in terms of pedagogics and physical infrastructure alike.

Parallel to the ordinary secondary schools were so-called Distance Education Centres (DECs) which catered for those who for economic or other reasons did not attend ordinary secondary schools and in the early 1980s the DECs had some 30,000 registered students. Additionally, there were night secondary schools for adults. The DEC concept was totally different from that of regular schools. It was largely based on self-study under supervision by a very limited number of teachers. Besides, the DECs were supposed to be community-based and owned by the local communities. These two categories of secondary school facilities were affiliated to the Malawi College of Distance Education (MCDE) in Blantyre. This institution had been established in 1965 under the name of Malawi Correspondence College, including a broadcasting unit for distance education by radio. In the 1980s the MCDE developed simple teaching materials known as 'sets' for the DECs which were produced by means of in-house printing facilities.

By the mid-1990s there were 520 DECs and 44 night secondary schools, with a combined student population of approx. 145,000. The rapid expansion of the DECs occurred rather by default because there was no expansion in the regular secondary school system to cater for increasing demand. Members of Parliament insisted that a DEC be set up in every constituency. Some DECs performed well, especially at the junior level, but unevenly so. However, the quality of DEC education continued to be poor due to unqualified teachers/ supervisors, with ensuing low pass rates – in some cases below 10 percent – and correspondingly high repetition rates. The DECs were widely perceived as second-rate secondary schools. In a move to counter this perception all DECs were converted to Community Day Secondary Schools (CDSSs). But the conversion was not accompanied by additional funding to ensure that the CDSS units would be on a par with the other schools in terms of teaching staff and other resources.

The persistent concern about quality in the DECs spurred a move to create a unified secondary school system by integrating them into clusters. Initially, 25 DECs in five districts were selected for a pilot project to test out their suitability for inclusion in the new cluster concept. However, owing to resource constraints their inclusion into the cluster system did not function as well as hoped. The DECs performance continued to lag behind. On average, only a couple of CDSSs per district have been upgraded to regular government schools, which offer somewhat better teacher salaries.

Since so much importance was attached to textbooks and teaching materials as determinants of quality education, a textbook revolving fund was set up with initial Danish funding. Its operation involved matching the money mobilised by the schools in the communities, which were set at MWK 250 per pupil. In other words, it was only partially revolving; it needed replenishment from time to time. It was rather a subsidy mechanism. Whatever its name, the fund did contribute tremendously to the provision of textbooks for a while. Parallel to the textbook revolving fund attempts were made to involve commercial publishers in the production of new textbooks through the Booksellers Association of Malawi (BAM). The idea was to develop the local textbook publishing industry, preferably with Malawian authors. This meant the liberalisation of the procurement of books with book fairs as meeting places between publishers and teachers. Publishers would submit manuscripts based on the syllabi developed by the MIE, which, in turn, would evaluate the manuscripts and select three for approval. Upon approval the publishers would proceed with the production.

It was strongly felt at the cluster level, i.e. at the grassroots, when Danida pulled out. As one respondent at a cluster school put it: 'People cried a lot when Danida left.' Most school clusters were up against serious problems that remained unresolved. The government continued to communicate through the clusters and the Examination Board but the communication function was practically all that was left of the cluster functions after Danida had left.

Another component that suffered as a consequence of Denmark's exit was the provision of means-tested bursaries from which some 20,000 pupils stood to benefit. Many applications had been processed according to agreed criteria when suddenly Danida pulled out. Similarly, the textbook revolving fund collapsed at a time when textbook prices were increasing. The adverse impact was greatest at the school level and teachers complained bitterly. A senior civil servant in the Ministry of Education expressed it thus: 'everywhere you go, you hear the same story: we wish we could have done what was planned'. About half of the capital budget for secondary schools at the time derived from Danida. The African Development Bank (AfDB) had also been involved in the physical upgrading of the CDSS units based on a division of labour with Danida. The government persuaded the AfDB to expand its coverage to include some of the districts abandoned by Denmark.

Lately there are modest signs that some clusters are being resuscitated. A case in point is a cluster of seven secondary schools in Dedza District where every school contributes a small sum per term (MWK 3,500), which combines to an amount of MWK 24,500. All schools are willing to pay because they feel they get something of value in return. This money was used for three activities in the three terms of 2007: (a) a meeting of all heads of the mathematics, languages and humanities departments in the cluster; (b) a meeting of all teachers (30–40) in the cluster with the Public Service Regulation on the agenda and the District Education Officer as the speaker; and (c) a workshop for teacher librarians about the care and keeping of books, etc. Four of the seven schools are CDSSs and most of them have great problems raising their contribution of MWK 3,500. The outcome of these activities were said to be discipline, knowledge transfer, and refresher courses.

This particular cluster in Dedza performed well and was number one in the district in terms of pass rates. While it may be difficult to attribute this good performance to the resuscitation of the cluster concept, it is likely to have contributed in some measure. Probably a more important success factor was exam preparations or coaching taking place at each school during recess. For this service parents were charged a small fee to pay the teachers who took on this task during their vacation.

Although the production of 'sets' by the MCDE had more or less ceased, many teachers knew about them as inexpensive quality teaching materials and were keen to procure them in the face of the shortage of relatively more expensive textbooks. In effect, there was a shift from production of teaching materials by the MCDE to procurement through BAM and back to a demand for the MCDE 'sets'. This apparent return to the previous situation can partly be attributed to the failure to upgrade the teachers' skills – largely on account of Danida's departure – so as to enable them to make effective use of the new books and teaching materials. Without such skill upgrading there was a relapse to the use of 'sets'. Second, the failure of the book subsidy scheme due to the pull-out by Danida meant that the CDSSs had a limited supply of the textbooks needed to improve the quality of education.

The teachers of the better schools were very willing to assist the weaker ones and those being assisted had a strong incentive to receive assistance because it might mean formal upgrading of qualifications through courses at Domasi Teachers' Training College, which had designed courses specifically for CDSS teachers. This example of resuscitating the novel cluster concept suggests that despite the serious difficulties that the exit caused, a legacy of 'great ideas from Denmark' lingers.

In conclusion, it must be said that the persistent friction that appears to have marred the relationship between the Ministry of Education and Danida was not only related to money matters such as funds not being accounted for and similar irregularities. There was also disagreement of a professional nature related to curriculum development and the physical design of schools and equipment to be provided. In these tussles the TAs funded by the Danida programme played a role. On occasion they could allegedly be 'stubborn' or 'arrogant' and unwilling to engage in a genuine professional dialogue. This is not to say that the novel policy thinking that Denmark brought to the table was resisted. On the contrary, the cluster concept was particularly well received.

## 5.5 Dutch support to the health sector

The volume of Dutch support to Malawi's health sector was substantial. Table 5.1 below gives an overview of the various components of the Dutch health support programme which were underway (CHAM) or just starting (MHPN and CoM) at the time of the exit decision.

**Table 5.1 Dutch support to the health sector**

| | HMIS & district support | CHAM | CoM |
|---|---|---|---|
| Initial budget | € 10 M | € 1.53 M | – works/support: € 1.37 M<br>– 9 Dutch doctors: € 4 M (est.) |
| Extension | – | – | – works/support: € 1.35 M |
| | | | – 6 Dutch doctors: € 2.7 M |
| Total spent | € 9.96 M | € 1.53 M | € 9.42 M (est.) |
| Starting date | 1999 | 1997 | 1999 |
| Original completion date | 2004 | 2001 | June 2004 |
| Effective completion date | Febr. 2004 | Dec. 2002 | June 2007 |

*The Malawi Health, Population and Nutrition Programme (MHPN) and the Health Management Information System (HMIS)*

The phasing out of support to the HMIS worked out successfully in practice as the HMIS is still developing today. The HMIS aims at integrating different sources of data for the sector. Previously the data came in different formats from different sources, depending on the type of illness, because each disease control programme had its own reporting format. Under the HMIS data are currently collected and analysed more systematically and a first round of revisions to definitions and formats based on experience is in progress. In particular the monitoring and analysis functions of the responsible unit within the Ministry of Health are being strengthened further.

Although the system is now functional, it takes time for the districts to appreciate the usefulness of the information gathered and to introduce work practices which will ensure accurate and reliable collection and timely transmission of data. The introduction of such a system necessarily requires a long-term perspective. After the end of Dutch support in 2004 there was a one-year gap in technical assistance but the World Bank stepped in to fill that gap.

The HMIS was intended from the very start to lay the foundation of a sector-wide approach (SWAP) in the health sector and this intention largely turned out to be realised in practice. With the benefit of hindsight, however, it seems that a risk was taken when the decision was made to start a programme involving such a comprehensive systemic reform during a time span of only five years. Nonetheless, the HMIS is today at the core of the evolving health SWAP in Malawi. Main donors to the SWAP are Norway, the DFID and the World Bank. The plan of work for the SWAP as a resource-pooling arrangement was developed in 2002–2003, which meant that by the end of that period the prospects were relatively good for filling the funding shortfall from the pool after the Dutch withdrawal in 2004.

*District level health support under the MHPN*

Support at the district level consisted mainly of rehabilitation and construction of health facilities as well as the provision of equipment to two rural hospitals (renamed community hospitals after the improvements brought about by their rehabilitation), two rehabilitated health centres and two new health centres. The project which was planned to end in 2004 actually ended in 2003 because the budget was exhausted.

The Dutch exit caused a number of problems related to this component. The construction and rehabilitation work on hospitals and health centres had not been fully completed or not completed satisfactorily. The Ministry of Health, for example, had to use its own resources to complete the construction of Mitundu Community Hospital. In various places the contractors left construction faults and deficiencies which delayed the hand-over and made it difficult and unsatisfactory. Most of the problems with the contractors and suppliers came to the fore only after the (early) departure of the Dutch teams. This left the Malawian authorities (Ministry of Health, District Health Office) in a weaker position to deal with them.

The distinction between unsatisfactory project implementation, project design weakness and unclear agreements between donor and government about additional inputs by the counterpart is not always clear-cut. For example, the installation of electricity in Kabudula hospital was not foreseen and had to be done by the government after the completion of the project.

Not all the equipment delivered is properly used today due to a combination of factors: inappropriate specifications, insufficient user training and lack of qualified staff in the hospitals and health centres. Hence, the operating theatres are to date either not used or underused. Laboratory equipment is also inadequate. In turn, the underutilisation of community hospitals leads to high referral rates.

Furthermore, there are sustainability concerns about the outcomes. For example, the maintenance budget for the equipment is very limited. The budget constraints are even more severe with regard to human resources development and the additional recruitment of critical staff. The entire health sector suffers from gross lack of staff and resources, which is illustrated by the high rates of referral. Three-quarters of the patients at Lilongwe Central Hospital should have been treated at community hospitals where they first registered. The project was intended to help alleviate such congestion but did not succeed (apart from shortening travel distances for patients). However, even without the Dutch exit, that objective would have been impossible to achieve with the resources planned for this component because it does not only depend on money.

These high referral rates result from a combination of factors and illustrate a core difficulty with the health SWAP: whereas money may be available, there is insufficient capacity due to staff shortages of all categories of medical workers. This structural problem illustrates starkly the inherent difficulty of a discrete project component such as this one. With the benefit of hindsight, it seems a wise decision, therefore, not to focus attention on extra resources for this component, but instead to concentrate on support to the CoM with a view to overcoming staff constraints (see below).

*Support to the Christian Health Association of Malawi (CHAM)*

CHAM is a church-affiliated civil society organisation. Its secretariat coordinates and facilitates a nationwide network of autonomous hospitals and health clinics and provides 37–40 percent of all health services in the country. CHAM is a signatory to the MoU on the health SWAP and is represented in all its governance organs, e.g. the Donor Health Group.

Dutch support to CHAM started in 1997, earlier than to the MHPN and the CoM. It also ended before the other two health interventions, in 2001. This support, which constituted one of the four components of the programme in the health sector, was implemented by a Dutch NGO, ICCO, in support of a Malawian NGO, CHAM. Therefore, it lies at the outskirts of the area covered by this study even though it was part of the Dutch formal bilateral assistance programme. Given the important role played by CHAM in the health sector and its close relationship with the Ministry of Health, it is justified to include CHAM in this discussion.

Funding through CHAM comprised tutor incentives (salary top-up) and scholarship support for the training of midwives and clinical officers. Besides the adverse impact of the Dutch phase out on these activities, CHAM was also affected by the termination of contracts for Dutch doctors working in CHAM hospitals at the time. The cessation of Dutch support was not abrupt; the exit was quickly communicated and planned as of 1999. There was an exit strategy in the sense that the future was known and the hospital boards were informed that the expatriate TAs would not be extended. Hence, efforts were made to recruit Malawian doctors to replace the expatriates. Dutch Embassy staff from Lusaka assisted CHAM in negotiating with the government for compensatory funding and about 18 month after the Dutch pull-out the Malawi government entered to fill some of the gap. As a result, the negative impact was mitigated. The Embassy also sought to support the strengthening of the quality of training by reducing the number of colleges. However, this proposal was rejected by the religious leaders who steer CHAM for fear of losing control of their training institutions.

After the Dutch exit, the provision of scholarships was discontinued but the financing of the tutor incentives were taken over by the GTZ and the Ministry of Health. CHAM has always been an organisation funded by many donors (including core support), mainly from non-Malawian church-affiliated NGOs such as Christian Aid (UK), Norwegian Church Aid (Norway), Dan Church Aid (Denmark), Code Aid and ICCO (the Netherlands). This network of supporters made it comparatively easier for CHAM to develop a 'coping strategy' after the withdrawal of Dutch support. In fact, our CHAM informant characterised his organisation as a mini-SWAP in its own right. Nonetheless, the hiatus until other donors came to CHAM's rescue was problematic.

*Support to the College of Medicine (CoM), University of Malawi*

The College of Medicine in Blantyre as one of the constituent colleges of the University of Malawi is playing a key role in the education of medical personnel and increasingly in medical research as well. Against a background of severe shortages of such personnel in the health facilities of Malawi, this educational function is critical. This dire need forms the main justification for donor support to the CoM.

Dutch support to the Malawian health sector through funding of Dutch nationals active in Malawi has a long history. Hence the initial stage (see table 5.1, nine doctors for an estimated EUR 4 million) builds on prior support which at the time was not organised through a formal sector programme.

The second phase of support to the CoM was first concerned with strengthening its financial management in order to attract further finding in future. After initial reluctance from the CoM (because of many other capacity development challenges of the College), the fruits are being reaped today since better financial management really did enable them to attract more funding. Apart from acting as a conduit for Dutch support as from 2005, Norway is to date a donor to the CoM in its own right and has just entered a third phase of co-operation. The DFID is also contributing to the CoM within the SWAP framework.

The entire budget for the extension phase was not spent: EUR 0.4 million, which was planned for construction work that did not start until 2006, remained. By then the Embassy considered that chances were the activities would not be completed before the end date of the project and therefore did not approve disbursement.

The project extension accommodated the continuation of six of the nine specialists initially engaged in the programme. After the Dutch pull-out four of those are still supported through other channels (Norway, WHO). The CoM has established a network of research partners and other contacts with sister institutions which are providing support or could do so in future. This network grew partly out of the Dutch support and continues to be a valuable asset to the College.

This programme-level exit can be seen as a 'model' in the sense that the sustainability of the programme was fully taken into account by the Dutch Ministry of Development Co-operation. The Dutch programme support to the CoM was very successful. The highly relevant functions of the College in educating medical personnel in high demand, and to some extent medical research, were not significantly disrupted during the extensive exit process!

## 5.6 Conclusion

The aid programmes of the two exiting donors were diverse. The evaluation has selected certain sectors and sub-sectors where Denmark and the Netherlands heavily involved and where the exit management challenges were expected to be greatest: agriculture, education and health, including programmes within those sectors.

Owing to Danida's exit the planned investment programme in agriculture (MASIP) never really took off and the adverse effects were very severe and are felt to date. The high expectations created and the elaborate plans laid came to naught. For an agrarian country vulnerable to food deficits the foregone benefits of major agricultural investment were very serious as long as other donors were unable to fill the resource gap. Efforts had to start from scratch and only now – five years later – is the sector recovering from the adverse impact of Denmark's exit. The coincidence of the pull-out with a serious food security crisis aggravated the impact because the government was compelled to devote attention to the food deficit emergency and to defer long-term investment in agriculture. The psychological effects were also significant by the pessimism produced. In retrospect, however, the dark cloud left by the Danish exit appeared to have a silver lining. MASIP was a parallel structure not fully integrated into the Ministry of Agriculture. New institutional thinking emerged as a side effect of the shock caused by Denmark's departure.

The irrigation programme was just about to start at the time of the exit decision. Since the input by Denmark was substantial the immediate adverse effect was very serious, from which the sub-sector is yet to recover. Great opportunities were missed for increased production from irrigated agriculture in badly needed efforts to boost food security in a drought-prone economy. The adverse psychological effects were arguably worse than the material. Farmers' expectations had been raised and the positive spirit of mobilisation was reversed and resulted in pessimism.

The Natural Resources College was in the middle of a transformation process when Denmark pulled out. The NRC had to reposition itself and adjust to the new situation and what transpired may serve as an example of need being the mother of invention. The shock treatment resulting from Denmark's withdrawal spurred new thinking and initiatives, i.e. the design of new courses and programmes that would probably not have been established had Danida not pulled out. The Danish presence and resource input had created complacency. The repositioning was possible thanks to the beneficial Danish legacy, i.e. equipment, vehicles, computers, a refurbished cafeteria and a residential capacity for several hundred students. On the other hand, Danida's exit led to the neglect of investment in new infrastructure.

The consequences of the withdrawal of support to NASFAM largely conform to the pattern of other interventions. After the completion of a largely successful first phase, advanced preparations had been made for the next phase when 'the axe fell' and Danida withdrew. Phase II on the launching pad simply collapsed. The pull-out was too abrupt and disrupted plans and necessitated major adjustments. NASFAM's loss of credibility with the smallholders who had great expectations is still being felt in some areas, particularly with respect to marketing.

After the Dutch withdrawal the TSP evolved as a legal personality and elaborated a new strategy. To fill the revenue shortfall, it began developing short organisation management courses on a commercial basis and offered them to the private sector and civil society organisations. Losing all its equipment and vehicles to the Ministry of Agriculture was tough on the organisation but it managed to survive – barely. Today the programme is keeping afloat thanks to support from a mix of small donors and a few customers paying for consultancies and courses.

Unlike most other donors Denmark concentrated on secondary education. Apart from the volume of support, the programme involved a major policy shift which entailed reorganising the sub-sector. Serious concern had been expressed about the low quality of secondary education largely due to lack of textbooks and appropriate teaching materials, resulting in very low pass rates. The policy shift was intended to redress the quality problem. An entirely new concept was launched: clusters of secondary schools, comprising a mix of national schools, district boarding schools and day secondary schools. Through generous funding the basic idea was to induce the 'better' schools to assist the worse off by sharing staff, experience and teaching materials. A textbook revolving fund was set up, which involved matching the money mobilised by the schools in the communities. The Danish exit was strongly felt at the cluster level, i.e. at the grassroots. Most school clusters were up against serious problems that have remained unresolved. Another component that suffered was the provision of means-tested bursaries from which thousands of pupils stood to benefit.

The Health Management Information System (HMIS) was intended to lay the foundation of a sector-wide approach (SWAP) in the health sector. This intention has largely been realised. The HMIS is today at the core of the evolving health SWAP in Malawi. The plan of work for the SWAP as a resource-pooling arrangement was developed in 2002–2003, which meant that by the end of that period the prospects were relatively good for filling the funding shortfall from the pool after the Dutch withdrawal in 2004.

The Dutch exit from the district level was less successful, however. The construction and rehabilitation work on district hospitals and health centres were not fully completed or not completed satisfactorily. In some places the contractors left construction faults and deficiencies which delayed the handover, i.e. at Mitundu Community Hospital. Not all the equipment delivered is properly used today due to inappropriate specifications, insufficient user training and lack of qualified staff in the hospitals and health centres. Hence, the operating theatres are to date either not used or underused. Laboratory equipment is also inadequate. Furthermore, there are sustainability concerns: the maintenance budget for the equipment is grossly inadequate. The budget constraints are even more severe with regard to human resources development and the additional recruitment of critical staff.

The cessation of Dutch support to CHAM was not abrupt. After the exit had been communicated an exit strategy was charted because the future was known. The hospital boards were informed that the Dutch TAs would not be extended and that Malawian doctors had to be recruited to replace the expatriates. Dutch Embassy staff from Lusaka assisted CHAM in negotiating with the government for compensatory funding and about 18 month after the Dutch pull-out the Malawi government entered to fill some of the gap. As a result, the negative impact was mitigated. The provision of scholarships was discontinued but the financing of the tutor incentives were taken over by the GTZ and the Ministry of Health. In the face of the Dutch pull-out CHAM managed to draw on its network of other donors (including core support), mainly from non-Malawian church-affiliated NGOs, that made it easier for CHAM to develop a 'coping strategy'.

The programme-level exit from the CoM can be seen as a 'model' in the sense that the sustainability of the programme was fully taken into account by the Dutch Ministry of Development Co-operation. The Dutch support to the CoM was very successful. The highly relevant functions of the College in educating medical personnel in high demand, and to some extent medical research, were not significantly disrupted during the prolonged exit process!

Although the major interventions under scrutiny in this report led to adverse consequences, especially those funded by Denmark, it must be said in mitigation that a fair number of smaller projects were brought to completion without serious repercussions.

It appears that the ability to cope with and adjust to shortfalls in resource flows is affected by a series of factors. Above all, the abruptness of the cessation of support generally has a debilitating effect. This is very evident in most of the Danish-supported programmes in agriculture and education. Conversely, a longer time horizon makes it relatively easier to adjust. The recipients of Dutch aid benefited from the rather drawn out Dutch exit.

However, this point must be modified. With the benefit of hindsight, in some cases 'shock treatment' in the form of sudden withdrawal can spur creative thinking and innovation to which the NRC and the TSP testify. It is doubtful, though, whether such treatment is recommendable because it involves high risk as innovation cannot be counted upon *ex ante*. Several respondents expressed doubts about shock treatment, saying that it would not work in highly dependent, small developing countries such as Malawi where the systems are inelastic and the institutions less robust than in more developed countries.

Regardless of the time factor, at least three other factors are likely to bear on the recipients' resilience and ability to adjust. First, being able to rely on sympathetic supporters other than the exiting donor will most probably have mitigating effects. Being part of a global church-affiliated network of NGOs, CHAM serves as an example of such a type of recipient, as is NASFAM, which in addition is membership-based. The international contacts of the CoM also provide an example of networking. Second, a cordial relationship to the government and alignment with its priorities are also likely to enhance the coping ability. Again, CHAM is a good example, probably because it is such an important player in the health sector. Similarly, the NRC was given a government funding injection for 100 students immediately after the Danish withdrawal. Third, institutional strength, stemming from institution-building, is likely to enhance the ability to attract support from elsewhere, of which the CoM is an example. By contrast, the impact of Denmark's withdrawal on the Ministry of Agriculture had adverse institution-building effects because the pull-out was so abrupt and the institutional set-up inflexible.

# Chapter 6

# Conclusions and recommendations

## 6.1 Conclusions

Essentially, five main factors explain whether a donor exit is successful (satisfactory) or not. These apply not least to the case of donor-initiated exit from an aid-dependent country such as Malawi:

- Time horizon and the contents of aid programmes;
- Clear communication, consistent planning and implementation;
- Capacity and willingness of recipient government;
- Support from other donors;
- Role of the Embassy.

All of the above factors are pertinent to the two contrasting cases discussed in this report and may serve as a basis for lessons learned with a view to avoiding obvious pitfalls, even though any exit involves risks.

With regard to the time horizon the cases of the Danish and Dutch exits bear out that the time available for phasing out and dismantling a country programme is critical. On the one hand, it provides the donor with adequate time to prepare an appropriate exit plan and to execute it without excessive haste. Correspondingly, the recipient country is allowed time to adjust to the prospect of a donor exiting – either by soliciting assistance from other donors or generating additional resources from domestic sources to meet the shortfall. In cases where institutional restructuring is part of the co-operation programme or major policy reform is in progress, the recipient will likewise be better prepared if the exit horizon is longish. The Danish and Dutch exits represent extremes in this regard. Although six months (as in Denmark's case) is obviously too short a phase out period it is a moot point whether as much as five years (as in the case of the Netherlands) is appropriate. If the exit period is too long there is a danger that the circumstances will change considerably and with the benefit of hindsight call into question the wisdom of the exit. Similarly, a long time horizon may induce stakeholders who were opposed to the exit decision in the first place to use the ample time to undermine it by seeking out allies – at the donor end as well as in the recipient country – to slow down the exit process or to reverse it.

The five-year time horizon for the Dutch exit was not set because it was seemed an ideal duration, but because commitments had been entered into for that period and because the exit decision included that commitments would be honoured. The fact that the Dutch programmes in the health sector were just about to start at that time must be seen as exceptional. Normally programmes would be up and running already at the time of an exit decision. The further a programme has progressed the more difficult it would tend to be to adjust its course in order to strengthen its sustainability.

A related factor that influences a donor's latitude for adaptation is whether the programming is driven by available donor funding envelopes or by the objectives it seeks to achieve. There is always a mix of factors but how they are balanced against each other might make a difference for the manoeuvring space during the exit process.

The time horizon is an essential factor from the stage of programme design and is linked to the scope and nature of the programme in question. Engaging in activities which support or promote systemic or major policy reform (such as the Danish involvement in the education sector or Dutch support to the HMIS) must by necessity and design have a much longer horizon than less reform oriented projects (such as support to CHAM). A donor supporting such policy change objectives (and even more so a donor actively *promoting* such objectives) bears a fair share of responsibility for the results and hence for the consequences of an exit.

Apart from the time factor, clear communication is also decisive for a satisfactory exit. This applies to all stages of the exit process, right from the time when an exit option is contemplated to the definitive decision is made and onwards throughout the various stages of implementation. Advance warning to the recipient is a minimum requirement in a cooperative relationship that is considered a two-way partnership. Likewise, discussion of planning and implementation of the exit is also a partnership issue. Good communication, consistent planning and implementation throughout will ensure predictability and hopefully enables the recipient to adjust without too much difficulty and disruption. This applies to all levels of interaction from the top political echelons down to the grassroots at the programme and project levels.

The positive stimulation effects of a quick exit are likely to be limited in a predominantly subsistence economy, where shocks may mean that people will die or suffer gravely. Nevertheless, as one interviewee remarked: 'we could use a wake-up call after the lost decade', referring to the dismal development progress during the 1994–2004 period – widely referred to as the 'lost decade' – when former President Muluzi was at the helm. The two cases in which such positive effects were noted in Malawi (the NRC and the TSP) are relatively small and lean organisations with strong leadership. Elsewhere, the scope for rapid change is probably more limited and the positive effects from exit correspondingly modest.

Predictability is as important for project/programme level co-operation as it is for budget support. The underestimation of the consequences of exit is a phenomenon comparable to the overestimation of possible pace of change. The response capacity of aid-dependent and institutionally weak countries to donor exits is as limited as their capacity for change. One interviewee used the very evocative image of the 'braking distance of a train' to illustrate the slowness of change both in the case of donors exiting and the recipient responding to the exit.

Breach of trust between 'partners' in development is not just an ethical issue but also a very practical one. Domestic parties' confidence in the administration of their country is essential for policy reform that external donors wish to promote. However, sudden donor exits may badly damage – inadvertently or not – the authorities' image in they eyes of the ultimate beneficiaries, e.g. in the relationship between the Ministry of Agriculture and the farmers, and between the Ministry of Education and schools, teachers, parents, and pupils.

Once lost, such confidence is very difficult recover and will require a long time to restore.

It should be acknowledged that the capacity and willingness of a recipient partner country to adjust to an exit situation are likely to vary. The capacity will depend, of course, on the level of development of the country concerned, above all on the robustness and functionality of its institutions. By contrast, willingness is rather a political variable which may be difficult to gauge. However, willingness (or feeble reluctance) is likely to be enhanced if communication is good and designed to allay unwarranted fears. Furthermore, willingness is also affected by the degree to which programmes are 'demand-driven', i.e. 'recipient owned' in terms of objectives and design.

The preparedness of other donors to step in and fill the resource shortfall left by exiting donors is a ticklish matter. Generally, any donor to a country is likely already to have committed the bulk of its available resources to a portfolio. For that reason a donor may be reluctant or unable to fill the gap, especially if it is needed at short notice. Second, a number of the potential gap-filling donors may not have the required expertise and experience to step into any specific sectors an exiting donor is leaving. Third, there may be some sort of 'perverse' solidarity within the donor community to the effect that other donors are disinclined to fill a gap because it could be construed as criticism of the exiting donor if the exit is of a penalising nature motivated by the poor performance of the recipient. Fourth, the number of donors to a country may be limited which would reduce the gap-filling candidates to but a few. On the other hand, especially among likeminded donors, the attitude towards substituting might be positive, even though the ability may be constrained on account of existing commitments. The existence or emergence of a SWAP may also cushion a donor's exit, as was the case with the discontinuation of Dutch support to the HMIS.

The role of the donor Embassy is also an important determinant of a successful exit. The diplomatic and communicative skills and the professionalism of the Embassy staff in aid matters are crucial in the exit planning and implementation process. Without such professionalism the Embassy staff is unlikely to appreciate the concerns of the recipient when discussing the specifics of interventions and how to handle the phase out.

Overall, this evaluation has brought to the fore two extreme cases of donor exit. Although both exits were motivated predominantly by domestic politics in the donor countries, once the exit decisions had been taken, the postures of Denmark and the Netherlands diverged fundamentally.

Denmark was in an extreme hurry to get out of Malawi for reasons of saving money, and managed to do so within more or less four months. As a result, the exit management process was a contingency measure that hardly qualifies as more than crisis management. Little serious regard was given to the effects on the recipient partner. No wonder, therefore, the adverse consequences for Malawi were very serious in terms of missed opportunities for increased agricultural production in a country vulnerable to food deficits – from major investments in irrigation and other badly needed productivity-enhancing investments alike with a view to boosting food security. The foregone benefits of these investments were very serious as long as other donors were unable to fill the resource gap. The Danish exit stands out as an example not to be emulated. Still, it can serve as a negative example from which lessons can be learned and recommendations extracted.

The Netherlands, on the other hand, took its time when exiting, even as long as five years. In the circumstances, this long time horizon enabled the donor in conjunction with the recipient partner to chart an exit strategy of sorts, which, in turn, helped to cushion the adverse impact on Malawi and to seek out alternative sources of funding. Given the fact that an exit decision was taken on the basis of domestic politics in the Netherlands, the Dutch exit comes very close to a 'model exit' to be emulated, with minor qualifications only.

## 6.2 Recommendations

A number of recommendations emanate from the above analysis of the Danish and Dutch exits. There are both positive and negative lessons to be learned. The recommendations are listed below in no particular order of importance or priority.

*1. Getting real about partnership*
All the four donors that commissioned this evaluation claim to adhere to the principle of partnership as a basis for dealings with their aid recipients – at least in programmatic and rhetorical statements. Taking that principle seriously in practice, or practicing what one preaches, has at least two critical implications. First, in-depth investigations about the conditions obtaining in the recipient countries from which one considers exiting, i.e. economic capability, political and policy environment, and social conditions, must be made prior to a definitive exit decision. The purpose of such investigations would be to assess in an empathetic spirit and in some detail the ability of the recipient partner to withstand and cushion the adverse effects of the exit.

Second, thorough prior investigations would also serve as a basis for charting an exit management strategy tailored to the conditions at hand, in conjunction with the recipient partner. This implication can hardly be overstated. Even though by definition a so-called partnership between a donor and a recipient can never be equal, the donor ought not to behave unilaterally and thereby make the relationship even more unequal.

The sustainability of the outcomes of aid interventions is at stake, which depends on a host of variables: other donors filling resource gaps; availability of own revenues; policy changes; volume; institutional capability, etc. All of these must be included in the suggested in-depth background study as a basis for making sustainability assessments.

In the Malawian case neither of the two exiting donors made thorough enough investigations as a basis for their exits. The reasons were that their justifications for the exit decisions did not primarily emanate from conditions in Malawi but rather from domestic politics in the donor countries, leading to change of policy. The adverse consequences were most serious in the Danish exit case, principally because of the rushed nature of the exit. By contrast, the Netherlands took more time to plan empathetically with the Malawian partner on the basis of conditions at hand – albeit only *after* the exit decision had been made.

In terms of the spirit of partnership, Denmark performed dismally because the political nature of the exit decision and its hurried implementation made it practically impossible to pay attention to the precepts of partnership. On account of the longish time horizon of the Dutch pull-out, the Netherlands performed reasonably well in its efforts to respect the partnership principle. In particular the Embassy staff in Lusaka seemed to have gone out of their way to that end.

*2. Planning for exit at the programme design stage*
It is exceedingly difficult, of course, to foresee an exit date long in advance and to plan accordingly. Although legal commitments are typically for 3–5 years, nearly all aid agencies these day claim that 'we are here for the long term' as

one respondent of a central aid agency put it. Notwithstanding long-term, non-legal commitments, no aid agency will remain involved for eternity. Hence the need for early thinking and strategising about exit. Most aid administrations would be receptive to such ideas. But as the two exit cases evaluated in this report clearly show, the volatility of domestics politics in donor countries tend to override any exit notions that the aid bureaucracies might have. Even so, attempts towards charting exit strategies in conjunction with the recipient partner are called for. Recipient ownership in demand-driven projects and programmes are generally easier to exit from because the incentives for the recipient to lobby for alternative support are much stronger.

*3. Honouring commitments*

It would go without saying that following an exit decision a donor must honour the commitments already made. However, a distinction must be drawn, on the one hand, between commitments in terms of legally binding agreements and, on the other hand, commitments that are essentially political in nature based mainly on perceptions and expectations by the recipients and staff in the aid agency alike. Although the latter type of commitment stops short of being legal obligations, they represent nonetheless ethical commitments and can easily be construed – with some justification – as breach of trust if not honoured.

In the Dutch exit case the Minister´s decision that all commitments already made should be met went beyond legal commitments to include, at least in part, what may be labelled ethical commitments by the stronger party in an asymmetrical relationship vis-à-vis its weaker counterpart. For instance, the Netherlands might have taken a strictly legalistic position and refused to move into the second phase of its health sector programme for which no legally binding agreement existed at the time of the exit decision. Instead, a gentler approach was taken, presumably because the purpose of the exit was not an urgent need to save money.

By contrast, the Danish stance was very legalistic yet impeccably correct in terms of strictly legal commitments. The escape clause about termination of formal aid agreements made such an attitude admissible. However, the disruption caused by the abrupt withdrawal from planned, though not yet legally agreed, interventions was tantamount to reneging on ethical or political commitments. As such it was a breach of trust, and the political urgency in the context of domestic Danish politics explains this narrow approach.

The Malawi country case study illustrates with clarity that ethical commitments warrant consideration. The practical consequences for the counterpart administration of what may be perceived as a donors´ breach of trust must be considered carefully when making an exit decision or planning an exit management process. The recipient administration is usually caught between the donor and the ultimate beneficiaries at the grassroots. If a donor reneges on ethical commitments the ultimate beneficiaries may blame it on the local administration. Relationships which in most cases are strained at the outset might be soured further and reinforce existing feelings of mistrust. Changing mindsets and attitudes is a slow process and the negative effects of confidence loss in their line ministry/authorities on the part of the ultimate beneficiaries could make that change process more difficult.

The evaluation team – in line with the spirit of the Paris Declaration, which admittedly had not been adopted at the time of the two donors´ exit decisions – gravitates towards the Dutch stance. If the donors´ rhetoric about partnership, which predates the Paris Declaration, is to be taken serious, the Danish mode of exit is a travesty of the concept.

*4. Variable speed in exit management*

Variable speed is a key exit concept. There is a wide range of possible combinations of factors which influence the optimal exit strategy with a view to optimising programme results and their sustainability, given the constraints of the exit process. Therefore, generalisation about the optimal or ideal duration of an exit process is not possible. Instead, variable speed of exit should be considered. There are at least four good reasons why a longer time horizon should be considered for certain interventions:

(a) *Volume*. The volume aspect should be considered not only in an absolute sense but also relative to the resource flow to the sector, sub-sector or programme in question. For example, if a donors´ input exceeds a certain percentage, say 50 percent, there is a good case for extending the phase out period to allow time for efforts to fill the shortfall. Similarly, a sizeable component of technical assistance is also a good reason for making haste slowly;

(b) *Institution-building*. Today, most aid interventions have institution-building aspects. Some have institution-building as a main objective, including the restructuring or complete overhaul of institutions. This is a type of intervention which is inherently time-consuming. Depending on where in the process or programme cycle a donor finds itself phasing out from institution-building efforts warrants a longer time horizon;

(c) *Policy change*. If a donor is involved in major policy change in a sector or substantive field there is definitely a case for a longish time horizon. Changing policies and concomitant mindsets is very time-consuming. The Danish involvement in the secondary school sub-sector is a case in point;

(d) *Alternative donors*. If it is difficult to find alternative donors to fill the shortfall after the exiting donor, or if the recipient is unable to fill the gap from its own revenue sources, a longer phase out period should be considered. In this regard, it is necessary to consider each recipient unit or intervention separately rather than at the aggregate level. However, in the Malawi case even an institution such as the CoM needed a long phase out period to be able to fill the resource gap from other sources, whereas CHAM managed to mobilise its support network within a shorter time span.

*5. Ensuring good communication*

Capricious decisions are anathema to partnerships. Good partners keep each other well informed of their respective intentions and plans. Therefore, good and reciprocal communication is critical. Ambiguous messages must be avoided. A donor exit is generally serious enough to warrant a communication plan for how and when information is to be conveyed specifying who the senders and receivers are to be. This would apply to all stages of an exit, right from the early stages when exits are contemplated through to their completion. It is acknowledged that such a transparent communication process might spur action on the part of some parties to delay or reverse the decisions or to prolong the phase out period. But so be it. Keeping quasi-decisions secret is not in the spirit of partnership.

*6. Assisting recipient to find alternative funding sources*

Finding alternative sources of funding to meet the shortfall after an exiting donor will in part depend on the forms and modalities of aid. A SWAP is likely to be able to absorb the exit of one donor if there are many donors contributing to the common basket and if the recipient is in control of the SWAP. Even so, the volume of support being withdrawn does make a difference. The same applies to direct budget support. With respect to project and programme support other donors will tend to be reluctant to move in, mainly because they have already committed most of their funds to other purposes. Technical assistance is also difficult to replace at short notice.

Notwithstanding the difficulties of soliciting support from alternative sources, it is incumbent upon an exiting donor to make efforts towards that end, even to the point of assisting in negotiations with potential new donors, as did the Netherlands when helping CHAM to negotiate with the Malawi government.

# Annex 1
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# Annex 2
# List of interviewees

| Name | Position | Institution |
|---|---|---|
| Mr Cornwell Banda | Former Auditor (Danida) | Graham Carr Ltd. |
| Ms Thoko Banda | Principal Education Officer | MoE |
| Mr Thomas Baunsgaard | Resident Representative | IMF |
| Mr John Barling | Former CTA Environment (Danida) | Currently working in Tanzania |
| Professor Broadhead | Principal | CoM |
| Mr Dyborn Chibonga | Chief Executive Officer | NASFAM |
| Mr Arnold Chikafa | Headmaster | Linthipe Sec School, Dedza |
| Ms Betty Chinyamunyamu | Director, NASFAM Development | NASFAM |
| Dr Alfred S. Chirwa | Health Specialist (Health & HIV/AIDS) | World Bank |
| Mr David Chitale | M&E Adviser | UNAIDS |
| Mr ___ Chiteyeye | Director, International Co-operation | MoFA |
| Mr Cliff Chiunda | Director, Development Planning | MoEPD |
| Dhr M. Gerritsen | Health officer 2002-2006 | Netherlands Embassy |
| Mr Francis C. Gondwe | Deputy ED/Ag ED (currently ED) | CHAM |
| Dr Charles Gunsaru | Dir MIE / Former PS (MoE) | MIE |
| Nanna Hvidt | Former Head of Africa Dep. MFA/ Danida, now Director, Danish Institute for Development Studies | Danish MoFa |
| Mr McPherson Jere | Former counterpart, Danish Education Programme | CIDA |
| Ms Matilda Kabuye | Director, Education Methods | MoE |
| Mr Robert Kafakoma | Executive Director | Training Support Programme |
| Dr Augustine Kamlongera | Director, Education Planning | MoE |
| Mr ____ Kataika | Deputy Director, Health Planning | MoH |
| Mr Feston Kaupa | Executive Director | NRC |
| Mr Jimmy Kawaye | Former Programme Officer (Danida) | DfID |
| Mr Abel Kawonga | Programme Officer | RN Embassy |
| Mr Ian Kumwenda | MASIP Coordinator | MoA |
| Mr Chris Laymaman | Deputy Principal | Malawi College of Distance Education |
| Melle Leenstra | Policy Officer Malawi 2007- | MoFa Netherlands |
| Dr Jefrey H. Luhanga | Controller, Agric Ext. & Technical Services | MoA |

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| Dr Alice Maida | District Hospital Officer | Lilongwe DH |
| Mr Gibson Masache | Former Administrator, Dutch Programme | Health Partners SA |
| Mr Sandram C.Y. Maweru | Director | Irrigation Services |
| Mrs Grace Milner | Senior Education Officer | MoE |
| Mr Chris Moyo | Health Monitoring Information System | MoH |
| Mr John C. Mswayo | Senior Methods Officer | MoE |
| Mw L. van Munster | Policy officer Malawi 1998-1999 | MoFa Netherlands |
| Hon. Dr. A.G. Nga Mtafu | Former Minister, MoE | MP (UDF) |
| Mr Henrik Nielsen | Former Head of Dev Coop, and Chargé d affaires 17.10.2001 8.1.2002, Danish Embassy, Lilongwe | Danish MoFA |
| Mr Daniel Njiwa | Economist, MASIP | MoA |
| Dr Khwima Nthara | Country Economist | World Bank |
| Dr Dennis Pain | Deputy Head | DfID/BHC |
| Rik Peeperkorn | Health officer 1996-2002 | Netherlands Embassy |
| Lidi Remmerswaal | Head of Co-operation 1999-2002 | Netherlands Embassy |
| Mr Finn Skadkaer Pedersen | Former Chargé d Affaires, Danish Embassy, Lilongwe from 9.1.2002 | Currently independent consultant |
| Dr Wesley Sangala | Former PS, MoE | Retiree |
| Mr Leif Sauvik | Counsellor, Deputy Head of Mission | Norwegian Embassy |
| Mr Wesley Sichali | Hospital-in-charge | Mitundu Community Hospital |
| Mr Jaap Sonke | Former Deputy Minister, MP (UDF) | Businessman |
| Mr Joshua Varela | Gen manager NASFAM Commercial | NASFAM |
| Jan Waltmans | Head of Co-operation 2002- 2006 | Netherlands Embassy |
| Ms Colleen Zamba | Former Director DD, Min. of Finance | UNDP |
| Mr Matthews Kali Zulu | Capacity Building and Training Manager | NASFAM |

# Annex 3
# List of debriefing participants

| Name | Position and affiliation |
|---|---|
| Dyborn Chibonga | NASFAM |
| Augustin Chikuni | Royal Norwegian Embassy |
| Betty Chinyamunyamu | NASFAM |
| Robert P.G. Kafakoma | Executive Director of Training Support for Partners |
| Abel Kawonga | HIV/AIDS advisor, Royal Norwegian Embassy |
| Peter Killick | CIDA |
| Gibson Masache | Hospital management technical assistant, Lilongwe Central Hospital |
| Jan Olav Pettersen | Royal Norwegian Embassy |
| M. Sando | Ministry of Agriculture |
| Leif Sauvik | Counsellor Deputy Head of Mission, Royal Norwegian Embassy |
| Vibeke Trålin | Royal Norwegian Embassy |
| Colleen Zamba | Former Principal Secretary of Treasury, Ministry of Finance |

# Annex 4
# Abbreviations and acronyms

| | |
|---|---|
| ADP | Agricultural Development Programme (Malawi); |
| AfDB | African Development Bank; |
| AFORD | Alliance for Democracy (Malawi); |
| BAM | Booksellers Association of Malawi; |
| BOP | Balance of Payments; |
| CABS | Common Approach to Budget Support; |
| CDSS | Community Day Secondary School; |
| CHAM | Christian Health Association of Malawi; |
| CIDA | Canadian International Development Agency; |
| CMI | Chr. Michelsen Institute (Norway); |
| CoM | College of Medicine (University of Malawi); |
| CSO | Civil Society Organisation; |
| CURE | Coalition Unit for Rehabilitation of the Environment; |
| Danida | Danish International Development Assistance (Danida is widely used with reference to the South Group of the Danish Ministry of Foreign Affairs); |
| DASP | Danish Agricultural Support Programme; |
| DEC | Distance Education Centre; |
| DFID | Department for International Development (UK); |
| DKK | Danish krone (currency); |
| EDF | European Development Fund; |
| EU | European Union; |
| EUR | Euro (currency); |
| FAO | Food and Agriculture Organisation of the United Nations; |
| GBS | General Budget Support; |
| GDP | Gross Domestic Product; |
| GNI | Gross National Income; |
| GTZ | Gesellschaft für Technische Zusammenarbeit (German technical co-operation agency); |
| HIV/AIDS | Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome; |
| HIPC | Heavily Indebted Poor Country; |
| HIVOS | Humanistic Institute for Development Co-operation (Dutch NGO); |
| HMIS | Health Management Information System; |
| ICCO | Inter-Church Organisation for Development Co-operation (Dutch NGO); |
| IFAD | International Fund for Agricultural Development; |

| | |
|---|---|
| IMF | International Monetary Fund; |
| IMR | infant mortality rate; |
| LDC | Least Developed Countries; |
| MASIP | Malawi Agricultural Sector Investment Programme; |
| MCDE | Malawi College of Distance Education; |
| MCP | Malawi Congress Party; |
| MDG | Millennium Development Goal; |
| MFA | Ministry of Foreign Affairs; |
| MGDS | Malawi Growth and Development Strategy; |
| MHPN | Malawi Health Population and Nutrition Programme; |
| MIE | Malawi Institute of Education; |
| MMR | Maternal Mortality Ratio; |
| MoU | Memorandum of Understanding; |
| MP | Member of Parliament; |
| MWK | Malawi Kwacha (currency); |
| NASFAM | National Agricultural Smallholders Association of Malawi; |
| NDA | National Democratic Alliance (Malawi; |
| NGO | Non-Governmental Organisation; |
| Norad | Norwegian Agency for Development Co-operation; |
| NOVIB | Nederlandse Organisatie Voor Internationale Bijstand (Dutch Organisation for International Assistance); |
| NRC | Natural Resources College (Malawi); |
| ODA | Official Development Assistance; |
| PRGF | Poverty Reduction and Growth Facility; |
| PPP | Purchasing Parity; |
| RNE | Royal Netherlands Embassy; |
| SADC | Southern African Development Community; |
| Sida | Swedish International Development Co-operation Agency; |
| SEK | Swedish krona (currency); |
| SWAP | Sector-Wide Approach; |
| TA | Technical Assistance or Technical Assistant; |
| ToR | Terms of Reference; |
| TSP | Training Support Programme (Malawi); |
| UDF | United Democratic Front (Malawi); |
| UNDP | United Nations Development Programme; |
| UNICEF | United Nations Childrens´ Fund; |
| UNIFEM | United Nations Development Fund for Women; |
| USAID | United States Agency for International Development; |
| USD | US Dollars; |
| WB | World Bank; |

# Annex 5
# Terms of reference

## 1. Introduction

The following are the terms of reference for a joint evaluation of country level exit processes in development co-operation. In each of the cases under review it seeks to understand how partner country development activities and partner country development more broadly have been affected by the withdrawal of donor support. The evaluation assesses results in relation to the timing and management of exits and looks at the conduct of exit processes in relation to established models for development co-operation partnership.

The evaluation is sponsored by four countries: Denmark (through the Ministry of Foreign Affairs), the Netherlands (through the Ministry of Foreign Affairs), Norway (through Norad), and Sweden (through Sida). Based on case studies, it looks at wholesale or partial exits by these countries from bilateral government-to-government development co-operation programmes with a number of countries in Africa and Asia - Botswana, Eritrea, India, Malawi, South Africa and another country still to be identified. While some of the exits to be reviewed have been completed, others are ongoing. The evaluation is undertaken for the purpose of mutual learning on an important but largely unexplored set of development issues.

The evaluation is conducted under the guidance of the evaluation departments of the four sponsoring agencies. Sida acts as lead agency in the management of the study.

## 2. Background

Exits from development co-operation, whether at country, sector, or project level, tend to be complicated and difficult for everyone involved.[5] A standard recipe for minimising exit problems is that the partners should formulate an explicit exit strategy as early as possible in the co-operation process, preferably

[5] In the context of this evaluation the term exit refers to the partial or wholesale cessation of development assistance (funds, material goods, human resources, technical assistance, etc.) provided by an external donor to a country or programme or project within a country. One or both of the development co-operation partners may initiate an exit. Note that by this definition an exit is by no means the same as the ending of all relationships between the development partners. As in the case of South Africa's relationship with Sweden or Norway, the termination of traditional development assistance may go hand in hand with efforts to establish a new type of relationship based on more symmetrical forms of interchange.

at the initial stages of planning and design.[6] It is at this point that mutual expectations are established and the basis for a working relationship created. By clearly spelling out criteria and mechanisms for disengagement, and designing the co-operation with the ending clearly in view, partners can avoid difficulties later on, or so it is argued. Neglect of key questions about when and how the support should be phased out can lead to misunderstandings and is likely to impact adversely on development results.

While often sound in principle this approach to exit may not be easy to apply in practice. Development co-operation initiatives take place under constantly changing conditions and are rarely implemented exactly as intended. As a result the exit strategy formulated at the beginning may have to be revised. At country level the blueprint model may often seem altogether inappropriate. While time limits are sometimes fixed at entry point, they are often deliberately left undefined. In many cases blueprinting the co-operation process would be regarded as outright counterproductive, technically or politically.

In practice, the exit issue is usually managed through a mixture of contractual agreements and additional understandings negotiated on the way. At project and programme levels formal agreements rarely cover more than three to five years, which is often less than the expected life time of an intervention, and at country level there are usually also no binding provisions for a long-term engagement. From a formal point of view the exit option appears to be the default option. At the end of an agreement period the question before the partners is not so much whether they should disengage from the relationship as whether they should formally extend the relationship and enter into a new phase of co-operation.

This arrangement can be seen to contain within itself a strategy for exit whereby the partners agree to proceed in a step-by-step fashion, periodically giving themselves an opportunity to reassess their options. Such a strategy is particularly useful to the donor. While allowing the donor to withdraw from the relationship – or let it lapse - at fairly short notice, it makes the recipient's situation less predictable and more vulnerable than under a long-term agreement. There are barriers to donor exit other than those formalised in contracts, no doubt, but even so the relationship between donor and recipient is an unequal one requiring a great deal of circumspection and trust on both sides.

There are several types of reasons why a donor may exit from a partnership or intervention. At country level the following would seem to be the main ones[7]:

- Mission accomplished. The recipient country has developed to a point where it is no longer considered eligible for development assistance. It has 'graduated'. This does not necessarily mean that the projects or programmes supported by a particular donor have all achieved their goals. As the criteria for eligibility to development assistance are set with reference to country level indicators, projects and programme may still have some way to go

[6] Following Rogers and Macias, an exit strategy is an explicit plan comprising the following:
- specific criteria for graduation of the supported entity and the termination of support;
- specific and measurable benchmarks for assessing progress towards meeting those criteria;
- identification of actions to be taken to reach the benchmarks and a clear division of responsibilities with regard to those actions;
- a time frame for the intervention, with necessary provisions for flexibility, and
- established mechanisms for periodic assessment of progress towards the criteria for exit and for possible modification of the exit plan.

Rogers, Beatrice L., and Kathy E., Macias. 2004. Program Graduation and Exit Strategies: Title II Program Experiences and Related Research. Food and Nutrition Technical Assistance Project (FANTA). www.fantaproject.org.

[7] For an in-depth review of donor motivations for exit see the preparatory study Review of Donor Principles and Practices for Exit by Claes Lindahl and Lars Ekengren. (http://www.sida.se/exitevaluation)

- Lack of progress: There is a perceived lack of progress toward final or i termediary objectives, or a failure to demonstrate results. The donor decides unilaterally or in consultation with the recipient that prospects for improvement are not good enough.
- Better use of funds: The donor decides that support to a particular country should be discontinued in favour of an alternative use of resources that promises to bring higher rates of return. The donor may or may not be dissatisfied with the country programme selected for exit, although the question of phasing out and exit is of course more likely to be raised with regard to a poorly performing country programme than one that performs better.
- Change of donor priorities or modes of operation: a country may become ineligible for support as the donor organisation revises its policies or changes its modus operandi. For example, the concentration of Dutch development assistance in recent years has resulted in numerous exits from countries as well as projects and programmes within countries.
- Breach of agreement: A donor may decide to exit as a result of its partner failing to honour contractual obligations or mutual commitments, as when a donor country withdraws from co-operation with a government that fails to respect human rights. In cases like this the exit is often not intended to be irrevocable, but is rather a temporary means of influencing partner country behaviour when dialogue does not seem to work.
- The recipient has asked the donor to exit wholly or in part. A prominent recent example is India's request to smaller donors that they direct their support to civil society organisations. There are also cases of governments breaking the relationship with donor countries that are felt to be interfering in domestic affairs.

Regardless of the reasons for exit, disengaging from a county level development co-operation partnership is rarely simple. Even in the case of graduation it can be difficult. For example, there is likely to be a question about the social capital and the local know-how that have been built up over years of co-operation and that may not be transferable to any other country. Should those assets be allowed to rust and disintegrate? Would it not be better to put them to further productive use? After all, in many cases graduation is not quite the same thing as the end of poverty. A country that has graduated may still benefit from support.

Other scenarios are more complex still. For instance, what are the practical implications of unsatisfactory performance? Should the donor withdraw or should he redouble his efforts? In some cases exiting would be the best option, in other cases staying on might be better. Similarly, a lack of respect for human rights on the part of the partner country government may not be a good reason for exit in each and every case. What if maintaining the relationship might better serve the purpose of development? And what about the citizens who would be deprived of support if the donor decided to leave?

The actual phasing out of the engagement is also a challenge, especially where many separate programmes and projects are affected. For each intervention the phasing out may involve the disengagement of staff, the closing down of physical structures, the sale or handing over of vehicles and other assets, the closing of accounts, auditing, transfer of records and so on. Normally there would be both winners and losers, some happy with the outcome, others not. Organisational skill, communicative competence, and goodwill are required on all sides. Ineptly managed the phasing out may undermine what has already been achieved, well managed it may ensure that those results endure.

Although exit is the closing event in any development co-operation process it is not much studied. Every development organisation and, no doubt, every country receiving development assistance has had its own internal debates on exits and exit policy. Yet the conclusions from those debates are rarely put on paper and properly analysed for a wider audience. Development agencies and other actors know relatively little about how exit issues are discussed and managed outside their own organisations. As a result they have few opportunities to learn from each other.

The present evaluation aims to provide a remedy to this unsatisfactory state of affairs. It is an opportunity for the sponsoring agencies and their developing country partners to share experiences and learn from each other. Hopefully it will also be found useful in the wider development co-operation community.

Further details on the background of the evaluation, including the preparatory Concept Note and the Review of Donor Principles and Practices for Exit, can be found in the documents posted at the evaluation web site: http://www.sida.se/exitevaluation

## 3. Purpose

As stated above, the purpose of this evaluation is to facilitate mutual learning on issues of exit from development co-operation partnerships at country level. Although primarily catering for the information needs of its four sponsors, it is also expected to be useful for the developing countries participating in the case studies.

The evaluation deals with two broad issues. One is the importance of the management of country level exit issues for *development effectiveness* and *sustainability*.[8] In each of the cases reviewed, it seeks to understand how the results of supported development activities – outputs, outcomes, and (as far as possible) impacts – have been affected by the exit. As the activities supported by any particular donor belong to a larger programme of the host country government, it also considers how the exit may influence partner country development more broadly.

The second main issue to be considered by the evaluation is about country level exit and the *management of development partnerships*. Here the main question is whether the exit practices recorded in the case studies are consistent with established principles of partnership and mutuality in development co-operation, and, if not, what the remedies might be.

As it is generally assumed that a well-functioning partnership with rights and obligations clearly defined on both sides is conducive to good development results, the two issues are clearly interconnected. However they are not identical. The issue of adherence to partnership agreements and values goes well beyond the development effectiveness issue. Similarly, the issue of the influence of exit practices on development results is in its own way broader than the partnership issue. In the one case we look at partnership as a principle to be honoured in its own right, in the other case we look at it as a means of making development co-operation more effective and more relevant to partner country needs.

[8] Exit management is an inclusive term that refers to all kinds of measures taken to ensure a successful ending of a development co-operation programme. Looking at the exit management process as it unfolds over the entire programme cycle we may distinguish between four principal phases: 1) preparations for exit at the design stage; 2) updating of exit plans during implementation; 3) decision on date and timing of the exit; and 4) the eventual phasing out of the support.

## 4. Scope and limitations

The evaluation will be based on case studies of country level exits in countries where all the four donors sponsoring the evaluation have had a substantial bilateral development co-operation programme and where one or several of them have exited from this programme, entirely or in part. To facilitate mutual learning, countries where only one or two of the four sponsoring countries have had such a programme have not been included in the study. Had the sponsoring countries been free to select cases solely on the basis of their own particular interests, all of them might well have preferred a slightly different country sample.

The case study sample is not based on any particular model, typology, or theory of exit. However, although it is not likely to be statistically or theoretically representative of a larger universe of exits, it comprises a wide variety of exit experiences and seems well suited for the assessments required by the evaluation. As described below, the sample includes 14 country program exits (complete or partial) and 6 contrasting 'non-exits' in five different countries. Note that the number of exits may increase with the possible addition of still another case study country later on in the evaluation process.

The sample units are exits from bilateral country-level development co-operation programmes. As a country level programme consists of support to a number of projects and programmes in different sectors, however, exits from such interventions are also covered by the study. Indeed assessing the impact of exit and exit management on the development results of projects and programmes is an important element of the evaluation.

The evaluation does not cover exits from multilateral programmes and partnerships with civil society organisations. Donors disengaging from a bilateral partnership may reallocate their support to NGOs or to programmes managed by international development banks or other multilateral institutions. Similarly, as in the case of India, a recipient partner country government may request donors to direct their support to NGOs or to channel it through multilateral programmes. Such moves can be important elements of exit strategies and should be examined as such. The evaluation should consider their consequences for the effectiveness of co-operation programmes. However, the evaluation is not concerned with exits from civil society partnerships or multilateral programmes per se.

The evaluation will assess the consequences of country level exit decisions for the results of interventions supported through development co-operation and partner country development more broadly. Recognising that an exit decision can be made for reasons that are extraneous to the development activities affected by the exit, however, it will not pass judgement on the exit decisions themselves. Thus, while the evaluation may well come to the conclusion that a particular exit had unfortunate consequences with regard to local development, it would not attempt to answer the larger question whether it was still justified, all things considered.

Note, finally, that the evaluation covers the period 1996-2006. If required in order to answer the evaluation questions, however, specific management issues might be traced further back in time.

## 5. Case study countries

It has been agreed that the evaluation should be based on case studies of a limited sample of country level exits. The choice of countries has been much discussed between the partners and representatives of some of the cases study countries have participated in the discussions. The evaluation is intended to cover six case study countries, one of which remains to be identified.[9] The following five countries have been selected for case study.

- *Botswana.* All the four donors phased out ODA in the late 1990s as a result of Botswana's graduation to the status of a Middle Income Country. In a couple of cases the exits occurred was after thirty years of bilateral assistance. Declining needs for development assistance was main reason for exit in all the four cases. At the present time ODA has been completely phased out by all the four donors, but local efforts to deal with the HIV/AIDS crisis are supported by Sweden and Norway.
- *Eritrea.* A country supported by all the four donors after its independence in 1991. Eritrea is today classified as a 'Fragile State' by the OECD/DAC and by the World Bank as a so-called Low Income Country under Stress (LICUS). The Netherlands and Norway are currently providing bilateral support to Eritrea, while Sweden and Denmark have phased out their assistance, in both the cases largely because of differences with the Eritrean government about issues of governance.
- *India.* The first country to receive bilateral development assistance by the four donors -for some of them development co-operation with India goes back to the 1950s. Due to India's rapid economic development and overall high capacity level, exit discussions have been going on among all the four donors since the late 1990s. In 1998 Denmark decided to phase out its bilateral development assistance over a 10-year period. In 2003, however, India decided on its own accord that it would not receive ODA support from 'smaller countries', a group including the four donors sponsoring this evaluation. The government-to-government ODA is currently being phased out by all the four. India is an important case of a developing country taking the lead in the phasing out of development co-operations partnerships.
- *Malawi.* A low-income country where the four donors have taken different approaches over the last decades. Thus, Denmark and the Netherlands have both exited from co-operation, the Netherlands in 1999, because of dissatisfaction with governance and the implementation of a wider concentration policy, and Denmark in 2002 for similar reasons. Norway regards Malawi as one of its seven major partner countries. With Norway as its representative, Sweden has recently entered bilateral co-operation with Malawi.
- *South Africa.* After the fall of the apartheid regime in 1994 South Africa has received government-to-government ODA from several countries. Classified as a Middle Income Country, it is considered by donors as a transitional country, and the ODA has explicitly been intended to facilitate the establishment of democracy. While both Sweden and Norway are in the process of replacing conventional ODA with new forms of co-operation with South Africa, Denmark and the Netherlands stick to the original modality.

[9] Note 2007-03-20: It has now been decided that there will be only five country case studies.

**Figure – Details of co-operation and exits from five case countries**

| | Country characteristics | Denmark | Netherlands | Norway | Sweden |
|---|---|---|---|---|---|
| **Botswana** | Upper Middle Income Country | Co-operation began in 1970s. Exit in 1990s with scaling-down over a decade. | Exit in 1999 due to concentration policy | Co-operation began in 1972. Exit in early 2000s At the present time some HIV/AIDS support. | Co-operation began in 1966. Exit in 1998. Certain on-going programmes in HIV/AIDS. |
| **Eritrea** | Low Income Country | Co-operation began in 1993. Exit decision in 2002 due to concentration/ poor govern-ance: Phase out over 3 years until 2005 | Co-operation began in 1993. On-going co-operation. One of the current 36 partner countries. | Co-operation began in 1992. On-going co-operation. One of Norway's 18 'other partner countries'. | Co-operation began in 1992–1993. Phase out since late 1990s. Minor projects still on-going |
| **India** | Low Income Country | Partner country since 1960s. Denmark de-cided to exit in 1998, while India triggered exit 2003. Denmark decided to start a 10-year phase out in 1998, while India trig-gered exit in 2003. Co-opera-tion phase-out completed in 2005. | Co-operation since 1962. Partner country also included in 2003. India triggered exit in 2003 Ongoing phase out | Partner country since 1950s. India triggered exit in 2003 – ongoing phase out | Partner country since 1950s. India triggered exit 2003 – ongoing phase out and transformation. |
| **Malawi** | Low Income Country | Co-operation since 1960. Assistance reduced in 1991. Partner country status from 1996 until exit in 2002 due to concentration policy and donor dissatisfaction about govern-ance. Phase-out in 4 months. | Exit in 1999 due to concentration Some on-going assistance through partner-ship with DFID | One of 7 current main partner countries<br><br>No exit considered | A new major partner country through a del-egated partner-ship' to Norway.<br><br>No exit considered |
| **South Africa** | Upper Middle Income Country, Transitional country since 1994 after the fall of the apart-heid regime. | Major transitional programme country support since 1994. On-going co-operation. | One of 36 part-ner countries in 2003<br>Exit not yet considered | One of 18 'other partner countries'.<br>Exit ongoing through phase out from transi-tional assistance | Major support since 1994. and before that , since the 1960's, support to ANC. Exit on-going with phas-ing over to new forms of co-operation |

## 6. The assignment

The evaluation comprises the following main elements:

- An in-depth analysis of exit processes: how actors in the case study countries and their external development co-operation partners have dealt with exit issues; their policies, strategies, and decision-making processes with regard to exit and partnership; the application of these models in actual cases of planning for exit and management of exit processes; and contextual factors, such as stakeholder interests, that seem to influence exit decisions and behaviour. An assessment of the consistency of practice with policy would be included in this analysis.

- An assessment of the consequences of exits for development results: how the exit has influenced or is likely to influence the results of the affected activities – outputs, outcomes, impacts – as well as more indirect effects. Starting with the real or likely post-exit results of the activities previously supported by the donor or in the process of being phased out, the evaluation seeks to understand how the exit and the way in which it was managed has made a difference to those results.[10] Where relevant for a better understanding of the impact of the exit process the evaluation should trace the management of the exit issue further back in time. This is further explained below.
- A set of evidence-based *lessons* that would be useful for the sponsoring donors and other evaluation stakeholders in their efforts to enhance their ability to deal with exit issues. As stated above, one of the main objectives of the evaluation is to increase our understanding of the many ways in which exit planning and management can support or undermine the intended results of external development support. The lessons will also cover the partnership issue.
- A set of *recommendations* to the organisations sponsoring the evaluation regarding future work on exit policies, exit strategies and exit management practices.

1. Note that the first of the components above covers several layers of policy-making and guidelines. At the highest, most inclusive, level the evaluation should consider the established or emerging 'best practices' with regard to exit management in the development co-operation community at large, including the directives embedded in the Paris Declaration and MDG agenda. At the lowest level it should examine the views expressed in country strategies and other key country level documents of the donors sponsoring the evaluation. There is also a middle level consisting of more general policies on exit among these donors.[11] Questions of consistency and coherence between levels shall be addressed. To what extent are the general policies and principles of each one of the donors well in tune with established international agendas and practices? To what extent are donors' country exit strategies consistent with their own general thinking and policies on exit and issues closely related to exit, such as partnership, participation, and accountability?

In each of the cases to be reviewed, the evaluation should describe the deliberations leading up to the exit decision. It should explain the motives for the exit and assess how and to what extent the partner country government and other stakeholders were able to participate in the decision-making or

[10] In some of the cases the exit was completed long ago, in other cases it is still ongoing.

[11] The pre-evaluation study by Ekengren and Lindahl mention in footnote 3 above contains a useful analysis of the donor views at this level.

make their interests heard. Recognizing the importance of predictability for all stakeholders in development co-operation, the evaluation should assess the extent to which provisions for exit had been made earlier in the co-operation process and, consequently, the extent to which stakeholders had been able to makes preparations for the exit when it finally occurred.

Turning to the actual phasing out of the support, the evaluation should tell us both how the planning for that process was done and how established plans were implemented. Was there a clear and mutually accepted scheme for the phasing out and what did it contain? To what extent were partner country stakeholders able to voice their concerns and influence the design of the process? [12] To what extent were the different stakeholder groups satisfied with the outcomes of the process? It is important that the exit process is assessed from a variety of perspectives. What might appear as a successful ending from the point of view of one stakeholder group might look quite different in another perspective.

2. The criteria for assessing the quality of exits can be divided into two groups, one referring to process issues, the other to development results.

The process criteria are derived from the values underpinning the concept of development partnership and other widely accepted principles for the conduct of partners in development co-operation. The following are the criteria to be considered:

- *Legality and respect for contracts.* Was the exit made with due regard to prior contracts and other formal agreements between the partners?
- *Transparency and predictability.* Was the exit conducted in an open well organised manner so that affected actors had a chance to plan and adjust to new the contingencies, and were not taken by surprise. Consistency of policy and action would normally be an important prerequisite for donor predictability
- *Dialogue and mutuality.* Was the exit decision preceded by open discussion between the partners and were the lines of communication kept open during the subsequent phasing out? In case of disagreement and dispute, were opportunities for dialogue exhausted before one of the parties unilaterally decided to withdraw?
- *Due concern for prior investments.* Exits should be planned and conducted in such a way that waste and loss of invested capital is minimized. Donors should consider benefits and costs to partners and beneficiaries as well as benefits and costs to themselves.
- *Due concern for partners' needs for adjustment to post-exit conditions.* Donors should assist partners in making the transition to the post-exit situation. This may affect the timing of the exit decision as well as the exit time-frame. Depending on the circumstances, it may also require technical and financial support of various kinds. Assisting partners in finding new sources of finance and support might be an appropriate action.

With regard to the influence of exits on results a preliminary task is to try and find out what has actually happened in terms of development outcomes and impacts following the exit. The following are the main fact-finding questions with regard to results:

[12] According to the Review of Donor Principles and Practices for Exit by Ekengren and Lindahl stakeholders, not least staff of the donor agencies, have often played a major role in the interpretation of exit policies and decisions, sometimes to the extent that management decisions have been diluted, delayed and counteracted.

- *Sustainability of continuous activities.* What has happened to organisations that lost donor support as a result of the exit? To what extent have such organisations been able to maintain the production of services and other benefits for target groups in the post-exit situation? How did they compensate for the loss of donor support? These questions are obviously not applicable where the activities supported by the exiting donor were completed before or at the same time as the exit.
- *Effects on project activities still in progress.* Here the question is whether projects and time-bound programme activities still in progress at the time of the exit have been brought to a successful conclusion despite the exit, or whether they have been scaled down or prematurely aborted. As in the previous case this is a question that does not apply to activities completed along with the exit.
- *Indirect effects on partner country governance and development management.* While some of the effects of a country level exit are visible in the performance of interventions that previously enjoyed the support of the exiting donor, there may also be effects that are more indirect and remote. The occurrence of such effects should be considered case by case. The general assumption is that the withdrawal of resources will affect budget allocations which in turn may have a more or less significant impact on governance, institutional quality, service delivery, etc.
- *Development impact where the exit is an expression of concern over partner country governance or policy.* Exactly what appears to have been the development effects of a donor country exiting fully or in part from a bilateral government-to-government relationship, perhaps redirecting its support to civil society? Have donor expectations regarding the policy impact of exit proved to be correct?
- *Impact on long-term bilateral exchange.* A donor country may wish to build a new kind of relationship with the recipient country built on commerce, cultural exchange, etc. at the same time as traditional development co-operation is brought to an end. The success or likely success of such efforts should be carefully assessed by the evaluation.

In the fact-finding phase the first thing to be considered is simply whether the disengagement of the donor has prevented the activities covered by the development co-operation programme from running their full course or whether they were in fact completed as originally planned and agreed. In the latter case, the exit would obviously have made no difference to the outcome, except by ruling out the possibility of renewed co-operation. In the former case, however, the exit could well have had an important influence on the results. What the evaluation shall seek to assess is how the recorded results – outputs, outcomes, impacts - are likely to differ from the results that would or might have occurred had the support from the donor not been phased out before the project or programme was completed.

It should obviously not be assumed that every time outcomes are unsatisfactory this is because of the phasing out of donor support or the way that the phasing out was managed. In many cases the main explanation for disappointing results may well lie further back in time. As noted in the Concept Note preceding these terms of reference, if mistakes regarding sustainability and exit are made in the planning of a development co-operation process there may not be much that can be done to correct them later on, except to close down operations and accept the losses.[13] Elements of path dependency are

[13] Exit Strategies – A Concept Note for a Joint Evaluation. Sida. Department for Evaluation and Internal Audit. 2005-04-22. www.sida.se/exitevaluation

only to be expected. This should be carefully considered when assessing the development effects of the disengagement.

However, establishing how an exit process has impacted on development results is not yet assessing the quality of that process. A quality assessment must also address the evaluative question whether the identified results should be considered satisfactory in view of available alternative ways of managing the exit process.

The final clause in the sentence above is important. If we cannot think of an alternative exit approach that would have produced better results than those actually recorded we must conclude that the exit was well done, at least in so far as the development results are concerned. If the results would have been better with a different approach, including a different timing, by contrast, we ought to conclude that the exit was not entirely successful.

3. The criteria above are intended to encompass the donor-specific criteria formulated in policy documents and guidelines issued by the four countries sponsoring the evaluation. In the case of the Netherlands the following have been the main exit instructions:

- Exits should be orderly.
- Exits should fulfil legal commitments.
- Wherever possible the Netherlands should assist its partners in finding substitute support from their local government or other donors.
- Exits should not lead to 'destruction of capital'.
- Exits should be carried out within a period of 2-3 years.

Regarded as criteria for evaluation these guidelines are for the most part contained within the list in above. The last one – that exits should be carried out over a period of 2-3 years – is the exception. As it has been adopted as an explicit instruction for Dutch exits in recent years, the evaluation can obviously not ignore it. However, it should not be regarded as an assessment criterion for all the country exits figuring in the study.

None of the remaining donor countries sponsoring the evaluation has formulated a similar set of uniform exit instructions. Exit criteria are often defined ad hoc in relation to the exigencies of a particular situation. Thus, in the context of a series of country exits triggered by a reduction of its aid budget in 2002, Denmark made it a primary exit criterion that on-going contracts should be honoured. In phasing out support to India and Bhutan, however, Denmark also put considerable emphasis on partnership principles and the sustainability of supported organisations and programmes. Sweden in its ongoing exit from development co-operation with South Africa intends to replace traditional development assistance with new forms of co-operation and exchange 'based on mutual interest and joint financing.'

The pre-evaluation Review of Donor Principles and Practices by Ekengren and Lindahl referred to above contains further information on exit guidelines among the four donors behind the evaluation.

## 7. Methodology

The task of designing an appropriate methodology for the evaluation rests with the consultants. However, the methodology proposed by the consultants must be presented to the evaluation steering group for approval before it is adopted. A preliminary methodology proposal should be included in the tender documents, and a more considered proposal should be presented in the inception report to be delivered to the evaluation steering group two months after the contract for the study has been signed. This procedure will enable the consultants to take a closer look at opportunities and constraints before deciding how they think that the evaluation research process can and should be designed.

The following few points provide further guidance:

- The four donors sponsoring the evaluation have no methodological preferences other than that the chosen approach should be the best possible one under the circumstances. It would be helpful if the consultants were to explain why the approach favoured by them would produce better answers to the evaluation questions than alternative approaches.
- As in every evaluation, the selected approach will be a compromise between the consultants' desire to produce as solid a study as possible and the constraints of limited resources. To make it possible for the evaluation steering group to assess the proposed methodology the consultants should explain why they believe that the recommended approach represents an optimal use of the resources set aside for the evaluation.
- As noted above, the evaluation should be responsive to the interests and experiences of all the major stakeholder groups involved in the exits under review. The consultants should explain how this requirement would be satisfied by their favoured approach and how a multiplicity of perspectives would be reflected in the evaluation reports. The consultants should also explain how they propose to deal with problems of counterfactual analysis.
- As the evaluation covers a large number of separate exit processes, options for sampling must be considered. While each case of country level disengagement must be covered by the evaluation, a selective approach is required at the level of the projects and programmes included in country level programmes. Consultants are invited to make suggestions for possible selection models in the tender documents. A more elaborate proposal will be included in the inception report.
- The issue of comparability between cases must be addressed. Will it be possible to streamline the evaluation process in such a way that standardised indicators can be applied in data collection across and analysis the board? What would the indicators look like? A discussion about indicators should be included in the tender documents.
- It is one of the advantages of joint evaluations that they allow for comparisons, benchmarking and mutual learning between organisations. In the present evaluation different ways of managing exit processes will be compared. In some of the case study countries it will also be possible to make comparisons between the results of exiting and the results of not exiting. Designing a methodology for this evaluation, the consultant should not ignore this possibility. Given the purpose of the evaluation, what might be the pros and cons of contrasting exits to non-exits?
- To facilitate mutual understanding the evaluation should adhere to the conceptual conventions laid down in the OECD/DAC Evaluation Glossary as far as possible.[14] Readers of the evaluation reports should be explicitly warned of any departure from these conventions.

Tender documents will be assessed against these points.

[14] www.oecd.org

## 8. Organisation

The evaluation will abide by the quality standards for evaluation currently tested by the OECD/DAC Network for Development Co-operation Evaluation, and it will be organised in such a way that the integrity of the evaluation process and the independence of the evaluators are secured.[15] The following is a brief description of roles and responsibilities.

*Steering group*. The evaluation will be governed by a steering group composed of representatives of the evaluation departments of the four donor organisations sponsoring the evaluation. The steering group will oversee the evaluation process, and do the following:

- Confirm the terms of reference for the evaluation
- Establish a committee for the evaluation of tenders and confirm a model for the evaluation tender proposed by the committee.
- Confirm the selection of an evaluation team by the tender evaluation committee
- Comment on successive draft reports in relation to the terms of reference for the evaluation and ensure that the reports meet the quality standards set for the evaluation.
- Advise their own agencies and staff on the evaluation as well as help coordinate agency contributions.
- Assist the evaluation manager and the evaluation team leader in organising visits of evaluation team members to donor headquarters.
- Assist the evaluation manager in ensuring that local offices and embassies are adequately informed about the evaluation and requested to assist it as required.
- In collaboration with the evaluation manager organise presentations of the evaluation results, and assist with necessary follow-up of the evaluation.

*Evaluation manager.* As the evaluation lead agency, Sida shall appoint an evaluation manager to take care of the day-to-day management of the evaluation on behalf of the steering group. The evaluation manager will be responsible for maintaining a continuous dialogue with the evaluation team leader on matters pertaining to the interpretation of the terms of reference and the conduct of the study. The evaluation manager will assist the evaluation team as requested by the team leader and facilitate communication between the evaluation team and evaluation stakeholders. Aided by the steering group the evaluation manager will support the evaluation team in its preparations for field visits.

*Reference groups.* For each of the case study countries there will be a reference group including partner country representatives as well as members of the donor organisations covered by the study. Acting as advisors, the members of these groups will assist the steering group in ensuring that the country studies are implemented in accordance with the terms of reference and that relevant stakeholder groups are properly consulted.

*Evaluation team.* The responsibility for conducting the evaluation research and produce an evaluation report that satisfies these terms of reference will rest with a team of externally recruited evaluators. The views and opinions expressed in the evaluation report will be those of the evaluators. They need not

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15 www.oecd.org

coincide with the views of the donor organisations sponsoring the evaluation or other affected persons or organisations.

The following are the main tasks of the evaluation team:

- Carry out the evaluation as per the terms of reference. A work plan should be specified and explained in the tender documents.
- Accept full responsibility for the findings, conclusions and recommendations of the evaluation.
- Report to the steering group as agreed, keep the evaluation manager continuously informed of the progress of the evaluation, co-ordinate the timing of field visits and other key events with the evaluation manager, and seek advice from the evaluation manager when required.
- Provide feedback to local stakeholders at the end of field visits.
- Ensure that stakeholders who have contributed substantially to the evaluation get an opportunity to check the report for accuracy before it is finalised.
- Participate in the dissemination of evaluation results as agreed with the evaluation manager and the steering group.

## 9. Work plan

It is envisaged that the evaluation will have the following elements and produce the following reports and dissemination activities:

1. Preparation of an inception report. The inception report should include:

- A preliminary desk review of the policy context of the case study country exits to be covered by the evaluation as per section 5 above.
- A further detailed methodological proposal along with an assessment of the technical evaluability of the principal evaluation issues. This proposal will have to be accepted by the steering group before it is adopted.
- A work-plan for the fieldwork of the evaluation, likewise to be agreed with the steering group.

2. The inception report should be submitted to the steering group (through the evaluation manager) within two months after the award of the evaluation contract. The steering group will require two weeks to consider the report. After that they will meet with the evaluation team leader and other representatives of the team to discuss it.
3. Brief visits to donor headquarters would probably be required for the preparation of the inception report. The evaluators might need to get a deeper understanding of general head quarter thinking on exit issues, and they might also have to collect information on the country exits selected for case study. During the inception period the sponsoring donors will assist the evaluators in identifying the projects and programmes phased out or about to be phased out as a result of each one of the case study exits.
4. Field visits to case study countries. Follow-up of the status of projects and programmes in ended country programmes, or programmes in the process of losing support. Further analysis of exit strategies and thinking at embassy level and relevant government entity. Assessment of effects and impact of the exit based on the methodology suggested. Site visits. Interviews with representatives of a wide variety of stakeholder groups. This is the main part of the evaluation, and with several country teams working in parallel it is expected to require at least two months. As underlined above, however, the responsibility for designing this phase of the work rests with the evaluation team.

5. Country workshops for each of the case study countries in conclusion of fieldwork. The purpose of the workshops is to discuss findings and tentative conclusions with relevant partner country representatives and donor field representatives. In each country, the workshop would be hosted by one of the donor embassies.
6. Drafting of country reports. These reports should be submitted to the steering group, the country study reference groups, and other relevant stakeholders for checking their accuracy. As suggested above (section 7) in some of the countries the exit strategies of some of the donors might usefully be contrasted with the non-exit strategies of the remaining ones. As noted, however, the pros and cons of this approach need be further discussed before it is adopted.
7. Drafting of a synthesis report based on a full comparative analysis of the reviewed cases. The synthesis report shall contain lessons learned and recommendations.
8. Workshop at the headquarters of one of the evaluation sponsors for review and discussion of the draft synthesis report.
9. Finalisation of the full set of reports – synthesis report and country studies – and acceptance of the now completed evaluation by the steering group. Discussion between the steering group and the evaluation team about further dissemination activities.

10. Throughout of the evaluation, updating the web page for the exit evaluation (http://www.sida.se/exitevaluation) and invitations of comments to the various draft reports through the web. It is envisaged that all persons consulted shall have access to the web-site. Sida is responsible for keeping web site updated.

## 10. Composition and qualifications of the evaluation team

The evaluation team should include both international and local consultants. The evaluation should rely on local evaluation capacity whenever feasible, and it should be adequately balanced in terms of gender.

The following are requirements regarding the team leader:

- Extensive experience of managing development co-operation evaluations.
- Advanced knowledge of the substantive issues covered by the evaluation.
- Familiarity with development issues in South Asia and Sub-Saharan Africa
- Advanced skills in writing and communication

The following is required by the team as whole:

- All the members of the team should have previous experience from evaluations of development assistance, as well as a good general understanding of evaluation.
- All the members of the team should be familiar with broader issues of development policies, strategies and aid management.
- One or more of the team members should have a good understanding of the mechanisms of policy making and strategy formulation among the four donor agencies represented in the evaluation.
- One or more or the team members should have expert knowledge of aid modalities, including technical assistance.

- One or more of the team members should have expert knowledge in the areas of public sector management and public sector capacity development.
- The team should be able to address issues related to the cross-cutting issues of gender equity, human rights, democratisation, environment, and HIV/AIDS.
- The team should have an advanced understanding of development issues at national and local levels in the countries involved in case studies.
- All team members must be fluent speakers and writers of English.
- As the evaluation must consult documents written in Swedish, Danish, Norwegian and Dutch, the team must include persons familiar with these languages.[16]

Proposals will be assessed against these requirements.

## 11. Inputs

While the evaluators will have significant latitude in the design and organisation of their work, it is estimated that the evaluation in its totality will require in the order of 70 person weeks. As already noted, the evaluation will necessitate fairly extensive fieldwork in the case study countries. The need for stakeholder workshops, seminars, feedback meetings, etc. should be considered when planning and budgeting for fieldwork. However, possible dissemination activities after the completion of the study will be covered by a separate budget.

The evaluation will also require consultations and reviews of documents at the four donors' headquarters, i.e. in Copenhagen, the Haag, Oslo and Stockholm. It suggested here that the proposal should be based on one or, perhaps, two such visits per donor country, the first in connection with the writing the inception study, the second after the field visits for the purpose of checking the accuracy findings and seek answers to follow-up questions.

The overall budget for the evaluation shall not exceed EUR 400,000, including reimbursables. Note that this amount is intended cover six country studies, five in the countries mentioned above, and one in a country still to be identified. The cost of the latter study has been provisionally estimated as the average of the costs of the others.

## 12. Time table

It is anticipated that the evaluation would be put out for Tenders in October 2006 and that the Evaluation Consultant Team to undertake the evaluation will be selected in December 2006 or early January 2008.

It is expected that the evaluation process from the inception will to be completed within ten months period to a draft report. After a process of dissemination of the results through workshops, comments by donors and other parties, etc. it is expected that the final full report be ready by the end of March 2008.

[16] It should be recognised that a person fully fluent in any one of the three Nordic languages would to be able to read documents in the other Nordic languages as well.

The tentative time schedule of the evaluation is as follows[17]:

- Closure of contract: March 2007, week 9-10.
- March 2007, week 10. Notification of partner country officials and sponsoring agencies' embassies and other staff.
- Collection of data and documentation: starting following contract closure.
- April 2007. Interviews at donor head quarters. Dates to be provided by consultants as soon as possible.
- May 21, 2007. Presentation of Inception Report at meeting of the Evaluation Steering Group in Copenhagen. The report submitted by the consultant no less than seven working days in advance of the meeting.
- July – September 2007: field visits. Dates for fieldwork and dates for concluding fieldwork workshops to be provided with as little delay as possible.
- October 19, 2007. Delivery of draft country case study reports.
- November 5, 2007. Steering Committee and team leaders meet to discuss the case study reports.
- October-December, 2007. Drafting of synthesis report.
- December 10, 2007. Informal briefing on emerging conclusions with Steering Group in Copenhagen.
- January 20, 2008. Delivery of First Draft Synthesis Report.
- February 5, 2008. Steering Committee meets with team leaders to assess the contents and quality of the First Draft Synthesis Report.
- February 22, 2008. Joint workshop in Stockholm with key stakeholders from the four sponsoring agencies.
- March 10, 2008. Delivery of Second Draft Synthesis Report with final draft country case study reports attached.
- End of March, 2008. Delivery of Final Synthesis Report with final country case study reports attached, all edited for publishing.

## 13. Appendices

1. Claes Lindahl, Lars Ekengren. Review of Donor Principles and Practices for Exit. (http://www.sida.se/exitevaluation)
2. OECD/DAC Development Evaluation Network. Trial Evaluation Quality Standards. (http//www.oecd.org.)

[17] This time table is a revised version of the original. It was inserted in this document 2007-03-20-

# Managing Aid Exit and Transformation

Malawi Country Case Study