Managing Aid Exit and Transformation

India 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.

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Preface

This *country report* India 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

Four donor countries – Denmark, the Netherlands, Norway and Sweden- took the initiative for "a joint evaluation of country level exit processes in development co-operation". The main focus should be on exit management. According to the Terms of Reference (TOR) for this evaluation field studies should be carried out in five countries: Botswana, Eritrea, India, Malawi, and South-Africa. These countries represent different reasons for donor exits or aid transformation. This report presents the findings of the case study on India.

Definition of the evaluation object
The TOR indicates that the evaluation should focus on exit management and country-level exit processes. However, during the inception case it became clear that this definition requires further explanation. According to the TOR country exits are defined as "exits from bilateral country-level development co-operation". However, the definition of bilateral development co-operation varies from one donor to another. Moreover, and even more problematic, the word 'exit' is not generally accepted and has some negative connotations in specific country case study countries. In fact, the study deals with phase out, scaling down and/or aid transformation processes at country level.

Purpose
The purpose of this evaluation according to the TOR 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. Moreover, it is expected that this evaluation might be useful for other countries and donors.

Methodology
The methodology has been elaborated in the inception report on the basis of the requirements indicated in the TOR. A common methodology has been worked out for all five country case studies. The main elements of this methodology are reflected in the structure of the country reports. Minor adaptations to tailor the methodology to specific issues at stake in the country studies are allowed. No such changes were needed for the India country study. The main common elements of the methodology are:

- 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 phase out, aid transformation or exit *decisions and planning* from the perspective of the donors and the recipient country (chapter 3);
- An analysis of *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 is based on a sample of selected development interventions, which also *illustrate exit management at the programme and project level* (chapter 5).

Data collection started during the inception phase with desk research and a round of interviews in the sponsoring countries. In the field phase the main instruments were desk research, interviews and focus groups (see Annex 1 and 2 for documents consulted and people interviewed). At the end of the field visit a debriefing session was organised for the representatives of the sponsoring countries and the country concerned by the case study (see Annex 3 for participants). The debriefing session served to present and validate preliminary findings and conclusions.

As the study in India was the first country study in the context of this evaluation, this study had to some extent a pilot character. Some ideas of the inception phase such as a more detailed analysis of trends in aid flows through different channels proved to be too complicated. This could not yield value added, neither to the country study, nor to the synthesis study. On the other hand, the main factors determining a successful exit needed to be worked out in more detail. In this respect, the analysis of specific development interventions (chapter 5) proved to be very useful.

Scope

The methodology is based on a combination of width and depth. Both the analysis of decisions and planning as well as the analysis of exit management and implementation are studied for all sponsoring countries who have taken decisions to fundamentally transform their aid. However, the analysis of consequences is based on a study of specific development interventions that have been selected in the inception phase to be studied in more detail. For India it was decided to select case studies from the larger donor programmes: Denmark and the Netherlands. Different states had to be visited within the limitations of the budget, while also different sectors should be covered. Three case studies have been studied in depth and are presented in chapter 5:

- The Dutch supported water programme in Gujarat;
- The Dutch supported education programme in Gujarat; and
- The Danish supported agricultural training programme for women in Madhya Pradesh.

Organisation

Christian Michelsen Institute (CMI) and ECORYS formed a consortium that was selected to carry out this joint donor evaluation. In each country a local consultant is part of the country evaluation team to strengthen the knowledge of local circumstances and habits and to assure that the point of view of local stakeholders is sufficiently presented. The consultants are independent evaluators. Although consultations were organised during the preparation phase of this study, the evaluation is not a fully joint evaluation as only the four sponsoring donor countries are represented in the steering group. Various mechanisms to assure the involvement of the recipient countries have been established such as the appointment of a contact person within the country government (Dr. Ramesh Panda), the involvement of local consultants, interviews with stakeholders, debriefing sessions and possibilities for comments on the draft country report.

For the India case study the Embassy of Denmark (Minister Counsellor Mr Michael Hjortsø) was responsible for the management of the evaluation in India on behalf of the sponsoring countries. Mr Henrik Nielsen of the Danida evaluation department and member of the steering group paid a preparaTORy visit to India in May 2007. He contacted Indian experts that could act as resource persons: Dr. George Mathew, Dr. Rajesh Tandon and Dr. Naresh Saxena.

Finalisation of the country report India

The country report is prepared by the team in charge of the evaluation in India (Albert de Groot, CK Ramachandran and Anja Willemsen). Anneke Slob (team leader for the entire evaluation) accompanied the team in India, and Alf Morten Jerve (deputy team leader) read the report and provided comments.

This draft is presented to the members of the steering group and to the stakeholders in India for their comments. The comments will be taken into account in the final version of the country report. This country report will serve as one of the building blocks for the synthesis study.

Chapter 2

Background

2.1 Main developments in India

During the evaluated period from the early 1990s to 2007 both the presentation of India in the international fora and the perception of India by the outside world have undergone important changes. In the early 1990s the dominant image of India was that of a very large poor country with a democratic government, but with major socio-economic problems. Today India is recognized as a global player, although poverty is still widespread. Hence, India presents two very different faces of development.

In 1991, India had embarked on a policy of economic reform primarily to overcome the crisis in the external sector which was aggravated by the Gulf war. The emphasis was on opening up the economy to foreign investment by liberalising investment regulations and by adopting suitable fiscal and monetary reforms. The East Asian currency crisis of 1997 and political changes played a role in slowing down these reform processes. The Bharatiya Janata Party (BJP) which had succeeded the Indian National Congress (INC) in 1998 was in favour of protecting the domestic investors and providing a 'level playing field' to Indian enterprises. It was, therefore, not enthusiastic about rapid opening up of the economy.[2] The nuclear test of May 1998 by BJP government fitted into the more nationalist orientation and drew widespread condemnation from many other countries. In 2004, the newly elected United Progressive Alliance (UPA)[3] Government, led by the INC reviewed again the policy of bilateral development co-operation 'to affirm the liberalisation and reform orientation in India's economic policy'.[4] This government is led by Prime Minister Dr.Manmohan Singh who had been the architect of the 1991 Reforms, in his capacity as the Finance Minister of a Congress Government.

India is now the world's fourth largest economy measured by Gross Domestic Product (GDP) with an average annual growth rate of 6% during the last seven years. India has made rapid progress in the last decade, most notably in information technology. A declared nuclear deterrent state, with an active

[2] The Janata Party (a coalition from which BJP broke away in 1978) was credited in 1977 with driving out Coca Cola and IBM from India with its insistence on diluting their foreign equity to 40 per cent. Its Statement on Economic Policy (1977) stated: 'The Janata Party will not go in for foreign collaboration in areas where adequate Indian skills and capital are available. whenever the need for foreign collaboration is felt in areas of high priority, emphasis should be on purchasing outright technical know-how, technological skills and machinery'.

[3] United Progressive Alliance (UPA) is the name of the present ruling coalition of political parties of the Government of India. The UPA was formed soon after the 2004 general elections to the Lok Sabha.

[4] Government of India: Policy on Bilateral Development Co-operation, PIB, September 20, 2004 and DEA Circular No.1/30/2003-PMU dated 4th January 2005.

space program, India is considered an emerging superpower. However, although the standard of living is projected to rise sharply in the next half-century, India currently still battles high levels of poverty, persistent malnutrition, and environmental degradation. In 2000 the proportion of the Indian population living below the poverty line was still 28.6% and the percentage of people living on less than USD 2 per day was 79.9% (2006, World Development Indicators, World Bank). The following table gives an overview of the main socio-economic indicators.

Table 2.1 Main socio-economic indicators for India 2000–2005

Indicator	2001	2005
Population	1027 million	1095 million
GDP	460.2 billion	805.7 billion
GNI per capita	450.0	730.0
Life expectancy at birth	62.9	63.5
Child malnutrition rate (% under five)	47%	–
Under five mortality rate (per 1000)	94.0	74.0
School enrolment, primary (% net)	70	78

Source: World Development Indicators' database, April 2007, World Bank

Since its independence in 1947 India is the world's most populated democratic state. However standards of governance in India vary widely from one state to another, across sectors, and between different levels of political, economic and administrative structures. On the one hand, India compared favourably with most other Asian countries on indicators of governance. Compared to China, for instance, India was consistently ahead on 'voice and accountability'.[5] On the other hand, India has persistent and powerful cultural barriers to empowering women and persons from scheduled castes and tribes, particularly in the northern and eastern states.

Role of donors

The history of development co-operation in India is unique in many respects. India was one of the earliest recipients of assistance from external donors. The size of external assistance was for some time around 10% of the total public sector investment per annum.[6] Total external aid as percentage of GDP fell from 1.4% in 1991/1992 to 0.5% in 2001/2002, amounting to USD 3.57 billion. Total bilateral aid disbursed in 2001–2002 from 31 donor countries was USD 1.14 billion[7].

With the growth of the Indian economy the need for development assistance from foreign countries gradually decreased. This was made clear by the BJP government when in February 2003 India's Minister of Finance announced in his annual Budget Speech the following:

"A stage has come in our development were we should now, firstly, review our dependence on external donors. While being grateful to all our development partners of the past, I wish to announce that the Government of India would now prefer to provide relief to certain bilateral partners"

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5 Nevertheless, India is still lagging behind China but catching up on 'government effectiveness'. See Daniel Kauffmann, Aart Kraay, Massimo Mastruzzi, 'Governance Matters IV: Governance Indicators for 1996–2004', World Bank Policy Research Working Papers, No. 3630, June 2005,

6 Source: Indian planning experience, National Planning Commission, Government of India, http://planning-commission.nic.in

7 These figures were also released by the National Planning Commission in 2003. Aid from the four Nordic+ bilateral donors in 2002 was USD 102.4 million (the Netherlands by far the largest donor with USD 61.7 million , Denmark USD 24.4 million, Sweden USD 7.8 million, and Norway USD 8.5 million.

India clearly wanted to present itself as a non aid-dependent country, and in this Budget Speech the smaller bilateral donors were requested to channel their aid packages in other ways. This led to the withdrawal of all small bilateral donors, including the four sponsoring countries of this evaluation (see chapter 3 for more details).

In 2004, the UPA government made some changes in India's policy towards donors (see 3.1), but continued the basic approach to project India as an economy which was not 'aid dependent'. A clear manifestation of this approach was the decision of the UPA government in the aftermath of the tsunami which hit the Indian coast on 26 December 2004. India, while gratefully acknowledging the offer of aid from foreign countries, did not accept the offer as the government considered that it had the necessary resources to cope with the situation.

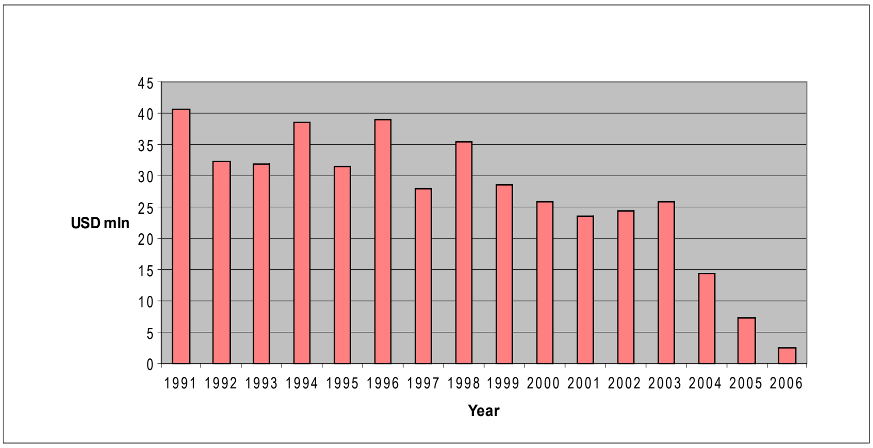
2.2 Involvement of the four donors

2.2.1 Denmark

Aid volume

Danish development co-operation with India started in 1962. In the first years Danish aid activities spread out to many parts of India with a variety of projects. Until 1980, a large portion of aid was concentrated within a few sectors, but geographically quite dispersed. In the 1980s, Danish aid became more concentrated and projects focused on the states Karnataka, Tamil Nadu, Orissa and Madhya Pradesh. In 1991, Danish bilateral assistance to India peaked at USD 40.7 million[8]. In the period 1992 till 1999, the annual bilateral aid flows from Denmark to India fluctuated between USD 27 million and USD 40 million per year; while it reduced further from 1999 onwards (see Table 2.1). Total aid volume in the period 1991–2006 amounted to USD 430 million.

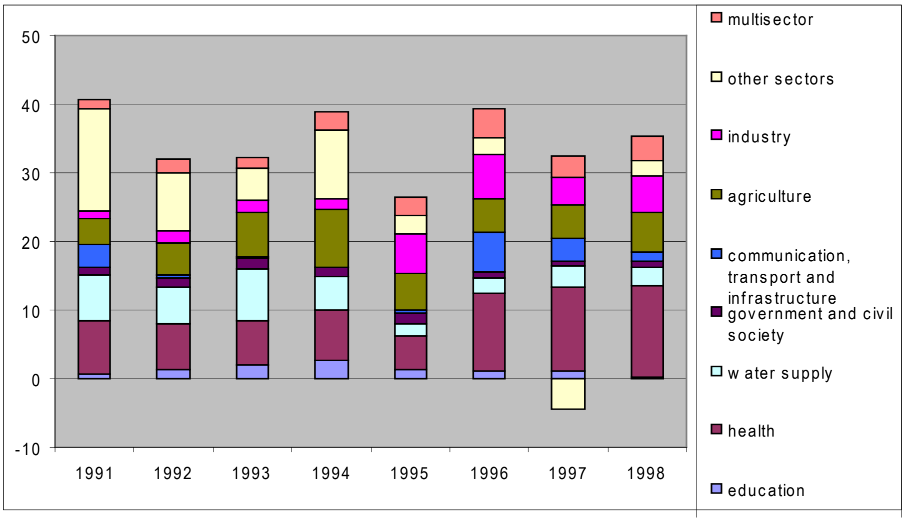
Graph 2.1 Danish bilateral assistance to India 1991–2006



Throughout the period 1991–1998 Danish assistance to India was mainly focused on four sectors: health, water and sanitation, agriculture and industry (See Table 2.2). The largest amount of aid (25%) in this period went to the health sector.

[8] For reasons of comparability one currency (US$) is being used. Exchange rate can be found in Annex 5.

Graph 2.2 Danish bilateral assistance 1991–1998 distribution (in US$ million equivalent)[9]



Country strategy
In 1994, Denmark formulated a new overall strategy for aid co-operation, in which poverty reduction became the main principle for all aid. The new policy included a significant change in aid modalities from project support to sector programme support. In this new strategy the sectors health, water and sanitation, industry and agriculture were selected for programme support. In addition, support for activities within democratisation and human rights was given (5% of the country's allocation)[10]. It was further decided to concentrate programme support on the states Karnataka and Madhya Pradesh while a gradual phase out of the support to the states of Tamil Nadu and Orissa was foreseen (over 5 or 6 years).

In 1998, however, the planned sector programmes, which would have meant a significant growth in Danish development co-operation with India, were put to a halt due to the Danish phase out decision in response to the nuclear test. At the same time, follow-up phases of existing projects continued.

While this phase out started to be implemented, in Denmark a new country strategy for India was developed in 2000, the so-called 'Lex India'. This programme focused on health, human rights and private sector support. It shelved due to Indian reservations with respect to the democracy and human rights component of the programme.

After the Indian Budget Speech in 2003, Denmark decided to accelerate the withdrawal of Danish aid. All Danish bilateral development projects and programmes were completed by the end of 2005. A specific characteristic of the Danish programmes and projects was the relatively high number of staff at field level to support and facilitate implementation of these.

2.2.2 Netherlands

Aid volume
India was one of the earliest recipients of Dutch bilateral assistance (1962)[11]. In the 1990s, The Netherlands focused its bilateral development assistance to India on four Indian states: Uttar Pradesh, Andhra Pradesh, Gujarat and Kerala. In 1996, Dutch bilateral assistance to India amounted to USD 45.8 million. In the period after 1996, Dutch bilateral assistance showed an upward

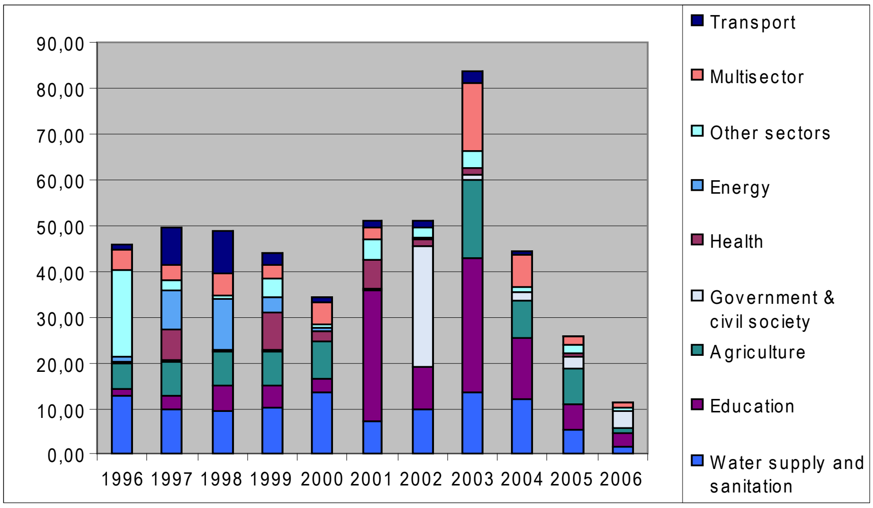
[9] Other sectors include infrastructure, banking and business services, trade policy, population policies, commodity aid and unallocated aid.

[10] The Mouse and the Elephant, 45 years of Indo/Danish Development co-operation, MOFA Copenhagen, p.28.

[11] Evaluatie van de Nederlandse ontwikkelingshulp, Werkgroep evaluatie ontwikkelingshulp, 1969.

trend and peaked in 2003, the year of the Dutch exit decision, at USD 83.5 million. After 2003, Dutch bilateral aid disbursements were phased out quite rapidly. It reduced to USD 44.3 million in 2004 and further to USD 11.2 million in 2006 (see table 2.3).[12] The total aid volume in the period 1996-2006 was USD 497 million.

Graph 2.3 Dutch bilateral assistance distribution 1996–2006[13]



In the period 1996-2006 the largest share of Dutch aid (almost 60%) was concentrated in the sectors of water supply and sanitation, agriculture and education (see graph 2.3). Other focus sectors were government & civil society and transport.

Country strategy

In 1999, the Dutch Government introduced a new policy for bilateral development assistance that concentrated its development assistance in a limited number of countries and sectors and introduced a Sector Wide Approach (SWAP). India was one of the 19(+3) partner countries selected. Following the policy changes, the Dutch reduced their number of focal states. Andhra Pradesh and Gujarat were first selected as new focal states and later on Kerala was added. Subsequently, the Netherlands Embassy started a dialogue with the Indian Government and with other partners to identify focal sectors within these states. The following sectors were selected:

- Andhra Pradesh: Urban environment, Rural development and Education;
- Gujarat: Education, Water& Sanitation and (Mental) Health; and
- Kerala: Decentralisation and Water.

In 2003, when the Dutch exit decision was taken, the implementation of this new policy was just gaining momentum. The Netherlands had started the introduction of SWAP in all three focal states. Just before this exit, it released the first tranche of macro support to Kerala, while in Andhra Pradesh the preparations for providing general budget support at state level were well advanced.

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[12] The Dutch aid commitments for 2004 were USD 73 million (see Development Database on Aid from DAC Members, 2006). In this year, the UK was the bilateral donor with the largest amount of commitments, followed by the Netherlands, Japan, United States and Canada. IDA (World Bank) and European Commission also committed to larger aid flows than the Netherlands.

[13] In the calculation all environment projects are included in multi sector/crosscutting. Other sectors include the sectors Communication, Industry, Culture and recreation, Emergency assistance, Debt relief and Sectors Not Specified.

In Kerala, most parts of the programme had barely started. Complementary to the SWAP programmes in the three focal states, the Dutch provided additional support to relevant national programmes in Education, HIV/AIDS, Water and Gender. The Dutch programmes and projects were centrally managed by the programme staff at the Embassy in New Delhi. Bilateral assistance (2000–2003) included sectoral programmes (32%), project support (40%) and support to cross-cutting issues (7%)[14].

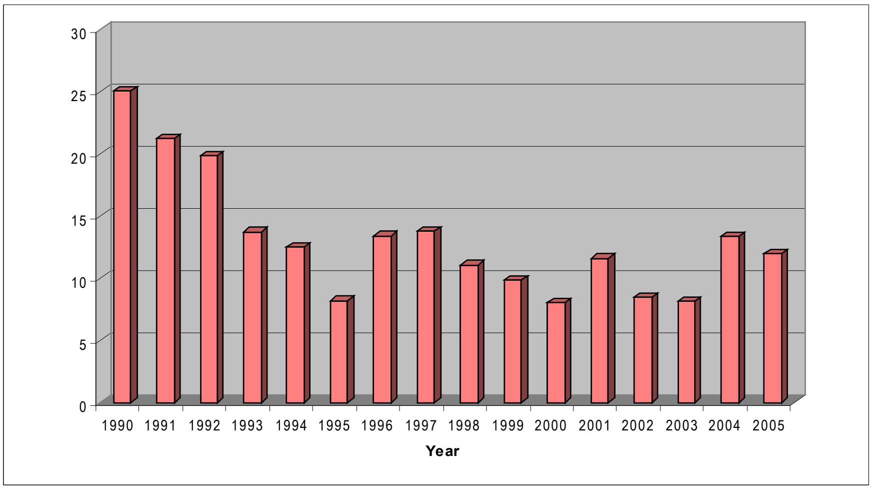
When the Dutch announced their exit in June 2003, the development programme comprised a total of 60 projects. In 2007, the last bilateral development project will be closed.

2.2.3 Norway

Aid Volume

In 1990, Norwegian bilateral development assistance to India amounted to USD 25 million. After 1990, Norwegian aid to India decreased and from 1993 onwards it amounted to around USD 10 million a year (see Table 2.5). Total bilateral aid disbursements for the period 1990–2005 were USD 202 million.

Graph 2.4 Norwegian bilateral assistance to India 1990–2005 (in US$ million equivalent)



Country strategy

Until 1990, the majority of Norwegian assistance had been concentrated on the health, family planning and education sectors. Fisheries, technology and environment were other areas of support. In 1991, Norway decided to adjust and reduce its development assistance to India. The principal sectors of involvement became environmental activities, research, transfer of technology and institutional co-operation, and increased co-operation in the commercial/industrial sector (Norad Annual Report 1990:54-55). It was also decided to redirect its aid allocation to four Indian States (Himachal Pradesh, Karnataka, Orissa and Rajasthan), equally spread over different parts of the country. Assistance was increasingly channelled through independent institutions, NGOs and the commercial sector (Norad Annual Report 1991). The co-operation in the environmental field particularly focused on the states of Orissa and Himachal Pradesh (Norad Annual Report 1992:42). The 1996, a White Paper on Norwegian policy towards developing countries puts Norway's main focus on the social sectors, with emphasis on primary education, environment and measures to reduce child labour.

[14] The remaining 21% has been spent in the exit projects/programmes. Source: Master document tabellen beleidsreconstructie 01-09-2004, Buitenlandse Zaken, Den Haag.

In 1997, Norwegian aid was mainly channelled through NGOs, as well as through the regional allocation for Asia, and the allocations for regional measures and women in development. Bilateral development assistance to India was almost equally divided between government-to-government and NGO channels.

The decision in 1998 to freeze development aid to India (after the nuclear tests) led to a 33% reduction in the regional allocation and a freeze of all commercial and industrial co-operation and environmental projects involving high technology. Government-to-government projects agreed to prior to the tests, and projects by multilaterals (UNDP and UNIFEM[15]) and NGOs were not affected. Norway re-opened the development co-operation relation with India with a small (less than USD 10 million) programme focussing mainly on social issues. In 2001, Norway decided to re-open full bilateral development co-operation. Environment was a main area of co-operation. Social issues were the area of co-operation with UN agencies and Indian NGOs. Institutional co-operation and research was the main area of co-operation.

After the decision to phase out of government-to-government assistance in 2003, the Government of Norway decided to phase out its support onwards over a three year period starting in 2004. The institutional co-operation and research programme, however, continued, but was reshaped.[16]

In June 2005, the Ministry of Foreign Affairs of Norway drafted a "Plan of Action for India" to strengthen the partnership on the basis of common interests.[17] This Plan started from the perception that it is primarily in the interest of Norway to intensify it bilateral co-operation with India, given India's growing political and economic importance, both regionally and globally. The Plan envisages a gradual intensification of the bilateral relationship and aims for strategic action in the fields of:

- Political dialogue and co-operation;
- Private sector co-operation;
- Environmental co-operation (including climate change);
- Cultural co-operation; and
- Co-operation on research and education.

The Norwegian Embassy in Delhi has the operational responsibility for the implementation of this Plan and some development co-operation funds are available for its implementation.

In December 2005, the Prime Minister of Norway visited India and met with his Indian counterpart. They agreed to establish a Norway-India Partnership Initiative (NIPI) with the focus of achieving the UN Millennium Development Goal 4 (reduction in child mortality). A joint statement between both governments was signed in 2006. The Norwegian contribution to NIPI will be around USD 80 million over five years, while it is expected that after this period it will be continued for at least another five years. UNICEF and WHO are the implementing agencies. The funds will be transferred through the United Nations. A secretariat will be set up in the United Nations Office for Project Services (UNOPS). NIPI provides up-front, catalytic and strategic support to accelerate the implementation the NRHM in five Indian States (Bihar, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh). The activities of NIPI are envisaged to be financed by Norway and should compliment the large outlay committed by the Government of India (GoI) to the National Rural Health Mission (NRHM).

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[15] United Nations Development Programme (UNDP), United Nations Development Fund for Women (UNIFEM).

[16] Regionalavdelingen/Asia-Seksjonen 8 Jan 2004.

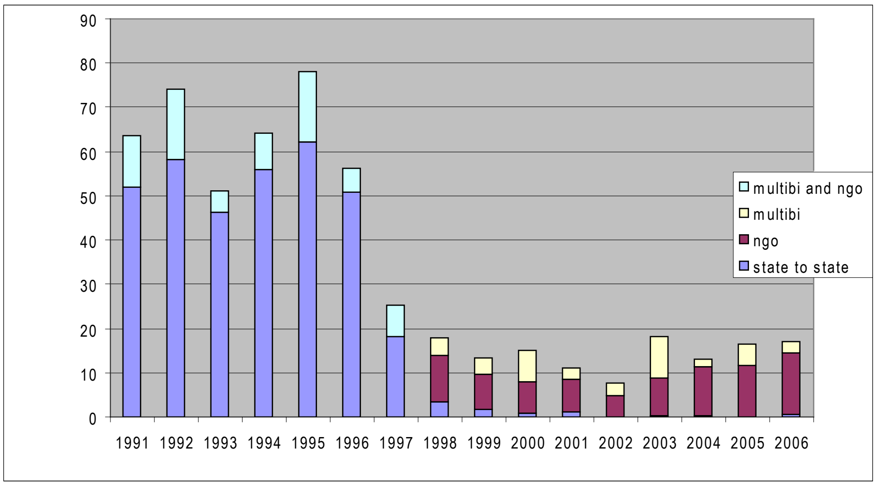
[17] Plan of Action for India, the Royal Norwegian Ministry of Foreign Affairs, June 2005.

2.2.4 Sweden

Aid Volume

In the early 1990s, India became the largest recipient of Swedish bilateral assistance. In the period 1991–1996, Swedish bilateral aid amounted to more than USD 50 million a year[18]. Total bilateral aid disbursements for this period were USD 387 million. After 1996, these annual amounts were reduced to an average of USD 15 million a year (see graph 2.5).

Graph 2.5 Swedish bilateral assistance (all channels) to India 1991–2006 (in US$ million equivalent)



In 2002, Sweden developed plans to restart direct bilateral development co-operation and started a process of developing a new country strategy for Indo-Swedish development co-operation, in close consultation with the Indian Government.

Country strategy

Throughout the 1990s Swedish bilateral aid was mainly concentrated in the sectors natural resource management, primary health care and primary education. In addition, the 1997 country strategy explicitly emphasised research co-operation, international training programmes, private sector development, and NGO co-operation as means of exchanging experiences and skills. In this strategy document it was foreseen that Sweden should gradually reduce the share of its aid budget allocated to social sectors from more than 60% in 1997 to 40% in 2001. Swedish assistance should mainly be concentrated in Rajasthan and Tamil Nadu (Steen Folke, CDR 1997).

As a result of the freeze in aid in 1998, the number of bilateral projects decreased from 11 in the beginning of 1999 to four projects in 2002. Swedish support channelled through NGOs and civil society continued (see graph 2.5) but with smaller amounts. From 1998 onwards, Sida stimulated new partnerships between Swedish and Indian NGOs. It also set up partnerships with multilateral organisations such as UNICEF and the World Bank in selected areas as environmental protection, social development, democracy and human rights.

In 2002, Sida started with the formulation of a new country strategy with the aim to scale up bilateral aid again. However, in 2003, at the time this strategy could be presented to the Indian government, the GoI had announced its reoriented aid policy towards smaller donors and therefore Sweden withdrew its new strategy.

[18] These disbursement data have been collected from Sida reports and from the statistical data provided.

In 2004, in response to India's reoriented aid policy, the Government of Sweden recognised the need for a change in its mindset on its future relationship with India. In April 2004, the Swedish Government adopted new guidelines for co-operation with India for the period 2005–2009. These guidelines indicated a further scaling down of development co-operation. They further focused on broader co-operation built on partnerships between Swedish and Indian institutions (private sector, NGOs and universities). New projects could be suggested in the areas of democracy and human rights, environment and scientific co-operation. Considered forms of co-operation are contract-financed technical co-operation, twinning and institutional co-operation, for which funding is available through Sida. Sweden also initiated negotiations with the GoI on an agreement for technical co-operation of mutual benefits.[19]

According to this strategy, the annual aid volume of Sweden in 2005–2008 should be reduced further to a maximum of USD 15 million. From 2008 onwards, the Swedish aid programme should be further reduced to a planned disbursement of less than USD 9 million per year. Bilateral co-operation is expected to be completely phased out in the long term. As a result, Sida's role will become more limited, mainly focusing on evaluation, start-up of new programmes and projects, and supporting processes initiated by other stakeholders (Country Strategy India, January 2005–December 2009, UD).

2.3 Conclusions

Based on this overview of the main developments in India and the involvement of the four sponsoring countries in India with its respective aid volumes and strategies, we draw the following conclusions:

1. India has undergone rapid growth over the last decennium and has become a world power and a global player. At the same time it is still a country with widespread poverty. India is not a very aid-dependent country and has reoriented its aid policy in 2003 to further reduce its dependence on external aid;
2. All four donor countries selected specific states in India where they concentrated their bilateral aid efforts. Moreover, the aid flow to these states were generally concentrated in a limited number of sectors;
3. The Netherlands was the largest donor of the four sponsoring countries;
4. Traditional bilateral development co-operation with India has come to a standstill for all four donors. Sweden has started with a new programme for broader co-operation, while Norway has been engaged in a new initiative on MDG 4 in a new partnership programme. Denmark and the Netherlands have phased out their programmes.

[19] See Country Strategy India, January 2005 – December 2009, Ministry of Foreign Affairs Sweden, 2005.

Chapter 3

Analysis of country exit decisions and planning

3.1 Aid policy of India

Budget Speech 2003
For the four sponsoring countries of this evaluation, the Budget Speech of 28 February 2003 was an important trigger in their exits from bilateral development co-operation to India. In this Budget Speech, the Finance Minister of the NDA-BJP[20] government announced 'India's reoriented policy for bilateral development co-operation'.

This speech suggested that resources of 'certain bilateral partners with smaller assistance packages' could be transferred to NGOs in greater need of development assistance. It was also explicitly mentioned that "current agreed programmes will continue and reach completion". In the same speech, the launch of the 'India Development Initiative' was announced indicating the intention of the GoI to provide grants or project assistance to other developing countries. Moreover, the speech stressed the end of the era of 'tied aid'.

Initially, the consequences of the Budget Speech were not clearly understood and donors reacted in different ways (see the following paragraphs). After a G-8 meeting in Evian (France) India made clear that not the financial volume of assistance was the main criterion for being considered a small donor, but that only G-8 members were considered as important bilateral donors that could continue providing assistance.

Recipient-induced factors to scaling-down in India
As the 'exit decision' was triggered by the Budget Speech of the GoI, it is important to analyse the reasons leading to the announcement of the GoI as well as the timing of the announcement. What caused the policy change in India's approach to bilateral external assistance? The following reasons were put forward in the interviews and documents:

- *Growing self-confidence of India as a global power*
  After a major economic reform process that started in 1991, India achieved macroeconomic stability and high economic growth rates. Through its increasing revenue, India was gradually able to solve its development problems by its own means. Moreover, the GoI wanted to graduate from being a recipient of aid to a donor country. Simultaneously at the global level, India's received recognition for its role as a global power, for instance in the

[20] National democratic alliance (NDA), Bharatiya Janata Party (BJP).

context of negotiations of the World Trade Organization. Recently, it has been become close to permanent membership of the United Nations Security Council (UNSC).

- *Preference for multilateral aid and high transaction costs*
  In the backdrop of the reform process, the GoI preferred multilateral above bilateral assistance. the GoI assessed that multilateral aid was more attuned to pursuing a national reform agenda, while bilateral aid was more concentrated at state level projects and sub-sector reforms. Moreover, the Expenditure Review Commission (ERC) recommended to restructure the Department of Economic Affairs (DEA) within the Ministry of Finance and to downsize the aid coordination mechanism. This recommendation initiated a review of the cost of administering comparatively 'small packages' from 22 bilateral partners.
- *Discontent in the GoI with outspoken donor responses on the nuclear testing and human rights and governance issues*
  The nuclear test of May 1998 drew widespread condemnation from the donor community. Many donors (like the USA, Japan, and many European countries) decided on a termination or suspension of aid assistance. Especially the smaller donors were quite vocal in this regard. India became 'tired of the sermons' of donors as one interviewee phrased it. Internationally, the GoI wanted to be on equal footing with the G-8 countries. By accepting bilateral aid, India exposed itself to interference and criticism from other countries.
- *Limited consideration of small donors for changing political dimensions ('mouse and elephant')*
  India's development in the 1990s had turned the country into a global power, while the development co-operation was to a large extent still donor driven, even from the smaller donors. the GoI perceived to be subject to frequent changes in bilateral donor development aid policies and strategies and without taking into consideration the changing political dimensions. In the Budget Speech in 2003, the GoI set its limits concerning what government to government development co-operation should cover and what, as a global power, it was interested in other nations being involved in.[21]

Different stakeholders and positions on the Indian side

The Budget Speech from 2003 came not only as a surprise to many donors, but also to many Indian stakeholders. It was clearly a political decision prepared at very high level in the Treasury. It took the GoI quite some time to work out precise guidelines. This indicates that the practical implications were initially not thought through.

Many actors on the Indian side, such as the opposition, did not agree with the outspoken Budget Speech and its consequences. Also actors in ministries outside the MoF and at state level were taken by surprise. For some states, development aid from these smaller donors was relatively important and they had to face the consequences. What came out clearly in the interviews at the state level was that even more than the quantum of ODA, it was the TA which accompanied the ODA which was considered valuable. Because of the fact that ODA is received by the Government of India and is passed on as part loan and part grant, it cannot be a very critical resource for any state government.

[21] The evaluation of Indo - Danish development co-operation, The Mouse and the Elephant, mentioned the following: 'Sometimes it can be asked whether Denmark was sufficiently aware that India was developing into a world power. As a result, it is not always easy to find the long-term perspective in aid co-operation, which means that it has to be seen as a positive development that it is being replaced by other types of co-operation'.

Modified aid policy in 2004

In September 2004, the new UPA government presented some modifications in its aid policy. The new Minister of Finance announced that the GoI would accept bilateral development assistance not only from all G-8 countries and the European Commission, but it would also welcome other countries of the European Union outside the G-8, provided their package was worth at least USD 25 million per annum. Moreover, funding for all on-GoIng projects could continue until completion, while also technical assistance programmes would be allowed. Procedures for providing direct assistance to NGOs, educational institutions and other eligible categories were simplified[22]. Furthermore, the new government decided in 2005 to change the pattern of passing on of external assistance from the central government (which is legally the borrower/recipient) to the state governments (see Box 1).

Box 1: External assistance channel

The channel that aid money has to follow in the Indian system is complicated. Agreements are made with DEA (within MOF), who receives funds that are paid into the foreign currency reserves. The practice up to 2005 was that the central government in New Delhi received loans and grants in foreign currency and channelled the equivalent amounts in Rupees to the individual states at a ratio of 70 % loan and 30% grant. This 70/30 rule is on the one hand meant to encourage states to pose more projects for external assistance, but on the other hand to compensate the GoI for the exchange risk which it bore.

In August 2005, this formula was changed by instructions from DEA. Under these new instructions, external assistance is passed on the same terms and conditions under which the assistance was received by the centre. The new arrangement was meant to expedite the utilisation of bilateral and multilateral assistance received by the states for undertaking fiscal and structural reforms.

Another aspect of the modified aid policy was the premature retiring of bilateral and multilateral debts. The East Asian crisis of 1997 and the embargo after the nuclear tests in 1998 provided valuable lessons to the GoI. It decided to follow a more prudent external sector policy by avoiding sovereign debt through commercial borrowing. The large foreign exchange reserves (USD 77.6 billion in May 2003) and low interest rates facilitated the policy of retiring of debt. For instance, the entire debt outstanding on Government account due to the Netherlands was re-paid in October 2003. Similar actions were taken in respect of other multilateral and bilateral credits[23].

These policy changes made clear that although the UPA government had widened the scope of its aid policy to a larger group of donor countries, the basic approach was continued to project India as a non 'aid dependent' country. Furthermore, the response of most bilateral aid donors to the modified aid policy was very limited. In 2004, when these modifications were announced, most of the smaller bilateral donors had already decided to phase out their assistance.

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[22] Government of India: Policy on Bilateral Development Co-operation, PIB, September 20, 2004 and DEA Circular No.1/30/2003-PMU dated 4th January 2005.

[23] India's External Debt : A Status Report June 2003 , DEA

Denmark

3.2

Exit decision

Denmark's exit history in India is marked by several exit or scaling down decisions and carefully planned strategies of exit that were (to be) implemented in the longer term. Prior to the final phase out decision in 1998, Denmark had initiated a phase out process in 1992. Officially, the phase out decision in 1992 was a response to expectations of continued growth in the Indian economy. Unofficially, however, this decision was influenced by India's dominant position in the region, combined with bureaucratic problems, high military expenses, human right violations and the conflict in Kashmir (Schaumburg-Muller 2006, 31-32). It was decided that aid would be gradually reduced from 1997 onwards during an indicated timeframe of 10 to15 years (see agreed minutes annual consultations, 1995).

The phase out decision of 1992 was made by a conservative government. Both business and NGOs lobbied hard for a reversal of this exit decision, although for different reasons. The Indian Government also expressed its interest in a continued development co-operation relationship with Denmark. The lobby succeeded in 1995 when the new social democratic government in Denmark reversed this exit decision. The justification was provided through a reconsideration of India's economic and political development, which indicated a need for continued Danish assistance to poverty oriented projects (Notis forhandlingsmandat nov. 1996).

In response to the 1998 nuclear tests, Denmark took a final phase out decision. It decided to conduct a phase out over a time period of ten years. All projects needed to be closed by the end of 2008. This decision was based on broad political consensus in Denmark (Schaumburg-Muller, 2006) and a detailed exit strategy was prepared (see next section).

The actual phase out of projects and programmes started in 1998 and a number of projects/programmes were completed before 2003.

Simultaneously with the planned withdrawal, a number of political initiatives started that aimed at continuing aid co-operation. This lead to an awkward situation in which Denmark dealt with exit plans, while at the same time political preparations were made to have sanctions repealed and to resume political aid. In 2000, strong interest groups exerted heavy pressure on the Danish government to continue development co-operation[24]. In an attempt to restart bilateral development co-operation, Denmark prepared a new country strategy for India, but this strategy, the so-called Lex India, was never accepted and approved by the GoI.

This turbulent and indecisive period was characterised by significant changes in Danish aid policies in general and especially in its relationship with India. This period only came to an end in 2004, after the Budget Speech in March 2003 and an unexpected repayment of loans by India to Denmark in 2004.

Then, Denmark took a clear decision to accelerate its phase out by closing all its projects and programmes before the end of December 2005 (instead of 2008).

In 2004, the Danish Government did not respond to modified aid policy of the new UPA government. It continued its phase out process and completed this by the end of 2005.

[24] The Mouse and the Elephant, 45 years of Indo/Danish Development co-operation, MOFA Copenhagen.

Exit Planning
In 1998, Denmark drafted general principles for a phase out within 10 years and formulated specific sector/programme action plans for the period up to end June 2008. The Embassy started a broad consultative process of exit planning with all stakeholders involved. In this process, Denmark and the GoI agreed upon the following principles for aid co-operation in the intermediate future in order to achieve a sustainable withdrawal and to transfer ownership of project activities to Indian partners[25]:

- Minimisation of delays with respect to administrative procedures and compliance with agreed timeframes:
- Joint project reviews to ensure agreement concerning goals and funding necessary for phase out of Danish assistance and securing full Indian ownership;
- Considerable flexibility in the allocation of resources and the transfer of funds;
- Preparation of concrete and operational action plans two years before project completion for transfer to Indian authorities; and
- Emphasis during phase out period on the reduction of poverty, questions of gender and public participation.

It was agreed that approximately two years before the termination of a project, an operational exit plan needed to be worked out for the transfer of responsibility, equipment, etc. to Indian partners. In addition, specific guidelines were drawn up on documenting experiences and results for future use. In this plan, a distinction needed to be made between so-called hardware and software components. The hardware components included infrastructure elements (buildings such as schools, equipment, etc) and software was related to capacity building, training and knowledge transfer. The hardware should be phased out earlier than the software in order to achieve sustainable results.

Actor analysis
The Danish bilateral co-operation from the early 1990s onwards with India is characterised by frequent decisions to phase out and to phase in. All exit and phase out decisions, but also the phasing in decisions were political decisions. Danish aid experts –working in and outside the government – frequently exerted pressure to revise phase out decisions. This lobby was in a few cases very successful.

The 1998 decision to phase out led to a very careful phase out process led by the Embassy in which all stakeholders were involved. While the exit decision had a political background, the planning of the exit process was left to aid administrators (Embassy staff) who worked together with advisors in the field and who were given a lot of room to manoeuvre.

3.3 Netherlands

Exit decision
In 2003, the Dutch Government did not immediately understand the implications for the Netherlands of the Budget Speech, as it did not consider itself as one of the smaller donors, given the volume of its aid programme. However, in the months after the budget speech the Netherlands soon understood the implications and the Dutch government decided to phase out its development assistance in two years. On 2 June 2003, a few months after the Budget Speech,

[25] Source: The Mouse and the Elephant, the evaluation of Indo-Danish development co-operation, MOFA Copenhagen.

the GoI officially informed the Royal Netherlands Embassy (RNE) that they considered the Netherlands as one of their smaller donors who should phase out direct bilateral assistance. In response the Dutch government decided for an accelerated phase out of its bilateral development co-operation with India.

The Dutch Government did not respond to the modification of the new UPA government in September 2004.

Exit planning

In response to the Budget Speech and the official clarification of the GoI in June 2003, the Dutch Government decided to phase out its complete bilateral portfolio within two years[26] ("phase out as quickly as possible"). The phase out was discussed with the RNE staff that would have preferred a three year phase out period. The fact that the overall ODA budget was constrained at that time explains to a large extent the decision to opt for a relatively quick phase out. The RNE and the staff of the Ministry of Foreign Affairs in The Hague designed a phase out strategy for all Dutch assistance. The Netherlands decided not to direct its aid flows through other channels (NGOs and multilaterals) as was requested by the GoI.

The outline of this strategy for an accelerated exit was agreed within the Dutch Government on 17 July 2003 and formally approved by the end of August 2003. It served as a point of departure for more detailed discussions with GoI, relevant donors and other stakeholders (consultants, NGOs, etc.). This strategy stated that the exit should, as much as possible, respect existing contractual obligations and should not be detrimental to existing Dutch-Indian bilateral relationships. It stressed also that a successful phase out should not exclusively be measured in terms of deadlines met and de-commitments achieved, but also pay attention to the agreed development objectives of the activities concerned. A revision of objectives might be needed for those activities that needed to be accelerated or interrupted.

The exit strategy included a Plan of Action for the phase out of its complete bilateral portfolio and for the close down of the Development Co-operation Section within the Embassy by December 2005. The Plan of Action provided a roadmap dealing mainly with how, who and when issues. The underlying principles of this plan were:

- Ongoing activities to end before mid 2004 (39 in total) would remain unaffected, but completion dates need to be respected ;
- Activities with completion dates beyond mid-2004 (21 in total) would be completed in an accelerated way (by the end of 2005 at the latest) and in conformity with the approved detailed phase out proposal; and
- Wherever possible activities would be handed over to the GoI, other donors or NGOs.

The Plan of Action distinguished three partly overlapping phases:

- *I – Preparation of phase out (August–December 2003)*. In this phase the RNE focused on possible project transfers to the GoI or third parties (donors and NGOs) and on reformulation of project work plans and budgets in line with agreed transfer dates or accelerated completion dates;
- *II – Implementation of phase out (2004–2005)*; and
- *III – Administrative closure of last remaining projects (2006)*.

[26] The Dutch Government formally responded that it welcomed the Indian policy changes on bilateral assistance as a positive step and announced its intention to reallocate its scarce resources at the shortest possible notice to countries in acute need of additional funding.

It further contained an Annex with a detailed phase out plan for all directed activities. This Annex served as monitoring tool throughout the phase out process.

Actor analysis
The Netherlands had a long and stable development relationship with India. Opposite to the other three donors, the Netherlands did not give a formal response to the Indian nuclear testing in 1998. The Indian decision in June 2003 that they considered the Netherlands as one of the smaller donors came largely as a surprise to the Dutch Government. The general feeling was that the GoI would be keen to continue the Dutch co-operation because of its large and successful programme in India. Nevertheless, several interviewees suggested that the Dutch reaction on the riots in Gujarat in 2002 –one of the concentration states for Dutch aid – might have played a role in the GoI decision to cancel Dutch development co-operation. The Netherlands raised questions on human rights issues after these riots. Nevertheless, the response from the Dutch Government on the Indian aid cancellation was quite emotional and outspoken, but can also partially be explained by the budget constraints.

The Dutch decision for an accelerated phase out was a clear political statement. Most of the aid experts – within and outside the Dutch government – did not agree with this. They referred to the negative implications for poverty reduction in a country with so many poor people. One of the direct consequences of this decision was that Dutch and Indian experts paid out of the development co-operation budget would lose their jobs. As one interviewee phrased it "Reactions were quite emotional to the toys being snatched away". Because of all the emotions and the lack of clarity during some months on final decisions from both the Indian and Dutch government the communication was quite problematic. However, once the Dutch government made its exit decision, they prepared and implemented a clear exit strategy. A high-level delegation from the Ministry of Foreign Affairs in The Hague travelled to India in July 2003 to discuss the Dutch exit strategy with the GoI and to present it to the staff of the RNE. This contributed to improved communication and facilitated the exit implementation and management.

3.4 Norway

Exit decision
In 1990, the Government of Norway decided to phase out from India and Pakistan. A core reason was that Norway assessed itself as too small for such a large country as India. In 1991, however, a new Government reversed this decision and decided on a reorientation of Norwegian aid to India (see Chapter 2). In 1998, India's nuclear tests resulted in a partial freeze (social sector support was not affected) of Norwegian aid to India. This freeze was discontinued in the first half of 2001.

In contrast to some of the other donors, the Government of Norway interpreted the Indian Budget Speech of March 2003 as a very positive message. In response, the National Assembly in Norway decided in December 2003 to a natural phase out of Norway's bilateral development co-operation with India, which points at the completion of ongoing commitments without starting new ones.

Exit planning
After the first exit decision in 1990, Norway apparently prepared a five-year phase out plan. This plan, however, was never implemented because of the reversal of the exit decision in 1991. Since that time about 50% of the Norwegian aid went through NGOs and UN agencies.

In 1998, the partial freeze of aid implied that Norway respected its existing commitments but did not make any new bilateral aid commitments. The ending of this freeze in 2001 was initiated by a new Government after the elections. It re-opened the development co-operation relation with India with a small programme.

In response to the Indian Budget Speech in 2003, the National Assembly decided to phase out within a three year period, starting in 2004 and closing in 2006/07. Norway did not prepare an exit plan for the phase out as such. However, frequent consultations with partners within government as well as UN agencies took place to discuss alternative financing and sustainability. Moreover, initiatives regarding Indian NGOs were taken with respect to capacity building. In fact, the size of this phase out was quite limited because in the 1990s Norwegian support was reduced to low levels, while institutional and professional co-operation could still receive some support from global allocations.

Norway embarked on the phase out of the traditional development co-operation while contemplating another strategy of working together. Encouraged by the modified aid policy of the new Indian Government in 2004, Norway was keen to continue its co-operation, but looked for new modes and instruments for ensuring future co-operation (see Chapter 2).[27]

Actor analysis

Norway's development co-operation relationship with India has been characterised by frequent exit or phase out decisions. After 1998, Norwegian bilateral development co-operation in India was quite limited. Norway, through its Minister of Development Co-operation, was one of the few small donors that really applauded the Indian decision to discontinue its development co-operation with smaller bilateral donors. This policy was understood by India in the context of changing development co-operation with more ownership for recipient countries.

Norway made clear that it wanted to opt out of "traditional development co-operation" but embark on new relationships. However, Norway tried to find new ways and in that context development co-operation money was considered to be a vehicle to intensify the new relations. The newly initiated programme on child mortality reduction (NIPI) is considered by some actors on the Norwegian side as a re-entry in development co-operation, while others consider it to be part of the new broader relations.

3.5 Sweden

Exit decision

Sweden's phase out of bilateral development co-operation to India started November 1998 when the Government of Sweden responded firmly to India's nuclear testing. The Swedish Government decided to an official unilateral withdrawal from the bilateral agreement on development co-operation which was signed in 1997. In October 2000, the Swedish Government formally lifted its sanctions on assistance and started a scaling up of assistance through different channels (see Chapter 2).

The Indian Budget Speech in 2003 had less direct consequences on the Swedish development co-operation than on the aid policies from other small bilateral donors. Sweden did not withdraw and continued the majority of its

[27] Initially, the Government of Norway intended also to continue its support to NGOs, but changed their mind when they were required to ask for permission from the GoI in advance.

support that was provided through NGOs and multilaterals.[28] Nevertheless, the preparation of a new joint country strategy for India was interrupted and never finalised. This strategy was about ready to be approved by both governments. Furthermore, the preparation of new government-to-government projects, which were part of this strategy, also ceased. In 2004, also in response to the announcement of India's modified aid policy, Sweden concluded to aim for a different type of relationship with India and adopted new guidelines for broader co-operation with less attention to development co-operation (see Chapter 2).

Exit planning

The Swedish unilateral withdrawal in 1998 meant that ongoing projects and programmes were allowed to continue until the agreed completion date. Sweden did not develop a clear strategy or action plan for its phase out. Bilateral government co-operation should be phased out in a natural way by the end of 2002. Concurrently, support through the multilateral channel continued while support to local NGOs was scaled up.

Actor analysis

The very outspoken response of the Government of Sweden on the nuclear test in 1998 led to negative reactions both in India and Sweden. At that time, the Government of India saw Sweden as a close political ally, and was therefore quite upset about Sweden's firm position. The unilateral withdrawal also sparked mixed reactions at home in Sweden and among Sida staff.

From 2000 onwards, Swedish aid actors were actively lobbying for a scaling-up of the development co-operation programme. This resulted in the drafting of a new country strategy that was not ready before the Budget Speech in February 2003.

Probably because Sweden was not very affected by the Indian aid cancellation in 2003, it took some initiative to analyse and discuss the consequences of the revised Indian policy on bilateral assistance. The Swedish Embassy commissioned a paper to analyse the new policy and to suggest how bilateral donors might reorient their strategies and channel their support through multilateral organisations and civil society. This paper prepared by an Indian expert was presented and discussed at a workshop on 6–7 October, 2003[29]. The GoI was invited to this workshop but decided at the last moment to decline this invitation.

Soon after this workshop, the Government of Sweden decided to embark on a new approach with its relations to India and a concept of broader co-operation was introduced. This initiative was clearly taken by the Ministry of Foreign Affairs, while in the past Sida always took the lead in formulating country strategies.

3.6 Conclusions

Based on this analysis of exit decisions and exit planning in the respective countries, we draw the following conclusions.

1. The history of three of the four donors (with the exception of the Netherlands) regarding their development co-operation relationship with India is characterised by frequent phase out decisions. Denmark and Norway already decided on a phase out in the early 1990s, but these decisions were revised by new governments. India's nuclear test in 1998 led to strong re-

[28] For an overview of the projects and programmes, see the Indian page of the website http://www.swedenabroad.com.

[29] Saxena, Naresh C., the New Government Policy on Bilateral Assistance to India, 2003.

actions of the three Nordic countries to freeze or phase out their development assistance. Sweden decided unilaterally to withdraw from its bilateral agreement with India that was signed in 1997. The Netherlands did not change its aid policy in response to the nuclear tests;

2. For various reasons India decided to revise its aid policy in 2003. These reasons are related to India's growing self confidence as a super power and its discontent with outspoken reactions of smaller donors on the nuclear test and human rights issues. This policy reorientation focused in particular on smaller bilateral donors who were requested to revise their aid packages. In fact, this is a very unique example of recipient-induced phase out processes;
3. The reactions of the four donor countries on this policy revision were mixed. Norway was quite happy with the shown self-confidence of India. Sweden tried to play an intermediary role. The reaction of the Netherlands was the most outspoken, probably because of ODA budget constraints at that time, and led to a rapid decision to phase out all Dutch bilateral assistance within two years;
4. Most phase out decisions from the four donor countries did not result in clear phase out plans. The most common model was to respect ongoing commitments and not to start new activities. This model could easily be adapted when a phase in decision was decided upon. In terms of exit planning two plans stand out:
   - The Danish plan prepared in 1998–1999 for a ten years exit period which was prepared in a participatory way. This plan made a distinction between hardware and software components. It was partially adjusted in 2004 when the phase out was accelerated somewhat in response to the Budget Speech; and
   - The Dutch plan for a two year phase out. This plan meant that ongoing agreements had to be changed and projects were handed over.
5. The actor analysis made clear that donor decisions on phase out in the 1990s were political decisions, while the same was true for the decisions to phase in again. The decision of the GoI to revise its aid policy was of course also a political decision. Often few actors were involved in these political decisions. Aid administrators and advisors in the field –both at the donor and India side- often did not agree with the phase out decisions. The planning of the phase out was in most cases left to the aid administrators, but the margins for manoeuvre varied from one case to another.

Chapter 4

Analysis of exit management and implementation

In this chapter a general analysis is made of exit management and implementation by the four donors. More specific and very valuable information on exit management of specific projects and programmes is collected and analysed in chapter 5. This more specific exit management analysis – albeit only on Denmark and the Netherlands- is an essential element of the overall analysis.

4.1 Denmark

The main features of the Danish exit management in India were:

A careful participatory exit planning process
This process has been described in Chapter 3. When the exit decision was taken in 1998, Danida organised a workshop for its programme staff "to make it a successful and lasting phase out". This workshop was also meant to keep the staff motivated. Also Indian stakeholders were involved in exit planning. The GoI acknowledged the Danish withdrawal plans.

No rapid reduction in aid budget.
Also during the phase out, Danida's aid budgets were quite stable over the years (see Graph 2.1). As a result, both enough time and resources were available to carry out a goal-oriented strategy under theme 'sustainability in the withdrawal scenario'.

Detailed monitoring
Part of the strategy was detailed and close monitoring of the phase out process, which makes the Danish exit process relatively well documented.

Clear reduction in staff
The responsible staff of the Embassy and in the field was gradually reduced in line with the phase out strategy. Given Denmark's decentralized approach, most lay offs took place in the field.

The development and implementation of this exit strategy had an important positive side effect. It enhanced awareness of all stakeholder involved about the core issues of development co-operation, such as sustainability and participation. The situation forced managers and advisors to realistically find out which role they and numerous participants could play in the activities to be continued.[30]

The implementation of the Danish exit strategy was well on its way when Denmark made preparations for a phase in in 2001–2002. This created some confusion in the Embassy and among programme staff, but as these plans were never approved the implementation of the phase out strategy was not really affected.

The 10-year phase out was almost completed when the Danish Government decided in 2004 to accelerate its phase out. At that time, the ongoing programme was small and therefore it was rather easy to accelerate the phase out. At present, the phase out has been completed for almost all channels.

4.2 Netherlands

The main features of the Dutch exit management were:

A very strict planning.
In 2003, the Dutch Government decided to phase out its complete portfolio within two years, and developed a detailed exit strategy. The implementation of this strategy was very strict, and more or less dictated by the ministry in The Hague. During the implementation, however, RNE was allowed more flexibility. Almost all activities were completed before 2006 (only three activities were allowed to end in 2006).

Negotiations with the federal government.
The Netherlands requested the DEA to take over the funding of seven of their projects (including two projects funded through multilateral organisations World Bank / Asian Development Bank (ADB). GoI agreed to do this from April 1, 2004. This Dutch request, which was initiated by the Dutch minister for Development Co-operation, provided a very unique situation. In the interviews, different stakeholder stressed that the GoI could not reject this request. *"This was a very confronting situation; but India could not say no".* Some of the States (e.g. Andhra Pradesh) pleaded for continuation. The document with the specifications of phase out for the various projects and programmes was sent to the states. This led sometimes to emotional reactions, "Document was with national government, damage was with states". It was perceived to be decided at macro level. *"At state level were the main victims: they were never consulted in the whole situation".*

Handing over to other parties where possible
In total 12 activities were handed over to other parties. Three activities (water) in Andhra Pradesh were transferred to Food and Agriculture Organisation (FAO), two activities were continued by NGOs (NOVIB and HIVOS[31]) and the GoI agreed to take over seven activities (five bilaterally financed and two activities financed through the World Bank and ADB). The handing over the World Bank activity in the education sector (see 5.4), was quite problematic and involved the World Bank. The other six activities were taken over by the GoI.

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[30] The Mouse and the Elephant, 45 years of Indo/Danish Development co-operation, MOFA Copenhagen, p.31.

[31] Dutch Organisation for International Assistance (NOVIB), since 1994 part of Oxfam International, Humanistic Institute for Development Co-operation (HIVOS).

Tight monitoring
The Dutch government put a tight monitoring system on the implementation of the Plan of Action for phase out. Weekly staff meetings took place at the RNE to discuss the progress, and six-monthly progress reports and expenditure overviews were prepared and sent to the Hague during phase out (2004–05). The monitoring was concentrated on inputs and focused less on outputs and outcomes. Although field monitoring was also part of the plan, in practice monitoring possibilities were limited in the projects that were handed over. For instance the GoI had made clear that the Embassy staff had no reason to visit the projects handed over and RNE staff did not monitor whether the GoI really continued the projects. On the other hand Embassy staff due to internal considerations were hardly allowed to visit the Dutch (not handed over) projects. In projects with technical assistance field monitoring was possible, but due to the short phase out period and the heavy management burden it is likely that field monitoring has remained rather limited.

Clear reduction in Embassy development co-operation staff.
In response to the phase out, the complete staff of the development co-operation section (11 expat staff and 8 local staff) had to be transferred or dismissed by no later than 31 December 2005. A social plan was prepared for the local staff. Currently, only one local senior programme officer is still employed at the RNE New Delhi. In the last two years, he was mainly dealing with all kind of winding up activities, but recently he received a new function. The rapid departure of 18 staff members of the development co-operation section and the related insecurity was considered a human drama, especially for the dedicated local staff. These people started to look around for other jobs and some of them left earlier than planned. This put a higher burden on the remaining staff during the labour intensive phase out process.

4.3 Norway

Norway did not implement specific exit plans, but in general respected ongoing agreements. One striking feature of the Norwegian phase out of bilateral develoment co-operation was not that expatriate staff at the Embassy was reduced (one of the two positions dealing with the development programme was withdrawn), but that most of the local staff in the development co-operation section remained albeit with broader tasks than only development co-operation. With the recent launch of NIPI, experts will be hired for new positions.

4.4 Sweden

Sweden also did not implement a detailed exit plan. Since 1998, Sweden concentrated its aid on NGOs and multilateral support without interruptions. There were hardly any staff reductions in the development co-operation section of the Embassy. In 2000, this section was staffed with four expats and five local staff members. Currently, it still employs three expats and four locals. From 2004 onwards, Sweden has started to implement its new country strategy on broader co-operation, leading to a new focus (see Chapter 2). In most cases, Sweden offered beneficiaries a natural and smooth phase out.

4.5 Conclusion

This Chapter has made an analysis of the exit management and implementation by the four donors. The exits of Norway and Sweden from India, on the one hand, were mainly natural phase outs, without clear strategies. Denmark and Netherlands, on the other hand, developed and implemented clear exit strategies. The management of the latter two exit processes are interesting to compare. Denmark's long-term phase out (initially ten years, shortened to eight years) was characterised by participatory bottom-up planning and implementation allowing for considerable flexibility in the implementation. The process was carefully monitored jointly in the field and was well documented. The Dutch phase out, on the other hand, opted for a short centrally managed exit of a short duration (two years) with strict central monitoring of inputs, but hardly any monitoring in the field. Limited flexibility was allowed.

A common feature for three of the four donors (with the exception of Sweden) was the large reduction in staff of the development co-operation section of the Embassy.

It is difficult to assess to what extent phasing in decisions, often focusing on new sectors, have undermined the successful implementation of phase outs. Nevertheless, it is clear that new strategies will easily get more priority than the phase out of old strategies. Hence, some negative effects seem likely in cases where this happened.

Chapter 5

Analysis of exit consequences

The consequences of exits can be studied at different levels. According to our methodology (see Chapter 1) we will first analyse the consequences for the bilateral relations at macro level (Section 5.1), and then for selected case studies at state and beneficiary level. These case studies for India focus on exits from specific Dutch (Section 5.2 and 5.3) and Danish (Section 5.4) aid interventions, and they deal not only with exit consequences, but with the whole process of exit management.

5.1 Change of bilateral relations

For all four donors it was clear that giving up the development co-operation relationship did not mean giving up their bilateral relations with India. On the contrary, all four countries would like to strengthen their bilateral relations with India and they have developed different strategies to do so. The following mechanisms can be mentioned:

New strategies for broader co-operation or integrated policies
In 2004, both Sweden and Norway started to prepare a new country strategy based on the concept of broader co-operation (see Chapter 2). These new strategies presented India as a world power, while past strategies presented India as a country with severe poverty challenges. Also the own interests of Sweden and Norway take a more central place in these new strategies. It is interesting to mention in this context that these new strategies were not prepared by the aid agencies Norad and Sida, but by the respective ministries of foreign affairs. This might explain to a large extent this change in focus. Regarding Norway it should be mentioned that this was the result of a change in Norad's mandate, which after the reorganisation should only provide technical advice.

New forms of bilateral consultations
The Netherlands already worked for a longer time with the concept of integrated country strategies. However, given the large size of the Dutch aid programme in India, development co-operation took a central place in the bilateral relations between the Netherlands and India. This changed rapidly after the exit decision.

To prevent any possible negative fall-out in the bilateral relationships caused by Dutch frustrations over the Indian decision, frequent deliberations were held between the Dutch Embassy and the GoI. Although the concept of an integrated Netherlands-India strategy was not new as such, a new impulse was deemed necessary. In response, the Dutch Government held an inter-departmental brainstorming session on a new integrated Netherlands – India policy on December 3rd 2003. The outcome of this session was a policy note which was approved by the Dutch Cabinet in 2006. This note states that the future Dutch-Indian bilateral relationships will, in particular, be based on economic, cultural and scientific/technical co-operation.

In June 2004, Norway and India established a bilateral Joint Commission of Co-operation 'to identify and review areas for closer co-operation between Norway and India in the political, economic, commercial, energy, environmental, scientific, technological, educational and culture fields and in such other fields as the parties may consider appropriate.'[32] The Joint Commission is co-chaired by the Minister of Foreign Affairs of Norway and the Minister of External Affairs of India, or their nominees, with the assistance of experts from the public and private sector as appropriate.

The Joint Commission may appoint sub-commissions, committees or ad hoc working groups to consider specific issues in a targeted way. Four joint working groups have been set up, in hydrocarbons[33], environment, science & technology and culture. These working groups are mainly run by the line ministries in Norway. They operate under the heading of technical co-operation and focus strongly on research.

Denmark and India are working on the establishment of a Joint Commission 'to give more focus to political, security and economic aspects of the bilateral relations'[34]. Sweden has apparently not established broader consultations with India.

Change of number and composition of Embassy staff

In Chapter 4, we raised the drastic staff reductions in development co-operation sections at the Embassies of three of the four donors (with the exception of Sweden). These reductions went together with a slight increase of staff in other sections. In some cases, the political or economic sections of the Embassies were reinforced, while elsewhere attachés in new areas have been appointed, such as an attaché Science and Technology at the Netherlands Embassy. A clear consequence of the exit is the large change in composition of the Embassy staff nowadays.

New areas of co-operation

All four countries have been looking for new areas where they can offer added value to India and where India might be interested in their expertise. Research & technology and climate change are very much debated new areas in New Delhi[35]. Norway, however, having had a fairly extensive institutional co-operation within Research and Technology, for more than 15 years, wants this to continue but with an increased emphasis on energy.

Elaboration of new instruments

All four sponsoring countries are also trying to elaborate new instruments to strengthen bilateral relations. Norway and Sweden use ODA money to stimulate co-operation in new areas of co-operation. In some cases, this has created confusion both on the Nordic and on the Indian side. As the co-operation between Norwegian/Swedish institutes and Indian institutes is a pre-condition

[32] See Agreement regarding the Establishment of a Joint Commission of Co-operation.

[33] For this working group, the Directorate of General Hydrocarbons (under the India Ministry of Petroleum and Natural Gas) signed a Memorandum of Understanding with the Norwegian Petroleum Directorate (Under the Norwegian Ministry of Petroleum and Energy).

[34] See Agreed minutes India-Denmark Foreign office consultations, New Delhi, 16 November 2005.

[35] The same is true for other European countries. Some countries such as Germany really invest in climate change and have six people working on this subject.

for broader co-operation this is sometimes perceived as tied aid. Moreover, the mechanisms for broader co-operation are not always well understood as some instruments are still at infant stage. It should, however, be mentioned that some new institutional co-operation seem to function quite satisfactorily.

Especially in Sweden the use of aid money for broader co-operation is heavily discussed, as well as the institutional set-up of this co-operation. Early 2007, the GoI and the Government of Sweden prepared a new agreement for the implementation of the country strategy and for establishing bilateral partnerships. Before this agreement can be signed, Sweden needs to decide which institution should provide financing for this agreement and therefore should sign it: Sida or the Ministry of Foreign Affairs. This has generated an extensive internal discussion, mainly focusing on the core issue whether the resources provided for this exclusive co-operation between Swedish and Indian institutions can be earmarked as ODA.

The Netherlands has not used ODA-money for strengthening of its bilateral relations. In principle, other budget lines have been or will be made available to finance the strengthening of bilateral relations[36].

Comprehensiveness of bilateral relationship

A number of interviewees mentioned the huge number of people in India below the poverty line, which should not be neglected while maintaining bilateral relations. In fact, these interviewees question whether it is possible to maintain useful relations with the GoI without development co-operation. In this regard, Norway agreed in December 2005 to establish NIPI. Some actors consider NIPI as a re-entry in development co-operation, while others asses it as a component of the broader co-operation. Also some actors at the Dutch side are of the opinion that good bilateral relations with India should necessarily include a development co-operation relationship, because the two faces of India – the global player and the widespread poverty- merit equal attention.

Furthermore, the exit from bilateral development co-operation also meant for the four donors an exit from the main development co-operation fora in India. Some donor representatives perceived that, because of this, they have lost track with some of the important trends in Indian society.

5.2 Dutch support to the water sector in Gujarat

Background

The Netherlands has been working with the GoI in rural water and sanitation in the context of the Indo-Dutch Rural Water Supply and Sanitation Programme. The Dutch assistance to Rural Water Supply and Sanitation (RWSS) in Gujarat in the period 1988–1998 totalled USD 18.5 million. The Gujarat Water Supply and Sewerage Board (GWSSB) had been the counterpart agency for all Dutch projects in this period. In 1994, GWSSB prepared a proposal for a new water supply project for Dutch funding with a conventional set up. Nevertheless, after extensive discussions and considerations of the lessons learnt from past projects, a different type of project approach was initiated in 1997[37]. This new project, the Ghogha Regional Water Supply & Sanitation Project (GRWSSP), concentrated on the development of community capacity to plan and manage local water supply. This community based approach was a demand driven approach. Decisions relating to water supply were based on the level of local demand and community capabilities to meet the responsibility for operation and maintenance. Dutch involvement into the sustainable

[36] Some of the existing Dutch instruments, which are available to other transition and developed countries, are in the process of being made available to India.

[37] Source: Institutional development, Netherlands support to the water sector 1988-1998, IOB (2000), p. 41.

and community based drinking water and sanitation sector policy in Gujarat started with Phase I of the Ghogha project. With the adoption of the sector approach by the Netherlands in 2000 the following overall sector objectives for water resource management were set (Annual plan 2002, RNE):

1. Improved access of rural poor to sustainable/safe drinking water & sanitation integrated with local source development, and with emphasis on poverty, women and environment; and
2. Reconstruction/ development of in-village water supply of earthquake affected villages.

Specific objectives of this sector approach were:

1. Operationalisation of National RWSS guidelines (on sector reforms) in Gujarat;
2. Increased active involvement of civil society in policy dialogue;
3. Enhanced role of civil society in implementation of community based RWSS and Water Resource Management (WRM);
4. Increased internalisation by Government of Gujarat (GoG) of community managed RWSS/WRM approaches;
5. Establishment of an institutional setup to address requirements of sector reform;
6. Coordination among donors.

5.2.1 The Dutch involvement in the water sector before the exit

The Dutch decision in June 2003 to phase out its development assistance to India as quickly as possible was taken less than a year after the start of its SWAP programme for the water sector in Gujarat. At the time of the exit, Dutch assistance to the water sector Gujarat comprised four projects: a) The GRWSSP b) Institutional Support to WASMO c) Community-managed Water and Sanitation Programme in Earthquake-affected Villages of Gujarat (ERR Project) and d) support to the PRAVAH drinking water network. In order to study the process of exit on the Dutch side and its impact on the sector, we will discuss the status of the individual projects before the exit and the steps taken at the project level to cope with the exit. The following Table gives an overview of the Netherlands assisted projects in the water sector in Gujarat:

Table 5.1 Overview Dutch projects in the water management Gujarat (amounts in US$ million equivalent)

Project name	Ghogha RWSS project	Institutional support to WASMO	Earthquake (ERR) project	PRAVAH (HIVOS)
Total Project Cost	13.6	1.2	36	1.4
Dutch commitment	11.7	FA 0.9 TA 1.6	31.1	1.4
Project Initiation	Phase I 1 May 1997 Phase II 1 September 2002	1 September 2002	1 October 2002	1 May 2003
Original completion date	31 December 2004	FA 31 August 2007 TA 28 February 2007	30 September 2007	31 March 2007

a. GRWSSP

The GRWSSP aimed to develop water supply to 82 villages in the Bhavnagar district in Gujarat with an estimated population of 168 thousand persons. The project was under implementation for more than 7 years and was initially executed under the responsibility of the GWSSB. This public body of mainly engineers had difficulty with the implementation of the community based approach of the project and therefore the project was lagging behind schedule[38]. After a few years it was agreed that it would be better to create a separate autonomous organisation, fully dedicated to the community based approach. The GoG established this organisation, the Water and Sanitation Management Organisation (WASMO) in May 2002. The GRWSSP was restructured and a new contract for Phase II was signed in September 2002.

b. Institutional Support to WASMO

Dutch institutional support to WASMO started on 1 September 2002. WASMO was the outcome of the lessons learned from GRWSSP. It was set up outside of government as an independent sector institution under the Water Supply Department of Gujarat. Its primary objective was to empower local communities to plan, own, construct, manage and maintain their water supply and sanitation facilities. WASMO acts as an interface between the GoG and the community with partner NGOs and Implementing Support Agencies (ISAs) in supporting roles. WASMO had been mandated to manage the implementation of the two Dutch supported RWSS projects for in-village water supply (GRWSSP and ERR). Additionally, WASMO was appointed as the State Water and Sanitation Mission for the GoI supported Swajaldhara programme in RWSS, which started in 2003.

The Dutch assistance to WASMO consisted of Financial Assistance (FA), and Technical Assistance (TA), the latter was also called External Advisory Services (EAS). The EAS, a team of national and international experts, led by a Dutch consultant acted as in-house consultant to the management of WASMO. The project was approved for a period of five years (till 30 August 2007). The Dutch commitment to this project was USD 2.5 million in total, USD 0.88 million for FA and USD 1.65 million for TA.

c. ERR Project

The ERR project aimed to restore and develop water supply and sanitation facilities in 1260 villages in the districts of Kutch, Jamnagar, Patan and Surendranagar, which were affected by the earthquake of 26 January 2001. A major challenge in the project was to scale up the community-managed water and sanitation programme from just 82 villages under the GRWSSP to 1260 villages spread over the four districts. The contract for the Dutch support to the ERR project was signed October 2002 for a period of five years (till 30 September 2007). The project budget was USD 36.0 million, including a Dutch commitment of USD 31.1 million.

d. Support to PRAVAH

PRAVAH is an umbrella organisation of NGOs working in the drinking water sector. The PRAVAH network had been formed to scale up efforts in community involvement in water supply. The Dutch support to PRAVAH aimed at strengthening civil society in the field of advocacy and action research. The RNE requested the Dutch NGO HIVOS to manage its support to PRAVAH. HIVOS would act as intermediate organisation for fund routing and monitoring. The overall objectives of the project were:

1. To support efforts and initiatives by PRAVAH towards networking and policy advocacy; and
2. To build alternative systems of water resources at village level, cluster area through network members[39].

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[38] The Ghogha Experience, page 12, Vol. I; Water and Sanitation Management Organisation (June 2001).

[39] External evaluation of the CFDA/PRAVAH drinking water network in Gujarat, Pragmatix, November 2006.

Although the contract for support to PRAVAH had not been signed at the time of the Dutch exit decision in June 2003, the Netherlands felt that, given the long preparation process and earlier indicated commitment, it had a moral obligation to continue with the programme. The project was originally planned for the period May 2003 until March 2007.

5.2.2 Changes in the Dutch involvement as a result of the exit decision

a. GWRSSP
The GWRSSP was completed within the Dutch phase out period of two years and was not affected by the Dutch exit. The project was allowed an extension till June 2005 in order to complete all minor works and repairs of structures, as well as settling accounts with Pani Samitis (village water and sanitation committees) and contractors. All project activities were completed in June 2005 and the financial closure was effected in December 2005. The Dutch budget commitment of USD 11.3 million was entirely disbursed and utilised during the (extended) project period.

b. Institutional Support to WASMO
After the Netherlands decision to phase out development assistance in June 2003, the Netherlands requested the GoI to take over seven projects including the WASMO project and the ERR project. In September 2003, the director of WASMO was invited to the DEA office in New Delhi and informed about the upcoming exit of RNE. The DEA assured that the MOF would guarantee financing of both the WASMO project, following the normal channels for external assistance of the GoI[40] and the ERR project (grant). Official communication on the exit decision took place between the Netherlands and the GoI whilst the GoG and WASMO were only informally informed by the Netherlands.

The GoI took over the responsibility for funding the FA to WASMO from April 2004 onwards. The Dutch disbursements on FA till this date were USD 342 thousand (INR 14.96 million). Dutch TA support to WASMO was not transferred to the GoI and agreed to be continued till 31 December 2005 (original completion date 28 February 2007). WASMO together with the Dutch consultant prepared a revised work plan to facilitate the premature exit and the Dutch renegotiated the contract with the consultant accordingly. The adjusted work plan included a few additional training and capacity building activities to guarantee a smooth transfer. Actual disbursement for TA was USD 1.5 million which was almost the full committed budget of USD 1.65 million. Both WASMO and the RNE assessed the role of the TA component within this project as extremely useful ("braining of core team through TA") and indicated that it was a core factor for the sustainability of WASMO after the early exit (see Section 5.2.3 below).

c. ERR Project
The GoI took also over the responsibility for funding of the ERR project from April 2004 onwards via grant in aid[41]. The Dutch disbursements until 1 April 2004 were with USD 5.9 million less than one-fifth of the committed reconstruction costs. After the project was handed over to the GoI, the Netherlands totally aborted the project without carrying out any monitoring or evaluation.

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40 See Section 3.1, Box 1).

41 This was an exception to the regular external assistance channels of GoI because this aid was meant for disaster relief.

d. Support to PRAVAH

This project was one of the seven projects presented to Dutch NGOs for possible take-over in July 2003. Due to budget reasons HIVOS declined to do this. Subsequently, the Netherlands decided that the project and its budget would be transferred to a budget holder at the Ministry of Foreign Affairs in The Hague, for contracting and further administration and monitoring[42]. HIVOS continued its role as programme manager. The project was allowed to continue till 30 April 2006 (while the original completion date was 31 March 2007).

5.2.3 Assessment of the (institutional) results of the exit decision

After the transfer of the projects on 31 March 2004 from the RNE to the GoI, it took more than a year for the GoI to make the balance amount of assistance due in lieu of Dutch funds available. Implementation of the institutional support to WASMO and the ERR project, however, could be continued without interruption through advances provided by the GoG and 'own' resources of WASMO (consisting of an existing surplus budget and advance funding from RNE). By the end of March 2006 a sum of USD 936 thousand[43] of the FA component to WASMO was spent and the project is expected to continue till the scheduled completion date of August 30, 2007.

WASMO continued its activities as an autonomous institution in the water sector in Gujarat. Initially, WASMO only managed the projects which where largely funded by Dutch support, whilst gradually WASMO got involved in the GoI/the GoG sponsored programmes. In these programmes, WASMO was made responsible for the facilitation of drinking water and sanitation facilities on a sustainable basis in villages. Table 5.2 gives an overview of the projects managed by WASMO.

Table 5.2 WASMO projects (amounts in US$ million equivalent)

Project name	Project costs	Total number of villages	Status	Funding
GRWSSP	13.6	82	Completed in December 2005	Netherland & the GoI/the GoG supported
Sector Reform Pilot (SRP) project	27.2	833	Completed in March 2005	The GoI support
ERR project	36	1217	Will be completed in 2007	Netherland & the GoI/the GoG supported
Swajaldhara programme	15.6	3790	Ongoing since 2003	The GoI support
Sector Reform Scheme	30.6	2092	Ongoing since 2004	The GoG support

Source: WASMO as special purpose vehicle for decentralised water supply, WASMO, 2006

The experiences within the GRWSSP in Gujarat did not only provide lessons to the stakeholders in the water sector in Gujarat but lessons from it were also learnt at the national level. The first phase of the project, from inception to reorganisation in 2002, saw a paradigm shift, from a top down decision making approach to the involvement of rural communities in the decision making. The GoI policy on rural water supply and sanitation as described in the Tenth Five year plan (2002–2007) reflects the community based approach used in Dutch (and Danida) interventions in the water sector ("10th plan policy is a footprint of work done by Danida and the Netherlands").

[42] The project was transferred to the 'Directie Sociale en Institutionele ontwikkeling (DSI)' Water Unit at the Ministry of Foreign Affairs in The Hague.

[43] Source: Annual report 2005–2006 WASMO.

The Approach Paper for the eleventh five year-plan reflects even more the policy focus on mainstreaming the community based approach. This Paper suggests that 'there should only be one scheme of rural water supply projects with token community contribution and involvement of user groups in the selection and implementation of the schemes and for subsequent operation and maintenance'. Other donors in India have learnt lessons from the community based approach and use it in their projects, for instance the World Bank in its rural water programmes in several states.

In Gujarat, the community based approach has been rolled out to the rest of the state via the GoG supported Sector Reform Scheme (11 districts) and the central supported Swajaldhara programme (13 districts). Two RWSS projects, which were at the time of the Dutch exit in pipeline for Dutch funding, have been carried out with funding from the GoG.

In the interviews, both NGOs and WASMO officers assessed the Dutch funded projects as more attractive and innovative than the formalized state schemes (the GoI/the GoG), mainly because they provided complementary TA[44] and there was more flexibility to the project teams and user communities. For instance, it was much easier to make improvement or additions to project plans in Dutch funded projects than in Government financed projects. Furthermore, The Dutch were more willing to provide advances for the community contributions.

Currently, the community based approach introduced by the Dutch in Gujarat is used also by the GoG in other sectors such as urban development, education and health. In the last two sectors, the GoG is also asking an own contribution from the communities.

After the withdrawal of Dutch support, HIVOS continued to support PRAVAH (with TA and financially) to achieve further sustainability. RNE rated the output and sustainability of this project as satisfactory[45]. PRAVAH had been able to build local, state and national networks and raise awareness within the communities. It implemented several campaigns and 37 demonstration systems (local water resources) in villages. In addition PRAVAH had been able to mobilise interest of the local governments which were acknowledging and participating in PRAVAH activities.

Without the premature exit of the Netherlands, Dutch support to the water sector in Gujarat would probably have continued for several more years. With the relatively smooth take over by the GoG and the GoI, the elementary goals of the different projects have not been harmed. Water has become a priority for the GoG, and their own investment has been much larger than the support from the GoI and the Netherlands. Therefore, the Dutch exit has not affected the funding of water projects but might have harmed the innovative elements of projects. Particularly, for the institutional support to WASMO (mainly by EAS), some additional years of support could have been useful to further establish its credibility. In December 2004, the RNE assessed in its Activity Rating Form the commitment of the GoG for this sector reform initiative as insufficient to allow WASMO to grow to consolidate and sustain on long term basis. The continuation of the EAS, even after the termination of FA, was aimed to strengthen this sustainability. Currently WASMO is perceived as an organisation that is very much owned by its staff and supported by the GOG. Both staff and GOG belief in its approach.

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44 WASMO staff stressed during the interviews that it is difficult for them to replace the quality of technical assistance provided through Dutch assistance since hiring of international experts is not possible within the current the GoG/the GoI programmes.

45 Source: Activity Rating Forms 01-01-2005/04-11-2005 and 05-11-2005/31-10-2006, RNE New Delhi.

5.2.4 Conclusions

The process related to the early exit of the Dutch in rural water management in Gujarat can be described as quickly but also as relatively smooth and satisfactory. The successful establishment of WASMO can be seen as key for the sustainability of the Dutch activities in this sector. Therefore, the successful implementation of the project 'institutional support to WASMO' was crucial. There was a considerable time period between the handing over of the FA component – already two years after the start of the project- and the handing over of the TA component. In spite of the early phase out, the achievements and outputs of the Dutch support are assessed as satisfactory, also considering the sector objectives set by the Netherlands and the (institutional) results perceived. During the field mission, all stakeholders (the GoG, NGOs, WASMO and RNE) confirmed this view. The following factors contributed to this satisfactory exit process:

- Decisive planning and clear communication from the Dutch government towards its partners;
- Strong ownership of and support from the GoG (and the GoI);
- Continuation of TA which provided valuable support in facilitating the exit process at WASMO. TA helped to cushion the early exit and assisted WASMO in achieving institutional sustainability;
- Strong belief of WASMO's staff in its own approach;
- Strong implementation capacity at different levels in the Indian government; and
- Specific cultural aspects related to provision of water.[46]

5.3 Gujarat district primary education project

Providing universal elementary education has been a concern of the GoI since independence. This concern has materialized in various government policies and programmes over the years. The National Policy on Education (NPE) in 1986 envisaged accomplishing universal elementary education. The Plan of Action of 1992 emphasised the need to realise this. A number of experiments with Centrally Sponsored Schemes (CSS) in the late 1980s and early 1990s culminated in the formulation of District Primary Education Programme (DPEP) in 1994. Phase I of DPEP covered 42 districts across seven states. Phase II of DPEP (DPEP II) dealt with 80 districts in 13 states and was completed in 2003. Three of the selected districts were located in Gujarat and the RNE in India got involved in DPEP II in these three districts through a co-financing arrangement with the World Bank.

Over the years, great progress has been made in the education sector in India terms of increase in institutions, teachers and students. Nevertheless, still almost one-third of the 200 million children in the age group 6–14 years are not attending school on a regular basis. Problems are related to high drop out rates, low learning achievements, and relatively low participation rates of girls, tribal people and other disadvantaged groups. Gujarat is one of the richest states in India, but suffers from wide variations in human development across regions, districts and social groups.

[46] In Hinduism, access to safe water is not only seen as a right, but not providing water is a sin and has implications for rebirth. Contributing to the provision of water' is a good deed. Therefore, successful businessmen from Gujarat are willing to give financial support to their former communities to be able to finance the required own contribution for water supply (to be remembered).

5.3.1 State of the art of the Gujarat DPEP before exit decision

The follow up activity of DPEP II in Gujarat was the Gujarat DPEP, formally a part of DPEP IV[47]. This project was funded by the Dutch Government under a World Bank Trust Fund arrangement (TF027772) and covered the districts Kutch, Sabarkantha and Surendranagar. The rationale for choosing these districts was based on its low social economic and human development status.

This project came to a premature termination due to the phase out of Dutch support to India. The Netherlands funded 85% of the total project costs, while the Government of Gujarat (the GoG) provided the counterpart funding (i.e. 15%). Total Dutch commitments were USD 26.47 million. The project was effective on September 3, 2001 and its original closing date was 30 April, 2006.

The development objectives of Gujarat DPEP were[48]:

1. Provide universal primary school access to children aged 5–11 years and reduce differences in enrolment between disadvantaged communities including girls, scheduled castes, scheduled tribes (SCs/STs), working children and children with disabilities;
2. Reduce dropout rates to less than 10%. Increase average achievement to about 25% over baseline levels and reduce differences in achievement between various disadvantaged communities including girls, SCs, STs, working children and children with disabilities; and
3. Improve capacity in educational planning, management and administration.

Gujarat DPEP comprised three components:

1. Improving access: Provision of civil works to improve access to primary school education in Gujarat;
2. Improving retention: Provision of technical assistance, training, goods and grants to improve student retention capacity at school and quality of teaching; and
3. Improving institutional capacity: Provision of technical assistance, training and goods to assist in educational planning, management and administration.

The project contained five budget categories: consultants (technical assistance) & training, civil works, goods, books and operational costs, including both hardware (i.e. civil works and goods) and software (i.e. technical assistance and training).

5.3.2 Analysis of communication and interaction on the exit decision

The original Arrangement for the Gujarat DPEP between the Bank and the Dutch Government was signed on June 20, 2001 and the project was effective from September 3, 2001.

In response to the message of the GoI in the Budget Speech of March 2003, the Dutch Government decided to phase out its complete bilateral portfolio within two years. The phase out strategy, that was developed in July 2003 (see Section 3.3), served as point of departure for an extensive re-negotiation process at project level. For Gujarat DPEP, this process was completed only in December 2004 with the signing of an amendment to the Arrangement be-

47 DPEP III took place in-between but did only cover districts outside Gujarat.

48 See Implementation Completion Report for Gujarat DPEP, World Bank, June 2006.

tween the Bank and the Dutch Government. In this amendment, the completion date was changed from 30 April 2006 to 30 June 2005 and the committed amount was revised downwards from USD 26.47 million to USD 20.37 million. After the signing of this amendment less than seven months were remaining for project completion. The re-negotiation process was time consuming due to the involvement of many stakeholders (the Bank, the RNE, DEA, the MHRD and the GoG).

The re-negotiation process started on 30 July, 2003 with a letter from the RNE to DEA. In this letter, the Dutch Government proposed to withdraw its support from a list of seven projects and asked the GoI whether they were willing to meet the funding requirements for these projects. The RNE included Gujarat DPEP in this list, although it was aware that the support to this project was not direct bilateral support, but assistance routed through a multilateral agency (i.e. the World Bank). The project was also implemented by the World Bank under its own rules and procedures (i.e. Trust Fund). This type of project was excluded in the Budget Speech in 2003.

Six months later, on 9 January 2004, DEA informed the RNE that the GoI was willing to take over all these seven projects from April 1, 2004 onwards. The RNE informed the Bank accordingly on 20 January. The Bank expressed that it wanted to ensure a smooth transition and avoid adverse impact on the programme. It therefore suggested on 19 February to the RNE that 'it is possible that the GoI may not object to continuing bilateral funding through multilateral agencies'. The Bank also contacted DEA to ask for clarification. DEA informed the Bank that continuation of the Gujarat DPEP with funding under Banks' Trust Fund Arrangements was not an issue for them, provided the donor (i.e. the Government of the Netherlands) was willing to continue the funding. In response to this, the RNE acknowledged on 25 March 2004 that 'a smooth transition is crucial for successful continuation and completion of the project' and expressed to the Bank its willingness to continue funding of Gujarat DPEP till 30 June 2005. This date was indicated by the MHRD as appropriate for a smooth transition to regular the GoI funding (see below). Already in the last quarter of 2003, the MHRD seems to have anticipated a shortened project duration, because it sent written instructions to the GoG to accelerate project implementation.

Following RNE's confirmation, the Bank, the MHRD and the RNE got involved in ample discussions to agree on a revised commitment amount, taking into account the new completion date. Initially, the RNE suggested that the revised amount should be USD 15 million; while the Bank and the MHRD estimated the required project funds at USD 20.37 million (see Table 5.1). In the end, the RNE agreed with the latter amount, 'but subject to the principle that the original allocation to budget lines should be adhered to'.

Eventually, the budget line for hardware (civil works and goods) was substantially exceeded, while a large part of the software components were left unused (see Table 5.1) In response to this, the Bank requested the RNE on 13 January 2006 for a reallocation of funds from Incremental Operational Cost to Civil Works and Goods and got approval.

Hence, it should be concluded that the rather indecisive attitude of the Dutch Government delayed the process. First, they changed their mind with regard to the transition itself (from a transfer to the GoI to an early phase out through World Bank) and its duration, then with regard to the committed amount, and finally with respect to re-allocations between budget categories.

5.3.3 Changes in the Gujarat DPEP as a result of the exit decision

The World Bank rated the achievements of project objectives and the output by all components for the Gujarat DPEP at least as satisfactory.[49] The RNE also provided satisfactory ratings to the inputs, outputs, outcome and sustainability of this project. Furthermore, the RNE gave ratings for the contributions of the different stakeholders. It rated the contribution of the GoI and World Bank as satisfactory and the contribution of the GoG as highly satisfactory due to its pro-active management of SPO and provision of own funding. It rated its own contribution at less than satisfactory due to external circumstances (early withdrawal and need to restrict the scope of the project).

All the civil works – construction of additional classrooms, new school buildings, repairing of school buildings, provision of drinking water facilities and lavatories, compound walls, and electrification of schools – were completed as per the targets set. The budget lines for hardware (civil works and goods) were also substantially exceeded (see Table 5.1).

The Bank rated the institutional development impact of the project also as satisfactory, although large parts of the software budgets were left unused (see Table 5.3). The task team leader attributed the under spending of budgets for software to time constraints caused by the shortened project duration and by the lengthy re-negotiation process.[50] The task team leader regretted that limited use was made of the valuable technical assistance for capacity building and for developing M&E and other systems. In other states with DPEP funding, the time schedule was less tight and therefore more attention was paid to this software.

Table 5.3 Project Cost by Category for Gujarat DPEP IV (in US$ million equivalent)

Category Description	Original Commitment Amount (2001)	Revised Commitment Amount (2004)	Final Outturns (2006)
Consultants, Training	10.40	4.30	0.72
Civil Works	5.03	5.03	6.78
Goods	1.75	1.75	3.85
Books	3.17	3.17	1.07
Incremental Operational Cost	6.12	6.12	3.33
Totals (for all 5 Categories)	26.47	20.37	15.75

Source: Implementation Completion Report, June 2007, World Bank

5.3.4 Assessment of institutional results of the exit decision on the Gujarat DPEP

In the period July 2003 till December 2004, the continuation of the project was under re-negotiation. This created uncertainty to the stakeholders in Gujarat. The State Project Office (SPO), the implementing agency for DPEP in Gujarat, reported that during this period GoI delayed the release of funds (i.e. Dutch funds provided through the GoI). The GoG was very supportive. Even when the project continuation was uncertain, the GoG continued to provide the counterpart funding (i.e. 15% of the total project costs) in a fairly timely fashion.

The Gujarat DPEP has been succeeded by the Sarva Shiksha Abhiyan (SSA, Movement for Education for All). SSA is a country wide CSS that gradually replaced DPEP. It started in 2003 and aims universal primary education

49 See Implementation Completion Report (ICR), May 2007. The ratings were on a 4 point scale from highly satisfactory, satisfactory, and unsatisfactory till highly unsatisfactory.

50 From April 2003 onwards, semi-annual Joint Review Missions (JRMs) raised concerns about slow implementation progress in their reports. The JRM of mid 2004 was even cancelled because the Dutch Government had not taken a decision on continued support to the project. Nevertheless, it is not clear to what extent this slow implementation was caused by uncertainty about continuation.

(eight years) and gender equality by 2010. SSA is funded by the GoI, with support from the World Bank, the UK Department for International Development (DFID) and European Commission (EC) in a Sectors Wide Approach (SWAP) mode. The main units of implementation are the 560 districts which receive additional funding based on credible district plans. These plans will be assessed and consolidated by the States which will also meet the counterpart funds (i.e. 25% of the total project cost).

SSA continues initiatives and activities started under DPEP. It appears to guarantee sustainability (follow-up) of its results. At the end of Gujarat DPEP in 2005, the state was already implementing SSA in all non-DPEP districts for the entire elementary cycle. In DPEP districts, the upper primary grades were already under SSA.[51] Gujarat DPEP and SSA are being implemented by the same project office. Hence, there was continuity in staff and design in SSA, and duplication of certain state-level activities could be prevented. The JRM of May 2005 underlined the need for planning of a smooth transition and for ensuring that activities started under DPEP are sustained under SSA.

Without the premature Dutch exit it is most likely that Gujarat DPEP would have been ended in 2006 and would also have been succeeded by SSA. Nevertheless, the premature exit and the long re-negotiation affected the spacing and the pace with which certain components of the project were implemented.

With the rather smooth succession by SSA, the elementary goals of the Gujarat DPEP have never suffered. Stakeholders in Gujarat, however, assessed Gujarat DPEP as more attractive than SSA because it provided more flexibility to the users and larger budgets were available for technical assistance and capacity building. Furthermore, DPEP required a lower own contribution of the respective States than SSA (15% compared to 25%). Another reason for preferring Gujarat DPEP over SSA was the innovative donor involvement. Compared to the DPEP project, SSA's donor involvement at the local level was limited due to the fact that it was a more SWAP-style programme. Stakeholders indicated that in the DPEP project the Netherlands provided 'fresh perspectives' and new ideas.

5.3.5 Conclusions

The process related to the early phase out of the Gujarat DPEP can be described as rather weak and sub-optimal. After the Indian Budget Speech of March 2003 and the Dutch response in June to phase out at the shortest possible notice, an extensive re-negotiation process started for the Gujarat DPEP. This re-negotiation was completed only in December 2004 with the signing of an amendment to the Arrangement between the Bank and the Dutch Government with an earlier completion date and a downward adjustment of the commitment amount. After the signing of this amendment, less than seven months were remaining for project completion. The re-negotiation process was time consuming due to the involvement of many stakeholders, but also the rather indecisive attitude of the Dutch Government delayed this process.

In spite of this, both the World Bank and the RNE rated the projects achievements and outputs as satisfactory. All hardware related activities (mainly civil works) were completed at the early completed date, while a large part of the software (mainly training and technical assistance) was not provided. Nevertheless, the institutional results of the project could be sustained and extended by its successor, the SSA, which provided continuity in staff and design. Due to this rather smooth succession, the elementary goals of the Gujarat DPEP have never suffered.

[51] The SSA, in contrast with DPEP, does also cover upper primary education.

Madhya Pradesh Women in Agriculture (MAPWA) project

5.4

Agriculture remains the primary source of livelihood for more than 60% of India's population. Although farm women play important roles in agriculture – research indicates that there is sizeable female participation in two-thirds of the farming operations – before the 1980s there was neither much recognition of their role nor any significant attempt to build their capacity. Training and extension in agricultural activities, sponsored by the state, was targeted almost exclusively on the men farmers. Moreover, the extension personnel employed in the general extension services were predominantly male.

It was in this context that the GoI signed an agreement in 1983 with the Government of Denmark (Danida) to launch a project entitled Women and Youth Training and Extension Project (WYTEP) in the state of Karnataka. As a pioneering effort to address the training and extension needs of farm women (and male youth), WYTEP broke fresh ground and contributed to the gender sensitisation of policy planners and officials working in line departments and in other programmes in agriculture (Innovations, Danida, 2005). The WYTEP project was followed by three other similar Danish projects one each in the State of Tamil Nadu (TANWA), Orissa (TEWA) and in Madhya Pradesh (MAPWA). The following table 5.1 gives an overview of these four Danish projects:

Table 5.4 Overview of Danish projects on farm women training and extension in Agriculture (amounts in US$ million equivalent)

	Women &Youth Training and Extension Project (WYTEP) Karnataka		Women in Agriculture (TANWA), Tamil Nadu		Training and Extension for Women in Agriculture (TEWA) Orissa		Women in Agriculture (MAPWA) Madhya Pradesh	
	Period	**Funds**	**Period**	**Funds**	**Period**	**Funds**	**Period**	**Funds**
Phase I	1982–1985	4.8	1986–1993	5	1987–1995	2.4	1994–2002	1
Phase II	1985–2000	3.7	1993–2003	6.3	1995–2003	2.6	2002–2006	2
Phase III	2000	9.5	–	–	–	–	—	–
Coverage	All districts except one		All except one urban district		8 districts		13 districts	

(Source: Innovations (2005), Danida, p.37)

5.4.1 State of the art of the MAPWA project before the exit

The MAPWA project aimed to empower farm women from marginal and small farm families through capacity building by training and linking them with income generating activities. The project trained farm women in low cost technologies, such as composting, seed treatment, etc. for increased agricultural production. The village based training was followed by regular visits and extension activities to consolidate and further up-grade the skills in new technologies articulated by the trained farm women. Phase I of the Project was launched in 1994, but implementation only started in 1997 due to initial problems related to recruitment and training of the female Agriculture Development Officers (ADOs), the women extension workers. For reasons of efficient management and better implementation and coordination, a separate Danida Advisory office for he MAPWA project had been set up in 1998. Phase I was implemented in seven districts in Madhya Pradesh[52]. During this Phase around 14,225 farm women received direct training and another 99,575 farm women received indirect training or co-training by the trained farm women in conjunction with the extension staff. Phase I was successfully completed in January 2002.

[52] Due to the burification of the state Chhattisgarh from Madhya Pradesh one of 8 districts to be covered in phase I (Bilaspur) has been transferred to Chhattisgarh.

Phase II of MAPWA started February 2002 and was to continue till 31 January 2007. In this Phase, MAPWA was rolled out to six new districts. This phase among others paid strong attention to strengthening the capacity of the General Extension Service (GES) to facilitate and secure the integration of MAPWA's training and extension approach into GES. Other focus areas in Phase II were the expansion of the key resource group (women extension officers), staff training and staff development and the development of a less costly training and extension model to support replicability and sustainability. In response to the Danish decision in 1998 to phase out its development assistance to India over a 10 year period, the project document for Phase II provided a broad framework for an exit strategy. For instance, the salary of the female extension officers employed in phase I was fully handed over to the Government of Madhya Pradesh, while salary of female extension officers recruited and appointed in phase-II and the cost of mainstream project activities were co-funded and gradually taken over by the department on an increasing scale.

Until March 2004, only around 22% of the budget for Phase II was spent and many project activities were behind schedule. In particular, the core activities concerning staff development & training for GES were substantially delayed, and only 3.5% of its budget was spent. In addition, the integration of the Danida advisory office, which had been set up separate from the MAPWA cell the Department of Agriculture (DOA) in Phase I did not materialise. For reasons of cost effectiveness, strengthening of extension and group activities, and integration of MAPWA approach into GES the duration of village based training was reduced from 6 to 3 days and male extension officers were involved in the programme.

An impact study in February (by the Danish Institute for International Studies) cautioned for too much dilution of the approach for cost reduction reasons. It further concluded that the impact of the MAPWA project on the economic and social development of the beneficiaries was very evident and that the MAPWA approach to agricultural training and extension was sustainable.

5.4.2 Changes in the MAPWA project as a result of the exit decision

In early 2004, when Denmark took the decision to phase out, Phase II of MAPWA was still being implemented. In response, Denmark decided to shorten Phase II of the MAPWA project period by one year. The new completion date was fixed at 31 December 2005. The exit decision was communicated to the GoMP and it was agreed that the DoA would prepare an action plan for the remaining 18 months of the project. The final Joint Project Review Mission in June 2004 set the final contours for the exit plan. The total committed budget for the project had to be used in the remaining period. The overall recommendations of Joint Project Review Mission were:

- The phase out period should be used for *stock taking* of the achievements and non-achievements at village and block levels, *consolidation* of the Project delivery mechanism and results obtained at village level, *adaptation* of project approaches, guidelines and delivery mechanism for internalisation into GES, and *strengthening* of project management, including planning and monitoring and project training; and
- A foundation should be established during the phase out period for *well planned and focussed project replication* beyond the Project period (31 December 2005) primarily through enabling the DoA to carry the MAPWA activities forward (Final review MAPWA, the GoI & Danida, p 13).

Based on this Joint Project Review, the original plan for phase II was adjusted. The adjusted plan concentrated more on capacity building activities, training of staff, strengthening farmwomen extension groups, and link worker institution and on refining of the MAPWA model to facilitate replicability and to support internalization and sustainability. The adjusted plan contained a number of additional activities such as a seed money scheme to facilitate women extension group formation and NGO involvement in the training of link workers[53]. Furthermore, Danida provided more TA in the form of general orientation workshops and training courses for relevant staff in project districts. The role of ADOs was changed - to support, supervise, coordinate and monitor farm women training and extension activities in the blocks whilst the Rural Agricultural Extension Officers (RAEOs) were brought on board for organizing and providing village based training as well as implementing extension and farmwomen group activities.

Paradoxically, the measures taken in response to the final exit decision in 2004 led to a more effective implementation of Phase II of the programme. The new Project Director (Deputy Director of Training & Extension of the

DoA) appointed in July 2004 received reasonable support of all the involved partners, including the State Level Project Empowered Committee (SLPEC). [54]

During the exit phase this committee held more regular meetings and was able to make much faster decisions than before the exit decision. The senior programme officer of Danida had frequent contacts and several brainstorming sessions with the DoA and the project director. In the exit phase, both the Project Director and Danida staff made all efforts to accelerate the project implementation ("to implement as much as possible") in the remaining period. For some project elements even direct funding was allowed. In hindsight, both Danida and the GoMP commented that this accelerated implementation during the exit phase was effective, but left them limited time for reflection.

In October 2005, SLPEC for audit and accounting convenience allowed for a project extension for activities funded under indirect[55] funding until 31 March, 2006 (to enable finalisation of the accounts at the end of the Indian fiscal year). The funding of activities taken up under direct funding, however, remained unchanged and had to be closed as of 31 December 2005. At the closure of the project about 78% (USD 2.0 million) of the total budget for Phase II (i.e. USD 2.54 million) was spent, while 71% of the budget for staff development and training of GES was used. The total own contribution of the GoMP in Phase II was USD 450 thousand (Project Completion Report, the DoA, March 2007).

5.4.3 Assessment of the (institutional) results of the exit decision

The GoMP could not arrange in time funds for the continuation of the programme from March 2006 onwards, and therefore MAPWA needed to be interrupted. The National Planning Commission did not agree with the inclusion of a follow-up programme in the 10th Plan (2002/03 to 2006/07). In 2006, the GoMP made a project proposal for the launching of a 'state MAPWA' to cover the whole region (all 313 blocks). This proposal got included in the

[53] Link workers are women identified within a farm women group who can, after training, work as extension workers within their groups.

[54] The SLEPC was established at the start of the MAPWA programme. It exercised overall control and supervision over the implementation of the project and provided direction in policy issues. The SLEPC included representation from the Ministry of Agriculture, the GoMP, Royal Danish Embassy and the Agriculture, Finance and Rural Development, Women and Child Welfare and Animal Husbandry Departments in the GoMP. In practice, important decisions were generally subject to Government scrutiny, which often delayed its implementation (see Project Completion Report MAPWA, Danida, p 25).

[55] In the Indian system Danida funding is channelled by the central government in New Delhi and passed on to the individual states. Danida funding for the project elements taken up under direct funding could be received directly by the project.

new 11th five-year plan (2007–2012) with a budget of USD 2.27 million[56]. From this amount, only USD 227 thousand was allocated for the first year 2007/08.

It is the ambition of the GoMP to roll out the MAPWA programme to all districts of Madhya Pradesh in the period 2007–2012. Due to the limited budget in the first year, the programme will start with a limited focus, mainly dealing with training and extension activities for the women groups formed under the 'old' MAPWA. Many project activities from the 'old' MAPWA, like women conferences, exposure visits and study tours etc. have been integrated into the regular extension system of the DoA.

The MAPWA approach is further used in the implementation of other training programmes such as the Kisan Badhu/Saheli[57] programme. About 50 ADOs trained in Phase I of MAPWA have been retained within the GES. Nevertheless, these ADOs are currently mainly involved in the general extension work of GES due to a lack of regular extension staff. As a consequence, they can only play a limited role in the coordination, supervising and monitoring of the MAPWA programme. Due to budget restrictions, the DoA could not hire the 30 ADOs, which were contracted in Phase II. This was a major loss of a well trained resource base to the DoA.

The MAPWA programme is not fully institutionalized within the DoA. MAPWA is currently seen as a separate women programme not as integral part of extension work. The current set up with two parallel training and extension systems, one for women (MAPWA) and one for men, supports this view. This set up is also in conflict with the initial intention of Danida to make officers in GES responsible for both women and men programmes.

At Director's level, there is limited ownership for MAPWA. The MAPWA Cell at the headquarters is depleted leaving only a female Assistant Director of Agriculture who is largely responsible for MAPWA and its continuation. This supervision at only Assistant Director level has been detrimental to retain the focus on farmwomen on the one had and for full scale integration of MAPWA within the DoA on the other. The present Secretary of Agriculture, however, is regarded as very supportive towards the programme.

It is too early to assess the replicability of MAPWA to the all blocks. During Phase II, less costly models for replication have been developed, for instance by reducing the number of days for basic village training. It needs to be awaited, however, to what extent these modifications are sufficient for an appropriate transfer or whether this will lead to dilution of the real MAPWA approach.

The GoI has set up a National Programme for women in agriculture to mainstream women activities. Successful elements of these Danish projects on women in agriculture in four different states have been integrated in this national programme which is executed as a pilot exercise at district level. If these pilots are successful, the states can roll out the programme to other districts. The programme has started in 1992 and has since been implemented in 15 states. Women projects in India have received new impetus in recent years due to new government policies and regulations with regard to gender budgeting (30% of budget has to be used for activities aimed at women) as well as to the compulsory reservation of 30% of all government jobs for women candidates.

56 On suggestion of the Planning Department of GoMP the DoA has proposed for a higher programme budget of USD 5.67 million (INR 250 million). As the 11th five-year plan is still not finalised, it is currently not clear what the final budget for the programme will be.

57 The Kisan Badhu/Saheli is a national programme for identifying persons in villages who can, after building their capacity, work as extension workers within their village. This is similar to the institution of Link Workers introduced under MAPWA.

The Evaluation found during its field visit that the premature phase out of MAPWA did not impact the momentum created by the programme. The ongoing visits to MAPWA villages of ADOs, who are now deployed as GES staff, and RAEOs, support this view to the stakeholders (See: Box).

Box 2. We are MAPWA!

The Evaluation Team visited Obedullaganj Block, Raisen District (one of the Mapwa Blocks). Out of the four farmwomen groups of Village Ashapur, three were found to be very active even after the Programme ended. One group was taking fallow land on lease and cultivating paddy and lentils. They had even acquired a tractor with bank loan/subsidy. Another group was into grinding of spices as a supplementary activity. The third was specialising in vermicompost and vegetable cultivation. When asked about the consequences of the closure of Mapwa, the Secretary of Jamuna farm women group responded:' How can anyone say that Mapwa has ended? The sisters ADOs still visit our village regularly and give us guidance. We still practise the lessons from our training and earn money. Who can close down Mapwa? We are MAPWA!'

5.4.4 Conclusions

In view of the above mentioned (institutional) impact of MAPWA, the MAPWA results have been relatively satisfactory. The initial MAPWA project design involved a separate system for training of female farmers. Integration of the approach within the GES only started in the second phase of the MAPWA project. The premature exit of Denmark shortened the time for integration. After the exit, however, the MAPWA project has been continued by the DoA in Madhya Pradesh.

An impact study in February 2004 concluded that the MAPWA approach was sustainable and that it had an evident impact on economic and social development of the farm women and farmer households. The Danida decision in early 2004 to phase out development assistance by December 31, 2005 did not affect elementary project objectives. It mainly led to a more effective implementation and improved replicability and internalization of the project. Nevertheless, it is too early to asses the sustainability of the MAPWA project.

The initial design of the MAPWA approach was an expensive system. The system has been adapted for reasons of cost effectiveness and integration of the MAPWA approach into GES but it needs to be awaited if such a system will be replicable within the state budget.

The following factors helped a relatively smooth and satisfactory accelerated exit process:

- The Danish decision to phase out its development co-operation programme was announced at an early stage and a long phase out period was offered. The phase out period was already known in 2001 when Phase II was being designed;
- Phase II contained an exit strategy with elements to support institutionalization;
- The GoMP was informed about the phase out well ahead and could (and did) plan for exit; and
- At the country level, Danida had a clearly articulated phase out strategy. This strategy emphasised sustainability of project activities through a process of consolidation and institutionalisation; and
- The GoMP had the capacity and the intention to continue the MAPWA programme.

Chapter 6

Conclusions and recommendations

6.1 Conclusions

Case study India: History of multiple political decisions on phasing in and phasing out of bilateral aid assistance

The three Nordic donors decided already in the 1990s on one (Sweden) or two occasions (Denmark and Norway) on a phase out of their bilateral aid to India. The reasons for phase out at that time were not clearly articulated and the decisions were reversed after changes in governments. The nuclear test in India in 1998 led to reactions from many countries, including the donors which sponsor this Evaluation (with the exception of the Netherlands).

In 2003, while some donors were considering new aid strategies to India, the GoI announced that small bilateral donors will be requested to provide their aid through other channels. In fact, this meant that these donors were asked to phase out their assistance. In reaction to this revised Indian aid policy, all four donors decided to phase out or accelerate the phase out they already had started. In fact, we can conclude that all exit or phase out decisions were clear political decisions, either by donor governments or by the GoI. The phase outs following the decision of the government of India in 2003 can be characterised as recipient induced, and therefore as quite unique.

Classification of India as an exit country

Country exits or phase outs can be categorised by several factors on both the donors' side and the recipients' side: the political justification for the exit, the relationship between donor and recipient country, aid dependence and conditions in the recipient country for coping with the exit. The following Table provides an overview of the factors on the donor and recipient side related to the phase out from bilateral assistance to India.

Table 6.1 Main factors determining exits in the Indian case

Donor side		Recipient side		
Political justification	Relationship with recipient country	Political justification	Aid dependence	Prospects for coping with donor exit
Disagreement on political issues (nuclear test in 1998, human rights issues) Responding to a request from the GoI to re-direct aid	Two faces of India: India becoming a global player and India with many poor people Multiple relations	Reducing aid coordination burden Avoiding conditionality	Low aid dependency	Well functioning public sector Few donors present

According to the typology of exit processes presented in the Inception Report, India falls in the category of countries graduating from Least Developed Country (LDC) status that are considered to be important bilateral partners for donor countries after the termination of the bilateral development co-operation relationship. Exit processes in this category lead to a broader role for the Embassies of former donor country, as we have seen in the case of India. This role will be quite different in other categories of exits, for instance when a donor decides to end its bilateral aid relationship with a poor aid dependent country and even close its Embassy.

A large variety of exit planning processes

Most phase out decisions of the four sponsoring donors in India did not result in clear phase out plans. The most common model was to respect ongoing commitments and not to start new activities. This model could easily be adapted when a phase in decision was decided upon. In terms of exit planning two plans stand out:

- The Danish plan, prepared in 1998–1999, for a ten years exit period. This plan was prepared in a participatory way and made a distinction between hardware (infrastructure, equipment, etc.) and software (training and capacity building) components. It was partially adjusted in 2004 when the phase out was accelerated somewhat in response to the 2003–Budget Speech of the GoI: and
- The Dutch plan in 2003 for a two years phase out. This plan meant that ongoing agreements had to be changed and projects were handed over.

Consistent exit management is directly related to clear exit decisions and planning

Exit management should be understood in the overall context of development co-operation, which consists of continuous phase in and phase out processes. To some extent the implementation of decisions on country exits or phase outs differ only in scope and timing (sometimes abrupt, but not always) from other regular phase out processes such as changes in sectors. Against this background it is not surprising that some donors such as Norway and Sweden have opted for natural phase out processes, which basically consist of the completion of ongoing commitments.

There are some common features of country phase out processes such as a gradual reduction of the volume of aid, gradual reduction of development co-operation staff (at Embassy level and in the field) and monitoring of phase outs. In general, the more carefully planned exit processes (Denmark and the Netherlands) also stand out in exit management terms. Especially Denmark paid due attention to consultation and phase out of financial assistance before phasing out technical assistance. The Netherlands paid due attention to handing over of tasks and close monitoring of the (reduction of) inputs, while field monitoring received far less attention.

One factor stands out from the overall analysis of exit management processes, which is the difficulty to combine phase out and phase in processes at the same time. New activities always tend to get more attention than the activities that will soon be completed. Hence, the start of new development interventions by donors goes at the expense of consistent exit management.

Consequences of phase out for three development interventions
Our analysis of the consequences of phase outs for three specific development interventions in two states (Gujarat and Madhya Pradesh) led to the following findings:

- In general, these were relatively satisfactory processes with sustainable end results;
- The capacity and willingness of the GoI to take over and continue activities was a key factor;
- A decisive attitude from the donor's side and good communication with all stakeholders were also important factors determining success;
- The distinction between phasing out hardware and software was very useful in order to achieve sustainable results;
- Long exit processes are not necessarily better (or worse) than short ones.

The three selected development interventions cannot be considered as a representative sample of all development interventions of the four donors, but they provide a good illustration of the phase out processes. Of course, an important pre-condition for a successful phase out is also the quality of the programme or project design. Bad programmes or projects cannot be expected to lead to satisfactory phase outs results.

Determinants of exit management
In this first country study, which had some characteristics of a pilot study, the evaluation team tried to define a suitable definition of a successful exit. We have defined a satisfactory and smooth exit as the creation of a sustainable situation in which local institutions are capable to take over and continue the activities that were carried out by the project or programme without interruption. It is a combination of different factors that determine a smooth and satisfactory exit. Based on our analysis of exit management in different development interventions in India, we have developed the following formula:

Satisfactory exit = F [t, C, DP, Gcap, Don, ΔEmb]

- t = available time period to implement exit;
- C = clear and consistent planning and communication;
- DP = donor's decisiveness and persistence to exit;
- Gcap = willingness and capacity of recipient Government;
- Don = support from other donors; and
- ΔEmb =changing role of Embassy.

Both long-term (e.g. Denmark) and relatively short-term (e.g. the Netherlands) phase outs can be satisfactory, if sufficient attention is paid to factors such as clear and consistent planning and communication. Decisiveness and persistence is crucial for a successful exit process. This is applicable for the political level, but even more for the implementing institutions in the donor bureauc racy in the ministry and at Embassy level. The changing role of Embassies also has implications for the exit process.

Willingness and capacity of the recipient government to take over the activities are also key factors. The implementation capacity of the recipient government in general and of the project authority in particular influences the time needed for the phase out and the TA required for a smooth transfer to local governments. In the case of India, this capacity at different levels in the Indian government is relatively well developed. In addition, other donors can give a helping hand to a donor that decided to exit by taking over some of the activities. The analysis of exits from specific development interventions showed that in the context of India the phase out of 'software'(TA, capacity building, etc.) often required more time than the phase out of 'hardware (infrastructure, equipment, etc.). This is because the transfer of knowledge is valued very high, and often higher than the transfer of financial resources.

Towards broader bilateral relationships

In the past, the bilateral relations between India and the four sponsoring European countries were mainly determined by the bilateral development co-operation. Nowadays, this has changed dramatically. All four countries have given more recognition to India as a global player and aim at reinforcing and broadening bilateral relations. They have all developed specific strategies and instruments to realise this goal. The financing of the implementation of these strategies has become an issue of concern. Especially Sweden and Norway appear to struggle how to stimulate the bilateral relation without using ODA-money. For the moment, intermediary solutions are being tried out.

An overall dilemma the donors are facing is: How to have a meaningful and comprehensive relationship with India without development co-operation? A related question is: How turning decennia of development co-operation relations into relations more based on mutual interest?

6.2 Lessons and recommendations

Based on our conclusions from this case study of India (Section 6.1), we draw the following conclusions for our synthesis report.

Exit planning

1. *Good communication between the donor and recipient country on planning of the phase out is essential*

   Once the exit decision is taken good communication between both countries is involved is needed for smooth planning and implementation. After consultations at central or federal level also other levels and acTORs should be involved. This will also facilitate the formulation of a long term strategic relationship with the recipient country in the post-exit period.

2. *Exit/phase out planning should address the changing role of the Embassy and its staff.*

   In view of the above, it is necessary for a donor to ensure that, where the exit is induced by political considerations, the task of implementing the exit decision is also owned by the aid bureaucracy within the Ministry of Foreign Affairs and at Embassy level. This broad ownership will facilitate the formulation of a long term strategic relationship together with the recipient country in the post-exit period.

   In this context, it is also doubtful whether staff which designed and developed the programmes and projects is best qualified to implement a decision to phase out and close down the same projects and programmes. As this staff is often personally involved and attached to these programmes, due attention should be paid to their motivation. An alternative is to involve new staff to implement.

3. *Make a clear distinction between the phase out of hardware and software.*
   The hardware (civil works, construction of buildings, etc.) can be phased out relatively smoothly in a short time period, while for the software (TA used for training and other capacity building) it may be advisable to phase out over a longer period of time. The provision of further TA may contribute institutionalising the benefits of the financial investment made by the donor. It may also contribute to improving the sustainability of the project so that the project authority is able to 'graduate' from aid. There is no advantage in terminating the hardware and software simultaneously. Involvement of the TA provider (where existing) in formulating and implementing the exit strategy may also increase their buy-in and in preparing the project for the eventual exit.

Exit management and implementation

4. *Consistent and decisive leadership during exit processes is essential*
   As discussed in Section, 6.1, it is less the duration and much more the quality of leadership that determines a satisfactory exit process.

5. *Phasing out requires:*
   - Careful planning per activity;
   - On the basis of clear guidelines; and
   - Some flexibility in implementation.

A well-considered exit strategy, both at the project and national level will facilitate smooth and 'incident-free' exit.

6. *Better one decisive full exit than several ones*
   After a donor government has taken a political decision to phase out and it has communicated this message to the recipient government, it is important to be decisive and not change its mind during the phase out process. This should be taken into consideration in the decision making process about an exit and also when a re-entry is considered. Reversing this exit decision during its implementation undermines the credibility as a donor. Furthermore, during the phase out, there is a risk that the best qualified staff will soon leave the service for more secure opportunities elsewhere.

   Simultaneous phase out and re-entry don't easily match. If phasing in of new aid activities starts before the phase out is completed, then the phase out will be undermined and receive less attention. Based on experience in India, it is recommended to end a phase-down process before a new phase in process should be launched.

7. *Community participation in all phases is required*
   Community participation in design, investment decisions and implementation increases the probability of a project being sustainable after donor exit, as demand generated from the community would ensure adequate alternative funding by the authorities.

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Annex 2
List of people interviewed

Name	Position
Denmark	
Steen Folke	Senior Researcher, Danish Institute for Development Studies
Leif Christensen	Asia and Latin America Dep., MFA/Danida
Birgit STORgaard Madsen	Ambassador 1998–2001, India
Mr Michael Hjortsø,	RDA, Minister Counsellor and Deputy Head of Mission
Mr Mahendra Pal,	Consultant and former Senior Programme Officer RDA
Mr Vijay Kumar	Former Senior Programme Officer (Water & Sanitation) , RDA
Mr Ravi Kapoor	Former Programme Offices (Environment), RDA
Ms Rama Kashyap	Former Senior Programme Officer (Gender), RDA
Netherlands	
Mw D. Methorst	Policy officer India 2006–2007, MFA The Hague
Mw L. Huijbens	Policy officer India 2001–2004, MFA The Hague
Dhr H. Knijnenburg	Head Development Co-operation (HOS), Embassy New Delhi 2002–2005
Dhr W. Ramsoekh	Policy officer India, MFA, The Hague 2007-
Mr Eric Niehe,	Ambassador, Embassy New Delhi
Mr Allard de Boer	Head of Finance and Operational Management, Embassy New Delhi
Mr Rushi C.Bakshi	Senior Programme Officer, Embassy New Delhi
Mr Avinash Zutshi	Former Senior Programme Officer (water), Embassy New Delhi
Ms Nandini Prasad	Former Senior Programme Officer (education), Embassy New Delhi
Mr Theo Groothuizen	Counsellor for Science and Technology, Embassy New Delhi
Norway	
Steinar Skjæveland	Former Ambassador India, MFA/Norad
Dag Larsson	Counsellor Development Co-operation, Embassy New Delhi
Mr Jon Westborg	Ambassador, Embassy New Delhi
Mr Lasse Bjørn Johannessen	Deputy Chief of Mission, Minister Counsellor, Embassy New Delhi
Ms Renu Wadehra	Advisor Embassy New Delhi
Agnete Eriksen	Head of Africa Division, Norad (1990s), Counsellor Development Co-operation, Embassy New Delhi 2000-2003
Mr B. Siddarthan	Advisor Embassy New Delhi

Name	Position
Sweden	
Bo Göransson	Former Sida DirecTOR General
Jörgen Schönning	Head of Unit, Asia Department, Sida, 1999 -
Anne Höglund	Dep. Head of Asia Division, MFA 2006 -
Mr Carl G. Svensson	Counsellor/Head Sida, Embassy New Delhi
Mr Ramesh C.Mukalla	Programme Officer, Environment and Governance, Embassy New Delhi
Ms. Yasmin Zaveri Roy	Programme Manager, Embassy New Delhi
New Delhi	
Mr Dirk Swillens	Delegation of the European Commission, New Delhi
Chris Murgatroyd	DFID
Ms Deepa Sankar	Education Economist World Bank
Mr. G.V Abhyankar	Senior Sanitary Engineer, World Bank
Dr R.C.Panda,	Secretary, and former Secretary Agriculture in Tamil Nadu, Ministry of Heavy Industries and Public Enterprises, Government of India, New Delhi
Ms Neeraj Suneja	Joint DirecTOR, (Women Programme)and Head, National Gender Resource Centre, New Delhi, Ministry of Agriculture, Government of India, New Delhi
Dr Dheeraj Bhatnagar	DirecTOR, Department of Economic Affairs, Ministry of Finance, Government of India, New Delhi
Mr J.C. Kala	Secretary and Former DirecTOR of Forests, Ministry of Environment and Forest, Government of India, New Delhi
Mr Bharat Lal	Former Chief Executive Officer, WASMO, Gujarat and DirecTOR, Ministry of Tribal Affairs, Government of India, New Delhi
Dr N.C. Saxena	Former Secretary, National Planning Commission, New Delhi
Dr George Mathew	DirecTOR, Institute of Social Sciences, New Delhi
Gujarat	
Mr V.S. Gadhavi,	Secretary to Government of Gujarat, Water Supply Department, Government of Gujarat, Gandhinagar
Dr Jaipal Singh	Chief Executive Officer, WASMO
Mr R.K.Sama	Project DirecTOR, WASMO
Mr R.R. Savdhania	Consultant (Technical Advisor) WASMO
Mr D.G. Chaudhri	Chief Engineer WASMO
Mr S.V. Ahuja	Consultant (Technical Advisor) WASMO
Ms Meena Bhat	DirecTOR, Department of Education, Government of Gujarat, Gandhinagar
Mr Kartikeya V. Sarabhai	DirecTOR, Centre for Environment Education (CEE), Ahmedabad
Mr R. Gopichandran	Programme DirecTOR, Environment Management, CEE
Ms Vaishali Kushwaha	Programme Officer, CEE
Mr Mohan Krishna	Programme CoordinaTOR, Rural Enterprises and Livelihood CEE
Mr Dilip Surkar	DirecTOR, Vikram Sarabhai Centre for Development Interaction, Ahmedabad
Mr Deepak Dogra	Pratham – Gujarat Education Initiative (Novib)
Mr Apoorva Oza	DirecTOR, Pravah
Ms Amee Mankad	Pravah
Madhya Pradesh	
Mr Sumit Bose	Principal Secretary, Finance Department, Government of Madhya Pradesh, Bhopal
Mr Ashutosh Srivastava	Officer on Special Duty to Agriculture Minister and former Project DirecTOR, MAPWA
Ms Rashmi Verghese	Assistant DirecTOR, Women's Programme, DirecTORate of Agriculture

Name	Position
Dr G.S. Kaushal	Former DirecTOR of Agriculture, Government of Madhya Pradesh
MrS.S.Tomar	DirecTOR of Agriculture
Dr Sharma	Additional DirecTOR, Agriculture
Mr Kushwaha	Additional DirecTOR, Agriculture
Mr Ayub Khan	Senior Agricultural Development Officer, Obedullaganj Block
Ms Neeti Modi	ADO (MAPWA), Obedullaganj Block, Raisen District

Annex 3
List of workshop participants

Name	Position
Rama Kashyap	Former programme officer Danida, Advisor social equity, United Nations Team for Recovery Support (UNTRS)
Mahendra Pal	Former Senior Programme Officer, RDE
B. Siddarthan	Advisor (Environment), Norwegian Embassy
Urjay Kremar	Former senior Programme Officer RDE
Michale Hjortso	Minister Counselor, RDE
Rushi Bakshi	Senior Progr amme Officer, RNE
Carl G. Svensson	Counselor, Swedish Embassy/ Sida

Annex 4
Abbreviations

ADB	Asian Development Bank
ADO	Agriculture Development Officer
BJP	Bharatiya Janata Party
CSS	Centrally Sponsored Schemes
DEA	Department of Economic Affairs
DFID	Department for International Development (UK)
DPEP	District Primary Education Project
DOA	Department of Agriculture
EAS	External Advisory Services
EC	European Commission
ERC	Expenditure Review Commission
ERR project	Community-managed water and sanitation project in Earthquake affected villages of Gujarat
EU	European Union
FA	Financial Assistance
FAO	Food and Agriculture organisation
GDP	Gross Domestic Product
GES	General Extension Services
GNI	Gross National Income
GOG	Government of Gujarat
GoI	Government of India
GOMP	Government of Madhya Pradesh
GRWSSP	Gogha Regional Water Supply and Sanitation Project
GWSSB	Gujarat Water Supply and Sewerage Board
HGIS	Homogenous Group for International Co-operation
HIPC	Heavily Indebted Poor Countries
HIVOS	Humanistic Institute for Development Co-operation (Dutch NGO)
ICR	Implementation Completion Report
INC	Indian National Congress
ISAs	Implementing Support Agencies
JRM	Joint Review Mission
LDC	Least Developed Countries
MAPWA	Madhya Pradesh Women in Agriculture
MDG	Millennium Development Goal
M&E	Monitoring & Evaluation

MFA	Ministry of Foreign Affairs
MHRD	Ministry of Human Resource Development
MOF	Ministry of Finance
MOU	Memorandum of Understanding
NDA	National Democratic Alliance
NOVIB	Nederlandse Organisatie Voor Internationale Bijstand (Dutch Organisation for International Assistance)
NGO	Non-Government Organisation
NIPI	Norway-India Partnership initiative
NPE	National Policy on Education
ODA	Official Development Aid
PRIA	Society for Participatory Research in Asia
PSOM	Programme of Support for Emerging Markets (NL)
RAEO	Rural Agricultural Extension Officer
RNE	Royal Netherland Embassy
RWWS	Rural Water Supply and Sanitation
SC	Scheduled Caste
SLPEC	State Level Project Empowered Committee
SPO	State Project Office
SSA	Sarva Shiksha Abhiyan
ST	Scheduled Tribe
STA	Swedish Tax Authority
SWAP	Sector Wide Approach
TA	Technical Assistance
TANWA	Tamil Nadu Women in Agriculture
TEWA	Training and Extension for Women in Agriculture
TOR	Terms of Reference
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNSC	United Nations Security Council
UPA	United Progressive Alliance
USAID	United States Agency for International Development
WASMO	Water and Sanitation Management Organisation
WB	World Bank
WRM	Water Resource Management
WYTEP	Women Youth Training and Extension Projects

Annex 5
Exchange rates

Exchange rates used in this report: (1985–2006)

Year	1 EUR = US$	1 NOK = US$	1 SEK = US$	1 DKK = US$	1 INR = US$
1985					0.08085
1986					0.07930
1990		0.1598	0.1689	0.16102	0.05516
1991		0.1543	0.1654	0.15633	0.03882
1992		0.1609	0.1717	0.16567	0.03448
1993		0.1410	0.1285	0.15423	0.03188
1994		0.1417	0.1296	0.15722	0.03188
1995		0.1578	0.1402	0.17849	0.02844
1996		0.1550	0.1491	0.16824	0.02784
1997		0.1414	0.1310	0.14647	0.02548
1998		0.1325	0.1258	0.15645	0.02354
1999		0.1282	0.1210	0.13499	0.02298
2000	0.94210	0.1136	0.1091	0.12621	0.02143
2001	0.88600	0.1112	0.0968	0.11862	0.02076
2002	1.04830	0.1253	0.1027	0.14116	0.02089
2003	1.25570	0.1412	0.1237	0.16864	0.02200
2004	1.36440	0.1484	0.1361	0.18345	0.02289
2005	1.18445	0.1552	0.1338	0.15846	0.02220
2006	1.32027	0.1645	0.1355	0.17696	0.02267

Annex 6
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.[58] 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

[58] 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.[59] 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[60]:

- 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

[59] 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.

[60] 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. (www.http//.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*.[61] 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.

[61] 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.[62] 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.

[62] 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 1966. Exit in 1990s with scaling-down over a decade.	Co-operation began in –. Exit in 1999 due to concentration policy	Co-operation began in – . Exit in early 2000s At the present time some HIV/ AIDS support.	Co-operation began in – . Exit in 1998. Certain on-GoIng pro-grammes 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 –. On-GoIng co-opera-tion. One of the current 36 partner countries.	Co-operation began in –. On-GoIng co-opera-tion. One of Norway's 18 'other partner countries'.	Co-operation began in –. 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. Co-opera-tion phase-out completed in 2005.	Co-operation since –. 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 No exit considered	A new major partner country through a del-egated partner-ship' to Norway. 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 Exit not yet considered	One of 18 'other partner countries'. 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 phasing 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.[63] 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.[64] 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

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

[64] 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?[65] 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:

[65] 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.[66] Elements of path dependency are

[66] Exit Strategies – A Concept Note for a Joint Evaluation. Sida. Department for Evaluation and Internal Audit. 2005-04-22. http://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.[67] Readers of the evaluation reports should be explicitly warned of any departure from these conventions.

Tender documents will be assessed against these points.

[67] 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.[68] 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 co-ordinate 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

[68] 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.[69]

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.

[69] 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[70]:

- 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.)

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

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