Managing Aid Exit and Transformation

Eritrea Country Case Study

Joint Donor Evaluation

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The views and interpretations expressed in this report are the authors' and do not necessarily reflect those of Sida, Netherland's Ministry of Foreign Affairs, Danida and Norad

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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 Eritrea* 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 cooperation 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 cooperation"*. 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 Eritrea.

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 cooperation"*. However, the definition of bilateral development cooperation 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 phasing-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. For the Eritrea country study such an adaptation has been made by not including an analysis on exit management and implementation for reasons of redundancy. Hence, the main common elements of the methodology used for this country study 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 phasing-out, aid transformation or exit decisions and planning from the perspective of the donors and the recipient country (chapter 3);
- An analysis of the 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 4).

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). For Eritrea, no debriefing session was organised for the representatives of the sponsoring countries and the country concerned by the case study. After consultations with the Eritrean Ministry of National Development (the evaluators' main contact with the Eritrean government), a debriefing session was not found to be opportune by the Ministry as two of the four donors, Demark and Sweden, had terminated their bilateral aid relations with Eritrea and had left the country.

A final note is that 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 for the Eritrea country study and could not yield value added to the overall analysis.

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 Eritrea it was decided to select as case studies two large Danish supported programmes for the agriculture and education sectors, covering the period 1996–2005, and are presented in chapter 5:

- *The Danish support for the Agricultural Sector.* For the period 1996–2002, the Danish have been the largest contributor to the agricultural sector in Eritrea. In 2002, Danish support for the sector was suddenly withdrawn;
- *The Danish support for the Education Sector.* In 1996–2005, the Danish were a large contributor to the educational sector in Eritrea. Danish support to the education sector was phased out in 2005.

Organisation
Chr. Michelsen Institute (CMI) and ECORYS formed a consortium that was selected to carry out this joint donor evaluation of the four commissioned donors. Active involvement of partner countries was sought in all different stages of the evaluation: preparation, implementation and follow-up. Hence, in each country national consultants were part of the country evaluation team to strengthen the knowledge of local circumstances and habits, and to assure that the points of view of stakeholders in the recipient country are sufficiently presented.

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. Woldai Futur, Ministry of National Development), the involvement of a local consultant (Dr. Teferi Michael), the involvement of senior officials of two line ministries (Education and Agriculture), and interviews with other main stakeholders in Eritrea such as the EC Delegation, the World Bank, UNDP, FAO, and the Italian technical cooperation.

For the Eritrea case study the Embassy of the Netherlands (Mr. Robbert van Lanschot, then current attaché) was responsible for the management of the evaluation in Eritrea on behalf of the four donor countries.

Finalisation of the country report Eritrea

The country report is prepared by the team in charge of the evaluation in Eritrea (Rudy Ooijen, Dr. Teferi Michael and Alf Morten Jerve). Anneke Slob, team leader for the entire evaluation, read the report and provided comments.

A draft report was presented to the members of the steering group and to the stakeholders in Eritrea for their comments. The comments have been taken into account in this final version of the country report. This report also served as one of the building blocks for the synthesis study.

Chapter 2

Background

2.1 Main developments in Eritrea

With the end of 30 years of liberation struggle in 1991 Eritrea found itself in a very poor state of development. Its manufacturing sector was debilitated and outdated; its agricultural sector was reduced generally to sub-subsistence levels; the construction, mining, and service sectors were depressed. The country's economy and trade continued to depend heavily on Ethiopia. The natural resource base, as well as availability of human resources, had all been depleted. Education and skills within the country suffered from decades of neglect.

With the official declaration of independence in 1993, the Government embarked on a rehabilitation programme orientated towards assuring food security. Emphasis has been placed on rebuilding infrastructure and essential services as the basis for attracting private investments. It was planned that by the end of 2000, Eritrea would have completed a transition stage leading from rehabilitation to development, based on liberal markets and private sector investment. Following major trade reforms in 1994 and the renewed availability of essential imports, the performance of the Eritrean economy improved. Over 1996–97, GDP growth averaged around 7% per year, well above population growth (3%). The Ministry of Finance forecasted GDP growth in real terms for the period 1998–2000 to be around 11% per year[2].

As reported by donors, the combined effects of the border war with Ethiopia from May 1998 to June 2000, the series of droughts, and the reversal of political and economic liberalisation, have had a severe effect on the country's economic growth. Donors further insist that closure of the Eritrean borders has eliminated trade with its major trading partners. Current economic activity is reportedly characterised by increasing government intervention and domination of the economy by state- and party-owned enterprises.

Eritrea remains among the poorest countries of the world. One-third of its people live below the food poverty line of 2,000 calories/person/day. In 2003, food aid covered by far most of its food needs – more, in terms of proportion, than any other country in the world. The following table gives an overview of the main socio-economic indicators

[2] By early 1998, inflation had been reduced to under 8 percent. The current account deficit, including official transfers, was more or less in balance thanks largely to private transfers of the Eritrean diaspora. Domestic and foreign debt remained low and whereas gross national savings stood at almost 41% of GDP, much of this was driven by transfers from the Eritrean diaspora.

Table 2.1 Main socio-economic indicators for Eritrea (1993–2003)

Indicator	1993	2003
Population (millions) 1/	3.5 (estimate)	4.4 (estimate/WB)
GDP (US$ Billions)	0.47	0.58
GNI per capita (US$) 2/	n.a.	150
Life expectancy at birth	46	51
Child malnutrition rate (% under five)	n.a	38
Under five mortality rate (per 1,000)	141	48
School enrolment, primary (% of school age population)	48	66

Source: World Development Indicators database, August 2004, World Bank
1/ No population census has been conducted since Eritrean independence
2/ In comparison the GNI for Sub-Saharan Africa (2003) = US$ 450; Low Income = US$ 430

Role of donors
According to the OECD-DAC records, the total amount committed by donors for Eritrea during the period 1993–2005 came close to US$ 2.5 billion. Although it concerns only commitment figures and not actual disbursements, the figures nevertheless provide an overall indication of the scope of intentions of donor support to Eritrea and the comparatively high rate of ODA per capita[3].

A major role of the donors was to provide Eritrea technical and financial support in commodity aid, emergency assistance and reconstruction, social sector (health and education) and agriculture in the form of grants (Table 2.2).

Table 2.2 Total ODA Commitments 1993–2003 by sector 1/

Main sector	Mln US$	%
Commodity aid, emergency assistance and reconstruction (500-700)	758.78	40.5%
Social sectors (110-130/160)	388.23	20.7%
Agriculture, forestry and fishing (311-313)	200.12	10.7%
Transport, communications and energy (210-230)	131.29	7.0%
Multisector/cross-cutting (incl. rural development) and WSS AND WSS (400/140)	136.40	7.3%
Government and civil society incl. land mine clearance & demobilization (150)	232.81	12.4%
All other (240/250/321-332/900)	27.07	1.4%
Grand total	**1,874.70**	**100.0%**

Source: UN HDI report 2005
1/ Information for 2004 and 2005 not available

The table shows that Humanitarian Assistance constituted as much as 40% of total aid during the period 1993–2003. More specifically, 30% of the total of almost US$ 1.9 billion went to Emergency Assistance And Reconstruction (CRS code group 700); 12.4% to Government And Civil Society (Incl. Land Mine Clearance & Demobilisation); 10.5% to Commodity Aid And General Programme Assistance (CRS code group 500); 8.3% went to Education, 7.3% to Agriculture and 6.4% to Health. Relatively small shares went to Transport (Roads), Water Supply/Sanitation and Energy.

3 For instance: the average ODA per capita for Africa was about US$ 42, while for Eritrea it stood at around US$ 81 (Human Development Report 2007/2008, UNDP). However, the high level of humanitarian assistance provided to Eritrea could be a distorting factor with as much as 40% of ODA committed for this during the period 1993-2003.

For Eritrea, the top-ten donors in the period 1993–2005 were: World Bank (IDA), United States, Italy, EC, Norway, African Development Bank, Netherlands, Denmark, Germany and Japan. The World Bank and AfDB were primarily lenders, while the others provided grants (table 2.3).

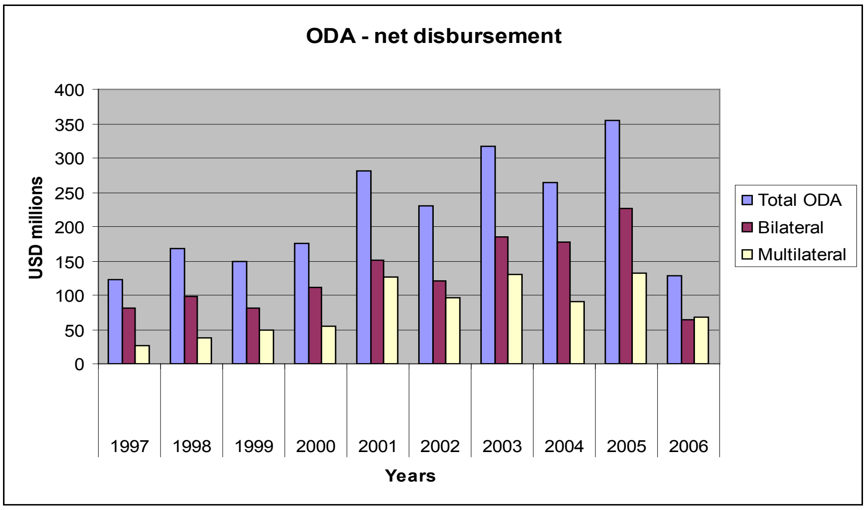
Table 2.3 Total ODA Commitments 1993–2005 by donor

Donor Name	Amount (US$ 000)	% share	ranking
Denmark	81,896		8
Germany	81,204		9
Italy	260,871		3
Netherlands	106,706		7
Sweden	43,386		
Others	95,035		
Total EU member countries	**669,098**	**27%**	
EC	245,167	10%	4
Norway	138,087		5
United States	478,152		2
Japan	61,222		10
Others	74,076		
Total non-EC bilateral	**751,537**	**30%**	
IDA	623,410	25%	1
AfDB	112,456	5%	6
Total UN Family	67,020	3%	
Grandtotal	**2,468,873**	**100.0%**	

Source: OECD – DAC database www.oecd.org

The next figure (2.1) shows the level of yearly ODA commitments provided by DAC donors for the period 1997–2006. It shows the peaks of assistance commitments being provided at the end of the border war (2000) in response to the severe humanitarian crisis, and subsequently in 2003–2005; for the most part reflecting new aid commitments by the USA, WB, and the EC.

Figure 2.1 Net ODA disbursements for Eritrea 1997–2006 (Values in US$ millions)



Source: OECD – DAC database www.oecd.org

The provision of donor support to Eritrea was interrupted by the border war. In the mid 1990s, donors considered Eritrea a country with good ownership and low level of corruption; hence the overall bilateral relationship was good.

This was however not to last. The war led some donors to freeze aid while others shifted disbursement to humanitarian assistance, and many regular aid projects came to a halt. According to the donors, as of 2001 the government's crackdown against political dissidents, the closure of the independent press and the expulsion of the Italian Ambassador to Eritrea were blamed as having provoked and fuelled a tense relation with donors.

Moreover, Eritrea's relationship with the international community continues to be influenced by a series of historical and actual factors such as by the government perceived lack of support and recognition during the country's thirty-year struggle and the ongoing border conflict with Ethiopia; the perceived interference in the country's internal affairs; concerns over human rights abuses; the lack of transparency in public finance (no publishing of national budget); and the overall lack of political process.

Under these circumstances, donors find it difficult to conduct an effective dialogue with the Eritrean government on a variety of political and technical issues. A number of donors restricted their activities to humanitarian assistance or have stopped new commitments altogether or even left. Denmark closed its embassy in 2002 and USAID was requested to leave in 2005 by the Eritrean government. The 2005 NGO proclamation of registration has drastically reduced the number of NGOs, particularly international ones making it difficult for donors to continue their activities through NGOs.

2.2 Involvement of the four donors

2.2.1 Denmark

Aid volume

The Danish development cooperation with Eritrea started in 1993 and granted it the status of programme country that same year. Danish support to the RRPE[4] during 1992–1994 should be considered as the first link in Danish bilateral development cooperation in Eritrea. In 1996, the agriculture and education sector were selected as priority sectors for Danish development cooperation[5]. In 2001, Eritrea and Denmark signed an agreement to develop the legal sector.

Denmark was the main donor to provide support to the education sector. In 1996 the two countries agreed in principle to a 13-year programme consisting of a three-year pilot phase to be followed by two five-year phases (1 & 2). The pilot phase had a budget of DKK 80 million and phase 1 amounted to DKK 267 million (total DKK 347 million or about US$ 50 million[6]). Both phases were completed. Phase 2 never materialised because of Denmark's exit decision.

In 1996, a similar agreement for the agriculture sector was also signed, envisaging two five-year phases. Only the first phase was completed. Total assistance to the sector (including some smaller projects) amounted to DKK 175 million or about US$ 25 million from 1996 till 2002.

The agreement to support the legal sector amounted to DKK 100 million or about US$ 16 million. The original planned support was for the period 2002–2005. The Danish support was abruptly stopped in October 2003 with only DKK 27 million having been spent (US$ 4 million).

In 1996, Danish bilateral aid to Eritrea amounted to DKK 25.4 million (US$ 4.3 million) to gradually increase to DKK 64.9 million in 1999 (US$ 8.8

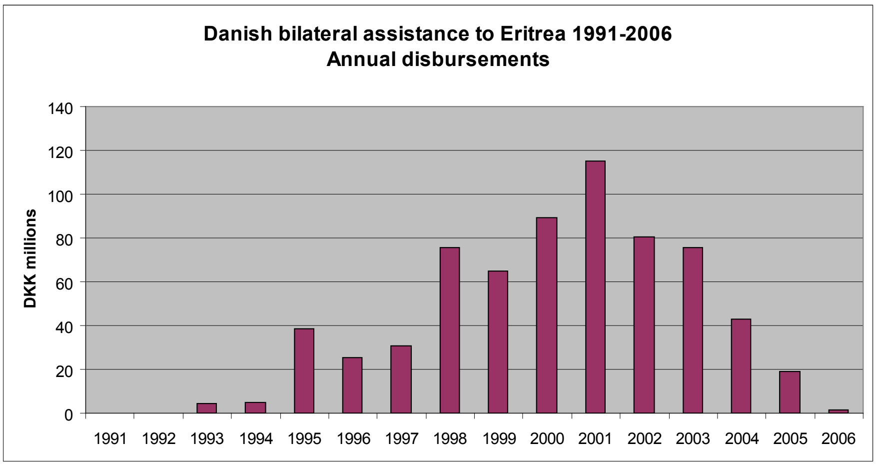
[4] RRPE or Recovery and Rehabilitation Project for Eritrea. In the period 1992-1994, international development assistance was allocated almost exclusively within the framework of the RRPE.

[5] Eritrea, Strategy for Danish-Eritrea Development Cooperation, Ministry of Foreign Affairs, Danida, November 1996.

[6] Exchange rates used are presented in Annex 3 of this report.

million) to DKK 115.3 million in 2001 (US$ 13.6 million). In fact, it largely reflects the amounts disbursed for the above mentioned sector support programmes. After the 2002 exit decision, Danish bilateral aid decreased rapidly (see Figure 2.2).

Figure 2.2 Danish bilateral assistance to Eritrea 1991–2006 (Values in DKK millions)



Source: Ministry of Foreign Affairs, Statistical Office

Country Strategy

In 1996, Denmark formulated an ambitious strategy for its aid involvement *"to contribute substantially to sustainable poverty reduction in Eritrea by means of support to the long-term development of the country's economic base and human resources"*[7]. Danish development assistance to Eritrea would concentrate on few sectors as [aid] resources are limited and priorities must be made. According to this strategy, the Government of Eritrea (GoE) requested that the Danish-Eritrean cooperation should then concentrate on agriculture and education.

For agriculture sector support, the Danish cooperation would focus on strengthening Eritrea's internal capacity to administer a sector programme whereby the Ministry of Agriculture (MoA) would be responsible for the planning and implementation of the agricultural development activities. The programme would start in 1996 for a period of five years, with the aim to create the foundation for designing long-term Danish support to the agricultural sector in Eritrea; possibly in terms of several five-year phases.

For education sector support, the Danish cooperation would focus on the development of human capital resources in Eritrea with a major part of the programme budget going to capacity building, technical and vocational education, and training and curriculum development (over 60% in total). The programme would start with a pilot phase running for the period 1996–1998, expected to be followed up by two five-year phases.

In contrast with the two above mentioned sector support programmes, with a clear strategy of long term support, the Danish support to the legal sector was programmed to be fully implemented after four years.

The Danish-Eritrean development cooperation took an unexpected turn in January 2002 when Denmark announced that its embassy would be closed and the bilateral development assistance would be discontinued subject to respecting existing government-to-government agreements. Since the 2^{nd} phase agreement for support to the agricultural sector had not been signed the programme was discontinued in 2002. Support to the education sector was allowed to continue until 2005 – the end of the contract period – and was then

[7] Eritrea, Strategy for Danish-Eritrea Development Cooperation, Ministry of Foreign Affairs, Danida, November 1996.

terminated. Support to the legal sector was terminated in 2003, almost two years before planned. According to official Danish documents Eritrea did not deliver on its commitment to prepare a national strategy for the justice sector and was not prepared to implement recommendations for reform that had been developed.

2.2.2 Netherlands

Aid volume

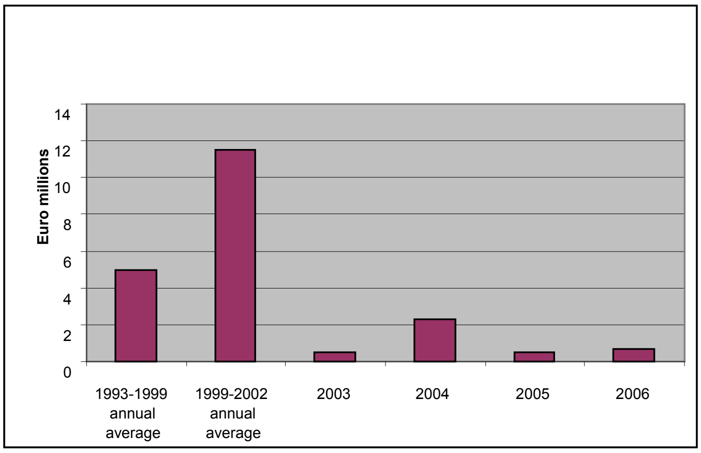
The Dutch development cooperation with Eritrea started in 1993 with support to the RRPE. Hence, development cooperation was mainly in terms of a wide variety of bilateral rehabilitation and reconstruction projects in demobilisation and training (police), agriculture, fisheries, etc, and emergency food aid. The total volume of Dutch aid during the period 1993–1999 was about € 35 million (or US$ 40 million)[8].

In 1999, Eritrea was granted partnership country status by the Netherlands, making Eritrea eligible for sector support particularly in the education and good governance sectors. Although preliminary talks were held on the scope and manner of sector support, financial commitments were put on hold mainly because of border war. Subsequently, the Dutch largely continued with the bilateral projects initiated during the period 1993-1999. Actual disbursements during the period 1999-2002 were almost € 46 million (or about US$ 55 million). A large part was used for emergency aid (almost 60%) through UN organisations (WFP, UNHCR, UNDP/UNICEF).

Dutch bilateral development budgets were around € 8 million each for 2003 and 2004, and € 5.2 million for 2005 (total of € 21.2 million). Actual disbursements were however to be much lower at € 0.5 million in 2003, € 2.3 million in 2004, and € 0.5 million in 2005. Hence a total of € 3.3 million disbursed or merely 16% of the aid committed for the period.

In 2006, the Dutch had further reduced their development assistance budget to about € 1.8 million but based on past performances, actual disbursements were substantially less; € 700,000[9].

Figure 2.3 Dutch bilateral assistance to Eritrea 1993–2006 (Values in Euro millions)



Source: Various reports, Ministry of Foreign Affairs

8 Source: Evaluation of EC support to the State of Eritrea, country level evaluation, Volume II (ECORYS, February 2006)

9 Source: Letter to Dutch Parliament concerning request from the Commission for Foreign Affairs on Eritrea, 14 August 2007

Country Strategy
For political reasons Eritrea was initially given the status of "rehabilitation country"[10]. This status suggested a temporary relationship between Eritrea and the Netherlands and subsequently no Memorandum of Understanding (MoU) was signed between the two countries. By granting Eritrea partnership country status in 1999, making the country eligible for sector support, it opened the way for first discussions on Sector Wide Approach (SWAP) and sector selection. Bilateral development relations were however put on hold until 2001 due to the war with Ethiopia. In 2001, with the ceasefire agreement in place, discussions on SWAP were resumed and the Eritrean government requested Dutch involvement in the education sector and good governance. Further discussions were put on hold again in 2002–2003 as there was no improvement in Eritrea's political situation as perceived by the international community.

Nevertheless, during the period 2004–2005, a start was made to support the education sector by linking with the large Education Sector Development Programme (ESDP). The GoE had developed this five-year programme and presented it to donors for discussion on 15 December 2003. The total budget of the programme was US$ 240 million. Starting up of the Dutch programme support was however delayed as the Dutch felt that the quality of the programme design could be further improved, particularly from the operational perspective (institutional assessment)[11]. Hence, no sector support disbursements were made.

In 2005, little progress had been made when it came to possible Dutch sector support (education), and by then also the course was radically changed by the Dutch under the new approach of *"not less development cooperation but different development cooperation"*[12]. Hence, the focus of Eritrea-Dutch cooperation was subject to strategic shifts. Firstly, the Dutch government wanted a shift from sector approach to good governance. Secondly, more (direct financial) support was to be provided through multilateral organisations and NGOs for programmes and projects with large financial needs and absorption capacity such as: water and sanitation, environment, reconstruction, and those which link with regional initiatives. However, an eye was still kept on the national educational programme (ESDP) for possible financing by the Dutch as Eritrea was still considered a partner country.

During the period 2005–2007, the Dutch new approach had not been successful. Very few activities were carried out under this approach as the policy environment in Eritrea kept on deteriorating and no good governance projects were started. Furthermore, to this day, Dutch support through multilateral organisations and NGOs has also been minimal or has come to a complete standstill.

2.2.3 Norway

Aid volume
In the 1990's, the Norwegian bilateral development assistance to Eritrea covered a broad array of smaller projects dealing with social and economic development, democratic development and natural resource management. In 1999, with the border war, Norway reduced disbursement on all regular govern-

[10] The then Minister of Development Cooperation, Mr. Jan Pronk, was not allowed to increase the number of partner countries by Dutch parliament at the time.

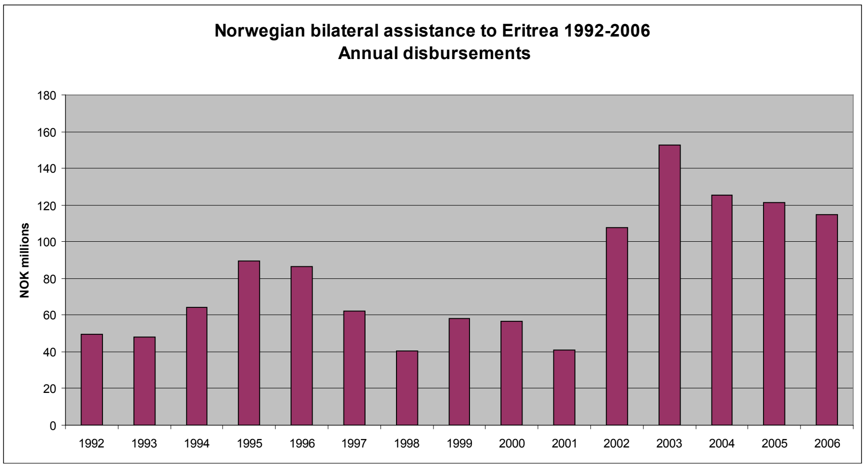
[11] Year report 2004 & year plan 2005, Netherlands Embassy, Asmara (page 1).

[12] The Dutch also believed that direct sector support was not feasible for the time being because of the risks involved due to, according to them, the lack of legitimacy such as: insufficient capacity of government and other national stakeholders to formulate and implement policies like the Poverty Reduction Strategy Programme –PRSP, of sector programmes such as the ESDP, insufficient political and economic governance, lack of effectiveness, etc. The GoE counteracted by stating that the basic challenge was the lack of adequate resources to implement the PRSP and the ESDP.

ment-to-government agreements. Funds were transferred to humanitarian aid. From 2000 onwards, Norwegian aid to Eritrea has been particularly on humanitarian aid and support for rehabilitation, and good governance.

Total Norwegian aid volume during the period 1993-2003 amounted to about US$ 100 million. Figure 2.4 shows that Norway reacted to the ceasefire agreement with raising its level of aid. A policy document prepared by the Norwegian Ministry of Foreign Affairs in 2001[13] laid down the principles that were to guide Norwegian aid involvement in the Horn; aid should be seen as an instrument for facilitating a close political dialogue with both Eritrea and Ethiopia. From 2004 onwards, yearly Norwegian aid to Eritrea has been relatively steady at some NOK 120 million (or about US$ 18 million) for bilateral projects[14] and humanitarian aid (about 50/50 share).

Figure 2.4 Norwegian bilateral assistance to Eritrea 1992–2006 (Values in NOK millions)



Source: Norad, Statistical Office

Country Strategy

Norwegian NGOs (especially missionary organisations and Norwegian Church Aid) have had a long relationship with Eritrea that already started before the country's independence. Norway started its bilateral development assistance in 1992 with support to the RRPE, to progress until 2002 with a wide range of bilateral development projects in the field of telecommunication, mineral resource mapping, hydrocarbon exploration, human resource development in education and agriculture, statistics, health, etc. Noted is that Norway has no partnership agreement with Eritrea.

During the period 1998–2001, bilateral development assistance was reduced to almost pre-1994 levels due to the border war but still with a major part (2/3) in the form of government-to-government cooperation. In 2002, while taking a lead role in resolving the security issue in the Horn of Africa[15], the Norwegian bilateral assistance was to contribute to *"Peace, reconciliation and stability"* and "*Democracy, human rights and good governance"*. Hence, the major focus of Norwegian assistance was to be on humanitarian aid and support for rehabilitation, covering cooperation within agriculture, reproductive health, statistics, etc. To date these are the main areas of support of Norway to Eritrea.

13 "Rapport og anbefalinger fra samordningsgruppen for norsk bistand til Etiopia og Eritrea", 30 June 2001.

14 Related to institutional support and capacity building, women's rights, HIV/AIDS, etc.

15 Norway was at the time a member of the Security Council (2001–2002).

Due to the extraordinary situation in Eritrea, the Norwegian support is not based on sector approach but rather on direct programme and project support, and most agreements are of short-term duration. Since 2003, only a minor part of the total assistance is in the form of government-to-government cooperation. Most of the Norwegian aid is channelled through (UN) multilateral organisations (90%) with the remaining part through NGOs.

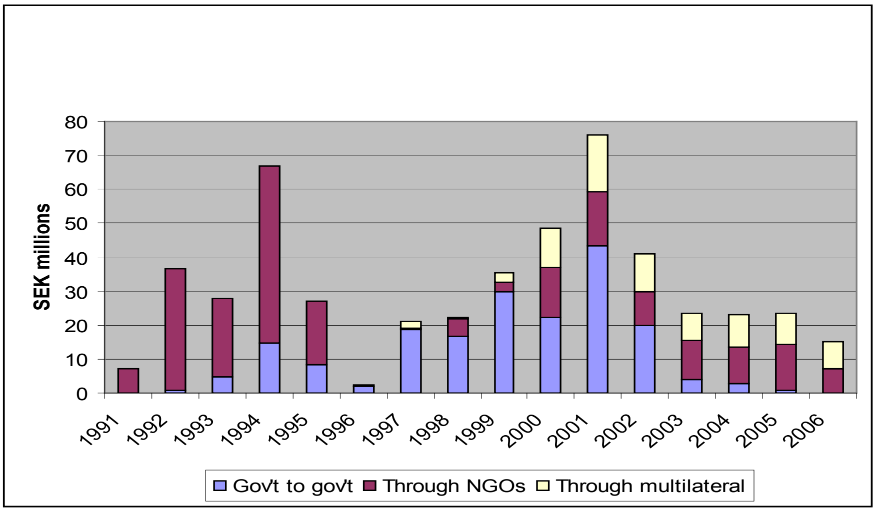
2.2.4 Sweden

Aid volume

Swedish assistance to Eritrea was mainly funded through disaster relief grants in 1992-1994 (estimated total of about SEK 130 million or US$ 18.3 million). From 1997 till 2001, Swedish aid to Eritrea steadily increased from SEK 20 million to about SEK 75 million (US$ 7 million) with a focus on energy, education, research and public administration.

Starting in 2002 however, Swedish aid strongly dropped to an average of SEK 20 million a year with most of the funds now being channelled through an NGO, Norwegian Church Aid, mainly for humanitarian assistance (figure 2.5).

Figure 2.5 Swedish bilateral assistance to Eritrea 1991–2006 (Values in SEK millions)



Country strategy

Soon after Sweden started its bilateral relations with Eritrea 1992/1993, Swedish aid (disaster relief grants) was frozen in 1994 because of disagreements over an asylum question concerning Eritrean refugees between the two countries. The freeze ceased in 1996 which set the stage for the development of a country strategy.

The country strategy was largely guided by Eritrea's lack of political plurality and was therefore limited to a two-three year period. On the basis of the strategy a MoU was signed on September 24, 1997 between Sweden and Eritrea, and was valid until December 31, 1998. In January 1999, the MoU was extended for another year and again for another year in January 2000.

The 1997 country strategy explicitly emphasized Swedish support to energy, education, research and public administration in the form of bilateral development projects. Overall the implementation of the Swedish bilateral development projects has been slow except for the research sector.

The fact that a Swedish journalist (of Eritrean origin) is still kept in prison in Eritrea has led to a fast deterioration of bilateral relations. Sweden made an attempt to shore up its bilateral relations with Eritrea with a special (nine-month) mission in 2002 by a newly appointed Stockholm-based ambassador to Eritrea. The two governments could not reach an agreement on the imprisoned journalist and Sweden decided to wind up bilateral aid cooperation, including the funding of the very active cooperation between Asmara University and Swedish universities. Disbursements under state-to-state agreement had slowly come to an end by 2005, while Sweden still retained some funding (mainly humanitarian assistance) through NGOs and UN organisations.

A final note is that Sweden has retained its ambassador to Eritrea (in Stockholm) and Eritrea has an embassy in Stockholm, but political relations are far from cordial with Eritrea viewing Sweden as a long-term friend of Ethiopia.

2.3 Conclusions

Based on this overview of the main developments in Eritrea and the involvement of the four sponsoring countries in Eritrea with its respective aid volumes and strategies, the following main conclusions can be drawn:

1. For the first years after Independence, as with many post-conflict countries, the economy of Eritrea was characterised by relatively high economic growth and macroeconomic stability;
2. Compared with total aid (grants) provided to Eritrea of about US$ 1.4 billion during 1993–2005, Norway, the Netherlands and Denmark have provided modest levels of support to Eritrea. Total disbursement by these three donors during the period was about US$ 320 million or 23% of total aid, with Norway taking the lead at an estimated US$ 140 million in total. Initially, actual deviations from ODA commitments have been minor but have increased after 2001;
3. Swedish support to Eritrea had been comparatively minor with actual total disbursements at about US$ 40 million during the period 1993–2005. Actual deviations from Swedish ODA commitments have also been minor;
4. Both the World Bank (loans) and the US (grants) have been major players in providing financial support to Eritrea. Total financial support of these two entities during 1993–1995 was about equivalent to total support of all EU member countries combined, including the EC (about US$ 1 billion);
5. Of all four donors, Denmark was the only donor with a clear partnership agreement with Eritrea by actually providing broad-based support to its agriculture and education sectors;
6. The war with Ethiopia not only reversed many of the macro-economic gains that had been achieved by Eritrea, it also created a serious set-back in maintaining bilateral relations with the four donors;
7. Donors find it increasingly difficult to conduct an effective dialogue with the Eritrean government on a variety of political and technical issues, and together with the decision to limit activities of foreign (and national) NGOs, this has much contributed to the scaling down or outright discontinuation of overall bilateral aid by the four donors. However, GoE officials feel that donor decisions are conditioned mainly by political rather than technical factors;

8 Concerns of bilateral donors regarding the internal political and human rights situation as well as the lack of a published budget and a formal Poverty Reduction Strategy Paper (PRSP) remain to this day. Noted is that these concerns are not necessarily shared to the same degree by the International Financial Institutions (IFIs) such as the WB and AfDB, or even the EC, which have largely maintained their financial support to Eritrea.

Chapter 3

Analysis of country exit decisions and planning

3.1 Aid policy of Eritrea

3.1.1 Focus on equal partnership and self-reliance

Eritrea formulated in 1994 a policy governing bilateral cooperation in the field of development, emphasizing long term bilateral relations on a partnership basis[16], whereby the donors are to work as catalysts with financial and technical support and be supportive of the country's development process. This sentiment is clearly expressed in the 1995 Agreed Minutes from consultations between Eritrea and Denmark:

> "… the Head of the Eritrean delegation … gave an outline of the policies governing Eritrea's cooperation in the field of development. He stressed that Eritrea did not believe in the traditional donor-recipient relationship. Both sides had something to gain. There is no free meal. If donors were to operate in Eritrea it should be on a partnership basis. We cannot impose a relationship upon others and we do not want others to impose a certain relationship upon us, the Head of the Eritrean delegation said. Relationships should be two-sided as is the one with Denmark."

The focus would be on sector support with the GoE being fully responsible for the development of sector policies and strategies, as well as programme implementation. Hence, a strong involvement of long term [external] technical experts is not favoured – also because of reasons of sustainability of development efforts. The long term objective (=<10 years) of the GoE's policy on development cooperation, and to be considered as an exit strategy, is to move from dependency on grant assistance to normal economic cooperation, including trade, investment, etc. In January 1998, the GoE expressed its concern over aid dependency and requested that grants be replaced by loan facilities, together with the reduction of external consultancies in favour of equipment and supplies.

3.1.2 Policy on NGOs and donor coordination

Regarding NGOs (foreign and local), the GoE does not see a major role for NGOs in the country's development efforts[17], and does not consider NGOs a

[16] Eritrea's "Partnership in Development", GoE, 1994.

[17] This was also clearly expressed during the annual consultations on development cooperation in 1995 between Eritrea and Denmark.

part of Eritrean civic society[18]. Rather, strong community participation with the creation of community-based organizations would be the main instrument for overall development.

Eritrea's policy on donor coordination is mainly based on a government-individual donor basis, although it does not exclude occasional meetings between government and various donors[19] or joint sector reviews under Eritrean leadership.

3.1.3 Lacking overall government policy

Although line ministries have produced a wide range of policy papers since 1994[20], these papers have yet to be formally ratified by Government (Cabinet). This in turn prevents line ministries from preparing Operational Plans (OPs) with clear medium and long term planning, activities and expected results, specific budgetary allocations and manner of financing these plans (government and donor).

Eritrea's development policies are reflected in the stated objectives of the (interim) Poverty Reduction Strategy Paper (PRSP), which are to attain rapid, sustainable, widely shared economic growth and reduction of poverty in an environmentally sound manner; led by a dynamic private sector. The strategy focuses on: (i) achieving macroeconomic stability and growth; (ii) attracting private sector investment and expanding exports; (iii) ensuring food security; and (iv) investing in human resource development with a priority on education and health. However, past and current actions in Eritrea show that the stated objectives are not being followed, particularly in relation to private sector development and macroeconomic stability[21].

The above described developments have left donors with no clear direction on overall government policy, especially when it comes to:

- Transparency in public sector policy and operations;
- Structural reforms in priority sectors and the establishment of a realistic framework for the medium term;
- Alleviation of poverty and the containment of deterioration in rural livelihoods.

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[18] As stated during the annual consultations in 1997 between Eritrea and Denmark.

[19] In February 2004, the GoE and partners agreed to establish a technical committee, including experts from Italy, the Netherlands, Norway, AfDB, EC, UNICEF, and the World Bank with a view of strengthening the collaboration between GoE and partners and to accelerate program implementation. The technical committee will provide key inputs to GoE on relevant sector issues, including capacity building, harmonisation and simplification of procedures, and the development of a comprehensive financing framework. The committee would be chaired by the Minister of National Development. However, in 2007 the responsibility of the Ministry of National Development to coordinate with donors, has been transferred to the Ministry of Finance. It is not known, as donors have yet to meet with the Ministry of Finance, if Finance will also chair the technical committee meetings or even wants to pursue such meetings.

[20] Macro Policy Paper (1994), the 1991/94 Investment Codes, the National Economic Policy Framework and Programme (1998) and the Transitional Economic Growth and Poverty Reduction Strategies (2001). An interim Poverty Reduction Strategy Paper (i-PRSP) was issued by the GoE in April 2004. This paper was produced in tandem with a combined Food Security Strategy (FSS) and associated Household Food Security Strategy (HFSS) document (2004). In 2005, a National Agricultural Development Strategy and Policy document was produced.

[21] Current economic activity is characterised by increasing government intervention and domination of the economy by state and party owned enterprises. As stated by the World Bank, also the perceived investment risks remain high due to the unresolved border settlement with Ethiopia and changes in the internal policy environment, which has led to the imposition of strict controls on private activity. Owing to heavy government borrowing to finance the war and to maintain a high state of mobilisation, the budget deficit (including grants) ballooned, inflation increased sharply, and domestic borrowing has soared. At the same time, Eritrea became increasingly indebted and aid-dependent as a result of post-war reconstruction costs and the need to import food. These macroeconomic problems persist to this date (World Bank, Interim Strategy Note, March 10, 2005).

3.1.4 Recipient and donor induced factors causing aid fluctuation

In table 3.1, the principal factors that have impacted on aid disbursement levels of the four bilateral donors are described. Some of the factors are recipient-induced, others by donors. Almost all factors can be classified as political. Very few are considered technical.

Table 3.1 Recipient and donor-induced factors to scaling down bilateral development cooperation in Eritrea (covering the four bilateral donors)

Year	Induced Factors	By recipient or donor	Bilateral Donor scaling down	Type of Scaling down
1995	Asylum Eritrean Refugees in Sweden	Recipient/ donor?	Sweden	Freeze of Swedish Aid
1998	Border war breaks out	Recipient	Sweden	No agreement signed (support administration sector)
2001	Set back democratic development[22]	Recipient	All four donors	Ban on new commitments
2002	The new Danish government decides to cease Eritrea's status as programme country. Closure Danish Embassy	Donor	Denmark	Stop sector support Agriculture. Continuation sector support Education till 2005. Continuation support legal sector till 2003.
2002	Special mission (nine months) by Ambassador Folke Lövgren to develop further cooperation with Eritrea	Donor	Sweden	Results of this mission. Inconclusive about Swedish support.
2002	Swedish journalist kept in prison	Recipient	Sweden	Termination of bilateral relationships
2003	Slight improvement political situation	Recipient	Norway, the Netherlands	Start new commitments. Norwegian support not based on sector approach.
2004	Education sector development programme declared qualitatively insufficient	Donor	The Netherlands	Shift sector approach education to good governance. Shift Eritrea to Good Governance partnership country.
2006	Deterioration development assistance environment. Relation between Eritrea and international community under pressure	Recipient	The Netherlands	Setting up Good Governance projects not successful. Shift support via UN and international NGOs.
2007	None		Norway, The Netherlands	Continuation few development activities via UN and NGOs

Source: Interviews, documents (annual reports, programme completion reports, various donor memos, etc.)

[22] The political situation led to a crisis in the relationship between the EU and Eritrea in October 2001. EU partners decided on a ban on new commitments until clear improvements in Eritrea's political situation.

3.1.5 Building up of aid during the period 1993–2001

During the period 1993–2001, the four donors continued to build up their country aid programmes in Eritrea, some did it steadily; others more like "roller coasters[23]". Even the border war in 1998–2000, with the exception of Norway's freeze, was not reason enough for donors to scale down their bilateral development cooperation in Eritrea. In fact, the Danish support to agriculture and education sectors simply continued and support to the education sector was completed in 1999 (pilot phase), and a new phase (Phase 1) was approved for 2000–2005 in 2000[24].

Implementation of the Danish agricultural sector support programme was somewhat disrupted during the time but managed to be completed in 2001 (Phase 1). Partnership with the MoA was strong during programme implementation. Hence, in 2001/2002 the planning of a new phase (Phase 2) was completed and approved[25] for Danish support. However, it did not manage to reach the final signatory stage as the Danish government decided to cease Eritrea's status as programme country as of 2002. Albeit with some disruptions, other donors like Norway and the Netherlands continued their bilateral development activities in Eritrea.

3.1.6 Serious scaling down during the period 2001-to date

Serious scaling down of bilateral development cooperation started in 2001, with the exception of Norway, because of factors induced by Eritrea as perceived by the donors and continues to this date. Both Denmark and Sweden pulled out although Denmark honored its agreement with Eritrea on support to the education sector (signed July 13, 2000) till 2005. The Danish support to the legal sector (agreement signed in June 2001) for four years (2002–2005) was cut short to October 2003[26]. As previously mentioned, further Danish support to the agricultural sector (Phase 2) was terminated in 2002.

The Netherlands drastically scaled down their bilateral development cooperation from sector support to good governance (failed) to simple co-funding of UN and NGO programmes on a small scale. Not in for a sector approach, Norway's yearly funding of projects that contribute to "Peace, reconciliation and stability" and "Democracy, human rights and good governance, mainly through UN organizations , remained largely unchanged.

3.2 The scaling down: reaction and lessons learnt by Eritrea

Reaction of the GoE

When quizzed about their reaction on the scaling down of development cooperation, particularly during the period 2001-2007, the GoE authorities found the exit processes of the donors highly unsatisfactory. In particular the exit of Denmark was sudden and caught Eritrea totally unprepared.

Therefore, the exit of Denmark was considered a breach of trust and found to be unethical by Eritrea. Denmark was considered to have achieved a "true partnership" with Eritrea with its relatively long and large interventions in the agriculture and education sectors, and very good working relationships with the GoE. Considering that since 1996 the Danish have had long term intervention in the education and agricultural sector (with several five-year phases

[23] Not meant to be derogatory remark but except for Denmark, donor support could be subject to yearly violent fluctuations as demonstrated in Chapter 2 (especially Sweden). Hence, it is of no small surprise that the GoE was rather sceptical when it came to donors advocating partnerships.

[24] Just in time as in 2001 all four donors placed a ban on new commitments.

[25] Board approval Danida.

[26] No specific reason was given for the termination. In a 2003 completion report on the Danish legal sector support, the cutting short of the project period was due to "unforeseen circumstances" (page 3).

in the planning), the GoE authorities felt that the Danes had a "moral obligation" to continue their bilateral relations with Eritrea. There was no rationale behind the Danish exit according to them.

What has really affronted the GoE authorities is that regarding the Danish support to the agriculture sector, there were no consultations whatsoever between the GoE and Denmark about its discontinuation of support ("there have been no talks at all").

Regarding the Danish exit from the education sector (first phase in 2005), the GoE reaction was much less strong as most of the sector components covered by the Danish in education are to be continued with support from WB, the AfDB, the EC and the GoE[27].

Concerning the exit of Sweden in 2002, there was no reaction[28] as Sweden was never considered a major player and consequently its exit had little consequence for Eritrea.

Although very appreciative of their long bilateral support (both since 1993 and before), both Norway and the Netherlands are considered minor players by the GoE when it comes to sector support. Nevertheless, the GoE authorities remain uncertain about the specific reasons of scaling down by the Netherlands as there have been no formal consultations between the GoE and this donor[29].

Capping the above described developments, Eritrea's relationship with the international community has gradually deteriorated since 2001. At the moment, and in the point of view of Eritrea, the poor relationship is largely shaped by a number of historical and actual factors such as:

- Lack of support and recognition regarding the country's 30-year struggle for independence and the current border conflict with Ethiopia by donors;
- Too much donor interference in the country's internal affairs;
- Too much emphasis by donors on human rights, the lack of transparency of public financing, and lack of progress in Eritrea's transition to democracy.

3.3 Denmark

Exit decision

The exit decision of Denmark came with the change of government in 2001. The decision in Denmark in 2002 to reduce the aid budget (see box below) triggered a revision of the list of partner countries.

27 It concerns the financing of the Educational Sector Development Programme (ESDP) at a total cost of US$ 240 million. The ESDP was already in the making at the time the Danish withdrew their support from the education sector.

28 Although the GoE felt at times the Swedes to be dictating and condescending towards Eritrea.

29 Interesting to note is that the Netherlands was approached, together with the WB, to take the lead in providing support to the Education Sector Development Programme (ESDP). To date and according to the GoE authorities, there has been no formal communication from the Dutch why they have opted not to provide support to the ESDP.

2002: Change of Danish development cooperation policy

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

Denmark will also in 2002 rank highest concerning assistance to developing countries. This is the case even after the implementation of cuts in the appropriations for development and environmental assistance to developing countries to the tune of 1.5 billion Danish Kroner compared to the budget proposal of the previous government.

Countries receiving Danish development assistance must live up to basic principles of good governance. The review shows that some countries, but not all, live up to these principles. The Government will therefore:

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

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

The exit was sudden and unplanned and caught the GoE totally unaware as no signals were given by the Danes about terminating bilateral relations with Eritrea. Reasons given to the GoE by the Danes about the 2002 exit were cuts in development budgets and hence a reduction in partner countries. Why then the Danish embassy had to be closed was unclear to the GoE and signalled a political decision from the Danes. Indeed, the official proclamation of the exit decision (in Danish) mentioned the lack of democratisation and economic liberalisation as the main reasons for terminating the aid partnership. Notwithstanding this, it was acknowledged that the development cooperation had been satisfactory.[30]

The GoE did not contest the decision of the Danish government to exit and merely considered it as a *"fait accompli"*, especially with the closure of the embassy. However, in February 2002, the chief advisor of the Danish agricultural sector support programme sent a letter to the Danish authorities protesting the exit decision without any consideration for a structured withdrawal of Denmark's engagement in the Eritrean agricultural sector. The official response given, if any, is not known by the evaluators.

Regarding the other large sector programme where Denmark was involved, the education sector, although Phase 1 of the programme was well on its way since 2000, officials of the Ministry of Education did become quite anxious about Denmark's exit decision, and the Minister of Education travelled to Denmark for clarifications in 2002. Denmark decided not to invoke the termination clause in the programme agreement (allowing for a unilateral decision to terminate by any party with six months notice) and the agreement signed in 2000 for five years was completed. The evaluators were informed that under this agreement, several large contracts were made with construction companies (building of schools) and local and foreign printing companies (educational materials). Cancellation of these contracts would have caused legal ramifications for both Denmark and Eritrea. Also, several scholarships and consultancy services were granted under the agreement, making an early termination quite difficult and costly.

Exit planning

There has been no exit planning by Denmark. The continuation of support to the education sector till 2005 and the legal sector till 2003 was based on avoid-

30 'Redegørelse for Regeringens Gennemgang af Danmarks Udviklings- og Miljøsamarbejde med Udviklingslandene', Ministry of Foreign Affairs, Copenhagen, 29 January 2002.

ing possible legal ramifications (third parties such as subcontractors and the like). There have been no consultations with the GoE regarding the Danish exit from Eritrea.

Actor analysis

The Danish bilateral cooperation from 1993 till 2002 with Eritrea was considered as outstanding by the GoE and an example of true partnership. With its support to the agricultural sector, the Danes provided a sort of "mini" budget support to the Ministry of Agriculture (of over 40% of the Ministry's budget) with the Ministry being responsible for the programme's implementation. Support from long term foreign technical advisors was kept to a minimum. A Chief Advisor was attached to the Ministry acting as liaison between the Ministry and Denmark.

Likewise, the long term Danish support to the education sector (1996–2005) was considered to be equally of true partnership with the Ministry of Education (MoE) being largely responsibility for programme implementation, and with minimal intervention from foreign technical advisors. An added benefit of Denmark's intervention in the education sector is that it likely provided leverage for funding from the WB and AfDB for the next generation of education sector support; the Education Sector Development Programme (ESDP).

In sum, the Danish bilateral cooperation since 1993 till 2002 had generated much good will in the eyes of the GoE authorities and was cited as a good example of how bilateral partnerships should be. It goes without saying that the sudden withdrawal of Denmark from Eritrea had created much unease and distrust with the GoE when it comes to creating partnership agreements with (bilateral) donors.

3.4 Netherlands

Exit decision

To date, the Dutch have not made an exit decision. On 16 October 2007, with the incoming new minister for Development Cooperation, the Netherlands Ministry of Foreign Affairs presented a policy document regarding future assistance to developing countries to the Dutch parliament for deliberations. In the document it was proposed to phase out assistance to Eritrea within four years as it is considered as one of the exit countries in the new Dutch bilateral aid policy.

Since 2002 the Dutch have scaled down their support to Eritrea but this is considered to be more circumstantial[31] than being part of a planned exit strategy to be consistent with the established principles for development partnerships. This is reflected in that every year plans are drawn up by the Dutch with objectives, (planned) activities and results but without any clear indication of an exit strategy. In January 2005, a multi annual strategic plan was presented confirming that the Dutch should continue their significant policy shift in 2004 from sector support[32] to good governance. This shift was found necessary due to the lack of economic and political reform in Eritrea. The strategic plan was a result of a workshop held in Eritrea with (Dutch) embassy staff, representatives from the Netherlands embassy in Ethiopia and three staff members from the Ministry of Foreign Affairs/Development Cooperation in The Hague. There was no involvement of GoE authorities in the development of this strategic plan.

[31] Meaning that the Dutch opted for short term programme/project support instead of structural long term sector support; pending economic and political circumstances/improvements in Eritrea at the time.

[32] Support to the Education Sector Development Programme (ESDP).

To this day, the Dutch have not managed to set up good governance projects and had again shifted their policy from *"not less development cooperation"* to *"different development cooperation"*. The difference would be in working more with UN organisations and NGOs (instead of directly with Eritrean line ministries) with programmes and projects that have large financing needs and absorption capacity such as water and sanitation, environment and rehabilitation, and those that link with regional initiatives. However, according to the established principles for development partnerships, this shift in policy was neither communicated nor agreed upon by the partner country, and can therefore not be considered as part of a full-fledged exit strategy.

Actor analysis
The Dutch have not been successful in creating a true partnership with Eritrea. Several factors have played a role for the Dutch not being able to achieve this. Some are political (the lack of political and economic governance), others on concerns from the Dutch side on the lack of capacity of government and other national stakeholders to formulate and implement policies like the PRSP (Poverty Reduction Strategy Paper[33]), sector programmes (ESDP), etc. , with subsequent risks of non-compliance by the GoE.

3.5 Norway

Exit decision
No decision has been made by Norway to phase out from Eritrea.

Actor analysis
From the very start of its bilateral relations with Eritrea in 1993, Norwegian support has never been based on sector support or a partnership agreement. Instead the Norwegians opted for direct programme and project support mostly through UN organisations, little through NGOs (10%).

One reason why Norway opted to adopt such an approach is attributed to the perceived difficult behaviour of GoE when it comes to political and economic governance (although Norway claims to have a very open political dialogue with Eritrea), making government-to-government cooperation difficult. By working mainly through UN organisations, the risks of non-compliance by the GoE in programme implementation are believed to be minimized.

3.6 Sweden

Exit decision
The exit decision of Sweden came in 2002 when no progress was made in solving the issue of the imprisonment of a Swedish journalist since 2001. Sweden later made an attempt to shore up its bilateral relations with Eritrea with a special (nine-month) mission in 2002, but it came to naught.

Exit planning
There was no exit planning by Sweden. All bilateral relationships with Eritrea were stopped by 2002.

Actor analysis
Since 1993, Sweden's bilateral relationship with Eritrea has been troubled with many ups and downs. Sweden never had a true long term partnership agreement with Eritrea. Its relationship remained limited to one-year "renew-

[33] The PRSP is still in the making. There is an Interim PRSP for Eritrea.

able lease" on bilateral development support based on a yearly prolongation of the MoU. Consequently, government-to-government cooperation remained limited and most Swedish support was through NGOs.

3.7 Conclusions

Based on this analysis of exit decisions and exit planning by the four donors, the following main conclusions are drawn:

1. Since 1994 Eritrea has maintained a clear aid policy seeking long term bilateral relations on a partnership basis, with a clear long term objective to move from a dependency on grant assistance to normal economic cooperation by way of loan facilities. There has been no evidence of a revision of this aid policy to this date;
2. In contrast with the bilateral donor perception, the GoE does not see a major role for NGOs in Eritrea's development efforts in its aid policy. Increasing bilateral donor support through NGOs and their subsequent increase in numbers has played an important role in restricting NGO activities starting in 2005 by the GoE;
3. Although a wide range of sector and thematic policy papers have been produced by line ministries, so far none have been ratified by GoE, leaving donors with no clear direction on overall government policy and hence in providing sector support. Reasons for non-ratification are not known;
4. During the period 1993–2001, no donor exit decisions were triggered by factors induced by Eritrea. Serious scaling down started in 2001 to this date triggered by factors mainly induced by Eritrea as perceived by the donors;
5. Eritrea has found the exit processes of the three donors, Sweden, the Netherlands and Denmark, highly unsatisfactory. Especially the exit of Denmark was considered a breach of trust and found unethical by Eritrea as both parties had established a true partnership since 1996;
6. None of the four donors have developed clear exit strategies. The exit of Denmark has been sudden and totally unplanned without any formal consultations with the GoE ("there have been no talks at all"). Talks with Sweden did not result in the development of an exit strategy but rather in a decision for a "fast" exit by Sweden;
7. Hence, the main dissatisfaction is that the GoE is largely kept in the dark when it comes to specific exit decisions made (i.e. scaling down or discontinuation) by the donors. Is it political or technical?
8. Important lessons learnt by the GoE are that of having clear and binding agreements, involving more than one donor in large sector support programmes (spread the risk), and having better communication with donors contemplating exits.
9. Finally, a major issue with the GoE is that donor exits should be mainly based on development merits and not on political ones. Even if a politically motivated exit is contemplated by a donor, it should take into consideration the financial and technical (development) implications of such an exit.

Chapter 4

Analysis of exit consequences

The consequences of exits can be studied at different levels. According to the evaluation methodology (Chapter 1) first analyzed are the consequences for the bilateral relations at macro level and then for selected case studies at country level. These case studies for Eritrea focus on exits from specific Danish aid interventions.

4.1 Change of bilateral relations

For all four donors bilateral relations with Eritrea were initially formed by the political imperatives to support the newly independent nation state. In all countries, but some more than others, this political justification for aid is rooted in ties with the EPLF[34] developed during the independence struggle. With the deterioration of the security situation in the Horn of Africa, relations with Eritrea have increasingly been seen in a wider regional perspective. None of the four donors has any trade relationships to speak of and hence development cooperation is the *sine qua non* for the bilateral relationship.

This is typical for many partner countries of the four donors, but the case of Eritrea, as this study illustrates, represents an extreme example of aid volatility due to political interference. In the case of Sweden it started already in 1996 with the asylum dispute, whereas Norway imposed a serious reduction on disbursements in 1999 when the border war broke out.

According to the donors, major changes in bilateral relations came after 2001 triggered by a setback in democratic development in Eritrea. In September 2001, they alleged, a number of PFDJ[35] party members called for the implementation of the constitution (ratified in 1997 but yet to be implemented) and the holding of elections. The GoE reportedly instituted a crackdown resulting in the arrest of 11 dissidents. At the same time, the GoE reportedly shut down the independent press and arrested its reporters and editors. A subsequent political dialogue between the EU and the GoE became so tense that the Italian ambassador, then the local EU chairman, was expelled. In October 2001, the EU member states and the EC decided to freeze their support with a ban on new commitments. The ban was contested by GoE as there was no legal basis to do so according to the Cotonou agreement[36]. Eventually the ban was lifted in May 2003 although the internal political situation had not improved or only slightly.

[34] Eritrean People's Liberation Front.

[35] The sole political party in Eritrea: the People's Front for Democracy and Justice (PFDJ).

[36] The procedures of article 96 of this agreement were not followed, which states that "if despite the political dialogue (…) a Party considers that the other Party has failed to fulfil an obligation stemming from respect for human rights, democratic principles and the rule of law referred to in paragraph 2 of article 9, it shall (…) invite the other party to hold consultations that focus on the measures taken or to be taken by the Party concerned to remedy the situation".

In 2002, two donors decided to terminate bilateral aid relations with Eritrea: Denmark and Sweden. Denmark totally phased out ongoing support programmes by 2003 and 2005 (legal sector and education), and also closed its embassy in Asmara. Sweden made an effort to develop new areas of cooperation and appointed a Stockholm-based ambassador to Eritrea to rekindle political relations[37], but this came to naught.

The two other donors, the Netherlands and Norway, maintained bilateral aid relations. Whereas there has been serious underspending and subsequent scaling down of the bilateral aid budget by the Dutch (who also tried to change their strategy of cooperation[38] but to no avail), Norway responded to the 2001 ceasefire agreement by doubling aid disbursement and to opening an embassy in 2002. There has been a constant political commitment to keep aid at the same level, but due to practical obstacles in aid management, aid disbursement has started to gradually decrease.

From the point of view of the GoE, only the exit decision by Denmark bore consequences at the macro level in terms of policy implementation. As mentioned earlier, since 1994, the GoE was keen to establish long term bilateral relations on a partnership basis with a focus on sector support. Except for Denmark, the other three donors have never managed or wanted to establish (Norway and Sweden) such a partnership. The Dutch were invited to do so by providing support for the Education Sector Support Programme (ESDP), but eventually declined.

Considered as a partner fully in line with Eritrea's aid policy, the Danish withdrawal came as a shock and had significant consequences for Eritrea to implement its agricultural development policy by way of severe set backs (see further case study in 4.2). For the continued implementation of the Eritrea's educational programme, the consequences were much less severe (see further case study in 4.3) as the programme is largely taken over by the WB, AfDB and the EC.

Reviewing aid disbursement patterns and negotiation processes of the four donors (and other donors as well) one sees a pattern of extreme aid volatility and unpredictability. This cannot only be blamed on genuine problems for which GoE must carry the responsibility, being fully aware of the risk of jeopardising donor relationships, but it is also a reflection of a certain aid policy paradigm; that aid is an effective instrument in influencing recipient governments – by carrot or stick. This view is clearly expressed in an internal report of the Norwegian MFA advising on aid to Ethiopia and Eritrea: "Holding back aid by the international community, according to most observers, has likely contributed to bringing Ethiopia and Eritrea to the negotiating table on the border conflict" (evaluators' translation).

4.2 Danish support to the agricultural sector

Background

Notwithstanding the rather small contribution of only 12–15 percent to the GDP, agriculture is still the most vital sector in Eritrea[39]. The crop and livestock sector together employ the vast majority of the population and provide the basis for food security. Eritrea's crop productivity continues however to be

[37] Sweden never had an embassy in Eritrea but an Honorary Consul instead. Relations were handled from Addis Ababa to the dislike of Eritrea. Starting from 2002 till now, Sweden has appointed a Stockholm-based ambassador for Eritrea

[38] By way of a policy shift from sector support to good governance in 2004.

[39] The service sector constitutes over 60% of the GDP since independence with the industrial sector at about 24%.

low because of the country's erratic rainfall regime, the use of outdated cultivation methods and only limited use of agricultural inputs[40].

According to World Food Programme (WFP) reports, in 2005, 2.3 million people required food aid either for limited periods or for the entire year. For the same period, cereal import requirements were an estimated 422,000 MT or almost 65% of total utilisation. About two-third of the population is considered poor and more than one-third extremely poor, living below the food poverty line of 2,000 calories per capita per day[41]. It is reported that malnutrition ranges from 13–20% which is higher than the WHO cut-off rate.

Livestock is an extremely important sector of the rural economy, especially in the more arid areas of the country. It plays an integral part of the agricultural activities of the smallholder farmer. Its contribution to the GDP has however steadily decreased. The decreasing trend is mainly due to inadequate precipitation, lack of suitable grazing land and overall environmental degradation. No precise information is however available on the livestock population. MoA estimates that to date the herd may number a total of some 8 million animals.

4.2.1 Danish involvement in the agricultural sector before the exit

The Danes have been working with the GoE in the agricultural sector since 1993 with several stand alone (pilot) projects. They had to deal with a weak institutional setting and with little experience in managing bilateral partnerships within the (very young) Ministry of Agriculture (MoA). In 1995, a first start was made in the development of a more comprehensive sector support programme, the Agricultural Sector Support Programme (ASSP), implemented by MoA. The total budget of the programme was DKK 174.6 million (or about US$ 25 million) for a five-year period (1996–2000: Phase I).

Worth mentioning is that at the time, the original planning horizon of the Danish agricultural sector support in Eritrea was 15–20 years to be completed with several five-year phases. Hence, Denmark was the only bilateral donor promoting the sector programme support approach already at an early stage in Eritrea. With the ASSP under way in 1996, the Danish contribution to the total national budget for agricultural development ran between 35 and 50% for the period 1996–2000. The relatively high share of Danish support to the budget and that with a 15–20 planning horizon Denmark had indicated to be in for the "long haul" when it comes to agricultural sector support, made for a true partnership relation in the eyes of the MoA. This high rate of dependency on one donor, also made the ministry however more vulnerable when it comes to pursuing its goals in the medium and long term.

The ASSP consisted of several different components dealing with water shed development, agricultural research[42], livestock development, the setting up of financial management systems, farmers' advisory services (some form of agricultural extension) and an emergency reconstruction programme. The components did not however all start at the same time, reflecting the fact that the ASSP had started on a portfolio of stand alone projects, each formulated separately. Hence, there was no common development objective for the programme at the start. As over time more components started to kick in with themes of food security, improved production, sustainable use of resources, the adopted common development objective of the ASSP was *"to improve natu-*

[40] Still, in 1998 Eritrea managed to produce almost 460,000 MT in cereals, meaning that the country has the proven capacity to cover 70 percent of current demand. The high production volume was mainly due to high rainfall levels at the time and an increase in area planted (from an average of 320,000 ha to 477,000 ha); yields were at levels of 1992 (< 1 MT per ha).

[41] From: World Development Indicators; WDI, 2005. Eritrea ranks 161 out of 177 countries in the 2005 UNDP HDI ranking.

[42] Seed development and integrated pest management.

ral resource management, food security, agricultural production and living standards in Eritrea[43]"

The strength of the ASSP is that all its components deal directly or indirectly with food security. Agricultural and livestock research and extension (to ensure dissemination of research results), as well as land and water management are considered key to achieve food security, and were important components in the ASSP (almost 50% of the total budget). All funding for local disbursements was channelled through the MoA with special accounts established for the purpose. Audits of these accounts have been reported to be clean.

Phase I of the ASSP ended in 2001, about one year behind schedule, because of delays in the implementation of some of the programme's components mainly due to the difficulty to establish an operational modus operandi in the first years of the ASSP, and the subsequent low use of the grants at the time. Other factors causing delays, albeit said to be less profound, were the lack of a comprehensive national agricultural policy and the shortages in the number and availability of qualified staff within MoA. In 1999, Phase II of the ASSP was formulated for another five years of Danish support to the agricultural sector and received Danida Board approval in September 2001. All Phase I programme components would be continued under Phase II, with much more focus than before on FAS (Farmers'Advisory Services) to ensure good dissemination of agricultural research results; small livestock development (poultry); the further reform of the MoA (part of restructuring policy); and the formulation of a national agricultural strategy.

4.2.2 Changes in the danish involvement as a result of the exit decision

In January 2002, Denmark chose to withdraw its support of the agricultural sector, despite ASSP having been described as one of the more successful of Denmark's sector support programme partnerships. No allowance was made for a phasing out of the programme, leaving the agricultural sector in Eritrea with a 40% shortfall in its national budget and no programme funding alternatives to this day. MoA was totally caught off guard and had asked Denmark to at least continue, as part of a proper phasing out, to support the completion of some of the ongoing (uncompleted) projects of Phase I to support FAS, and to assist the ministry in the development of a national agricultural strategy. According to MoA the Danish response was that there were no more funds available for the phasing out request.

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

No allowance was made by Denmark for a phasing out of the programme, leaving the agricultural sector in Eritrea with about 40% shortfall in its national budget and no programme funding alternatives to this day.

According to MoA authorities, not much has happened during the period 2002–2007, only complete chaos to somehow cope with the sudden withdrawal of Denmark as a key partner to continue the new and improved ASSP.

With some small support from the EC, FAO assisted MoA to formulate a national agricultural strategy in 2005. Some livestock and horticultural activities were continued with AfDB funding as well as some activities as part of the larger Emergency Reconstruction Programme. Agricultural research, FAS and Integrated Pest Management (IPM) came to a complete standstill according to MoA. Under the ASSP, a comprehensive reorganisation process was initiated for MoA to improve public service delivery to the agricultural sector. After the Danish withdrawal from the sector, this initiative also came to a standstill.

[43] From: ASSP completion report, August 2002.

A field visit to the National Agricultural Research Institute (NARI) in Hal Hale confirmed that, although the infrastructure (buildings) including most of the laboratory equipment and rolling stock has been put in place during Phase I of the ASSP, and appear to be in good working order, the research facility itself is severely underused due to the lack of operational funding. At the time NARI had research agreements with renowned international agricultural research institutes such as ILRI (Kenya), ICRISAT (Kenya and India), IITA (Nigeria) and ASARECA (Uganda)[44]. With such agreements, NARI could benefit from the exchange of breeding materials, training (in house and abroad) and bring agricultural research to a higher level in Eritrea. Because of the lack of operational funding most of these research agreements had to be severely curtailed or discontinued altogether.

According to the researchers at the NARI, the main consequences of the Danish withdrawal from agricultural research were:

- Lack of production of improved seeds for small farmers;[45]
- Lack of trained staff (training has stopped; PhD and MSc level);
- Severe disruption of the plant breeding programmes;
- The institute's genebank[46] is now in peril (there is no backup);
- Overload of professional breeders and senior research staff being unmotivated;
- No or hardly any dissemination of research results to small farmers (i.e. the introduction of new, improved varieties);
- Increase in bureaucracy as all funding requests have to go through the Ministry of Finance;
- Loss of professional contact with the international agricultural research institutes such as ILRI, ICRISAT, and IITA.

The above described developments with Eritrea's agricultural research and the dissemination of research results through FAS do not bode well for a country striving to attain food security and to reduce poverty. Although there is no data available on the current state of food security and poverty in Eritrea, it is clear that there is a major setback on both fronts. Eritrea tries to cope by increasing large scale food production (state owned) using varieties that have been developed by NARI. The effect would be a reduced food import bill but with little or no effect on poverty reduction and food security in the rural areas.

There are some other reported examples of the negative effect the stoppage of ASSP has had on poverty reduction and food security. Under the ASSP, a back yard poultry production programme was started up for 10,000 war widows to support poultry value chains. With the demise of ASSP, it is reported that these value chains have collapsed and with this an important source of income for a very fragile target group. Also, as part of the national soil and water conservation effort, the ASSP financed 1 million person days of cash-for-work each year. This important source of income for the rural population also disappeared.

At the institutional level, the MoA has not made any progress at all and now largely operates in a vacuum because of lack of funding, by being understaffed, and without much hope to ever complete a comprehensive sector support programme such as the ASSP.

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44 ILRI (International Livestock Research Institute); ICRISAT (International Crop Research Institute for the Semi Tropics); IITA (International Institute for Tropical Agriculture); ASARECA (Association for Strengthening Agricultural Research in Eastern and Central Africa).

45 Now NARI is handling seed production but this is beyond its mandate as research station and should be handled by the private sector.

46 In the genebank, hundreds of plant varieties are stored at -20C and are used by breeders to develop improved plant varieties. The genebank at NARI has no backup facility in case of power disruption.

4.2.4 Conclusions

The Swedish exit and the scaling down by the Netherlands have had little consequence for Eritrea at the macro level in terms of policy implementation. None of these donors were providing Eritrea with sector support on a partnership basis. If this would have been the case it could have devastating effects for a line ministry. This is clearly demonstrated with the Danish exit from its support to the agricultural sector:

- The Danish withdrawal from agriculture has had significant consequences for Eritrea to implement its agricultural development activities to achieve food security and poverty reduction;
- After the withdrawal, the MoA ended up in dire straits and chaos as the Danes had contributed heavily to the ministry's budget (about 40%). To this date, MoA has not been able to recover from the Danish exit. There has been no or hardly any continuation of programmes by other donors;
- As a vast majority of the Eritrean population depend for their food and income on agricultural and livestock production, as target groups they can be considered being the main losers of the Danish withdrawal from the agriculture sector;
- International experience shows that agricultural and livestock research in combination with proper extension systems can have a huge impact on improving food security and incomes of small farm households[47]. Hence, the potential impact on food security and poverty reduction has been severely underrated by the Danish government when it chose to stop its support to agriculture. The Danish agricultural sector support programme, including the proposed second phase, had just the right ingredients to achieve this kind of impact;
- Hence, a proper phasing out of the agricultural sector would have occurred if Denmark had decided to continue with the second phase of the agricultural sector support, even with a reduced budget, by allowing the MoA adequate time to attract other funding for the programme.

4.3 Danish support to the education sector

Background

In 1993, Eritrea started to rebuild basic education as a key element in Eritrea's national reconstruction and development. Basic policy objectives and guidelines were formulated, an organisational structure was quickly drawn up, and over 2,000 new teachers were deployed to replace the Ethiopian teachers who had fled the country. Priority was given to basic education with a particular focus on disadvantaged areas.

The gross primary enrolment ratio is currently about 70 percent of the school-age males and 55% percent for females. Government expenditure on education increased from 4% in 1993 to over 9% in 2001 of which nearly 70 percent is targeted at primary education.

Despite this emphasis on education, problems remain both on the demand and supply side. Demand side problems include the inability of parents to afford the direct costs of schooling as well as loss of children's labour, and for

[47] A recent evaluation of EC support to 15 international agricultural research centres demonstrated the significant impact of genetic improvement (crops and livestock) and the characterisation of genebank materials (for faster and more efficient breeding) on improving overall agricultural productivity (source: Evaluation of EC Contribution to the Consultative Group on International Agricultural Research or CGIAR, July 2007). For instance in Uganda there is clear evidence of a relatively quick uptake of improved genetic lines by small farmers largely due to the efforts of the National Agricultural Advisory Services or NAADS (a new version of [privatized] extension service system), which has been in operation since 2001 with support from the World Bank, the EC and several EU member states (source: Mid-term evaluation NAADS, June 2005, EC).

girls in particular, early marriage and undervaluing the benefits of education for girls. Supply side problems include physical inaccessibility of schools, inequitable distribution of schools, gender inequality to access, a lack of teachers and school management competencies, problems in the curriculum and overcrowding.

As of 1991, Eritrea made significant progress in increasing enrolment ratios. New schools have been built where none existed before, and schools that were damaged by the war were rehabilitated. These efforts led to a doubling of enrolment in primary schools to 375,000 in 2003/04 from about 151,000 a decade earlier. The enrolment in secondary schools rose from about 27,600 to 69,000 during the reporting period[48].

While school enrolment increased significantly, the teacher population did not grow at the same level, pushing pupil-teacher ratios from an average of 43 to 49. Although both quantity and quality of teachers dramatically improved, demand for teachers also increased so that teachers are still in short supply, especially at the middle and secondary school level. Mobilisation for national defence had further decreased the availability of teachers[49] but as stated by the GoE, virtually all these teachers have now been recalled to take up their teaching duties.

Building on analytical work financed by the World Bank and assistance from other development partners, the GoE developed a five-year ESDP (Educational Sector Development Programme) and presented it to donors for discussion on 15 December 2003. The programme is constructed around four main pillars: Basic Education (1–8 grade); Secondary Education (9–12 grade); TVET (Technical and Vocational Education Training Program); and Capacity Building. Total cost of the programme is US$ 240 million covering the period 2005–2009.

4.3.1 Danish involvement in the education sector before the exit

Denmark has been the main donor in the education sector of Eritrea for almost ten years since 1996, contributing a total of DKK 296 million (or about US$ 43 million).

In April 1996, the GoE and Denmark signed an agreement for development support to the education sector. The first three years of Danish support, 1996–1998, with a total grant of DKK 80 million (or about US 11 million) was defined as a pilot phase. Those initial efforts were to be followed by two five-year phases, Phase I (2000–2004) and Phase II (2004–2008) and which is in line with the Sector Programme Support (SPS) concept adopted by Denmark at the time.

Danish support during the pilot phase in 1996–1998 was to support the GoE in the development of basic education in terms of teacher education, curriculum development, construction/rehabilitation of schools, etc. Important parts of the budget went to teacher education (38%) and the building of schools (23%). The development objective of the program was to *"develop human capital resources by improving access, equity and quality of basic education"*. Due to some delays in project implementation (the border conflict), the pilot phase was extended into 1999. Eritrean ownership was one of the salient features of the pilot phase. Ministry of Education (MoE) officials prepared the pilot phase with MoE having overall responsibility and accountability for programme implementation.

[48] Source: MoE, 2004. Eritrea: Basic Education Statistics, 2003/2004

[49] Source: EC financing proposal ESDP.

Danish support to Eritrea's education sector in Phase 1 (2000–2004) and with a budget of DKK 267 million (or about US$ 40 million) continued to focus on primary education and was seen as a continuation of the education development agenda supported during the pilot phase. Different with the pilot phase was that there was no outspoken focus on a specific activity, and there was an equal budgetary distribution per main activity (teacher education, curriculum development, construction /rehabilitation of schools, etc).

As with the pilot phase, the MoE had the overall responsibility and accountability regarding programme implementation.

4.3.2 Changes in the danish involvement as a result of the exit decision

In connection with the change of government in November 2001, Denmark announced early 2002 that it would bring the development cooperation between the two countries to an end. However, since an agreement was signed in 2000 to provide support to the education sector, it was decided to continue[50]. In fact, Phase I was prolonged by one year till the end of 2005. The total budget was however scaled down to about DKK 216 million (or about US$ 32 million).

By the end of May 2002, the Danish embassy in Asmara was closed and the day-to-day interaction regarding programme implementation was substituted by a system of bi-annual Danish missions to Eritrea.

A 2006 completion report[51] concluded that by and large the program's objectives were successfully implemented and that the funds were fully expended.

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

In sharp contrast with the agricultural sector, the Danish exit from the education sector was quite different and Phase 1 of the programme was allowed to be completed, albeit with a 19% cut in the original budget. As mentioned earlier in this report, the main reason for Denmark to allow for the completion of Phase I should probably be sought in avoiding potential legal ramifications as the agreement was signed with the MoE in 2000.

MoE officials still strongly feel that Denmark should have made good its promise to continue with a second phase (2006–2010), as there was a long term commitment already from the very start from Denmark[52]. The reason not to continue because of a change of government was not found to be very convincing by MoE officials, especially when both parties agreed that programme implementation was found to be very good and had greatly benefited the educational system in Eritrea. Hence, from the point of view of the GoE there was no proper phasing out of the education support programme by Denmark.

As mentioned earlier, during the completion of Phase 1 of the Danish support to the education sector, with the assistance of the World Bank and other partners, the GoE began a five-year Educational Sector Development Programme (ESDP) in 1995 at a total cost of US$ 240 million.

By 2007, most of the financing of the ESDP had been secured from the World Bank (loan: US$ 45 million); the AfDB (loan: US$ 19.7 million + US$

[50] MoE officials reported becoming quite anxious at the time when the announcement was made by Denmark to end the development cooperation.

[51] Draft DSE program completion report (PCR) 1996–2005, March 2006.

[52] After the pilot phase, two additional phases of 5-years each (source: Sector Programme Support Document, Danida Support to the Education Sector in Eritrea 2000-2004, September 1999 (page 1, Chapter 2.1).

7.3 million in grants); and the EC (grant: US$ 63 million)[53]. Although the GoE would contribute US$ 20 million and cover all recurrent costs, the programme is left with a financing gap of about US$ 50 million for the 5-year period. The Dutch (and as the evaluators understand also the Norwegians) had been approached to fill this gap but eventually declined[54]. Filling this financial gap could have been part of the Danish phasing out process in the education sector (sort of continuing with Phase II but much larger and with multiple partners).

According to the MoE authorities, the consequences of the Danish pull-out from the education sector were considered to be minor. The process of starting up the ESDP was well on its way, most of the financing was about to be secured and most of the components that were covered by the Danish support to the sector (basic education) were also covered by the ESDP. Considered a pity by the MoE, but not insurmountable is that Denmark could have filled the financial gap if Denmark had carried out a proper phasing out process for the education sector in Eritrea.

4.3.4 Conclusions

Denmark terminated its (long term) support to the education sector in 2005 while adhering to a five-year agreement signed in 2000. This has largely enabled the GoE to start developing a large educational sector development programme (ESDP) in 2003, ready for multiple donor funding. Hence, in sharp contrast with the conclusions drawn regarding the agriculture sector, the following main conclusions can be drawn when it comes to the Danish exit from the education sector:

- The consequences of the Danish withdrawal from the education sector have been minor. This is largely thanks to the development of the ESDP, supported by IFIs and the EC;
- A continued Danish support to the education sector (as co-partner in the ESDP) was found to be highly desirable by the GoE, mainly because of the Danish commitment for long term support (up to 2010 with a second phase), and that the sector programme results achieved were found to be very satisfactory by all parties concerned.

[53] A positive note is that the MoE authorities consider that the Danish involvement in the education sector had provided a leverage to attract funding for the ESDP.

[54] Donors have been reluctant to support the ESDP due to: 1) their perception of overemphasis on primary education; and 2) the situation that 12th grade education is currently solely provided in Sawa (a military training camp), which is said to be due to the shortage of classroom facilities to accommodate about 10,000 students entering the 12th grade. For the same reason, the EC funded programme will not intervene in secondary education until the GoE takes the political decision to phase out Sawa.

Chapter 5

Conclusions and recommendations

5.1 Foreword

The Horn of Africa region has a long and complex history of conflict and instability. Any donor embarking on establishing bilateral relations with countries in the region will be confronted at one time or another with situations affecting these relations and which can often be traced to the history and politics of the region. Eritrea is no exception and all four donors have had their share of difficulties in maintaining long term bilateral relations with the country. Some chose to continue, albeit in a much less "intensive" and different way, others simply gave up and finally left the country.

Bilateral relations with Eritrea started well enough since its independence in 1993 with high hopes and encouraging social and economic developments. There was general agreement that progress was in the right direction and financial support from the international community was relatively high for a country with a population of just 3.5 million.

However a simmering border dispute with Ethiopia erupted into a full-scale war in May 1998 until the Agreement on Cessation of Hostilities was signed in June 2000. About 19,000 Eritreans lost their lives in the conflict. A subsequent Peace Agreement was signed by Eritrea and Ethiopia on 12 December 2000, establishing a Temporary Security Zone (TSZ), manned by a U.N. peacekeeping force. Ethiopia's refusal, between September 2003 and November 2004, to abide by the binding decision of the international Eritrea-Ethiopia Boundary Commission (EEBC) that was announced in 2002, stalled the demarcation and keeps Eritrea in a state of heightened mobilisation to this day. The current situation is described as "no war, no peace", and has led to increased state control of the economy and a move away from private sector participation and transparency in the public decision process.

The war and the continued tense situation with Ethiopia have not only reversed the many macroeconomic gains that have been achieved by Eritrea, it had also created a serious setback in maintaining bilateral relations with the international community. Difficulties started with the community being unhappy with the lack of effective dialogue with the Government of Eritrea (GoE) on a variety of political and technical issues. The GoE in turn being unhappy with the perceived "interference" of donors in the country's internal affairs, and with the general feeling that bilateral relations are becoming more and more conditioned by political factors than technical ones.

For all four donors, the deterioration of the political, social and economic environment of Eritrea, which started in earnest in 2001, had set the stage of scaling down or outright discontinuation of overall bilateral aid to Eritrea.

5.2 Main conclusions

The following four main conclusions can be drawn on the manner of bilateral support, its scaling down or discontinuation by the four donors in Eritrea.

Main conclusion 1: Mode of bilateral relations with Eritrea different for each donor and with very different approaches. Except for Denmark, none had established true partnership agreements with the recipient country

The mode of bilateral relations with Eritrea was different for each donor. Clear is that all three donors had shied away from providing sector support. Norway has no partnership agreement with Eritrea and provides support directly to a wide variety of development project and programmes; mainly through UN organisations. The Netherlands has a partnership agreement but largely followed the way of Norway except that more support was given through NGOs. Sweden mainly provided direct support to projects and programmes based on a yearly prolongation of a MoU between Sweden and Eritrea.

Denmark was the only donor that had established a true partnership agreement with Eritrea by proving direct sector support to agriculture and education. By doing so, Denmark has shown great insight and courage considering the fact that, as a young state, Eritrea had yet to develop a national strategy including operational plans to implement the strategy. The lack of national strategies and operational plans was often a reason for bilateral and multilateral donors not to provide direct sector support (let alone budget support). Denmark on the other hand, was satisfied with the general sector or thematic policy lines followed by the line ministry (Ministry of Agriculture, and Education), and had largely based its sector support programmes along these lines.

Main conclusion 2: None of the four donors have developed clear exit strategies

None of the donors have developed a clear exit strategy when they decided to scale down or discontinue their aid in Eritrea; or even when they started with their bilateral relations for that matter. Denmark declared its long term sector support in its 1996 Strategy paper[55] by envisioning several five-year phases of sector support programmes for agriculture and education. No mention is however made of exit strategies in this Strategy paper.

The exit of Denmark was sudden and totally unplanned, while the Swedish bilateral relations just fizzled out. To this day, there is no evidence of a planned exit strategy by both Norway and the Netherlands. Hence, there has been no management at all of exit processes. The Danish exit from the education sector in 2005 was not part of an exit strategy, but believed to be circumstantial in order to avoid possible legal ramifications as an agreement was signed in 2000.

Main conclusion 3: Consequences of the exits by the donors; some small, some large especially for the agricultural sector and hence a setback for the recipient to achieve food security and poverty reduction

Eritrea has found the exit processes (not strategies) of the donors to be highly unsatisfactory. The exit of Sweden and Denmark was considered merely a "fait accompli" by Eritrea when both donors left in 2002. The same ap-

[55] Eritrea, Strategy for Danish-Eritrea Development Cooperation, Ministry of Foreign Affairs, Danida, November 2003.

plies for the reduction of aid by the Netherlands. There have been no formal talks and Eritrea was largely kept in the dark when it comes to aid decisions made by the Dutch. Because of the long-standing partnership relation and very good results of Danish interventions, the sudden exit by Denmark was particularly upsetting for the GoE and considered a breach of trust and unethical ("Denmark has a moral obligation").

The Swedish exit and the scaling down of aid by the Netherlands had little consequence for Eritrea at the macro level in terms of policy implementation. None of these donors were providing Eritrea with sector support. Denmark on the other hand provided sector support to agriculture, and this has had devastating effects for the Ministry of Agriculture and a general setback for Eritrea towards achieving food security and poverty reduction. Principal losers are the small farm households being the main beneficiaries of the Danish agricultural sector support programme. Consequences for the education sector after the Danish withdrawal were less severe as most components are being taken over by other donors under the Education Sector Development Programme or ESDP. Hence, Eritrea's ability to continue the sector support for education is very promising but with challenges (there are financial gaps).

Main conclusion 4: Donor exit processes proved to be highly unsatisfactory in Eritrea.
Largely based on a model developed for the India country study, for Eritrea the following variables have been used to determine the successfulness of an exit:

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

- T = available time period to implement exit;
- C = clear and consistent planning and communication;
- DF = donor flexibility in the phasing out process;
- Gcap = willingness and capacity of recipient Government;
- Don = support from other donors; and
- ΔEmb = changing role of embassy.

The reaction of the GoE that the exits were totally unsatisfactory[56] is very much supported when applying all the six variables with factual information from the Eritrea case:

- T = available time period to implement exit (none);
- C = clear and consistent planning and communication (none);
- DF = donor flexibility in the phasing out process (none);
- Gcap = willingness and capacity of recipient Government (none);
- Don = support from other donors (none); and;
- ΔEmb = changing role of embassy (none except for reduction of development staff).

5.3 Lessons learnt and recommendations

5.3.1 Lessons learnt by GoE

The following main lessons learnt were drawn by the GoE authorities when it comes to dealing with bilateral relationships and hence their bilateral aid policy:

[56] This also concerns the Danish support to the Education Sector. As stated earlier (par. 4.3.3), MoE officials strongly felt that Denmark should have made good its promise to continue with a second phase (2006–2010), as there was a long term commitment already from the very start from Denmark.

1. Formalise clear and binding aid agreements with the donors;
2. Alert beneficiaries of donor exit and avoid donor exit at short notice;
3. Ensure recipient country participation in exit planning and strategy;
4. Politically-motivated exits should be guided by their financial and technical implications on development interventions;
5. Involve more than one donor when it comes to large sector support programmes.

When it comes to clear and binding aid agreements the GoE feels that the Danish support to the education sector (Phase 1) was allowed to continue till 2005 because of a signed agreement in 2000. The GoE just missed out on the continuation of Danish support to the agricultural sector (Phase 2: 2002–2006) as there was no signed agreement. Although an agreement was signed by the Danes to support the legal sector (2002–2005), it was nevertheless annulled in 2003.

The evaluators have not been able to identify the genuine reasons for Denmark's decision to terminate support to the legal sector with as much as 80% percent of project funds unspent. The Project Completion Report prepared by GoE is silent on the issue, whereas Danish sources put the blame on the Eritrean side. In May 2004, the Ministry of Foreign Affairs submitted a report to the Danish Parliament in response to a question raised regarding the aid exits from Eritrea, Malawi and Zimbabwe, which says: *"The preparation of a national strategy for development of the legal system in Eritrea went very slow. With the Eritrean authorities not being prepared to implement the recommendations that had been forwarded, the project was terminated in December 2004"* (evaluators' translation). The evaluators may infer from this that the Danes were looking for justifications for quicker scaling down, which came easily with the GoE seemingly distancing itself from donor involvement on sensitive issues of legal reform.

Other important lessons learnt by the GoE are that sudden exits by donors should be avoided at all times, and that communication between the GoE and donors could be better in case donors contemplate exits. A major issue for the GoE is that donor exits should be mainly based on development merits (of continuing a programme or not) and not on political ones. Another important lesson learnt is that particularly for large sector support programmes, more than one donor should be involved with preferably an equal share of support. This was a mistake made with the support to the agricultural sector whereby too much depended on one single donor (Denmark).

5.3.2 Lessons learnt by the four donors

The following main lessons learnt could be drawn for the four donors based on their experiences in Eritrea during the past 10 years or more.

Lesson 1: Stay out of the Horn of Africa region?

One lesson learnt is to perhaps better abstain from starting bilateral relations in the Horn of Africa region if one is not prepared to persevere, take (political) risks and deviate at times from set bilateral aid standards. The region is fraught with conflict and instability, it is difficult to conduct effective dialogue with governments, there are human right problems, there is slow progress in political and economic liberalisation, increasing government intervention, a lack of transparency in public finances, and so on. Hence, the potential for political rift between donor and the recipient in the region is considered high.

Lesson 2: Much merit in sector support programmes in Eritrea
Another lesson learnt is that sector support programmes such as those that were started by Denmark are quite successful in a country such as Eritrea even under the circumstances as described above, and merit more attention. Line ministries have proved to be quite capable in implementing their sector programmes, and have proved to be able to work in close partnership with a bilateral donor for many years. There is also proof that this kind of support has a direct effect on enhancing food security and in reducing poverty in Eritrea. There is no corruption, there is dedicated staff in the line ministries, the country has a relatively small population, and there is a general consensus that tackling food security and poverty has priority if one wants to achieve social and economic stability in the country.

Lesson 3: In for the long haul with sector support programmes
One more lesson learnt is that the consequences of stoppage of any support to a sector programme can be quite substantial and should be avoided as much as possible. The biggest losers are the poor and the extremely poor ; target groups that figure high on the agenda of donors when it comes to social and economic development support programmes. Hence, any donor providing support to a sector programme is in for the "long haul" in the form of a long term partnership with a line ministry, unaffected by any political disagreements between the recipient and the donor. This means that, prior to starting long term partnership agreements, donors should have a fair appreciation of the political situation of a recipient country, and thereby any political and policy differences between the two parties are addressed and fixed already in the bud-stage.

Lesson 4: Using aid to influence political decision is counterproductive
Perhaps a final lesson learnt is related to the effectiveness of aid as an instrument for influencing political decisions in recipient countries. If donors by withdrawing aid want to use it as a stick, the very likely result is that of the GoE becoming less cooperative.

5.3.3 Main recommendations

The following main recommendations are directly related and clustered around one or more conclusions and lessons learnt as presented in the previous chapter. They are intended to improve the support of donors to Eritrea. Care has been taken that the recommendations are realistic, operational and pragmatic as much as possible, by taking into account the circumstances prevailing in a country such as Eritrea.

It concerns a total of six recommendations on: (i) Exit planning; and (ii) Exit management and implementation:

(i) Exit planning

Recommendation 1: Good communication between the donor and recipient country on the planning of the phasing out is essential.
Once the exit decision is taken good communication between both countries involved is needed for smooth planning and implementation. For a country such as Eritrea, smooth means at least a five-year planning period of phasing out.

Recommendation 2: Phasing out in Eritrea should not be politically motivated
Politically motivated phasing out is to be avoided as it works against the very development objective set to be achieved by Eritrea and the donor: food security and poverty reduction. Particularly in the case of Eritrea, the potential for political rift between donor and the recipient proved to be high. The biggest losers are the rural and urban poor.

(ii) Exit management and implementation

Recommendation 3: Consistent and decisive leadership during exit processes is essential.
Donors should assign professionals with appropriate knowledge and experience to implement exit processes, and work mutually and in close liaison with the recipient. The last thing recipients like Eritrea wish is to be dictated on exit decisions to which they are not party.

Recommendation 4: Need for a well-considered exit strategy, both at project and national level.
A well-considered exit strategy, both at the project and national level, will facilitate a smooth and "incident-free" exit. Ideally, the phasing out should consider the recipient's perspectives and concerns. The planning will have to be equitable and on level terms involving "partnership of equals and shared visions". It contributes to a feeling of empowerment and ownership on the part of the recipient.

Hence, phasing-out requires:

- Careful planning with the recipient;
- Clear guidelines agreed upon with the recipient;
- Flexibility in implementation.

Recommendation 5: Formalise a clear and binding exit agreement
A contractual agreement will have to be negotiated and approved between the donor and the recipient regarding the exit process (planning with benchmarks, activities, results, budget, staffing, the like). Preferably, the agreement should also hold a clause of financial compensation for the recipient in case of non-compliance by the donor (e.g. cancelling the agreement before programme completion).

Recommendation 6: Ensure sustainability of project efforts
An important part of the exit process is for both the donor and the recipient to ensure the financial, technical and institutional sustainability of project efforts. This should be part of the phasing-out design whereby both the recipient and the donor seek financial, technical and institutional modalities to secure sustainability. This could be in the form of paving the way of full transfer of responsibilities to the recipient country, a transfer to one or more donors (bilateral or multilateral), or a combination of the two.

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Annex 2
List of people interviewed

Name	Position
In Eritrea	
Mr. Arman Aardal	Ambassador, Norwegian Embassy, Eritrea
Mr. Ephraim Takleab	Assistant Representative/Programme, Food and Agriculture Organisation (FAO), Eritrea
Mr. Michael Tekie	Country Director, Self Help Development (NGO)
Mr. Moeketsi F. Mokati	Country Representative, Food and Agriculture Organisation (FAO)
Mr. Neguse Abraha	Breeder, National Agricultural Research Institute (NARI)
Mr. Petros Hailemarianne	Director General, Research and Human Resources, Ministry of Education
Mr. Piercarlo Vicentini	Head, Food Security, Italian Cooperation Office
Mr. Robbert van Lanschot	Charge d'Affaire, Netherlands Embassy
Mr. Samuel Iyasu Zerom	Head, Finance & Administration, World Bank, Eritrea
Mr. Solomon Haile	Director of Planning Division, Ministry of Agriculture (MoA), Eritrea
Mr. Stephan Halgand	Head, Food Security & Rural Development, Delegation of the European Commission to Eritrea
Mr. Temesgen Tekie	Former Technical Officer, DANIDA /Ministry of Education cooperation Programme, Eritrea
Mr. Yoseph Admekom	Sr. National Programme Officer, United Nations Development Programme (UNDP), Eritrea
Mr. Woldai Futur (Dr.)	Minister, Ministry of National Development, Eritrea
Mr. Yohanes Haylay	Director of Finance & Administration, National Agricultural Research Institute (NARI)
Ms. Brita Naess	First Secretary, Norwegian Embassy, Asmara
Sweden	
Mr. Folke Löfgren	Former ambassador to Eritrea
Mr. Bertil Egerö*	Associate Professor, Lund University
Mr. Mats Svensson*	Former programme officer, Eritrea, Sida
The Netherlands	
Mr. A. Kofman	Policy Officer, Eritrea, Ministry of Foreign Affairs
Denmark	
Mr. Peter Truelsen	Former development attaché, Danish Embassy, Asmara
Ms. Anne Meldgaard	Former Head of Section, Horn of Africa, now Africa Dep., MFA/ Danida
Ms. Nanna Hvidt	Former Head of Africa Department, Ministry of Foreign Affairs
Norway	
Mr. Arild Skåra*	Former development attaché, Norwegian Embassy, Asmara

Annex 3
Abbreviations and exchange rates used

AfDB	African Development Bank
ASARECA	Association for Strengthening Agricultural Research in Eastern and Central Africa
ASSP	Agricultural Sector Support Programme
EC	European Commission
EEBC	Eritrea-Ethiopia Boundary Commission
ESDP	Education Sector Development Programme
FAO	Food and Agriculture Organisation
FAS	Farmers' Advisory Services
GDP	Gross Domestic Product
GNI	Gross National Income
GoE	Government of Eritrea
ICRISAT	International Crop Research Institute for the Semi-Arid Tropics
IFI	International Financial Institution
IITA	International Institute for Tropical Agriculture
ILRI	International Livestock Research Institute
IPM	Integrated Pest Management
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoU	Memorandum of Understanding
NARI	National Agricultural Research Institute
OP	Operational Plan
PRSP	Poverty Reduction Strategy Paper
RRPE	Recovery and Rehabilitation Project for Eritrea
SPS	Sector Programme Support
SWAP	Sector Wide Approach
ToR	Terms of Rererence
TSZ	Temporary Security Zone
TVET	Technical and Vocational Education Training Programme
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
WB	World Bank
WDI	World Development Indicators
WFP	World Food Programme

Exchange rates used in this report: (1990–2006)

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

Annex 4
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.[57] 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

[57] 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.[58] 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[59]:

- 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

58 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.

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

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

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

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

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

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

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

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

3. Purpose

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

The evaluation deals with two broad issues. One is the importance of the management of country level exit issues for *development effectiveness* and *sustainability*.[60] 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.

[60] 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.[61] 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.

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

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

	Country characteristics	Denmark	Netherlands	Norway	Sweden
Botswana	Upper Middle Income Country	Co-operation began in 1970s. Exit in 1990s with scaling-down over a decade	Co-operation began in 1972. Exit in early 2000s At the present time some HIV/AIDS support.	Co-operation began in 1972. Exit in early 2000s At the present time some HIV/AIDS support.	Co-operation began in 1966. Exit in 1998. Certain on-going programmes in HIV/AIDS.
Eritrea	Low Income Country	Co-operation began in 1993. Exit decision in 2002 due to concentration/ poor govern-ance: Phase out over 3 years until 2005	Co-operation began in 1993. Ongoing co-operation. One of the current 36 partner countries.	Co-operation began in 1992. Ongoing co-operation. One of Norway's 18 'other partner countries'.	Co-operation began in 1992-1993. Phase out since late 1990s. Minor projects still on-going.
India	Low Income Country	Partner country since 1960s. Denmark de-cided to exit in 1998, while India triggered exit 2003.Denmark decided to start a 10-year phase out in 1998, while India trig-gered exit in 2003. Co-operation phase-out com-pleted in 2005	Co-operation since 1962-. Partner country also included in 2003. India triggered exit in 2003 Ongoing phase out.	Partner country since 1950s. India triggered exit in 2003 – ongoing phase out	Partner country since 1950s. India triggered exit 2003 – on-going phase out and transformation.
Malawi	Low Income Country	Cooperation 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.[62] 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.[63] 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.

[63] 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? [64] 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:

[64] 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.[65] Elements of path dependency are

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

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

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

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

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

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

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

None of the remaining donor countries sponsoring the evaluation has formulated a similar set of uniform exit instructions. Exit criteria are often defined ad hoc in relation to the exigencies of a particular situation. Thus, in the context of a series of country exits triggered by a reduction of its aid budget in 2002, Denmark made it a primary exit criterion that on-going contracts should be honoured. In phasing out support to India and Bhutan, however, Denmark also put considerable emphasis on partnership principles and the sustainability of supported organisations and programmes. Sweden in its on-going 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.[66] Readers of the evaluation reports should be explicitly warned of any departure from these conventions.

Tender documents will be assessed against these points.

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[66] 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.[67] 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

[67] 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.[68]

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.

[68] 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[69]:

- 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.)

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

Managing Aid Exit and Transforma

Eritrea Country Case Study

Buitenlandse Zaken
Ontwikkelings
samenwerking

Sida

Norad

Danida