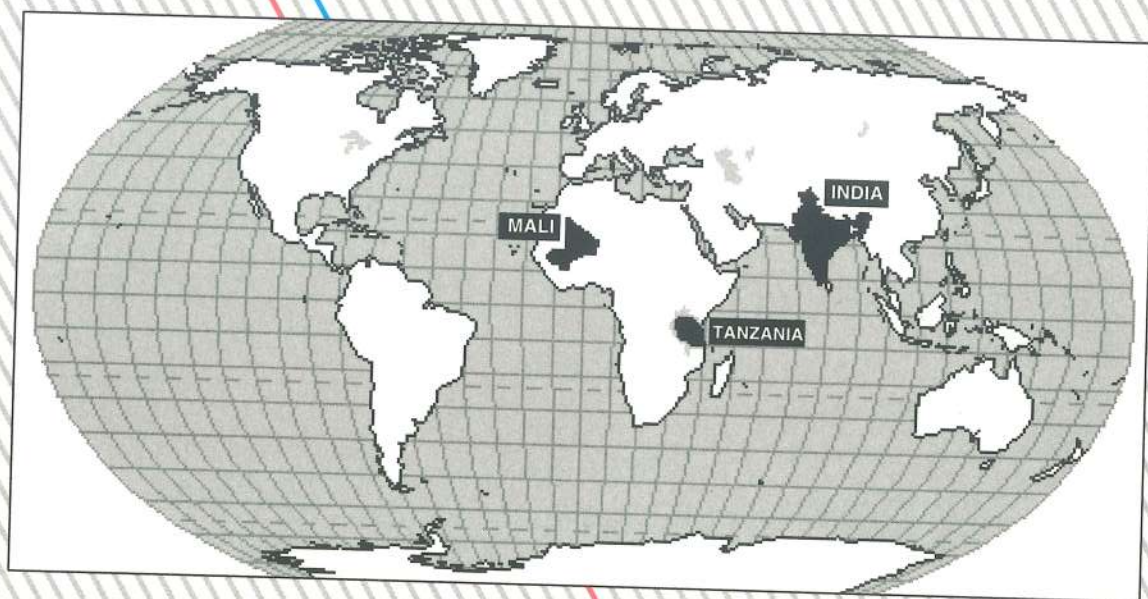


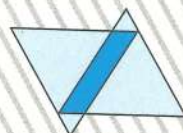
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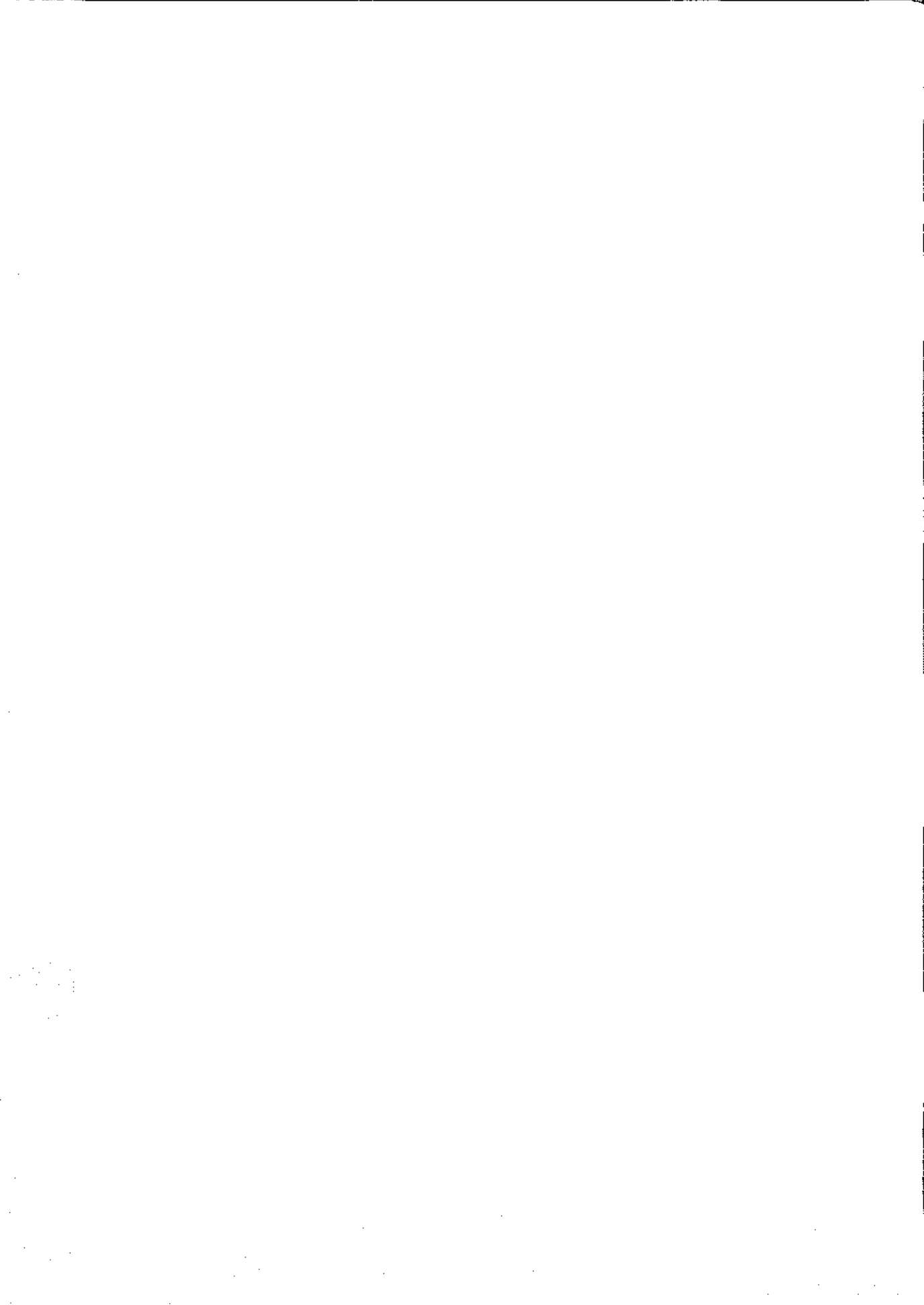
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EVALUATION OF NETHERLANDS AID TO INDIA, MALI AND TANZANIA



NETHERLANDS DEVELOPMENT COOPERATION





EVALUATION OF
NETHERLANDS AID TO
INDIA, MALI AND TANZANIA

Operations Review Unit (IOV), 1995

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Preface

This report presents the summary results of three reports evaluating Netherlands bilateral aid to India, Mali and Tanzania, together with the main findings which the three reports had in common. These findings are grouped according to the key questions which formed the basis for each of the three studies.

Conditions in the three countries are quite different, which necessitated a different approach to the Netherlands aid effort in each case. This made it more difficult to arrive at general findings and conclusions. There were clear similarities, however, in the organisation and management of aid, and on the basis of these it was possible to draw a number of general conclusions and to offer some recommendations.

Since it is by definition impossible to include all the reasoning behind the general conclusions and recommendations in a summary report such as this, reference is made to the three reports on the individual countries for further details. This summary report was written by Huub Hendrix, Tom Segaar, Jan Sterkenburg and Arie van der Wiel.

Director, Operations Review Unit

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Abbreviations

CMDT	-	Compagnie Malienne pour le Développement des Textiles (Malian Textiles Development Company)
DAC	-	Development Assistance Committee
DCI	-	Dredging Corporation of India
DGIS	-	Directorate-General for International Cooperation
DNES	-	Department of Non-Conventional Energy Sources
(DST)TA	-	Technical Advice Section (DGIS)
ERP	-	Economic Recovery Programme
EU	-	European Union
EWE	-	Education for Women's Equality
HDI	-	Human Development Index
IDA	-	International Development Agency
IDPAD	-	Indo-Dutch Programme on Alternatives in Development
IDTP	-	Indo-Dutch Public Tubewells Project
IMF	-	International Monetary Fund
IOV	-	Operations Review Unit
IREDA	-	Indian Renewable Energy Development Agency
KAP	-	Embassy micro-projects
KLRP	-	Khar Lands Reclamation Project
MFO	-	Co-financing organisation
NABARD	-	National Bank for Agriculture and Rural Development
NBTDP	-	North Bengal Terai Development Project
NGO	-	Non-governmental organisation
NIO	-	Netherlands Investment Bank for Developing Countries
ODA	-	Official Development Aid
OECD	-	Organisation for Economic Cooperation and Development
OGI	-	Open General Licence
PRMC	-	Programme de Restructuration du Marché Céréaliier (Cereals Market Restructuring Programme)
PSO	-	Personnel Services Overseas
RIDEP	-	Rural Integrated Development Programme
SNV	-	Netherlands Development Organisation
THA	-	Tanzania Harbour Authority
WFP	-	World Food Programme
WHO	-	World Health Organisation

Exchange rates 1971–1993

Year	US\$ 1 = Dfl	Dfl 1 = Tshs	Dfl 1 = FCFA	Dfl 1 = Rs
1971	3.50	2.0	82	2.13
1972	3.25	2.2	79	2.47
1973	2.81	2.5	80	2.81
1974	2.69	2.6	89	3.06
1975	2.53	3.0	85	3.44
1976	2.64	3.2	90	3.46
1977	2.45	3.4	100	3.42
1978	2.16	3.6	104	3.91
1979	2.01	4.1	106	4.02
1980	1.99	4.1	106	3.91
1981	2.50	3.3	109	3.42
1982	2.67	3.5	123	3.51
1983	2.85	3.9	134	3.51
1984	3.21	4.8	127	3.51
1985	3.32	5.3	135	3.76
1986	2.45	13.3	141	5.17
1987	2.03	31.8	148	6.31
1988	1.98	50.3	151	6.91
1989	2.12	67.6	150	7.51
1990	1.89	103.2	152	9.52
1991	1.87	117.2	152	11.72
1992	1.75	169.7	152	15.46
1993	1.86	220.4	153	16.31

PART I MAIN FINDINGS

1 Introduction

1.1 Background and objective of the country evaluations

Between 1991 and 1994 the Operations Review Unit (IOV) of the Directorate General for International Cooperation (DGIS) undertook a series of three country programme evaluations. The main aim of the evaluations was to assess the policy relevance, effectiveness and efficiency of bilateral aid. The major reasons for conducting such studies were: (1) the large proportion of development funds channelled through country programmes; (2) the opportunity to look into the way in which a broad range of policy instruments were being used for a single country; (3) country programmes offer an appropriate framework for assessing the organisation and management of aid.

Three countries were chosen for the evaluation studies, namely India, Mali and Tanzania. This choice was determined not only by the amount of aid provided to these countries but also by the large differences which exist between the countries and between the Netherlands aid programme in each.

In principle, the three country evaluation studies covered the entire period of cooperation, that is to say from the moment the regular development cooperation programme was started. Netherlands aid to India began in the early 1960s; in Tanzania at the end of the 1960s and in Mali in the mid-1970s. However, in practice the studies focus on the period 1980–1992.

1.2 Organisation of the study

The studies were conducted by three separate research teams from the IOV. To ensure that in conceptual terms the studies followed the same pattern, five main questions were formulated at the outset. The considerable differences between the countries concerned and between the relevant aid programmes made it impossible

to standardise the reporting of findings. The studies concentrated on the following five main questions:

- To what extent was the aid programme in line with the policy priorities of the Netherlands and the developing country?
- How was the aid programme organised between the Netherlands and the developing country and how was it managed?
- To what extent did Netherlands aid contribute to economic self-reliance?
- To what extent did Netherlands aid contribute to poverty alleviation?
- To what extent were the results of Netherlands aid sustainable?

The approach adopted was more or less identical in each of the studies. The first, exploratory stage comprised a detailed examination of the files. The terms of reference for the individual country evaluations were discussed at length with representatives of the three developing countries at the end of 1991. The studies are not, however, evaluations conducted under joint responsibility of the Netherlands and the recipient countries, though experts from these countries did take part in the field studies. Final responsibility for the evaluation rests with the IOV.

The field studies were conducted mainly in 1992. A number of research teams were sent to the three countries and they evaluated the most important parts of the aid programme. Separate IOV reports were published at the end of 1992 on two sector studies, one concerning aid to rice farmers in Mali and one on aid to the sugar sector in Tanzania.

The country reports were completed at the beginning of 1994. In the second half of 1993 draft versions were discussed with parties involved in the implementation of the aid programme both in the three countries and in the Netherlands.

Reference groups were set up for each country study to advise the IOV on the design of the research and the methodology to be used, and to comment on the results of the field studies and the draft version of the final report. These groups included both staff of the Directorate General for International Cooperation (DGIS) and external experts.

1.3 Structure of the report

This summary report comprises three parts. The first part sets out the main findings of the country evaluations. It begins with a brief description of the three countries

as a background to the findings on Netherlands aid, with particular attention to the social and economic situation and to government policy. The main findings are then presented as answers to the five central questions on which each evaluation was based. The areas covered by the findings are policy orientation of the aid programmes, organisation and management of aid, the contribution made by the aid programme to economic self-reliance and poverty alleviation in the three countries and the sustainability of the project results. Part I ends with conclusions about the policy relevance, effectiveness and efficiency of the aid programmes and recommendations on the country allocation system, the approach to aid and the management of aid.

Part II contains the summaries of the three country reports. These summaries each have roughly the same structure: an outline of the conditions in the recipient country and the role of foreign aid, an overview of the Netherlands aid programme, including how it is organised and managed, and an evaluation of the most important aid activities. The summaries conclude with an assessment of the degree to which the programme has contributed to the main objectives of Netherlands development cooperation policy and with recommendations for the improvement of the programmes. The summaries provide only a general account of the arguments on which these conclusions and recommendations are based. Further details may be found in the reports on the individual countries.

Part III contains a number of annexes: the policy reaction of the Minister for Development Cooperation; an account of how the research was structured for the country studies; and overviews of the composition of the Netherlands aid programme for each of the three countries.

2 Country context

This chapter offers a brief description of the three countries with regard to social and economic situation and government policy, the role and volume of aid and the most important features of the Netherlands development cooperation programme. This background information is considered to be important in the assessment and comparison of the results achieved by Netherlands aid to these countries.

2.1 India

Covering an area of 3.3 million km², India is almost as big as Western Europe. At the beginning of 1991 its population was about 850 million. It is a low-income country. In 1990 per capita GNP was US\$ 350. The World Bank estimates that 340 million people (40% of the population) live below the poverty line. India also scores badly on the Human Development Index (HDI), in which a country's level of development is measured in terms of a series of social and economic indicators.

India is a country of enormous contrasts, however. Although it is one of the poorest countries in the world, it is also one of the twenty most important industrialised economies. Some 30% of India's GNP is derived from industry. Agriculture contributes a similar percentage, while the most important sector is the service sector.

Since Independence in the late 1940s, the state has played a dominant role in the development process in India. Policy was based on the idea that the major industries should be state controlled because they were regarded as the locomotive for economic development. To help anticipated savings in industry to materialise, a complementary policy of cheap labour and low food prices was introduced. Attempts were also made to increase economic self-reliance; self-sufficiency in food therefore had the highest priority in the agricultural sector, while in industry production of goods to substitute for imports was promoted.

In recent decades India has been fairly successful in expanding both agricultural and industrial production capacity, though a high price has had to be paid. For example, India's budget deficit and foreign debt increased considerably in the 1980s. At the beginning of the 1990s the economic crisis which had begun at the end of the 1980s forced India to redesign its economic policy. In 1991 the government introduced a package of economic reforms in which the market mechanism played an important role and the involvement of government was reduced. The primary intention of these reforms was to deregulate industry and privatise state enterprises, to liberalise foreign trade and exchange rates and to restructure the financial sector. Initial indications are that since 1991 the new economic policy has been successful in enabling the Indian government to reduce its balance of payments problems, to check the budget deficit and to reduce inflation.

Between 1980 and 1992 total foreign aid to India amounted to approximately US\$ 30,000 million. Roughly speaking, this was divided equally between multilateral and bilateral donors. The World Bank was by far the biggest donor, providing about a third of all aid. The Netherlands ranked sixth, contributing some 5%. Most foreign aid went to infrastructural projects. At the end of the 1970s various bilateral donors began to devote an increasing proportion of their aid to social sectors. Although in absolute terms a great deal of aid went to India, it was of relatively little significance for the economy as a whole, amounting to an estimated 1% of GNP.

Development cooperation activities between the Netherlands and India started at the beginning of the 1960s, when aid was geared primarily to financing the import of capital goods from the Netherlands. At the time a serious shortage of foreign currency threatened the interests of Dutch exporters. It was in this context that the Netherlands continued to provide concessional loans to India throughout the 1960s and 1970s. The total annual aid allocation increased from Dfl 30 million in 1962 to Dfl 225 million in 1979. Towards the end of the 1970s it began to be felt in the Netherlands that the bilateral relationship with India should involve much more than development cooperation. Financial resources were to be used to promote cultural, economic, technological and academic contacts. Development cooperation was to help foster this 'broadening' of relations between the two countries. In practice, few of these ideas got off the ground.

Netherlands aid to India between 1980 and 1992 amounted to a total of Dfl 3,500 million. Approximately 80% of aid was made available through the regular country programme. About half of the remainder was channelled through NGOs. During this period more than two-thirds of regular aid (approximately Dfl 2,000 million) comprised programme aid. Three-quarters of this was import support (primarily

supplies of fertiliser) and a quarter took the form of budget support (primarily for rural credit). The most important sectors benefiting from project aid were water transport, drinking water and sanitation in rural areas, and projects involving land and water for agricultural development. In 1986, moreover, it was decided that project aid should be concentrated on five states.

The relationship between project aid and programme aid changed considerably between 1980 and 1992. Before 1985 programme aid was by far the most important form of aid. Thereafter the aim was that half of the country allocation should be provided in the form of project aid, although the Netherlands was initially in favour of 70% being provided in this way. It would appear that in recent years this objective has more or less been achieved, though the proportion of total aid going to project aid varied enormously from year to year.

Up to 1991 half of Netherlands aid to India consisted of loans, the other half of grants. Since then all aid has been provided in the form of grants. Partly because of this the annual allocation, the so-called cash ceiling, for India was reduced from Dfl 200 million in 1991 to Dfl 160 million in 1992 and Dfl 112 million in 1993.

2.2 Mali

Mali is one of the biggest countries in the Sahel. With an area of 1.2 million km² it is more than twice the size of France. In 1992 it had a population of nearly 10 million.

In 1990 Mali's per capita GNP was US\$ 270, putting the country in the middle group of least developed countries. Mali scores much worse on the HDI, however. This is because the social infrastructure is poorly developed and access to services such as education and health care is available only to very few.

By African standards agriculture makes only a modest contribution to GNP (45%). In contrast, the service sector accounts for an unusually large part of GNP (40%). Money transfers from the 1.5 million Malian migrant workers living outside the country play an important role in this. It is estimated that industry contributes some 10% to GNP.

After Independence in 1960 Mali initially chose a socialist development model. This resulted in intensive government involvement in all sectors of the economy. At the beginning of the 1980s the country was suffering from a severe financial

and economic crisis, caused by both internal factors (poor financial and economic policies) and external factors (periods of drought and low prices for export goods).

In 1982 the government decided to restructure the economy and various structural adjustment programmes have since been introduced (these were interrupted between 1985 and 1988). One of the most important steps towards a more market-orientated economy was taken in 1984, when Mali joined the West African Monetary Union. By thus returning to the franc zone Mali was able to enjoy greater stability in the economic and monetary sphere. It also meant that, unlike many other developing countries, Mali was no longer faced with special foreign exchange problems. A few years ago, partly under pressure from donors, Mali also began introducing political reforms aimed at the establishment of a multi-party system but these political changes are somewhat at odds with the need for unpopular economic measures.

Mali's economic development has been reasonably successful in the last ten years. During this period the country achieved an average net economic growth of around 3%. Low inflation and a debt burden which is low by African standards are also striking features. The low level of domestic savings, the high budget deficit and considerable dependence on donor financing to cover the deficit are causes for concern, however. Moreover, the potential for development in Mali is severely limited. The extreme climatological conditions and the low fertility of the soil mean that the country has an extremely limited agricultural production capacity.

Total aid to Mali rose considerably from 1970 to the middle of the 1980s, when the volume of aid stabilised. In recent years Mali has received an annual average of some US\$ 450 million in development funds (US\$ 50 per head of the population). In terms of the country's GNP, aid in 1991 was estimated at 20%. This demonstrates how important aid is for the Malian economy. Two-thirds of total aid came from bilateral donors, France being by far the biggest with a quarter of the total. The Netherlands provides about 7% of the country's aid, placing it in the middle group of donors. A shift has taken place in recent years from project to programme aid. Most project aid is geared to the primary sectors.

The Netherlands aid programme for Mali forms part of the regional cooperation programme with the Sahel. Aid began in the 1970s in response to the serious drought in the region at that time. For many years aid to Mali was provided on an *ad hoc* basis; that is to say, the country did not receive a fixed allocation. Most aid at that time was provided under special programmes. Since the mid-1980s, however, the aid relationship with Mali has been put on a more regular footing;

each year an approximate amount is reserved within the Sahel regional programme for the country. As a result, the share of the total Mali programme financed from the Sahel regional programme increased from 10% at the beginning of the 1980s to approximately three-quarters in 1993. Half of total expenditure from 1980 to 1993 (almost Dfl 600 million) came from special programmes. The balance of payments support programme and the rural development programme were the most important budget categories from which the remainder of the aid to Mali was financed.

Funds from the Sahel programme were almost all used to support project activities, the vast majority of which related to rural development. Increasing food security and reducing soil degradation were considered important policy objectives. Aid to the concentration areas of Mali-Sud and the Office du Niger absorbed half of all bilateral funds. Mali-Sud is the region covered by the *Compagnie Malienne pour le Développement des Textiles* (CMDT), whose main aim is the development of cotton. Irrigated rice cultivation is the principal economic activity in the Office du Niger region.

Netherlands aid to Mali was geared to the regions with the greatest potential for development. The programme aid, which in total accounted for nearly 40% of all disbursements, was almost all provided under the balance of payments support programme and used primarily to buy fertiliser and agricultural equipment for the CMDT and the Office de Niger. In Mali programme aid was thus well integrated with project aid. The proportion of total aid accounted for by programme aid has fallen since the balance of payments support programme was abolished.

2.3 Tanzania

Tanzania covers an area of almost 1 million km², i.e. an area larger than France and Germany together. At the beginning of the 1990s it had a population of over 25 million.

In 1992 per capita GNP was US\$ 110. In these terms Tanzania is the second poorest country in the world after Mozambique. An estimated 60% of the rural population was living below the poverty line at the end of the 1980s. Because of the spectacular expansion of community services in the period after Independence in 1961 the country scores a great deal better on the HDI, however. The inefficiency of many of these services may be evidence that the country's position on the HDI paints somewhat too rosy a picture.

Agriculture forms the basis of the Tanzanian economy, contributing over 60% to GNP and providing about two-thirds of export revenues. In the 1970s industry contributed over 10% of GNP; this has now dropped to less than 5%. Tanzania is thus one of the least-industrialised countries in Africa. The service sector's contribution to GNP is around 35%.

After Independence (1961) and more particularly after the Arusha Declaration of 1967, Tanzania opted for a socialist development model, albeit with an African face. Widely dispersed communities were encouraged to live in villages. Community services, such as education, health care and drinking water facilities, were established as an incentive to this concentration of the population in villages. When it proved that too few people were willing to do this voluntarily the government increasingly resorted to force. Over two-thirds of the population were ultimately settled in such villages. In the mid-1970s the emphasis in Tanzania's economic policy shifted from agriculture to industry. The government set up a great many industries to produce import-substitution goods as part of the effort to promote economic self-reliance. Much of the investment in these parastatal enterprises came from donors.

The Tanzanian development model ultimately failed, partly on account of unfavourable external circumstances and partly because of serious shortcomings in domestic policy. An economic crisis developed, as a result of which production in all sectors fell dramatically and community services and living conditions worsened. In the mid-1980s, under pressure from donors, and the IMF and World Bank in particular, Tanzania was forced to make radical changes to its development strategy. In practice this meant that an economy which had been managed and controlled by the state was changed into a free market economy. The Tanzanian reform policy involved a drastic devaluation of the Tanzanian currency, which had been highly overvalued, changes in the foreign exchange allocation system, liberalisation of imports and domestic trade and privatisation of state enterprises.

Liberalisation appears to have had a positive effect on the economy. For example, growth in GNP rose from around 1% at the beginning of the 1980s to about 4% between 1986 and 1992. Agricultural production in particular appears to have benefited from the economic reform measures. On the other hand, however, industrial development is lagging far behind. Some have even expressed concern about a possible de-industrialisation process resulting from the liberalisation of imports. Although donors praise the extremely comprehensive and radical adjustment programme which Tanzania has carried out, there is growing criticism of the lack of progress as regards institutional reforms such as the restructuring of parastatal enterprises and the banking system, and the reform of the public sector. The

latter also includes reducing the size of the civil service and increasing its efficiency. Moreover, economic growth so far has been insufficient for a sustainable recovery. Current growth is primarily attributable to increases in the volume of aid. Both the balance of payments and the government's finances are still in crisis.

Since Independence Tanzania has received considerable sums in foreign aid. Since the start of the Economic Recovery Programme (ERP) in 1986, annual expenditure has reached a peak of approximately US\$ 1,000 million. In absolute terms Tanzania is one of the biggest recipients of aid in Africa, but in per capita terms it falls into the middle group of aid recipients in the region, with about US\$ 40 per year. Tanzania's biggest donor in the last two decades has been Sweden, which provides some 12% of all aid. In the same period the Netherlands occupied third place, providing over 8% of the total flow of aid, after the World Bank with 11%.

Aid is of enormous importance to the Tanzanian economy. At the beginning of the 1990s the total flow of aid was equivalent to over 40% of GNP and two-thirds of all imports were financed with foreign aid. Development aid also plays a key role in the financing of the national budget. About half of recurrent expenditure is paid for from donor funds.

For the last twenty-five years Tanzania has been by far the biggest recipient of Netherlands aid in Africa, receiving a total of Dfl 2,500 million. In 1970 it became a priority country for Netherlands bilateral aid. The amount of aid provided increased rapidly in the course of the 1970s. At the beginning of the 1980s it reached a peak of Dfl 180 million per year. During the next decade the total volume of aid gradually fell to around Dfl 100 million in 1993. Fluctuations in the volume of aid were primarily due to the extent to which funds from special programmes were made available. On average, the volume of aid from such special programmes was equivalent to half of the regular country programme.

Over the years the distribution of Netherlands aid over the various sectors has changed considerably. The share of the industrial sector has almost doubled in the last twenty years, from just over 30% to almost 60%, while the share received by agriculture has fallen by almost half, from 20% to 10%. This change resulted largely from the increase in programme aid during this period. Programme aid was primarily provided in the form of import support for industrial enterprises. A quarter of all aid in this period went to social sectors. These shifts in the sectors receiving aid meant that no more than a third of Netherlands aid was intended directly for rural development, though the large majority of the Tanzanian population lives in rural areas.

2.4 Countries comparison

The above country profiles show that the three countries differ enormously from one another in terms of size, population and economic structure. With an area of 3.3 million km², India is some 100 times bigger than the Netherlands and in 1991 had a population of about 850 million. Covering an area of 1.2 million km², Mali is one of the biggest Sahel countries and almost 35 times as big as the Netherlands. Tanzania has an area of 1 million km² and is thus almost the size of Mali. Mali and Tanzania, with a population of 10 million and 25 million respectively, are thinly populated compared to India.

India is one of the twenty major industrial countries in the world. The country produces a wide range of industrial goods, including capital goods, meets a large part of domestic demand and is an important exporter of electronic and petrochemical products. Mali's climate is arid and semi-arid; its environment is extremely vulnerable and it possesses few productive natural resources. Most of its population makes a living from agriculture, chiefly by means of subsistence farming. Malians working abroad number 1.5 million, effectively making labour Mali's most important export commodity. Tanzania's national economy is based on agriculture. In most years it is self-sufficient in food, and exports of agricultural products is the country's main source of foreign currency. Although past government policy has been heavily geared to industrialisation, Tanzania is now one of the least industrialised countries in Africa.

Despite large differences in economic structure all three countries are among the poorest in the world. Per capita GNP is US\$ 350 in India, US\$ 270 in Mali and only US\$ 110 in Tanzania. In India the prevalence of poverty is closely associated with the major disparities which exist between rich and poor.

The three countries have also displayed great similarities as regards development policy. In each of them central government used to play a dominant role in the management of the development process and they all had typical centrally planned economies. The promotion of economic self-reliance, primarily through industrial expansion and keeping down food prices for urban populations, was part of government policy in both India and Tanzania. Import substitution was the main aim of such industrial expansion.

In general, the results of the development process as managed largely by the state were disappointing in all three countries. In addition to unfavourable developments in the world economy, shortcomings in domestic policy were the main cause of the

economic crises increasingly evident in these countries from the beginning of the 1980s onwards. They were therefore forced to revise their development policies. In all three cases the reforms involved a reduction in government intervention in the economy and a greater role of the market mechanism. Policy reforms took place at different times in the three countries: in Mali at the beginning of the 1980s, in Tanzania from the mid-1980s and in India from the beginning of the 1990s. Liberalisation appears to have had a positive effect on economic growth in both Mali and Tanzania and in India too the first indications are that it will do the same.

The three countries all received considerable amounts of foreign aid in the 1980s. The aid flow to India was about US\$ 2,500 million per year; Mali and Tanzania received US\$ 500 million and US\$ 1,000 million per year respectively.

In terms of GNP and when related to population, aid varied enormously from one country to another. In such terms aid to India can be regarded as modest, amounting to only 1% of GNP and US\$ 3 per capita. In Mali and Tanzania aid was about US\$ 50 per capita. In Mali this represented 20% of GNP. Aid was of greatest significance to the Tanzanian economy, where it amounted to 40% of GNP and financed no less than two-thirds of all imports.

Bilateral and multilateral donors contributed roughly similar proportions of aid to India. Approximately 60% of aid to Mali was bilateral; in Tanzania the figure was 75%. The Netherlands contributed 5% of total aid to India, 7% to Mali and 8% to Tanzania, making it one of the major bilateral donors.

3 Main findings

This chapter compares the findings of the three country studies on the basis of the five key questions of the evaluation study. Those questions relate to the extent to which attention is paid to the main objectives of Netherlands development policy, namely economic self-reliance and poverty alleviation, and focus on the efficiency of organisation and management, the effectiveness of the aid in relation to the two main policy objectives and the sustainability of project results.

3.1 Policy orientation

The extent to which attention is paid to the main objectives of Netherlands policy was examined in the light of the following questions: What were the criteria for selecting the three countries as priority countries for development cooperation? How was the volume of aid determined? How was the proportion of aid to be spent on each of the major forms of aid (project or programme aid) decided? How were the aid channels selected? How were regions, sectors and activities chosen? In addition, the influence of the recipient countries on these choices was looked at.

Choice of country

As long ago as the end of the 1960s, the Netherlands decided to concentrate its bilateral aid on a limited number of countries. This concentration was expected to benefit continuity, quality and manageability of development cooperation. Aid relationships should be of long duration and intensive, primarily because a thorough understanding of the recipient country, its economic and social structure, its language and its culture were considered to be essential for aid effectiveness.

The criteria for the choice of priority countries as laid down in the 1976 policy document 'Bilateral development cooperation' were the degree of poverty and the

need for aid, in conjunction with a socio-economic policy geared to an equitable distribution of income. Subsidiary conditions included respect for human rights, continuity in aid relations and the existence of historical ties between the Netherlands and the recipient country. The selection of countries was to some extent also determined by the preference for a certain geographical spread of the priority countries (DGIS, 1976).

The policy document *A World of Difference* (DGIS, 1991) states that the need for foreign aid is an important criterion for the choice of priority countries. This may be determined in the light of factors such as the degree of poverty, which in turn may be indicated by the per capita income or the ranking on the Human Development Index (HDI). The country's balance of payments position, its debt situation and the access it has to foreign capital are also taken into account in determining the need for aid. Finally, the extent to which other donors are already meeting that need is also important.

A second criterion for the choice of countries with which to cooperate is the extent to which the Netherlands approves of the recipient country's economic and social policies, including those concerning human rights, women, socially vulnerable sections of the population and minorities, and the environment. The policy document *A World of Dispute* (DGIS, 1993) recently urged that greater attention be paid to such concepts as good governance (the way in which a state exercises its political authority) and to military expenditure.

Both India and Tanzania were among those countries chosen as priority countries when the concentration policy was introduced into Netherlands development co-operation. India was selected largely on account of Dutch export interests and the ensuing relationship was essentially the continuation of the existing intensive cooperation which was primarily of a commercial nature. Over the years the principle of continuing cooperation with India has never been disputed.

Tanzania was primarily chosen for political and ideological reasons. The experiment in African socialist development being tested there received a large part of its support from a group of like-minded West-European donor countries, including the Netherlands. At the beginning of the 1980s criticism of Tanzania's macro-economic policy slowly began to grow. Despite this, the Netherlands was reluctant to break off aid relations. At the beginning of the 1990s aid to Tanzania was included in the East Africa Region programme (which also covers Kenya, Uganda and Rwanda). In practice, the new structure has not resulted in any significant changes in the aid relationship with Tanzania.

Development cooperation with Mali started in the mid-1970s, when it took the form of humanitarian aid on account of a long period of drought and serious food shortages in the Sahel region. The Sahel Region programme was set up at the beginning of the 1980s. Mali has always been one of the main recipients of Netherlands aid to the Sahel.

Given Netherlands development cooperation criteria, India, Tanzania and Mali were rightly accorded priority in Netherlands bilateral cooperation. After all, they are among the poorest developing countries, have a considerable need for aid and their social and economic policies in recent decades have largely met with approval of the donor community. Moreover, in none of these countries did the human rights situation give cause for serious concern.

Volume of aid

Determining the volume of aid for a country is by definition a political decision based on a large number of factors. In 1980 DGIS drew up criteria for determining the annual allocation for each developing country. These criteria have never been officially approved, however, and the size of the allocation for each country has therefore not been determined in a clearly defined manner. This can be seen, for instance, from the considerable differences between the average per capita amount of aid per annum each of the three countries under review receives: India: Dfl 0.25, Tanzania: Dfl 4.00 and Mali: Dfl 6.00.

Figure 1 shows total bilateral aid to the three countries since 1980. Within the category of bilateral aid a distinction must be made between the country programme and aid funds from various special programmes. The core of the Netherlands aid programme is formed by the annual allocation under the country programme. In addition, the three countries received considerable amounts under more than twenty special programmes, the most important of which were the balance of payments support programme, the three sector programmes (rural development; industry; and training, education and research), the thematic programmes (women; environment; urban poverty; research) and the co-financing programmes. The additional aid from the sector and thematic programmes and the balance of payments support programme was regarded in part as an indication that the policies of the recipient country were rather well in line with Netherlands priorities for development cooperation. Moreover, these special programmes enabled the donor to devote attention to themes and sectors to which Netherlands policy accorded high priority. Special programmes were also considered to be important in ensuring more intensive support for development cooperation in the Netherlands.

Total Netherlands aid in Dfl millions

India		Mali		Tanzania	
1980	306	25	174		
1981	396	16	186		
1982	186	12	154		
1983	229	24	100		
1984	234	47	141		
1985	246	51	123		
1986	291	48	148		
1987	255	44	150		
1988	291	46	156		
1989	265	62	152		
1990	331	66	176		
1991	257	53	138		
1992	251	47	90		
1993	157	46	104		
Total:	3695	Total:	587	Total:	1992

Average per capita amount per annum in Dfl

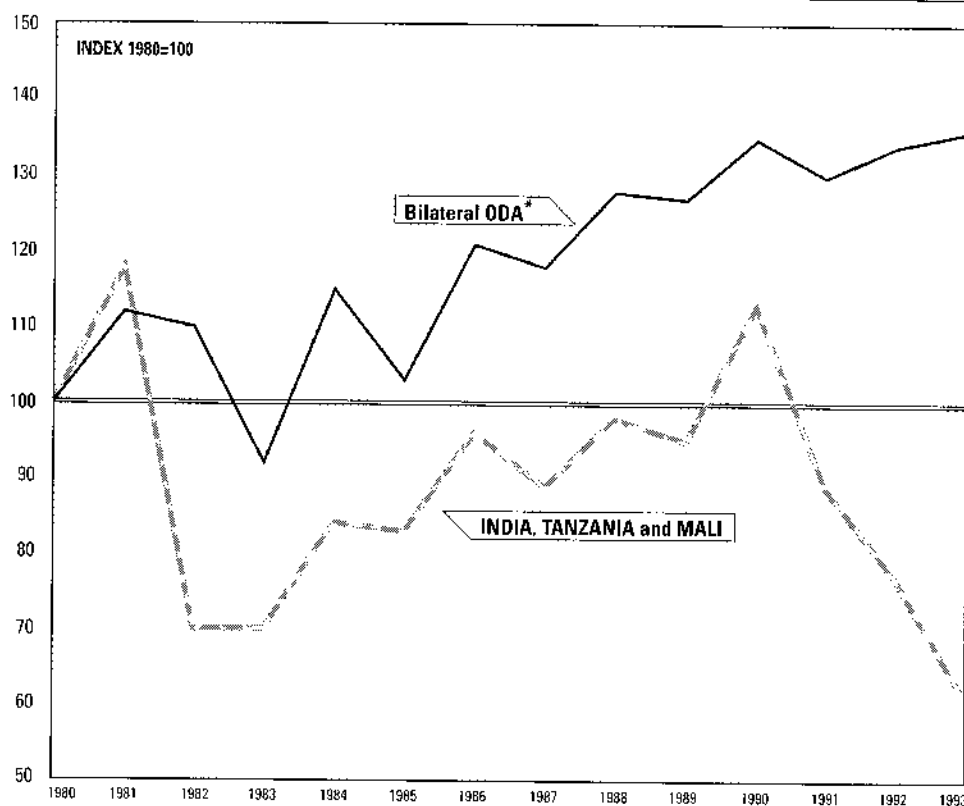
India	Mali	Tanzania
Dfl 0.25	Dfl 6.00	Dfl 4.00

Figure 1: Netherlands bilateral aid to India, Mali and Tanzania, 1980–1993

The emphasis placed on special programmes has varied enormously in the past. The policy document *A World of Difference* (DGIS, 1991) announced that a larger proportion of bilateral aid would be made available on a conditional basis, i.e. in the form of a variable volume whereby the exact amount would depend on the extent to which policy agreement could be reached.

Figure 2 shows that the share of total Netherlands bilateral aid received by the three countries has fallen considerably. While expenditure on total bilateral aid increased between 1980 and 1993 by some 35%, aid to the three countries fell by some 40% over the same period. This is particularly true of the years after 1989. The considerable variations in aid volume to the three countries were chiefly the result of changes in aid policy and organisational factors.

Firstly, in recent years Netherlands aid policy has placed greater emphasis on a sectoral and thematic approach and on more intensive use of multilateral channels. Hence, less money went to regular bilateral aid. Whereas in 1990 Dfl 1,600 million was still available for the latter category, this had fallen to Dfl 1,200 million by 1994. Therefore, the aid volume for most priority countries has been lowered in the last few years. This affected India in particular, regular bilateral aid to which



* Bilateral ODA comprises total official Netherlands development aid (ODA) less contributions to multilateral organisations.

Figure 2 Total Netherlands bilateral aid in comparison with aid to India, Mali and Tanzania, 1980-1993

was more or less halved. Up to the beginning of the 1990s the aid volumes for the three countries had largely been stable, especially those for India and Tanzania; their annual allocations had been around Dfl 200 million and Dfl 100 million respectively since the mid-1970s. Regular bilateral aid to Mali actually increased in the period up to 1990 but thereafter the total aid flow to that country too fell, by almost a quarter, to Dfl 46 million in 1993.

Secondly, the variations can be explained by the organisational structure of DGIS. Aid to priority countries and regions included substantial contributions from sector or thematic programmes. Funds from these special programmes were made available on an *ad hoc* basis. In addition, in the case of sector programmes disbursements often lagged behind commitments, partly because it was not always clear which section of DGIS was responsible for supervising implementation.

The criteria for the allocation of aid funds were not very clear to the recipient countries. The success or otherwise of programmes played only a marginal role in determining the amount of aid. For example, the recent drop in total aid to the three countries is difficult to reconcile with the very considerable poverty which still exists in these countries or with the Netherlands' appreciation of the economic restructuring programmes currently being implemented there.

Forms of aid

The studies distinguished two main forms of aid: programme aid and project aid. Up until the beginning of the 1980s project aid was the most common form provided by the Netherlands. It involves a development investment which in terms of its objective and resources is limited to a specific period of time. Increasing absorption problems with project aid and growing balance of payments problems in developing countries resulted in an increase in programme aid in the 1980s. The Netherlands regards programme aid as an appropriate form of aid where the recipient country is pursuing good social and economic policies. Programme aid can also play an important role in the support of economic reform policies. This form of aid also has the advantage that the procedures involved are simple, which means that aid funds can be disbursed quickly. Programme aid is provided in several forms. In India, Mali and Tanzania the most important form it took was import support; other forms included debt relief, structural or sectoral adjustment loans and budget support. Since the beginning of the 1990s the share accounted for by project aid has again increased, however, now amounting to some 60% of total aid to the three countries under review.

Bilateral aid to India has been heavily dominated by programme aid (primarily in the form of fertiliser supplies) more or less from the start. In the first half of the 1980s such aid accounted on average for some 70% of the total flow of aid. In this regard India was an exception in Netherlands development cooperation for years. In the course of the 1980s, however, there was a gradual shift towards project aid, primarily because the Netherlands wanted to focus more on direct poverty alleviation but also because of pressure from certain sectors of Dutch industry. In the last five years the share of total aid accounted for by programme aid has dropped to 40%. It is also striking how much the volume of programme aid has varied since the mid-1980s (from 35% to 70% of the total aid flow). In Mali a third of the aid was provided in the form of programme aid and the remainder as project aid. Almost all programme aid to Mali came from special programmes, making continuity uncertain. This is illustrated by the recent reduction in programme aid

to Mali from 50% to 30%. In the case of Tanzania, on the other hand, there was a shift away from project aid towards programme aid in the 1980s, the latter accounting for about 60% at the end of the 1980s and comprising primarily import support to individual industrial enterprises. At the beginning of the 1990s the share accounted for by programme aid fell again, to about 40% of the total in 1993. Figure 3 illustrates these developments.

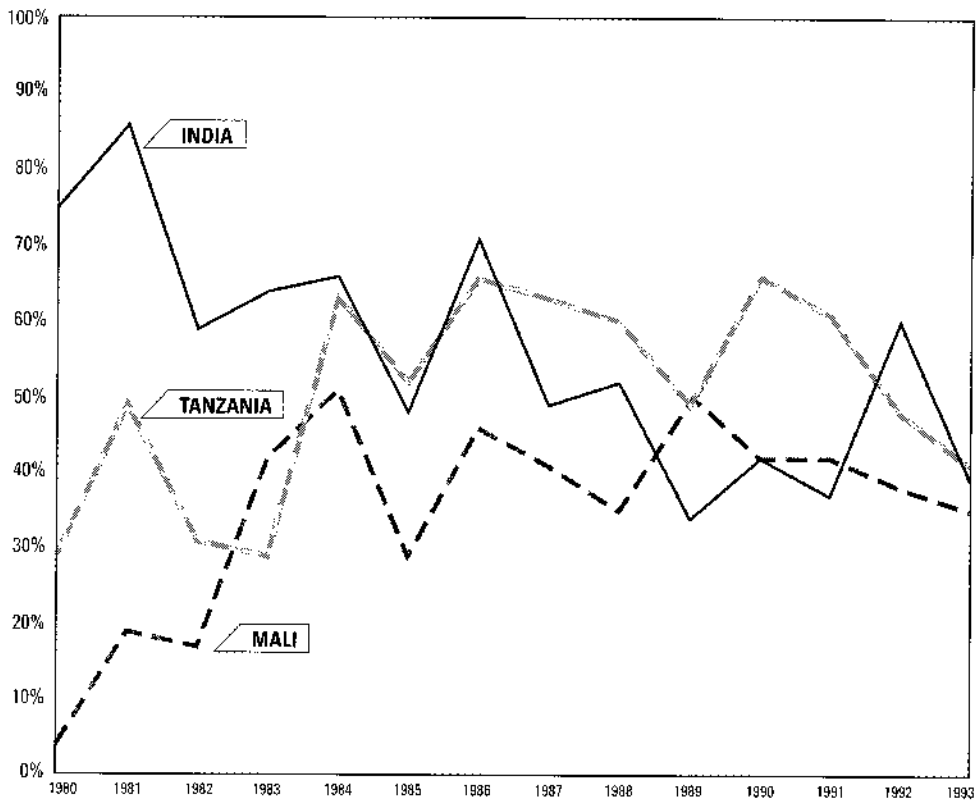


Figure 3 Programme aid as a percentage of total Netherlands bilateral aid to India, Mali and Tanzania, 1980–1993

It may be concluded that Netherlands development cooperation policy is highly ambivalent with regard to programme aid. On the one hand, it is seen as the best aid instrument with which to support macro-economic policy reforms, and in countries with a good macro policy this would be a reason to make aid available only in this form. On the other hand, the Netherlands wants to have sufficient control over its aid, partly to ensure adequate attention for its own policy priorities, partly for better financial accountability. Project aid is better suited for this.

The large variations in the proportion of programme aid reflect this ambiguity. For example, most recent country policy plans have announced increasing the proportion of project aid, because the latter is regarded as a better policy instrument for the alleviation of poverty. Such a change would not be in accordance with the Netherlands' positive assessment of the macro-economic policy of the three countries. Moreover, these countries have a considerable need for macro-economic support in the form of programme aid.

The variations in programme aid cannot be explained in terms of policy alone, however. Pragmatic factors also played a role; these include the possibilities for quick disbursements because of the relatively simple procedures. The latter was of particular relevance in the case of the India programme.

Aid channels

Three options are usually available in the selection of aid channels: bilateral, multi-lateral or NGOs. Which of the three is preferable differs from one aid situation to another and is dependent in part on the socio-political policy of the country concerned, the particular target group of an aid activity and the nature of the aid. Considerations on the side of the donor may also play a role, since the decision in favour of a specific channel implies support for a particular approach to development. NGOs are generally considered the best channel for activities and initiatives when cooperation between governments would be difficult if not impossible. These organisations have intensive contacts with the population in the recipient countries (either directly or through their counterpart organisations), which means that they have a good understanding of how best to tackle poverty in a sustainable manner. The multilateral channel may be chosen because it offers advantages of scale and better coordination. The bilateral channel is primarily considered to be important where it is desirable to promote the particular profile of the donor's policy. It provides a framework for a policy dialogue with the recipient country and thus enables the Netherlands to disburse aid in a manner which accords more closely with its own objectives.

For the three countries aid was divided between the three channels in the following way. By far the largest proportion (i.e. 80%) was provided bilaterally. About 15% passed through the NGO channel and the remaining 5% through multilateral channels. The exact proportions varied enormously from one country to another, however. For example, government-to-government aid was highest in India (some 90% between 1980 and 1992), while more or less all the non-bilateral aid there was

channelled through NGOs. In Tanzania and Mali bilateral aid accounted for around 75% of the total aid flow over the last twelve years, a significantly lower proportion than in India. The division between multilateral and NGO channels in the latter two countries was roughly the same.

A relatively small proportion of the total aid flow was implemented through multilateral channels. Regular contributions to multilateral organisations are not included in this calculation, however. Approximately 20% of the total Netherlands development cooperation budget (i.e. almost a quarter of ODA) is transferred to such organisations, which then disburse the funds in developing countries in accordance with their own policies and priorities. If these transfers were included in calculating the proportional distribution over aid channels to the three countries under review, the Netherlands contribution through multilateral organisations would be in the order of 30%. Just 10% of the Netherlands development cooperation budget goes to NGOs. The proportion of aid channelled through NGOs in the three countries was therefore above average at 15%. Most of this expenditure was financed from the special programmes budget categories.

The governments of the three countries generally preferred the bilateral aid channel. This gave them the best opportunity to control the aid flow and gear it to their own priorities. This preference was reinforced by the often critical stance of NGOs towards government policy.

Composition of aid

Both policy and management considerations play a role in the selection of sectors, regions and projects to receive Netherlands support. The main objectives of Netherlands policy in recent decades have been economic self-reliance and poverty alleviation. In selecting activities particular attention also had to be paid to the effects of the aid on the status of women and on the environment. A third important consideration was the need for programmes to be manageable. This is why in principle a limited number of sectors was chosen which were in line with the priority needs of the countries, taking into account wherever possible the expertise available in the Netherlands. The activities of other donors were also looked at in deciding on sectors and regions. In addition, the Netherlands often concentrated on particular geographical areas in order to improve manageability and efficiency. The final consideration was that choices made in the past entailed an obligation to guarantee some degree of continuity.

The sectors to which Netherlands aid was directed varied enormously. Aid to India was geared heavily to agricultural production through commodity import support (fertiliser), budget support (rural credit) and project aid (irrigation, soil improvement). Approximately 60% of all aid from the Netherlands benefited this sector. In addition, large sums were invested in the water transport sector (15%) and in drinking water facilities (15%). In Mali almost 70% of aid went to agriculture. The project activities in this sector included support for rice cultivation (food crop) and cotton production (export crop) and for measures to combat erosion. Other important sectors in Mali included education and transport, each of which received about 10% of total aid. In Tanzania more than half the aid was used for the development of the industrial sector. Only 15% benefited agriculture and livestock farming. Other important sectors included transport and education, each of which received 10%. Despite the apparently heavy concentration of Netherlands aid in a limited number of sectors, in practice support usually went to a very large number of individual project activities. In all three countries the Netherlands bilateral project aid was characterised by a high degree of continuity of activities. Most projects had been extended a number of times, those running for ten years or more being the rule rather than the exception.

Netherlands aid was also primarily geared to supporting the public sector. Some 90% of aid was used in this way, sub-divided roughly as follows: a third went to government services and a fifth to semi-governmental agencies or enterprises, while almost half could be considered general budget support. A large part of this general budget support comprised countervalue funds obtained through the sale of goods from import support. Only 10% of the aid went directly to the private sector, almost all of it channelled through NGOs.

Efforts were made to concentrate aid on particular regions. In India the target regions (five states) were so large as regards area and population (30 times as large as the Netherlands, and a population of 320 million) that in practice there was no concentration. In Tanzania the projects had in the past been widely dispersed over the country. In recent years attempts have been made to target aid on a limited number of districts. It is only in the aid programme with Mali, where there are two target areas, that a clear geographical concentration of resources is applied.

Three main factors affected the composition of the aid programmes with the three countries: Netherlands development policy, the policy of the recipient countries and the interests of Dutch industry.

The aid programmes in the three countries were primarily geared to supporting economic self-reliance. Two-thirds of the aid was spent on this. The remaining one-third focused on the other main Netherlands policy objective, the alleviation of poverty. The proportion of aid devoted to poverty alleviation differed quite considerably from one country to another. India scored highest with about 35% and Tanzania lowest with less than 20%. The fact that Tanzanian socio-economic policy had long been well received by the Netherlands government probably accounts for the limited attention to direct poverty alleviation. Little was spent in these countries on specific projects concerned with improvement of the position of women or conservation of the environment, except in the case of Mali, where the environment was a central element in policy from the start of the bilateral programme. The relatively small number of projects concerned specifically with women or the environment was primarily due to the preference for integration of such themes in wider projects.

Of the three countries, India had most influence over the composition of the aid programme. In Mali and Tanzania the programme was strictly controlled by donors. The dependence of these countries on aid was an important factor in this.

The role of Dutch commercial interests in determining sectors and the types of goods to be supplied was greatest in India and almost negligible in Mali. Some 60% of bilateral aid to India was spent in the Netherlands in recent years. At the beginning of the 1980s the percentage was the same in the case of Tanzania but it is now much lower, i.e. about 30%.

3.2 Organisation and management

The following aspects of the organisation and management of the country programmes will be discussed here: the administrative organisation of Netherlands aid, the manner in which aid programmes were drawn up, the ways in which programmes and projects were implemented, management of the project cycle and donor coordination.

Administrative organisation

The Netherlands has a relatively small staff to implement its aid policy. The number of staff lags far behind the growth in aid volume and in the number of projects and programmes. Between 1970 and 1990 the budget increased from approximately

Dfl 1,000 million to almost Dfl 6,000 million, whereas the number of staff at DGIS and the embassies only increased from 360 to 625. From the beginning of the 1980s, moreover, preference was given to generalists rather than specialists in the selection and recruitment of DGIS personnel. In addition, under the department's personnel policy it is common practice for staff to be rotated frequently, and this affects the accumulation of know-how within the organisation. Finally, DGIS's management system is highly centralised with little delegation of decision-making to the embassies.

Partly in order to reduce the DGIS workload, it was decided in the mid-1980s to contract out a greater proportion of the implementation of development projects. Other reasons for this move included an expected improvement in quality and greater involvement in development cooperation on the part of civil society. An IOV study of the contracting out policy conducted in 1989 concluded that it was impossible to ascertain any reduction in workload; the present studies confirm this finding.

In response to the criticism of personnel policy which was also expressed in the above-mentioned IOV report, a number of measures have been taken in recent years to improve the professionalism of DGIS. One such measure was the appointment of sector experts at the Ministry and the embassies. The number of staff at the embassies has doubled between 1986 and 1993. The present study concludes that the capacity of the embassies is now more or less adequate.

DGIS is organised in what is known as a matrix structure, which means that aid is provided on the one hand via country programmes and on the other on the basis of sectoral or thematic programmes. Separate budget categories were created for some sectoral and thematic programmes, with their own executive desks. This was partly intended to ensure that adequate attention was devoted to new policy priorities. In practice, the distinction between aid activities financed from the country programme and those financed under special programmes was not always clear. Special programme activities were also sometimes undertaken without consultation with the country desk; the danger here was that policy inconsistencies could arise. From a management point of view the situation was often obscure. For the recipient countries this reduced the transparency of the Netherlands' development cooperation programme.

Aid programming

In the country evaluations special attention was paid to three elements of aid programming, namely the country policy plans, policy dialogue and financial programming.

Up until the beginning of the 1980s Netherlands aid was not based on a coordinated policy plan for particular countries or regions. From 1984 onwards policy is formulated for programme countries in multi-year plans, which in principle cover four-year periods. The policy plans analyse developments and policy in the developing countries, review the aid provided in the preceding period and set out the Netherlands policy intentions, priorities and approach to aid for the period ahead. Netherlands policy principles form the core of these documents. There is little involvement of developing countries in the drafting of the plans. Programme countries are consulted through the embassies but the final responsibility rests entirely with the Netherlands and it is very much the concerns of the donor which are paramount in the plans.

Until recently the Netherlands held formal consultations with the governments of the three countries twice each year. Policy consultations usually took place at the end of the year, while a mid-term review was held in the middle of the year. At the end of 1992 the frequency of policy consultations was reduced to once every two years. Since then, two-year indications of the total amount of financing to be expected from the Netherlands have also been provided, in order to promote the integration of Netherlands aid in the local budget process. Previously, only one-year indications had been given. Mid-term reviews, which examine the implementation of the on-going programme, still take place each year.

The agreed minutes revealed that the subjects discussed at the policy consultations had changed over the years from the financing of new projects and programmes to more policy-orientated matters. The explanations which both parties provided regarding their policy intentions and priorities had become more detailed. Nevertheless, the consultations were an opportunity for both parties to state their policies rather than for a real dialogue or discussion. Negotiations on the substance and conditionality of programmes and projects were conducted separately, usually directly with the organisations responsible for implementation.

In the mid-1980s DGIS introduced a new financing system, based on actual expenditure. The previous system had been based on commitments already entered into. From then on an annual ceiling for total disbursements was set for India and

Tanzania within the country programmes budget; the recipient countries were also informed what the ceiling was. There was no separate ceiling for total disbursements for Mali, its aid forming part of the budget for the Sahel region. Under the new system it was no longer possible at the end of a year to carry over to the next year amounts which had not been disbursed. This meant that there was some pressure to ensure that allocations were disbursed on time. Programme aid began to play an important part in ensuring that available funds were fully disbursed. This was because the amount of programme aid is flexible and some forms can be disbursed rapidly. In this way unforeseen delays in disbursements for project aid could be compensated for, as happened regularly in India.

Modalities of implementation

There are two main types of aid modality in the Netherlands aid programme: the financial aid procedure and the technical aid procedure. In the case of the former, the recipient country is responsible for implementation. In the case of the latter, the Netherlands is responsible for organising implementation and DGIS itself recruits experts and consultants and procures the necessary goods. In 1991 this division was further refined by splitting the two main forms into five standard forms. Netherlands policy is that, wherever possible, implementing procedures that maximise the developing country's say should be chosen. From a policy point of view there is therefore a clear preference for the financial aid procedure.

In practice, however, the choice of the mode of implementation was heavily influenced by pragmatic considerations. In particular, the assessment of the ability of the recipient institution to guarantee rapid administrative processing played an important role. With a view to ensuring that disbursements were made on time, projects and some forms of programme aid were implemented increasingly often using the technical aid procedure, as is shown in figure 4.

The trend towards greater involvement in the aid on the part of the Netherlands should also be seen in the light of increasing political pressure for strict monitoring of the disbursement of aid funds. Donors tend quickly to assume responsibility for implementation themselves because administrative structures in developing countries, and particularly in Africa, are often weak. The return to project aid should also be seen in this context. After all, it is easier to trace and monitor project aid than programme aid. However, this is to ignore one of the main objectives of development cooperation—strengthening local institutional capacity.

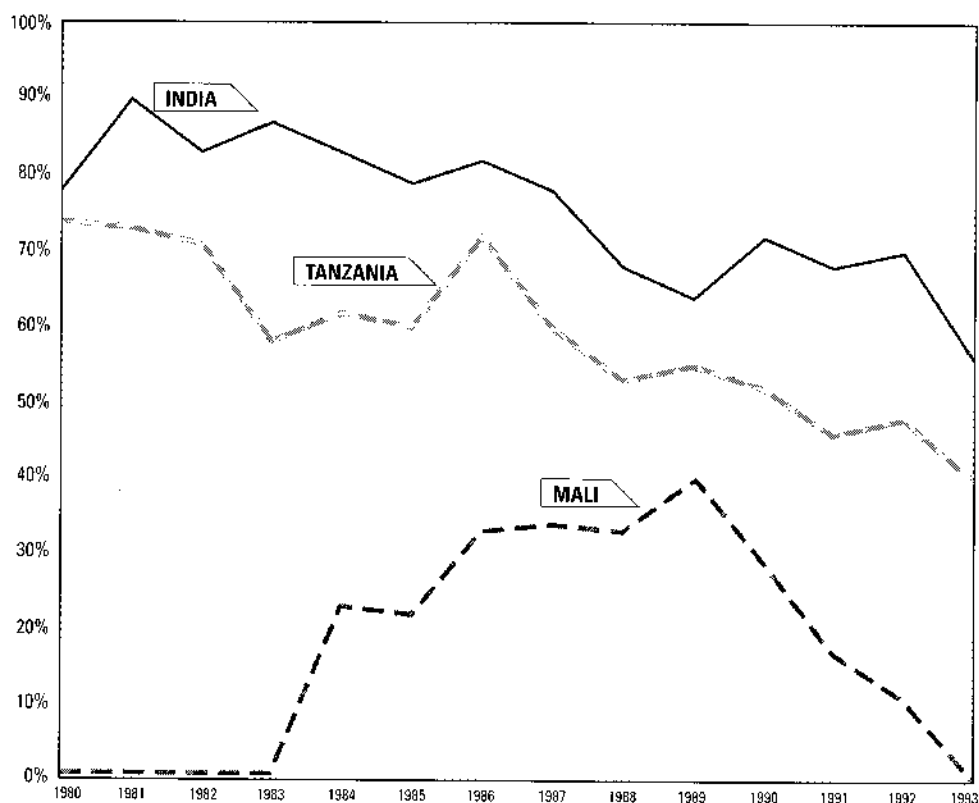


Figure 4 Use of financial aid procedure in the bilateral cooperation with India, Mali and Tanzania, 1980–1993 (percentage of total bilateral aid)

Netherlands development cooperation would thus appear to be beset by a contradiction. On the one hand, policy is geared to increasing the participation (or ‘ownership’) of the developing country in the implementation of aid, while on the other hand donors require high standards as regards financial accountability for aid expenditure.

Management of the project cycle

In 1982 DGIS introduced a refined and expanded system of instructions for project appraisal procedures, project planning and implementation, the so-called project cycle. These instructions were laid down in a manual. In the manual, the following three main stages are distinguished: preparation, implementation and evaluation.

Over 420 bilateral projects were implemented in 1992, divided between the three countries as follows: 260 in India, 40 in Mali and 120 in Tanzania. In addition, NGOs

were carrying out numerous projects in each country. The resulting fragmentation meant a considerable workload for the organisation, because in principle the entire project cycle had to be gone through for each separate activity.

The preparatory stage of the project cycle comprises three parts: identification, formulation and appraisal. Often, no clear distinction was made between identification and formulation.

The identification of projects was by no means always formalised in identification memoranda and where it was, it was usually only after the formulation stage. This explains why identification memoranda and appraisal memoranda overlapped to a large extent.

Project formulation, which should in principle have been undertaken by the developing countries, was in many cases monopolised by the Netherlands. Management considerations such as pressure of time played an important role in this. Complex aid criteria and policy requirements also resulted in the developing countries frequently leaving project formulation to the donor. This influenced the sustainability of the project results unfavourably. Studies by the World Bank and others have demonstrated that the chances of sustainability are increased if the recipient country and the local organisations responsible for implementation regard the project as their own and feel responsible for it from the beginning (World Bank, 1992).

The preparatory stage terminates with an appraisal memorandum. The appraisal and approval of projects is the prime responsibility of the Ministry. The standard of the memoranda increased over the years. Appraisal in the light of Netherlands policy and management requirements in particular improved. Objectives and topics for monitoring, however, were seldom formulated in the form of quantitative indicators, and analysis of the local context in the case of new activities continued to be fairly superficial.

The implementation stage of a project comprises the acquisition of goods and services, plus monitoring and supervision. The prescribed acquisition procedures and rules on the tying of aid were applied fairly flexibly in the Netherlands aid programme. Of total expenditure under the financial aid procedure which was partially untied (that is to say that disbursements could be made only in the Netherlands or in developing countries), an estimated 50% was disbursed in the Netherlands. It is striking that under the technical aid procedure which was completely untied (that is to say that there were no conditions attached to disbursements on goods and services) a larger part of the funds was spent in the Netherlands, i.e. 60%. The fact

that the management of technical aid is largely in the hands of the donor is primarily responsible for this.

Project monitoring and supervision were geared heavily to inputs; there was little understanding of or attention for the results. In fact, most projects had no monitoring system at all.

The third stage of the project cycle, evaluation, was included in the project plan in the case of most projects. The quality of the studies varied considerably, but was in general fairly low. This was mainly due to the lack of information provided, the operational nature of the evaluations and the limited amount of time that those carrying out the evaluations had at their disposal. These conclusions agree with the findings of the recent IOV report on evaluation and monitoring (DGIS/IOV, 1995b).

The general conclusion is that the management of the project cycle has improved over the last ten years as a result of the instructions introduced since 1982. These more specific instructions helped make decision-making clearer and ensured that proposals were analysed and appraised more carefully. On the other hand, the rigidity of this system of rules and regulations has resulted in project planning, implementation and monitoring now being almost completely dominated by the donor. As a result, local institutions are not playing as prominent a role as policy-makers had envisaged for them.

Aid coordination

The importance of aid coordination in making aid more efficient and effective is generally recognised. In the case of India and Tanzania, the consultative group was the most important forum for joint consultations at policy-making level between donors and government. The group usually met once a year under the joint chairmanship of the World Bank and the country concerned. No such consultative structure existed in the case of Mali. In addition, there were a great many very diverse forms of donor coordination in all three countries, primarily at project or programme level.

Despite all the effort, in practice there was still insufficient effective coordination of foreign aid. The main reasons for this were the large number of donors and their extremely diverse and complex procedures, the reluctance of donors to coordinate their aid on account of their own interests, the limited capacity for proper coordination and the fear on the part of the developing countries that donors 'gang up' to achieve their policy objectives.

The most common form of strategic cooperation on the part of donors was that with the World Bank in connection with the financing of sectoral or structural adjustment programmes. Two types of cooperation can be distinguished: parallel co-financing and joint co-financing. The donor is responsible for preparation and implementation in case of the former, while the World Bank is responsible in the case of the latter.

Parallel co-financing was most common, though joint co-financing now appears to be on the increase. In the country evaluations this was regarded as a favourable development for three reasons. Firstly, joint co-financing increases the impact of the aid. This is particularly true for aid which is intended to support macro-economic reform processes. Secondly, developing countries can handle it better because they only have to deal with one implementation procedure and one monitoring mechanism. Thirdly, it reduces the Ministry's workload.

The country studies demonstrated that the policy and programmes of the World Bank and the IMF also had their weaknesses. Their analyses and implementation conditions were often too general and too dogmatic. This implies that the Netherlands should not always follow the policy of these institutions without question. Particularly in the case of countries where the Netherlands finances relatively large aid programmes, the Netherlands should form its own independent view on macro-economic policy. This also enables the Netherlands to make a constructive contribution in multi-donor consultative structures.

3.3 Economic self-reliance

One of the main objectives of Netherlands aid in recent decades has been to contribute to the economic self-reliance of the recipient country. This means that development processes are supported which in the long term can be financed by the country itself without foreign aid. Two-thirds of aid expenditure to the three countries was geared to this objective. Activities to promote economic self-reliance comprised technical cooperation projects (also known as technical assistance), capital investment projects and programme aid primarily in the form of import support.

The initial emphasis on the need for the transfer of knowledge meant that in the early years of development cooperation technical assistance accounted for a relatively large share of total aid. The primary aim of technical cooperation, besides promoting the transfer of knowledge, is to strengthen institutional capacity. Technical cooperation comprised primarily the improvement of local educational and training

facilities, and the provision of fellowships and foreign expertise. Ten percent of all aid aimed at economic self-reliance took this form. Technical cooperation projects were found primarily in Mali and Tanzania. There were very few of this type of projects in India.

Partly under the influence of the modernisation strategy, at the beginning of the 1970s greater emphasis came to be placed in Netherlands development cooperation policy on capital investment programmes, sometimes also referred to as financial aid. The emphasis in this strategy was on economic growth, for which a rapid expansion of the industrial sector was considered essential. Capital investment projects were primarily intended to expand production capacity and improve physical infrastructure. Over 15% of aid geared to economic self-reliance was made available in the form of capital investment assistance. Capital investment projects were found primarily in India and Tanzania.

In the 1980s serious under-utilisation of production capacity as a result of a shortage of foreign currency led to a shift in aid, from capacity expansion to better use of existing production capacity. Programme aid, particularly in the form of import support, became the most important type of aid. From 1980 to 1992 75% of aid geared to economic self-reliance was provided in the form of programme aid.

The results achieved with each of these types of aid are discussed separately below.

Technical cooperation projects

Technical cooperation includes all aid activities which are geared to the development of human resources through improving knowledge and technical skills (OECD, 1992). Institutional development is one of the main objectives of technical cooperation. Programmes aimed at improving training, educational and research facilities and those making experts available are considered important instruments of technical cooperation.

The effectiveness of technical cooperation varies. The commitment and contribution of experts was generally considered to be valuable. In terms of the transfer of knowledge, however, the assignment of experts had little success. Most experts were primarily engaged in operational activities, even those who had been posted in an advisory capacity and whose main job it was to train local counterparts. There were a number of reasons for the lack of attention paid to training, one of the most important being that there were often no qualified counterparts. Extremely low

salaries also hindered effective technical assistance. Civil servants in developing countries are often forced to earn money elsewhere because of the low salary levels. This is the main reason for the high level of absenteeism in the public sector, particularly in many African countries. The civil service therefore needs to be restructured before the effectiveness of technical assistance to government departments can be increased.

The evaluation studies also revealed the enormous problems which exist with respect to the sustainability of projects in research, education and training. The weak financial position of the various educational establishments was closely related to the general economic crisis in the countries reviewed and the resulting reduction in government expenditure on the sector. In consequence, much of the capacity built up with Netherlands assistance was also under-utilised.

The management of technical cooperation entails a high level of donor involvement. Recipient countries have little insight in the way technical aid funds are managed. The Netherlands was entirely responsible for the organisation of the implementation of technical cooperation programmes. It is also striking that some two-thirds of technical assistance was disbursed in the Netherlands, despite such aid in principle being completely untied. From the point of view of cost-effectiveness it would almost certainly have been much better if such projects were contracted out through an international tender procedure.

Capital investment projects.

Most investment projects related to the development of new production capacity and expansion of existing capacity for enterprises in the transport or industrial sectors. Almost all support went to state organisations or parastatal enterprises. Most investments involved setting up large-scale, capital-intensive and import-intensive projects. The effectiveness of capital investments was assessed on the basis of capacity utilisation and financial and economic viability. The evaluation studies revealed that the results of this type of project varied considerably.

In India capital investments were concentrated in the water transport sector and involved supplying dredgers and improving the infrastructure in a number of ports. The results were rather positive. The equipment supplied was generally considered to be efficient and the vessels were well maintained. The supply of dredgers ensured access of ships and goods to a number of Indian ports. The clear need for the support offered by the Netherlands in the dredging sector and the reasonably good institutional structure for taking receipt of the support were two important reasons

for the positive results achieved. However, in planning the aid to the dredging sector in the second half of the 1980s insufficient account was taken of Indian priorities and the choice of activities was not based on a careful analysis of the transport sector as a whole. The capacity utilisation of the dredgers could also have been better, as could management in the sector. For this it is essential that the management of the state dredging company, the port authorities and the ship repair and maintenance companies are organised along more commercial lines. Simplification of the complex import procedures and a reduction in import taxes would help as well.

In Tanzania the findings in relation to capital investment projects were extremely negative, particularly in the case of projects implemented in the 1970s. The evaluation study identified the following reasons for this. Firstly, shortcomings in project design played a role. Generally, projects were too big and too complex and took insufficient account of local conditions and the expertise available in the recipient country. Project formulation was largely carried out by the donor. The possibility of capital goods being supplied by Dutch industry played a role in that formulation. However, a desire for prestige on the part of the Tanzanians was also partly responsible for adoption of too advanced an approach to the projects. Secondly, there were problems with the organisational and management capacity of the recipient organisations, particularly the state and parastatal enterprises with a highly bureaucratic organisational structure. These enterprises operated inflexibly, partly because their actions were circumscribed by a large degree of political interference in management. There were also continual financial problems because of unfavourable policies (primarily on prices and marketing) and the economic crisis, which was chiefly reflected in a severe shortage of foreign exchange.

The capital investment projects which were carried out in Tanzania in the 1980s were generally more successful, thanks to the sectoral approach adopted. One feature of this approach is that development problems are tackled within a broader context, aid being used in a more flexible manner; that is to say, capital investments are supplemented by import support and technical assistance. This approach was used in particular in the provision of Netherlands aid to the sugar and cotton sectors (DGIS/IOV, 1992a).

Import support

Import support was used mainly to finance essential imports needed to keep existing food and industrial production going. Initially, Netherlands policy viewed this kind of aid as an instrument to help with temporary economic problems caused by external factors. Gradually, however, it became clear that balance of payments

problems were more structural. This is why structural adjustment conditions were increasingly attached to such aid from the Netherlands.

Import support should therefore primarily be assessed at macro-level: the question to be answered is to what extent such support assisted economic reform processes. At micro-level, the significance of import support for the direct recipients of the goods was also assessed. In view of the assumed fungibility of import support, considerable caution was required here. Many of the goods would very probably have been imported anyway, possibly using import support from other donors. Over half of all import support comprised the supply of fertiliser. This had a positive effect on food production. On the other hand, the import support to the industrial sector in Tanzania was regarded as having failed, since it had mainly served to keep the production process going in firms which were not viable.

The studies produced no uniform picture of the extent to which programme aid at macro-level supported effective economic reform processes. For example, import support was provided to India for years, during which time macro-economic policy was seldom discussed within the donor community or between the donors and India. The growing public sector deficit and the increasing deficit on the balance of payments current account should, however, have been sufficient reason for a critical review of this policy. It also means that in future greater caution should be exercised in making this kind of aid available. The absence of serious criticism of India's economic policy by international institutions was one reason why the Netherlands continued to provide unconditional import support. It was only at the beginning of the 1990s and on account of the rapidly worsening economic situation that India decided to undertake drastic reforms.

From the mid-1980s import support to Tanzania was more strictly tied to conditions concerning structural adjustment. Import support to Mali served to strengthen the good macro-economic policy pursued there from the mid-1980s. It was therefore concluded that in both these countries programme aid had in recent years encouraged the reform process.

It must be concluded from the findings that in terms of sustainable improvements in economic growth, reductions in the public sector deficit and improvements in the balance of payments position, structural adjustment has not been an unequivocal success. Because the economic reform programme in India only started at the beginning of the 1990s, its effects cannot yet be assessed. Mali's structural adjustment programme appears to have had a positive effect on economic development. In Tanzania the reforms have resulted in considerably stronger growth but this can

primarily be attributed to a massive increase in aid. The structural adjustment programme in Tanzania was aimed much more at economic recovery than at structural change. There remain important areas where little has as yet been achieved in the way of restructuring; institutional reform is still needed, for example, in the parastatal and financial sectors and in the civil service.

3.4 Poverty alleviation

The alleviation of poverty has always been central to Netherlands development cooperation. Activities geared to improving the situation of deprived segments of the population in the three countries under review were supported primarily through project aid, though budget support was also made available. Project aid can be divided into three categories: projects aimed at improving basic services, projects which serve to support income-generating activities, and regional development projects. In total, a third of the aid to the three countries was spent on activities to alleviate poverty.

A great deal of attention has traditionally been paid in Netherlands development cooperation to improving community services, especially since the mid-1970s, when the basic needs strategy was launched. Between 1980 and 1992, 40% of aid for poverty alleviation was geared to this. Projects whose aim is to strengthen the economic position of poor people, particularly by encouraging income-generating activities, form another important category. Between 1980 and 1992 about 30% of aid intended for the alleviation of poverty went to this kind of project.

Regional development projects are often multi-sectoral programmes concerned with both income-generating activities and improving basic services and the economic infrastructure. A total of about 10% of aid intended for the alleviation of poverty was spent on such projects. Aid for poverty alleviation was provided also in the form of budget support, which should be regarded as a kind of programme aid, funds being made available for government programmes aimed at the most vulnerable sections of the population. About 20% of the total bilateral aid intended for poverty alleviation was disbursed in this form between 1980 and 1992.

Basic services projects

The most important sectors on which basic services projects concentrated were drinking water and health care, and of the two, the former received by far the most

attention. Major bilateral drinking water programmes were carried out in India and Tanzania. Much less attention was devoted to health care, which was a priority sector for Netherlands aid only in Tanzania. Support for health care there was almost wholly channelled through NGOs.

The results of the drinking water programmes ranged from moderately successful in India to disappointing in Tanzania. One positive aspect was the large number of people these programmes reached in India—eight million, almost all of whom belonged to the poorest sections of the population. The construction of drinking water systems was regarded by these people as a considerable improvement. In Tanzania too the drinking water programmes were geared to the poorest sections of the population. In both countries, however, the systems installed had serious shortcomings. The problems were most severe in Tanzania, where about half of the systems were no longer operational. The most common faults in India were low water pressure, leakages, irregular water supply and damaged public standpipes. The systems in both countries were frequently not properly managed and maintained, because the people using them either could not or would not pay for the water they used. As a result, the sustainability of the services was at risk.

In both India and Tanzania a one-sidedly technical top-down approach was initially followed in planning and implementation. Attempts were made gradually to move towards an integrated and process-orientated approach, in which the target group would play a key role in both design and implementation. Although the importance of such an approach was generally recognised, at the time of the evaluation it had been adopted only on a limited scale. This was partly because of the attitude taken by the organisations responsible for implementation, which preferred a technocratic approach, and partly because both the Netherlands and the Indian and Tanzanian governments felt it was necessary to achieve quantitative targets and to spend allocated funds. These factors resulted in implementation tending to follow a standardised pattern.

For a long time the emphasis with regard to aid to the health sector in Tanzania was on expanding services, by constructing hospitals and clinics, for example. Tanzania proved to be insufficiently able to maintain these facilities. As a result, hospitals became increasingly dependent on external aid for the financing of recurrent costs. For this reason it was recently decided that patients should be asked to pay part of the cost of medical care, which had previously been free. The danger in this, however, is that the poorest sections of the population will have less access to health care. Another important type of aid in this sector in Tanzania was the provision of doctors. Most doctors worked in rural hospitals, for which it was difficult to find

local medical staff, not least because of the unfavourable terms and conditions of employment. Because of this virtual absence of counterparts it was not possible to carry out sufficient activities concerned with the transfer of know-how. There is therefore little chance of this kind of aid having a sustainable effect. In terms of the medical service provided the aid was considered generally to have made a very positive contribution.

In Mali programmes for the development of basic health care were carried out at village level. The process-orientated approach was successful and the programmes are now being used as models in other parts of the country, though here too there is no guarantee that the results will be sustainable.

Income-generating projects

One important feature of these projects was that they were aimed at a single sector or sub-sector, emphasis being placed on strengthening and maintaining the production capacity of the poor, particularly in agriculture. Income-generating projects and programmes included support for the development of irrigation in India, dairy farming in Tanzania and smallholder rice cultivation in Mali.

An integrated approach was used successfully in an irrigation programme in West Bengal, India. This success was largely due to the introduction of small-scale irrigation technology geared to the needs of the farmers, close cooperation with the farmers in the preparation and implementation of the projects, the combination of irrigation with soil improvement, and intensive agricultural extension work (geared to both women and men). However, the favourable social context, with relatively small differences in land ownership and smallholders having considerable influence over water management through user associations, also greatly helped to ensure the effectiveness of aid. In contrast, work to improve irrigation in Uttar Pradesh did little to alleviate poverty because of the emphasis placed on technical aspects and because government policy was unfavourable. The lack of success was also partly due to the virtual absence of participation by farmers and the choice of irrigation technology which was vulnerable from the point of view of management and sustainability.

In Tanzania, attempts to establish large-scale state dairy farms had failed, and dairy stock adapted to local conditions were introduced on smallholdings. At the same time, farmers were trained, intensive agricultural extension work was carried out, good veterinary services were set up and drugs imported as part of the programme.

The additional milk produced was easily sold in the immediate vicinity of the farms through informal channels, which improved farmers' incomes. A special form of credit ensured that poor people, including women, could have access to dairy farming.

In Mali, improvements to the irrigation system used in rice cultivation in the Office du Niger region were combined with support for the organisation of tenant farmers, the provision of loans, mechanisation (ox traction), better planting methods, and fertiliser application. Changes in Malian agricultural policy ensured that the farmers could sell their rice freely and the introduction of small-scale threshing machines gave farmers access to the lucrative rice-processing market. Yields per hectare doubled and the incomes of the tenant farmers increased considerably (DGIS/IOV, 1992b).

It may be concluded that the results achieved through income-generating projects were by far the most positive. Factors which contributed to the success of these projects and programmes included: the introduction of the right technological innovations (irrigation, more suitable breeds of cattle, agricultural mechanisation), the resulting more effective use of locally available resources, the orientation of projects towards a single sector, within which problems could be tackled in a coordinated manner, and the fact that activities were directed to the needs of a clearly defined target group. The increased productivity brought about by the projects resulted in higher incomes for individual smallholders of both sexes.

Regional development programmes

The district programmes in Tanzania were the only regional development programmes evaluated as part of the country studies. The most important feature of these programmes was the broad range of activities to which attention was devoted, varying from strengthening the economic infrastructure to increasing agricultural production and improving basic services. They were also intended to improve the functioning of the civil service at district level.

Although the district programmes had not been running long enough for definite conclusions to be drawn about their effectiveness, it was clear that most success had been achieved in improving the economic infrastructure and in training. There had not yet been any general rise in agricultural production and productivity leading to improvements in income among the poor. The broad range of activities supported within the framework of the programmes tended to reduce effectiveness. The

problems were very similar to those of previous regional development projects (Rural Integrated Development Programmes or RIDEPs) in Tanzania. The latter, which were carried out in the 1970s, failed because they were too complex and the local organisational structure was weak, resulting in donors playing an extremely dominant role in implementation. In addition, donors were too ambitious in their planning, expecting too much money to be spent over too short a period of time. What such programmes really need is a highly flexible approach and a long period of preparation. The findings with regard to the district programmes are similar to those of the IOV evaluation of the sector programme for rural development (DGIS/IOV, 1992c).

Budget support

Budget support is intended to assist those parts of the developing country's budget which help alleviate poverty. To this end, untied foreign currency is made available, while the countervalue funds in local currency are reserved for specific programmes focusing on poverty alleviation. Because foreign currency is made available untied, budget support can also be regarded as a form of balance of payments support. The difference is that in the case of budget support consultations are held on how the local currency is to be spent, while in the case of balance of payments support consultations concern the use of the foreign currency. In principle, the Netherlands rejects the double tying of aid. The studies revealed that this rule was adhered to for India and Tanzania but not in the case of Mali.

There has been a growing interest in budget support in recent years for three reasons. Firstly, when it became clear that structural adjustment programmes often had negative consequences for the most vulnerable in society, it was felt that there was a need for aid to be geared more to such people. Programmes to cushion those consequences can be financed with budget support. Secondly, budget support is regarded as a flexible form of aid, and therefore an attractive one from the management point of view. Finally, it also offers macro-economic advantages, because foreign currency is provided for the financing of imports.

Experience with budget support to date is extremely limited. It is only in the India programme that it has been used long enough to appraise results; there it has helped finance agricultural credit for some years and has been used more recently to support programmes relating to energy supplies and informal education for women. Except in the case of the latter programme, the evaluation findings were negative.

The rural credit programme was run through NABARD, a state refinancing organisation for institutions in rural areas providing loans. The programme did not function well. Repayment discipline was poor, almost half of all loans not being paid back on time and a quarter having to be written off completely. Although the loans were intended primarily to improve the position of small farmers, this scarcely occurred at all. The programme to promote new and sustainable sources of energy was supported through the financing institution IREDA. The Netherlands assumed that poor sections of the population could be helped by the programme but this proved to be mistaken, because IREDA only extends loans to enterprises developing technologies which are commercially viable. The technologies preferred by the Netherlands for use by the poor were not suitable for commercial application. The programme for informal education for women in rural areas (EWE) was primarily intended to improve the awareness and self-confidence of such women. Implementation of this programme appears to be highly promising.

In spite of the high priority accorded to budget support in Netherlands development cooperation, the share of total aid accounted for by this form of assistance is not growing. This is to a large extent due to the fear that budget support is not easy to monitor and it is difficult to get sufficient information on how funds are used. In order to avoid abuse, budget support was provided on a project basis, thus in effect turning it into project aid in disguise. There is an urgent need for reconsideration of the principles of and guidelines for this kind of aid.

3.5 Sustainability

Sustainability is the potential to retain the achievements of an aid project or programme after financial, institutional and technical assistance from external donors has ended (OECD, 1988). Sustainability is a major problem in many projects. Evaluations of completed projects generally revealed disappointing sustainability. In addition, many on-going activities seemed unlikely to achieve sustainable results.

The following factors may influence sustainability:

- the impetus provided by the *policy environment*;
- guarantees for the financing of recurrent costs, maintenance and depreciation; whether the project can be *financed* in the long term;
- whether the *technology* is suited to the financial and institutional capacities of the country;
- whether the project is appropriate to the *institutional and management capacity* of the local organisations responsible for implementation;

- whether the project takes account of the *social and cultural context* of the region or country;
- whether the activities are suited to the *carrying capacity of the environment*;
- the influence of *external factors*.

Policy environment

The success or failure of development activities is partly dependent on the policy environment in which projects have to be carried out. The country programme evaluations looked particularly at the effect of structural adjustment programmes on the sustainability of project results.

In each of the three countries the government played a central role in development strategy for many years. In these centrally-planned economies prices, exchange rates and marketing of products were usually controlled by the government. Netherlands bilateral aid, too, supported this development model for many years. Radical economic reforms have been introduced in the last ten years in Mali and Tanzania and, more recently, in India. These reforms were aimed at restoring the conditions for a free-market economy. As part of the restructuring of the economy the emphasis was placed on adjustments in the exchange rate, the liberalisation of trade and the abolition of price controls. The implementation of structural adjustment programmes encountered several major obstacles. Institutional reforms in the financial sector, the civil service and parastatal enterprises met with most opposition. The rationalisation and privatisation of government institutions faced considerable resistance and could be carried out only very slowly.

It was concluded that in general structural adjustment had made aid more effective, particularly for production-orientated activities. The support given to the sugar industry in Tanzania provides a good example of the favourable effect of economic liberalisation on aid investment. Other studies, such as the evaluation of Netherlands aid to rice cultivation by smallholders in the Office du Niger region, have demonstrated that structural adjustment can bring significant advantages to typically target group-orientated activities too. However, the lack of progress made in institutional restructuring also means that the sustainability of achievements to date is still quite fragile, as was shown in the case of the Netherlands aid provided to the cotton sector in Tanzania.

In addition to macro-economic policy, socio-economic policy can also greatly influence the sustainability of project results. This can be seen clearly in India, where

there are considerable differences between the states, in terms both of social structure and of socio-economic policy. The effectiveness of Netherlands aid projects and the chances for sustainable results appear to be considerably greater in West Bengal and Kerala than in Uttar Pradesh, for example. In the former two states the means of production are fairly evenly distributed, the social structure is less dualistic and there is a favourable climate for people's participation in the preparation and implementation of projects. This is much less the case in Uttar Pradesh.

Financial sustainability

A project is financially sustainable if the recipient organisation has sufficient means to pay recurrent costs and will in the long term be able to finance new investments. The present studies primarily measured financial sustainability in terms of the recipient organisations' ability to use the capacity created in a viable manner. The attempts to reduce the public sector deficit proved in all three countries a crucial factor which generally had a negative effect on the sustainability of project results. The economic crisis experienced by the countries in the 1980s played an important role in this.

In the case of investment projects, problems of under-utilisation of capacity resulted primarily from the lack of profits generated by the investment and the considerable dependence on imports. The worsening balance of payments position meant that there was a serious shortage of foreign currency with which to pay for such imports.

In the social sectors problems of sustainability were largely due to the growing public sector deficit. This problem was most obvious in the two African countries. The governments were scarcely able to maintain the infrastructure which had been established in the health care, education and drinking water supply sectors. As a result, many facilities were no longer in use. The idea that users should pay more towards recurrent costs has been gaining ground for some years now. This idea still meets with resistance however, because the people have traditionally regarded it as the task of government not only to establish such basic services but also to manage and maintain them. There is also the question of the extent to which the rural population is able to pay these costs.

Technological sustainability

Technological sustainability concerns the extent to which an organisation or target group has the know-how to use and maintain the technology supplied. Small-

scale technology geared to local conditions generally offered the best chance of sustainability. For example, the small-scale technology of shallow tubewells to support irrigated agriculture in India was found not only to be cheaper but also more suited to the needs of the farmers than the large-scale, government-controlled, deep tubewells. In Mali, the introduction of small rice-threshing machines had a positive effect on the sustainability of the project results.

The use of large-scale technology does not necessarily lead to poorer and less sustainable results, however. For example, the decisions to provide Netherlands aid to the dredging sector in India and to assist with the large-scale and relatively advanced technology for the Tanzanian cotton and sugar industries were assessed as having been correct.

The evaluation studies demonstrated that in the last ten years the technology supplied has generally been the right type of technology. However, in some cases the new technology required regular imports for maintenance and repair in countries with little foreign currency. This had an unfavourable effect on the sustainability of project results. In the 1970s and at the beginning of the 1980s, partly on account of the fact that policy on tied aid was so inflexible, technology was regularly supplied which was insufficiently geared to the situation in the recipient country, as occurred in the case of aid to the livestock sector in Tanzania.

Institutional sustainability

Institutional sustainability is the extent to which the local organisation is able in due course to manage the project or programme itself and to develop it further. Institutional sustainability was adjudged to differ in each of the three countries but in many instances gave cause for concern. Problems were generally greater in Mali and Tanzania than in India because of the lack of well-trained technical and managerial staff in the two African countries.

The weight of bureaucratic regulation was one of the main problems in institutional development in all three countries. This seriously hampered efficient operation of many government bodies, particularly state enterprises engaged in production, such as the state dredging companies in India, the Office du Niger in Mali and the cotton-ginning companies in Tanzania. There was much resistance to the idea that efficient management could only be achieved in such enterprises through privatisation. Institutional reforms therefore took a very long time. There are other options in addition to privatisation whereby management would be improved along more commercial

lines. Netherlands policy with regard to this aspect of institutional reform has not yet been sufficiently elaborated.

A second problem which seriously threatened institutional sustainability, particularly in Mali and Tanzania, was worsening terms of employment. As a result of the economic reform policy salaries have fallen dramatically in real terms. This has meant that civil servants have been forced to look for alternative sources of income, leading to a fall in morale at work. Donor attempts to solve this problem have been concentrated too much at project level by paying incentives and other allowances. It is a problem which in fact requires broader and well-coordinated support from donors—support which should be conditional on civil service reforms.

The *modus operandi* of government bodies responsible for planning and implementing infrastructural projects formed a third problem, as was seen in the drinking water and irrigation sectors. Typically, there was too much concentration on the design and implementation of civil engineering projects, while management and maintenance were neglected. In addition, a top-down, excessively technical approach was favoured. Since the mid-1980s the Netherlands aid programme with India has stressed the importance of non-technical aspects in these sectors. For example, as part of the drinking water programme in a number of states in India, support units have been set up to devote attention to these non-technical aspects, such as the participation of the local community in planning, implementation, management and maintenance. The incorporation of these units, which are now financed entirely by the Netherlands, into the Indian structure is as yet uncertain.

Finally, some problems with institutional sustainability were closely connected with the way in which aid was provided. Donors, including the Netherlands, tended to set up parallel structures for implementation, thus increasing institutional problems particularly in countries with a weak administrative capacity. Moreover, insufficient attention was paid to strengthening institutional capacity.

Social and cultural context

In Netherlands development cooperation the adaptation of project activities to the wider cultural environment is seen as crucial for sustainable development. According to the policy document *A World of Difference*, economic and technological development cannot be viewed apart from the cultural context. Development activities should be in line with processes of cultural change. The only aspect of the social and cultural dimension examined in the present report is women in

development. Other aspects of the integration of aid activities in the social and cultural context were dealt with in the country reports.

Little specific attention has as yet been paid to the issue of women in development in the implementation of aid programmes. For example, the preparatory stage of projects seldom included analysis of the social, cultural and economic situation of the intended target group. Hence there was a lack of information on the status of women *vis-à-vis* that of men. In most projects, attempts had to be made to take account of the interests of women without their having been identified in advance as a specific target group. At the same time project resources (both human and monetary) were inadequate for this. Where projects tried to devote attention to women, the problems involved rapidly proved to be too complex. Those implementing the projects also tended to hide behind the cultural characteristics of the community and thus to regard the disadvantaged status of women as an internal matter in which no outside interference would be tolerated. Where the issue of women in development had been formulated as a specific component of the project, it often remained a rather isolated affair because the women's activities were not integrated in the main project. A number of village-level activities, particularly drinking water and irrigation projects in India, did set examples from the social and cultural point of view, however. Specific women's projects rarely resulted in an improvement in the social and economic position of women. The EWE programme in India appears to be the exception. The poor results can largely be explained by the fact that the projects which concentrated on women did not take sufficient account of the macro and meso context or the local relations between women and men.

Finally, particularly in India and Tanzania, the posting of women-in-development sector specialists to the three embassies has strengthened networking and mutual support among international, national and local organisations. Understanding of the social, cultural and economic status and the interests of different categories of women has also increased. Such understanding, valuable though it is, has not yet been sufficiently translated into operational terms. Hence it cannot yet be applied in a more systematic manner in project preparation and implementation.

Ecological sustainability

The results of aid activities are ecologically sustainable if they preserve the production capacity of the natural environment. In developing countries ecological sustainability is usually linked with preserving soil fertility, which is primarily at

risk from population growth and production methods which rapidly exhaust the land. In developing countries which practise intensive farming and have large urban industrial centres, such as India, water and air pollution also constitute an increasing risk to health.

The country studies looked at ecological sustainability in two ways. Firstly, it was established whether the activities supported by the Netherlands caused any observable damage to the natural environment. Secondly, the extent to which activities which were specially geared to the environment had helped increase ecological sustainability was assessed.

The assessment of the first aspect—possible damage to the environment caused by the projects—largely confirmed the conclusions of the IOV report on environment and development cooperation (DGIS/IOV, 1995a). The country studies found no projects which had caused major and permanent environmental damage, though there were activities whose long-term environmental effects were unclear. In these cases further study is required and compensatory measures may have to be taken. Examples of these include the supply of certain kinds of fertiliser, support for irrigation in India and Mali and support for cotton cultivation in Tanzania. It is also important that the environmental damage which may be caused by alternative ways of improving food security or incomes should be assessed before final conclusions on this aspect are drawn.

Special environmental projects were found primarily in India and Mali. Those in India were not looked at in the present study because very little funds had as yet been disbursed. The relatively large amount of attention paid to this theme in the Mali programme is mainly due to the extreme fragility of the natural environment in the country. Moreover, the environment is a priority area for aid under Netherlands policy on cooperation with the Sahel countries. The country evaluations found that the projects in Mali geared to combating desertification and the preservation of soil fertility had been implemented reasonably effectively and efficiently. Their impact was limited by their small scale in relation to the size of the problem. The evaluation also established that important findings from research projects in this area were rarely discussed during consultations on policy changes in the agricultural sector conducted as part of structural adjustment programmes. This was seen as an omission because the way farmers treat their land can be influenced better by policy measures regarding prices and taxes than by isolated environmental projects.

External factors

For many years the governments of developing countries regarded their economic problems primarily as the result of external circumstances rather than as the consequences of their own policies. Sharp falls in the prices of their most important export products in particular were seen as the cause of economic crisis.

In the last decade Tanzania in particular has been faced with a considerable deterioration in the terms of trade. Between 1980 and 1992 the deterioration amounted to 40%. Mali too is very susceptible to price changes on the world market on account of its extremely one-sided export package, which comprises almost exclusively primary commodities. Nevertheless, Mali's terms of trade have altered much less dramatically than those of Tanzania. In contrast, India's have hardly changed at all over the last ten years.

What deteriorating terms of trade in fact mean is that the country concerned is hampered in financing its imports. As a result of this Tanzania has had to deal with an increasing shortage of foreign currency over the last fifteen years. This was a particular problem in sectors which are heavily dependent on imports, such as the manufacturing industry. There were therefore considerable difficulties with the sustainability of investments in such sectors. In the past in Tanzania, for example, the Netherlands took little account of this external factor and was too ready to assume that the recurrent foreign currency costs of investments could be borne by the country itself.

4 Conclusions and recommendations

The main objective of the country studies was to evaluate the policy relevance, effectiveness and efficiency of Netherlands aid.

4.1 Policy relevance

The main objectives of Netherlands development cooperation over the past two decades were macro-economic self-reliance and poverty alleviation. The attention given to these objectives in the aid relations with the three countries was reviewed. In addition, the degree of correspondence between these objectives and the policies of the three countries was examined. Policy relevance was assessed on the basis of the extent to which the two objectives played a role in the selection of the countries, the level of aid, the form of aid, the channels through which aid was provided and the composition of the aid programme.

The choice of the three countries as priority countries for Netherlands bilateral aid was considered to be justified in the light of Netherlands aid criteria. The three countries are among the poorest in the world and need a considerable amount of foreign assistance; their social and economic policies have in the main been assessed positively by the Netherlands in the last few decades; the situation as regards human rights and political stability gave no cause for serious concern.

The volume of bilateral aid to the three countries was determined rather arbitrarily and lacked transparency. For example, no clear relationship was established between the volume of aid on the one hand and the degree of poverty, size of population and domestic social and economic policy on the other. The considerable fluctuations in the volume of aid were due rather to organisational factors in Netherlands development cooperation, particularly the role allotted to special thematic or sector programmes over the years. Nor was the volume of aid based on results. The

total aid volume was determined more by input factors (the availability of resources) than by output (the extent to which the programme was successful).

The evaluation studies distinguish two main forms of aid: programme aid and project aid. Programme aid is generally regarded as a macro instrument for use in supporting an economic policy assessed positively by donors. The country studies found, however, that there was no consistent policy regarding the amount of programme aid and policy agreement. For example, Netherlands programme aid to the three countries fell in recent years, even though the implemented economic reform programmes were highly praised by the donor community. There were both policy and management-related reasons for this fall: project aid ensured that the Netherlands was better able to use aid for the alleviation of poverty because of its greater transparency and provided donors with better control over the disbursement of financial resources. The conclusion is that the choice of the form of aid was determined by considerations on the part of the donor rather than by the priorities of the recipient countries.

Four-fifths of total Netherlands aid to the three countries was provided and implemented using bilateral channels. About 15% of the aid was channelled through NGOs, while the remaining 5% was provided multilaterally. Dutch policy-makers have long advocated a greater role in implementation for multilateral organisations (because of the advantages of scale) and for NGOs (because they are in a better position to support target groups). This greater role did not materialise in the aid programme with India, Mali and Tanzania. The governments of the three countries generally preferred direct cooperation with bilateral donors. This gave them the greatest chance of controlling the aid, appeared to guarantee the greatest continuity and gave them the best chance of obtaining funds for their own priorities.

A much larger share of Netherlands aid was spent on promoting economic self-reliance than on direct poverty-alleviation activities. This was partly for policy reasons. Improvement of the macro-economic environment was seen as an important precondition for the effective alleviation of poverty. Concentration on economic self-reliance was also in line with the policy priorities of the recipient countries, which preferred capital investment or import financing. In addition to these policy considerations, Dutch economic interests also played a role because investment projects and import financing provided good opportunities for Dutch industry. Finally, capital investment and import financing are easier to manage and resources can generally be spent more quickly on these than on projects aimed directly at poverty alleviation.

4.2 Effectiveness

The effectiveness of the aid programmes in the three countries varied quite considerably. The Mali programme was fairly effective, while that in Tanzania was assessed as disappointing. Netherlands aid to India was considered to have been moderately successful.

The Mali evaluation revealed a fairly effective programme, based generally on appropriate decisions as regards the regions and sectors in which Netherlands aid was to be concentrated. It was also concluded that it had been correct to devote a great deal of attention to combating environmental degradation and preserving soil fertility. The best and most sustainable results were achieved in those programmes which fitted well into a larger macro-economic framework, such as the aid to Mali-Sud through the CMDT and to the cultivation of rice by smallholders in the Office du Niger region. These programmes comprised relatively flexible forms of aid and used a process approach.

The positive assessment of the results achieved in Mali does not, however, mean that Mali has particularly good chances of sustainable economic and social development. The options open to the country are extremely limited on account of the unfavourable agro-ecological conditions, the absence of natural resources other than land and the considerable fluctuations in revenue from exports. In the light of these limitations the programme implemented in Mali has been remarkably successful.

The Tanzania evaluation found that the effectiveness of aid to Tanzania had been disappointing, particularly in the 1970s. In the 1980s results improved but were generally still considered to have little potential for sustainability. The best results were achieved using a sectoral approach, as in the case of the aid provided to the sugar industry. Programme aid played an important role at macro level in supporting structural adjustment measures, though much of it ended up going to non-viable industrial companies. The findings on aid for rural development varied. The results achieved with rural drinking water facilities were unsatisfactory but the shift in the aid to the livestock sector from large state farms to smallholders was regarded as positive. The technical cooperation aimed at the transfer of know-how and institutional development met with little success. There were considerable problems with the sustainability of these programmes, partly caused by the highly unfavourable economic situation. The results of capital investment were very disappointing, four-fifths receiving a negative assessment.

The India evaluation revealed a mixed picture. Because of the high degree of fungibility, the programme aid—a large part of which comprised the supply of fertiliser—in fact served as general support for India's development policy. However, the continuation of this aid by the donor community in the 1980s meant that radical policy changes to tackle the impending economic crisis of the late 1980s were postponed. Import support (in the form of fertiliser) had a positive effect on food production and helped make India self-sufficient in food. The results of the considerable budget support were generally disappointing, given that by far the largest part of it went (for too long) to a poorly run rural credit programme. Project aid was aimed at improving the living conditions of the poor in rural areas, through projects in the drinking water sector and the land and water sector, and at economic self-reliance, through the water transport sector (in particular dredging). The drinking water projects helped improve the situation of the poor, but the land and water projects were only partially successful. The aid to the dredging sector was important because it helped ensure that the major Indian ports could be made accessible to ships and goods. The sustainability of the results of all three kinds of project aid was somewhat uncertain, largely on account of institutional and financial problems.

In general it may be concluded that Netherlands aid did relatively little to develop economic self-reliance in the three countries. The biggest contribution was made in the field of domestic self-sufficiency in food. It was difficult to establish the extent to which import support had encouraged beneficial macro-economic policies. In the case of the two African countries, this kind of aid appeared to have had a positive effect on the restructuring of the economy. However, import support also enabled the countries to postpone policy adjustments.

The effectiveness of Netherlands aid in alleviating poverty varied from country to country and from activity to activity. Aid for income-generating activities was the most successful. In the creation of basic services sustainability was a major problem because poor sections of the population are unable or unwilling to pay for the costs of maintaining them.

4.3 Efficiency

In the country evaluations efficiency was primarily examined at aid programme management level. The following general conclusions may be drawn.

The bilateral programme was too complex and therefore not transparent for the recipient countries. The large number of aid instruments, often with their own separate procedures, was largely responsible for this.

Netherlands aid was primarily organised centrally, almost all important decisions being taken at the Ministry of Foreign Affairs in The Hague. The staffing of the country desks (relatively few staff and frequent rotation) was an additional problem. As a result, the assistance of external advisers was regularly required. A few years ago, in response to increasing criticism of this organisational structure, a start was made on expanding expertise of the Ministry's staff by extending the duration of postings and strengthening the embassies. There has been little additional delegation of powers to the field to accompany the expansion of embassy staff, however.

Regulations governing development cooperation are increasing, taking the form of more comprehensive instructions to ensure that sufficient attention is paid to Netherlands policy themes and that financial accountability is improved. The more extensive regulations are partly the result of growing political pressure for stricter control to be exercised over the spending of aid funds. This is in contrast to the rather weak administrative structures which often exist in recipient countries, such as the two African countries for which the aid programme was reviewed. Moreover, the burden on developing countries is further increased by the large variety of aid modalities and procedures used by donors.

Consequently the aid programme has become decidedly donor-driven. For instance, the use of technical aid procedures, responsibility for the implementation of which lies with the Netherlands, has again increased considerably. This type of procedure gives the donor more certainty that disbursements will be made correctly, quickly, and in accordance with its own regulations. Sustainable results would, however, be more likely if the recipient countries and the counterpart organisations regarded the aid activity as their own and felt it to be their responsibility. The problem facing donors is how to combine 'ownership' by the developing country with their preference for their own policy priorities and requirements of financial accountability.

4.4 Recommendations

No general guidelines for future bilateral aid can be derived from the findings of the three country studies because the effect of and results achieved with aid were highly dependent on the specific circumstances of the developing country involved. Recommendations on how to improve aid results and their sustainability are given separately in Part II for each of the three countries. The general recommendations given below are intended primarily to promote the efficiency of aid from the Netherlands point of view. They are grouped under the following three headings: the country allocation system, forms of aid and aid management.

The country allocation system

Determining allocations for programme countries is a complex issue, in which a large number of factors play a role. It is not easy to translate these into a simple formula which can be used to calculate the volume of aid for each country. Nevertheless, it is important that determining aid levels becomes more transparent.

It might be possible, for example, to introduce four- or five-year programmes, in which both the total allocation and its distribution over different forms and channels of aid are laid down. It is recommended that aid programming should in part be based on a joint evaluation of the results of the current programme. The findings of such evaluations should be included in the country policy plans which are drawn up in consultation with the developing country concerned. This also opens up the possibility of gearing the aid programme more to the priorities of the developing country.

Forms of aid

The three country studies show clearly that limiting the amount of project aid and the number of projects is to be recommended. The enormous numbers of donor projects in the three countries were a serious hindrance to their governments becoming more closely involved in planning and implementation. This was particularly true of those countries which have a weak administrative structure. Moreover, the sustainability of the results was a serious problem in the case of project aid. Finally, this kind of aid required high levels of expertise and organisational and management skills on the part of the donor.

It is recommended for the sake of effectiveness and manageability that priority be given to programmes implemented in a sector-orientated and process-orientated manner, in which various forms of aid are used in combination. In order to increase the sustainability of results, particular attention should be paid to financial viability, technological suitability and institutional capacity.

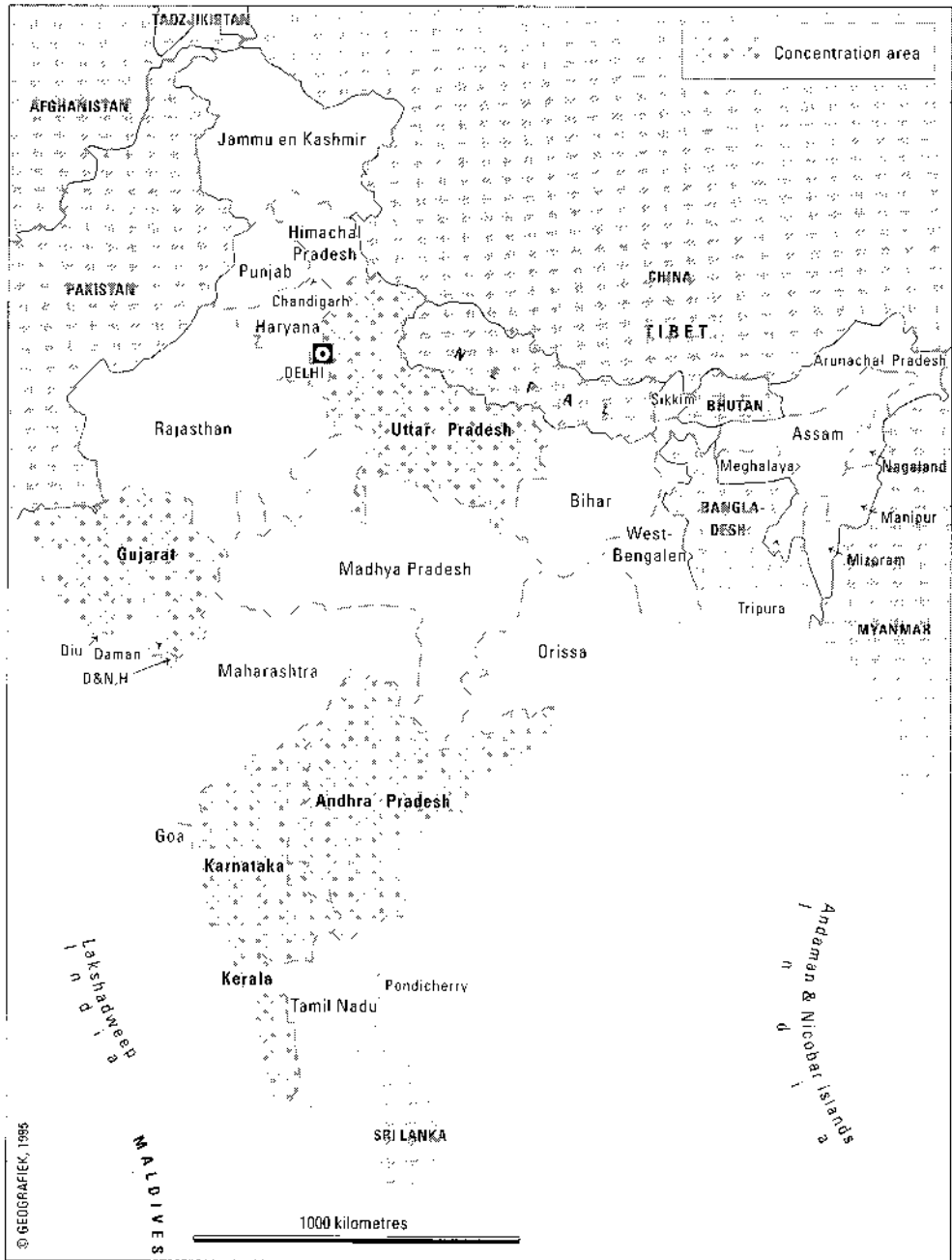
Where there is agreement between the donors and the recipient country on economic and social policy, programme aid should be the preferred form of aid. The most appropriate type (import support, budget support, debt relief, etc.) can be determined on the basis of the macro-economic situation. It is recommended that wherever possible aid should be provided in the form of joint co-financing through the appropriate multilateral organisation.

Aid management

The evaluation made clear that increasing local involvement in the planning and implementation of the aid programme is essential. At the same time the more stringent requirements of financial accountability which now apply must also be met. The following measures are recommended to this end.

- Simplification and harmonisation of aid procedures. The current procedures involve a great deal of work for recipient countries. Procedures in the preparatory and appraisal stages of the project cycle need to be simplified. Different donors' procedures also need harmonisation.
- Use in principle to be made of those aid modalities which give developing countries the maximum say. Given the often weak administrative structure this should be accompanied by support for the management capacity and systems of the organisations responsible for implementation in the developing countries.
- Greater delegation of powers to the embassies. The embassy should have staff available qualified to take on the delegated responsibilities. Macro-economic expertise will also be needed, so that the embassies are able to participate effectively in discussions on macro-economic and sectoral issues with other donors and with the recipient country.

PART II SUMMARIES OF COUNTRY STUDIES



- Based upon Survey of India Outline Map printed in 1987.
- The territorial waters of India extend into the sea to a distance of twelve nautical miles measured from the appropriate baseline.
- The boundary of Meghalaya shown on this map is as interpreted from the North-Eastern Areas (Reorganisation) Act 1971, but has yet to be verified.
- Responsibility for correctness of internal details shown on the map rests with the publisher.

Map 1 Concentration areas of Netherlands aid in India

5 India

5.1 Main social and economic features

India covers an area of 3.3 million km², i.e. about 100 times that of the Netherlands or almost equal to Western Europe. India's population approximated 850 million people in 1991, second in size to China alone. Annual population growth during the last decade averaged 2.1%. Although 75% of the population lives in rural areas, much of its growth was concentrated in urban areas. In many cities the population increases by 3–5% per year owing to natural growth and migration. Urbanisation reflects itself in the existence of more than 20 cities with over 1 million residents, the largest of which are Bombay (12.6 million), Calcutta (10.9 million), Delhi (8.4 million), Madras (5.4 million), Hyderabad (4.3 million) and Bangalore (4.1 million).

The country consists of 25 states and 7 union territories. These states have their own governments and a large measure of autonomy as regards the planning and implementation of development programmes. Central government determines the conditions under which foreign aid may be provided, however. The most populous state is Uttar Pradesh, with 138 million inhabitants; the largest is Madhya Pradesh, covering an area of over 440,000 km².

India is considered a 'low income economy' with its GDP/capita of US\$ 350 in 1990. The World Bank estimated that about 40% of the population (340 million people) lived below the poverty line (defined during the seventh five-year plan period 1985–1990 as a household income of US\$ 460 at that time). Its GDP per capita, together with a life expectancy of 59 years, an average of 2.4 years of schooling and an adult literacy rate of 50% (among women in rural areas about 20%), also cause India to be classified as a 'low human development' country according to UNDP indicators.

Although India is a very poor country, it is a major industrial power, ranking among the top 20 in the world (in 1990, manufacturing output was more than US\$ 48,000 million). The share of the three major economic sectors in GDP is roughly 30% for

agriculture, 30% for industry and 40% for services. India has the capacity to produce a vast range of industrial products, such as consumer goods, intermediate and capital goods, and is largely self-sufficient in those products (though at considerable cost). India has, for example, large electronics, petrochemical and computer industries, whose products boost exports. In recent years the country has enjoyed reasonable economic growth, averaging 5.3% per year throughout the 1980s. Yet in spite of such economic achievements, which brought prosperity to the roughly 150 million members of India's middle class, it has become painfully obvious that for many millions more poverty is increasing. Due to population pressure and an inequitable distribution of the means of production the gap between the haves and have-nots continues to grow.

5.2 Economic policy

Since the 1950s India has felt a need for economic planning to deal with economic constraints and to tackle basic economic issues such as how much to save, where to invest and in what forms to invest. Altogether, eight five-year plans were prepared covering the period 1951–1997.

Planning in India has largely been based on the idea of a state which, equipped with sufficient information and knowledge, acts solely in society's interest. Although the Indian economy is largely entrepreneurial, public sector industry was seen as its locomotive and as the prime agent of economic change. By reserving most of basic and heavy industries to the public sector it should be possible to prevent further concentration of private economic power, while the pace and composition of economic activities in the private sector could be controlled. This was realised by preventing the allocation of (scarce) capital and foreign exchange to non-priority areas.

To help anticipated savings in industry to materialise, a complementary policy of cheap labour was introduced, made possible by cheap food and appropriate agricultural policies.

As exports were not expected to contribute much to economic growth, self-sufficiency was pursued through import substitution (especially since the Fourth Plan, 1969–1974). In the same period a new strategy was formulated to overcome agricultural stagnation, which had occurred since Independence, and to attain food self-sufficiency (the Green Revolution strategy).

In the second half of the 1970s planning emphasised not only self-reliance but also poverty eradication and the redistribution of means of production. Planning leaned heavily on the World Bank's recipe for 'redistribution with growth'. However, overall growth remained too low to help alleviate poverty and dependency on foreign aid continued.

In the 1980s more direct measures were taken to alleviate poverty, such as integrated rural development and rural employment programmes, including schemes for income generation for the poor, schemes for disadvantaged areas, schemes for meeting the basic needs of the poor in rural water supply, primary education, etc.

5.3 Macro-economic performance

The economic crisis at the end of the 1980s was the inevitable result of the Indian government's policy. Developments in both industry and agriculture demonstrate the consequences of that policy only too clearly.

With regard to the industrial sector, protectionism and inefficiency of operation have been striking features during the last two decades. Investment licencing, controls on output and technology acquisition, and high import barriers, obstructed competition and effectively cut many Indian industries off from technological developments in the rest of the world. Heavy indirect taxes on all stages of production raised domestic prices, and constrained the ability of firms to enter new markets and to realise economies of scale. The rigidity of the system, including strict labour laws, also kept firms from restructuring or closing down, in spite of the fact that the continuation of production by financially 'sick' firms, helped by subsidies, undermined the viability of other more efficient units. As a result, many industrial firms operate below international standards in terms of technology, scale and efficiency, offering poor quality products at high prices, which are rejected in competitive export markets.

In the field of agriculture, the Green Revolution led to substantial increases in wheat production in particular, and eventually to self-sufficiency in foodgrains. In absolute terms, however, average per capita foodgrain production in 1986–1990 was only 10% higher than in the period 1961–1965, much lower than, for instance, China, Indonesia, Malaysia, Thailand and Pakistan.

Since costly inputs were required, including fertilisers, irrigation systems, energy, and high-yielding grain varieties, the budgetary constraints of government became much more serious. The higher working capital requirement per unit of output

favoured the relatively better-off farmers in infrastructurally more advanced regions, since they could make optimal use of the new strategy. Small and landless farmers benefited little if at all. Tenants were often displaced by landlords and polarisation in rural areas increased on account of the growing indebtedness of small and landless farmers.

The fact that many rural people are landless frustrated the prospects for further poverty alleviation, particularly in the absence of effective land redistribution. Most of the rural poor, therefore, continue to depend on direct poverty alleviation schemes. To reduce poverty in a more structural way, such schemes have to be framed and implemented in conjunction with a pattern of labour-intensive economic growth and land distribution.

Much of the growth in irrigation was realised through large investments, but achievements were weak in qualitative terms. In 1991, the World Bank concluded that, on average, one of the world's largest irrigation investments was performing far below potential (lack of financial discipline and accountability, lack of maintenance, construction failures, inadequate electricity supply). Also, rapidly rising recurrent expenditure on unproductive staff reduced the effect of investments in the agricultural sector and, in combination with inadequate pricing of water and electricity, caused a financial crisis in the sector.

While subsequent plans in the 1980s may have been effective in terms of developing production capacity in agriculture and industry (average growth of GDP: 5.3% per year), the economic costs have been very high. An economic crisis became manifest at the end of the 1980s: a large and increasing public budget deficit (from about 5% of GDP in the 1970s to almost 10% by the end of the 1980s), a negative annual trade balance throughout the 1980s (about US\$ 8,000 million in both 1980 and 1990), and an increasing deficit on current account (from almost US\$ 3,000 million in 1980 to almost US\$ 9,000 million in 1990).

Public budget deficits were largely due to high subsidies and low tax receipts, thus forcing the Indian government to borrow heavily, i.e. to issue relatively large volumes of financial claims (e.g. to the Reserve Bank of India, to the general public and financial institutions, and to non-residents) at attractive interest rates. The government also forced the banks, practically all of which it owns, to invest in public debt at unattractive rates fixed by government.

These domestic loans have led to mounting payments on public debt (about 30% of total expenditure).

Additional grants and loans were required to close the increasing deficit on the public budget and on the balance of payments. These additional funds could only be obtained from abroad. As the ratio of ODA receipts to public investments has been more or less constant, foreign savings could only be expanded by attracting more commercial loans (on much harder terms). The share of private creditors in total capital disbursements rose from nil in the 1960s, and 4% in the 1970s, to about 40% at the end of the 1980s. This was largely due to positive assessments made by the World Bank during the 1980s concerning India's absorptive capacity and to its positive risk-assessment for commercial credit. Foreign debt increased from about US\$ 20,000 million in 1980 to US\$ 70,000 million in 1990. Debt-servicing obligations increased from about 10% at the beginning of the 1980s to almost 30% in 1990.

In 1991 the new government of India introduced structural economic reforms, providing far more scope for foreign investment and foreign technology and for privatisation of public sector industries. The economic adjustment measures proposed were supported by the World Bank/IMF and by bilateral donors, including the Netherlands. In 1991 donors committed themselves to provide loans amounting to a total of US\$ 4,500 million. The Netherlands contributed Dfl 100 million to the Social Safety Net Adjustment Programme for India operated by the World Bank/IDA and intended to cushion the poor against the negative consequences of the structural adjustment programme. In addition, the IMF provided a loan of US\$ 2,200 million.

5.4 Foreign aid

Foreign aid (gross ODA) to India between 1980 and 1992 totalled about US\$ 30,000 million, multilateral and bilateral donors providing almost equal shares. The ranking of major donor contributions (3% or more) in the overall aid flow to India was as follows: World Bank/IDA 34.5%, Germany 8.7%, Japan 8.2%, United Kingdom 7.6%, United States 7.3%, the Netherlands 5.2%, EC 4.4%, Sweden 3.0%. The Netherlands was thus the fifth bilateral donor (10.5% of all bilateral aid).

On average net annual aid was about US\$ 2 per capita (Netherlands contribution about Dfl 0.25 per capita per year). In 1990 the total net ODA to India amounted to 0.6% of GNP.

Most aid goes to infrastructural projects, including power, coal, transport and communications. Major donors such as Germany and Japan, but also the World Bank, offered mixed credits for such projects, which involved imports from the donor

countries. At the end of the 1970s, several bilateral donors started to direct an increasing part of their aid budget to India's social sectors. Two-thirds of these social sector projects were concentrated in seven states only (Andhra Pradesh, Uttar Pradesh, Gujarat, Karnataka, Kerala, Tamil Nadu and Maharashtra). UN agencies seem to be much less inclined to restrict their activities to a few states. Most of them have only little money to spend and tend to support specific nation-wide programmes.

The more sizeable World Bank/IDA and EC programmes consist of economic cooperation with regions with a higher growth potential, and specific project aid targeted at the poorest sections of society. The EC's aid component is concentrated on the agricultural sector.

About 50% of World Bank/IDA aid primarily involved irrigation and general agriculture. No less than 72% of that was channelled through national programmes.

5.5 Netherlands aid policy

Development cooperation between the Netherlands and India dates from the early 1960s. In 1961 India was confronted with a serious shortage of foreign exchange which threatened the interests of Dutch exporters. The Netherlands therefore decided in 1962 to join the World Bank's Aid India Consortium. For almost two decades the Netherlands offered mainly concessional loans to India, which were needed to finance capital goods imports from the Netherlands, mostly consisting of electronic equipment (Philips), fertiliser (UKF, DSM and NSM) and dredgers (IHC). The total annual aid allocation increased from about Dfl 30 million in 1962 to Dfl 225 million in 1979.

At the end of the 1970s, as a result of general Netherlands policy on development cooperation, more attention began to be paid to the alleviation of poverty in the aid programme for India. The new policy could be implemented only slowly, largely because India preferred import support. From 1977 onwards the Netherlands was able to devote some financial resources to poverty alleviation activities (including drinking water projects).

By the end of the 1970s, it was felt in the Netherlands that the bilateral relationship with India should involve much more than development cooperation. With a view to the post-aid era, it was argued that development cooperation funds should be used in such a way that cultural, economic, technological and scientific contacts

would be promoted. Development cooperation would become a locomotive for the development of various relations with India, including additional commercial links. The aid effort was to contribute to India's socio-economic self-reliance.

In practice, however, little of the hoped-for broadening of relations with India materialised. While the Indians considered that broadening efforts might be welcome as long as they did not require a contribution from 'their regular allocation', the South Asian Countries Section (the country desk) of the Directorate General for International Cooperation (DGIS) faced particular difficulties in identifying possible ways of implementing the broadening policy given prevailing conditions. Two of the conditions set for supporting commercial transactions were especially hard to reconcile: activities had to be relevant from a developmental perspective and, at the same time, not be feasible without additional development cooperation funding.

5.6 Aid volume and composition

Netherlands development aid to India in the period 1980–1992 totalled Dfl 3,500 million gross, i.e. about 5.2% of all ODA to India (Netherlands net ODA was about Dfl 1,000 million less, because of repayments and interest). Whereas total Netherlands ODA increased by about 53% between 1980 and 1992, the share for India decreased from 9% to 5%.

About 80% of Netherlands aid to India (or Dfl 2,840 million) was disbursed through the regular programme. While the available budget for this programme is determined by the Netherlands Ministry of Foreign Affairs, its utilisation is discussed during annual bilateral talks between the Indian and Netherlands governments. Other disbursements (Dfl 700 million), together forming the non-regular programme (figure 5), required clearance from the Indian government, but were decided upon by the Netherlands. About half of such expenditure related to activities implemented in India through Dutch NGOs, while food aid, emergency support and various sector programmes were also included in this category.

More than two-thirds or almost Dfl 2,000 million of regular Netherlands aid to India was non-project (programme) aid, i.e. import support (75%) and budget support activities (25%). Import support consisted mainly of supplies of fertiliser (Dfl 1,000 million), caprolactum (Dfl 167 million) and edible oils (Dfl 114 million). Budget support involved assistance in the field of rural credit supply (Dfl 400 million, through ARDC/NABARD), the development of new and renewable sources of

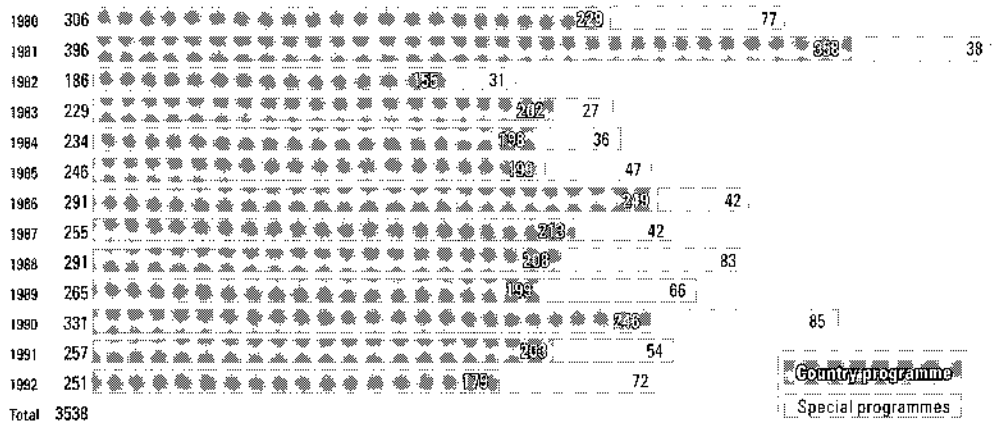


Figure 5 Annual disbursements through regular country programme and special programmes, India, 1980–1992 (in Dfl millions)

energy (Dfl 18 million, through IREDA), and informal education for rural women (Dfl 7 million, through EWE).

Over the years, the share of project aid has clearly increased, even exceeding non-project aid in 1989, 1990 and 1991 (see table 1). Whereas prior to 1985 Netherlands aid to India focused primarily on non-project aid, in the period 1985–1988 the intention was to increase the project aid component to 70%. In the Netherlands policy plan for India 1989–1992 this share was reduced to 50% owing to difficulties in realising disbursement targets for projects in previous years. Even a target of 50% project aid might be hard to achieve as shown by the low disbursements in project aid in 1992.

Project aid (totalling about Dfl 1,000 million) concentrated on the sectors water transport (40%), water supply and sanitation (35%), and land and water (10%); lately, environmental projects have also been included (6%). Within the field of water transport, the main components were: dredging (two-thirds), ports, inland water transport, and shipbuilding and repairs.

In 1986 it was decided that, in addition to this sectoral targeting of aid, project activities should be concentrated in five states, rather than dispersed over twelve. The five states selected were: Uttar Pradesh (population 138 million), Andhra Pradesh (66 million), Karnataka (45 million), Gujarat (41 million), and Kerala (29 million). Projects with a nation-wide impact, as in water transport, were excluded

Table 1 Annual disbursements in the regular country programme for project and non-project aid, 1980–1992 (in Dfl millions)

Year	Rural sani- tation	L&W water/	Water transport	Environ- ment	Miscel- laneous	Σ project aid	Import support	Budget support	Σ non- project aid	Total
1980	4.0	–	–	–	–	4.0	180.2	44.6	224.8	228.8
1981	17.9	0.1	–	–	2.5	20.5	282.0	55.4	337.4	357.9
1982	36.2	0.3	0.3	–	8.2	45.0	43.0	66.8	109.8	154.8
1983	29.0	0.2	28.4	–	5.7	63.3	105.6	33.2	138.8	202.1
1984	22.4	0.3	15.1	0.2	14.7	52.7	145.2	–	145.2	197.9
1985	20.8	0.8	69.5	0.3	12.0	103.4	67.3	28.4	95.7	199.1
1986	18.3	4.9	24.6	0.7	5.9	54.4	51.6	142.7	194.3	248.7
1987	53.0	24.7	18.3	4.2	5.1	105.3	104.9	2.5	107.4	212.7
1988	20.0	5.1	47.4	6.3	6.9	85.7	91.2	31.6	122.8	208.5
1989	35.9	24.3	46.4	8.3	2.6	117.5	75.4	6.4	81.8	199.3
1990	39.5	8.9	66.6	10.3	3.3	128.6	107.4	10.3	117.7	246.3
1991	23.2	28.0	55.9	13.6	2.4	123.1	69.2	10.3	79.5	202.6
1992	14.2	9.7	10.0	10.4	1.5	45.8	82.0	51.7	133.7	179.5
Total	334.4	107.3	382.5	54.3	70.8	949.3	1405.0	483.9	1888.9	2838.2

from this regional concentration. During the period 1980–1992 disbursements were highest in Uttar Pradesh (40%). In Andhra Pradesh, Gujarat and Kerala, disbursements were about the same (13%–15%); in Karnataka, disbursements were few and small. Some 15% of project aid disbursements continued to go to other states, primarily involving land and water projects in West Bengal and Maharashtra (Dfl 63 million).

About 50% of total disbursements in the development programme concerned loans. As these were mostly earmarked for productive activities which would be able to generate the funds needed to pay them off, they were for the most part applied to import support transactions and to projects in the water transport sector. Conversely, grant disbursements were used mostly in financing social sector programmes, although no less than two-thirds of disbursements in water transport consisted of grants too.

India was responsible for the implementation of activities in the case of more than 90% of disbursements during the 1980s, including the channelling of Netherlands funds to states. Most of these disbursements involved import support transactions. From around 1987 onwards this percentage fell to 80%, following an increase in project aid and in the amount of aid provided through the technical aid procedure.

Up until 1989 central government permitted 70% of foreign-aided project costs to be regarded as an additional contribution to states' budgets (since 1989: 100%) and a major part of the concessionality involved was (and is) reserved for redistribution according to national priorities.

5.7 Organisation of the programme

Decision-making about the composition of the development programme normally took place during the annual bilateral talks, where both Indian and Netherlands views were expressed. New development activities were usually first discussed with and agreed upon by the sectoral departments in India. A number of factors have influenced the composition of the programme with India, principally: (i) Netherlands policy, (ii) Netherlands budget management, and (iii) Dutch commercial interests.

The main point of departure for the composition of the programme with India has been the Netherlands policy under which poverty alleviation and macro-economic self-reliance objectives qualify for support. Between 1980 and 1992, one-third of the regular budget was aimed at direct poverty alleviation (through budget support and project aid in the fields of water supply/sanitation and land and water); two-thirds was directed towards economic self-reliance (through import support and project aid in the field of water transport).

This two-pronged policy orientation was reflected in the development programme with India. The Indian government, however, in view of rising current account deficits and increasing foreign debt in the 1980s, preferred non-project aid (balance of payments support). Since the World Bank, followed by the bilateral donors, including the Netherlands, praised India's economic performance and social and economic policies throughout the decade, the Netherlands policy to increase project aid at the cost of non-project aid is difficult to understand.

The regular allocation for India decreased from Dfl 232 million in 1980 via Dfl 200 million in 1990 to Dfl 160 million in 1992. In spite of this decrease, budget pressure continued to be a matter of great concern. This problem first arose in 1985 when it was decided that remittance of non-disbursed monies in a subsequent year would no longer be allowed.

As procedures for identification, formulation and appraisal of project aid were much more complicated and extensive than those for non-project aid, import support was often used as the only available means of achieving rapid disbursement. In

the period 1989–1992 import support still accounted for 40% of disbursements (i.e. Dfl 84 million per year), in spite of the fact that the Netherlands aimed at lowering the annual share of import support in that period to 25% (about Dfl 50 million per year). Data provided by NIO indicate that in the years 1983, 1986 and 1987 all import support was paid in December; in 1989 and 1990 more than 70% of disbursements for import support were made in this month. These high disbursements in December almost all concern reimbursement claims and were prompted by expected or unexpected differences between estimated and real expenditures at the end of the year. They confirm the importance of import support as a safety-net to secure the timely depletion of the annual aid budget.

Dutch fertiliser industries, shipbuilders and dredging companies benefited considerably from development cooperation with India. In several cases, however, proper aid procedures were not applied. Moreover, decisions were sometimes made under strong pressure from the Dutch corporate sector, backed by politicians and officials at the Ministries of Economic Affairs and Foreign Affairs. About 60% of total disbursements were spent in the Netherlands.

5.8 Management of the programme

In this study management is defined as the ability to guide and monitor the preparation and implementation of development activities. With regard to management of the programme, the issues addressed are: (i) the size of the programme (including selection of states and sectors); (ii) available personnel resources; (iii) division and delegation of labour between the country desk and the embassy; (iv) procedures for project preparation and implementation; (v) the scope for donor coordination; and (vi) the role of research.

(i) Size of the programme

Management of the programme became much more demanding when project aid started to increase in the early 1980s. Various efforts made to control implementation of the programme through a further delineation of project sectors and a concentration of activities in particular states have not been sufficiently effective.

From a management point of view, the reduction to five states on which project aid was to be concentrated was not adequate. The states selected still represent a huge and heterogeneous area (about 30 times as large as the Netherlands) and a total population of no less than 320 million.

A thorough prior understanding of institutional and power structures prevailing in a particular project area is important for the final success of a project. Neither the country desk nor the embassy, however, were able to gain sufficient insight into each state's potential for development before the selection was made.

In spite of the 1986 decision to restrict project aid to four sectors and non-project aid to two channels, serious difficulties were experienced in managing the programme owing to the size of the programme and the personnel available.

(ii) Personnel resources

The annual allocation for India and the composition of the development programme were established without a proper understanding of the quantitative and qualitative demands to be placed on the personnel involved in the preparation and implementation of the programme. Since the required expertise could not adequately be met from within the ministry, it was decided in 1986 to set up a large external advisory structure to obtain assistance in the field of preparation and supervision of activities in all project sectors. The Technical Advice Section within the ministry could not be fully utilised during the 1980s since it had a limited staff. It also lacked expertise in the field of water transport during most of the 1980s, and any specific knowledge about India. Ignoring the fact that India itself would have been able to supply considerable expertise, the external advisory structure consisted only of Dutch experts. These included policy advisers (for the country desk) and project advisers (for both the desk and the embassy), although a clear-cut separation between the two was seldom made.

Between 1986 and 1990 about 1,130 man-months (or 226 man-months per year) were devoted to these external advisory services (costing Dfl 28 million in total). A major part of these services consisted of assisting the water transport sector (710 man-months or Dfl 17.5 million), while more than one-third (420 man-months or Dfl 10.5 million) was directed towards the social sectors (water supply/sanitation, land and water, environment). On average, this corresponds with 19 persons employed full-time throughout this period. This is far more than the combined personnel input of the country desk and the embassy.

The involvement of the external advisers, however, continued to necessitate development expertise within the ministry in order to provide guidance and monitoring (cf. IOV, 1989). Development expertise (defined as the number of years during which a person has dealt with actual project/programme operations while working in

a developing country or in the Netherlands) at the country desk gradually diminished following the integration of departmental and diplomatic staff in 1987. As a result, the institutional memory for the programme became scattered among different advisers outside the ministry. Contrary to the situation at the desk, the development expertise at the embassy increased from the second half of the 1980s onwards due to the appointment of several sectoral experts on a contract basis. However, these experts found themselves much involved in daily administrative and management tasks, so that they, too, depended largely on external project advisers for work involved in identification and monitoring.

(iii) Delegation

Another step taken during the second half of the 1980s to improve the quality of the development programme concerned further delegation of tasks and responsibilities to the embassy (particularly regarding the identification of new activities and the monitoring of ongoing ones). Four sectoral experts were appointed at the embassy. This resulted in an almost continuous inflow of preparatory (identification, formulation, and appraisal), review and support missions from the Netherlands, which obviously meant still more work for the embassy.

The assistance of external advisers and the appointment of additional sectoral experts did not therefore really solve the management problems at the embassy. In the period 1987–1992, staff at the country desk made financial commitments for about 500 individual aid activities. By mid-1993, 270 activities were being carried out and 60 were being prepared under the responsibility of the desk.

Centralising forces at the Ministry of Foreign Affairs in The Hague remained rather strong. Increased attention was given to proper accountability of activities and disbursements after 1990. Moreover, the introduction of new policy items and additional guidelines for project preparation (calling for an overall policy check, assessment of a project's effects on poverty, women and the environment, and assessment of a project's feasibility and sustainability) increased the ministry's grip on project preparation (besides adding to the workload of both the country desk and the embassy).

(iv) Procedures for project activities

The aid instructions/procedures referred to above concerned the various stages of the project cycle: (a) project preparation, including identification, formulation

and appraisal; (b) implementation, including tendering and monitoring; and (c) evaluation.

Although the introduction of numerous project instructions/procedures was meant to improve management, the growing number of parties involved in their preparation and approval (country desk, various development sections in DGIS, embassy, external Dutch advisers, counterpart agencies in India) seriously delayed project preparation.

Moreover, instructions regarding project preparation were applied only in part if at all by the Netherlands parties concerned (i.e. country desk, Project Board, Selection Panel, and embassy). This was due to time and budget pressure, pressure from the corporate sector (endorsed by the Ministry of Economic Affairs), decision-making by politicians and independent action by external advisers. While an average period of three years was involved between identification of a potential project and final approval, about half of that time was taken up by project approval procedures in the Netherlands.

To avoid delays in project implementation caused by a lack of Indian state funds, pre-financing has been used by the Netherlands in some project sectors (in all water supply projects and in the tubewell irrigation project in Uttar Pradesh).

The financial aid procedure accounted for over 90% of all aid expenditure. Under this system, India bore primary responsibility for contracting out work and goods and for the implementation of activities, including channelling aid funds to the states. Since 1987 the Netherlands has been more involved in the selection of experts and the supervision of project implementation (technical aid procedure); the latter procedure has accounted for 20% of expenditure since then.

The Netherlands' frequently expressed preference for untied aid is not reflected in implementation. In practice no more than 5% of goods supplied under the financial aid procedure came from eligible source countries. This was because Dutch commercial interests were involved (cf. section 5.7), invitations to international tendering for goods and services were rarely made and India preferred to buy in the Netherlands. This preference was partly based on considerations of price, quality and standardisation and partly due to the fact that the Netherlands was regarded as a rapid and reliable supplier. Local costs financing and budget support can increase the share of untied aid as it is largely local goods and services which are involved (although the budget support provided to a rural credit programme included a sizeable component of imported goods). Under pressure from the Ministry of

Economic Affairs a ceiling of 30% of Netherlands aid was established for local costs financing, in order not to undermine the opportunities for Dutch industry. This ceiling was raised to 50% in 1988. Between 1980 and 1992, about a third of Netherlands aid went on financing local costs.

Efforts have been made to strengthen monitoring capacity within projects with regard to disbursements, progress, and quality control, through development of a management information system. However, this was not consistently utilised in all sectors, so that a coherent database for managing project implementation was not available at the embassy.

Evaluation was not systematically utilised as an instrument for learning from experience. About two-thirds of projects was never evaluated at all. In two major project sectors, i.e. water transport and rural water supply and sanitation, only 10% of projects were evaluated. In addition, the quality of evaluations was often not satisfactory due to lack of methodological accountability, short evaluation periods, no participation by representatives from DGIS in fieldwork, and no focus on wider developmental issues (e.g. the relevance of particular projects and programmes).

(v) Donor coordination

Management problems might possibly have been reduced by coordination of donor activities in India (e.g. with regard to the delimitation of sectoral and regional activities, and a regular exchange of knowledge and experience). The annual India Consortium meetings did not really achieve this since discussions focused on Indian macro-economic policies/issues and on aid pledges/packages, but not on the coordination of aid programmes in the field. Virtually none of the donors involved in projects that were directly focused on poverty alleviation appeared to be sufficiently informed about each other's programmes. Only the Netherlands sectoral expert for women in development arranged more or less regular meetings with other donors. In the drinking water sector a few informal meetings were held among donors in Delhi, while in field operations the Netherlands attempted some limited donor coordination with the Danes in Kerala regarding rural drinking water.

There were two major reasons why donor coordination was never successful in India in the period 1980–1992: the Indian government did not favour it, fearing a possible common donor front which might result in aid packages that would not fit India's own priorities; and bilateral donors themselves were little inclined to coordinate their activities in the sectors and states where they operated, because of

differences in policy, professional approach and/or fear of delays in depleting their own budgets.

Coordination was also completely lacking between Netherlands governmental inputs and those of NGOs.

Although the Netherlands cooperated in a few activities with the World Bank and the European Community, the activities concerned **did not** involve much coordination with regard to preparation, implementation and evaluation.

(vi) The role of research

Since 1980, India and the Netherlands have cooperated in research in the social sciences (IDPAD). Social scientists from both countries decided on which problems they should concentrate. In its set-up, this research programme was not intended to be linked with the regular development programme. In view of the urgent need for basic data about social and economic structures, regional characteristics, cultural systems and relevant institutional settings for the preparation and implementation of the regular development programme, it is regrettable that IDPAD was unable to contribute more directly to the development programme.

5.9 Economic self-reliance

About two-thirds of Netherlands aid to India was directed towards strengthening India's scope for economic self-reliance. This was attempted through (i) continued import support to improve economic growth, especially in the agricultural sector, and (ii) assistance in the dredging sector to maintain and improve the accessibility of India's ports.

(i) Import support

Almost 70% of all import support concerned the provision of fertiliser. Between 1980 and 1990, the Netherlands supplied 16.7% of India's total import of fertiliser (urea), or 3 to 4% of its urea consumption. However, when demand for urea from the Netherlands declined after 1985, due to increased domestic production in India and greater competition from other countries (including OPEC), the under-utilisation of the budget annually available for India could be avoided only by paying

for part of that country's imports of caprolactum (a raw material for the production of nylon yarn) and edible oil. Caprolactum imports amounted to Dfl 167.5 million and edible oil imports to Dfl 114 million. Towards the end of the 1980s India also requested more complex forms of fertiliser from the Netherlands (NP and NPK).

In the 1980s there were no less than 174 deliveries of fertiliser, caprolactum and edible oil, 140 of them concerning fertiliser. A competitive price was charged for the fertiliser by Dutch firms in the early 1980s, due to the considerable subsidies (equal to about 25% of the price of natural gas) they received from the Ministry of Economic Affairs. In 1983/1984 grants were also offered to persuade India to buy Dutch fertiliser. Apart from competitive pricing (the Minerals and Metal Trading Corporation of India, MMTC, is quite capable of judging the competitiveness of prices), India was also assured of the good quality of the Dutch product and services (i.e. transport and timing). With respect to distribution of the fertiliser in India, an impressive system of no less than 243,000 outlets existed, financed by government, which made it available to farmers at a uniform price. A similar system did not exist for caprolactum, which the limited number of Indian nylon producers are allowed to procure directly. Competitive prices for caprolactum were less assured. Since none of the eligible source countries produces caprolactum, there were no competing offers. With regard to edible oil, a competitive price level was safeguarded by the competence of the State Trading Corporation, while the Public Distribution System distributed it to the poor. Nevertheless, leakages to the free market were often reported, implying that the rich were able to draw unintended benefits from this distribution system.

Assessment of import support

By the very nature of the case, the results of the assessment of Netherlands import support are mixed. While the modernisation of agricultural production in India, including substantial fertiliser supplies, resulted in self-sufficiency in food and increased food consumption per capita, it should be stressed that about 90% of import support commodities (notably fertiliser and edible oil) would have been imported anyway. This means that import support mainly helped to free foreign exchange and to generate countervalue funds. This is basically balance of payments support. Assessment of its relevance should therefore be based on an appraisal of the overall successes and failures of Indian economic planning. Since the World Bank praised India for its economic performance, including its cautious approach towards foreign debt during most of the 1980-1990 period, no independent appraisal of this performance was made by the Netherlands. In reality the public deficit increased during those years while the imbalances on India's current account became ever

more severe and the foreign debt burden grew dramatically. It can be said, therefore, that the liberal provision of import support by the donor community actually enabled India to postpone major policy adjustments. It was not until 1991 that the World Bank, supported by the donor community, observed that India was in the midst of an economic crisis which had long been coming.

It might have been expected that the Netherlands, as a major supplier of fertiliser, would have questioned the effectiveness of India's resource allocation in that regard during the 1980s (on the basis of either its own studies or existing documents). All the more so because it was reported that: (a) large fertiliser subsidies were granted to cover up serious inefficiencies in Indian fertiliser industries; (b) farmers were compensated because prices for agricultural products were fixed at too low a level (to realise a surplus for investment in the industrial sector, low wages were needed which could only be achieved through cheap food and appropriate agricultural policies); and (c) farmers would have been better off under free trade (i.e. the subsidies fell short of full compensation). These subsidies meant that other development objectives, such as the improvement of the position of landless and marginal farmers, who are not in a position to benefit from subsidised fertilisers, received proportionally less attention.

Similarly, the appropriateness to India's objective of self-reliance of the other import support components (caprolactum and edible oil) was never questioned, although serious doubt would have been justified. While Indian production of edible oil from groundnuts required even more protection than that given to industry, commercial caprolactum was protected by an import duty of more than 100%, although it could be procured outside India at less than 70% of domestic production costs, and generated virtually no employment benefits for India.

India's edible oil imports were only supported in 1987 and 1988 when domestic production suffered under serious drought. This could therefore be considered as a kind of emergency aid. Caprolactum, however, obtained a more structural place in the development programme. This was possibly because caprolactum supplies were encouraged to compensate the Dutch fertiliser industry for declining exports to India.

(ii) Dredging sector

Support to the dredging sector in India during the 1980s may be seen as continuing a tradition between the Netherlands and India which began around 1950. In the

period 1950–1982 no less than 40 Dutch dredgers were delivered (60% financed on more or less commercial terms, and 40% financed from bilateral aid as import support). In 1982 it was decided to utilise development cooperation to promote more structural relations between the countries (as part of what was known as the broadening policy). The dredging sector was considered a suitable sector in which such broadening of existing contacts could be initiated.

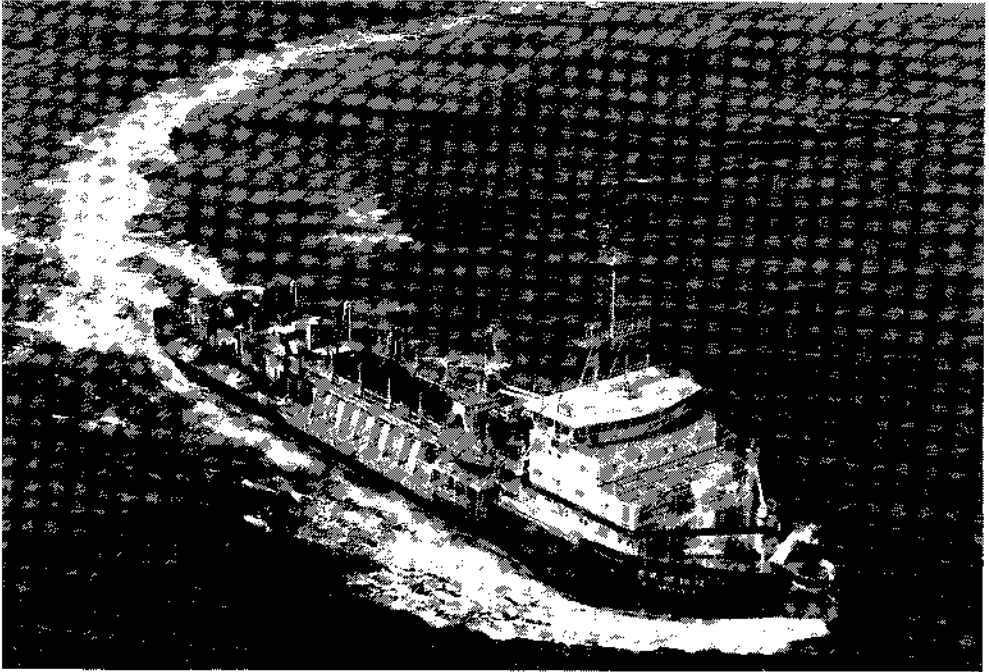
The potential contribution of the Dutch dredging sector towards strengthening India's scope for future economic growth was obvious. The Netherlands held a dominant position on the world market for dredgers and for dredging work (a share of 50 to 60 percent), while the world's only training institute for dredging is situated in the Netherlands. It could therefore be assumed that assistance in dredging was less easily obtainable from other donor countries (i.e. less fungible) than some forms of import support. In the period 1980–1992, disbursements in the dredging sector, including mixed credits, concerned:

- the supply of six dredgers (Dfl 203.1 million);
- the execution of dredging works (Dfl 105.7 million);
- advisory services for institutional improvements in the operations of DCI and the Port Trusts (Dfl 6.9 million);
- technical advisory services for project preparation and monitoring (Dfl 13.6 million).

The six dredgers were supplied mainly for maintenance dredging to improve the accessibility of several major ports on India's West and East Coasts.

Three major capital dredging works were executed in the early 1980s, namely in Madras, Bombay and Paradip. These projects were identified by the respective Port Trusts, while Dutch dredging experts assisted in the formulation and tendering process. Tendering was restricted to Dutch contractors only, however, thus undermining the basis for future structural relations with the principal Indian party involved (DCI).

At the end of 1986 a dredging programme was prepared by a Netherlands Advisory Mission. The first objective of this was to legitimise an earlier promise by a Netherlands minister to supply four dredgers to India (four of the six mentioned above). The programme also aimed at expanding cooperation in dredging through additional supplies of dredgers, the execution of maintenance and capital dredging works, as well as complementary institutional support to DCI and the Port Trusts. Moreover, adoption of an open market model for India's dredging sector was recommended, allowing private companies to come in, including joint ventures.



Trailer sucking hopper dredger

The dredging programme was intended to cover a ten-year period from 1987 to 1997 and involved a budget of Dfl 914 million. It was based largely on assessments of future dredging requirements expressed by the Port Trusts and DCI. The Dutch dredger industries and dredging companies were allowed a leading role in the drafting of the programme through their participation in the Advisory Mission that prepared the programme. Although the programme was welcomed by DGIS and a dredging protocol was drafted by Netherlands officials and Indian representatives of the Ministry of Surface Transport, this protocol was never formally signed by either government.

Capital dredging works envisaged in the dredging programme failed to be implemented as they were not included in India's seventh five-year plan (1985–1990). Only the Hooghly Fairway Development Project, near Calcutta, was approved in 1989 despite the fact that a proper technical, financial and economic feasibility study of the cutter suction dredger, supplied by the Netherlands, was never made. As of 1993, implementation of the project is still pending.

The same applies to the provision of institutional support to DCI and the Port Trusts, which was to focus on management assistance including training programmes. This

failure is probably due to the fact that India's Ministry of Finance wanted to keep strict control over the precise financial terms, which would not have been possible if the technical assistance procedure proposed by the Netherlands had been used. The fact that the DCI and the Port Trusts were not involved in the design of the programme may explain the limited enthusiasm for Netherlands institutional support.

Since the country desk was gradually losing control over the activities of external advisers involved in the dredging sector, it decided to discontinue contracts with the majority of these advisers in 1990 and to reconsider the dredging programme.

Assessment of support to the dredging sector

The pressure exercised by the ailing Dutch shipbuilding industry, the Ministry of Economic Affairs, and various interventions by Netherlands ministers, frustrated careful application of appraisal and tendering procedures regarding the supply of dredgers. On the other hand, supply of the six dredgers was also in the interests of India because it met a declared demand and because they could be purchased at a competitive price (and on highly concessional terms according to development aid criteria: the four dredgers purchased in the second half of the 1980s had a combined grant element of 40–45%).

All dredgers are operating and are well maintained; access for ships and goods to the major ports is ensured. The operational efficiency of the dredgers leaves much room for improvement at DCI in two respects:

- The number of operational hours per dredger is relatively low, namely 5,000–5,400 per year, whereas 5,880 hours is estimated to be the commercial norm.
- Dredging productivity is low and could be improved by 50%–100%, depending on the location, by more efficient handling and better management of dredging operations.

A number of factors external to DCI have contributed to this operational inefficiency, such as import regulations, taxes on imported equipment and spare parts, and the inefficiency of the ship repair and maintenance sector. Delays in institutional support to DCI and the Port Trusts meant that inefficiencies in dredger operations continued, thus jeopardising the financial and economic sustainability of the dredgers.

With regard to the capital dredging works in Madras, Bombay and Paradip, apart from the biased tendering procedure, implementation has been fairly successful and the subsequent maintenance dredging properly executed by the Port Trusts.

The dredging programme planned for the period 1987–1997 was primarily donor-driven, conceived under pressure from Dutch interest groups, India scarcely being involved at all. India's investment priorities in dredging, as laid down in the seventh five-year plan, were hardly taken into account and nor were planned activities based on proper analysis of future transport requirements, including the relationship between rail, road and water transport. The Netherlands Advisory Mission was exclusively a dredging mission and, moreover, made its appraisal on technical grounds only. An integrated perspective on transport as a whole was lacking.

Broadening of relations failed in the dredging sector. There were other reasons for this besides those mentioned in section 5.5. The Indian government perceived a broadening of international relations as a potential threat to its domestic economic interests. Dredging in India was highly regularised and aimed at self-sufficiency in the execution of dredging works. This explains why the underlying Netherlands intention to open-up the Indian dredging market was not achieved during the 1980s.

Apart from all this, the question remains whether concessional aid should be used for a productive sector such as dredging, particularly in so far as the supply of capital goods is involved.

5.10 Poverty alleviation

About one-third of Netherlands aid to India was directed towards poverty alleviation. This especially involved projects in rural water supply and sanitation (i) and land and water (ii), while budget support (iii) was also provided to support specific programmes earmarked for this purpose.

When the Netherlands decided to opt for these two project sectors, its main objective was to contribute to direct poverty alleviation. Moreover, it was felt that this would help to achieve a better balance within the development programme with India between non-project aid and project aid; to facilitate the implementation of specific Netherlands policy themes (regarding selection of the target group, women, the environment, participation, institutional development, cost recovery, etc.); and to utilise available Dutch expertise in this sector.

(i) Rural drinking water supply and sanitation

Projects in rural water supply and sanitation were given high priority, reflected in a 35% share of total project aid (Dfl 334 million). Investments mainly concerned

equipment for 143 piped rural water supply schemes and about 19,000 handpumps. The investments involved almost 100% local cost financing and were made in four states (Andhra Pradesh, Uttar Pradesh, Gujarat and Kerala), covering about eight million people in 4,000 villages.

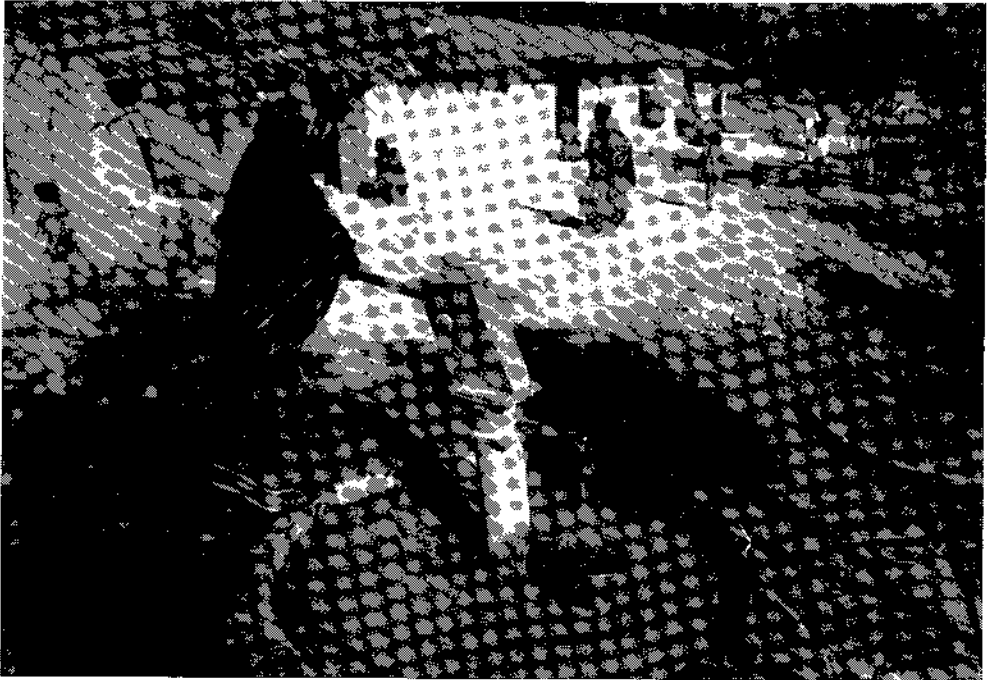
The total Netherlands contribution amounted to no more than 3% of overall investments in rural drinking water supply in India, however. The complementary sanitation activities commenced in 1987 and were implemented on a limited scale only (about 8,000 households by the end of 1991, or a mere 25% of the planned coverage).

Traditionally, rural water supply and sanitation projects at state level are planned by and executed through a technical and top-down approach by the State Water Boards. Netherlands assistance basically followed this approach in the period 1977–1986. Since 1986 the Indian government has gradually become more inclined to endorse the Netherlands views regarding an integrated approach. In three of the four states, support units were set up with Netherlands assistance in 1987 to promote this approach, focusing particularly on: greater involvement of the people, particularly women, in the planning and use of water supply/sanitation systems; ensuring access to the schemes for the poor; construction of sanitation facilities; improved operation and maintenance, including cost recovery; health education; and improved cooperation with the State Water Boards and strengthening implementation capacity at the local level (e.g. through village, *panchayat* and/or ward water committees).

Assessment of support to rural water supply and sanitation

The new drinking water facilities were considered a substantial improvement by the majority of the village populations involved in water supply schemes. The people, including the scheduled castes, generally had access to the facilities and women's workload was eased. The construction of latrines was particularly appreciated by women in areas with high population densities.

Investments in water supply projects have been considerable in terms of population coverage. Investment costs (capital costs and execution of works) averaged about US\$ 40,000 per village or US\$ 20 per capita. In comparison with other countries in Asia in the period 1980–1990 these unit costs can be considered moderate (WHO, 1992). This is due to the fact that only standardised and locally produced water supply materials were used and no foreign consultants/contractors were involved in construction works. An important side-effect of the water schemes in India is therefore the generation of additional employment.



Public handpump for drinking water, Uttar Pradesh

Implementation has not always been effective in qualitative terms. Piped water schemes in these Netherlands-aided projects, which are an integrated part of the state programmes, commonly have to contend with low water pressure, leakage and irregular supplies, while public standpipes are often missing or damaged. Cost recovery of even part of operation and maintenance costs has not yet been achieved, so the sustainability of drinking water systems is at risk. Since drinking water is traditionally considered a basic amenity by the people, to be provided free by the government (a view which is often fostered by politicians during election time so as to gain votes), cost recovery may continue to be hard to achieve.

Support units have a positive demonstration function in areas where they operate, though only about 10% of the 4,000 villages supported by the Netherlands are involved. However, while these units are intended to be temporary catalysts, they depend fully on Netherlands funding. A major question therefore is to what extent the integrated approach will be sustainable after Netherlands disbursement obligations have ended, and through which state organisation(s) this should be realised. It is unlikely that State Water Boards will be able or willing to adopt an integrated approach, not only because they are traditional engineering organisations, but also because they cannot expect to derive financial benefit from an integrated approach.

State Water Boards are mainly interested in the profitable design and construction of new drinking water systems, and much less in their operation and maintenance.

The necessary improvements in cost recovery and in operation and maintenance will depend largely on the participation of the villagers. To achieve this, the integrated approach towards water supply/sanitation needs to be endorsed not only by the villagers but also at the district and state levels. Since various capable local NGOs operate in Netherlands-aided project areas, they might be able to take over the demonstration function from the exclusively Netherlands-financed support units.

(ii) Land and water sector

The focus in this sector was on increasing the income of rural people, especially small and marginal farmers (less than 2 hectares), by increasing their productive capacity. In fact, there was little evidence of a programme in this sector, but rather of a series of individual activities, some small-scale and some large-scale, scattered over eight states and covering a variety of fields such as irrigation, land reclamation, soil conservation and improvement, watershed management, research and training. The selection of these activities was not based on a clear Netherlands policy for the land and water sector. Projects arose from more or less ad hoc requests by the Indian government. Netherlands disbursements in this sector in the period 1980–1992 totalled Dfl 107 million.

The study concentrated on three projects comprising about 70% of total Netherlands disbursements in the sector at the end of 1992, namely:

- (a) the Indo–Dutch Public Tubewells Project (IDTP) in Uttar Pradesh (Dfl 54.0 million);
- (b) the North Bengal Terai Development Project (NBTDP) in West Bengal (Dfl 13.6 million);
- (c) the *Khar* Land Reclamation Project (KLRP) in Maharashtra (Dfl 6.0 million).

These three projects covered about 46,000, 30,000 and 32,000 households respectively at the end of 1992 (totalling about 720,000 people).

The IDTP involved the construction of new public deep tubewells and the improvement of existing ones in an area of 100,000 hectares. By the end of 1992 some 65% of the planned 750 new tubewells had been constructed and about 40% of the existing 325 state tubewells had been improved or modernised. A deep tubewell unit consists of a deep borehole with an electric submersible pump, a pump house and an elevated



Handpump for irrigation of vegetable gardens in the North Bengal Terai Development Project

open reservoir for delivery of water to the farmers through an underground PVC pipe system.

The NBTDP involved the implementation of small-scale irrigation and soil conservation/improvement works in an area of 484,000 hectares of arable land. In the five years since it started in 1985, about 11,000 hectares have come under irrigation.

Except for some disbursements for technical assistance, most Netherlands expenditure in these projects was for the purchase of locally produced equipment (local cost financing).

The KLRP involved Netherlands technical assistance to an EC-aided rehabilitation project comprising 160 *khar* land (saline land) schemes, covering 16,000 hectares, which were aimed at the protection of the coastal Konkan region (near Bombay) from sea water, soil desalination and improving water management.

The Netherlands aid was used partly to turn an exclusively technical approach into a more integrated one.

- (1) In the IDTP, an integrated approach was promoted by establishing a small monitoring and appraisal unit, consisting of three Indian and two Dutch experts. The unit assisted in selecting sites for tubewells, supervising the construction/improvement of tubewells, research on irrigation water management etc., training female extension workers to promote women farmer's participation in on-farm management, and training staff of the Ministry of Agriculture in rural extension work. It also asked a local university and an NGO to help in the implementation of these tasks.
- (2) In the KLRP, an integrated approach was introduced by a number of Dutch and Indian experts and two local universities; apart from suggestions for technical improvements in the design and construction of bunds and sluice-gates, extension work among women farmers was also initiated in a pilot area (11 villages).

Assessment of support to the land and water sector

The extent to which the poor have benefited from the three projects has differed considerably. In the IDPT this objective has not yet been achieved. In the KLRP the impact in terms of poverty alleviation could not yet be established; in the NBTDP, on the other hand, selected small and marginal farmers have benefited visibly from the new irrigation systems and have been able to produce a marketable surplus. Various factors explain these differences.

Firstly, the *social and economic policies* of the state governments play a decisive role. For example, in West Bengal the political climate in general and the agricultural policy and legislation in particular are oriented towards social equity and social justice (e.g. through the distribution of land, income and services), and thus to improving the position of the poor. Therefore, in the Terai region, very few farmers own more than 2 hectares. There is no such policy climate in Uttar Pradesh or in Maharashtra.

Closely related to the above is the *institutional setting* of projects. In West Bengal, the project was initiated by the Department of Agriculture which adopted an approach involving technical and social components (including female extension work) and farmers participated in the preparation and implementation of the project right from the start. In Uttar Pradesh and Maharashtra, on the other hand, there was no appropriate departmental organisation, capable of dealing with more than mere technological aspects. Farmers therefore did not participate in the setting-up of the projects.

Besides improving criteria for tubewell site selection, the monitoring and appraisal unit has been most successful in its female extension programme, focusing on small women farmers. By the end of 1991 53 extension workers had been trained, able to cover about 200 villages. By that time, the unit had not yet succeeded in establishing water user committees representing the farmers for the operation and maintenance of facilities.

Efforts to reach small and marginal farmers can be greatly frustrated by the larger and relatively better-off farmers. Consideration should therefore be given to *power structures* (including patronage) when setting up projects. In Uttar Pradesh, for instance, the larger farmers had greater leverage in tubewell management committees than smaller farmers, and thus were able to obtain a larger share of the benefits generated by the construction of public tubewells. Moreover, since many larger farmers owned private tubewells, the poor farmers sometimes depended on them for water. Hence, efforts made to reach the poor without acknowledging the power of the rich are certain to fail.

Finally, the chances of improving the position of poor farmers also proved to depend on the appropriateness of *technological choices*. For instance, while public deep tubewells in Uttar Pradesh often malfunctioned due to the failure of power supplies and poor maintenance, the small-scale irrigation technology applied in the NBTDP in West Bengal was better tailored to the needs of poor farmers. Indeed, alternative technologies like shallow tubewells (using diesel) and hand tubewells, which are owned by small user groups or by individuals, will be of more benefit to the poor. In the IDTP area shallow tubewells also performed much better than deep tubewells. The financial and economic rates of return as presented by the monitoring and appraisal unit in 1989 were 8% and 9.1% respectively. Both these values were below the opportunity cost of capital (10–12% is normally assumed for India), while the World Bank in fact considered the figures to be overly optimistic. Deep tubewells constructed under the IDTP seem to be unfeasible from a financial and economic point of view. Moreover, about 75 shallow tubewells could be installed for the price of one deep tubewell, and together would irrigate approximately 300 hectares as opposed to the 60 hectares of one deep tubewell at present (or a potential maximum of 100 hectares).

A basic issue, similar to that raised earlier in the context of water supply/sanitation projects, is whether the integrated approach, introduced and financed by a foreign donor, can be institutionalised at the village, district and state levels, either through existing or new institutions. Related questions are whether it would be possible for local NGOs operating in this sector to take over the role of catalyst, which is now

fulfilled by artificial units such as the monitoring and appraisal unit, and whether most efforts should not be concentrated on the development of farmers' organisations, since such organisations may secure sustainability at the grass-roots level.

Investments in the three projects were financed from the respective state budgets, mainly as a result of additional donor contributions. The costs of operating and maintaining public facilities (e.g. the public tubewells) were supposed to be borne fully by the state government. Cost recovery from farmers occurred (but only to a limited degree) in the case of privately-owned irrigation systems. Given the serious deficiencies in operation and maintenance, as well as a lack of cost recovery, it is not surprising that the financial sustainability of public deep tubewells was extremely weak: the annual deficit on operating costs when the 750 deep tubewells are all completed under the IDTP is expected to total about Rs 38 million or US\$ 1.5 million (mid-1992 exchange rate).

In general no adequate appraisal of the projects was made with regard to cost/benefits, institutional setting, socio-cultural structure, etc. The eagerness with which the Netherlands entered into new land and water projects may also have been inspired by the opportunity they offered for donor coordination. The Netherlands involvement in the IDTP was an extension of the support provided by the World Bank for the construction of deep public tubewells in Uttar Pradesh during the early 1980s. The World Bank withdrew when it felt that the operation and maintenance of facilities had failed and that financial aid in itself would not be sufficient to solve this problem unless proper involvement of the users of irrigation water was established. The Netherlands was prepared to provide the technical assistance needed for better integration of the relevant technical and non-technical issues. Nevertheless, the World Bank stopped its support to the Uttar Pradesh deep public tubewell programme, just as it had withdrawn its support to a similar programme in Pakistan some time earlier. The underlying reasons for this might have been instructive to the Dutch 'newcomers', but were not investigated.

Similarly, India's request for technical assistance for the EC-aided KLRP was accepted by the Netherlands without prior investigation of the actual problems in the area or of the real needs of the population. The opportunity to cooperate with the EC was appealing and the exclusively technical nature of the Netherlands assistance was accepted by all parties. No clear arrangements were made among the Indian government, the EC and the Netherlands about their mutual relationship or about the role of technical assistance in a broader development context. In practice, no real cooperation with the EC occurred. On the contrary, the technical assistance team remained in a rather isolated position during the entire period of its operations.

(iii) Budget support

Netherlands budget support was intended to support specific components of India's central government budget, earmarked for poverty alleviation, by providing foreign exchange (including technical assistance for the organisations responsible for implementing the programmes, if required). The foreign exchange was non-tied, while the countervalue funds in rupees were tied to specific programmes. Budget support can be seen as a kind of balance of payments support.

Disbursements totalled Dfl 484 million between 1980 and 1992, more than 80% of which provided agricultural credit through the National Bank for Agriculture and Rural Development (NABARD, prior to 1982 known as the Agricultural Refinance and Development Corporation, ARDC). Most of NABARD's funding came from the Indian government (81%) and the World Bank (11.6%). The Netherlands was the main bilateral donor (1.9%).

By the end of the 1980s the Netherlands was making two more budget support contributions. These were: (i) to the Indian Renewable Energy Development Agency (IREDA), a development financing institution for commercial enterprises set up in 1987 under the aegis of the Department of Non-Conventional Energy Sources to promote the development of new and renewable sources of energy; and (ii) to Education for Women's Equality (EWE), a programme also set up in 1987 under the aegis of the Ministry of Education to support non-formal education for rural women. In the period 1988–1992 Dfl 17.5 million were disbursed to IREDA and Dfl 7.0 million to EWE. The Netherlands played an important role in the establishment and development of these programmes and was their first foreign donor.

NABARD

Support to ARDC/NABARD started in 1980 and was based on two considerations: marginal and landless farmers should receive special attention in the field of rural credit; and the World Bank's long-term involvement in rural credit in India (since before 1975) would help reduce the country desk's workload and might help to increase the effectiveness of Netherlands development aid.

In supporting NABARD, the country desk did not pay attention to the embassy's timely warnings regarding the risks involved, particularly the existence of considerable arrears in India's rural credit system.

The government's decision to use the banking system as the main vehicle for increasing farmers' access to credit led to nationalisation of the banks in 1969 and the banking system has been heavily controlled ever since. Detailed regulations were framed to ensure that particular economic sectors and population groups would benefit from available credits. NABARD's task was to promote refinancing to lending institutions in rural areas, to encourage institutional developments in rural credit, and to evaluate, monitor and inspect the lending institutions.

NABARD had to channel at least 60% of its funds to poor farmers and land labourers, and all participating banks were obliged to invest at least 30% of their funds in one of the major poverty alleviation programmes (the Integrated Rural Development Programme). Participating banks were also obliged to invest a large part of their assets in government debt at unattractive fixed rates in order to meet the growing budget deficits of central government. However, since all banks operate in the public domain anyway, their losses were ultimately absorbed by the Indian government. As a consequence, it is not surprising that most of the banking community was unconcerned about its financial position and that the formal agricultural credit system, according to most banking criteria, was virtually bankrupted.

In the process, many farmers came to see bank credit as government aid. As repayment discipline has eroded through interventions by politicians (waiving loans for election purposes), the general climate for recovering loans is still unfavourable.

IREDA

IREDA was established as a development financing institution to promote new and renewable sources of energy.

A 1986 World Bank study recommended that IREDA concentrate on mature technologies for which there was scope for commercialisation. Although this study was known to a mission that came to examine avenues for Netherlands support to IREDA (1987), the recommendations were ignored. Instead the mission concluded that several of the technologies identified by the World Bank would not meet the requirements for Netherlands support, because they would not be of direct benefit to the poor in rural areas, particularly poor women, and appropriate Dutch expertise was not available to assist India in those technologies. The mission recommended three priority technologies for cooperation in new and renewable sources of energy. These technologies were assumed to be in the interest of the poor, but were considered insufficiently developed for commercialisation by the World Bank and therefore should have remained outside the purview of IREDA.

At the end of 1988 a Netherlands review mission advised that other technologies be adopted (i.e. the mature technologies). Later, in 1990, a Netherlands evaluation reported that IREDA did little business in the categories originally selected for support: hardly any viable projects within Netherlands technological priority areas were submitted to IREDA.

EWE

The EWE programme can be considered the successor to the earlier Women's Development Programme, launched in Rajasthan in 1984, and is an outcome of India's National Policy on Education (NPE, 1986). This policy acknowledged that conventional adult education had failed to defeat illiteracy. In rural areas about 80% of women are still illiterate. NPE also noted that the socio-economic and cultural reality of poor women was the most important factor preventing them from improving their position. It was in this context that the NPE stressed that the national education system will play a positive, interventional role in the empowerment of women, which was defined as 'the development of women's capacity to make choices and to expand their capacity for managing their domestic and economic environment.'

The EWE programme aimed at improving the self-image of poor rural women, raising their awareness and strengthening their self-confidence. Initially, it was meant to cover ten districts in three states only (Gujarat, Karnataka, Uttar Pradesh), which would include about 5,000 villages by the end of 1991. The programme provides for institutions at state, district and village level. Mahila Samakhya (women's empowerment) societies were registered in each of the three states. In each state the programme office coordinates district implementation units that are supervised by a district resource group consisting of representatives of voluntary agencies, educationalists, district officials and village women. Village women's groups are formed by villagers who are trained as activators. These groups discuss the problems and needs of women with the prime objective of starting an awareness and empowerment process. Literacy programmes may arise from this process, not vice versa.

EWE clearly addresses core issues of Indian society. It should be seen as a grass-roots movement rather than a programme, raising issues of gender disparity, of intra-family allocation of resources, and of socio-cultural beliefs and attitudes regarding the role of women.

Assessment of Budget Support

Although many of NABARD's problems had been documented by the World Bank, the next credit slice never failed to get the green light. Only the Fourth Agricultural Credit Review Committee, established on the basis of an agreement between the World Bank and the Indian government in 1986, was able to provide much more thorough information about the problems and real issues involved. It was observed that the loans were an administrative success rather than a significant contribution to poverty alleviation. Moreover, it was found that the overall position with respect to loan recovery was unsatisfactory. Arrears in rural credit were estimated at 40–45%, while debts to be written off were estimated at about 25%. In these circumstances it was felt that adjustments within the existing system would not lead to sufficient improvement. Consequently, the need was stressed for a restructuring of the banking system as a whole, based on greater autonomy. A definite decision is still pending.

NABARD illustrates the advantages and disadvantages of financing different lines of credit to an organisation with (at first glance) perfect objectives, supervised by the World Bank. While the formula allowed for the transfer of Dfl 400 million in the period 1980–1988 at minimal cost for the country desk (in terms of staff and time), it also resulted in detachment from the subject. The desk relied almost exclusively on the World Bank. It was not equipped to appreciate fully India's banking system and the World Bank's role in the programme, and therefore failed to ask itself whether NABARD could be an effective instrument to combat poverty.

Basically, the Netherlands sought to contribute to the development/commercialisation of new sources of energy through IREDA, and to utilise IREDA to help the rural poor in gaining access to these sources. These two objectives proved to be irreconcilable. The technologies preferred by the Netherlands and intended for use by the poor offered the industry (and therefore IREDA) little commercial potential. The objective of helping the rural poor through IREDA largely ignores IREDA's constraints as a developing financial institute. Moreover, the mechanism of providing soft loans to commercial enterprises, i.e. IREDA's intended beneficiaries, may not be the most appropriate way to address poverty.

The approach adopted by EWE makes it difficult to measure progress. Although there seems to be broad agreement among those who have investigated the programme that EWE has been quite promising so far, monitoring and impact evaluation (on the basis of not yet developed major indicators) will be required to validate and disseminate the approach. Moreover, there is as yet no strategy as to how and

at what pace the programme should go nation-wide. The question is whether to strengthen the programme in existing areas before expanding it to other states, or to extend it to many other states with the risk that dissemination may be premature.

A general condition for providing budget support is that a local budget is made available for the programme concerned. Although India's Ministry of Finance had decided to accommodate the EWE programme, it was not until 1992 that any Indian contribution was provided. Before that date, EWE was financed exclusively from Netherlands funds.

5.11 Conclusions

The conclusions deal with the main questions examined in the present study. The emphasis is on the way in which the aid programme was organised, i.e. the factors which influenced the composition of the programme, including the extent to which it reflected the policy priorities of the Netherlands and India; the management of the programme; its macro-economic relevance; the extent to which it helped alleviate poverty and the extent to which project results are expected to be sustainable.

Organisation and management

Between 1980 and 1992 India received Dfl 3,500 million in development assistance (gross ODA) from the Netherlands and was by far the largest recipient of Netherlands aid. For India the Netherlands was the fifth bilateral donor (10.5% of all bilateral aid or 5.2% of total aid). Although total Netherlands aid to India between 1980 and 1992 may seem impressive, the net annual contribution amounted to just about US\$ 0.10 or Dfl 0.25 per capita.

In the period 1980–1990 the annual allocation to India remained fairly stable at around Dfl 200 million. Since the early 1990s the volume and nature of Netherlands aid has undergone changes. From 1992 onwards the regular allocation has consisted exclusively of grants. Because of improved aid terms the allocation was reduced from Dfl 200 million to Dfl 160 million per year.

India's share as a percentage of Netherlands ODA declined, from 9% in 1980 to a mere 5% in 1992. This is hard to reconcile with the persistent poverty problems in India, where an estimated 340 million people (or 40% of the total population) live below the poverty line, and with the donor community's positive assessment of India's socio-economic policies and political conditions.

In fact, annual aid levels were mainly based on continuity of allocations provided in previous years. They were set without reference to programme performance criteria.

Since 1980, the share of non-project aid in the development programme with India has gradually decreased, from 98% in 1980 to 75% in between 1981 and 1986 and to about 50% in the period 1987–1992. Given the Netherlands' approval of India's social and economic policies during the period 1980–1992, this decrease was not a suitable response to repeated Indian requests for more balance of payments support.

The shift within the development programme from non-project support to a more balanced package of both non-project and project aid reflected the two major Netherlands development policy objectives: macro-economic self-reliance and direct poverty alleviation.

Commercial interests have influenced the composition of the development programme. This occurred particularly in the field of water transport and especially in dredging, which became the most substantial component of Netherlands project aid. Decisions were sometimes made under strong pressure from the Dutch corporate sector, backed up by politicians and officials from the Ministries of Economic Affairs and Foreign Affairs, whereby procedures for identification, formulation, appraisal and tendering were by-passed. Similar pressure was noted with regard to some supplies of fertiliser (non-project support).

During the 1980s it was decided (a) to increase project aid; (b) to focus on four sectors, i.e. water transport (particularly dredging), rural drinking water supply and sanitation, land and water, and the environment; (c) to concentrate on five states (an area 30 times as large as the Netherlands, with 320 million people). Moreover, more elaborate approval procedures were formulated, and the need for stricter accountability of activities and disbursements became increasingly felt. All this caused an increased workload and generated significant delays in project preparation. The Netherlands also wanted to be more involved in the implementation of projects. While at the beginning of the 1980s all disbursements were made under the financial aid procedure, under which India was responsible for tendering, contracting and supervision during implementation, at the start of the 1990s about 20% of all disbursements were made under the technical aid procedure, under which the Netherlands was responsible for all of these activities.

These developments did not make allowance for constraints in personnel resources. In fact, quantitative and qualitative staffing decisions were not based on any prior assessment of the tasks that had to be performed. Staff rotations sometimes caused

significant loss of development expertise; sometimes new staff did not replace old staff in time.

The growth of the project portfolio, the personnel constraints at the country desk and the lack of expertise in the Technical Advice Section of the Ministry of Foreign Affairs with regard to the water transport and the urban/industrial environmental sectors and to India in general, caused the desk to depend heavily on assistance provided by external Dutch advisers. These included project advisers (for project preparation) and policy advisers (for sectoral policy preparation) in all sectors. External advisers were also contracted to assist in monitoring the implementation of projects in the field. Altogether about 1,130 man-months (or Dfl 28 million) were involved in external advisory services for project and policy preparation and monitoring between 1986 and 1990. On average, this corresponds with 19 persons employed full-time throughout that period.

The accumulated knowledge about the programme (institutional memory) therefore became increasingly scattered among various advisers outside the ministry. In the period 1990–1992 the advisory structure was drastically reduced, particularly in the water transport sector.

Significant delays in project preparation were not only due to the situation in the Netherlands but also to the extensive approval procedures in India. As a result, the country desk often had to resort to import support in order to avoid under-utilisation of the annual allocation. In other words, import support was not only seen as an instrument for macro-economic aid but also as a safety-net if disbursements in project aid stagnated.

The selection of five states on which to concentrate Netherlands project aid was mainly based on considerations regarding the continuity of ongoing projects, rather than on analysis of the poverty situation, needs of the people, economic and institutional potential, and counterforces that might prevent the poor from benefiting, e.g. local power structures.

The four sectors actually selected for Netherlands project aid can be considered a logical choice, given Dutch know-how in those fields. From a development and managerial point of view it is not clear why the decision was made to include the environment as a separate sector in the programme, while so many environmental issues in the field of drinking water supply/sanitation and particularly in the land and water sector, such as salinisation and soil erosion, are not yet covered.

The need for basic data about social, economic, institutional and organisational structures of relevance to the preparation and implementation of the development programme, should have justified a much larger involvement of Indian researchers. In this respect it is regrettable that IDPAD did not contribute more directly to the programme.

Macro-economic relevance

About two-thirds of total Netherlands aid was provided as macro-economic support, made up of import support in particular (Dfl 1,405 million), (mostly fertiliser support (Dfl 1,010 million), and of project aid in the field of water transport (Dfl 382 million). Almost all this support was in line with India's needs.

Since fertiliser aid is highly fungible (fertiliser would have been imported anyway because the Indian government considered it an essential commodity) the Netherlands basically helped to finance part of India's large budget deficit. An assessment of the relevance of Netherlands import support during the years 1980–1992 must therefore depend on a judgement of India's economic policies during that period. Those policies have produced some major achievements, such as food self-sufficiency and the production of a vast range of industrial products. An economic crisis, however, became more and more manifest at the end of the 1980s: a large and increasing public budget deficit as well as an increasing deficit on the current account, due to a persistently large gap between imports and exports in particular.

By providing large-scale import support, the Netherlands has contributed to India's economic achievements, but also to its failures by enabling India to postpone necessary policy adjustments for a long time.

With regard to dredging, the majority of disbursements concerned the supply of six dredgers and three major capital dredging works. All were assigned priority by the Indian government, but were not based on analyses of India's future transport requirements, including the relationship between rail, road and water transport. Netherlands support has been helpful in assuring the access of ships and goods to major Indian ports. The dredgers are used and properly maintained. Operational efficiency could be improved by 50–100%, however, through better handling of the dredgers and better management of dredging operations.

Poverty alleviation

The Indian government has long pursued socio-economic policies which favour the poor and implemented various types of poverty alleviation programmes. However, due to increasing population pressure and an inequitable distribution of the means of production, it has been impossible to prevent further segmentation of society into haves and have-nots.

About one-third of total Netherlands aid was directed towards poverty alleviation programmes. Apart from project aid in rural water supply and sanitation (Dfl 334 million) and land and water (Dfl 107 million), budget support of Dfl 484 million was provided to improve the position of the poor. More than 80% of that support went to ARDC/NABARD (rural credit supply) while IREDA (development of new and renewable energy sources) and EWE (non-formal education for rural women) were also given sizeable support (Dfl 17.5 million and Dfl 7.0 million respectively).

Schemes for rural water supply and sanitation have focused on villages which did not have safe drinking water. The poor, including the scheduled castes and tribes, have generally benefited. Through these projects about eight million people in 4,000 villages have gained access to drinking water. Investment costs in rural drinking water averaged about US\$ 20 per capita, which is considered moderate in comparison with other countries in Asia. During the period 1980–1986 in particular, water supply schemes were basically technically-oriented and determined by State Water Boards and Engineering Departments, which focus on the design and construction of new facilities and largely ignore maintenance and the user side. The latter has been much more considered in the Netherlands supported schemes since 1986. A common feature is that piped water supply schemes do not operate properly due to low pressure, leakages and irregular supply. In comparison, about 80–90% of handpumps (relatively recently installed) function adequately.

The extent to which the poor have benefited from the land and water schemes (total coverage is about 108,000 households) has varied greatly. In the largest project in this sector (public deep tubewells project in Uttar Pradesh) the better-off farmers appear to have benefited more than the small and marginal farmers owing to the former's powerful position in the tubewell management committees. The poor farmers would have been better off with shallow tubewells since these are easier to manage and would be more feasible in financial and economic terms. Both the financial and economic rate of return of a public deep tubewell are below the opportunity cost of capital. Moreover, 75 shallow tubewells could have been installed for the price of one deep tubewell and would have been able to irrigate five

times more land (300 as opposed to 60 hectares). In the second largest project (in West Bengal), on the other hand, the position of the poor has improved because of the favourable social climate for the poor and the technological choice for small-scale irrigation, particularly hand tubewells or dug wells.

Generally, Netherlands budget support did not significantly help to alleviate poverty. This was not because, as such, budget support is not a suitable instrument for this purpose; rather it was due to the manner of its application. Almost all support went to ARDC/NABARD to assist in the provision of rural credits, in spite of the fact that India's banking system was in complete disarray and, according to most banking criteria, virtually bankrupt. Moreover, it appeared that the poor were often not in a position to utilise credit effectively. Relying on the World Bank for monitoring implementation of the programme, the Netherlands disbursed almost Dfl 400 million before persistent arrears in India's rural credit supply finally brought a reconsideration of Netherlands support.

Support to IREDA did not lead to tangible achievements for the poor. This is hardly surprising since IREDA, as a development financing agency, was not established especially to help the poor but was meant to provide soft loans to commercial enterprises in the field of new energy sources.

Support to EWE, a programme being implemented in Gujarat, Karnataka and Uttar Pradesh, looks promising for poor rural women in those states. EWE's aim is to improve the self-image of poor rural women, to raise their awareness and strengthen their self-confidence. The programme is well-organised and seems to be quite successful so far. Major indicators by which to monitor results, however, have not yet been developed.

Sustainability of project achievements

The most important criteria examined in order to establish the sustainability of project results in the present study were: policy environment, financial capacity, technological suitability and organisational capacity (including people's participation) and the ecological sustainability.

Rural water supply/sanitation and land and water sector

In the fields of rural water supply/sanitation and land and water: in most cases the sustainability of project results is rather insecure due to institutional and financial

problems in particular. These are reflected in a lack of water resource management, irregular water and power supplies, the lack of maintenance and the absence of cost recovery. Behind these problems lies the fact that positive central government policies are often not operationalised at state level and below.

Since the mid-1980s major efforts towards achieving greater sustainability at the grass-roots level (villages) have been made through the introduction of the integrated approach in Netherlands project aid. This approach, often implemented with the assistance of Indian NGOs and the District Collector, has achieved promising results in involving men and women from the villages in the preparation and implementation of projects, in ensuring access of the poor to the facilities installed, in improving operations and maintenance, in promoting health education, in income-generating activities, and in the training of women extension workers. The scale on which this approach has been implemented in most states so far, however, is still limited, in terms of both population and area covered. Sustainability on a larger scale will depend on adoption of this approach at the state level.

There are no serious problems as regards the ecological sustainability of the project results in the regions where the projects are currently being implemented, except with the rather major exception of a district in Gujarat where the ground water table has fallen drastically as a result of a considerable and uncontrolled increase in the use of water for irrigation purposes.

Dredging sector

In the field of dredging: Netherlands institutional support to the Dredging Corporation of India (DCI) and to the various Port Trusts has not really got off the ground. This has been detrimental to the operational efficiency of the dredgers supplied and the management of dredging operations in general. Lack of institutional support was due to the fact that aid proposals took inadequate account of India's felt needs and aid procedures.

5.12 Recommendations

India's high rate of poverty and the introduction of a structural adjustment programme since 1991 justify the selection of India as a priority country for Netherlands development aid. However, in some respects the Netherlands aid to India could be improved, in terms of both contents and management of the programme.

Contents of the programme

The objective of Netherlands aid is the structural alleviation of poverty. It is therefore recommended that aid funds be focused on direct poverty alleviation programmes. This could be realised through (i) providing assistance to efforts by the Indian government to reduce the social costs of the major economic reforms that have been introduced since 1991; (ii) budget support; and (iii) support to sector programmes directed towards the poor. This approach would involve import support gradually being phased out.

The negative effects of structural adjustment for the poor could be reduced by a continuation of assistance to rural development programmes under the 'social safety net'.

The advantage of budget support is that it also provides untied foreign exchange to finance imports. Experience with budget support (NABARD, IREDA, EWE) has shown that this type of aid requires a thorough understanding of the sectoral and programme policies concerned and the ability to monitor the progress of the programme (although this does not mean that in budget support some kind of project approach should be followed).

In the period 1980–1992 about one-third of the regular aid programme was aimed directly at improving the position of the poor through projects and programmes (50% of all project aid and 25% of all non-project aid, in the form of budget support). Continuation of support to programmes in the drinking water supply sector and in the land and water sector, both of which benefit the poor, is justified. In doing this, a most important challenge will be to assist India's central government in institutionalising its favourable policies in these sectors at state level and below.

Finally, there will continue to be a need for supporting project activities in the field of water transport to improve India's economic self-reliance. In the past, most Netherlands aid in this sector went to dredging. India's dredging requirements for its many ports and rivers (maintenance and capital dredging) are considerable. Since the operational efficiency of existing dredgers and of dredging management in general leaves much to be desired, improving this would appear to be a first priority from a development point of view. In this sector the Netherlands holds a dominant position on the world market, not only in the implementation of dredging works and the construction of dredgers, but also in training. Netherlands institutional support to DCI and Port Trusts could therefore contribute to a major increase in economical and technical output in this sector.

Management of the programme

The study has shown that preparation of the programme by the country desk is hindered by various managerial constraints, notably personnel limitations and extensive aid procedures in the Netherlands. Similar bottlenecks occurred on the Indian side.

The country desk tried to cope with these constraints by recruiting a large number of external advisers. As a result, however, the accumulated knowledge about the programme became increasingly located outside the ministry. Moreover, reliance on external advisers for preparing the programme and monitoring its implementation has only partly helped to reduce management problems since final responsibility still remains with the ministry. The scope of the overall project portfolio needs to be reconsidered to reflect the capacity of the desk and the embassy to guide and monitor the preparation and implementation of projects.

The quality of the project portfolio would be likely to benefit from concentration in fewer states, an approach in which the environmental aspects in the water supply and land and water sectors are considered, replacement of numerous small projects by a few large-scale projects (which would then resemble programmes rather than projects), and by further delegation of responsibilities to the embassy. This view is briefly explained below.

Concentrating the project portfolio on two or three states, for example, and within these states on particular regions, would enable a thorough understanding to be gained of local physical, political, organisational/institutional, socio-economic and cultural conditions. Coordination of programmes concerned with rural water supply, land and water, and the environment could increase the impact of individual activities in these fields. If the governments of India and the Netherlands could agree to prepare long-term programmes jointly on the basis of multi-year commitments and involve the states and lower tiers of government from the beginning, the extensive approval procedures required for individual project activities might be avoided and the leverage of programmes increased. Use should be made of Indian expertise, i.e. Indian advisers, researchers and NGOs, not only at the preparation stage, but also in the implementation and monitoring of programmes. This would reduce the use of foreign technical assistance and promote India's ownership of the programme.

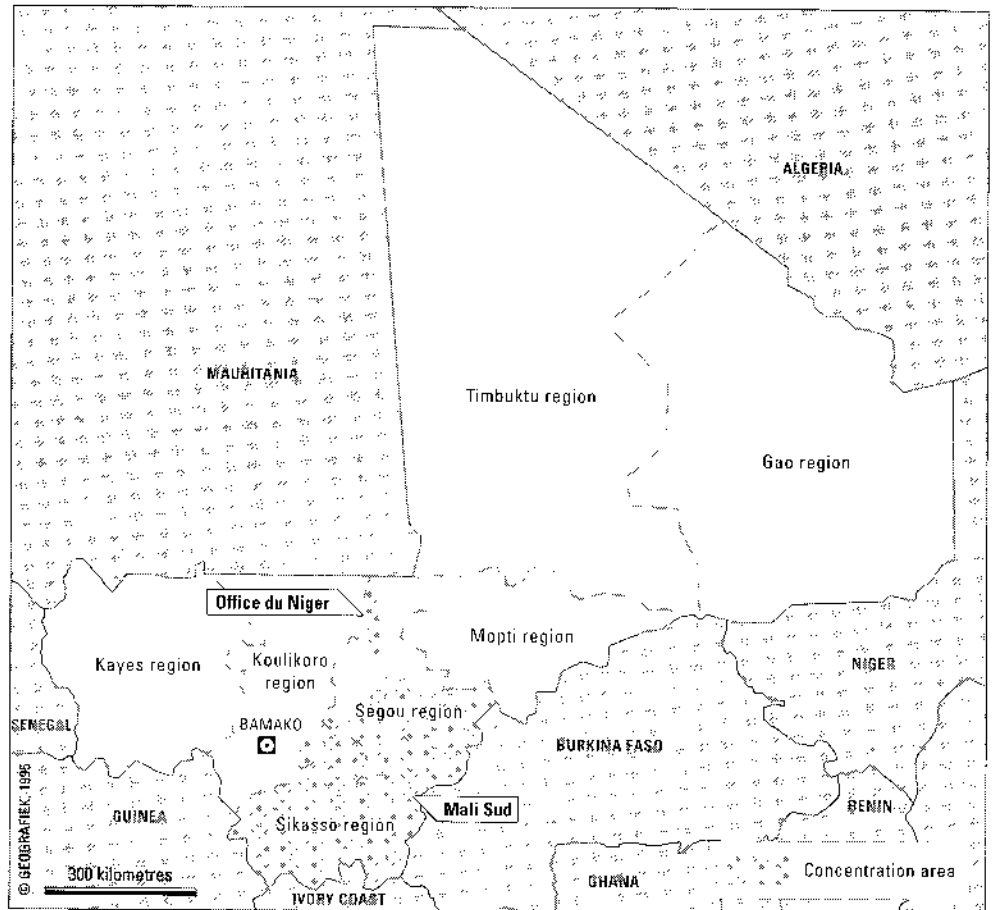
Further delegation to the embassy is based on the idea that development expertise and knowledge about local conditions are to be found primarily within India itself and is likely to promote sustainable project and programme results. Responsibility

for programme identification, formulation and appraisal, and for monitoring implementation, should therefore be left to experts at the embassy, while programme approval and final decision-making remains the responsibility of the ministry in The Hague. Such delegation will require a re-orientation of personnel policy by the ministry.

It is quite evident that in the preparation and implementation phases some specific advisory services from outside India might be desirable. The need felt by the embassy and the Indian parties involved will determine whether such services should be requested.

The study has shown that relying on World Bank analyses alone for an assessment of India's macro-economic situation was not fully justified. An independent analysis of economic performance based on data provided by India and by the World Bank in Country Economic Memoranda would be quite logical. Such an analysis is particularly important if a major part of the aid is provided as budget support, as recommended above. This would also enable the Netherlands to contribute more to social and economic policy discussions at the regular India Consortium and bilateral meetings.

In determining aid levels, performance criteria warrant more attention. Performance reviews should regularly assess the programme in terms of Netherlands and Indian policy objectives and with regard to the effectiveness and efficiency of implementation.



Map 2 Concentration areas of Netherlands aid in Mali

6 Mali

6.1 Profile of Mali

Prospects for development

Mali is a large country in the Sahel, the northern part of which lies in the Sahara and the southern part of which runs into the savannas and tropical forests of Guinea and the Ivory Coast. The country covers an area of over 1.24 million km², which is more than twice the size of France. Most of the population, which numbered approximately 9.5 million at the end of 1992 and is estimated to be growing at 2.5% a year, lives in the south and west. More than 1.5 million Malians live abroad. About 45% of GNP is earned from arable and livestock farming and fishing, while 43% comes from the service sector, a large proportion of which is accounted for by Malian workers abroad, and 12% from industry and construction work. Almost 60% of export revenue is derived from cotton and 20% from livestock. The most important food crops are millet, sorghum and maize.

The socialist approach of the government in the first ten years after Independence in 1960 and the absence of democratic control in the years between 1969 and 1991 led to centralism, to a yawning gap between government and the people and to corruption. The Malian development model was characterised by a high level of government intervention in the economy and central control of the public sector. The political revolution which took place in 1991 and the introduction of a multi-party system which followed may reverse these trends. Staff and resources are still heavily concentrated in the capital. The political will and efforts to restrict the role of government and to decentralise power are however increasing.

- The mandate of the government regional development organisations (Opérations de Développement Rural), which took on an increasing range of responsibilities over the years, is gradually being reduced. These organisations are beginning once

again to concentrate on their main tasks involving the production and processing of agricultural produce.

- A large number of state enterprises have been restructured or privatised.
- Economic regulations have been considerably simplified.
- There is renewed interest in grass-roots organisations such as the Associations Villageoises (Village Associations) and the Comités Locaux de Développement (Local Development Committees).

However, it is difficult for the new government to fulfil its promises because of the extremely narrow economic margins within which it has to operate. The tense relations with the Tuareg in the north of the country threaten national unity and the continuing antagonism between the government and young people in the towns is a source of unrest.

Mali is one of the poorest countries in the world in every respect. However, from an extremely weak financial and economic position in 1980 the government has made good progress in rationalising the economy and the public sector. Per capita GNP has increased, particularly in the second half of the 1980s. Between 1980 and 1992 Mali rose from third from bottom to sixteenth from bottom in the international per capita GNP table. Since 1986 the government deficit and debt servicing have fallen and the country has become more or less self-sufficient in food cereals. In addition, developments in the informal sector are thought to have been positive, though these are not included in official figures. The official statistics also very inadequately reflect the economic importance of the very many Malians in Ivory Coast, Senegal and France. Growth is progressing in fits and starts, however. There has certainly not been a breakthrough towards economic self-reliance.

The progress made was primarily the result of:

- favourable rainfall, expansion of the land area being farmed and increased productivity in maize and rice cultivation;
- the entry of Mali into the West African Monetary Union in 1984 and the monetary and fiscal discipline (credit restrictions, low inflation) which that membership entailed;
- a good macro-economic policy, limitation of state intervention, and deregulation, as a result of which it was possible for an effective structural adjustment programme to get under way in 1988.

The favourable macro-economic developments are at risk from the tensions to which structural adjustment gives rise in a pluralistic political system. In the new context it is more difficult to adhere to strict adjustment policies and maintain fiscal discipline.

There is a danger that tax revenue will fall significantly, and budget allocations are being overrun. Pressure on natural resources, unpredictable rainfall, world market prices for cotton and meat (the most important export products) and income from workers abroad also make further growth uncertain. Macro-economic progress is therefore still dependent on the continuation of external financing.

According to the available information, structural adjustment has entailed no additional disadvantages for the poor. Poor sections of the population, such as those employed in the informal sector and farmers in marginal regions, have benefited to some extent. The small number of rice farmers in the irrigation area in the Office du Niger region, most of whom were extremely poor, have also profited from structural adjustment. The cotton farmers, who were already much less poor than those in the rest of the country, have not enjoyed any additional benefits as a result of the new policies. Government employees have had to make sacrifices and attempts are being made, without much success, to reduce the relatively comfortable position of students in higher education.

As a result of their commercial and intellectual contacts with the outside world, Malians have traditionally been a cosmopolitan people interested in trade. There are strong cultural and social institutions to help the people survive in the marginal environment of the Sahel. However, in particular since Independence the country has been caught up in a process of constant social and cultural change and the role of these traditional mechanisms is decreasing.

The most significant trend is one of growing disparities: between regions, between social classes, between towns and the countryside, between women and men. Nevertheless, the disparity between rich and poor is not extreme in comparison with many developing countries. Mali is one of the weakest countries in the world as regards the quality of social infrastructure and access to services such as education and health care.

Consciousness of the role of women in social and economic life is increasing. Women are becoming more vocal, one of the effects of which is increasing conflict within the household. However, there is no real explicit policy on women's emancipation. Strong social and cultural mechanisms still restrict women's access to development processes and resources.

The main threat to sustainable development in Mali comes from the extremely narrow ecological margins, which have already been exceeded in some areas; the resulting degradation will be difficult if not impossible to repair. The extreme

climatological conditions (very high temperatures and limited and irregular rainfall in only one period of the year) and the poor soil quality mean that the land has a very limited natural production capacity. In the northern parts of the Sahel lack of water is the biggest constraint. Further south, it is soil nutrients, nitrogen in particular. Soil reserves can only be built up slowly and are exhausted relatively quickly by successive harvests. Land use has increased as a result of population growth, increased production of food and cash crops and increased livestock numbers. Exploitation has already exceeded carrying capacity in the border zone between the Sahel and the savanna in particular. The use of organic fertiliser and nitrogen-fixing crops, better soil and water management, mixed cultivation and the integration of livestock and arable farming may limit exhaustion of the soil but even if production continues at present levels soil nutrients will have to be replenished from outside. This is primarily because of cereal production; it requires considerable soil nutrients but earns little money. Export products, such as cotton and livestock, therefore have to finance the use of fertiliser to maintain soil fertility. The recent fall in the world market price for cotton puts this system at risk.

Policy and management

Official policy priorities are laid down in five-year plans and other policy documents. The actual implementation of policy is affected by both external factors (drought, world market prices) and internal factors (political change, pressure groups). Since Independence, rural development, in particular food security and combating the degradation of the natural environment, has occupied a central place in official development policy in Mali. Food security policy was primarily aimed at the cultivation of dry cereals in the less marginal areas of Mali-Sud and of rice, primarily under irrigation. The biggest rice irrigation system is managed by the Office du Niger. Formal policy priorities have also always included meeting other basic needs, such as drinking water, health care and education.

As budget allocations and results show, these social sector priorities have been pursued with little success. The share of the budget spent on social sectors is still small in comparison with other similar economies, particularly when one considers that the country has a good deal of catching up to do. According to available information, military expenditure is not excessive. Another feature of the budget is that 85% of expenditure on development programmes and projects is financed from external sources.

In the first few years after Independence the government tried to organise social and economic development through central planning and implementation by state organisations and parastatals and by promoting socialist production units. In the 1970s less socialist rhetoric was heard and since the mid-1980s structural adjustment and market forces have dominated thinking. Agreements between the state and third parties, particularly parastatals, on accountability, mandates and financing have been laid down in so-called contract plans.

The Malian government has an extensive system for organising the planning, financing and implementation of development policy. The National Planning Department undertakes overall coordination. Once the Conseil Supérieur du Plan (Supreme Planning Council) has approved policy priorities, policy is translated into practical projects and programmes through five-year plans, lists of priority projects, a rolling three-year investment budget, the annual development budget and an implementation document for each activity. A systematic procedure has also been introduced for external financing, implementation and monitoring.

In practice, on account of the narrow financial margins, limited institutional capacity, frequent internal and external setbacks and short-term demands, this system does not function smoothly. The short periods for which donors make commitments, the late stage at which such commitments become definite and the multiplicity of donor conditions which the Malian government has to meet also make long-term planning difficult.

The National Department for International Cooperation coordinates contacts with bodies providing foreign finance. It used to come under the auspices of the Ministry of Planning but has been transferred to the Ministry of Foreign Affairs. Within the Malian bureaucracy the Department is known as a 'diplomat' organisation. In addition, staff from other departments at the Ministry of Planning, the Ministry of Foreign Affairs, the Ministry of Budgetary Affairs and, increasingly, the Ministry of Economics and Finance are involved in the organisation of international aid.

Gradually, the executive ministries and parastatal organisations have come to play an increasing role in actual negotiations on projects and programmes. They also use such negotiations to obtain supplements for their meagre recurrent expenditure budget, including money for salaries and other emoluments. Increasingly, it is officials from the Ministry of Economics and Finance that lead negotiations on fiscal and macro-economic policy in the framework of loans for structural adjustment. It is a striking feature of aid management on the part of the Malian government that considerably more attention and care is given to negotiations on and the treatment

of loans than is the case with grants. The Caisse Autonome d'Amortissements, which processes loans and manages the national debt, is known as a well-run, business-like organisation.

6.2 Foreign aid

Total aid to Mali rose considerably between 1971 and 1986, after which it levelled off. The amount reported by all donors together in 1990 as official development aid was US\$ 56 per capita, about 20% of GNP. In 1985 aid accounted for 32% of GNP (which was then much lower). France is by far the biggest donor to Mali, providing some 25% of all aid.

Two-thirds of aid comes from bilateral donors. The number of loans is decreasing and in 1990 accounted for less than one-third of total aid. There was a shift in the kind of aid provided from project aid and technical assistance to various types of non-project aid. Most project aid is directed at the primary sectors.

Closer analysis of the policy and management of the aid programmes of a number of important donors reveals that the structural adjustment programme is being used increasingly as a framework for cooperation. Another recent trend is the greater attention being paid to good governance, human rights and democratisation. The themes 'women in development' and 'environment' are not emphasised equally by all donors. Bilateral donors still organise a large part of their aid in the form of projects involving technical assistance; the development banks are involved more with sector programmes and non-project aid.

The number of staff stationed in Bamako at the beginning of 1992 varied considerably from one donor to another. In relation to programme size, USAID, CIDA (Canada) and the United Nations had most staff. Italy and the Netherlands had fewest. Between mid-1992 and mid-1993, however, the number of programme staff at the Netherlands Embassy increased from two to five (two of whom were responsible for more Sahel countries), bringing the Netherlands up to the average staffing to programme size ratio found among other donors. The number of short missions by donors was generally related to the number of staff in Bamako: in 1991 the annual average number of missions was between 3 and 5 per member of staff. The Netherlands, which conducted 25 missions of various kinds per member of staff, and France, with 16 missions per member of staff, were the exceptions.

The degree of delegation to field offices or embassies in Bamako varied considerably. USAID, CIDA and CCCE (France) were the most decentralised and their field representatives had the most delegated powers. Other donors, including the Netherlands, had a more centralised structure. The greater the decentralisation, the more formalised the procedures and accountability.

Non-governmental aid was dominated by a few large international NGOs based in North America which have sizeable local representations. In recent years there has also been a considerable growth in the number of Malian NGOs. There are two coordinating organisations for NGO activities: one which is dominated to a large extent by the international NGOs and one which is more local in character.

The aid effort is coordinated at various levels but the process is not led by the Malian government. For example, the IMF and the World Bank coordinate the structural adjustment programmes. Coordination at project and programme level is the most frequent. The programme to restructure the cereal market (Programme de Restructuration du Marché Céréalière, PRMC) and more recently the donor support to two parastatal organisations, the Office du Niger and the Compagnie Malienne de Développement des Textiles (CMDT) (Malian Textiles Development Company), are good examples of this. Most donors also hold some form of regular policy consultations between donor delegations and the Malian government. The Netherlands was the only donor which conducted such talks twice a year. Other donors did so much less frequently.

The official Malian system for the planning, selection, financing and implementation of development projects is of token rather than real practical significance for donor aid. Only foreign loans are included more or less in their entirety in the domestic budget. Of all grants less than half was included, although in this regard Netherlands aid did better than average. There are in fact a large number of activities which are completely financed and controlled by donors, separate from the officially budgeted projects. In order nevertheless to secure local participation in the implementation of projects, donors attempt to provide incentives for such participation in the form of fellowships for study abroad, travelling expenses and supplements to the salaries of Malian officials. By engaging in such practices donors themselves are breaching agreements reached as part of the structural adjustment programme on limiting the government size and staff costs.

6.3 Netherlands aid policy

Netherlands aid to the Sahel started in the 1970s in response to the devastating drought which occurred in the first half of the decade. Aid came to be targeted at Burkina Faso, then known as Upper Volta, and somewhat later at Mali. Both countries met the criteria for priority countries for Netherlands aid, which relate to the degree of poverty, the need for aid and the social and economic policy of the government. There were also other factors of a less systematic nature which helped determine the choice of countries. A systematic analysis of the development processes in the Sahel was carried out for the benefit of bilateral cooperation as part of regional cooperation in the Sahel through the Comité Inter-Etats de Lutte contre la Sécheresse au Sahel (CILSS) (Permanent Inter-State Committee for Drought Control in the Sahelian Zone). The Club du Sahel was responsible for donor coordination.

From the start, Netherlands aid to the Sahel focused on food security and combating soil degradation. These themes fitted in with the main objectives of Netherlands development cooperation, the alleviation of poverty and economic self-reliance. In determining the approach to be adopted to aid to Mali and the themes to receive priority it was decided to concentrate on certain regions, to devote particular attention to women in development, population policy and human rights and democratisation, to provide macro-economic support and to ensure donor coordination. There were numerous practical and coincidental factors which helped determine the way in which policy was finally implemented, in addition to the actual policy considerations. The region and country policy plans both formalise these practical developments and provide a fairly broad list of points for attention, in which there is always some room for new initiatives. For example, it was decided as a matter of policy that the Office du Niger and Mali-Sud regions should be target regions for Netherlands aid because they offered considerable potential for food production and economic growth. In practice, the fact that a research project was being conducted there, the personal experience of a number of DGIS staff and the good relations which they had with some Malian officials were at least equally important for this choice.

6.4 Organisation and management of the programme

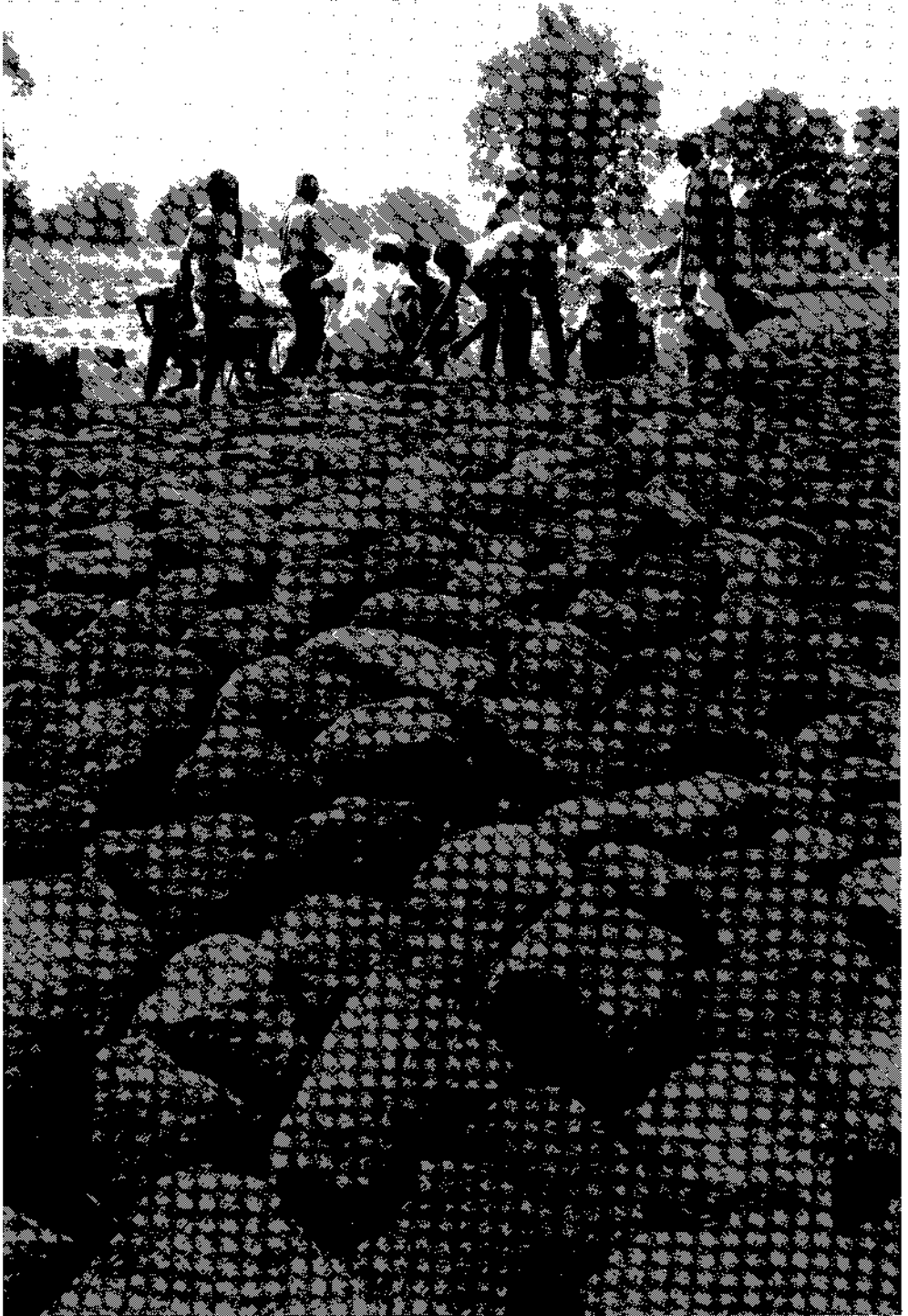
The budget for Netherlands development cooperation increased from Dfl 1,900 million in 1975 to Dfl 6,000 million in 1992. The number of staff employed by DGIS and the embassies grew far more slowly than the budget and the number of activities, however. In order to ensure that aid policy was implemented more systematically, set procedures were introduced from the beginning of the 1980s for

all parts of the project cycle, from identification to the completion of activities. A review and further formalisation of the procedures was started in 1990, partly to ensure that expenditure would be approved in an auditor's report. At the same time, the systematic appraisal of project and programme proposals against policy criteria was made more detailed. Little was done to implement plans to delegate more powers to the embassies.

In 1980 DGIS in The Hague devoted approximately 6 person-months to the Mali programme, in 1985 about 15 and from 1988 about 25. There was a continuity of staff at the Mali section between 1980 and 1988 which was unusual for DGIS. It was also rare for programme staff to have such extensive field experience as those responsible for Mali at the time had of West Africa. After 1988 the picture was more like the DGIS average: postings of between three and four years and staff with some experience of development cooperation.

The Netherlands was initially represented in Mali through the Embassy in Dakar and an honorary consul in Bamako. It was only in January 1991 that a Netherlands Embassy headed by a *chargé d'affaires* was opened in Bamako. The representation in Bamako was initiated in 1985 by the then Minister for Development Cooperation during a visit to Mali. A Bureau de Coopération Néerlandaise (BCN) was set up the same year, initially comprising a single clerical official. The first programme officer was appointed to the Bureau in 1988 and the first sectoral advisor in 1990. In 1991 24 person-months by senior programme staff were devoted to the bilateral programme in Bamako. By 1993 this had already risen to 45 person-months, and two general programme officers, three sectoral specialists and two clerical officials were working there.

From 1986 to 1992 official consultations were held between delegations from the Malian and Netherlands governments at least once a year. From 1986 to 1990 there were annual policy consultations and in 1990 annual progress consultations were introduced, to be held between the policy consultations. All these talks took place in Mali. The consultative process usually lasted four or five days and included one or two plenary sessions chaired by the Malian Director of International Cooperation and visits to ministries and projects. Analysis of the Agreed Minutes of these consultations shows that the composition of both delegations varied considerably, most continuity being found at the level of those involved in implementation on both sides. It is also clear that over the years attention shifted from matters relating to projects to policy concerns. Finally, it would appear that a growing list of Netherlands policy priorities was incorporated in reports in a somewhat ritual manner. This impression was confirmed by both Malian and Dutch delegation members.



Combating erosion in Mali

The appraisal memorandum is another policy implementation instrument which was assessed. This document serves to appraise a proposal for cooperation in terms of feasibility, policy considerations and manageability and to justify the Netherlands decision on its financing. Draft memoranda are drawn up by the country desk staff and sent to various divisions and levels for comment. A total of 51 appraisal memoranda from the period 1983–1991 were examined and it was found that they improved considerably as time went by as regards completeness and systematic approach. Issues relating to Netherlands policy and management in particular were given an increasing amount of attention. In general objectives and topics for monitoring remained imprecise and somewhat ambitious ('improvement of the status of the rural population' for example). Analysis of the Malian context, the institutions and processes into which activities had to fit, was also usually rather non-committal or superficial. In addition, it was found that the country desks at DGIS played the key role in the appraisal process and that the role of other divisions was fairly limited.

Nineteen evaluation reports from the period 1984–1991 were also looked at. The main findings are more or less the same as the recent conclusions published by the IOV on project evaluations in bilateral aid (DGIS/IOV, 1995b). No final or *ex post facto* evaluations were found; in practice the evaluation serves as an opportunity for consultations and negotiations on how the project or programme can be continued. Almost all evaluation missions devote considerable attention to this. Even if an evaluation mission arrives at a negative judgement (which does not happen very often) the project is still continued, sometimes after modification. Because of the lack of time and information, missions are rarely in a position to judge properly whether a project is effective, efficient or in line with policy. Sustainability is not usually assessed either.

In conclusion it can be said that in the period under review the formalisation of decisions and the considerations leading to them increased. The ambitions and requirements of Netherlands policy and management also increased considerably. Up until 1992 staff capacity lagged far behind the increased complexity of the programme. Before 1993 the staff at DGIS and at the embassy were unable to give very much additional attention to ensuring that projects were properly suited to the Malian context or to carrying out systematic analyses of results.

6.5 Aid volume and composition

Bilateral development cooperation dominates the relations between Mali and the Netherlands. Trade and other relations are limited. Mali's exports to the Netherlands fell from Dfl 15 million in 1984 to less than Dfl 1.5 million in 1991. Dutch exports to Mali rose from Dfl 10 million to Dfl 45 million, mainly due to aid supplies. There are also some private contacts, in which Dutch development workers or missionaries in Mali frequently play a key role. Although they are of limited importance financially, large numbers of people in the Netherlands and Mali are often involved in this sort of activity.

Netherlands bilateral aid to Mali, which started in the mid-1970s, totalled something over Dfl 590 million by the end of 1992. Up to 1980 it involved a few million guilders per year; in 1981 Dfl 15.7 million and in 1990 Dfl 65.3 million. Thereafter annual expenditure fell to Dfl 47.4 million in 1992. Apart from bilateral aid, approximately Dfl 4 million per year was recently being spent in Mali as part of regional projects, financed by the Netherlands. Most of these are being carried out by the CILSS. In addition about Dfl 15 million of Netherlands contributions to multilateral organisations also went to Mali. The Netherlands development cooperation budget thus accounts for almost 10% of all aid to Mali (7.5% bilateral plus 2.5% via regional projects, and contributions to multilateral organisations).

About 90% of Netherlands aid to Mali was geared to rural development. Within this:

- the share accounted for by non-project aid increased over the years;
- import support (25%) and aid to rice cultivation (24%) accounted for almost half of all expenditure;
- the number of themes and subsectors on which the aid was concentrated increased; initially, aid went to research, infrastructure and the development of irrigation but later health care, forestry, anti-erosion measures, women in development and rural industry were added to the list and a start was made on preparing activities in the education sector, livestock farming and support to democratisation.

The regional targeting of aid shifted from the west (the Kayes region in particular) and the north-east (Gao region) to the areas served by the Office du Niger and by the CMDT in Mali-Sud. The share accounted for by national programmes and projects also increased. The fact that a quarter of total aid is targeted on the Office du Niger region means that about Dfl 100 in Netherlands aid was spent per year per head of the population there. The figure is Dfl 5 per head in Mali-Sud.

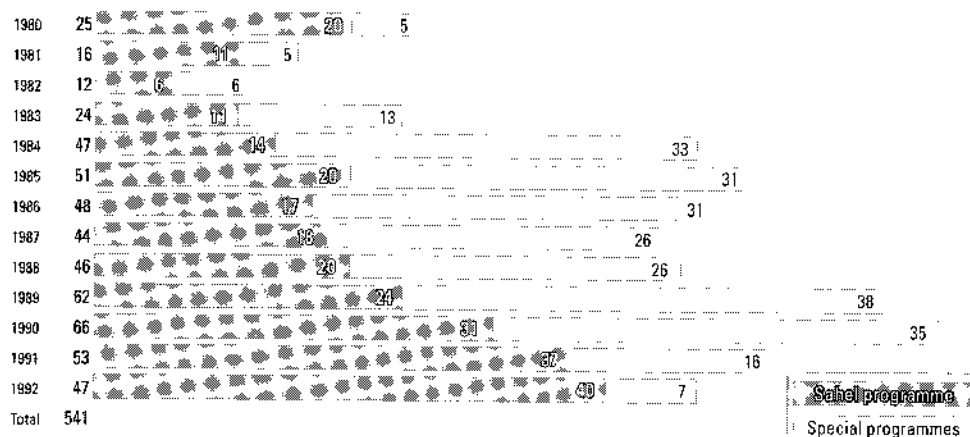


Figure 6 Annual disbursements Sahel programme and special programmes, Mali, 1980-1992 (in Dfl millions)

Up to the end of 1992 the total bilateral programme comprised 51 groups of activities. These included major projects, non-project aid such as programme aid, and long-term programmes such as those of the SNV and the co-financing organisations, which each comprise dozens of separate projects. If all projects were counted separately there would be hundreds of them. Nineteen of the 51 activity groups were terminated. The number being implemented simultaneously increased from 14 in 1981 to 34 in 1991. Annual expenditure varied enormously from one activity to another, from less than Dfl 500,000 to more than Dfl 15 million.

All programmes except two are being implemented via the technical assistance procedure, for which the Netherlands is legally responsible. Approximately a third of the projects and programmes are being implemented through the SNV and multilateral organisations. The implementation of another third of all projects and programmes is now contracted out. The number of projects and programmes managed by DGIS and the embassy without involving long term foreign experts increased during the period under review to a fifth of all activities. Three projects are carried out by technical assistants directly employed by DGIS.

The bilateral programme was financed from a large number of constantly changing budget categories. In the period from 1984 to 1990 in particular, less than half of total expenditure came from the budget for the regional programme for the Sahel. The rest was cobbled together from the balance of payments support programme and other special programmes. This meant that the Mali desk, which is responsible

within DGIS for the coordination of cooperation with Mali, was more or less dependent on other budget holders for a large part of the programme. There is no way in which Malian counterparts could follow this complicated system of financing. In 1990, for example, bilateral activities were financed from sixteen different sources. After 1991 some of these individual budget categories disappeared or were consolidated, with the result that the share of the financing which came from the regional programme budget for the Sahel increased. The abolition of a number of budget items also meant that total aid fell, despite an incidental grant of Dfl 10 million at the end of 1992 which was paid for from funds available from under-expenditure elsewhere in the budget. No policy reasons could be found for this reduction. A number of recent Netherlands policy priorities, such as additional aid for the poorest countries, additional aid for Africa and additional support for countries engaged in democratisation processes should really have meant an increase in aid.

In conclusion it can be said that the bilateral programme reveals a clear concentration on rural development and the targeting of a few regions within Mali throughout the period under review. At the same time, the number of activities being implemented and the number of subjects and themes receiving attention within projects and programmes has increased enormously. Implementation and financing are extremely fragmented and almost completely controlled by the Netherlands.

The SNV programme

SNV policy emphasises participation, the process approach and consciousness-raising in the Netherlands. The SNV is also characterised by its efforts to retain its own identity and autonomy. It has developed from an employment agency for volunteers to a quasi-NGO. Although it has the status of an NGO, the organisation remains under the supervision of the Ministry of Foreign Affairs. The need for the SNV to have its own identity can cause confusion among third parties, because the organisation plays different roles depending on the circumstances: it may be donor, consultant, executive agency or NGO. The SNV has an extensive system of participation for its fieldworkers.

The SNV opened an office in Bamako in 1978. Its workers operated mainly in health care, water supply and forestry. The first SNV five-year plan for Mali (1987-1991) placed the emphasis on integrated rural development, combating erosion and a process-orientated approach. In practice the approach continued to be sectoral. At the end of 1991 SNV-Mali was engaged in 18 projects, most of them in the second, third and fourth regions (Koulikoro, Sikasso and Ségou), on which 33 SNV

volunteers were working. Since 1986 government bodies have been joined by the CMDT and local NGOs as important counterpart organisations. SNV-Mali has pursued an active policy in the field of women in development, the alleviation of urban poverty, environmental management and consciousness-raising in the Netherlands with regard to development. It has also had exploratory surveys conducted in these areas and on the subject of livestock farming.

Up to the end of 1992 a total of Dfl 25.3 million had been spent on the SNV. In addition, the SNV managed a number of projects financed from other budget categories, with a total expenditure of Dfl 27.1 million.

Given the size of the programme, SNV-Mali has a good staff complement. The field office has developed internal procedures for policy consultations and increasing use is being made of Malian experts. Policy is still determined by the Dutch staff, however. There is little pooling of capacity between the SNV, the embassy and DGIS experts in Mali. In comparison with the very frequent contacts between the DGIS country desk and the embassy staff, there is little contact between SNV-Mali and the SNV in The Hague. Recently, as a result of the introduction of new regulations on reporting and management, field office staff have sometimes spent more time on administration than on the substantive supervision of projects. Communication in the Netherlands between the SNV and the DGIS country desk was good, although procedural arrangements gave rise to considerable delays. There were no substantive contacts between SNV-Mali and the embassy although both parties appreciate the need for coordination and mutual support. SNV-Mali has limited contact with coordinating government bodies. Relations with other international organisations depend on the project or region.

The programmes of the co-financing organisations

Since 1968 Netherlands government support for non-governmental activities in developing countries has primarily been channelled through so-called co-financing organisations. ICCO (the Inter-Church Coordination Committee for Development Projects) coordinates aid from protestant churches, while CEBEMO (the Central Agency for Joint Financing of Development Programmes) plays the same role for the Catholic Church. NOVIB (the Netherlands Organisation for International Cooperation), and since 1978 HIVOS (the Humanist Institute for Cooperation with Developing Countries), deal with activities which are independent of the churches. The co-financing organisations have always pursued a target-group policy which is most concerned with the poorest rural and urban sections of the population and

the furthering of local leadership. In the course of the 1980s increasing attention was paid to the institutional strengthening of counterpart organisations. This was true in Mali as anywhere else. Emphasis was placed on strengthening village organisations, activities were brought together to form diocesan or district development programmes and national umbrella organisations were given support.

Thanks to increased funds from the DGIS co-financing programme, the scope of the co-financing organisations has gradually increased. DGIS is involved only in inspection, financial auditing and participation in joint programme evaluations. CEBEMO and NOVIB maintain intensive working relations with DGIS in respect of Mali because they use other DGIS funds (such as the former rural development sector programme) for their activities as well as the co-financing funds. Procedural delays were not uncommon in connection with applications for additional funds.

The total expenditure of co-financing organisations in Mali, financed from the co-financing programme, came to Dfl 27.8 million by the end of 1992 (CEBEMO 52%, ICCO 33% and NOVIB 15%). Most of the aid from these organisations was disbursed in regions outside the DGIS target regions. It is interesting to note that in a country where only a small minority of the population is Christian, almost all co-financing funds were spent through the Christian co-financing organisations.

The co-financing organisations themselves do not carry out development activities but they do appraise applications from Malian organisations in the light of their own policy and management criteria (NOVIB was the only organisation which had a regional office, and it was based in Ouagadougou). They operate on the principle of joint management, whereby programmes are supported by various international NGOs which share management responsibilities between them. Monitoring and technical supervision are usually the responsibility of the Malian recipient. This spread of management responsibilities has not reduced the workload of co-financing organisation staff. Indeed, there has actually been an increase in procedural tasks. NOVIB and CEBEMO also feel under pressure to disburse funds. In comparison with DGIS, continuity and therefore the accumulated know-how is considerable in the co-financing organisations.

NOVIB is the only organisation which maintains contact with the Netherlands embassy in Bamako. All three co-financing organisations regret the lack of consultation between the international donors operating in Mali but admit that they themselves do not consult one another either.

6.6 Programme assistance

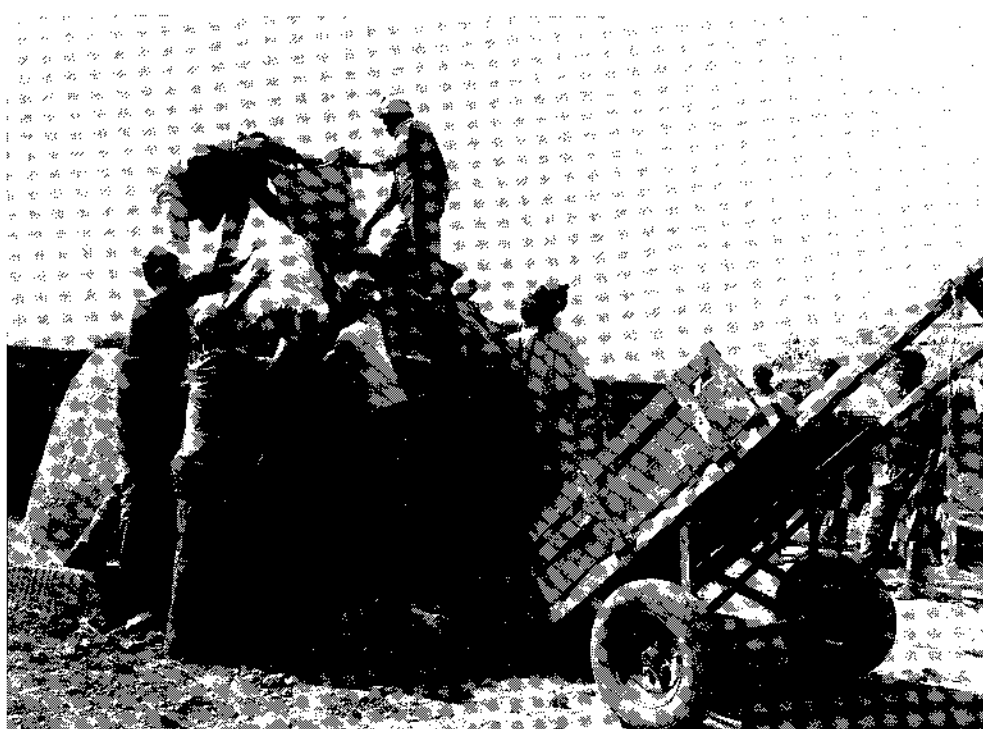
Expenditure on programme assistance (non-project aid) amounted to Dfl 210 million by the end of 1992, almost two-fifths of total bilateral aid to Mali. Initially, food aid dominated this form of aid but from 1984 import support became more important, while more recently the emphasis has shifted to the co-financing of structural adjustment programmes.

Expenditure on food aid totalled almost Dfl 50 million, making the Netherlands a relatively modest donor in this field. Except in 1984 and 1985, when a great deal of extra food was needed because of drought, all Mali's donors have linked food aid to cereals market policy and have increasingly provided it in the form of money (since the beginning of the 1980s). It was partly as a result of this that the monopoly of the inefficient state organisation for the cereals trade was broken and food grain prices were liberalised in 1988 (except those for unhulled rice in the Office du Niger region). Although a minimum price for unhulled rice was retained for a few years, after a while it virtually ceased to be of any practical significance.

Donor funds and the revenue from the sales of food aid were disbursed through the PRMC (Projet de Restructuration de Marché Céréales) on setting up a good early warning system for shortages, on loans to private traders and increasingly on a wide variety of initiatives in the field of food security and food production.

In a recent IOV evaluation study (DGIS/IOV, 1992b) the restructuring of the cereals market received a positive assessment since it had encouraged production, raised farmers' incomes and increased government efficiency. However, there were reservations concerning the large amount of money which remained available for this programme, the disbursement of some of that money and donor coordination in the PRMC. There is a danger that the PRMC may become a major fund for general agricultural development controlled by donors and managed outside the official budget and selection processes of the Malian government.

A small amount of aid in this sector was spent on three projects to support cereal banks at village level. The projects were carried out by CEBEMO, NOVIB and the SNV. Cereal banks are most effective in districts where there is a long-term balance in the supply of and demand for basic foodstuffs. In such circumstances the village organisations are able to manage seasonal surpluses and shortages in such a manner that the people are always able to obtain food cereals at reasonable prices. Formerly, many people had to sell their surpluses to dealers after the harvest when prices were low. They would get into debt in order to buy food in the period just before the



Village cereal bank, Mali

harvest, which in most years is marked by temporary food shortages. In essence, the system replaces the previous one, in which reserve supplies were retained at farm level; this is slowly disappearing as a consequence of the advance of the money economy. In many instances the organisation of farmers to manage cereal banks also resulted in other village initiatives.

Most non-project aid was spent on fertiliser (approximately Dfl 100 million) and agricultural implements or semi-manufactures for them (about Dfl 18 million). Almost half of the fertiliser was ureum, the remainder mainly compound fertilisers (NPK) containing a special, expensive additive for cotton. Three-quarters of all goods came from the Netherlands and almost 20% from Senegal. Transport costs accounted for almost half of expenditure. The Malian cotton company CMDT received about three-quarters of the goods and up until 1990 was permitted to keep the countervalue funds paid by farmers. Thereafter a third of those funds went to the state. The second main recipient was the Office du Niger, which received about a fifth of all goods and benefited from a similar arrangement for the countervalue funds.

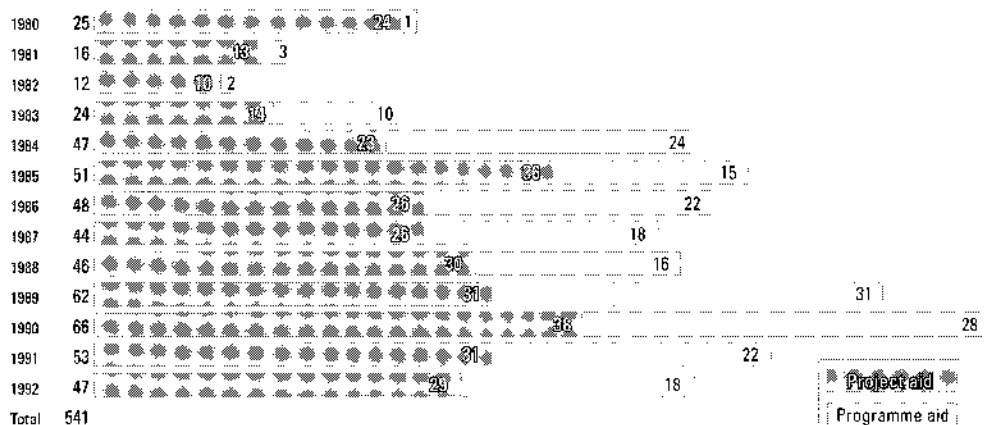


Figure 7 Project and programme aid to Mali, 1980-1992 (in Dfl millions)

Almost all import aid was financed from the balance of payments support programme budget. This programme, which was more or less abolished in 1991, was geared to macro-economic objectives. From the beginning, however, the DGIS country desk regarded the resources from the balance of payments programme as an integral part of the bilateral programme and did all it could to ensure that the programme primarily benefited the specific, micro-economic objectives of bilateral projects. Balance of payments support to Mali thus deviated from the general policy on such support, which was geared to influencing the macro-economic situation.

In the case of balance of payments support the stages of the project cycle which precede implementation were followed in reverse order. Recipients and aid commitments were decided centrally by DGIS, before identification and formulation of the aid. As regards the identification of import goods it is striking that there was no preliminary analysis in two fields in which the consequences of certain decisions have been the subject of debate for some years. Both the justification of the expensive fertiliser formula supplied to the CMDT and the consequences of promoting and subsidising ox ploughs have been questioned.

Import support was implemented through procedures in which the developing country is legally responsible and the Netherlands provides technical advice. In Mali that assistance was given by the Food Procurement Office (VIB) of the Netherlands Ministry of Agriculture, Nature Management and Fisheries. The VIB supervised the tendering for fertiliser supplies efficiently and monitored the price and quality of the agricultural implements which were procured through negotiation. Because only a

few tenders were received for the supply of fertiliser to Mali and because suppliers from neighbouring countries exploited their advantageous competitive position by tendering with high f.o.b. prices, the fertiliser delivered was fairly expensive.

Because the import support fitted in well with the macro-economic policy of the Malian government, which was assessed positively, its effect is also adjudged to have been positive. The sectors in which the import goods were used are the most competitive in the Malian economy. The goods were of little additional importance to the CMDT, the main recipient, because politically and in terms of its national priorities it is so strong that it would have procured what it needed anyway. The fact that countervalue funds had to be spent on rural development meant little to the CMDT because its expenditure on rural development and on the cotton sector were completely intermixed.

The real effect of most import support was to provide budget support to the CMDT because it gained access to additional resources through the countervalue funds. The Netherlands had some modest influence on the CMDT, so that the price charged to farmers for fertiliser was reduced and subsidised loans made available to poorer cotton farmers. In general the import aid supported the policy and the strategy of the CMDT, 60% of which is owned by the Malian government and 40% by the French CFDT. It is an effective and efficient organisation for the production and processing of cotton and for rural development. The cotton sector in Mali is the most efficiently organised in West Africa. The CMDT's work in rural development also receives considerable praise in evaluations.

The situation was different in the case of the Office du Niger, the other main recipient of import goods, at least in the period from 1984 to 1989. The import support was useful because it furthered processes of change within the organisation, which was performing poorly. Import support was regarded more or less as supplementing the resources of the Netherlands supported project to improve rice cultivation by smallholders (ARPON). Although the project supported the main objectives of the Office du Niger, it was primarily intended to reform the strategy and modus operandi of the organisation. Fertiliser aid was also used to this end, sometimes by channelling it directly to the farmers and sometimes to alleviate the effects of the idiosyncratic approach adopted by the Netherlands. The latter was the case, for example, when some countervalue funds were allowed to be used to repay an advance from the ARPON project to the Office du Niger headquarters.

The import support involving agricultural implements and related semi-manufactures had a greater additional effect than that involving fertiliser. The rice threshing

machines supplied under the programme were very important in increasing the chances of farmers' organisations being able to establish a basis for economic operation. The introduction and support of improved ploughs in Mali-Sud is more controversial. A recent evaluation mission was of the opinion that the ploughs were unnecessary and expensive, that the informal sector was being put at a disadvantage by the subsidising of ploughs in the formal sector, that the ploughs primarily resulted in more work and little additional income for women and that they could result in more land being farmed in a relatively extensive fashion, shortening the period during which it lay fallow and could regenerate, and so increasing the risk of soil degradation.

Despite the considerable contribution to the CMDT it is only recently that the Netherlands has participated in the Mali-Sud Programme, a project involving the CMDT and the World Bank, the African Development Bank and the French CCCE, which now forms part of the structural adjustment programme for the agricultural sector. Serious policy discussions between the various donors did not begin until the end of the 1980s, as a result of which a number of opportunities were missed. Consultations on this programme cover views on and the use of the resources of Malian parties and donors and there is some negotiation. The embassy, which has now been strengthened, has an important role to play in this, lacking opportunity to do so before the end of 1992. This kind of coordination with the Malian and other donors got off the ground earlier in cooperation with the Office du Niger, partly because the ARPON project has for years had forceful project leaders who made sure that DGIS and the embassy devote attention to the matter.

About the effects of the Netherlands contribution to the co-financing of structural adjustment and debt remission it must be said that the Netherlands had very little direct influence. With regard to administrative implementation, this form of aid is attractive both to Mali and to donors. It gives Mali the most scope to pursue its own policies and to keep control of its own resources, providing only that it meets the conditions of financing.

As regards those conditions, the Netherlands has generally shared the analyses and judgements of the World Bank and IMF, though some concern was expressed about the social consequences of adjustment and the speed at which reforms were expected to be implemented; no empirical evidence was provided in support of these reservations, however, and no practical conclusions were drawn from them. Given its increased capacity, this is a promising area for the embassy to work on, for which purpose it should continue to have staff with the appropriate macro-economic qualifications.

6.7 Project aid in Mali-Sud

Cotton is the motor of development in Mali-Sud, where a third of the Malian population lives, kept going by the CMDT. The CMDT is not only involved in the cotton sector but concerns itself with the development of the region in its entirety, supported in its work by donors, including the Netherlands. Other organisations in the region are completely overshadowed by the CMDT.

In the 1980s there was rapid economic development, accompanied by important ecological and social changes. The natural environment is under increasing pressure from the growing population, changes in farming methods (ox traction leading to bigger farms), more livestock and the poor capacity for sustainable production because of the marginal soil quality and difficult climate. Given the recent low prices for cotton on the world market and the low local prices for sorghum, millet and maize, the external inputs required to maintain production capacity have become too expensive. The environment is being over-exploited in the northern and central parts of Mali-Sud, resulting in degradation which is difficult to repair. Socially, traditional values are disintegrating and there are increasing social and economic disparities, both between and within villages and between and within individual households.

As a result of the structural adjustment programme for agriculture, falling cotton revenues, the increasingly effective farmers' movement and the changing balance of power between the CMDT, the farmers and the technical services of the government, the mandate of the organisation, except where the cotton sector is concerned, is the subject of some debate. No way has yet been found of transferring some of the rural development activities to other agencies without putting the good results achieved by the CMDT at risk.

Up to the end of 1992 the Netherlands had spent approximately Dfl 147 million on Mali-Sud, half in project aid and half in non-project aid (fertiliser supplies which provided budget support for the CMDT). Another major and long-term activity was the research on the production systems in arable and livestock farming, on which Dfl 31 million had been spent up to the end of 1992. The remainder was divided between 13 bilateral projects and a number of NGO activities. The projects concentrated on increasing production and incomes from farming and on environmental protection.

Four projects, together accounting for more than two-thirds of the project expenditure in Mali-Sud, were analysed in greater detail. The results of two projects

(applied agricultural research and land management) were reasonable to good in terms of their relevance to the regional context. The results of the other two (women in development and re-forestation/land use) were modest. The objectives of three projects were in line with the development priorities in Mali-Sud and contributed directly or indirectly to attempts to achieve a balance between economic and ecological requirements. In particular, they strengthened the capacity of the CMDT to pay greater attention to such concerns. Three of the projects indirectly had a positive effect on agricultural production. The measures taken in three projects to help combat erosion and maintain soil fertility were innovative and relevant. Projects on the present scale are completely inadequate for the effective control of environmental degradation, however. What is primarily needed is Malian policy and possibly external grants to make it financially attractive for farmers to do all the work involved and invest in preservation of soil fertility.

The projects revealed little understanding of the social and economic circumstances of the people with whom they were working. Partly through the development of a typology of the different categories of farmers in Mali-Sud, one project helped to correct and refine the CMDT's work with poorer farmers. None of the four projects, including a specific women's project carried out jointly with the CMDT, resulted in any visible improvement in the social or economic status of rural women.

The objectives and target groups of the projects were formulated either in fairly general or not very realistic terms. This had a negative effect on the effectiveness and efficiency of two projects.

The following factors had a significant positive impact on the effectiveness and efficiency of the projects: thorough preparation (in two cases based on previous experience); accessibility and efficient and effective implementation by the CMDT, from which all four projects benefited; a clearly defined target area and a plan of activities (two projects); the long-term continuation of one project, enabling adjustments to be made; and good internal technical supervision.

Significant factors which had a negative impact included the following: hasty preparation of projects geared to new Netherlands policy priorities; lack of substantive vision on the part of some of the Dutch organisations responsible for implementation; the large number of Dutch experts (one project); a large amount of innovation, as a result of which the emphasis was on extra investment (one project); and the limitations of short external evaluations in the case of long-term and complex projects.

The results of three of the four projects were assessed as having some chance of sustainability because they were fully integrated in the CMDT. Those chances will to some extent depend on the decentralisation and reform measures announced by the new government and the future position of the CMDT.

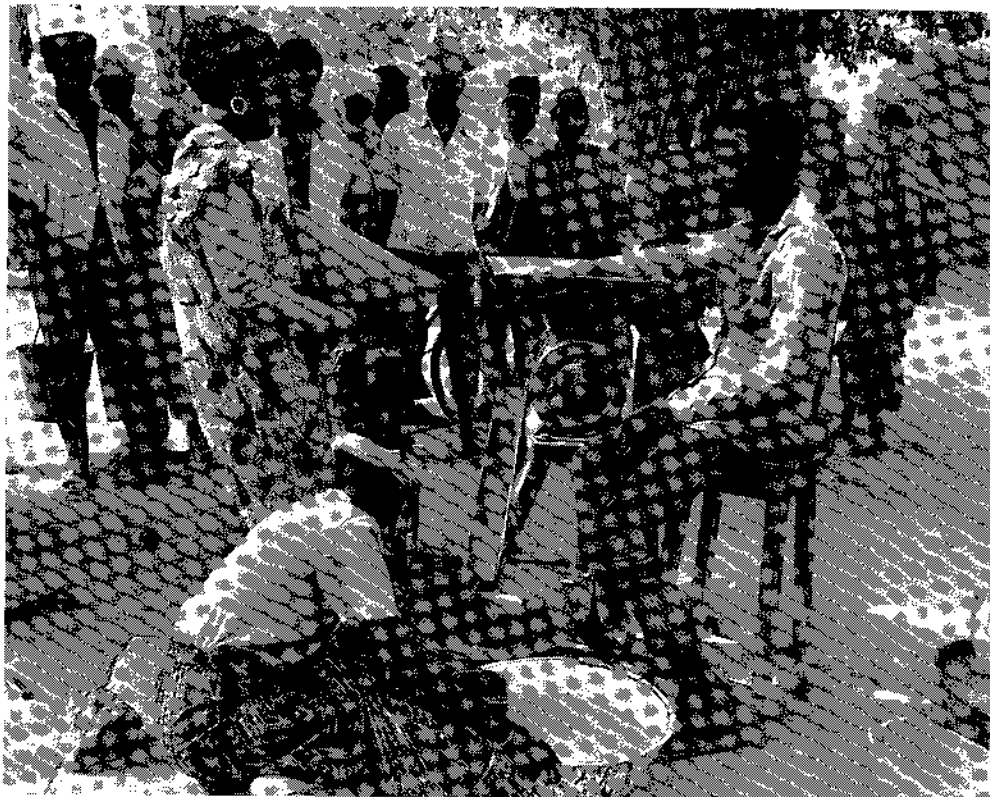
Within the severely limited ecological margins, which in many cases have already been exceeded, sustainable production in Mali is a precarious undertaking. In so far as the projects themselves were able to have some effect on ecological and economic sustainability they succeeded reasonably well. Economic and particularly social sustainability at farm level could have been greater if relations within the existing production system and between men and women especially had also been taken into account. The financial sustainability of two of the projects is very much in doubt because the organisations responsible for implementation cannot afford the current costs.

The large amounts of project aid and balance of payments support and the co-financing of structural adjustment in principle gave the Netherlands access to the debate being conducted by Mali and its financiers on the development policy for Mali-Sud. Up to the end of the 1980s, when the CMDT joined the structural adjustment programme, the Netherlands barely intervened in the multi-donor consultations on Mali-Sud. Previously, and indeed in the first few years of structural adjustment, the Netherlands dealt directly with the CMDT on a bilateral basis.

6.8 Project aid in the Office du Niger region

The economy of this region is based primarily on rice cultivation. The Office du Niger has played a defining role in this and in rural development processes as a whole since the 1930s. It is a semi-governmental organisation which has always occupied an important position in Malian politics. Rice is an important foodstuff for the towns and the army and the Office du Niger controls access to a great number of jobs and irrigated land. The Office was regarded as a state within a state.

At the end of the 1970s the irrigation system was in a state of advanced decay, rice production stagnated and living conditions for the farmers were extremely precarious. In 1978 the Malian authorities called for international aid. Considerable international support throughout the 1980s has produced vast improvements, both in economic terms and in the efficiency of the organisation. Clear definitions of the mandates of the rationalised Office du Niger and other organisations, the restructuring of the organisation's finances and the problem of land rights are



Office du Niger, rice polishing machine

important issues which still need to be resolved, however. The dominant position of the Office du Niger within the region covered by its mandate often frustrated the attempts of other government bodies in the region to take action and they were forced to join forces with the Office.

The steep rise in rice production since the end of the 1980s has resulted in general economic progress in the region. From the ecological point of view there are two principal factors which could endanger the carrying capacity of the area: this relatively prosperous area attracts people and livestock from other regions and intensive irrigated rice cultivation has its effects on soil fertility, salination and disease. Views vary on the seriousness of these problems.

In the 1980s participation by the rural population in 'modern' village organisations commenced and the importance of these organisations increased considerably. As a result, traditional values are rapidly being eroded and there are growing social and economic disparities.

Netherlands aid to the region amounted to about Dfl 150 million up to the end of 1992, a sixth taking the form of non-project aid and the rest as project aid. The rice sector received 95%. ARPON (*Amélioration de la Riziculture Paysanne à l'Office du Niger*) was by far the biggest project. A number of projects emerged from ARPON in the fields of forestry, agricultural research and health care. Total aid to the region, about half of which came from the Netherlands, amounted to at least four times the per capita average of donor aid in Mali.

Two of the three projects evaluated in detail, ARPON and a basic health care project, achieved results which were reasonable to good in terms of their relevance to the regional context. These projects together accounted for more than 90% of all Netherlands financing in the region. The third project, intended to support rice research, met with little success, primarily because of a poor understanding of the institutional context and the identity of the organisation implementing the project.

Together with a similar French project, ARPON has been very important in improving the incomes of farmers and has contributed to national food security. The level of organisation among farmers and their ability to stand up to the Office du Niger have also been increased by the project. The health care project had limited success in combating the endemic diseases which are directly connected with the irrigation system but did result in considerably improved access to primary health care, partly by setting up a management system for the provision of basic medicines and introducing principles for village management of health care services.

The projects were formulated in rather general terms. This was a good thing in the case of ARPON and the health care project, which from the beginning were intended to operate in accordance with a consciously chosen process strategy. It is striking that no advisory structures were set up for these two projects. Up until recently all projects enjoyed considerable operational freedom. In the case of the poorly formulated research project this had a negative effect.

The factors which had the most positive influence on the effectiveness and efficiency of the projects were the process approach, which meant that activities were based on preliminary research, increasing understanding of important local factors and previous experience; the strong personalities and leadership qualities of the project leaders and the considerable personal commitment of Dutch development workers; continuity of staff at DGIS; short lines of communication between DGIS and the projects, plus a considerable amount of delegation to the field; a clearly defined target area; and, in the case of the health care project, detailed operational plans and good internal technical supervision.

The main factors which had a negative effect on projects included: too little attention being paid to the institutional context at the preparatory stage (one project); lack of effective advisory structures; lack of a good internal management system and domination by the activist working methods of Dutch development workers (one project); the conflict between increasing aid-management requirements and the implementation of process-orientated activities; and the limited effects of short external evaluations in long-term and complex projects and the fact that evaluation teams consisted of mainly technical experts.

The results of the ARPON project were assessed as reasonably sustainable because the people themselves are benefiting from them and making efforts to maintain them. ARPON has helped make rice cultivation a viable undertaking for farmers and irrigated rice in the Office du Niger region an economic proposition at national as well as regional level. In addition to ensuring greater access to health care for villagers, the innovative activities of the health care project in the field of medicines and village management have also made a constructive contribution to the formulation of a national health care policy. There are serious doubts about this project's sustainability, however, because of the financial burdens it places on all the public sector organisations involved and the associated institutional requirements. The capacity and resources of the Malian government are insufficient for the continuation of the project activities at the level financed by the Netherlands. Restructuring of government departments could improve the efficiency of the government, while the radical rationalisation programme at the Office du Niger could increase its financial sustainability, but the projects will probably still be too large to be completely taken over by the Malian authorities. In the case of two projects the emphasis placed on popular organisation means that some of their results may be institutionally sustainable. It is as yet impossible to give a definite judgement as to the ecological sustainability of project results because opinions on the carrying capacity of the region vary enormously. Little is so far known about the possibility and financial feasibility of measures to limit damage to the natural environment. It is also important that the ecological consequences of other options should be compared with those of the current intensive irrigation system.

Effects of projects in terms of Netherlands policy priorities

There was no systematic operationalisation of the policy objective of alleviating poverty in the actual implementation of projects. This was partly because it is only recently that DGIS has started work on this. Another reason was that in the case of Mali it was decided to support efforts to exploit the limited natural resources

of the country in regions where the chances of sustainable economic success were reasonable. However, three of the seven projects evaluated did devote attention, directly or indirectly, to the situation of poorer sections of the population in the two target regions. Those projects did thus contribute in some way to the alleviation of poverty: a project in Mali-Sud resulted in the CMDT paying greater attention to poorer farmers, the ARPON project was of considerable importance in increasing farmers' incomes, and the health care project resulted in better access to basic health care.

In general, little specific attention was devoted to the issue of women in development except in two projects, one of which was aimed particularly at women. Project organisers tended to hide behind the cultural characteristics of the local communities, regarding the status of women as a Malian affair in which foreign interference would not be tolerated.

Finally, the environment was the concern of three projects in Mali-Sud. However, the ecological situation there requires action which far exceeds the powers and capacity of projects. In the Office du Niger region the ARPON project devoted some attention to a number of environmental aspects. Views differ on the extent and severity of the environmental damage caused by this intensive irrigation system. Research into the environmental impact of individual projects should be preceded by an analysis of the options open to Mali nationally as regards the most sustainable methods of production.

6.9 Other project aid

Completed projects

Five completed projects in the two regions were evaluated retrospectively. The projects were examined in the Netherlands using the files; in a separate study in 1992 a Dutch and a Malian researcher who had had no access to project files reviewed the results of the same projects in Mali and attempted to reconstruct their preparation and implementation. The reports and assessments of all researchers were compared.

One of the five projects, which concerned the improvement of a 176 km stretch of road, scored best in both studies. The road is still in good condition and plays an important role in linking Bamako with northwestern Mali. The negative assessment of a potato warehouse in Kayes, which was finally completed at an acceptable price but has never been used, was also unanimous. Assessments of the other three

projects lay between these two extremes. An agricultural education project had provided some equipment and teaching aids which were still usable and French academic qualifications for the members of staff at the training institute. The main objective, which was to set up an instructors' training course geared to practical farming and which had not been requested by Mali, had failed.

The approach to a dam construction project, which had involved local participation, had been fairly successful, but almost all the dams leaked. A study into improved methods of wildlife management had, after considerable delay, produced a good report which attracted attention in professional quarters. The proposals for implementation had done nothing but gather dust, however.

The results of projects and parts of projects which reflected the development priorities and approach of Mali itself were the most sustainable. It was much more difficult to find any trace of concepts which were foreign to Malian mainstream thinking, except where a great deal of attention had been given to consultation, as in the case of the dam project. Conflicts had arisen in the course of implementation where insufficient attention had been devoted to the aims and capacity of the recipient organisations at the preparatory stage. Such complications had arisen in various projects and the Malian organisations involved often threatened with serious repercussions. The Netherlands' rather halting response had usually been to send out additional missions or have extra studies conducted, only to have to make concessions to the Malian standpoint later and finally abandon the project without it clearly having been completed. This kind of miscalculation probably occurred more frequently in the early stages of bilateral cooperation than later, when the parties had come to know and trust each other.

If the judgements arising from examination of the files and those arising from the research in the field are compared, the former appear coloured by the lack of balance in the contents of the files. The picture which emerges may differ considerably in parts from that in the field. If a file is well kept and complete there is a tendency to assess the results more positively; an incomplete or messy file can lead to a negative judgement. Equally, the judgement of the field researchers on the preparation and implementation of a project is affected by the actual results encountered.

Analysis from the point of view of the various stakeholders

Seven activities (six projects using different implementation arrangements, plus the balance of payments support) were analysed from the point of view of the

stakeholders, the so-called actor perspective. This means that the analysis took account of the perceptions and interests of the various organisations involved. Attention was paid to the operational (or internal) and informal objectives of the organisations concerned as well as to their formal objectives.

In the case of an environmental profile project it was clear that the interests of the Malian organisation responsible for implementation had been taken into account primarily because the Dutch parties had previous, long-term experience of working with the institute concerned. The results of the project were therefore assessed positively and there is a fairly good chance of their being sustainable. The modest amount of institutional support provided to a Malian NGO umbrella organisation by a co-financing organisation was also assessed positively because the Netherlands project objective and management requirements could be reconciled with the aims and capacity of the recipient organisation. The import support too was in line with both the formal and operational and informal objectives and requirements of the organisations concerned. In contrast, a forestry project and a twinning project failed because such interests were not taken into consideration.

The regional development programmes supported by two co-financing organisations were marked by vaguely formulated objectives and an extremely complex financing structure. They were at risk of turning the recipient NGOs into aid bureaucracies rather than development organisations.

The following more general observations may be made on the importance of non-formal objectives in development cooperation projects, as revealed by this study.

Donors are under pressure to spend money on projects with ambitious policy objectives in accordance with narrowly defined management rules. Establishing a recognizable profile and maintaining autonomy is also important for the intermediary organisations in the Netherlands, such as the SNV, the co-financing organisations and the Royal Tropical Institute. The determining considerations for Malian organisations include the short-term interests of survival, the maintenance of sovereignty and additional income for their staff. In order to accommodate all parties, project documents and objectives were mostly formulated in an abstract manner and in a language which mainly reflected the policy and management requirements of the provider of the finance. Where the internal and other needs of the organisations concerned were not dealt with in the project agreement, some of the project resources which were officially intended for use in achieving the agreed project objectives would be used for those non-formal objectives when it came to actual implementation.

The actual implementation of projects required an increasing amount of time on administrative matters in order to meet the policy and management requirements of DGIS and the Dutch intermediaries and ensure further financing. These duties were made more difficult by the fact that Malian organisations responsible for implementation divided the financing of activities among various donor organisations in order to increase their autonomy. Dutch intermediaries also entered into joint ventures with other international organisations in order to spread the risks. This gave rise to a situation of overcrowding and pushed the real context and needs of target groups to the background. Less attention had to be paid to unproductive management duties and reporting to various parties in the case of simpler projects. It proved important for cooperating parties to know each other and have the same interests at heart if good results were to be achieved.

6.10 Main findings

Five questions were central to the programme evaluation. The main findings are summarised below as they relate to each of those questions.

Policy relevance

The margins within which social and economic development can take place in Mali are extremely limited. The lack of natural resources, the fragility of the natural environment, poverty, the unreliable rainfall and the fluctuations in export prices constitute an extremely weak basis for sustainable development. These conditions mean that policy is primarily geared to short-term survival. There would therefore appear to be little chance of economic self-reliance. Mali will for the time being continue to be dependent on foreign aid for a considerable part of its investment. Within these limitations, the macro-economic policy pursued by the government, particularly in the second half of the 1980s, produced reasonable growth, certainly in comparison with other African countries. Mali has also traditionally had a very extensive and active informal sector, which stretches far beyond the country's borders. The economic success achieved is fragile, however, and is subject to large fluctuations. Since 1991 Mali has taken some important steps in the direction of a pluralistic political system, which is intended to contribute towards a more just distribution of power and income. The drawback to this is that it makes it more difficult to pursue a strict macro-economic and fiscal policy. Recently, therefore, there has been considerable overspending on the budget and a large backlog of uncollected taxes has arisen.

Total donor aid to Mali amounts to 20% of GNP and has remained stable since 1987. Donors in Mali must take special account of the poor financial base and of the burden which their initiatives may place on Malian institutions. This is probably even more essential in an extremely poor country like Mali than in countries which are better off and therefore in a better position to negotiate. In the Malian context sustainability must therefore primarily be interpreted as keeping dependence on external financing to a minimum.

Netherlands aid policy in Mali has been geared almost entirely to rural development, considerable attention being paid to food production and to combating and preventing environmental degradation. It may be concluded that these choices were generally in line with the actual problems and capabilities of the country. Two contrary developments characterised cooperation policy. On the one hand, efforts were made to increase concentration and coordination of activities with those of other donors and the Malian government. On the other, new points for attention in Netherlands policy resulted in new projects, with more fragmentation and difficulties in making projects fit the Malian context.

Organisation of aid management

Aid dependency and a weak Malian structure for aid management have resulted in aid projects and programmes being heavily dominated by donors. This situation improved slightly in the mid-1980s. The share of both Netherlands aid and aid in general accounted for by import support and co-financing with the World Bank increased between 1984 and 1991. This helped increase Malian participation, which in turn meant that activities could be more easily handed over to the Malian authorities and that results had a better chance of being sustained. The integration of projects into the framework for structural adjustment and multi-donor programmes also made it easier for the Malian parties to deal with the aid and increased the chances of long-term success. Since 1991, however, the trend has been back to donors managing their own projects. Almost all Netherlands aid is provided through procedures where the Netherlands alone is responsible for the way in which implementation is organised.

Increased regulation of Netherlands aid has made decision-making and accountability more transparent from the Netherlands point of view but it has also reduced Malian involvement in decisions and 'ownership' of projects and programmes. Decisions on aid were primarily taken in The Hague on the basis of Netherlands perceptions, policy objectives and management requirements. Less attention was

devoted to the success of earlier efforts and to analysing Malian conditions properly. The staff complement of the embassy grew rapidly from 1990 onwards but little decision-making power was delegated and the embassy had no increased mandate to conduct negotiations and so ensure that projects and programmes were more in line with practice in Mali.

The cooperation programme was financed from constantly changing sections of the development cooperation budget. The proportion financed from the Sahel regional programme budget gradually increased to 85% of the total in 1992. This method of financing was difficult for the Malian authorities to understand and it was almost impossible to integrate aid into national planning and budgeting procedures.

The recent reduction in bilateral aid to Mali was entirely due to changes in general Netherlands policy and management and was, moreover, contrary to policy intentions for cooperation with Mali and initially resulted primarily in reductions in expenditure on import support, one of the best forms of aid from the recipient country's point of view, as it can most easily be fitted in with domestic programming.

Economic self-reliance

More than two-thirds of Netherlands aid contributed to the limited but positive economic development of Mali. The Netherlands contribution mainly comprised support for the economic development of cotton and rice cultivating regions, as a result of which export earnings increased and dependency on food imports fell. The co-financing of the World Bank's structural adjustment programme in these sectors also formed part of this contribution. However, it continues to be necessary for the Netherlands to conduct its own analysis of economic developments, particularly at regional and household level, to supplement the rather general prescriptions for adjustment issued by the World Bank and sometimes the French aid authorities.

Activities geared to combating erosion and reducing soil exhaustion are also important if the already limited long-term economic prospects are to be preserved. Current projects are far too small, however, to be able to do anything to stop the rapidly increasing degradation. Indeed, it is questionable whether this can be done at all without subsidies. It was also found that the attention paid to maintaining natural production capacity and the understanding of irreversible degradation gained from research are rarely taken into consideration in decision-making on prices, subsidies and tax policies.

Alleviation of poverty

Most Netherlands aid in Mali was geared to sectors, regions and people with some potential for sustainable production. This resulted in higher household incomes. In the irrigated rice cultivation region of Office du Niger people who had previously lived in extremely poor conditions benefited from the higher incomes. The effect of Netherlands aid on overall poverty in Mali has mainly been indirect. Given the reasonable distribution of the limited economic growth there has been and the positive effects of structural adjustment for poorer people in Mali, the decision to aim at the highest possible yield rather than directing aid at the poorest areas and sections of the population proved to be justified. Modernisation and economic growth have now increased social and economic differentiation within society to such an extent and the traditional systems of redistribution have become so much less effective that special attention for poorer people is becoming more important.

Sustainability

Given the limited margins in Mali it is doubtful whether it will be possible for the results of most of the project aid to be maintained once aid ceases, although in themselves most projects were reasonably successful. In quite a number of cases it is highly improbable that the Malian authorities will be able to continue the projects on the scale which has been possible with the backing of the Netherlands and other donors because of the government's lack of financial resources and limited management capacity. Extending government involvement into more and more new areas, suggested by donors, is, moreover, in conflict with structural adjustment, which is supported by exactly the same donors and advocates less government involvement rather than more.

It is felt that non-project aid and direct income-generating projects such as the support for the cultivation of rice in the Office du Niger region have a better chance of long-term success. These types of aid fit in better with the priorities of the Malian government and of the farmers to whom the aid was geared.

In deciding on aid the emphasis was often less on the sustainability of results than the extent to which project proposals met Netherlands requirements concerning policy and management. On the Malian side, the short-term aims of the recipient organisations often played a dominant role. Aid projects enabled them to supplement their resources and the income of their staff, although from a national point of view that was often not the best way of spending scarce resources.

6.11 Recommendations

The recommendations made below are concerned primarily with increasing the chances of sustainability. Donors must realise that external financing will continue to be necessary for some time to come if a minimum level of investment is to be guaranteed.

Organisation of aid

In order to increase the sustainability of results aid should be organised and programmed in a manner which takes account of local priorities, institutional capacity and capabilities.

- Increased use of aid procedures which give legal control of aid to Mali, where necessary accompanied by support for the management capacity and standards of the Malian organisations concerned.
- More delegation of authority to the embassy. To this end the embassy should have staff at its disposal who are well qualified in development cooperation. Expertise in the field of macro-economic policy should continue to be available.
- Simplification of *ex ante* approval procedures, accompanied by a strengthening of monitoring and evaluation. The number of different budget sections under which bilateral aid is provided should also be reduced still further.
- Limitation of the number of activities. This can be done both by completing current activities and by rejecting applications for new activities and consolidating existing activities into bigger frameworks. New ideas and new policy themes should wherever possible be integrated in existing activities.
- The management of activities outside the cooperation programme with the Malian government can be transferred to organisations such as the SNV and the co-financing organisations by means of programme financing.

Approach to aid

The following strategies are recommended in order to improve coordination and increase Malian control. This will also increase the chances of more sustainable

results. Some of the recommendations are already being implemented in the existing programme.

- Limitation of project aid to activities which either fall within the framework of structural adjustment or are geared to increasing the self-reliance of target groups and require no effort on the part of the government after aid is stopped.
- Increasing the share of non-project aid in multi-donor programmes and, together with other donors, strengthening the capacity and efficiency of the Malian government and parastatal organisations.
- Adopting a process-orientated approach to the implementation of the main activities. This means that aid must be based on a proper analysis of the region, sector and population and of changes therein. The process-orientated approach should be carried out efficiently, with concrete short-term objectives set out as part of a long-term commitment, and should be subject to appropriate monitoring.

Conditionality

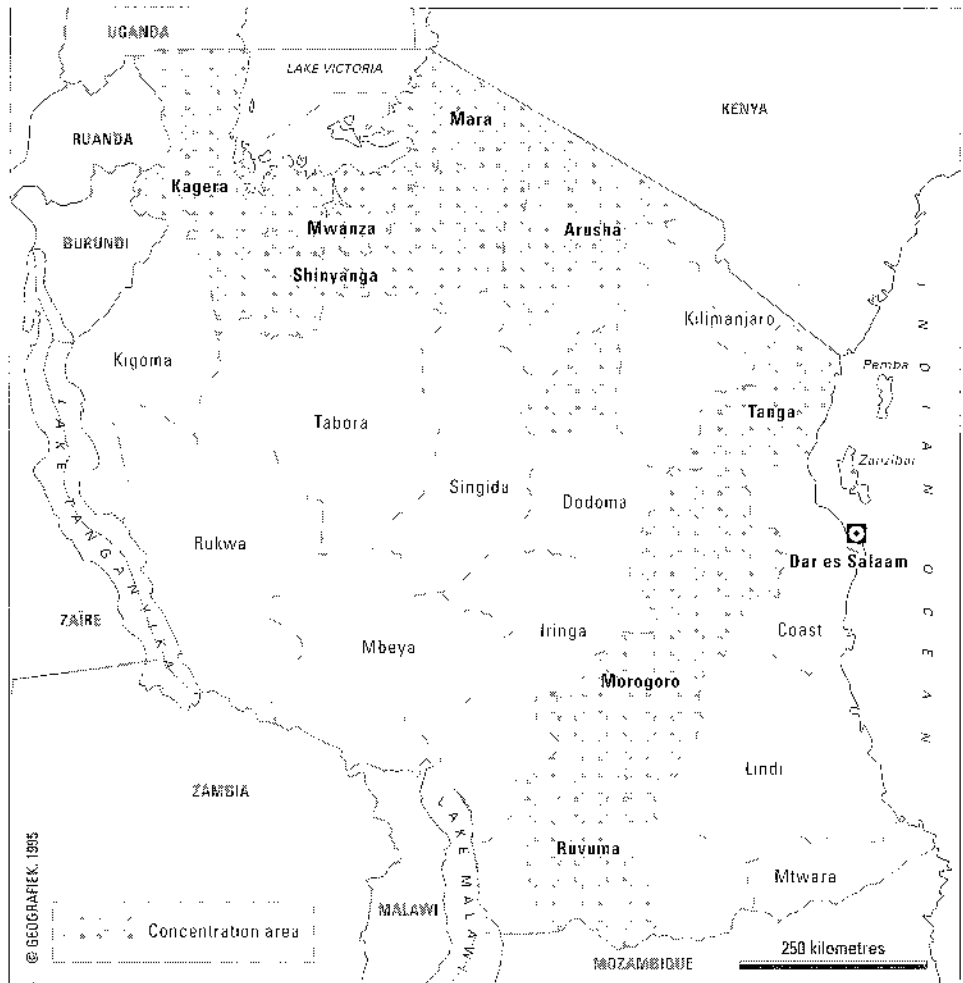
Recommendations on the conditions attached to aid are aimed at making them more realistic and ensuring that aid is primarily concerned with increasing sustainability and is in line with the priorities of the Malian authorities and other donors.

- Conditions attached to non-project aid should primarily concern Malian policy and policy implementation in those sectors in which the Netherlands effort is being concentrated. Further tying of non-project aid should be avoided.
- Conditions should be established in consultation with other donors so that the Malian government is not faced with a range of diverse and sometimes conflicting conditions. Independent and critical analysis of the conditions imposed by the IMF and the World Bank in those areas and sectors on which Netherlands efforts concentrate should form part of the negotiations with other donors.
- The conditions should apply consistently to all forms of aid within the programme. This should include the formal abolition of agreements regarding tax-free import of project goods. Such arrangements conflict with support to structural adjustment.

Priorities

The recommendations on priorities largely support existing decisions and trends. The changes proposed relate primarily to limiting the ambitions of the programme so that more sustainable results can be achieved in respect of the main objectives of aid.

- Maintenance and perhaps expansion of the role played by Netherlands aid in the fields of applied research, and financing activities to combat the degradation of land used for farming, and environmental restoration in Mali-Sud. Considerations about such matters should be included systematically in consultations on macro-economic and sectoral policy.
- Shifting Netherlands support from investment in infrastructure in the Office du Niger region to the organisation of farmers of both sexes and increasing understanding of the ecological consequences of the irrigation system.
- Greater attention should be paid to involving the people in decision-making and to the interests of the poorer sections of Malian society, both as part of larger programmes and through programme financing via NGOs. More attention should be devoted to the interests of women in the same way.



Map 3 Concentration areas of Netherlands aid in Tanzania

7 Tanzania

7.1 Profile of Tanzania

Tanzania covers an area of almost 1 million km², about 25 times the size of the Netherlands or larger than Germany and France together. Its population was estimated to be around 26 million in 1993. The country is relatively thinly populated, with 26 people per km². With almost 3% per annum it has a high rate of population growth. Tanzania's population is also predominantly rural. The urban population is only 10% of the total.

Agriculture is the mainstay of the country's economy, accounting for 60% of GNP and about two-thirds of exports. Tanzania is primarily a country of peasant farmers who produce both food and cash crops. There is no serious shortage of land for agricultural use, but the most fertile areas are densely populated, intensively cultivated and increasingly subject to soil degradation. The high rate of population growth and the absence of a broad-based intensification of agriculture leads to the opening up of less suitable areas for agricultural purposes.

Over the past three decades Tanzania has undergone a process of profound socio-economic change. In the period immediately after Independence the country briefly pursued a market-orientated development strategy. In 1967 the Tanzanian leadership adopted the Arusha Declaration, which set out a socialist policy with a dominant role for the state in order to speed up the development process, increase economic self-reliance and eliminate inequalities in society. The extended role of the state started with the nationalisation of the banking and insurance systems and large private trading companies. The industrial sector was brought under government control by establishing parastatal enterprises. Import trade was confined to state trading companies, while exports were channelled through state-controlled marketing boards and crop authorities.

The Arusha Declaration also inspired a fundamental change in the country's rural development policy. Dispersed rural populations were encouraged to settle in villages, preferably with collective forms of agricultural production. This policy was initially pursued on a voluntary basis, various communal services being established as an incentive. The slow increase in communal villages led to compulsory villagisation and this brought severe disruption to the rural economy. In line with Tanzania's socialist policies, cooperatives were granted a monopoly over the purchasing of agricultural products and thus replaced private trade, much of which had been in the hands of the Asian community. The cooperatives were also gradually brought under state control and converted to multi-purpose organisations. At the end of the 1970s they were replaced by crop authorities. Finally, again as part of the socialist policy, social services were greatly expanded. Tanzania has acquired a good name for education and health care in particular. For example, life expectancy increased, infant mortality fell, and illiteracy was reduced. According to official government statistics, in the 1970s virtually all children between the ages of six and twelve attended school.

In the 1970s, emphasis in the country's development policy shifted from agriculture to industry. In 1974 Tanzania adopted the Basic Industry Strategy, which emphasised greater import substitution and the simultaneous expansion of heavy industries to produce capital goods. Substantial investments in industry were largely financed through foreign aid.

Despite its success in the social sector, the Tanzanian approach to development did not result in the growth, prosperity and economic self-reliance which was anticipated. Unfavourable external conditions and severe shortcomings in domestic policies caused the failure of the state socialist model. The economy entered a state of crisis, production fell dramatically in almost all sectors, living conditions deteriorated, and dependence on donor aid increased sharply. In the mid-1980s, Tanzania was compelled once again to dramatically alter its development policy, pressured by the donor community, the IMF and the World Bank in particular. Basically, a state-controlled economy had to be transformed into a free market system. Between 1986 and 1992 a number of radical financial and economic measures were taken; these included simplification of the foreign exchange allocation system, the liberalisation of imports and domestic trade, the abolition of price controls, and a sharp devaluation of the country's greatly overvalued currency. The structural adjustment programme has proceeded much more slowly as regards institutional reforms, however. These are concerned with the restructuring of the financial sector, the privatisation of parastatal enterprises and the rationalisation of the civil service.

Liberalisation has had a positive effect on the rural economy and the availability of consumer goods. Agriculture in particular has benefited from the policy changes, productivity having increased sharply. In spite of all policy changes, structural transformation of the economy and society has not taken place. Tanzania still is predominantly a nation of peasant farmers, operating at a relatively low level of technology and characterised by low rates of productivity. The manufacturing sector is small and hardly competitive in the international market. Moreover, industrial productivity levels are far below those of the mid-1970s, when the sector contributed some 13% to GNP. Tanzania is now one of the least industrialised countries in Africa. In 1992 industry accounted for less than 5% of GNP. Some experts have expressed concern over this de-industrialisation process, to which the adjustment policies have contributed. Cheap imports are threatening the continued existence of many local industries.

Tanzania is one of the world's poorest nations, whether measured in terms of the GNP per capita, or in terms of purchasing power. Using the former measure it ranks as the second poorest country after Mozambique with US\$ 100; according to purchasing power parity, only three other countries rank lower. In 1988 an estimated 60% of the rural population lived below the poverty line (IFAD, 1992). Nevertheless, in terms of the UNDP's Human Development Index the country ranks higher than 33 other countries. Tanzania's relatively high position on this index is a result of the spectacular expansion of community services during the post-Independence period. This position should be adjusted downwards, however, as many service facilities now operate at low levels of efficiency or not at all.

Throughout the post-Independence period, Tanzania has experienced a high level of stability and almost no social or ethnic tension. The country has a reasonably good human rights record. There is a fear that the economic reform process may undermine the country's social stability because of growing income differentials. The request of donors to accelerate the process of political pluralism could also encourage the outbreak of ethnic conflicts. Another recent problem is the growing corruption. Whereas Tanzania was well known in the past for its strict rules governing political office holders and civil servants, lately bribery and corruption have been increasing rapidly, not least because of the poor salaries received by civil servants. The still tightly regulated and centrally administrated economy gives politicians and civil servants ample opportunity to supplement their income.

7.2 Foreign aid

Since becoming independent in 1961 Tanzania has been the recipient of substantial amounts of foreign assistance from many bilateral and multilateral sources. It is estimated that the country received over US\$ 13,000 million in external assistance between 1970 and 1992.

Donor aid to Tanzania increased sharply at the beginning of the 1970s. President Nyerere's policy of African socialism and the attention for rural development made the country a popular one among donors, particularly those in Western Europe with social-democratic governments. At the beginning of the 1980s criticism of the country's development policy began to grow and this resulted in a reduction in aid from approximately US\$ 700 million at the beginning of the 1980s to less than US\$ 500 million in 1985. The agreement with the IMF and the World Bank in 1986 gave donors renewed faith in the Tanzanian economy and in 1992 foreign aid reached a peak of over US\$ 1,300 million. It is expected that aid will fall again in the years ahead, however, partly because of the pressure on aid budgets in the donor countries which are of particular importance to Tanzania and partly because of the disappointing results which have been achieved with the aid provided so far.

In absolute terms Tanzania was the second largest aid recipient in Sub-Saharan Africa in the last ten years. However, aid per capita differed very little from many other developing countries. Tanzania received US\$ 40 per capita per annum, giving the country a middle-ranking position among countries in the region. Over the last twenty years Tanzania has received assistance from over fifty sources. Sweden was the major donor, accounting for about 12% of all aid between 1970 and 1992. The World Bank was second largest, contributing almost 11%. The third major donor to Tanzania over this period was the Netherlands, with approximately 8% of the total aid flow, but because of its rapidly declining aid levels the Netherlands dropped to seventh place at the beginning of the 1990s.

Sectorally, aid was strongly biased in favour of the manufacturing sector, which absorbed approximately one-third of all aid. Only about 15% went to the agricultural sector, in which the large majority of the Tanzanian people are employed. From the late 1970s onwards a shift occurred from project aid to programme assistance. Since the mid-1980s resources were spread over the main aid forms roughly as follows: half of all aid consisted of capital investment assistance, one-fifth was provided in the form of technical cooperation, and one-third was made available as programme assistance.

During the 1980s, both donors and Tanzania increasingly came to recognise the need for the coordination of aid in order to augment its efficiency and effectiveness. Various aid coordination bodies were set up but despite all these efforts a recent UNDP evaluation study concluded that effective aid coordination had still not been achieved. The main reasons for this were the Tanzanian government's limited institutional capacity, the large number of donors and the diversity and complexity of their aid procedures and some donors' priority for their commercial interests.

The significance of foreign aid for the Tanzanian economy is enormous. During the last twenty years over 80% of the total official external capital flow comprised aid funds. At the beginning of the 1990s the aid volume equalled 45% of GNP, and two-thirds of all imports were financed with external assistance. Aid also plays a crucial role in financing the government budget. At present, 60% of government investments and almost 40% of the recurrent budget is financed from donor funds.

The effectiveness of aid to Tanzania has been a cause for concern for some considerable time. In 1990 a country evaluation study was published by the World Bank on 25 years of aid to Tanzania. The report concluded that the projects supported by the World Bank had had little effect. Evaluation studies by other donor agencies suggest that the disappointing results of World Bank projects were typical of aid performance in general in Tanzania.

7.3 Netherlands aid policy

Four stages can be distinguished in the development cooperation between Tanzania and the Netherlands: an inception stage in the 1960s, a period of expansion during the 1970s, a transitional stage between 1980 and 1985, and a restructuring stage after 1985. During the 1960s aid was provided on an *ad hoc* basis, consisted primarily of technical assistance and was closely connected with Dutch commercial interests. In 1969, Tanzania was selected as a priority country for Netherlands bilateral aid. Several considerations played a role in this selection. Tanzania's development strategy, emphasising economic self-reliance, was very much in line with Netherlands development policy priorities. Moreover, being a very poor country, Tanzania was in considerable need of aid. The selection of Tanzania as a priority country was also supported by non-governmental organisations concerned with development cooperation in the Netherlands, including the church-related co-financing organisations, which formed an important pressure group and had special ties with Tanzania through the many missionaries working there.

In the mid-1970s, the regular bilateral aid programme with Tanzania was further expanded. There were three reasons for this rapid increase. Firstly, the ideological affinity of the government with Tanzania's socialist development model, a strategy which gave top priority to rural development and improving the provision of community services to meet the basic needs of the rural population, which corresponded closely with the new Netherlands aid objective of poverty alleviation. Secondly, Netherlands aid policy was focusing increasingly on the poorest countries. Tanzania belonged to the group of least developed countries, and in the early 1970s was severely hit by deteriorating terms of trade, which put the development experiment at risk. The deterioration in terms of trade resulted partly from falling prices for Tanzania's most important export products and partly from more expensive imports due to the oil crisis. Finally, in comparison with other developing countries, Tanzania had a good human rights record. Tanzania's political situation showed a high degree of stability and there were no serious ethnic conflicts or corruption.

The early 1980s were characterised by growing differences of opinion between Tanzania and the Netherlands on economic policy. Although the latter preferred to continue its aid relationship without substantially reducing total financial allocations, the delays in economic reform in accordance with IMF/World Bank priorities hampered the maintenance of programme aid at existing levels. This resulted in a reduction of aid volume by about 25% between 1980 and 1985, and in a shift away from programme aid to more specific targeting to infrastructural projects (such as a grain terminal) and sector-orientated programmes (sugar and cotton).

Since 1986, when the structural adjustment programme got under way, Netherlands aid has primarily been made available as support to the economic reform process, initially in the form of commodity import support to individual companies and later through the co-financing of sectoral adjustment programmes coordinated by the World Bank. Support was channelled also through the Open General Licence (OGL) facility, a joint donor programme for providing foreign exchange for imports, which was distributed through the market mechanism. Since the beginning of the 1990s, the Netherlands has gradually given more attention to the social dimension of structural adjustment, with special emphasis on rural development and the development of human resources (education and health).

Bilateral development aid was by far the most important component of relations between Tanzania and the Netherlands. Trade relations between the two countries are limited. Tanzanian exports (mainly of coffee and tobacco) to the Netherlands have increased over the last twenty years from approximately Dfl 15 million to around Dfl 40 million. Dutch exports to Tanzania increased in the same period from

Dfl 35 million to about Dfl 100 million, largely as the result of supplies under the aid programme.

7.4 Aid volume and composition

With about Dfl 2,500 million (or US\$ 1000 million) over the past three decades, Tanzania was by far the largest recipient of Netherlands aid in Africa and the third largest beneficiary of Netherlands aid worldwide, after India and Indonesia. Until the beginning of 1970, the aid volume was fairly modest but once Tanzania became a priority country for Netherlands bilateral assistance in 1969, the aid flow increased spectacularly from an average of Dfl 20 million per year during the first half of the 1970s to Dfl 100 million in the second half. In the early 1980s, Netherlands aid peaked at around Dfl 180 million. After a sharp drop between 1983 and 1985 on account of increasing differences of opinion about Tanzania's macro-economic policies, it stabilised at approximately Dfl 150 million. The volume of aid has been declining again since the beginning of the 1990s and came to around Dfl 100 million in 1992–1993. The declining trend is revealed even more clearly if volume of aid to Tanzania is expressed as a percentage of Netherlands ODA. This increased sharply from 3.6% in 1974 to 8% in 1979 but decreased steadily thereafter to 2.5% in 1993.

The core of the Netherlands aid programme for Tanzania consists of regular bilateral allocations. The level of annual allocations has remained fairly stable over the past fifteen years. In addition, Tanzania received substantial amounts from more than twenty special programmes. The most important of these were the balance of payments programme, the three sector programmes (rural development; industrial development; and training, education and research) and development assistance through NGOs. On average, the ratio between aid from the regular bilateral allocations and aid from the special programmes was 2:1.

Over time, the sectoral distribution of Netherlands aid changed significantly. The proportion made available to the manufacturing sector has almost doubled over the past twenty years, from one-third to about 60% of all bilateral aid, whereas the share going to the agricultural and livestock sectors was reduced to about half, from 20% to 10%. This change was largely the result of the increase in programme assistance during that period, which was provided primarily in the form of commodity import support for industrial companies. Over the past two decades almost one-quarter of all aid was channelled to the social sectors (education, health, drinking water and community development). Only a small proportion of aid was devoted to improving the economic infrastructure.

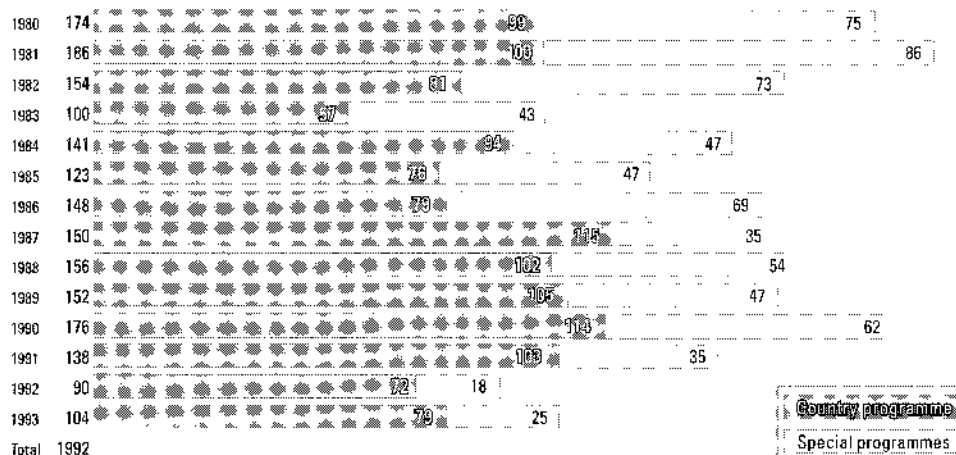


Figure 8 Annual disbursements through regular country programme and special programmes, Tanzania, 1980–1993 (in Dfl millions)

The shift from project to programme aid, and from agriculture to industry, also caused a geographical bias towards the urban centres. It is estimated that almost two-thirds of all Netherlands aid went to urban areas, and the capital Dar es Salaam in particular. Although there is little information available on distributional implications, it is generally believed that the indirect effects towards rural areas were marginal. Only one-third of all Netherlands aid was focused directly on the development of rural regions where the vast majority of the country's population lives.

7.5 Organisation of the programme

A main characteristic of Netherlands development cooperation with Tanzania is the complexity of the programme. Firstly, aid was provided through more than twenty instruments, each with its own criteria and priorities. These individual programmes have mainly been created to ensure that sufficient attention is given to sectors and themes which have high priority in Netherlands development cooperation. The discontinuation of certain instruments and the creation of new ones made the aid programme more complex and less transparent. Changes in priorities on the Netherlands side also strongly influenced the volume of total Netherlands aid to Tanzania. Secondly, the programme supported a wide variety of sectors through many projects with a sizeable number of partners. Thirdly, the programme was dispersed over large parts of the country. As a result of the complexity of the aid programme, and the

wide sectoral and geographical dispersion, development cooperation with Tanzania has placed high demands on organisation and management.

Organisationally, the Netherlands has opted for a relatively small permanent staff to execute its development cooperation policy. Moreover, since 1987 its personnel policy has been geared towards the selection and recruitment of generalists. Another striking characteristic of aid administration is its strongly centralised system with embassies having only limited decision-making authority. Furthermore, regulations regarding accounting and financial control have increased over the past years. All these factors have contributed to the complexity of organisation and management of the programme.

Measures have been taken to improve organisation and management through a more structural policy dialogue and (financial) programming, by expansion of the embassy staff with sector specialists, by contracting-out activities, and by an expanded system of instructions for project cycle management.

Up until the mid-1980s the development cooperation programme was not based on a coherent policy plan. Then, a system of four-year policy plans was introduced in order to increase the transparency of Netherlands aid for the recipient and to help meet the need for greater continuity. These documents provide general indications about Netherlands bilateral development policy, including priority sectors and the volume of assistance. Tanzania has, however, not been involved in their preparation.

Tanzania and the Netherlands discussed their development cooperation twice a year, one of the two meetings functioning as a kind of mid-term review. These policy consultations were of a rather formal nature and consisted chiefly of an exchange of official statements. The process of policy consultation has considerably improved over time: preparations on the Netherlands side became more systematic, the separation of project reviews and general negotiations allowed for more specific discussions, and the explanations of Netherlands priorities and policies became more explicit. Yet, country programme planning remained a strongly donor-driven process.

In 1985 a new budgetary system was introduced based on annual cash ceilings. By switching to this system, the principle was abandoned whereby undisbursed sums could be carried forward to the next financial year. Disbursement levels seem to indicate that in general the Tanzania programme did not face serious problems in spending the planned cash ceilings. Commodity import support (CIS) played an

important role in reaching the planned financial targets. Because of its relative flexibility and quick disbursement potential, CIS allocations functioned as a means to reach cash ceilings.

A number of measures have been taken to mitigate the most adverse consequences of personnel integration, including the recruitment of about 100 sector specialists to strengthen the embassies and the technical support units at the ministry. The embassy staff in Dar es Salaam was extended with four sector specialists over the past years. However, the expansion of embassy staff was not accompanied with more delegation of authority to the field.

There are two main types of aid modality in the Netherlands aid programme: technical aid and financial aid procedures. Under the latter the recipient is primarily responsible for implementation. The recipient plans, invites tenders, awards contracts for the supply of goods and services and supervises implementation. Under the technical aid procedure the donor organisation has principal responsibility for the supply of inputs.

At present more than half of all aid to Tanzania is implemented according to the technical aid procedure. Since the mid-1980s contracting-out has become the official rule for projects executed under this aid modality. This measure has been taken not only to reduce the administrative burden but also to promote a qualitative improvement and a greater involvement of the private sector in development cooperation. About half of the funds under the technical aid procedure were channelled through multilateral and non-governmental organisations. One-quarter was contracted-out to consultants. The other one-quarter was still implemented under direct control and management of the Directorate General for International Cooperation (DGIS). Own management is especially considered appropriate for projects implemented according to the process approach.

It is Netherlands policy to chose implementing procedures that maximise the developing country's participation. This has been hard to realise due to the weakness of Tanzania's administrative capacity. A higher degree of delegation to the recipient has also been hampered by more detailed regulations to ensure quality and financial accountability. Less than half of all aid funds were disbursed under direct responsibility of the Tanzanian government in the early 1990s. In the beginning of the 1980s this was still three-quarters. Through insistence on providing support in the form of projects rather than directly through government programmes there is a tendency to reduce even further the influence of the recipient country in the implementation of the aid programme. This approach, however, also entails risks. The trend towards

a more donor-controlled approach can erode the sense of recipient ownership and commitment.

The Netherlands development cooperation with Tanzania is therefore confronted with two contrasting goals: a larger role for the recipient country on the one hand, and increased donor conditionality with respect to policy objectives and financial accountability on the other. This situation calls for greater flexibility in the aid approach on the donor side in return for more consistent monitoring and auditing on the recipient side. To improve Tanzania's accountability its administrative capabilities need to be enhanced.

7.6 Project cycle management

The project portfolio is characterised by strong fragmentation, relatively short commitment periods, and frequent extensions. According to DGIS's financial administration, the bilateral programme with Tanzania totalled more than 120 commitments in 1993 which de facto covered about 40 project and programme activities. During the period 1987–1992 a total of 75 appraisal memoranda were approved, 90% of which were for continuation of on-going activities.

In the mid-1980s, DGIS introduced a refined and expanded system of instructions for project appraisal procedures and project planning and implementation, the *Development Cooperation Project Cycle Manual*. In the project cycle three main phases can be distinguished: preparation, implementation and evaluation.

The preparatory phase consists of three main steps: identification, formulation and appraisal. The study has shown that there was little participation of the recipient in identification and formulation. It is widely believed that to increase the effectiveness of projects, recipients should 'own' them from the outset and be committed to them. To that end it is felt that the donor should be less involved in the preparation than is currently the case. In the Netherlands aid programme with Tanzania, project design is still very much a donor-driven activity. The study confirmed that in the appraisal procedure project proposals are rarely rejected. Initial project screening with close involvement of the recipient is therefore crucial.

The implementation phase involves activities such as the acquisition of goods and services, and monitoring and project supervision. Procurement procedures showed a high degree of flexibility. A growing share of Netherlands aid was de facto untied, i.e. spent outside the Netherlands and used for recurrent cost financing. Whereas

in the early 1980s still about two-thirds of bilateral aid to Tanzania was spent in the Netherlands, at the beginning of the 1990s this had fallen to one-third. Project monitoring and supervision were mainly concentrated on input performance and hardly at all on project outputs. Most projects lacked a systematic monitoring system. The study therefore concludes that project monitoring was weak.

The third phase of the project cycle concerns evaluation. The planning and timing of evaluations is commonly included in the design of projects. This probably explains the large number of project evaluations carried out in the regular bilateral programme: almost every activity was evaluated once every three years. The quality of evaluation studies varied but was in general fairly low. The main reasons for this were the operational nature of the studies, the limited amount of time available, and the lack of a monitoring system. A more systematic and regular method of data collection would not only improve the quality of evaluations but would reduce the need to evaluate so often.

The overall conclusion is that, during the past ten years, management of the project cycle was transformed from a rather unstructured process into a well-directed and regulated operation. This improved management system was the result of more detailed instructions laid down in a manual. This has greatly contributed to the transparency of decision-making and has led to a more thorough scrutiny of proposals.

Thoroughness in project preparation, including data collection, is a necessary condition for successful projects and programmes. In situations where institutional capacity is weak, as in Tanzania, there is a danger that a too rigid system of regulations will cause project planning, implementation and monitoring to become a strongly donor-driven process. In Tanzania, a heavy donor involvement was noticed for all phases of the project cycle. Own administrative requirements and the desire to exercise closer control over aid money flows were used to legitimise DGIS taking a more active role in project preparation and execution. This has resulted in a relatively large influx of all kinds of supporting missions. A leading role of local institutions as envisaged in the procedures has therefore not sufficiently been realised.

7.7 Forms of aid

In this study the following principal forms of aid have been distinguished: programme aid, capital investment projects, rural development projects, technical co-operation, and sector aid. Programme aid was defined as all contributions made available to a recipient country for general development purposes that are not linked

to specific project activities. It can be provided in various forms, the most common in Tanzania being: commodity import support, co-financing of structural adjustment programmes, and debt relief. Until the beginning of the 1980s project aid was the most usual form. This can be defined as investment in a development activity where funds are provided to achieve a specific objective within a set period of time. The present study distinguished three types of project aid: capital investment projects, rural development activities and technical cooperation.

Capital investments projects are primarily intended to help expand production or infrastructural capacity and the aid mainly comprises the supply of capital goods. Another important area of project assistance was in rural development. Because of their scale and the differing approaches, rural development projects are reviewed separately in this study. Technical cooperation involves activities that aim mainly at strengthening human or institutional capacity through the provision of expertise and fellowships and improving local training facilities. Finally, sector aid is a combination of aid forms (capital investment, technical cooperation and programme aid) directed at an individual sector.

The distribution of Netherlands aid to Tanzania over the various aid forms has changed considerably since the mid-1970s. Capital investment was initially the most common form, comprising almost half of all aid during the 1970s but it dropped to less than 10% during the 1980s. In contrast, programme aid has gone up from almost one-fifth in the 1970s to over 50% since the mid-1980s. Rural development assistance and technical cooperation were fairly stable, with 15 to 20% of the aid budget throughout the period 1970–1992. Sector aid was only provided during the 1980s, when it accounted for around 10% of the total. In sum, the main change in aid forms in Netherlands development cooperation with Tanzania in recent decades was the strong increase in programme aid and the sharp decline of project aid, capital investment projects in particular.

7.8 Programme assistance

The sharp rise in programme aid at the end of the 1970s resulted from the underutilisation of production capacity created with previous development funds. One of the main reasons for this was that Tanzania had insufficient foreign currency. Initially, programme aid was aimed at bridging temporary economic problems caused by external factors. Gradually it became clear, however, that Tanzania's balance of payments problems were structural. Therefore, programme aid was considered appropriate only, if the recipient country pursued policies designed to bring about

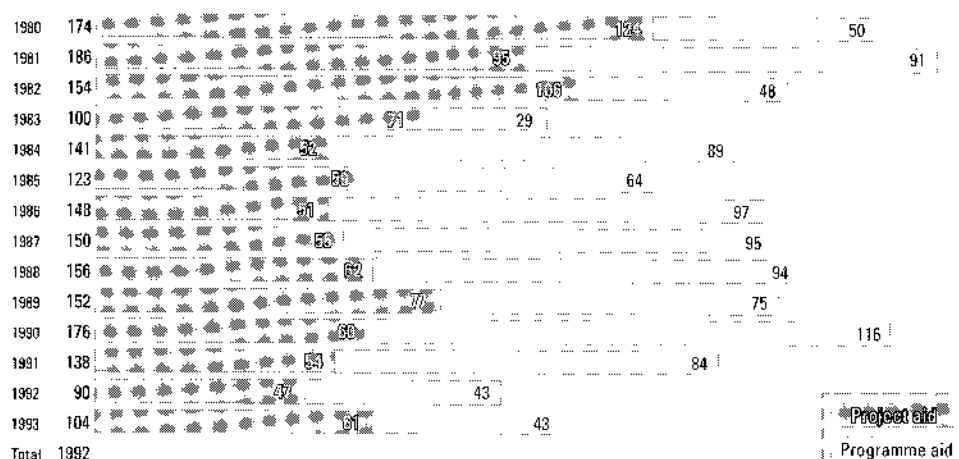


Figure 9 Project and programme aid to Tanzania, 1980–1993 (in Dfl millions)

sustainable economic recovery. Programme assistance became the main instrument to support the process of macro-economic reform.

Since the mid-1980s it has been Netherlands policy to provide at least half of all regular bilateral aid in the form of programme assistance. The actual share was considerably higher, amounting to about two-thirds of the regular bilateral programme in the period 1986–1992, though the precise proportion fluctuated considerably from year to year. Disbursement constraints for project aid played an important role in determining the exact amount.

Netherlands programme assistance to Tanzania totalled approximately Dfl 1000 million between 1970 and 1992. Its main forms were: commodity import support (Dfl 750 million); co-financing of structural or sectoral adjustment programmes (Dfl 150 million); and debt relief (Dfl 150 million). The latter was primarily used for cancellation of previous loans provided by the Netherlands under the aid programme in the 1970s. Commodity import support (CIS) consisted of two chief categories: intermediate goods for the manufacturing sector (two-thirds of the total) and essential inputs for the agricultural sector (one-third).

Fertiliser was by far the most important commodity provided for the agricultural sector. Since the mid-1970s almost half a million tonnes of fertiliser have been provided to Tanzania, to the value of about Dfl 200 million. Fertilisers were primarily used (over 80%) for maize production by smallholders in the Southern Highlands. Because of the considerable distance to the main consumption areas, production in

the region gave rise to serious marketing problems. Grain production in the region had been stimulated primarily for agro-technical (rainfall and suitable soils) and political reasons; it was Tanzanian policy that the more marginal regions should also benefit from the development process. The Tanzanian government tended to assess fertiliser needs with the objective of maximising domestic production of maize rather than cost-effectiveness. Fertiliser was heavily subsidised until the end of the 1980s, the subsidies varying between 60% and 80% of the cost price. The country's food policy was thus characterised by high costs for fertiliser and transport subsidies. The present study arrived at a negative assessment of the use of fertiliser in economic terms. As more than 90% of Tanzania's fertiliser imports during the 1980s was financed through donor assistance, it must be concluded that foreign aid contributed to the maintenance of a highly inefficient food production system. For this reason the Netherlands decided to end its fertiliser aid at the end of the 1980s. In 1989 the Tanzanian government gradually started to phase out fertiliser subsidies. By 1993 their level had fallen considerably, amounting to no more than 20% of the world market price. The Netherlands resumed the provision of fertilisers in 1992, though this aid is now channelled exclusively through private traders. Previously, the Tanzania Fertiliser Company, a parastatal enterprise, had had a monopoly over fertiliser distribution. However, the danger is that, contrary to intentions, current subsidies will be pocketed by private dealers rather than benefiting farmers.

Commodity import support to the manufacturing sector totalled Dfl 500 million. About two-thirds of this went to government institutions, parastatal enterprises in particular, many of which had large-scale, capital- and import-intensive production systems. Through import support these enterprises received for many years a kind of 'double subsidy'. The first came from the premium in the official exchange rate being lower than the parallel market rate, and the second because many enterprises did not pay countervalue funds in return for the foreign exchange they received or only did so in part. Approximately 50% of cash cover on import support provided in the period 1987-1992 was still outstanding in 1993. Although the majority of defaulters were parastatal organisations, around one-third of the amount outstanding was owed by the private sector. An assessment of the economic performance of recipient companies measured in terms of Domestic Resource Cost ratio has revealed that about 70% of import support recipients produced inefficiently; half of those were considered to be very inefficient.

Since the mid-1980s the Netherlands has contributed about Dfl 150 million to the three sectoral adjustment programmes coordinated by the World Bank. Each programme attempted to facilitate institutional reforms required in an individual

sector by providing resources for essential imports. In 1988 it was agreed to provide these funds through a new and highly flexible foreign exchange allocation system, the Open General Licence (OGL) facility, under which the market plays an important role in allocation. This had not been the case with the previous administrative allocation system. OGL funds were made available to importers on a first come first served principle. An increasing number of donors supported OGL, so that by the early 1990s about 80% of all import support was channelled through this facility. Between 1988 and 1992 almost US\$ 1000 million was made available by donors through OGL. The Netherlands contribution was Dfl 80 million.

Analysis has shown that the majority of funds went to the private sector for the importation of intermediate goods. The main recipient sectors were industry (40%) and transport (20%). As importers with access to OGL funds still received a considerable subsidy, strict allocation criteria had to be imposed in an attempt to ensure that the subsidy was provided for development purposes. However, a joint multi-donor evaluation revealed that the management of the system left much to be desired. There was severe criticism of the lack of transparency and accountability as regards the use of aid funds. As a consequence of the negative findings of the multi-donor review most donors stopped releasing funds to OGL at the end of 1992. Several of them, including the Netherlands, returned to the old administrative allocation system, over which they could exercise greater control. In mid-1993 the OGL facility was abolished and the government unified the exchange rate and introduced foreign-exchange auctions. Under a unified exchange rate, there is little room for separately administered programme assistance such as CIS or OGL programmes. Continuation of the present CIS programme will be difficult to realise and may even be undesirable. Importers will be attracted to CIS only when this offers more benefits to them than the free allocation system. However measures to make the CIS programme more attractive introduce market distortions. The expectation is that under the present foreign exchange regime the demand for foreign exchange will strongly reduce. The first auction results seem to confirm this.

In spite of large aid flows through the import support schemes, including OGL, most industries continued to operate well below capacity. Operating levels improved from 25% of capacity before 1986 to 40% between 1986 and 1993; this is still considerably below the target of 60–70% envisaged in the economic recovery programme (ERP). It is therefore concluded that programme assistance did not succeed in achieving one of its main objectives, namely establishing a viable manufacturing sector. Some critics even argue that import support was responsible for keeping an inefficient industrial sector going rather than promoting its restructuring.

A second major objective of programme aid was to facilitate the process of economic policy reforms. Tanzania has embarked upon a radical restructuring programme since 1986. The economy has changed from a state-regulated system to one in which market forces play a role in most key areas. First priority went to the liberalisation of the foreign currency allocation system and the restoration of price mechanisms, including the devaluation of the considerably over-valued Tanzanian currency. The programme also focused on trade liberalisation in order to promote economic competition. A recent World Bank comparative report on structural adjustment programmes in 29 countries in Sub-Saharan Africa between 1987 and 1991 considered Tanzania to have carried out one of the most radical reform programmes (World Bank, 1994). During the consultative group meeting in July 1993, however, the donor community expressed its concern about the rate of restructuring. Important areas where little progress has as yet been achieved include institutional reforms in parastatal enterprises, the banking system and the civil service. It may therefore be concluded that for the first seven years Tanzania's adjustment programme focused on economic recovery rather than structural adjustment. The next stage of reform requires significant structural changes, especially in the reform of public institutions.

7.9 Capital investment projects

Capital investment assistance was by far the most common aid form during the 1970s. Most investments involved large-scale and capital- and import-intensive projects concerned with infrastructure or manufacturing industry. It was relatively easy to obtain financing for such projects because of the commercial interests of donor countries, but such projects helped to make the Tanzanian economy increasingly import-dependent, and were thus partly responsible for the balance of payments crisis at the end of the 1970s. Donor response to the Tanzanian crisis was to replace aid for capital investments by programme aid, so that production capacity created with previous foreign aid could be better utilised. Since the early 1980s capital assistance has virtually only been made available for the rehabilitation of existing production capacity.

During the 1970s Netherlands development aid too was heavily orientated towards the financing of capital investment activities. About three-quarters of the total aid flow was provided for investment purposes during that period, as against one-sixth in the 1980s. In total, approximately Dfl 550 million was made available as capital investment assistance between 1970 and 1992; this was almost 20% of all bilateral aid. Again, most went to the industrial sector and to infrastructural projects.

In the industrial sector, the sugar industry was the largest recipient with over Dfl 100 million. The lion's share of the funds was spent on expanding two sugar plantations at Kilombero and Kagera. A considerable amount also went to the construction of a cement factory in Tanga. Smaller investments were provided for a starch factory, a farming implements factory and a boat-building yard.

In the infrastructural sector, the two main recipients of Netherlands aid were the national airline Air Tanzania Corporation (ATC) and the Tanzania Harbour Authority (THA). Support to ATC (Dfl 120 million) consisted of many projects, such as delivery of two Fokker F27 aircraft, construction of a maintenance hangar at Kilimanjaro airport, supply and installation of navigation equipment, and training of pilots. Assistance to THA was primarily meant for Dar es Salaam port development and included the delivery of tugboats and the construction of a grain terminal.

Investment project activities in the agricultural sector included the construction of a cold-storage chain, the establishment of a parastatal maize farm, the building of various grain and fertiliser stores, and support for establishing large-scale, state-owned dairy farms.

The effectiveness of capital investment activities was assessed in terms of production capacity utilisation, financial viability and economic viability. The evaluation shows that the results of these capital investment activities were particularly poor. About two-fifths of all investment aid must be considered an absolute failure, i.e. having a capacity utilisation rate of less than 25%. Four of the projects were in fact a complete fiasco: the hangar, the grain terminal, the starch factory, and the Kagera sugar estate. Another two-fifths of the investments produced disappointing results, with capacity utilisation rates between 25% and 50%. Only one-fifth of investments can be classified as having had satisfactory results.

There are four main reasons for the poor results.

- (1) Serious shortcomings in the design of the projects. Projects were generally too large and too complex and based on excess capacity; design and appraisal were mainly donor-driven and heavily dependent on the use of foreign experts. Moreover, projects did not take sufficient account of local conditions and expertise. Project design also concentrated on the supply of the capital goods and expertise from the donor country, paying insufficient attention to the need to strengthen local institutional capacity and expertise. In all cases, projects were considered justified in economic terms by the donor. Unfounded optimism with regard to expected results and undue haste in preparation

and formulation were encouraged by sharply expanding aid budgets in the 1970s, and the advantages of substantial supplies of commodities by Dutch companies.

- (2) Deficiencies in the institutional and management capacity of the recipient organisations, especially in state-dominated and parastatal enterprises organised along bureaucratic lines. These operated with little flexibility, partly because of the high degree of political control over day-to-day management.
- (3) Recurrent financial constraints caused largely by the unfavourable policy environment in which the recipients of aid had to operate. The government's pricing policy, which was based primarily on the principle of keeping down consumer prices, was a particular hindrance which often resulted in selling prices far below production-cost levels.
- (4) The generally unfavourable economic situation in the country, which was chiefly reflected in the shortage of foreign exchange. Weak domestic demand for locally produced goods in a stagnating economy also had a negative effect on project results.

The economic climate has improved since the implementation of the economic reform programme. However, improvements are taking place at a slower pace than anticipated. It is therefore unlikely that many industrial companies will survive the economic liberalisation process. Only a small minority is in a position to gain from the improved market conditions. Among the investment projects supported by the Netherlands, the cement factory and sugar industry have benefited from the economic reforms.

7.10 Rural development projects

Over the past two decades approximately 15% of Netherlands assistance has been used to support rural development activities. About two-thirds of these funds were spent on three major programmes implemented as part of the regular bilateral aid programme: rural drinking water supply, livestock improvement, and district development. The other one-third was channelled through multilateral and non-governmental organisations.

Netherlands support for rural drinking water supply projects started in 1971. During the first phase (1971–1981), a technocratic, top-down approach involving a great



Smallholder dairy development, Tanga

deal of government control was adopted and the emphasis was on the construction of new drinking water supply facilities, mainly shallow wells with handpumps. In the second phase (1982–1992) attention shifted to improved operation and maintenance of the systems, through greater involvement of village communities. Geographically the programme concentrated on two regions: Morogoro and Shinyanga. After a period of more than twenty years and an investment of about Dfl 100 million, the results must be considered extremely disappointing. Of all systems built, approximately half are out of order because of breakdowns and shortcomings in the operations and maintenance system. Coverage in terms of operational waterpoints was low: only 28% of the population in Morogoro and no more than 8% in Shinyanga. Sustainability is hampered by the apparent lack of interest of local communities in maintaining the facilities on the basis of user fees.

Netherlands assistance to the livestock sector started in the mid-1970s and was concentrated more or less from the beginning on two regions, Tanga and Kagera. In the initial phase, assistance focused on large-scale dairy farming on state-owned ranches. At the beginning of the 1980s, emphasis shifted from large-scale production units to smallholder dairy development. The total Netherlands contribution to this sector amounted to about Dfl 80 million. The large-scale approach, to which

more than half of Netherlands aid to this sector was devoted, achieved low and probably even negative economic rates of return. All the supported state-owned farms performed far below their capacity, in contrast to the smallholder approach which was considered fairly successful. Smallholder dairy farming has proven to be financially attractive. It is also economically feasible as the need for foreign exchange is relatively low. Farmers are very interested in dairy farming but further expansion is hampered by market constraints, caused in part by the import of dried milk as part of food aid (EU and WFP).

The district rural development programme started in the mid-1980s. Initially four districts were selected: Bukoba, Mbulu, Maswa and Meatu. Activities in these districts had to be identified on the basis of local priorities, a low level of operational costs, and compatibility with the level of technology pertaining in rural areas. In 1992 it was decided to expand the programme to ten districts. Total allocations for the period 1987-1994 amounted to Dfl 50 million.

Earlier experiences with decentralised development planning in Tanzania, the Rural Integrated Development Programmes (RIDEP), were unfavourable. The projects failed because they did not pay sufficient attention to improving smallholder production and productivity. Other reasons why RIDEP's did not meet expectations were the complexity and overambitious targets of such multi-sectoral projects and the low institutional capacity on the regional level to carry out the project activities.

It is still too early for a conclusive assessment of the district programme. So far, results can be observed mainly in the improvement of economic infrastructure and training. A broad-based increase in production and productivity in the key sectors of the local economy has not yet taken place. The districts' extreme dependence on donor funds and their low level of own revenue form serious obstacles to sustainable results, in spite of an impressive level of participation by the local population in the implementation of activities. The observed shortcomings are very similar to those of the earlier RIDEPs.

A substantial amount (one-third) of the Netherlands aid funds intended for rural development projects has been channelled through NGOs and multilateral organisations. Traditionally, NGOs are considered an effective channel for targeting aid to the poor. Over the past twenty years Dutch co-financing organisations have supported more than 300 projects in Tanzania, with expenditure totalling approximately Dfl 100 million. The most important fields of activity were health services, agricultural production, drinking water supply and community development. It is impossible to give a general assessment of the effectiveness of NGO-supported

activities on the basis of this country evaluation study, because few NGO activities were reviewed. The information available appears to indicate that sustainability is a major problem here too, however. This was demonstrated particularly clearly by the projects in the health care sector. Moreover, the Dutch co-financing organisations have to contend with institutionally weak local counterparts, which hampers further delegation of powers to local NGOs.

In addition to the NGOs, multilateral organisations have also played an important role in the implementation of rural development projects in Tanzania, mainly through trust-fund projects financed under the former rural development sector programme. A previous IOV evaluation in 1991 concluded that trust-fund financing had not helped achieve the intended pooling of activities. The UN system has often been accused of suffering from 'projectitis', the symptoms the marketing of projects and the unnecessary prolongation. Small projects in particular appear over-ambitious and difficult to sustain while leading to preoccupation with the formulation of new projects. Through trust-fund financing donors have contributed to the fragmentation of UN agencies' project portfolio.

Despite some recent successes, rural development activities were generally assessed as disappointing. The potential sustainability in particular was considered to be low, primarily because Tanzania's weak economy hampers effective government assistance. The government has insufficient revenue of its own to maintain services and the institutional capacity of government services was regarded as extremely weak. In addition the limited attention given to increased production and productivity in key sectors of the rural economy contribute to the low degree of sustainability. Other factors accounting for unsatisfactory performance included the technocratic, blueprint-orientated and often large-scale approach, whereby plans were biased towards technical issues and insufficient attention was paid to economic feasibility. This opportunistic approach, which was followed in the 1970s, resulted from expanding aid budgets, the favourable attitude in the Netherlands towards Tanzania's state-socialist development policy and the advantages for Dutch commercial interests. A process approach, whereby an open-ended plan is presented leaving ample scope for local participation and for adjustment to the specific resource position of the area, would in all probability have produced better results. The process approach implies that donors must refrain from imposing strict regulations governing implementation. The evaluation of the Netherlands micro projects programme has shown that this may easily lead to financial mismanagement. An adequate accounting and auditing system operated by the recipient should therefore go hand in hand with a flexible financing system on the part of the donor.

7.11 Technical cooperation

The primary purpose of technical cooperation is to promote the development of human resources and to strengthen local organisations. The present study distinguished three kinds of technical cooperation, namely support to research institutes and training centres, the fellowships programme and individual expert schemes. In the technical cooperation with Tanzania, most funds were spent on postings of long-term expatriate personnel. In addition, support was provided for the improvement or expansion of the physical infrastructure of research and training institutes. In recent years aid has been increasingly used to finance the recurrent costs of local institutions as well. It is estimated that over the past twenty years about 15% of all aid was provided as technical cooperation. The types of education supported through Netherlands assistance included higher education (especially the University of Dar es Salaam) and vocational training centres, chiefly agricultural training and research institutes.

The effectiveness of technical cooperation in the education sector was measured primarily in terms of immediate output, i.e. enrolment of students and quality of courses. The evaluation findings showed that in general the capacity utilisation rate of a number of institutions was low, primarily due to the lack of funding to enrol the potential number of students. However, the quality of education had also deteriorated because of a shortage of properly qualified teaching staff, lack of teaching equipment, and poor staff morale due to their sharply declining real salaries. These findings are not specific to the Netherlands aid programme but reflect the state of crisis of the educational system in Tanzania since the early 1980s.

The effectiveness of short and specialised courses was rated more positively. This applied both to courses in Tanzania and the fellowship programme. Over the past twenty years, more than 1,500 Tanzanians have been offered fellowships for courses in the Netherlands. The main beneficiaries of Netherlands assistance in the field of training and education were middle- and higher-level personnel in government service.

The sustainability of projects involving local training and research institutes must be considered a major problem. The weak financial position of various institutions is closely related to the general macro-economic situation in Tanzania. All institutions are heavily dependent on government support and have to cope with the consequences of a declining government budget. The institutions have addressed this problem in various ways, such as the establishment of their own production units or consultancy services. These solutions create a serious dilemma between income

generation on the one hand and educational objectives on the other, whereby the quality of training may easily be jeopardised. More donor aid in the form of scholarships to raise the capacity utilisation rate of local training institutes would provide an alternative solution.

Approximately two-thirds of technical cooperation funds were used for personnel assistance, either in the context of project financing or as freestanding technical assistance. Three of the latter type of programme were of particular importance in Tanzania: the supplementation programme, the SNV programme, and the technical assistance programme involving the Association of Dutch Non-governmental Organisations for Personnel Services Overseas (PSO). The total number of experts has dropped considerably over the years, from roughly 250 a year at the end of the 1970s to about 150 in the early 1990s.

In terms of their performance in operational positions, expert assignments were generally considered quite effective but in terms of counterpart training, the results were less successful. The expert-counterpart model in particular, in which the primary role of foreign experts is to advise local counterparts, had many deficiencies. There were various reasons for this, including in many cases the fact that there were no counterparts. Experts tended to do the work themselves, rather than simply advising their counterparts. The low salary levels, poor working conditions and lack of career prospects for Tanzanians were also major obstacles to effective technical cooperation. Finally, experts were usually recruited on the basis of their technical expertise rather than their teaching qualifications.

There appears to be an increasing trend towards posting of experts in the framework of projects, partly because of the worsening government budget problems. For instance, the work of PSO experts is frequently supported by additional financial resources from both the co-financing programme and the regular bilateral programme. This trend can be seen most clearly in the transformation of the SNV in recent years from an organisation solely involved in the posting of experts to one concerned with both postings of personnel and the execution of projects. Because SNV started originally as a recruitment agency for Dutch volunteers, it continues to regard the posting of such experts as an important element of its work. However Netherlands aid policy is also geared to making maximum use of any available local expertise. Recent IOV research has revealed that successful projects often involve the use of local experts (DGIS/IOV, 1992c). It would appear to make sense only to make Dutch experts available if there is no appropriate expertise in the country concerned.

Management of technical cooperation was strongly donor-driven. Although technical cooperation is in principle completely untied, a large proportion of the funds were in fact spent in the Netherlands. Tanzania knew little about how such funds were disbursed and costs and prices played only a minor role in the recruitment of experts. In terms of cost-effectiveness, it would have been cheaper in a number of cases to recruit experts from developing countries.

7.12 Sector aid

By the early 1980s the Netherlands was no longer willing to continue programme assistance, due to differences of opinion about Tanzania's macro-economic policy. As a large-scale return to project aid was not considered realistic, it was decided to shift part of commodity import support to more sector-orientated programmes such as those involving sugar and cotton. Since the early 1980s about Dfl 250 million has been provided in the form of sector aid, of which Dfl 150 million went to the sugar sector and Dfl 100 million to the cotton industry.

Netherlands assistance to the sugar sector dates back to the early 1970s. It amounted to some Dfl 260 million between 1972 and 1992. The nature of the assistance has changed in the course of time. Until the beginning of the 1980s, it was used primarily for the expansion of production capacity at the Kilombero and Kagera estates. During the 1980s emphasis shifted to improving the use of existing capacity. Aid to Kagera was terminated because the plantation was felt to have little economic potential. Apart from management assistance, import support became the main form of aid to this sector. When, in the early 1980s, Denmark and the World Bank withdrew their support to the sugar industry, the Netherlands became the only major donor in the sector.

Investments made for the expansion of sugar production during the 1970s did not bring the expected results. Economic rates of return lagged considerably behind the rates anticipated in the feasibility studies. The main causes of this disappointing performance were the shortage of foreign exchange, the unfavourable pricing policy, and deficiencies in management.

The approach adopted during the 1980s proved successful. Factory capacity utilisation averaged some 60% and was thus considerably higher than the national average. Since the beginning of the 1990s it has risen still further, to about 75%. Netherlands support to Kilombero and Mtibwa estates helped make the plantations considerably more viable, and highly positive results were achieved in the localisation of



Harvest of sugar cane, Kilombero

manpower. The improved performance was largely the result of a far-reaching restructuring of the sector, including price liberalisation, better access to foreign exchange and less government interference in management. It must be concluded that the sector approach made a significant contribution to this reform process. In that approach, however, and in the conditions imposed by the Netherlands, macro-economic considerations predominated. Social aspects, such as the role of smallholders in sugar production and employment conditions on the estates, received little attention. In the case of the conditions for the restructuring of the sector, such as privatisation, policy discussions were based too much on general structural adjustment concepts and too little on sector-specific considerations. For example, there is little interest among international companies in investing in a country with a serious shortage of foreign currency and in a sector which produces almost exclusively for the domestic market. The only potential investors in the sugar sector are local Asian businessmen; privatisation involving the Asian community would meet with considerable political resistance, however.

Netherlands assistance to the cotton sector started in 1982 and three phases can be distinguished. During the first phase (1982–1985) assistance was considered as a kind of emergency operation to prevent the total collapse of one of the most essential

foreign exchange earners of the Tanzanian economy. Netherlands aid focused primarily on the rehabilitation of the ginning stage of the production cycle and consisted mainly of commodity import support in this period. The second phase (1986–1988) concentrated on raising the utilisation levels of existing production capacity and on strengthening the organisations responsible for purchasing and processing cotton. In addition to import support, technical assistance became a crucial element in Netherlands aid to this sector. In the third phase (1988–1992) the expansion of processing capacity became an important objective and the construction of a number of new ginneries was foreseen under the programme. Because other donors failed to provide the support previously expected, the Netherlands became the major donor to the cotton sector, contributing more than Dfl 100 million between 1982 and 1992.

During the 1980s the cotton sector in Tanzania showed a substantial increase in overall production and an improvement of ginning capacity utilisation. Production levels rose from 250,000 bales of lint in the early 1980s to over 500,000 bales in the early 1990s. However, extreme fluctuations in production occurred over the years. In some years output levels were as low as in the early days of Independence. These fluctuations were largely the result of government policy deficiencies, in particular with regard to pricing and marketing.

It must be concluded that Netherlands aid did not lead to the required restructuring of the cotton sector. It may even have contributed to the continuation of inefficient policies. Only during the third phase did the Netherlands start to press for a number of fundamental policy changes, such as privatisation of the ginneries. One of the main constraints on privatisation was the Tanzanian fear of a revival of Asian domination of the sector. Privatisation would also deprive the state of one of its main sources of hard currency.

The conclusion is that Netherlands aid prevented the collapse of the Tanzanian sugar and cotton industries. For the sugar industry, moreover, it provided the basis for a reform process which led to successful growth in production in the 1990s under full Tanzanian management. In the cotton sector such restructuring has not yet taken place. The absence of a clear long-term objective for Netherlands aid to the cotton sector and the ambiguity in the Netherlands' approach towards the role of the cooperatives have prevented an effective policy dialogue between Tanzania and the Netherlands on the restructuring of the sector.



An old (1925) cotton roller ginners, Bukumbi

7.13 Conclusions

Macro-economic self-reliance and poverty alleviation have been the main objectives of Netherlands development cooperation over the past two decades. The extent to which the first objective was achieved in relations with Tanzania was measured primarily in terms of the impact of aid on GDP growth. In the longer term, it is such growth which must enable recipient countries to build up their production capacity to such a level that they can finance their investments and import requirements through normal commercial channels.

The second objective, poverty alleviation, concerns the extent to which aid is beneficial to the poor. Poverty alleviation was assessed on the basis of the effects of aid on improvements in the employment and income situation and in basic services for the poor.

Aid and economic self-reliance

Around 1980 the provision of development aid was made conditional on Tanzania's acceptance of drastic economic reforms as formulated by the World Bank and the IMF. Since the mid-1980s, when Tanzania reached agreement with the IMF and the World Bank about the implementation of the restructuring of the economy, a growing share of development assistance has been made available in support of the restructuring programme.

With the economic reform programme Tanzania accepted a return to a market-orientated economy. The objectives of the programme included the achievement of real GDP growth of 5% per annum, a reduction in the rate of inflation to below 10% a year, a decrease in the government budget deficit, and an improvement in the balance of payments position.

The 1986–1992 period witnessed an annual average growth in GDP of around 4%. Although the target of 5% was not achieved, this compares favourably with the average GNP growth rate of less than 1% during the early 1980s. Another important achievement was that the country has largely attained food self-sufficiency. It may therefore be concluded that the economy responded positively to the reform programme. The results were disappointing in a number of important areas of the economy, however. Firstly, although the rate of inflation has abated, at 20% it is still more than twice the target. Secondly, the budget deficit has remained large, at 5.5% of GNP in 1992/93 compared with an original programme target of 1.5%.

Before grants the budget deficit amounted in fact to 25% of GNP in 1992/93. Finally, Tanzania's balance of payments continues to remain under strain. At the beginning of the 1990s exports covered less than 25% of imports, as opposed to half at the beginning of the economic crisis at the end of the 1970s.

There is a growing feeling among donors that economic improvements are being achieved more slowly than might have been expected in view of the considerable flows of aid. It seems, moreover, that Tanzania's dependence on aid has increased during the reform period: for example, the government has become heavily dependent on countervalue funds for its recurrent budget financing. In 1992/93 these funds financed almost 40% of recurrent expenditure. For 1993/94 it is estimated that as much as 50% of public expenditure was financed by foreign aid. There is a danger that such ready access to countervalue funds may increase the real level of government spending and delay necessary fiscal reforms.

It is concluded that insufficient growth is taking place for Tanzania to be able to finance its own investments and imports in the long term. Unless further radical reforms of the economy are implemented, the country will continue to be heavily dependent on foreign aid for many years to come to sustain the current growth rate. Reforms should in any event include improved domestic resource mobilisation and accelerated export growth.

Aid and poverty alleviation

During the 1970s and 1980s Netherlands development aid to Tanzania was only to a minor extent orientated towards direct poverty alleviation and improving basic services for the population. Netherlands support for the economic reform programme indirectly affected poverty alleviation, the structural adjustment programme bringing changes in employment and income, the availability and prices of consumer goods, and government expenditure on social services. The effects of structural adjustment for the poor differ considerably between urban and rural areas.

Although there has not been a dramatic fall in employment in urban areas, the de-industrialisation process which is expected to result from the import liberalisation policy may in the near future increase the unemployment rate in urban areas. The reorganisation of the civil service will also result in the loss of a great many jobs. Urban real incomes have decreased sharply. At present, the average real wage in the urban formal sector is worth only one-fifth of its value at the end of the 1970s. The effects of Netherlands import support in preserving or increasing the number

of jobs were considered limited, mainly because of the tendency to direct it towards larger, capital-intensive firms.

In contrast to urban areas, the incomes of the rural population in general did not deteriorate after the introduction of economic reforms. Farmers' real cash incomes increased slightly, primarily as a result of liberalisation of the marketing of food crops. The greater availability of consumer goods in rural areas and the disappearance of the parallel market have also improved rural living conditions. On the other hand, economic reforms widened income differentials. Those households with sufficient productive resources to produce a surplus and those in areas with good communications, were better able to sell their produce and to increase their income.

The expansion of social services in Tanzania was consistent with the basic needs approach of the 1970s. The emphasis was on providing primary health care, primary education for all school-age children, and safe drinking water for the rural population. After Independence the Tanzanian government put a great deal of effort into these areas but the impressive expansion of the infrastructure was not matched by improvements in the quality of the services, primarily because of lack of financial resources for maintenance and other recurrent costs. The structural adjustment policy has put additional pressure on these services.

Netherlands aid contributed little to direct poverty alleviation over the past twenty years. Less than 20% of all bilateral aid was focused on this main objective of Netherlands development cooperation. Direct poverty alleviation was mainly pursued through rural development projects. These projects were of three types: projects concerned with improving productive activities, projects aimed at improving social services, and regional development projects. The first of these primarily benefited households with adequate productive resources at their disposal. In some projects, such as the small-scale livestock projects, special measures were taken to ensure the participation of the poorer sections of the population. The results of the support to social services were rather disappointing, partly because of the economic crisis of the 1980s. Tanzania was unable to maintain services properly, as the drinking water programme clearly illustrates. At the end of the 1980s it was decided to adopt a more integrated regional approach to rural development and district programmes were introduced. It is as yet too early to judge these programmes. Sustainability is considered a major problem because the local authorities have virtually no income of their own. Nevertheless, the Netherlands has recently decided to expand its support to the programme considerably and to increase the number of districts from four to ten.

The general conclusion is that insufficient attention has been paid to direct poverty alleviation. The aid programme showed a strong bias towards urban areas and the industrial sector. As poverty alleviation is one of the main objectives of Netherlands policy the programme might have been expected to lay greater emphasis on the rural population and the agricultural sector. Since the late 1980s attention to poverty alleviation has increased, largely through the district programmes.

7.14 Policy options

Tanzania is one of the poorest countries in the world. It is characterised by a rather low degree of social and economic inequality, it has high rate of political stability and a good human rights record. The widespread poverty and the country's development strategy justify Tanzania's position as a priority country for Netherlands development cooperation.

The evaluation study revealed many shortcomings in planning and implementation of the aid programme. Possible options for improving organisation and implementation of development cooperation are given below, grouped under five headings: aid organisation, aid conditionality, aid approach, aid priorities, and aid budgeting. These options should not be considered as outright recommendations but as inputs for further discussions about the future direction of the country programme.

Aid organisation

The study has indicated that the bilateral aid programme with Tanzania is too complex and therefore not transparent for the recipient, too dispersed and fragmented and therefore difficult to manage, and too much donor-driven and therefore insufficiently 'owned' by the recipient. The complexity and fragmentation of the Netherlands aid programme may be reduced by consolidating the number of project activities and concentrating aid on a limited number of sectors and programmes, and by increasing the amounts made available under joint co-financing arrangements. Ownership by the recipient could be promoted by adjusting the programme more to priorities set by the Government of Tanzania, and by a more intensive Tanzanian participation in formulation and appraisal, as well as in auditing, monitoring and evaluation. To maximise the recipient's role the financial aid procedure should preferably be used. Because of Tanzania's weak institutional capacity and an increased demand on the Netherlands side for improved accountability of aid funds, a tendency could be noticed to reduce Tanzania's say in the organisation of implementation. Simplifying and harmonising aid procedures and support for institutional strengthening of

the Tanzanian administration through manpower training are considered options which are more in line with the Netherlands policy orientation. Furthermore, increased participation could be stimulated by a further decentralisation of tasks to the embassy. It is assumed that increased delegation will allow for a more interactive approach *vis-à-vis* Tanzanian parties. Delegation of more responsibilities to the field, however, will have consequences for the staffing of embassies. Finally, Tanzania's government and donors should be encouraged to collaborate more with local NGOs in project identification, preparation and implementation. The role of NGOs in Tanzania has been limited so far. NGOs are considered to be in an advantageous position, especially in promoting popular participation needed for sustainability of benefits.

Aid conditionality

Netherlands support to the economic reform programme has contributed positively to economic growth in Tanzania. For certain restructuring issues, such as privatisation and import liberalisation, policy analysis and bilateral talks gave insufficient attention to country- or sector-specific constraints. For wholesale privatisation the limited interests of external investors and the absence of an indigenous entrepreneurial class would leave the Indian community in Tanzania as the only potential buyers of state-owned enterprises, an option that would meet strong political resistance. Under these circumstances, to increase the efficiency of potentially viable parastatals through private management arrangements and joint ventures could be more realistic options. Unrestricted import liberalisation might lead to dramatic de-industrialisation. To maintain a minimum of Tanzania's industrial capacity requires a mild and temporary protection, to be phased out as efficiency increases, for example through manpower training and investments in economic infrastructure, leading to successful competition with imports.

Aid approach

During the 1980s development assistance was provided mainly in the form of import support. The question has been raised as to whether this type of aid should be continued or should be replaced by other forms of aid. Three approaches may be distinguished:

- Import support is a temporary phenomenon to provide breathing space for the restructuring of the economy. When the market principle operates effectively, foreign assistance can revert to the traditional form of project aid.

- Import support is a long-term form of aid, and after a country has successfully completed structural adjustment, the mechanisms to administer import support will gradually improve. Under these circumstances it would be wrong to revert to traditional donor-driven project assistance.
- An alternative approach might be to replace import support in the longer term by conditional budgetary support to national programmes. This may be provided at the sectoral or institutional level.

On the basis of this study a return to the traditional form of project aid is not advocated. Budgetary support may provide better opportunities for recipients to participate, and to reduce the donor-driven nature of the aid programme. However, experiences with budgetary support in Tanzania have shown how difficult it is to find appropriate ways to spend these funds. Because of weaknesses at the institutional level still too often a quasi-project approach is followed in the case of budgetary support. Guidelines for budgetary support, including an adequate monitoring and auditing system, have yet to be worked out.

Aid priorities

In a recent proposal for a new aid strategy, the Government of Tanzania identified four concentration areas for government resources: expansion of social services, strengthening the country's economic infrastructure, environmental protection and improvement of government administration. In future the government will refrain from direct engagement in commercial activities, which should increasingly become the domain of private investors. Priorities of donor support should correspond with these concentration areas for government expenditure. At present the Netherlands programme is insufficiently geared towards these priorities. A substantial part of the aid funds was still made available to parastatals in the early 1990s. Support for better social services is in line with the poverty alleviation objective of Netherlands aid. These funds should preferably focus on social sectors that benefit the poor, such as primary education and primary health care. Special attention should be given to issues regarding women in development. Strengthening the economic infrastructure enables local commercial enterprises to improve their performance and to compete effectively with imports. Support for this sector has been given low priority in Netherlands aid. This policy might be reconsidered. Donor funds for new investments, however, should be linked strictly to performance in terms of maintenance of existing facilities. Improvements in economic infrastructure which stimulate exports and strengthen Tanzania's balance of payments position should be given priority. A third priority area is environmental protection. Issues

of particular importance which need to be addressed in preventing environmental degradation include population pressure on land in selected rural regions, poor cultivation practices, and rapid de-afforestation. Finally, improvement of government administration as a form of institutional development enhances the effective design and monitoring of aid programmes. Increasing the efficiency and effectiveness of government institutions also includes attention to the improvement of salaries and wages. Donor assistance for topping up salaries should be considered, provided that it is clearly time-bound, that it follows explicit rules, is fully transparent, and that donor practices are harmonised. Such assistance, however, should only be provided in a joint donor framework for civil service reform.

Aid budgeting

Setting the level of aid allocations to individual countries is inherently a political decision. It entails judgements concerning Dutch interests, the effectiveness of assistance in the past, the future course of development, the country's capacity to absorb external aid, political stability, commitment to human rights, and the contributions of other donors. These judgements cannot be translated easily into a simple formula with which to set aid levels. Yet it would be inappropriate to disregard measurable characteristics and consequently hamper the transparency of aid allocations. The study has indicated that performance in terms of aid effectiveness has only played a marginal role in setting country allocations for Tanzania. The result was that aid flows to Tanzania were erratic and sometimes inconsistent with Netherlands aid policy. In determining aid levels, performance criteria warrant more attention. Joint performance reviews should regularly assess the impact of the assistance in terms of the general objectives of development cooperation.

PART III ANNEXES

Annexe 1 Policy reaction

RESPONSE OF THE MINISTER FOR DEVELOPMENT COOPERATION TO THE OPERATIONS REVIEW UNIT'S EVALUATION REPORTS ON THE PROGRAMMES OF COOPERATION WITH INDIA, MALI AND TANZANIA.

(Translation of letter 23400V, no. 80, 18 July 1994, of the Netherlands Minister for Development Cooperation to the Chairman of the House of Parliament.)

General

Introduction

When the previous administration took office I asked the Operations Review Unit (IOV) to extend its range of activities to include, alongside the usual evaluations of policy sectors (such as rural development) and specific forms of aid (such as import support), a new type of evaluation focusing on overall Dutch bilateral policy in respect of individual developing countries; over a period of time such evaluations would encompass all the aid going to the country in question, covering all aid forms, sectors and channels. I saw this as a necessary complement to excellent work already done by the Unit, not least in view of the growing interest in such studies prompted by evaluations carried out by others (e.g. Dr Paul Hoebink's noted study published in 1988 under the title *Geven is Nemen, De Nederlandse Ontwikkelingshulp aan Tanzania en Sri Lanka [Giving is Taking, Dutch Development Aid to Tanzania and Sri Lanka]*).

The Unit set about its new task in mid 1991. In consultation with me it was decided to evaluate Dutch aid to three countries, India, Tanzania and Mali. The development link with India is of long standing, dating from the start of the 1960s, and the country is broadly representative of the Asian region in terms of Dutch aid; Tanzania and Mali, recipients of Dutch aid since the early and mid 1970s respectively, are broadly

representative of the regions of East and West Africa. In each case the period covered by the evaluation was 1980–92.

The central issues to be addressed were the aid programmes' relevance to the policies of the Netherlands and of recipient countries, the efficiency of aid organisation and management, and the effectiveness and sustainability of aid activities in relation to the two overall goals of Dutch development policy, namely economic self-reliance and the relief of poverty. As always, the Unit had complete freedom with regard to its choice of study methods and the formulation of its findings and policy recommendations.

The evaluations conducted in accordance with this remit and approach have generated a number of important and interesting conclusions and recommendations with regard to bilateral aid. The reports deal at length with the achievement of the overall goals of policy within the country programmes, the consistency of special programmes with the regular country programmes, the determination of the volume of each country programme and the relative roles of project and programme aid. The relationship between policy and practice is also explicitly examined.

In what follows I consider the Unit's findings and recommendations, dealing first with the general questions of efficiency, effectiveness and consistency with declared policy and then with the three evaluations.

Consistency with declared policy

Questions arising under this heading include the grounds for the choice of countries, the manner in which total aid volumes are set and the relationship between project and programme aid.

The choice of India, Tanzania and Mali as aid-programme countries is seen by the Unit as justified in the light of the relevant criteria, namely the degree of poverty, the need for foreign aid and consonance between Dutch and recipient-country policies.

With regard to aid volumes the Unit correctly notes that the totals going to the three countries fluctuated over the period concerned and that within them there was a shift towards special programmes. This was a direct result of giving effect to declared policy. The 1980s brought growing emphasis on special programmes (women in development, environment, research etc.), which were additional to the regular aid allocations and fluctuated with the capacity of recipient countries to absorb the

types of aid concerned. The regular annual bilateral country allocations formed a regular pattern; actual expenditures fluctuated, however, depending on what scope existed for making worthwhile use of the flexible element in the allocations, namely the various forms of balance-of-payments support. Not only did the need for such support vary from year to year, reflecting e.g. the state of the balance of payments of the recipient country and the extent of any domestic crises, there were also sometimes policy disagreements e.g. regarding the management and control of the aid provided. Finally, the decline in the total amount of Dutch bilateral aid which began in 1990 – the result of cutbacks in total government spending and of new demands on the overall budget for development cooperation – had consequences for the bilateral aid going to individual countries.

Measures announced in the Explanatory Memorandum accompanying the 1994 aid budget – a sharp reduction in the number of countries eligible for bilateral assistance and the incorporation of certain special programmes (mainly of an environmental nature) into regular programmes – should help reverse the downward trend in bilateral country allocations and moderate fluctuations. The remaining contributory factors will however persist.

I endorse the Unit's conclusion that programme aid is to be preferred to project aid where donor and recipient are in accord on social and economic policy. Such is not always the case, however, and – *pace* the Unit – fluctuations in the volume of programme relative to project aid therefore do not imply that policy is inconsistent, rather the contrary.

Efficiency

The Unit notes that there has been a tendency to centralise decision-making on aid to the three countries in recent years, a shift that reflected the need to tighten the management of development cooperation. According to the favourable audit report issued this year – the first in the history of the Netherlands' aid programme – the Ministry has achieved success in this regard, but, as the Unit rightly notes, the focus on management and control has unfortunately tended to hinder the rapid and effective implementation of agreed activities and has led to a regrettable donor-centredness. I share the Unit's view that the greatest challenge in relation to the sustainability of aid activities lies in finding a new balance between recipient countries' sense of ownership and the priorities of Dutch policy and in improving accountability in respect of the efforts of both donor and recipient. Now that the necessary emphasis on aid management has brought about clear improvements in

this sphere and consensus has been achieved in consultations on the new policy priorities of the 1990s, a start can be made on establishing that new balance.

Effectiveness

The Unit analyses aid effectiveness under two headings, the promotion of economic self-reliance and the alleviation of poverty; the sustainability of activities is also considered.

In view of the Unit's finding that aid programmes' effectiveness varies from one country to another (high in the case of Mali, disappointing in that of Tanzania, fair in that of India), I deal separately with the three reports below.

I share the Unit's general view that effectiveness is enhanced by flexibility, a process-based approach and the incorporation of activities into larger macro-economic or sectoral frameworks. For the rest the Unit found effectiveness to depend mainly on country-specific factors such as the recipient country's financial and budgetary position and the suitability of its domestic institutions. This has indeed been the general experience of Dutch bilateral aid provision.

The Unit also considers the question of substitutability in relation to aid effectiveness. Large-scale import support can substitute for other foreign exchange earned by the recipient country itself, which can then be used for other purposes. In this way such support may, intentionally or otherwise, legitimate the general development policy of the country concerned, including the postponement of necessary measures by that country. This point must be borne in mind in connection with the Unit's reservation with regard to consonance of policy as legitimating the provision of programme aid.

It illustrates the dilemma of the donor, as indicated by the Unit itself in its illustrations relating to fertiliser aid, budgetary support, major capital investments and programme aid in connection with structural adjustment measures. Donor coordination can play a part in resolving this dilemma but – as witness the example mentioned by the Unit in relation to India – may also tend to legitimate policies not in accord with today's requirements.

The general recommendations

Country allocations

The Unit recommends that decisions as to aid amounts be made more transparent by programming the aid – in terms of totals and distribution among aid forms and instruments – for periods of 4–5 years. It further recommends bringing the composition of the aid programme for each recipient country more closely into line with that country's priorities and basing it in part on a joint evaluation of the results of the programme.

Deciding programmes for several years ahead reduces flexibility and moreover may generate expectations on the recipient's part which cannot always be met, e.g. if events in other countries demand an immediate response. While this is of course regrettable for the country concerned it is sometimes unavoidable, certainly at a time of little or no increase in the total aid budget. Similar considerations led to the abandonment of such multi-year programming in the mid 1970s.

Aid forms

The Unit recommends reducing both the total volume of project aid and the number of projects. On the first point I cannot accept the Unit's recommendation, since the total depends in part on the extent to which donor and recipient policies coincide. Where the policies of the recipient country are consonant with those of the Netherlands, then – as the Unit itself indicates in its report – a greater proportion of the total can be provided in non-project form (import support, programme aid, budgetary support, balance-of-payments assistance, debt relief). Where there is policy discord project aid offers an obvious way of promoting economic self-reliance and alleviating poverty in particular sections of the population, such as those adversely affected by ill-conceived macro-level or sectoral policies pursued by the authorities in the country in question.

That said, I share the Unit's conclusion that fewer individual projects should be carried out in each recipient country. The Unit's argument in favour of this view may also be a reason for improving the conditions for successful aid delivery by means of research and institutional support aimed at strengthening the capacity of the developing country's own executive institutions.

I share the Unit's preference for more sectorally oriented and process-based programmes combining several aid forms. I also accept the recommendation that

programme aid should wherever possible be fitted in with the framework of multilateral institutions; how this is done will vary from one country to another.

Management

To strengthen local involvement in the planning and execution of aid activities the Unit recommends:

1. the simplification of aid procedures,
2. greater use of the financial aid procedure, coupled with support for the management capacity and control systems of the local executive agencies concerned,
3. greater delegation of powers to the embassies,
4. the appointment to the embassies of more experts with macro-level and sectoral expertise.

I accept these recommendations.

Preparations have been completed for the simplification of aid procedures; it could take effect from 1 January 1995.

I intend commissioning a study, for every country receiving significant Dutch aid, to determine what specific types of support are needed by local institutions engaged in development activities. This should enable greater use to be made of the financial aid procedures than has been possible hitherto. (Under the financial aid procedures executive powers are delegated to the recipient institution, whereas in the case of technical aid procedures they remain with the donor institution.)

The procedural simplification that has been announced should lead to the delegation of certain specific policy and management responsibilities to the embassies; this indeed is one of the arguments for the planned simplification.

The recommendation regarding the appointment of sectoral specialists to the embassies is already being implemented; it is also intended to appoint more specialists with a background in macro-economics.

The recommendations regarding specific countries

I now turn to the Unit's recommendations regarding the three countries concerned, dealing with points not already covered in the general section of this response. What follows relates to the main features of the Unit's recommendations; the more

detailed points will be covered in the relevant medium-term policy plans for 1995–98, compilation of which is due to begin shortly.

India

The Unit's judgements on some aspects of the India programme are favourable, notably as regards the contribution of import support in the form of fertiliser aid to food production, the contribution of land and water projects (especially drinking-water projects) to improving the position of the poor, and the value of activities in the dredging sector in making India's ports accessible to shipping and goods. The Unit also has certain reservations, casting doubt in a number of cases on the sustainability of project results and questioning the budgetary support given to a rural credit programme and the support which this country (in conjunction with the World Bank, the IMF and other donors at that time) gave to India's macro-economic policy until the end of the 1980s.

The Unit's recommendations relate both to the substance of the programme and to its management and control.

With regard to the substance of the India programme the Unit recommends concentrating on programmes directly geared to the relief of poverty; under this heading it urges support for Indian government efforts to cushion the social effects of adjustment policies, greater budgetary support and support for sectoral programmes targeting the poor. In the Unit's view this implies the gradual phasing-out of import support. These recommendations have been included in government policy since the issue of the medium-term plan for 1991–95.

The Unit recommends the continuation of aid geared to improving rural water supplies with a view to helping relieve poverty. I endorse this recommendation. I also accept that greater emphasis is needed on small-scale irrigation work and on the use of hand pumps and shallow tube wells.

I further accept the Unit's recommendation that aid to the water transport sector should continue. In keeping with its advice I shall continue to give priority in this sector to activities involving the transfer of expertise and institution-building.

I share the Unit's view that decisions on budgetary support must take due account of the quality of the policies pursued by the Indian authorities concerned and that this form of aid requires close monitoring (though not to the point of recreating project

aid). This refers both to Indian sectoral authorities and to authorities at state and district level and is in line with recent developed policy on budgetary assistance. It does however mean that this form of aid will come on stream less rapidly than had been hoped.

With regard to aid management and control, the Unit notes that the concentration of activities in fewer states will probably benefit the quality of the project portfolio. It is partly on the grounds of the Unit's recommendations that there is to be a further regional clustering of activities, involving the targeting of four rather than five states under the country programme and the targeting of certain districts within those states. This geographical concentration should bring management benefits and an improvement in quality by promoting greater coherence within the programme, more effective build-up of regional knowledge and more durable links with local authorities and non-governmental organisations.

The Unit reports that the country section concerned has sought to deal with the problem of a rapidly growing workload and more extensive procedures by using large numbers of external advisors; in the Unit's view this has meant that the programme's 'institutional memory' is increasingly located outside the Ministry. This is indeed regrettably the case, and to help counter this tendency specialists have been appointed to the embassy and within the Ministry. In accordance with the Unit's recommendation it is hoped to make greater use of Indian expertise (rather than purely Dutch advisory structures, which in any event have been sharply curtailed), in the form of advisors, researchers and NGOs, not only in the preparation but also in the implementation and supervision of development activities.

Finally, I take due note of the Unit's observation that total reliance on the World Bank analyses of India's macro-economic position is not justified and that an independent analysis of Indian economic policy is needed.

Mali

The Unit's generally favourable assessment of bilateral cooperation with Mali between 1981 and 1992 is gratifying, especially in view of that country's very limited development potential. As the Unit notes, the constraints on social and economic development in Mali are very tight, prompting policies geared primarily to short-term survival. This has implications for aid forms and priorities.

The Unit concludes that the key problem affecting Mali is in the area of sustainability, ecological as well as financial and institutional. I share the Unit's view

that in Mali, more than elsewhere, donors need to bear in mind the country's limited environmental and economic carrying capacity and the implications of their initiatives in terms of the burden on the country's authorities. I agree that the promotion of sustainability implies minimising dependence on external funding. Donors, including the Netherlands, must bear in mind the likelihood that the government of Mali will be unable to take projects over in the foreseeable future; this justifies the emphasis on non-project aid.

I note the Unit's observation that the main focus of Dutch aid to Mali – rural development, with an emphasis on food production and preventing and reversing environmental degradation – is in line with the country's real problems and capacities. This policy will be maintained.

The Unit recommends that funding be channelled mainly into activities reflecting the priorities of the Mali government, coupled with support for local institutional capacity, subject to relatively loose conditions to be determined not by the Netherlands in isolation but in consultation with other donors. Project aid should be fitted into the framework of structural adjustment or geared to the needs of specific target groups. Donor coordination is also recommended in the financial field, in the co-financing of multi-donor programmes and in the area of institutional support. I endorse these recommendations and accept the proposal that conditionality be relaxed.

With regard to the relief of poverty the Unit notes that, in view of the reasonable distribution of the limited economic growth achieved and the benefits for Mali's poorer inhabitants from structural adjustment, the decision to emphasise high returns rather than target the poorest groups and areas was justified. The Unit adds, however, that modernisation and growth have tended to accentuate social and economic differentiation, rendering the traditional processes of redistribution less effective; the conclusion is drawn that special action for the poorer groups and areas is becoming more important. I share this analysis and conclusion.

The Unit recommends that Dutch aid be continued and where necessary expanded in the areas of applied research, testing, support and funding for activities aimed at countering the degradation of land used for arable and livestock farming and at environmental rehabilitation in the Mali Sud region. A further recommendation is that support for infrastructural investment by the *Office du Niger* be switched to small-scale rice cultivation in the same area, with a particular focus on strengthening farmers' organisations and bringing out the ecological consequences of the irrigation system. A final recommendation is that greater efforts be made to promote public

participation in social decision-making. These recommendations will be incorporated into the new medium-term plan for cooperation with Mali (1995–98).

The Unit sees a process-based approach to activities as a major contribution to sustainability: that it can bring good results became clear in the course of implementing the rice cultivation programme in the *Office du Niger* area (the ARPON programme), which thus received a favourable assessment from the Unit in a separate study. However, as the report rightly notes, such an approach needs to be rooted in a sound analysis of the region, sector and population and the changes taking place therein; increased emphasis will therefore be placed on the necessary studies.

In the case of Mali as in that of India the Unit sees a need for independent analyses of the country's economic development, especially at regional and household level, to supplement what it calls the 'sometimes crude adjustment prescriptions of the World Bank and sometimes also French aid'. I take due note of this point.

Tanzania

The Unit notes that there was a considerable shift of emphasis in Dutch aid to Tanzania over the period covered by its study, with the proportion going into industrial development rising (from 30 per cent of the total at the start of the period to 60 per cent at the end) at the expense of that going into e.g. agriculture (whose share fell from 20 to ten per cent); the proportions going into social sectors (25 per cent) and infrastructure remained broadly unchanged. To a great extent this reflects the large element of balance-of-payments support, mainly used to fund imports for industrial undertakings. One result, according to the Unit, was a bias in favour of urban rather than rural areas. In the early 1990s it was decided once again to place greater emphasis on rural development; the district programmes established in Tanzania are an important example of this shift of emphasis and will be continued. It will never be possible fully to decide the sectoral distribution of aid flows in advance, however, since the intention is that disbursement will be largely a matter for the Tanzanian authorities once adequate local management structures are in place.

The Unit notes that the programme of import support has not, as was hoped, resulted in the establishment of a viable Tanzanian manufacturing sector; it further notes that the far-reaching reforms initially set in motion have in recent years tended to stagnate and recommends channelling aid into the ongoing restructuring of public institutions. I share this view.

The Unit takes a somewhat negative view of the capital-intensive investments which loomed large in the aid programme at the start of the period studied: projects were excessively large, capital-intensive, donor-driven and Western in design, and the Tanzanian institutions, public and parastatal, which had the job of managing them were not up to the task. Moreover financial constraints and ill-conceived pricing policies meant that the projects were not properly viable. The one bright spot, in the Unit's view, is the aid given to the sugar industry. I endorse this analysis. As I indicated in discussions on the current medium-term plan for cooperation with Tanzania (1992-95), no new activities of this type are being undertaken.

The Unit regards rural development activities in Tanzania as disappointing, mainly owing to ill-conceived policies on the part of the Tanzanian government (among them an overemphasis on state-controlled investment programmes). The Unit recommends a small-scale process-based approach while warning of the risks of financial mismanagement at micro-level. I endorse both recommendation and warning.

The Unit's specific recommendations regarding the water-supply programme – promotion of local involvement in maintenance and greater application of user charges – have been incorporated into the most recent phase of the programme. The Unit also favours a shift from large- to small-scale livestock programmes and recommends that the district programmes should not be entirely dependent on external funding; these recommendations too have been put in place.

The Unit notes that the technical assistance programmes of all donors, including the Netherlands, are strongly donor-driven. This is indeed the case: it is – as the Unit itself indicates – in large part the result of the shortage of technical expertise and the poor conditions of employment of local experts in Tanzania itself. I share the Unit's conclusion that still greater emphasis is therefore needed on education and institutional support.

The Unit takes a favourable view of the support given to the cotton and sugar industries, support which prevented the collapse of these sectors. Aid to the sugar sector has now been terminated. In the cotton sector the Unit believes that the reforms must continue, notably including a clearer role for the cooperatives. This is now an explicit element in Dutch policy in respect of this sector.

More generally the Unit makes the point that when conditions relating to privatisation and import liberalisation were formulated, insufficient account was taken of certain constraints peculiar to Tanzania or to specific sectors; these include

foreign businesses' lack of interest in the country and its ethnically one-sided entrepreneurial base. I take serious note of these comments and intend incorporating the relevant recommendations into sectoral policy.

The Unit comments that activities are more likely to be sustainable if they are in line with Tanzanian development priorities, such as the social sectors, economic infrastructure, environmental protection and institutional development. I would point out here that the majority of Dutch-funded projects were decided on in consultation with Tanzania and having regard to Tanzanian development priorities. These priorities will be carefully scrutinised as the new medium-term plan for cooperation with Tanzania is drawn up.

The Unit favours greater emphasis on aid geared to improving the economic infrastructure (roadbuilding, energy supplies, telecommunications etc.); while this is in line with Tanzanian priorities I nevertheless decided, when the regional policy plan for 1992-95 was drawn up, to give lower priority to such activities. This decision reflected resource constraints and the belief that expensive large-scale investment projects are better undertaken by international banks or multilateral institutions.

In conclusion

I see this independent critical evaluation by the Operations Review Unit as a very valuable contribution to the further improvement of this country's bilateral aid activities. In my response I have indicated which findings I endorse – they form the majority – and which conclusions in my view lend themselves to incorporation into new policy. I have dealt only with the Unit's main general conclusions and its chief conclusions in respect of the three individual countries; the more detailed points will be covered in the relevant medium-term policy plans.

The Unit's recommendation regarding the joint conduct of evaluations with recipient countries is one I gladly accept. I have asked the Unit to adopt an approach in its subsequent studies which makes this possible, thus acting on its own recommendation.

In consultation with the Unit it has been decided to carry out a second series of country-focused evaluations covering aid to Egypt, Bangladesh and Bolivia.

Annexe 2 The Operations Review Unit (IOV)

The Operations Review Unit, better known by its Dutch acronym IOV or *Inspectie Ontwikkelingssamenwerking te Velde*, was established in 1977. IOV is responsible for conducting evaluations of Netherlands aid policy. Internal evaluations of projects are the responsibility of the operational units, i.e. the country or programme desks.

IOV is part of the Directorate General for International Cooperation (DGIS) of the Ministry of Foreign Affairs. It is a completely independent unit which directly reports to the Minister of Development Cooperation through the Director General. The Minister submits the reports to Parliament; they are discussed with the Permanent Committee on Foreign Affairs with respect to follow-up actions.

Initially, IOV placed the emphasis in its work on individual project evaluations. From 1977 up to the mid-1980s the reports were primarily intended for departmental management purposes. The status of these reports was confidential. During this period about 250 evaluation reports were produced. Gradually a need developed for more general evaluations based on project findings. In the mid-1980s a number of sector reports were prepared, such as those on drinking water, animal husbandry, women in agriculture and rural development, and primary health care.

Since then, emphasis has shifted from individual project evaluations to comprehensive thematic studies; they focus on policies and modalities of implementation and cover sectors, themes or programmes. They contain a review of relevant literature, and compare results with those of other donors concerning the same subject matter.

On average, the duration of these thematic evaluations is one to two years. The studies are carried out under the responsibility of IOV, with outside experts participating in various phases of the research. Field studies are undertaken by teams of independent external consultants. Increasingly, local institutions or experts are invited to participate in these field missions.

The synthesis report, based on the various field and desk studies, is written by IOV staff and published under its responsibility. Three to four such studies are published annually. Examples of recent evaluation studies published by IOV are: import support, export transactions relevant to development, food aid, the sector programme for rural development, project evaluation and monitoring in Netherlands bilateral aid, cooperation in higher education, environment and development cooperation, the Netherlands development programme with Tanzania 1970–92, the Netherlands development programme with Mali 1975–92, the Netherlands development programme with India 1980–92, and humanitarian aid to Somalia.

A reference group consisting of external experts and DGIS staff is appointed for every study. The reference group has three functions: to advise on methodology and approach, to counsel on relevant development theories, and to give feedback on evaluation results.

Annexe 3 Evaluation-study work plan

The IOV started work on the three country evaluations in mid-1991. It was decided to conduct this kind of study because a large proportion of development funds are channelled through country programmes, because it offered an opportunity to assess how the whole range of Netherlands aid policy instruments were being used in a specific context, and because such studies provide an appropriate framework for an assessment of the way in which aid is organised and managed. India, Mali and Tanzania were selected partly because of the amount of Netherlands aid they were receiving but also because of the huge differences between the countries themselves and the nature of the Netherlands aid programme for each of them.

1 Objectives and main questions

The general objective of the country evaluations was to assess the policy relevance, efficiency and effectiveness of Netherlands development cooperation with India, Mali and Tanzania. The studies concentrated on the following five main questions:

- To what extent did the aid programme correspond to the policy priorities of the Netherlands and the developing country?
- How was the aid programme between the Netherlands and the recipient country organised and managed?
- To what extent did Netherlands aid contribute to economic self-reliance?
- To what extent did Netherlands aid contribute to poverty alleviation?
- To what extent were the results of Netherlands aid sustainable?

Each question was elaborated into detailed terms of reference for each country, taking into account the specific characteristics of the individual aid programme and the context within which aid was provided.

2 Scope and evaluation criteria

The studies focused on bilateral aid. Bilateral aid includes support provided through the regular bilateral programme and assistance through special programmes and channelled via NGOs.

The period covered by the studies differed for each country. In the case of Tanzania it was 1970–1992, i.e. from the time that the country was made a priority country. In the case of Mali it was also the entire period since the programme began, 1975–1992. In view of the size of the Netherlands aid programme with India, the evaluation of that country covered the period 1980–1992 only.

The size and complexity of the Netherlands aid programmes in each country meant that it was necessary to set limits to the studies to be conducted on the activities supported by the Netherlands. After an overall survey the various activities were therefore grouped into more or less homogeneous clusters, the most important of which were then selected for further examination. The nature of the clusters naturally differed from country to country. Moreover, for India the evaluation was restricted to the regular country programme. Projects carried out under special programmes, including the NGO programme, were not evaluated separately. The NGO projects had recently been evaluated in the co-financing organisations impact study (1991).

Policy relevance was assessed on the basis of the extent to which attention had been paid to the main objectives of Netherlands development cooperation, economic self-reliance and poverty alleviation. The most important themes in Netherlands policy, such as women in development and the environment, were also examined. The extent to which aid objectives played a role in determining aid volumes, forms and channels and the sectoral and geographical composition of the programme was looked at. Finally, the extent to which Netherlands policy corresponded with the policy of the recipient country as formulated in multi-year plans and whether or not the latter affected the structure of the aid programme were also taken into account.

Efficiency was assessed primarily on the basis of the management of the aid programme. Personnel policy, the amount of delegation to embassies, the implementation procedure used (financial or technical aid procedure, activities managed by DGIS or contracted out), the management of the project cycle and financial management were all included. The role and participation of the recipient countries in the implementation of the programme were considered important criteria in the assessment of efficiency. Aid coordination was also examined. At project level,

efficiency was assessed primarily in terms of cost-effectiveness, using cost/benefit analyses wherever possible.

Effectiveness was assessed firstly on the basis of the extent to which the aid actually contributed to economic self-reliance and poverty alleviation. Economic self-reliance was defined in terms of economic growth, and the improvement of the balance of payments and the national budget. The key question as regards the alleviation of poverty was the extent to which the programme benefited the poor. Both the social dimension (improvements in basic services) and the economic dimension (effects on employment and incomes) were examined. Secondly, the assessment of effectiveness also included the extent to which project results were sustainable. Sustainability was not only examined in the case of aid activities which had already been completed (*ex post* evaluation) but also in respect of current activities. The analysis was based on the aspects of sustainability formulated by the DAC, which include financial, institutional and technological sustainability.

3 Research methods

The information needed to answer the main questions posed was collected by four main methods of data collection:

- an analysis of relevant literature and statistics;
- a desk study of policy documents, project records, progress reports and evaluation studies;
- interviews with government officials in India, Mali and Tanzania, members of staff of local and Dutch non-governmental organisations, those responsible for carrying out projects and programmes and staff at DGIS and the relevant Netherlands embassies;
- field studies of the most important clusters of activities in the Netherlands aid programmes in the three countries.

There was close cooperation with the authorities and organisations in the recipient countries throughout the evaluations. For example, introductory visits were paid to the three countries immediately after the beginning of the evaluations in order to inform the authorities. Local researchers were involved in the field studies and draft reports were submitted for comment to representatives of local organisations responsible for implementation. However, the studies were not joint evaluations in the sense that the governments of the three countries bore joint responsibility with the Netherlands for the final result.

The subjects of the field studies for the three countries depended on the composition of the relevant Netherlands aid programme. For example, in-depth studies of the social and economic situation of the country, of non-project aid/import support and of the organisation and management of the Netherlands aid programme were conducted in all three cases.

In addition, in India field studies were conducted on project aid to the dredging sector, the drinking water sector and the irrigation sector. Budget support was also examined as part of the evaluation of the India programme. In the case of Mali two in-depth studies of project aid were carried out, one concerning aid to rice cultivation in the Office du Niger region and one concerning aid to the Mali-Sud region, both regions being concentration areas for Netherlands bilateral aid. In Mali a separate study was conducted of the perceptions of development of the recipients of Netherlands aid. In the case of Tanzania separate field studies were carried out into support to the sugar and cotton sectors, into aid for rural development, into certain aspects of technical cooperation, and into the micro projects programme.

The field studies were supplemented by missions conducted by the IOV teams which coordinated the separate country studies. The principal tasks of these coordination teams were to prepare the field evaluations in consultation with the authorities of the countries concerned and the Netherlands embassies, to support the field evaluations by recruiting local experts for the field missions, making joint visits to project regions and organisations and discussing the findings, to collect additional information on activities supported by the Netherlands not included in the field studies and to discuss the aid programmes of other donors in so far as they were relevant to the assessment of the Netherlands programme.

The India evaluation was coordinated by T.J. Segaar (IOV) and P.A. van Stuijvenberg (ISSIS); the Mali evaluation by H.G.M. Hendrix (IOV) and M. Oomen-Myin (Matrix Consultants); and the Tanzania evaluation by A.C.A. van der Wiel (IOV) and J. Sterkenburg (Utrecht University).

Teams of experts were recruited in the Netherlands and the three countries for the field studies. These experts analysed and assessed the efficiency, effectiveness and sustainability or potential sustainability of the various components of the Netherlands aid programme on the basis of detailed terms of reference. The field evaluation reports then served as the building blocks making up the final reports which were written by members of the coordination teams. IOV was responsible for the final reports. The reports on aid to India and Tanzania were published in English, while that on Mali was published in French.

As is customary at IOV, reference groups were set up to assist with the country evaluations. They comprised the following members.

- India: R.H. Buikema (ETC Consultants)
J.H. de Goede (DHV Consultants)
L.E. Schenk-Sandbergen (University of Amsterdam)
P.H. Streefland (Royal Tropical Institute)
P.H.J.J. Terhal (Erasmus University Rotterdam)
K.W. van der Veen (University of Amsterdam)
W.J. Veenstra (South Asian Countries Section, Development Cooperation Asia Department)
- Mali: H. Breman (Wageningen Agricultural University)
C. Gerhardt (Royal Tropical Institute)
J. Hinderink (Utrecht University)
J. van de Rotte (SNV)
J. Andriessen and A. Hennekens (West African Countries Section, Development Cooperation Africa Department)
F.P.M. van der Kraay (Spearhead Programmes Coordination and Technical Advice Department)
- Tanzania: D. Bol (Consultants for Development Programmes/CDP)
O. van Cranenburg (Leiden University)
R.H. Green (Institute of Development Studies, Sussex)
H.A. Luning (International Institute for Aerospace Survey and Earth Sciences (ITC))
S. Wangwe (United Nations Intech University, Maastricht, and University of Dar es Salaam)
E. Ader and M. van der Gaag (Central and East African Countries Section, Development Cooperation Africa Department)

H.I. von Metzsch (IOV) chaired the three reference groups.

4 List of reports

The present report is based on the three country studies published by IOV in 1994. These reports are:

- *India. Evaluation of the Netherlands development programme with India, 1980-1992.*
- *Mali. Evaluatie van de Nederlandse hulp aan Mali, 1975-1992.*
French translation (1994): *Mali. Evaluation de la coopération bilatérale entre le Mali et les Pays-Bas, 1975-1992.*
- *Tanzania. Evaluation of the Netherlands development programme with Tanzania, 1970-1992.*

In addition, IOV published two separate reports of sector studies:

- Operations Review Unit, *Sector aid and structural adjustment: The case of sugar in Tanzania*, December 1992.
- Operations Review Unit, *La riziculture paysanne à l'Office du Niger, Mali, 1979-1991. Evaluation de l'appui néerlandais* (Rice cultivation by smallholders in the Office du Niger region, Mali, 1979-1991. Evaluation of Netherlands aid), December 1992.

The country evaluation reports were based to a large extent on reports containing the results of desk and field studies conducted in the course of the evaluations. These reports are listed below.

India

Tuinder, B.A. den, *IOV evaluation of the development cooperation between India and the Netherlands. Macro-economic background, Import support, Budget support, Import support and budget support: Some remarks*, February 1992.

Tuinder, B.A. den, *Summary report*, June 1992.

Rodts, R.P.A., *Nederlands hulpprogramma aan India, evaluatie van de hulpactiviteiten in de baggersector* (The Netherlands programme of aid to India, evaluation of aid activities in the dredging sector), May 1993.

Janssen, A.G.N., Vincent, P., and Nagaswara Rao, *Evaluation report. The Indo-Dutch cooperation programme on rural water supply and sanitation*, April 1992.

Dieleman P.J., Chatterji, S., and Sengupta, N., *India country programme evaluation. Report on land and water development*, March 1992.

Wilde K.T. de, et al., *IOV country evaluation India. Management of the programme*, September 1992.

Graaf, A.F.E. van de, *Netherlands development policies and programme implementation in India, 1960-1992*, May 1992.

Holthuizen, J.T., *Disbursements Netherlands NGOs in India, 1985-1990*, September 1992.

Mali

Slob, A., *Les grandes axes de développement au Mali* (The main lines of development in Mali), Matrix Consultants, October 1991.

Esbroeck, D. van, and Ba, M., *Analyse de l'aide sous forme de projets dans la zone du Mali-Sud* (Analysis of project aid in the Mali-Sud region), Matrix Consultants / South Research and Sahel Ingenieurs Conseil, July 1992.

Sijp, R. van der, and Traoré, F., *Analyse de l'aide sous forme de projets dans la zone de l'Office du Niger* (Analysis of project aid in the Office du Niger region), Matrix Consultants and Le Sernes, June 1992.

Marysse, S., and Renard, R., *Evolution macro-economique et ajustement structurel au Mali, 1981-1991* (Macro-economic development and structural adjustment in Mali, 1981-1991), Antwerp University, August 1992.

Dembele, E., et al., *D'un développement rural à un développement humain: Les paysans parlent et expliquent* (From rural development to human development: the people speak and explain), Le Sernes, March 1992.

Hoitink, C., and Coulibaly, F., *Une recherche 'a posteriori' sur des projets assistés par les Pays-Bas dans les première et deuxième régions du Mali* (A retrospective study of projects aided by the Netherlands in the first and second regions of Mali), May 1992.

Sasse, C., *Ex-post onderzoek naar vijf projecten in de eerste en tweede regio's van Mali* (Retrospective study of five projects in the first and second regions of Mali); File study, Matrix Consultants, July 1992.

Ahmadou, H., and Diallo, A.A., *Analyse de formes d'aide hors-projet au Mali* (Analysis of non-project aid forms in Mali), March 1992.

Ahmadou, H., and Diallo, A.A., *Analyse de l'organisation et de la gestion de l'aide par le Mali (1980-1991)* (Analysis of aid organisation and management by Mali, 1980-1991), March 1992.

Stoltz, W., *Organisatie/beheer van projecten. Dossierstudie. Analyse en overwegingen* (Organisation and management of projects. File study. Analysis and consideration), June 1992.

Tanzania

Andel, W.A. van den, *Evaluation of the Netherlands programme assistance to Tanzania in the 1980s*, June 1992.

Development Perspectives, *Netherlands assistance to rural development projects in Tanzania*, May 1992.

Laar, A.J.M. van de, and Razoux Schultz, L., *Netherlands support to the sugar industry in Tanzania*, ISSAS, 1992.

Doriye, J., and Wuyts, M., *Tanzania's macro-economic policies and performance before and during the economic recovery programme*, ISSAS, May 1992.

Laar, A.J.M. van de, Birchall, J., Luhende, F., and Razoux Schultz, L., *Joint evaluation mission, Netherlands assistance to the Tanzanian cotton sector during the 1980s*, ISSAS, September 1992.

De la Rive Box, J., *Study of the organisation and management of the Netherlands development cooperation programme with Tanzania*, Matrix Consultants, November 1992.

Vogels, J.M., *Report on the evaluation of the KAP programme in Tanzania*, May 1992.

Vogels, J.M., *Report on the evaluation of the Netherlands fellowships programme in Tanzania*, July 1992.

Annexe 4 Composition of Netherlands aid programme to India

	Disbursements (Dfl mln)	Regional impact
I.a Water transport (265 activities)		
Dredging (106 activities)		
Supplies		
- Supply of suction hopper dredger (1983)	25.00	nation-wide
- Supply of suction hopper dredger (1985)	30.00 ¹	nation-wide
- Supply of two suction hopper dredgers (1988-92)	97.80 ²	nation-wide
- Supply of grab hopper dredger for Cochin (1988-92)	25.86	Kerala
- Supply of cutter suction dredger ('Aquarius'/1991)	24.38	nation-wide
Dredging works		
- Madras Dredging Project (1984-87)	36.30	Tamil Nadu
- Paradip Dredging Project (1985-87)	28.54	Orissa
- Dredging Project Nhava Sheva (1986-87)	40.89 ³	Maharashtra
- Hooghly Fairway Development Project (1988-90)	3.11	West Bengal
Institutional development		
- Support to DCI (1987-92)	5.27	nation-wide
- Seminars/promotion dredging programme (1989)	0.98	nation-wide
- Nat. Institute for Dredging Technology (1987-88)	0.05	nation-wide
- Optimisation of the dredging fleet (1989)	0.09	Gujarat/ Maharashtra
- Ports Own Facilities programme (POF/1987-90)	0.54	nation-wide
Others		
- Low cost dredging techniques (1988-89)	0.13	Karnataka
- Dredger repair complex (1986-87)	0.18	West Bengal
- Hooghly guidewall construction (1986-89)	2.26	West Bengal
- Project preparation and monitoring in dredging	8.16	-
- Review dredging programme (1991-92)	0.11	nation-wide

1. Including a mixed credit of Dfl.12 million, provided through the non-regular (sector) programme for industrial development (see II.b).

2. Including a mixed credit (LCL) of Dfl.41.46 million, provided through the non-regular (sector) programme for industrial development (see II.b).

3. Including a mixed credit of Dfl. 26.03 million, provided through the non-regular (sector) programme for industrial development (see II.b). Backstopping continued in subsequent years.

	Disburse- ments (Dfl mln)	Regional impact
Ports (80 activities)		
Supplies		
- Supply of geological survey vessels (1983-87)	13.61	nation-wide
- Equipment for Madras Port (1985-87)	8.87	Tamil Nadu
Transport and construction works		
- Cochin container terminal (1987-92)	3.09	Kerala
- Tuticorn-Paradip coal transport (1986-87)	0.05	Orissa
- Ennore-Paradip coal transport (1988-92)	4.17	Orissa
- Kandla 7th cargo berth (1988-92)	0.32	Gujarat
- Lakshadweep Transport Improvement (1987-92)	20.81	Lakshadweep
- Tughlakabad inland container terminal (1988-92)	1.86	Delhi
- West Coast coal terminals (1988-90)	0.50	Kerala/ Karnataka
- Mormugao (iron ore handling facilities/1989-91)	1.38	Goa
Institutional development		
- Harbour Research Centre (1989-90)	0.14	nation-wide
- Training of tug-boat captains (1989-92)	0.28	nation-wide
- Container handling training Nhava Sheva (1988-91)	8.27	Maharashtra
- POF (see also under dredging/1987-88)	0.08	nation-wide
- Training port sector (1986-92)	4.52	nation-wide
- Madras Port Trust (refresher course/1990-92)	0.08	Tamil Nadu
Others		
- Paradip extension study (1988-90)	0.73	Orissa
- Cooperation CWPRS/DHL (1987-90)	0.16	nation-wide
- Visakhapatnam studies (PAS/1988-91)	0.10	Andhra Pradesh
- Project preparation and monitoring (incl. studies)	0.38	-
Inland water transport (IWT) (43 activities)		
Supplies		
- Allahabad-Patna pilot project (incl. TA/1986-91)	24.58	Uttar Pradesh
Institutional development		
- IWAI Institutional Development (1989)	0.01	nation-wide
- National Inland Navigation Institute (1987-89)	0.22	nation-wide
Others		
- West Coast Canal study (1987-89)	0.43	Kerala
- Narmada river study (1986)	0.07	Maharashtra/ Madhya Pradesh
- Ganges Master Plan (1989-91)	2.09	Uttar Pradesh/ Bihar/West Bengal

	Disburse- ments (Dfl mln)	Regional impact
- Country craft study (1989-91)	0.09	nation-wide
- Design of coastal and inland vessel (1987)	0.01	nation-wide
- Calcutta/Haldia IWT terminal study (1986-87)	0.56	West Bengal
Shipbuilding/repairs (29 activities)		
- Lakshadweep Transport Improvement (1988-89)	0.34	Lakshadweep
- Alcock Ashdown rehabilitation (1989)	0.13	Gujarat
- Calcutta repair docks rehabilitation (1987-90)	0.79	West Bengal
- Nat. Ship Design and Research Centre (1987-92)	14.86	nation-wide
- POF (see also under dredging/1988-89)	0.05	nation-wide
- Visakhapatnam (inner channel/1989-91)	0.24	Andhra Pradesh
- Rajabagan dockyard rehabilitation (1988-92)	4.55	West Bengal
- Monitoring Madras tugboat and vessels (1987-91)	5.65	Tamil Nadu
- Maritime industrial cooperation (1990)	0.04	nation-wide
- Construction of dismountable dredgers (1989)	0.10	nation-wide
General (7 activities)		
- Other advisory and monitoring facilities	0.14	-
- Master of Science Programme (1991-92)	0.30	nation-wide
I.b Rural drinking water supply and sanitation (136 activities)		
- Himachal Pradesh I (1980)	1.00	Himachal Pradesh
- Himachal Pradesh-Deotsidh (1983-91)	4.80	Himachal Pradesh
- Himachal Pradesh-Logwalti (1984-90)	1.78	Himachal Pradesh
- Gujarat I (1980-90)	25.63	Gujarat
- Gujarat II (from 1987 onwards)	39.29	Gujarat
- Andhra Pradesh I (from 1981 onwards)	36.10	Andhra Pradesh
- Andhra Pradesh II (from 1987 onwards)	33.66	Andhra Pradesh
- Andhra Pradesh-Darsi (1987-91)	4.31	Andhra Pradesh
- Uttar Pradesh I (1982-88)	40.04	Uttar Pradesh
- Uttar Pradesh III (from 1986 onwards)	16.12	Uttar Pradesh
- Uttar Pradesh IV (from 1987 onwards)	16.08	Uttar Pradesh
- Uttar Pradesh V (from 1988 onwards)	5.65	Uttar Pradesh
- Uttar Pradesh VI (from 1989 onwards)	18.89	Uttar Pradesh
- Kerala I (1983 onwards)	37.60	Kerala
- Kerala II (from 1985 onwards)	17.57	Kerala
- Kerala III (from 1987 onwards)	14.39	Kerala
- Karnataka I (from 1991 onwards)	1.59	Karnataka
- Project preparation and monitoring	15.30	-
- Training in the Netherlands for Indian counterparts	1.24	-

	Disburse- ments (Dfl mln)	Regional impact
I.c Land and water (71 activities)		
- Agro Forestry (1986-87)	0.07	nation-wide
- Andhra Pradesh Minor Irrigation Scheme (from 1990 onwards)	0.53	Andhra Pradesh
- Bioconversion I (from 1986 onwards)	4.08	nation-wide
- Community Irrigation Project (from 1988 onwards)	0.49	Kerala
- Hypofors (1986-90)	1.10	Karnataka
- Khar land I/II (from 1986 onwards)	5.99	Maharashtra
- Kuttanad (1986-90)	15.71	Kerala
- Operational pilot project Haryana (1990)	0.10	Haryana
- Operational research project Hissar I/II (1986-)	0.96	Haryana
- Operational research project Karnal I/II (1986-)	1.60	Haryana
- North Bengal Terai (from 1985 onwards)	13.64	West Bengal
- Salinity ingress prevention scheme (1990-91)	0.31	Gujarat
- Tungabhadra irrigation pilot project (1988-)	2.53	Karnataka
- Uttar Pradesh State Tubewell (from 1985 onwards)	54.01	Uttar Pradesh
- Vegetable and Food Project (1986-87)	0.02	nation-wide
- Wamatra I/II (from 1986 onwards)	4.92	nation-wide
- WAMANAT/PMU (from 1989 onwards)	6.92	Andhra Pradesh
- Project preparation and monitoring	2.18	-
I.d Environment (70 activities)		
- Mercury Recovery (1987)	0.07	nation-wide
- Aquatic ecotoxicology courses (from 1988 onwards)	1.26	nation-wide
- Inst. support Central Leather Research Institute	0.83	Tamil Nadu
- EIA Workshops (from 1988 onwards)	2.69	nation-wide
- Kanpur/Mirzapur (from 1986 onwards)	39.18	Uttar Pradesh
- Biomonitoring (from 1986 onwards)	1.21	nation-wide
- Industrial counselling (from 1986 onwards)	1.45	nation-wide
- Project preparation and monitoring (incl. AMILIS)	3.89	-
I.e Miscellaneous (53 activities)		
- Geochemical project (1985-92)	0.22	Delhi/ Karnataka
- IDPAD (from 1980 onwards)	5.48	nation-wide
- Kanpur/Mirzapur income generation (1988-)	0.05	Uttar Pradesh
- Karnataka Industrial Sheds (from 1981 onwards)	50.01	Karnataka
- Cooperation between CBI and TDA	0.40	nation-wide
- Morphology project (1986-91)	0.46	nation-wide

	Disburse- ments (Dfl mln)	Regional impact
- Mushroom project (1986-92)	3.77	Karnataka/ Himachal Pradesh/ Uttar Pradesh
- Training Women in Agriculture (from 1986)	0.81	Gujarat/ Andhra Pradesh
- Twistless spinning (1986-88)	0.43	nation-wide
- Uzifly (from 1987 onwards)	2.03	Karnataka
- Women in Development (from 1988 onwards)	0.01	nation-wide
- Gaspip Jagdispur (1984-87)	1.83	Uttar Pradesh
- Project preparation and monitoring	0.48	-

II Non-regular programmes

A small selection of non-regular projects is listed below, involving only those with accumulated disbursements of more than Dfl 2 million in the period 1985-1992. The projects fit basically into the three main categories of the non-regular programme which prevailed until 1990: (a) rural development; (b) industrial development; and (c) training, education and research. Other non-regular categories involved: (d) balance of payments support (particularly involving the costs of the dollar clause (see footnote 12, chapter 3); (e) emergency aid (never exceeding Dfl 2 million); and (f) special programmes. In the latter case, only two activities could be noted with accumulated disbursements of more than Dfl 2 million: the embassy micro projects programme (KAP) and the programme for sectoral experts, both involving the embassy in New Delhi. Total KAP disbursements in 1986-92 amounted to Dfl 2.65 million, while total costs involved with sectoral experts for the embassy were Dfl 3.65 million during the same period.

	Disburse- ments (Dfl mln)	Regional impact
II.a Rural development		
- NOVIB/AWARE rural integrated programme (1988-90)	6.00	Orissa/ Andhra Pradesh
- NOVIB/AWARE/KIRDP (1986-88)	3.48	Andhra Pradesh
- ICCO/CROSS (including emergency aid) (1986-89)	3.27	Andhra Pradesh
- HIVOS/SARTHI int. rural dev. programme (1989/92)	2.40	Gujarat
- UNICEF/Water and Sanitation for Drought (1988/90)	10.00	nation-wide
- Agriculture, Man and Ecology (1986-92)	3.87	Tamil Nadu

	Disburse- ments (Dfl mln)	Regional impact
II.b Industrial development (cf. I.a)		
- mixed credit (suction hopper dredger/1985)	12.00	nation-wide
- mixed credit (two suction hopper dredgers/1989-90)	41.46	nation-wide
- mixed credit (dredging in Nhava Sheva/1987-88)	26.03	Maharashtra
II.c Training, education and research		
- IHS/HUDCO (1986-90)	5.25	nation-wide
- ITC/IIRS (1986-89)	3.24	nation-wide
- ITC/STI (1988-91)	4.08	Andhra Pradesh

Annexe 5 Composition of Netherlands aid programme to Mali

Period	Title of activity/ies	Expenditures (x Dfl 1,000)				Total
		pre-1981	1981-85	1986-90	1991-92	
Programme aid						
1980-	Food aid	1 024	29 236	11 302	4 239	45 801
1984-	Import support	-	21 880	88 596	13 895	124 371
1984-1991	Emergency aid	-	2 264	1 016	1 847	5 127
1986-	Co-financing (World Bank)	-	-	12 500	19 700	32 200
1989-	Debt relief	-	-	1 428	341	1 769
Project aid						
<i>Mali-Sud</i>						
1978-	DRSPR	330	7 061	16 755	7 043	31 189
1982-1989	SNV water project, Dioila	-	1 811	427	-	2 238
1983-	Village wood/FORS	-	2 071	6 928	3 093	12 092
1983-1988	SNV forestry project, Dioila	-	76	40	-	116
1984-	SNV health care, Dioila	-	1 219	2 451	1 498	5 168
1986-	Anti-erosion project	-	-	4 293	3 372	7 665
1987-	SNV PATV Fana	-	-	435	789	1 224
1988-	SNV village grain stores	-	-	252	1 209	1 461
1988-	PAAF/Women in development project	-	-	1 921	2 314	4 235
1989-	SNV horticulture, Dioila	-	-	55	1 040	1 095
1990-1992	Mali-Sud environmental profile	-	-	150	264	414
1990-	Assembly workshop, Koutiala	-	-	353	1 064	1 417
<i>Office du Niger region</i>						
1979-	ARPON (and its predecessors)	970	43 417	56 068	12 114	112 569
1984-	SSP health care, Ségou	-	161	4 593	1 959	6 713
1986-	Rice, Kogoni	-	-	3 775	1 324	5 099
1990-	CARE Macina wells programme	-	-	885	870	1 755
1991-	Rice hulling ON	-	-	-	1 592	1 592
<i>Other projects</i>						
1975-1988	PPS research	7 001	794	23	-	7 818
1976-1989	Ansongo-Andéramboukané road	32 328	7 544	3 292	-	43 164

Period	Title of activity/ies	Expenditures (x Dfl 1000)				Total
		pre-1981	1981-85	1986-90	1991-92	
1976-1988	Rural polytechnic institute (ISPRA)	2 094	871	313	-	3 278
1976-1979	Aerial mapping, Kaarta	3 600	-	-	-	3 600
1977-1981	Kayes cold storage plant	660	214	-	-	874
1977-1979	Assistance to Hydraulic Department	10 000	-	-	-	10 000
1978-1990	RURGS (wildlife utilisation study)	4 696	4 087	500	-	9 283
1979-1982	Didieni-Goumbou road	8 653	3 443	-	-	12 096
1981-1989	SNV Gao revalidation	-	926	134	-	1 060
1982-1989	Kayes dams	-	1 628	2 620	-	4 248
1983-1988	SNV health care, Djenné	-	105	89	-	194
1984-1990	Gao, solar energy	-	1 845	62	20	1 927
1985-	Forestry, Koulikoro (SNV)	-	50	1 602	1 980	3 632
1985-	Forestry, Koulikoro (FAO)	-	1 703	5 485	2 063	9 251
1985-	Sotuba soil research laboratory	-	23	3 393	1 831	5 247
1985-1987	Mopti rice project	-	3 050	1 212	-	4 262
1987-	Archeology projects	-	-	196	238	434
1988-	Cebemo Dogon	-	-	393	-	393
1989-1990	PSS Mopti	-	-	625	136	761
1990-	ACORD Timbuktu	-	-	1 657	1 280	2 937
1991-	Dogon water programme	-	-	-	1 353	1 353
1991-	Support for democratisation	-	-	-	990	990
Programme financing						
1976-	Cebemo co-financing	4 500	3 103	5 193	1 629	14 425
1976-	ICCO co-financing	1 104	2 551	3 905	1 728	9 288
1976-	NOVIB co-financing	499	1 723	784	1 094	4 100
1978-	SNV (in addition to project financing)	-	6 398	14 435	4 429	25 262
1986-	Small non-governmental activities (KPA)	-	-	173	30	203
1986-	Embassy Micro Projects (KAP)	-	-	391	333	724
Support for aid programme						
1985-	Bureau de Coopération Néerlandaise	-	169	1 440	-	1 609
1990-	Sector specialists programme	-	-	126	1 085	1 211
1991-	Programme support fund	-	-	-	370	370

Annexe 6 Composition of Netherlands aid programme to Tanzania

Title of activity/ies	Expenditures (x Dfl million)			
	1970-79	1980-89	1990-92	Total
Programme aid				
<i>Import support</i>				
Industrial companies	6.6	267.1	125.7	399.4
Fertiliser, Tanzania Fertiliser Company	72.5	142.8	-	215.3
Fertiliser, private traders	-	-	5.1	5.1
Oil products	33.0	25.1	11.3	69.3
Consumer goods (incentive goods)	-	15.3	-	15.3
Medicines	6.0	15.0	-	21.0
Food aid	-	11.1	-	11.1
<i>Co-financing</i>				
Export rehabilitation credit	-	25.2	-	25.2
Multi-sector rehabilitation credit	-	50.0	-	50.0
Industrial rehabilitation and trade adjustment credit (OGL)	-	20.0	-	20.0
Tanzania agriculture adjustment credit (OGL)	-	-	60.0	60.0
<i>Debt relief</i>	108.0	7.5	24.6	140.1
Investment projects				
Air Tanzania Corporation	54.1	70.6	-	124.7
Tanga cement factory	53.0	8.0	-	61.0
Dar es Salaam port grain terminal	-	35.4	5.0	40.4
National Cold Chain Operations	23.2	1.2	-	24.4
Small Industry Development Organisation	5.5	17.2	0.6	23.3
Mbozi state maize company	4.1	11.2	0.3	15.6
Tractor repair workshop Zanzibar	0.6	10.2	1.4	12.2
Pasiansi shipyard	0.5	6.0	1.4	7.9
Storage godowns, Tanzania Fertiliser Company	1.4	3.7	0.8	5.9
Mbeya farm implements factory	5.5	0.2	-	5.7
TanESCO gas turbine	5.6	-	-	5.6
X-ray equipment	4.4	0.2	-	4.6
Tugboats and cranes (Zanzibar and Pemba)	-	4.6	-	4.6
ALAF steel billets plant	3.6	-	-	3.6
Tanga jetty	3.4	-	-	3.4

Title of activity/ies	Expenditures (x Dfl million)			
	1970-79	1980-89	1990-92	Total
Starch factory (Netherlands Development Finance Company and mixed credits)	-	11.8	-	11.8
Floating crane (mixed credits)	3.3	1.1	-	4.4
Port tugboat, Dar es Salaam (mixed credits)	-	3.9	-	3.9
Textile printing equipment (mixed credits)	-	1.1	-	1.1
Rural development projects				
<i>Livestock assistance programmes</i>				
State livestock companies (LIDA and TSA)	7.4	23.9	-	31.3
Liti Buhuri livestock training centre	0.5	13.3	1.1	14.9
Tanzania Rural Development Bank	1.2	0.6	-	1.8
Tanga dairy development project	1.7	3.0	1.8	6.5
Kagera dairy development project	-	6.0	6.3	12.3
Zanzibar dairy plant	-	1.5	-	1.5
Veterinary drugs import support	-	14.2	0.1	14.3
<i>Rural water supply</i>				
Morogoro and Shinyanga water projects	22.1	61.1	9.7	91.9
Wazo Hill workshop, Maji	0.7	1.6	-	2.3
<i>District rural development programmes</i>				
RIDEP, Shinyanga	2.4	-	-	2.4
DRDP, Meatu	-	0.3	2.2	2.5
DRDP, Mbulu	-	4.5	5.5	10.0
DRDP, Maswa	-	3.9	5.5	9.3
DRDP, Bukoba	-	3.7	3.5	7.2
<i>Other rural development projects</i>				
Construction of grain silos	-	6.8	-	6.8
Agricultural extension, Shinyanga	-	2.2	0.2	2.4
Cheju rainfed rice project, Zanzibar	-	2.3	-	2.3
Irrigation, Morogoro	-	2.0	-	2.0
Fertiliser project, phase ii (FAO)	-	1.9	3.8	5.7
Fisheries Lake Tanganyika (FAO)	-	2.4	1.4	3.8
FSAS early warning and crop monitoring (FAO)	-	3.3	-	3.3
Salt iodine project (UNICEF)	-	1.0	1.5	2.5
Women in irrigated agriculture (FAO)	-	0.5	1.3	1.8
Village storage and training (FAO)	-	1.5	-	1.5
People's participation project (FAO)	-	0.8	0.4	1.2
Action to assist rural women (FAO)	-	0.2	0.9	1.1
SPWP forestry (ILO)	-	0.8	0.2	1.0

Title of activity/ies	Expenditures (x Dfl million)			
	1970-79	1980-89	1990-92	Total
Small-scale irrigation, Dodoma (SNV)	-	2.9	0.6	3.5
Traditional irrigation improvement (SNV)	-	0.8	1.5	2.3
Dodoma village afforestation (SNV)	-	0.5	0.9	1.4
Technical cooperation projects				
University cooperation	3.2	12.7	4.2	20.1
Urban planning course (CHS)	1.1	5.5	-	6.6
Management course (ESAMI)	-	4.0	4.4	8.4
Management course (SICATA)	-	3.4	-	3.4
Technical college, Dar es Salaam	4.3	-	-	4.3
Teacher training course, TTC Ifunda	2.6	1.6	-	4.2
Technical schools, Moshi, Mtwara and Tanga	2.3	0.6	-	2.9
Regional planning course, Morogoro	1.0	0.4	-	1.4
Bookkeeping course	1.3	-	-	1.3
Hotel school	1.1	0.2	-	1.3
Horti Tengeru horticultural course	2.7	7.4	0.3	10.4
Mati Mlingano agricultural course	-	8.2	2.0	10.2
Plant Protection Division, Zanzibar	-	3.7	1.8	5.5
National Soil Service	-	8.9	5.1	14.0
Farming systems research, Lake zone	-	2.1	3.8	5.9
National coordinator for farming systems research	-	-	1.2	1.2
Research into pit latrine technology	-	0.4	0.7	1.1
Research into the gasification of agricultural waste	-	2.5	-	2.5
Aids research	-	0.7	3.6	4.3
Epidemiology of malaria, Kilombero district	-	0.4	0.6	1.0
Fisheries research, Lake Victoria	13.2	4.3	0.9	18.4
Economic Policy Research Programme	-	1.5	0.7	2.2
Minerals exploration	1.9	-	-	1.9
Sector aid				
<i>Sugar sector</i>				
Kilombero plantation	60.6	54.4	3.8	118.8
Kagera plantation	17.5	27.1	-	44.6
Mtibwa plantation	6.9	34.8	3.3	45.0
TPC plantation	-	13.8	0.5	14.3
NSI sugar sector training college	19.8	9.1	-	28.9
Institutional support to Sudeco	2.1	6.8	0.1	9.0
<i>Cotton sector</i>				
Management support for TCA, RCU's and PEL	-	20.4	9.2	29.6
Import support for rehabilitation of ginneries	-	59.0	11.9	70.9
Ginnery capital investment (Manawa)	-	4.5	1.4	5.9

Title of activity/ies	Expenditures (x Dfl million)			
	1970-79	1980-89	1990-92	Total
Programme financing				
Fellowships programma	7.1	26.0	8.5	41.6
Suppletion experts programme	18.8	30.0	4.7	53.5
Associate experts programme	1.5	6.9	5.2	13.6
Management consultancy programme (PUM)	-	1.0	0.3	1.3
Personnel Services Overseas (PSO)	4.2	10.2	4.0	18.4
Netherlands Development Finance Company (FMO)	2.6	30.7	-	33.4
SNV programme (excl. project expenditure)	14.9	39.5	13.3	67.7
Cebemo co-financing programme	13.0	24.1	8.8	45.9
HIVOS co-financing programme	-	2.0	1.8	3.8
ICCO co-financing programme	12.1	24.0	5.4	41.5
NOVIB co-financing programme	5.0	15.6	1.4	22.0
Embassy Micro Projects (KAP) programme	0.5	3.5	0.8	4.8
Support for aid programme				
Support fund programme	1.6	8.8	1.0	11.4
Sector specialists programme	-	0.5	1.7	2.2

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