Introduction

Denmark's recent experience with exiting from Benin, Nicaragua, and Zambia are briefly reviewed here, providing updated information on and lessons learned *after* the evaluation was conducted in 2007-08. A key finding is that although the exit situations were apparently similar at first glance, Denmark's experience varied substantially. This once again points to the fact that one size does not fit all, and to the difficulty of providing clear guidance on how to manage country exits. All three exits further point to the fact that orderly exits take time, requiring a minimum of 3-4 years to implement.

Generally, Denmark's exits from these three countries are examples of good or at least orderly exits.

For all three countries, the decision to exit was made in late 2010 and the rationale was similar in all cases, i.e. the exits were justified by the need to concentrate development cooperation on fewer countries. All three cases furthermore involve countries that are considered to be dependent on aid. As such, the partner country governments would not be expected to have the financial and/or technical resources to sustain the outcomes after Denmark's exit. Although all three countries are classified as poor, aid dependent countries, the countries were very different in terms of both sources of financing for development and Denmark's role. This emphasises the importance of a thorough assessment of the country context, including Denmark's role in the architecture of development cooperation, in order to design appropriate exit strategies.

On the surface, Denmark's role was remarkably similar in the three countries, with Denmark's overall level of financial support amounting to about 5-6 per cent of total official development assistance prior to phasing out. The number of development partners varied, however – while Zambia was a 'donor darling' with many development partners, relatively high growth rates and a large influx of foreign direct investment, the other two countries had relatively few development partners.

In most aspects, however, Denmark's experience in Nicaragua stands out – including the exit rationale and communication (under severe pressure in Nicaragua due to inappropriate announcement and political tension), as well as the lack of flexibility and insufficient time allowed for the exit (pressure to front-load and exit quickly). Regarding the role of other sources of financing than traditional development assistance, Benin stands out as Zambia and Nicaragua had significant flows of private financing, non-traditional sources of official development assistance and possibilities of at least partially filling the financing gap by additional domestic resource mobilisation.

All three exits were similar in terms of the time-consuming financial management process of closing all programmes and projects, and they faced similar issues concerning maintenance and motivation of staff during the phase-out. The importance of ensuring the continuation of senior posted staff/head of development cooperation was noted in all three cases.

BENIN

Benin became a Danish priority country in 1992 with a country frame increasing to about DKK 220 million. The political decision to exit from development cooperation with Benin was made in the second half of 2010, justified by the need to concentrate Denmark's efforts in fewer countries and sectors. Early on, the exit period was fixed to 3-3½ years, with full closure of the representation by July 2014.

Context: With a gross national income per capita of only USD 710 p.a. in 2010, Benin remained a poor country despite annual average growth rates of 4.0 pct. throughout the past decade. Economic growth was insufficient to make a dent in poverty, only just matching population growth. In 2010, Benin's cotton production and exports were hard hit by floods, leading to lower growth and a substantial balance-of-payments deficit. With strong support from the international community and prudent macroeconomic policies, macroeconomic balances were restored in 2011-12. Since 1990, Benin had been a relatively stable democracy but while there were visible improvements in social sectors such as health and education, poverty remained high. Furthermore, the general governance environment had not improved, as there was limited progress on reduction of corruption and implementation of critical reform programmes. Finally, the business environment remained difficult and Benin did not manage to take advantage of the emergence of new donors and large-scale foreign private financial flows during the 2000s. As a result, foreign direct investment remained relatively low and Benin was highly dependent on *official* external flows to finance its development.

Key Economic Data	***Ave.2000-10***	*2010*	2011	2012
GNI/cap (Atlas, USD)	***520***	*710*	720	750
GDP growth	**4.0**	*2.6*	3.5	5.4
ODA (net, USD mn)	**424**	*689*	690	511
Aid Dependence				
ODA/GNI (%)	**9.42**	*10.59*	9.50	6.80
FDI/GNI (%)	**1.00**	*0.81*	2.22	2.12

Development cooperation: With development financing dominated by official flows from traditional development partners, development cooperation was to a large extent focused on aid effectiveness, in particular harmonisation of all partners in support of the national poverty reduction strategy. With annual disbursements of about USD 35 million, about 8 pct. of all official external flows came from Denmark. There were only few development partners in Benin, and Denmark played an important role being among the largest bilateral partners and acting as lead in education. The Danish priority sectors were education (DKK 198.5 million approved in 2005), transport (DKK 462.2 million approved in 2005), and water & sanitation (DKK 306.4 million approved in 2004). Denmark furthermore supported the agriculture sector (finalised in 2011), as well as a large number of cross-cutting projects and programmes within good governance and thematic priority areas, including a general budget support programme.

Top Ten donors of ODA Ave. 2011-12, USD mn	
1. United States	125
2. EU institutions	76
3. IDA	70
4. France	50
5. Germany	49
6. Denmark	**35**
7. IMF	33
8. AfDF	31
9. Belgium	28
10. Netherlands	24

Key lessons of experience: Denmark's phase-out from Benin highlights that orderly exits take time; the phase-out took about 3½ years and this provided only just sufficient time to wind up all activities. Denmark decided to exit from Benin at a time when harmonisation and alignment around national strategies and systems, as well as division of labour among development partners, were in focus. The exit decision came during an economic downturn due to adverse external events, notably extensive flooding. Furthermore, Denmark was the only Nordic development partner active in the country, which compounded the difficulties of not only exiting from development cooperation, but also closing down the Danish representation. The phase-out period of about 3½ years, however, allowed Denmark to hand over its most important responsibilities to other development partners, communicate with and include all relevant partners in elaborating the exit strategy, and it provided sufficient flexibility to fulfil not only Denmark's legal obligations but also its commitments. Against this background, the exit from Benin could be characterised as an orderly exit, well executed, but perhaps not widely understood and accepted by national partners.

With limited inflows of foreign private resource flows in the form of foreign direct investments, portfolio flows or private transfers (remittances), the financial gap left by Denmark's exit had to be closed by other official transfers (i.e. other development partners), domestic resources or sharp reductions in expenditures in key areas of Benin's national poverty reduction strategy. Given Benin's income level and fiscal pressures, compounded by the economic down-turn caused by both floods and the international economic environment, mobilising additional domestic resources to fill the gap was not an option in the short to medium term. In an effort to secure sustainability, the exit strategy therefore mainly focused on handing over the financial and technical contributions to other development partners. This task was difficult, given the limited number of development partners, including in the Danish priority sectors.

Benin's national poverty reduction strategy was developed in an era of increasing official development cooperation with focus on effectiveness and achievement of the Millennium Development Goals. At the time, there were no strong efforts by the international community to caution against rapidly increasing public expenditures (funded by development cooperation) or the financial/fiscal sustainability of the strategies. As a reflection of this trend, the Danish support did not include clear considerations regarding the sustainability of results or the prospects of financing the expenditures by domestic resources. Rather, the support focused on supporting the national strategies, as well as on harmonisation and alignment of development cooperation. Thus, the potential to sustain outcomes after the exit primarily hinged on handing over to other development partners. In this spirit, a tentative agreement concerning country concentration was reached in which the Netherlands would exit Burkina Faso, while Denmark would phase out in Benin. As part of this agreement, the Netherlands would fill the financial gap left by Denmark in Benin. In terms of technical support, the lead role in education was eventually assumed by UNICEF.

From the decision to exit was made, strong efforts were made by the representation to communicate to partners and engage them in the development of the exit strategy. This included international, national, and local partners, public as well as private (notably civil society organisations). Two new support programmes were under preparation in education and transport – and in order to fulfil Denmark's commitments, the planned programmes were replaced by 2-year 'exit' programmes in order to secure a smooth transition. Thus, exit programmes for transport (DKK 100 million) and education (DKK 125 million) were approved in late 2011 – these programmes were fully implemented and disbursed by the end of 2013. No new areas of intervention were ventured into during the phasing out, as emphasis was firmly on consolidation of achievements and preparation of handing over the lead role in the education sector. Although sector budget support in education was considered in the exit programme, Denmark opted for consolidation of achievements through existing mechanisms.

Financial management: At the end of 2010, the Danish representation had a large back-log of outstanding accounts – including from many smaller projects dating back years. In order to ensure that all projects could be formally closed, the Embassy prepared a separate plan for securing final accounts and audits – noting that it would be both time-consuming and human-resource heavy to ensure full and proper accounting of all outstanding projects and programmes. A special issue for the representation was accounting for general budget support, which is based on approval of the annual audited government accounts. Although the accounts were audited, the formal approval had not been done regularly – and after some time, it was decided to close the Danish accounts on the basis of the audited government accounts, rather than await clearing of the back-log in the government system. The contracts of two local staff were extended by a few months beyond representation closure to finalise the last few remaining issues.

Human resources*:* Two main lessons emerge from the experience of phasing out in Benin. Firstly, the presence of senior posted staff is critical to ensure the appropriate communication and follow-up with officials and policy-makers in the recipient country. The continuity of the deputy in the Danish representation throughout the phasing-out was instrumental vis-à-vis both partners and employees at the Danish representation. Secondly, phasing out is human-resource intensive – maintenance of staff (notably local staff) throughout the phase-out period is critical to ensure a smooth transition, as well as closing down activities. A huge challenge was to keep staff motivated and maintain high standards – but clarity on the timing and conditions of the exit, as well as the continuity of senior posted staff proved important in maintaining staff morale and active engagement in relevant fora. In addition, the representation utilised all support facilities available, including support for managing the transition. This included support to local staff for preparing CVs, participating in competence development, and finding new employment.

NICARAGUA

Nicaragua became a Danish priority country in 1993 with a country frame increasing to DKK 180 million in 2008. The rationale for exiting was the strong political tensions and Danish concerns over human rights abuses, although the need to concentrate Denmark's efforts in fewer countries and sectors was initially used as justification. The exit was decided in early 2010 and had to be carried out as quickly as possible, with due respect for both legal obligations and commitments to partners. In the event, the last disbursements took place in 2011 and the Danish representation was closed in 2012, with final closure of accounts only done in 2013.

Context: With gross national income per capita of about USD 1,500 p.a. in 2010, Nicaragua ranked in the higher income bracket of poor countries. Nevertheless, Nicaragua remained the poorest country in Central America and among the poorest in Latin America. Annual economic growth rates fluctuated significantly but remained insufficient to reduce poverty rates. Since 2007, Nicaragua has been ruled by the Sandinistas, which has implied dramatic political changes throughout society. Increasing political interference and non-democratic tendencies, as well as no replacement of, or commitment to the overall national planning framework agreed upon with the previous government, seriously complicated the continuation of development cooperation. Official development cooperation with traditional partners was reduced, while technical and financial cooperation with 'new' development partners, notably Venezuela, increased sharply. In addition, foreign direct investment increased, surpassing official flows. Thus, although Nicaragua remained dependent on official development assistance, the importance of development financing from traditional partners was sharply reduced.

Key Economic Data	***Ave.2000-10***	***2010***	***2011***	***2012***
GNI/cap (Atlas, USD)	***1,171***	*1,470*	1,600	1,690
GDP growth	**3.0**	*3.3*	7.3	3.4
ODA (net, USD mn)	**783**	*662*	694	532
Aid Dependence				
ODA/GNI (%)	**12.70**	*7.61*	7.19	5.14
FDI/GNI (%)	**4.83**	*5.84*	10.03	7.78

Development cooperation: With annual disbursements of DKK 166 million in 2010, Denmark was among the five largest bilateral development partners. With extended delays in formulating a national development plan/strategy, most European partners were phasing out of development cooperation at the time. Denmark decided to speed up the exit after prolonged discussions concerning Danish support to civil society ended unresolved. Danish support was concentrated on transport (DKK 395 million), environment (DKK 200 million), and education (DKK 185 million), all approved in 2005. In addition, Denmark provided substantial cross-sector support to civil society (including participation and advocacy, legal rights of women, and broader human rights). All bilateral development partners, including Denmark, had already

Top Ten donors of ODA Ave. 2011-12, USD mn	
1. IDB	167
2. IDA	55
3. United States	53
4. Russia	42
5. Spain	42
6. EU institutions	35
7. Japan	30
8. Denmark	**22**
9. Germany	22
10. Switzerland	22

suspended general budget support and the Danish assistance programme had been reduced and revised several times prior to the decision to exit.

Key lessons of experience: Denmark's experience in Nicaragua highlights that 2-2½ years is insufficient to ensure implementation and full closure of all accounts, despite frontloading of some disbursements. In the highly charged political environment, the decision to exit should have been communicated directly to top levels of government and could have provided an unambiguous rationale for the decision. The limited number of development partners complicated the task of trying to fill the financial gap, which proved particularly difficult for civil society organisations. Strong engagement by the Ambassador and continuation of the previous head of development cooperation at the representation (through a separate contract) was instrumental in securing a responsible exit from Nicaragua – and was critical to boost staff morale, both in key partner organisations and at the representation.

At the time of phasing out, the context for development cooperation was dominated by significant political differences between traditional development partners and the Government of Nicaragua. Due to the difficulties of implementing already agreed support programmes and sharp differences on the role of civil society organisations had led to frequent changes in Denmark's portfolio over several years prior to the exit decision. Increasing emphasis had been given to collaboration with local governments in some (autonomous) regions in the country, as well as civil society organisations, rather than working with national government institutions. With the clear objective of exiting as fast as possible, while respecting both obligations and commitments, no new programmes were committed. Some disbursements were frontloaded but technical support was still required to secure appropriate implementation. As most other bilateral partners were also in the process of exiting, filling the technical and financial gap left by Denmark was not possible. Therefore, the main focus of the exit strategy became to consolidate achieved results, in particular the local government system of rural road maintenance. Sufficient flexibility was available in the programmes to provide for a gradual reduction in support to key civil society organisations and thereby assist their adaptation to lower levels of funding.

Appropriate communication of the decision to exit was rendered impossible, as the news reached the media prior to any official communication from the representation. As the rationale provided for the exit was unclear, communication with Nicaraguan politicians and senior officials was difficult and hampered their engagement in securing an orderly exit from the country. Instead, the Ambassador communicated the strong political differences, which enabled cordial relations with most direct partners, regardless of their political affiliations. Communication should have been handled differently, with clear communication to the highest level prior to publicly announcing the decision. While strong engagement by national partners in the implementation of Denmark's programmes could not be expected, better communication would probably have eased bilateral relations and reduced concerns of both local government and civil society partners. To counteract the negative image, the Danish representation made great efforts to collect and widely disseminate the results of the cooperation with Denmark throughout the almost two decades, i.a. producing accessible information on a widely distributed CD-ROM. Such documentation and dissemination proved useful in counter-acting the negative image of Denmark, especially for partners in local governments. It is considered to be best practice when disengaging from long-term cooperation. Other development partners, including Sweden, used a similar approach when phasing out of Nicaragua.

The administrative burden of properly closing down all activities was large, partly due to the numerous outstanding accounts of completed projects, as well as ongoing activities. This required concerted efforts from all staff, whose knowledge of the programmes was invaluable. At the time of closure of the representation, twelve projects remained outstanding. This was resolved by entering into a contractual arrangement with the previous head of development cooperation, who had retired in Nicaragua. This made it possible to ensure continuity of both technical and administrative support, even after formal closure. In this manner it was possible to provide the support required to ensure proper implementation at the local government level and safeguard the notable results achieved in securing a sustainable mechanism for maintaining and investing in rural infrastructure.

On the human resource side, the challenges to maintain staff and their motivation were notable, not least due to the strained relations in a politically charged environment. Through the strong personal engagement of and clear communication from management, it proved possible to maintain a high degree of loyalty from the local staff members who decided to stay during the phase-out. The dedication and professionalism of staff was exemplary and although local staff were placed in a difficult situation, their strong dedication and professionalism proved instrumental in limiting the negative effects of the Danish decision to exit. Staff members were supported in the ways possible, including through selected competence development and personal recommendations from the Ambassador in seeking alternative employment.

ZAMBIA

Zambia became a Danish priority country in 1992 with a country frame increasing to about DKK 250 million. The political decision to exit from development cooperation with Zambia was made in the second half of 2010, justified by the need to concentrate Denmark's efforts in fewer countries and sectors. Early on, the exit period was fixed to be 3 years, with full closure of the representation by the end of December 2013.

Context: Although Zambia remained a poor country, average incomes more than doubled during the 2000s, as Zambia's economic growth rates increased to more than 7 pct., fuelled by high commodity prices and record harvests. Zambia weathered the global economic crisis remarkably well, quickly returning to trend growth of more than 6 pct. Nevertheless, poverty rates remained high with significant increases in income inequality. The Zambian government explicitly sought to become independent from development cooperation, instead seeking bilateral partnerships based on commercial relations. On average during the 2000s, Zambia could be characterised as an aid dependent country, with official development assistance (from DAC partners) contributing more than twice as much to gross national income than foreign private flows. Furthermore, official development assistance contributed significantly to financing the balance of payments and, perhaps most importantly, contributed very significantly to public expenditures. This picture changed dramatically, however, with foreign direct investment increasing sharply and remaining at relatively high levels despite the global financial and economic crisis, as well as spreading beyond the copper sector. In addition, 'new' development partners (notably China) became increasingly important as financiers, not least in large-scale infrastructure.

Key Economic Data	***Ave.2000-10***	*2010*	2011	2012
GNI/cap (Atlas, USD)	***610***	*1,080*	1,180	1,410
GDP growth	**5.4**	*7.6*	6.8	7.3
ODA (net, USD mn)	**1,002**	*914*	1,035	958
Aid Dependence				
ODA/GNI (%)	**15.81**	*6.16*	5.74	4.73
FDI/GNI (%)	**7.45**	*11.66*	6.14	5.26

Development cooperation: At the time of exit, Zambia had development cooperation with many partners. In this context, and despite being the 8th largest development partner (and 5th largest bilateral), Denmark's role was strictly limited and the task of finding alternative sources of financing to fill the gap left by Denmark was relatively easy. The Danish priority sectors were water and sanitation ((DKK 245 million approved in 2005), transport (DKK 400 million approved in 2007), and education (DKK 115 million approved in 2007). In addition, Denmark had recently launched support to the environment sector, as well as numerous cross-cutting projects and programmes within good governance and thematic priority areas. Two new 'exit' programmes were approved in 2011, in water (DKK 130 million) and roads (extended and re-formulated), respectively.

Top Ten donors of ODA Ave. 2011-12, USD mn	
1. United States	291
2. Global Fund	94
3. EU institutions	92
4. United Kingdom	88
5. IDA	79
6. Norway	66
7. Japan	47
8. Denmark	**44**
9. Germany	37
10. Sweden	32

Key lessons of experience: Zambia was clearly a country on its way to become independent of official development assistance. The increasingly visible corruption even at high levels, limited shared values geopolitically (notably vz. Zimbabwe) and the general deterioration in relations with development partners, contributed to the Danish exit. Against this background, Denmark's exit from Zambia must be characterised as successful. Nevertheless, an earlier and stronger focus on other aid modalities (such as Denmark Business Finance and development of 'innovative' financing mechanisms) might have paved the way for a transformation, with focus on commercial relations.

Although Zambia made visible progress in achieving most of the Millennium Development Goals and was a 'donor darling' with many partners, the general governance environment appeared to be deteriorating, with increasing violation of human rights, as well as rampant and large-scale corruption, including in one of Denmark's priority sectors. This led to some traditional development partners withholding some disbursements and to a need for re-formulation of the Danish support to transport. With substantial inflows of foreign direct investment and considerable financial flows from 'newer' development partners, Zambia was no longer heavily dependent on official inflows and clearly expressed an interest in becoming independent of what was considered to be undue interference in domestic affairs. Rather, the government sought investments from private foreign companies. More might have been done to explore increased financing from domestic resources – but notwithstanding the good fiscal position in Zambia, the financial gap left by Denmark was mainly filled by other development partners.

Communication of the decision to exit was relatively straightforward, at both the political and technical level, given the three years allocated for the Danish withdrawal and flexibility exhibited by the approval of two 'exit' phases, i.e. a new 2-year programme in the water sector and a 2-year programme in the roads sector via a re-formulated programme focused on the local government level in two regions. Thus, Denmark was able to fulfil both legal obligations and commitments. No new areas of intervention were ventured into during the phasing-out, and the focus was firmly on consolidation. Efforts to sustain outcomes were mainly focused on the water sector, where Denmark had a lead role. This was accomplished by handing over the lead role to Germany, thus executing an already planned shift among development partners.

With the good economic prospects of Zambia and a relatively sound business environment, Denmark might have explored the development of 'new' financing modalities and the possibilities of establishing stronger commercial relations with Zambia. The presence of the Danish business community was, however, limited and Denmark's programme did not focus on private sector development. Despite this, the preparation of a loan through Danida Business Finance, which had been under way for some time, was continued.

Concerning financial management, some efforts had already been made to close accounts and finalise previous engagements. With the fulfilment of commitments, including the two exit programmes, activities were still being carried out during the phase-out – but with a strong focus on the need to secure the required accounting and other documentation. While the burden of securing full closure of all accounts is always quite heavy, the task was manageable despite some delays in implementation of the two exit programmes. A number of regional programmes were managed by the Danish representation in Zambia. These were continued beyond the formal closure of the Danish representation and were gradually handed over to the representations in neighbouring countries. This issue was managed by an extension of the head of development cooperation through a six-month period. Although agreed in principle, the support on financial management from Copenhagen was insufficient after the departure of the posted Chief Financial Officer. Therefore, the representation contracted additional financial management support locally.

Concerning human resources, Denmark's exit experience in Zambia is similar to the two other countries reviewed. In Zambia, both the Ambassador and the Deputy (head of development cooperation) remained for most of the exit period, which was perhaps not strictly necessary for the proper closing-down of the representation. Clearly, the continuation of management staff was instrumental in terms of securing proper finalisation of all activities and managing the transition of local staff. As in other cases, maintenance of local staff and their engagement was difficult and required a transition from programming and forward-looking activities to a focus on monitoring and documentation. On the issue of assisting local staff in seeking alternative employment the representation made full use of all means available, notably extensive support for competence development.