

COUNTRIES IN TRANSITION: LESSONS TO IMPROVE DONORS' EXIT FROM DEVELOPMENT PROGRAMS

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[The Donor Tracker](#) focuses on how to support more effective development policy and spending—but what happens when developing countries move away from development assistance? Surprisingly, few donors have policies to manage the exit from bilateral country programs. This creates the risk of setbacks to progress supported by development assistance. Here, the [Overseas Development Institute \(ODI\)](#), the UK's leading independent think tank on development issues, examines at how donors can best manage their transition and exit from bilateral assistance programs.

WHAT HAPPENS WHEN A COUNTRY TRANSITIONS OUT OF DEVELOPMENT?

As developing countries become richer and address their own development challenges without external support, development partners usually reconsider their programming and interventions. Transition and exit from bilateral development cooperation programs should rightfully be celebrated as an indicator of success in economic and social development.

However, moving away from low-income country (LIC) status can result in falling development assistance flows as resources are reprioritised towards low-income and fragile countries. Tax revenues do not necessarily increase to fill the gap. Understanding what should be prioritized (and how) when donors start closing their development programs is essential to prevent—to the extent possible—any foreseeable setbacks.

WE SHOULD KNOW MORE ABOUT HOW DONORS MANAGE EXIT FROM BILATERAL PROGRAMS

However, we know little about how donors' engagement evolves when recipients are reclassified as lower-middle income countries (LMICs) and/or exit from bilateral assistance. We also lack information on how the process is managed and communicated to prevent jeopardizing development results.

For example, what are the criteria donors use when deciding which countries to continue to support? How do terms and conditions of development finance evolve during transition and exit from bilateral development cooperation programs? What principles should donors apply when considering the transition away from bilateral assistance programs? These are three of the questions addressed in a recent ODI study, [Exit from aid: an analysis of donor experiences](#).

Our research aimed to provide an evidence-base to inform decision-making by analyzing the approaches and principles (where relevant) of 10 bilateral donors: Australia, Denmark, France, Germany, Japan, South Korea, Sweden, Switzerland, the UK, and the US; we also looked at the EU. We examined policy and evaluation documents and spoke with current and former senior civil servants and experts from each donor.

We selected the group to cover a range of donors whose development initiatives have either been cut or expanded in eight recipient countries. These recipients are analysed in a [companion paper](#) which reviews the exit and transition process from the viewpoint of recipient country governments.

MOST DEVELOPMENT PARTNERS HAVE AN INDIRECT OR INFORMAL APPROACH TO TRANSITION AND EXIT FROM BILATERAL DEVELOPMENT COOPERATION PROGRAMS

We found that, broadly speaking, donors apply three main approaches to transition (see Figure 1):

1. NO APPROACH TO TRANSITION

Most development partners reviewed fall within this category. **France, Germany, Japan, South Korea, and Sweden** were found neither to apply rigid allocation criteria for their bilateral development cooperation programs, nor to follow specific guidelines for exiting from such programs. However, these development partners do select priority countries for their development cooperation and have indicators in place that broadly inform their allocation of bilateral assistance.

2. AN INDIRECT OR INFORMAL APPROACH

The UK and the US both use allocation criteria for their bilateral development cooperation programs. Neither country has a formal transition strategy, but both have recognized the need for one (and have recently been working on one). **Australia** has adopted a similar approach and is working on a new strategy for engagement in middle-income countries at the time of publication.

3. A FORMAL APPROACH (REGARDING CRITERIA AND/OR POLICY)

Some agencies within national development cooperation systems have clear criteria both for development assistance allocation and for transition and exit. Examples include **Switzerland, the Millennium Challenge Corporation in the US and the EU's Development Cooperation Instrument**.

A proposed classification of development partners' approaches to transition from bilateral development cooperation programmes



TO IMPROVE OUTCOMES, DONORS SHOULD BE PROACTIVE IN PLANNING, COMMUNICATING, AND TRANSFERING KNOWLEDGE

From the review of these donor country studies, we identified four lessons on how to improve management of the transition away from development assistance and exit from bilateral programs:

1. PLAN WELL AHEAD AND TAKE A FLEXIBLE APPROACH DURING TRANSITION

In their management of transition from bilateral programs in Vietnam, both the UK's Department for International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA) showed that planning well in advance, and then applying that plan flexibly, can enable a smooth handover to the government.

In other words, transition, and exit should be planned well ahead of implementation and be part of a long-term strategy. The planning should include mapping out projects to be phased out, identifying which organization (government or other development partner) should take over responsibilities, ensuring continuity, focusing on the sustainability of development programs, and managing potential risks.

2. COMMUNICATE THE DECISION TO EXIT IN ADVANCE TO THE RELEVANT STAKEHOLDERS

Communicating the plan to all relevant parties, including partner country's governments, effectively and well in advance was an integral part of the smooth transition of bilateral programs for both DFID and SIDA in Vietnam.

3. HAND OVER RESPONSIBILITIES TO THE GOVERNMENT AND/OR OTHER DEVELOPMENT PARTNERS WHILE TAKING TIME TO DEVELOP THIS PROCESS

Planning the transition of programs over to the country government or to other development partners should be one of the key principles for transition from bilateral programs.

4. DIVERSIFY THE SET OF INSTRUMENTS BEING USED: PHASING OUT BILATERAL PROGRAMS DOES NOT MEAN ENDING ASSISTANCE TO THE COUNTRY

For example, the EU has started developing a toolbox for use in different country contexts and with graduated countries. Unsurprisingly, we found growing demand for technical assistance and policy assistance during the transition phase.

ESTABLISHING BASELINE PRINCIPLES FOR TRANSITION HELPS ENSURE A SMOOTH HANDOVER PROCESS AND ROADMAP FOR FUTURE PARTNERSHIP

Development partners that do not have formalized criteria or approaches to transition from bilateral development programs likely benefit from having greater flexibility, as they can handle each situation on a case-by-case basis.

However, general principles should be established to ensure processes are planned and are predictable, especially for recipient country governments. Chiefly, withdrawal should be planned thoroughly, communicated across government, and coordinated with other development partners. The same goes for new strategic directions for bilateral relations beyond development cooperation.

Putting the roadmap in place for an effective transition process is essential to prevent—to the extent possible—any foreseeable setbacks and to promote sustainable development.

Have a question? Contact me on Twitter at [@aprizzon](https://twitter.com/aprizzon).

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