

The Hague, January 31, 2011

Re.: Further subsidy reduction by Dutch government

Dear partners,

As promised in our last letter of December 2010, in which we informed you about the subsidy reduction by the Dutch Government to Oxfam Novib, we would like to give you now a further update on the latest decisions of the Dutch Government on its subsidy to Oxfam Novib and its alliance (for your information please find enclosed our letter of December 2010).

As mentioned in our December letter, the Dutch government informed Oxfam Novib on November 1 about its decision to fund 79.3 percent of the total Oxfam Novib subsidy proposal of 106 million euros. This was despite the high quality rating for Oxfam Novib's proposal.

Very unfortunately, right after we had absorbed this reduction in the budget, the government announced additional cuts – the details of which were officially communicated to us in a letter last week. For Oxfam Novib it means a further decrease of 7.9 million euro in 2011 and a decrease of 9,5 million euro a year from 2012 to 2015. With this latest budget cut, the total reduction in government subsidy amounts to nearly 60 million euro a year compared to the subsidy Oxfam Novib received last year.

This decision is very disappointing and frustrating, as it will have serious consequences for our programmes, our partners, our organisation and most importantly for people living in poverty. Moreover, as this decision arrived very late, with the first year of our new strategic plan already starting, we are forced to make drastic decisions and implement them in a very short timeframe.

As we reached the maximum stretch of our organisation and resources in previous rounds of cutbacks, we were forced to take very serious and difficult decisions this time in order to be able to maintain the quality and impact of our work. Unfortunately it was therefore impossible further to reduce the budget without reducing in number of countries and strategic choices. These choices were made with a lot of care, balancing the continuity and impact of our work, innovation and sharpening of focus.

Major decisions concerning countries are:

1. We will phase out our programme in: Ethiopia, Ghana, South Africa, China and Central Asia (Tajikistan, Uzbekistan, Kyrgyzstan).
2. We will not start our programme in Benin.

Concerning our programmatic choices:

1. We remain an organisation working in five programmes (Right to the Resources for a Sustainable Livelihood; Right to Basic Social Services; Right to Life and Security; Right to Social and Political Participation, Right to an Identity).

2. In the countries where we remain active, we will work towards a maximum of three programmes.

In addition to these country and programmatic choices, we have also decided to reduce the Global Actor Strategy budget.

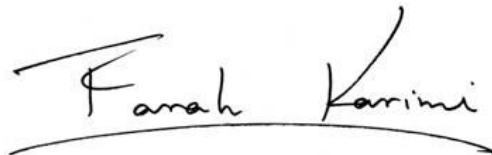
Due to this substantial decrease in funding (brought about by accumulated cuts) we are forced to affect our decisions in a very short period of time. For countries where we phase out, the necessary measures will have to be implemented in the coming six to eleven months. In countries where Oxfam Novib remains active, this timeframe can also be applied to partner contracts as the sum of existing commitments may surpass actually available funds.

Additionally, for the countries where Oxfam Novib stays working, the number of programmes will be reduced to a maximum of three from January 2013 onwards. We will use 2011 and 2012 to grow gradually towards that situation.

Although we need some time to process these decisions and get a clear overview of the consequences for each of our partners, we will do whatever is in our power to inform you as soon as possible. Our estimate is that we will be able to inform all of you further, both in countries that Oxfam Novib will withdraw from and in countries where we will remain, in the coming three weeks. In the meantime, we strongly have to advise all of our partners to refrain from making medium and long-term commitments (investments, personnel contracts, etc.).

Please do not hesitate to contact your regional manager or programme officer at Oxfam Novib, if you have any further questions.

With kind regards,

A handwritten signature in black ink that reads "Farah Karimi". The signature is written in a cursive style with a long horizontal line underneath the name.

Farah Karimi  
Executive Director  
Oxfam Novib

The Hague, December 2010

Re.: Subsidy reduction by Dutch government

Dear partners,

Following our letter of July 9 in which we gave an update on important changes within Oxfam Novib, we would now like to inform you about the final decision of the Dutch government regarding its subsidy to Oxfam Novib for the coming five years.

On November 1 the Dutch government informed Oxfam Novib that it was granted 79.3 percent of its total subsidy proposal of 106 million euros. Oxfam Novib's subsidy proposal was regarded as one of best in terms of quality and content. However, due to a reduced total amount of subsidy available and an increased number of organisations applying for it, Oxfam Novib did not receive the full subsidy it had applied for.

In the past weeks all staff in Oxfam Novib has worked hard to adapt the plans and budgets in line with the total funding available. Reductions had to be made, both in staff costs and in planned programme budgets. In terms of staff it will mean that by the end of December 2011 we will have 69 staff positions less compared to the beginning of 2010. Reductions in our programme budget will be achieved by limiting the planned growth in the countries we work in during the coming five years. The exact consequences of the limited growth differ from country to country.

As we speak we are in turbulent times in the Netherlands. In the first week of December the Government budget for development co-operation 2011 was discussed in Parliament. We did all we could to avoid a further cutback with direct lobby and popular campaigning activities. Unfortunately, just before the Christmas break, the budget for the co-financing agencies was further reduced by a total of 40 million euros for 2011. What this means for the individual budgets of co-financing agencies is still not clear, but it definitely implies another substantial cut in Oxfam Novib's budget. As this is a recent development and exact budgets are still unknown, it is impossible at this stage to indicate clearly what the consequences will be of this new and additional cut.

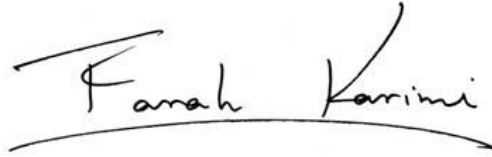
We will keep you updated about the consequences; they will in any case lead to further limitations in the planned growth in the countries where Oxfam Novib plans to work and/or to a further reduction in the number of countries where Oxfam Novib will support and participate in development work.

We regret not having more positive news.

Despite the reduction in funding from our Dutch government, we will continue to work towards fighting poverty and inequality together with our partners and allies. Our ambition to decentralise and to strengthen our collaboration with the other Oxfams, resulting in a single management structure per country, will strengthen our ability to work closely together with all relevant actors to improve the quality of work and to access additional funding for our joint mission to end poverty.

Please do not hesitate to contact your programme officer at Oxfam Novib should you have any further questions.

With kind regards,

A handwritten signature in black ink that reads "Farah Karimi". The signature is written in a cursive style with a long horizontal line underneath the name.

Farah Karimi  
Executive Director