

The Netherlands

Development aid and new partnerships

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Overview

- A trend of cutting aid that began in 2010 continued in 2013, and is expected to continue until 2017.
- In 2013, the Dutch government spent €4.1 billion (net) (US\$5.4 billion) on official development assistance (ODA) or 0.67% of Dutch GNI.¹ At this level of spending, 2013 marked the year that Dutch ODA dropped below 0.7% GNI for the first time since 1974.
- In 2014, Dutch government spending on ODA is projected to be €3.7 billion (US\$4.9 billion). This is expected to lower ODA performance to 0.6% of GNI.
- 2014 is the year the Dutch Good Growth Fund took off. By 2017 a total of €700 million (US\$930 million) in ODA will be allocated to this Fund, which is intended to support Dutch and local small and medium enterprises in developing countries and emerging markets
- In 2015 the current CSO-government co-financing mechanism will end. It will be replaced by a new framework of strategic partnerships with a singular focus on lobby and advocacy, leaving no room for service delivery. With an earmarked amount of €185 million (US\$246 million) per year, a sharp downward trend compared to the current €385 million (US\$512 million), the budget for CSO partnership is cut by more than half.

Political analysis: A new government, a new agenda

Over the past decade the Dutch political landscape has become increasingly unstable. Since the start of the new millennium, five national elections were held, with the last two held in 2010 and 2012. The Dutch chapter in the 2012 Reality of Aid Report described political developments and policy implications of the then-incumbent government. That year, the Dutch government spent €4.37 billion (US\$5.8 billion) on ODA, corresponding to 0.71% of GNI.

Later in 2012, new elections were held and a new government was formed, which continues to govern as of 2014. A new government meant a new political agenda with major implications for the aid budget.

The current Dutch government, envisaged to rule until 2017, is a two-party government led by Prime Minister Rutte. The Prime Minister's Conservative Liberal party (VVD) and the Labour Party (PvdA) were the big winners of the elections. Although they have strongly opposing positions on a number of issues like development cooperation, the two parties now hold joint control of the government. Both parties have an equal number of ministers in office, but not an equal number of seats. The government has a majority in the parliament (Second Chamber), but not in the senate (First Chamber). This lack

of majority is a problem because in order to get laws passed and initiatives adopted, the senate must also adopt these laws. As a result, the ruling parties form ad hoc coalitions with other parties to secure a majority in both chambers. The three parties that are most cooperative are the Liberal party (D66) and two smaller Christian parties (ChristenUnie and SGP), and together they are called the “Constructive 3.”

What does this mean for the ODA budget?

Under the influence of the PVV (a right-wing populist party that wants to abolish all development aid), the Conservative Liberals pledged in their election campaign to cut back on development aid by €3 billion (US\$4 billion). The Labour party on the other hand wanted to increase spending from 0.7% back to the previous level of 0.8% GNI.

The outcome of the 2012 government negotiations between the two parties resulted in further cuts on the AID budget. Taking the level of ODA at 0.7% of GNI as the point of departure, starting in 2014, there is to be a cut each year of €750 million (US\$997 million) to be taken off this 0.7% level. In 2017 and onwards, this amount will increase to €1 billion (US\$1.3 billion).² Civil society organizations (CSOs) will be hit hard by these cuts.

An additional €200 million (US\$266 million) per year allocated to climate spending will be included in the ODA, contrary to international agreements to keep climate and development assistance funds separate by *not* financing climate costs out of the ODA budget.

As a result of all these cuts, in 2013 The Netherlands dropped below the UN performance target of

0.7% of GNI for ODA for the first time since 1974. This unfortunate development is expected to continue in the coming years. The Netherlands may unfortunately lose its international leadership role as a champion for the UN target. In addition, this performance is also contrary to trends in like-minded Western European countries that are gradually increasing their ODA spending. In 2013, spending on ODA rose in countries like the United Kingdom, Germany, Denmark and Sweden by 27.8%, 3%, 3.8% and 6.3%, respectively, compared to 2012 rates.³

The Netherlands, however, has not completely put aside the UN target. In 2013, an interdepartmental policy study was conducted focusing on a new definition of development cooperation and its implications for ODA.⁴ Additionally, the Advisory Council on International Affairs (AIV)⁵ published a report titled “Development cooperation, more than a definition.”⁶ One of the recommendations in the AIV report was “*to stick to the internationally agreed norm of 0.7% GNI to ODA as a basis for a broader framework of international cooperation. In this framework verifiable agreements should be made on financing the broader spectrum of international public goods, such as environment, climate change and security.*” In reaction to these two studies, the minister of foreign trade and development cooperation declared that “*with regard to the post-2015 agenda and the transition to a broader system of international cooperation, The Netherlands sticks to the international standard of 0.7%, even though we do not meet this standard ourselves today.*”

In international forums, such as the recently concluded Intergovernmental Committee of Experts on Sustainable Development Finance, the government still defends this target. Although its credibility has been given a blow, CSOs and a majority of the political parties remain committed to the 0.7% norm. For as long as there is no new international standard (currently being discussed

in the Organisation for Economic Co-operation and Development, or the OECD), they will not cease calling on the government to return to this level as soon as possible. A slightly positive sign emerged during the budget negotiations for the 2015 national budget. All parties agreed to adhere to the link between economic growth and ODA spending, resulting in an increase with approximately €375 million (US\$498 million) in 2015 due to economic growth.

The Netherlands is playing a leading role in the debate at the OECD Development Assistance Committee (DAC) on modernising the ODA definition. The minister wants policy coherence and impact assessment to become part of a new ODA definition. She wants to introduce a more aligned and transparent way of reporting, and proposes that a fixed percentage of 0.25% GNI should be allocated to the world's least developed countries (LDCs). Before determining the final strategy (for instance, should debt relief or expenditures for the sustenance of refugees in donor countries during the first year be part of ODA or not?), she awaits an international comparative study on the position of other countries. The debate on modernizing ODA should be concluded no later than 2016.

The process for a post-2015 agenda is running partly parallel to this debate on ODA. The Netherlands also contributes actively to this agenda. Together with the United Kingdom and Australia, the Netherlands occupied one seat in the negotiations process of the Open Working Group (OWG). These negotiations have recently been concluded with 17 proposed sustainable development goals.

The Netherlands was a pioneer in the post-2015 debate and focused on issues like water, sustainability, women's rights and sexual and reproductive health and rights and peace and

stability. The Netherlands wants more attention to be given to inequality within and amongst countries, as well as to gender inequality, and stresses the link between human rights and development.

The final document of the OWG is a major step but not the last one. A number of countries will want to continue to negotiate the OWG outcomes, including a possible reduction of the number of goals. The Netherlands would like to hold on to the 17 proposed goals by the OWG. Hopefully the Netherlands will contribute to an ambitious and realistic financial framework that will be able to fully fund the post-2015 agenda.

A new development agenda

Apart from significant budget cuts, the priorities for development aid changed with the election of a new set of government officials in 2012. Trade (previously under the responsibility of the Minister of Economic Affairs) was to be combined with Aid under the responsibility of a new "Minister for foreign trade and development cooperation." In 2013 Minister Ploumen presented her new agenda under the title, "A world to gain: a new agenda for aid, trade and investments." In this policy document, the minister describes three ambitions: (1) Getting to zero on extreme poverty within one generation, (2) Sustainable and inclusive growth all over the world, and (3) Success for Dutch companies abroad.

Already reduced from 33 to 15 under previous ministers, the number of countries with which the Netherlands maintains an aid relationship remains unchanged. Within these 15 countries, the minister distinguishes two types of relationships:

Relationships of aid with those countries incapable of resolving poverty by themselves: Afghanistan, Burundi, Mali, Yemen, Rwanda, South Sudan and

the Occupied Palestinian Territories.

Relationships of transition with middle income countries and lower income countries that show a substantial economic growth. In these countries there will be a combination of aid and trade, benefiting the countries concerned as well as the economy of The Netherlands. These countries are Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda.

In addition to investments in the post-2015 agenda, The Netherlands has four policy priorities: women's rights and sexual and reproductive health and rights (SRHR), security and the rule of law, water management, and food security.

Changing donor/partner relationships

The Netherlands has had a long tradition where the government channels a substantial part of ODA through CSOs. This unique cooperation has been widely acclaimed as a success. Various parties in the parliament characterize Dutch CSOs as one of the top sectors in the Netherlands. In 2016 the current co-financing framework for CSO-government relationships, called MFS-2, will end. A much heard criticism of MFS-2 was the enormous bureaucracy that came with reporting on outputs and outcomes. The new framework is referred to as a "strategic partnership" and focuses mainly on the lobby and advocacy roles of CSOs. It is shaped around the methodology of theories of change. This framework is expected to be much more efficient in terms of reporting.

The minister states that she strongly believes in the role of CSOs in realizing her agenda of aid, trade and investment. CSOs are an invaluable partner in the policy implementation of the above-mentioned themes. However, by examining the means allocated to the different policy areas,

it is apparent where the real priorities of the government lie. Around €385 million (US\$510 million) is now being spent each year on CSOs under MFS 2. From 2016 onwards, with the new strategic partnerships, this amount will be more than halved to a mere €185 million (US\$246 million) yearly. By comparison, the Dutch Good Growth Fund (DGGF) will receive €100 million (US\$133 million) in 2014, €150 million (US\$200 million) in 2015 and 2016 and €300 million (US\$400 million) in 2017. So although the government acknowledges the important role of the CSOs, in practice, a large part of ODA parties are being reallocated to the private sector.

It seems that the minister for foreign trade and development cooperation is also justifying the enormous cuts for CSOs by mentioning the increased funds available for CSOs from large external actors, such as the Dutch Postcode Lottery and the Bill & Melinda Gates Foundation. Over the past ten years these funds have more than doubled. In an interview in August on Dutch television, Bill Gates countered this argument by saying: *"I hope they don't really think that way. My money is not intended to help the budget of rich countries. It's like I don't help poor people, but contribute to solving budgetary issues of rich countries. That is not my intention."*

The minister particularly wants to strengthen the role of CSOs in advocacy and influencing with regard to the post-2015 agenda. Her analysis is that this influencing role receives relatively little support from donors although it is necessary for inclusive and sustainable growth.

The minister intends to enter into a maximum of 25 strategic partnerships with Dutch CSOs covering a period of five years. These partnerships are intended to strengthen the lobbying and influencing role of CSOs in lower and middle-income countries for the purpose of 'sustainable inclusive development.'

The necessity of strengthening the advocacy and influencing component of southern CSOs is widely shared. But a major point of concern for many CSOs, however, is that the service delivery component of CSO programs can no longer be funded through these partnerships. CSOs will have to find separate funding for these components (which are often the basis for advocacy positions). This change in Dutch policy will bring an extra challenge for CSOs and may be at the expense of their effectiveness as development actors.

Apart from the strategic partnerships, there are two other channels through which CSOs may receive Dutch aid funding. The minister has allocated €15 million (US\$20 million) per year for direct funding of southern NGOs out of a so-called ‘accountability fund’. An evaluation carried out by the IOB (Inspection for Development Cooperation and Policy Evaluation)⁷ demonstrates that southern organizations highly value this type of funding by Dutch embassies. It is perceived to be more flexible, and embassies are willing to support sometimes-sensitive themes that would otherwise be much harder to fund. There are also mutual benefits to this type of funding. The embassies develop relationships with local organizations. These contacts will provide them with additional information about local processes that may be beneficial for other stakeholders and may sharpen Dutch policy.

A point of concern for these funds is the available capacity of the embassies. As a result of the cuts at the Ministry of Foreign Affairs, the number of staff (particularly at embassies) was significantly reduced. There may now be little capacity to enter into these local relationships and monitor the projects funded. It remains to be seen how the minister will address this issue.

Finally, another €10 million (US\$13 million) per year has been allocated for innovative ideas through the innovation facility. A yearly call-for-proposals will be organized. Organizations that are already strategic partners are excluded from

this facility. The kind of ideas that will be funded is broadly defined. The minister points out that the information revolution links thinkers from various sectors that previously didn’t interact with one another. Ideas evolving out of these kinds of collaborations deserve support. She also wants to fund ideas or projects that are already successfully tested elsewhere, but which may be interesting to implement in a different context or environment.

ODA and the private sector / Dutch Good Growth Fund

In recent years, private sector involvement in development has become an increasingly hot topic in Dutch development debates. Like in the past, a significant share of Dutch ODA is being channelled to and through the private sector.⁸ In 2014, a special fund — the previously mentioned Dutch Good Growth Fund — has been established. This revolving loan fund is intended for Dutch and local small and medium enterprises (SMEs) in emerging markets and developing countries. Until 2017, the government will invest a total of €700 million (US\$930 million) from ODA in this Fund. SMEs may receive loans, which must be paid back so that other companies can also make use of this facility. These loans must contribute to employment, increase the strength of local manufacturing and promote knowledge transfer in developing countries and emerging markets.

Notwithstanding the necessary and positive role the private sector can play in the area of poverty reduction, according to a major IOB evaluation,⁹ in general the relevance of ODA allocated to private sector development for poverty reduction is questionable. Most evaluations examined by the IOB concentrated on the direct beneficiaries, but did not report on the impact upon the ultimate target groups. A very limited number of evaluations focused on improvement of income,

poverty reduction and economic growth. In the small number of evaluations that had this broader scope, the impacts appeared more limited than previously estimated.

The minister has adjusted the government's private sector policy in a number of areas, one of them being a reinforced commitment to development relevance and impact. But the question remains whether or not ODA resources allocated to and through the private sector for poverty alleviation are the most effective means to achieve results for poverty reduction and sustainable development. A policy shift towards increased ODA investments for private sector development in order to “get to zero on extreme poverty within one generation, and to sustainable and inclusive growth all over the world” seems to be based on rather weak assumptions. Civil society will play its watchdog role to monitor whether all of the investments from the DGGF will be relevant to development and poverty reduction.

As of 2016, the Dutch government will enter into strategic partnerships with Dutch CSOs in order to strengthen the advocacy role of their southern partners in achieving the sustainable development goals. The government acknowledges that the success of the post-2015 agenda stands or falls with funding for this agenda. Consequently it is a strong advocate for an active role of the private sector in the implementation of this agenda. It also seeks to stimulate other innovative forms of cooperation. In one of these initiatives, civil society and business will form cross-sector partnerships on their role in the Post-2015 Development Agenda. The actual agenda is still being developed, but at the end of September

2014 a Charter is expected to be signed by CSOs and business alike.

Apart from these partnerships, and apart from ODA, the government would like to strengthen developing countries' capacity to mobilize and spend domestic flows to fund the post-2015 agenda. (Countering tax avoidance and evasion should be part of this strategy.)

Endnotes

- 1 <http://www.rijksoverheid.nl/documenten-en-publicaties/jaarverslagen/2014/05/21/hgis-jaarverslag-2013.html> (Year report Dutch spending on International Cooperation, ODA & non-ODA)
- 2 In 2017 new elections will be held, so the current government has little to say about the budget from 2017 onwards.
- 3 OECD figures.
- 4 <http://www.rijksoverheid.nl/documenten-en-publicaties/rapporten/2013/06/03/naar-een-nieuwe-definitie-van-ontwikkelingssamenwerking-beschouwingen-over-oda.html>
- 5 The Advisory Council on International Affairs (AIV) of the Netherlands is an independent body that advises government and parliament on foreign policy, particularly on issues relating to human rights, peace and security, development cooperation and European integration.
- 6 [http://www.aiv-advies.nl/ContentSuite/upload/aiv/doc/webversie_AIV_BA25\(1\).pdf](http://www.aiv-advies.nl/ContentSuite/upload/aiv/doc/webversie_AIV_BA25(1).pdf)
- 7 The Policy and Operations Evaluation Department (IOB) is an independent organization within the Ministry of Foreign Affairs that aims to contribute to the knowledge on the implementation and effects of Dutch foreign policy.
- 8 Refer to Dutch chapter in the 2012 Reality of Aid report for more background.
- 9 Op zoek naar focus en effectiviteit: beleidsdoorlichting van het Nederlandse beleid voor Private Sector Ontwikkeling in ontwikkelingslanden 2005 – 2012 (In search of focus and effectiveness: policy review of the Dutch policy for Private Sector Development in developing countries 2005 – 2012)