

# THE NETHERLANDS

Development Assistance Committee (DAC)  
PEER REVIEW 2011



ORGANISATION FOR ECONOMIC CO-OPERATION AND  
DEVELOPMENT



### **The Peer Review Process**

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Italy and the United States for the Peer Review of the Netherlands on 28 September 2011.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.

## The Netherlands' aid at a glance

### NETHERLANDS

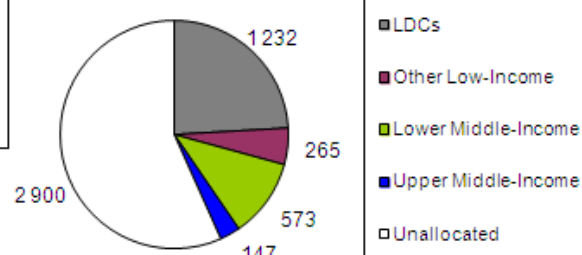
Gross Bilateral ODA, 2008-09 average, unless otherwise shown

Net ODA	2008	2009	Change 2008/09
Current (USD m)	6 993	6 426	-8.1%
Constant (2008 USD m)	6 993	6 676	-4.5%
In Euro (million)	4 848	4 615	-4.8%
ODA/GNI	0.80%	0.82%	
Bilateral share	74%	75%	

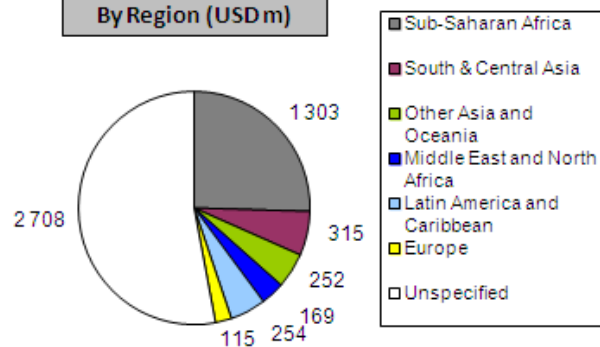
Top Ten Recipients of Gross ODA (USD million)	
1 Indonesia	165
2 Afghanistan	130
3 Sudan	127
4 Ghana	109
5 Mozambique	103
6 Ethiopia	100
7 Suriname	92
8 Tanzania	89
9 Mali	78
10 Bangladesh	78
Memo: Share of gross bilateral ODA	
Top 5 recipients	12%
Top 10 recipients	21%
Top 20 recipients	32%

#### By Income Group (USD m)

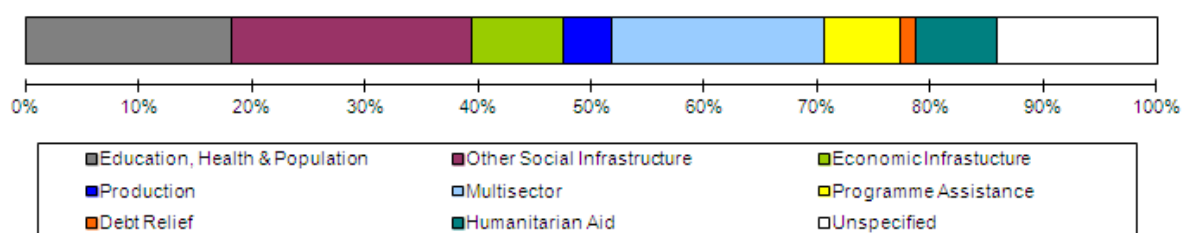
Clockwise from top



#### By Region (USD m)



#### By Sector



### Exchange rates (EUR per USD):

2007	2008	2009	2010
0.7305	0.6933	0.7181	0.7550

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## Acronyms

AIV	Advisory Council on International Affairs
CAPs	Consolidated Appeal Processes
CERF	UN's Central Emergency Response Fund
CHAPs	Common Humanitarian Action Plans
CPA	Country programmable aid
CRS	Creditor Reporting System (DAC)
CSOs	Civil society organisations
DAC	Development Assistance Committee
DDE	Sustainable Economic Development Department
DEC	Effectiveness and Coherence Department
DGIS	Directorate-General for International Cooperation
DGPZ	Directorate-General for Political Affairs
DIE	European Integration Department
DME	Environment, Water, Climate and Energy Department
DMH	Human Rights, Gender Equality, Good Governance and Humanitarian Aid Department
DRR	Disaster Risk Reduction
DSO	Social Development Department
DVF	United Nations and International Financial Institutions Department
EFV	Fragile States and Peacebuilding Unit
FEZ	Financial and Economic Affairs Department
FLEGT	EU Forest Law Enforcement and Trade
FLOW	Funding Leadership and Opportunities for Women
FMO	Netherlands Development Finance Company
GFDRR	World Bank's Global Facility for Disaster Reduction and Recovery
GHD	Good Humanitarian Donorship
GNI	Gross national income

ICRC	International Committee of the Red Cross
IFIs	International Financial Institutions
IFRC	International Federation of Red Cross and Red Crescent Societies
IOB	Policy and Operations Evaluation Department
ISB	Inspection and Evaluation Unit
ISDR	UN's International Strategy for Disaster Reduction
JAST	Joint Assistance Strategy for Tanzania
MASPs	Multi-Annual Strategic Plans
MDGs	Millennium Development Goals
MfDR	Management for development results
MFS II	New civil society co-financing system II
MOPAN	Multilateral Organisations Performance Assessment Network
MoU	Memorandum of understanding
NAPA	Netherlands' Action Plan Paris/Accra
NCDO	National Committee for International Cooperation and Sustainable Development
OCHA	UN Office for the Co-ordination of Humanitarian Affairs
ODA	Official development assistance
ORET/ORIO	Development-related Export Transactions Programme/Development-related Infrastructure Facility
PSI	Private Sector Investment Fund
REDD	Reducing emissions from deforestation and forest degradation
SVW	Inter-ministerial Steering Committee for Security Cooperation and Reconstruction
UNISDR	United Nations International Strategy for Disaster Reduction
WRR	Scientific Council for Government Policy

**Signs used**

EUR	Euro
USD	United States Dollar
-	(Nil)

**Notes on data used**

Slight discrepancies are due to rounding.

## The DAC's main findings and recommendations

### Overview

Over its 60 year history of development co-operation, the Netherlands has earned itself a well deserved reputation for responding positively and creatively to challenges and setting trends for new approaches. It is one of only five DAC members to have achieved the United Nations (UN) target of allocating 0.7% of its national income as official development assistance (ODA). Since 1975 it has surpassed this target every year.

The Netherlands is now revising its approach to development co-operation, formulating new policies and strategies to respond better to a rapidly-changing world. While retaining its emphasis on the Millennium Development Goals (MDGs), the focus of Dutch aid is shifting away from social development towards economic sectors, supporting the self-reliance of developing countries and promoting the relationships among development objectives, global public goods, such as climate policy or protecting biodiversity and Dutch national interests. The Netherlands has made some bold choices for its development co-operation. These include reducing the number of its partner countries from 33 to 15, and narrowing its thematic focus to just four areas: (i) security and the legal order; (ii) water; (iii) food security; and (iv) sexual and reproductive health and rights, targeting women in particular (Box 1).

While it is important for the Netherlands to concentrate its development co-operation on fewer countries and sectors, this should be achieved in ways that respect the principles of ownership, alignment and harmonisation embodied in the Paris Declaration on Aid Effectiveness. The change in policy is an opportunity for the Netherlands to demonstrate good practice by ensuring that the thematic focus of Dutch development co-operation in each partner country is selected in full consultation with the partner country government and other development partners. There is also scope for the Netherlands to reform its aid delivery channels, to build on their strengths and to ensure that they are aligned to the new policy. In the humanitarian area, the Netherlands has taken up the challenge of improving the global humanitarian aid system – important work that now needs to be anchored in a cross-government humanitarian policy.

### Overall framework for development co-operation: major policy reforms

#### *Reforming Dutch development policy*

##### **Key findings:**

*The new policy directions will apply to all the Dutch aid delivery channels, but so far only the bilateral (Dutch embassy-managed) programme's new strategic orientation is clear. The lack of new direction for the entirety of the Netherlands' aid delivery channels means that these are not yet aligned to the overall policy and with each other.*

**Recommendation:** Complete the policy framework for development co-operation by:

- setting out the inter-linked principles, clear, overall objectives and criteria for each of the main aid delivery channels; and
- making clear how the new policy will be implemented through each of these channels.

The reform of its development co-operation gives the Netherlands scope to achieve synergy among all of its main aid delivery channels (bilateral, multilateral, civil society, enterprise and humanitarian), ensuring that each is aligned to the new overall policy and with each other. This work has already started for the bilateral channel (Dutch embassy managed funds and centrally managed thematic funds). The Netherlands' multilateral strategy of 2009 will need to be updated to reflect the new policy priorities, although some aspects remain relevant and can continue to provide a coherent framework. The new overarching policy is an opportunity for the Netherlands to take a fresh look at its civil society and enterprise channels and to align them more effectively with its broader development objectives. If one of the main purposes of the civil society channel remains the strengthening of civil society in developing countries, then the Netherlands' rationale for working predominantly through Dutch NGOs to achieve this aim, rather than supporting southern NGOs directly, will need to be clarified. The Netherlands should also consider how the enterprise channel, with its focus on the private sector, can more directly support the broader Dutch aim of achieving a good climate for investment and business in partner countries.<sup>1</sup>

**Key findings:**

*There are risks associated with the Netherlands' reforms of its development co-operation. The main risks are combining private sector development with the promotion of Dutch commercial interests and the risks of undermining earlier Dutch investments or those of its partners by withdrawing from countries and sectors.*

**Recommendation:** To help to manage the risks associated with the reforms of its development co-operation, the Netherlands should:

- ensure that development objectives remain paramount and that the renewed emphasis on the private sector is not confused with the promotion of Dutch commercial interests; and
- plan and carry out the Netherlands' exit from specific sectors and countries in a way that is consultative and transparent with partner country governments and other development partners, honours existing commitments and seeks to minimise negative impacts in aid-dependent countries.

The Netherlands needs to manage several strategic risks associated with its reforms. Firstly, care needs to be taken to ensure that the renewed emphasis on private sector development remains clearly distinguished and separate from the promotion of Dutch commercial interests. It should also ensure that its withdrawal from countries and sectors does not undermine its earlier investments or those of its partners—these withdrawals will need to be managed carefully and in accordance with the principles of aid effectiveness. The Netherlands also faces reputational risks when phasing out of these countries and sectors. The Netherlands' shifting from sectors like education – which used to be a priority – into new ones, such as food security, may also result in mismatches of its personnel and priorities until the ministry re-tools and recruits sufficient expertise in the new thematic areas. The Netherlands will need to manage this re-tooling quickly and well to ensure that its policy priorities are implemented effectively.

<sup>1</sup> Paragraph numbers refer to Part 2 of the peer review report.

**Box 1. Good practice: the Netherlands' MDG 3 Fund and the Funding Leadership and Opportunities for Women (FLOW)**

The Dutch MDG3 Fund is a centrally-managed programme that invests in projects promoting equal rights and opportunities for women and girls. The fund supports 45 projects worldwide, with an initial EUR 70 million distributed between 2008 and 2011 - a further EUR 70 million has been allocated for the period 2012-2015. The projects are aimed at securing property and inheritance rights for women, promoting equality of employment conditions and opportunities, increasing women's participation in politics and public administration, and stopping violence against women. The activities funded differ widely, but all have been selected for their contribution towards achieving the Millennium Development Goals (MDGs) in 2015. FLOW is the successor to the MDG3 Fund, with EUR 70 million to be distributed from 2012 to 2015. The objective is to improve the position of women and girls, strengthen their rights and opportunities and allow them to fulfill their potential.

*Towards better accountability: a public communication and awareness strategy*

**Key findings:**

*The government has made efforts to increase public information on the results of its development co-operation. The population of the Netherlands is increasingly sceptical about the impact and effectiveness of development co-operation, particularly the government-to-government kind.*

**Recommendation:** The Netherlands should apply a strategic approach for strengthening communication and engagement with parliament, civil society and the public on development and the results of its development co-operation, including:

- formulating a communication strategy;
- targeting resources and appropriate methods to communicate results to key audiences; and
- engaging strategically with NGOs, development institutions and think tanks both at the policy and implementation levels.

The recent policy changes are partly a response to growing public and parliamentary pressure for the government to demonstrate the results of its development co-operation and how these address Dutch interests. To ensure the success of its reforms, therefore, the government will need to communicate to the Dutch public how the changes are helping the Netherlands to deliver real development results.

Although the Ministry of Foreign Affairs (which we refer to here as “the ministry”) understands the importance of communicating development co-operation efforts and results to taxpayers, it needs to develop a coherent set of messages for target audiences and do more to communicate and demonstrate achievements. The Netherlands has adequate resources for communicating to the public on the results of its development co-operation. These resources need to be used more strategically to direct specific messages to key audiences. In addition, the National Committee for International Co-operation and Sustainable Development (NCDO), the main Dutch body responsible for supporting the public debate on global citizenship, could also organise detailed analysis of the decline in support for aid among different groups of the population. This analysis could then inform a targeted communication strategy for the ministry.

## Promoting development beyond aid: setting clear priorities for implementation

### *Strengthening Dutch commitment to policy coherence for development*

#### **Key findings:**

*The Netherlands' approach to policy coherence for development has good foundations, but it is not yet fully owned by a broader range of government offices. Other donors can learn from the Netherlands' experiences with whole of government approaches (Box 2).*

**Recommendation:** Building on the progress that the Netherlands has made in development beyond aid, it should: put in place a clearly-prioritised and time-bound programme as part of its new globalisation agenda to ensure that relevant Dutch and European Union policies support (or at least do not undermine) their development policies. This programme should translate the Netherlands' commitment to development into plans for action, and should include strategic cross-governmental goals.

Along with high-level political commitment, progress towards policy coherence for development depends on integrating the concept into all government departments, guided by clear priorities for implementation. The DAC recommends that all Dutch government departments sign up to a policy coherence plan of action that has clear priorities and deadlines. The basic framework for this plan lies in recent Dutch-supported work in the EU, especially the policy coherence for development commitments in the European Consensus on Development and related EU Council Conclusions. These documents identify five priority areas where coherence is particularly important: (i) global trade regimes and international financial markets; (ii) climate change and sustainable management of resources; (iii) food security; (iv) migration; and (v) fragile states, security and conflict.

The Netherlands has not yet internalised these five EU priority areas in its own work programmes. They are very much in line with the Netherlands' new thematic priorities for its development co-operation and would provide the kind of framework for setting cross-departmental goals that is currently missing. Related to this, the Netherlands intends to develop a globalisation agenda which goes beyond development co-operation to tackle global challenges like the sustainable management of raw materials, energy scarcity, global pandemics, climate change, cross-border crime and international trade agreements. The Dutch government is now starting to develop this policy agenda in consultation with key stakeholders. The policy coherence for development programme suggested in this report should be a central pillar of this new globalisation agenda.

### *Investing time, energy and resources for effective whole-of-government approaches*

Over the last five years the Netherlands has learnt several important lessons about the costs and benefits of engaging in whole-of-government approaches, particularly in fragile states (Box 2). Of these, the most important is that effective whole-of-government approaches require a significant investment of time and energy from the start to define and agree common objectives among participating departments and then to discuss strategy and resources.

### **Box 2. Good practice: the Netherlands' Security Sector Development (SSD) programme in Burundi**

The innovative SSD programme in Burundi is a good practice example of a cross-government approach.

1. **An integrated approach:** recognising Burundi's diverse issues, challenges and needs, the programme is a joint effort between the Dutch ministries for development, foreign affairs and defence.
2. **Long-term Dutch commitment:** the SSD programme is based on a memorandum of understanding which lasts eight years, beginning in April 2009.
3. **A flexible approach:** unlike other SSD interventions, the programme design is not set in stone and is designed to evolve over the eight-year period through continual dialogue and negotiation between the two parties.
4. **An emphasis on good working relations:** the MoU allows for effective working relationships at various levels, together with clear management and oversight mechanisms (see next point).
5. **The use of a programme manager:** a Dutch government official is responsible for coordinating the work and ensuring that the programme stays on schedule (para. 48).

### **Aid volume and allocation: the Netherlands continues to meet its commitment**

#### ***Dutch ODA remains high***

##### **Key findings:**

*While remaining committed to an ODA budget of not less than 0.7% of national income, the Netherlands is rapidly reducing its development co-operation; if not managed well, this cut could have negative impacts on the Netherlands' partner countries. The Netherlands' new policy directions are not yet driving the planning and budget process for all of its aid delivery channels.*

**Recommendation:** To continue to meet its commitment and to support its reforms, the Netherlands should:

- prevent its ODA/GNI ratio from falling below 0.7%;
- ensure criteria and processes for allocating funds to the main aid delivery channels reflect the new policy priorities and strategic objectives;
- continue to concentrate multilateral ODA on a small number of entities, consistent with Dutch development priorities and taking into account agency performance; and
- increase transparency and strengthen decision making by continuing to improve the regional and sectoral reporting of bilateral ODA.

The Netherlands has surpassed the UN ODA target of 0.7% of gross national income every year since 1975. This is a great achievement. In 2010:

- The Netherlands was the sixth largest donor in the world, supplying 4.9% of DAC members' total ODA, and all in grant form.
- Its net ODA was USD 6.351 billion, an increase of 2.2% in real terms over 2009.
- Its ODA as a proportion of GNI was slightly less than the year before: 0.81% *versus* 0.82% (paras. 54-55).

### *Dealing with budget cuts*

General belt-tightening across the Netherlands' government following the global financial crisis and a downturn in the Dutch economy means that the Netherlands will reduce the volume of its aid over the next two years. This will need to be managed carefully to avoid negative impacts on partner countries and to maintain predictable financial flows. It will cut ODA from 0.81% ODA/GNI in 2010 to 0.7% by 2012, with an interim step of 0.75% in 2011. From 2012 onwards the Dutch ODA budget will be 0.7% on average. This reduction in Dutch ODA will have a marginally adverse impact on EU aid volume targets, which were based on the Netherlands maintaining its ODA at not less than 0.8% of national income through to 2015. The DAC appreciates the Netherlands' achievement in maintaining its ODA at not less than 0.7% of national income at a time of financial crisis.

### *Matching funds to policy priorities and strategic objectives*

The Netherlands' ODA budget process was relatively easy to manage while the allocation for development co-operation was increasing and policy directions constant; it will be more difficult following major budget cuts and shifting priorities from 2011 onwards. The ministry includes an indicative four-year rolling plan with each annual ODA budget that it presents to parliament – *i.e.* an annual ODA budget plus the proposed budgets for the next three years. This well-established budgeting and planning process builds on the previous year's activities. This incremental approach to budgeting and planning will need to change quickly to ensure that the Netherlands' reduced ODA is refocused on the new policy priorities and strategic objectives. In particular, the ministry will need to make sure its criteria for allocations to the main ODA delivery channels reflect the new policy directions (once these have been clarified for each programme area).

### *Making multilateral ODA more focused*

The Netherlands has made large and strategic contributions to the multilateral system since the last peer review. Between 2007 and 2009, 25% of total gross Dutch ODA went to multilateral organizations, making the Netherlands the eighth largest DAC contributor of multilateral ODA. The Netherlands is an active participant in the governance structures of the multilateral organizations it supports. If it intends to carry on being a significant contributor with influence over the behaviour of the organisations that it supports, the Netherlands should continue to concentrate its multilateral ODA on a small number of entities, while also linking its support more closely to agency performance. It should measure agency performance through the agencies' own reporting and evaluation systems, and the work of the Multilateral Organisations Performance Assessment Network (MOPAN) and other donors, and use this information to guide its decisions.

### *Increasing transparency in geographical reporting of bilateral aid*

While the Netherlands has focused its aid more on poor countries since the last peer review, barely half of the reporting of Dutch bilateral ODA is country specific, making it difficult to get a complete picture of its portfolio. Every year since 2006, between 45% and 55% of total bilateral ODA reported by the Netherlands has not been country specific. The ministry is taking steps to tackle the problem and expects to report more detailed information on 2010 flows to the Creditor Reporting System (CRS) in 2011. This will improve the transparency of Dutch aid.



## Organisation and management: getting the most out of the Netherlands' overall effort

### *Improving synergies and links among the Netherlands' aid delivery channels*

#### **Key findings:**

*Synergy among the Netherlands' main aid delivery channels and operational links between headquarters and the field are not sufficiently strong. This means the Netherlands is missing out on opportunities for greater coherence and effectiveness. The Netherlands' planned organisational changes provide a timely opportunity to address these issues.*

**Recommendation:** To improve the synergy among its different aid channels, the Netherlands should:

- involve its field teams more in planning and managing the main aid delivery channels, particularly the civil society, enterprise, thematic and humanitarian programme areas; and
- turn its country strategies into more comprehensive planning tools that cover all of the Netherlands' contributions to partner countries.

The Netherlands could have a greater impact by improving the links and synergies among the funding channels based in the Hague and those in its embassies. Because these different channels are managed separately, the Netherlands is missing out on opportunities to maximise its contribution, making insufficient use of perspectives from the field and depriving its embassies of the information necessary to be able to represent and co-ordinate the full Dutch effort. The following simple changes to procedures could help achieve synergies among the Netherlands' aid delivery channels and deepen field-headquarters relations for mutual benefit:

- Make planning more comprehensive. Current multi-annual strategic plans for partner countries only cover the funds managed by the Netherlands' embassies. By broadening the next generation of country strategies to include more centrally-managed bilateral funds, the Netherlands could lay the foundations for more comprehensive planning, programming, information sharing and monitoring.
- Make planning for the centrally managed programmes inclusive by involving the field teams fully in the process.
- Share analysis more widely. The managers of aid delivery channels which are not currently included in country strategies may also benefit from having access to the analyses (often these look at country performance and constraints at general and sector level) that lie behind these strategies.

### *Improving information on results*

#### **Key findings:**

*Country strategies do not describe the overriding goal of Dutch development co-operation in that country and there is not always a clear focus on objectives and how to measure them. These omissions make it difficult to report results.*

**Recommendation:** Ensure that the Netherlands' development objectives – at global, country and programme levels – are explicitly defined and measurable, and that the type of information needed for managing for results, accountability and learning is clear.

The Netherlands has made a strong push to improve its results reporting since the last peer review, but it has struggled to satisfy parliament and the public's need for information on the impacts of Dutch development co-operation. It seems that the roots of the problem of gathering good information on results may lie in the planning stages, both for country strategies and individual projects, which lack clear statements of objectives and how and what to measure. Current country strategies do not describe the overriding goal of Dutch development co-operation in the partner country, or how planned activities will help to achieve this. The ministry has tried to solve this problem by adding "results chains", which set out in logical order the inputs, outputs and outcomes of individual projects or whole country programmes. It now plans to ensure that the next generation of country plans take the overriding objectives of Dutch development co-operation for that country as their starting point and that results chains feature strongly in country strategies.

### ***Strengthening knowledge management***

#### **Key findings:**

*The Netherlands has not yet established an effective knowledge management system, although it is now a corporate priority. In particular, knowledge and experience is still not shared systematically between different teams and between the field and headquarters.*

**Recommendation:** Put the knowledge management strategy into action by identifying:

- pools of knowledge and knowledge gaps;
- practical actions to harness in-house experience, monitoring and evaluation; and
- a way of ensuring this knowledge and evidence is used to inform policy and operational decisions and to strengthen and professionalise Dutch development co-operation.

The ministry has made knowledge management a corporate priority and has developed an "operational" plan for improving the management of (i) talent; (ii) organisational structure; and (iii) information technology. The authors of the plan conclude that lack of corporate ownership was the main reason behind the failure of most of the 43 initiatives to improve knowledge management over the past 10 years. Past initiatives relied on individuals who took a personal interest; they fell apart when those people changed roles. Despite being called an "operational plan", the document does not set out specific actions or identify the main knowledge gaps. The ministry's next step should be to translate this plan into action through a clearly prioritised and time-bound programme, including specific aims and indicators to measure success.

### ***Getting the most out of the Netherlands' human resources and expertise***

#### **Key findings:**

*Dutch development co-operation has already experienced staffing cuts and more are expected. The ministry does not yet have full information about its staff and their expertise or strategic planning for how best to deploy them and this means that it is not getting the most out of the staff it has.*

**Recommendation:** In order to get the most out of the staff and expertise it has, the ministry should:

- treat development as a discipline within the ministry;
- map staff expertise and experience;
- introduce strategic workforce planning; and
- improve support to and incentives for locally-recruited staff.

The Netherlands is acutely aware of recent calls to professionalise its development co-operation and to manage the challenge of staff rotation. The Committee was informed of on-going efforts to this end. The ministry is seeking to recruit the right kind of expertise for its new policy priorities while also retaining and developing existing staff. There is a risk, however, that shifting sector priorities may result in the loss of experienced professionals whose sector expertise no longer fits with policy priorities, even though such people's implementation and policy experience could be relevant to managerial and technical roles. To tackle this problem the ministry should identify its in-house expertise. As one senior official of the ministry put it to the review team, "there is a lot of knowledge and expertise here, but nobody knows where to find it". Linked to this, the ministry does not conduct strategic workforce planning. This planning will be essential if the ministry is to make best use of staff as it implements its new policies.

The ministry has increased the number of people it recruits within partner countries, but these locally-appointed staff cannot climb to mid-range or senior positions and cannot transfer to other Dutch embassies. Recognising the importance of local staff in delivering a quality programme, the Netherlands should continue to look at ways to make better use of local staff expertise and at how these employees might achieve higher grades, including specific career development options.

### **Aid effectiveness and results: building on progress and strengths**

#### *Progress in implementing the Paris Declaration*

##### **Key findings:**

*The Netherlands has made good progress in applying the principles of the Paris Declaration but has struggled to advance in some key areas, notably in making its aid more predictable, using partner country systems and conducting analytical work in partner countries jointly with other donors. This means that, by 2008, the Netherlands had met only four of its eight targets for the Paris Declaration indicators.*

**Recommendation:** To make its aid more effective, the Netherlands should:

- find ways to make its support more predictable, clarify its approach to conditionality and increase its use of partner country systems;
- improve the transparency of its plans, activities and funding decisions for its partners and other stakeholders; and
- continue to untie its aid.

In addition to helping to meet the collective targets in the 2005 Paris Declaration, the Netherlands set itself clear aid effectiveness targets for 2010 based on those agreed by EU members. The Netherlands started from a strong baseline, meeting three of these targets in 2005, and a fourth by 2007. Most notable has been the increasing share of Dutch support to capacity development which is co-ordinated. However, there has been slippage on other targets, particularly the extent to which the Netherlands is conducting country level analytical work jointly with other donors. The ministry has made good use of the OECD monitoring survey results to help focus its efforts. An action plan prepared in 2009 identifies two priorities: (i) improving aid predictability; and (ii) making more use of country systems. A key aim for the first of these priorities should be to tackle the short term volatility that affects certain Dutch supported programmes, such as general budget support.

The Netherlands has increased the proportion of its aid which is untied; overall, 86% of Dutch aid was reported as untied in 2009. The DAC commends this progress – it means that the Netherlands is meeting its commitments under the *2001 DAC Recommendation* and the Accra Agenda for Action, and addressing an issue raised in the 2006 peer review. This untying ensures the effectiveness of Dutch aid – it improves value for money by ensuring partners are able to choose the most appropriate project and supplier, and it allows for greater partner country leadership. The Netherlands should therefore resist pressure to shift from its current commitment to untie more of its official development assistance.

### *Building on the strengths of Dutch embassy-managed programmes*

#### **Key findings:**

*The Netherlands has been most successful in applying the aid effectiveness principles to the channels managed by its embassies in its partner countries. When it comes to the Netherlands' other aid delivery channels, it has applied the aid effectiveness principles less consistently – this has contributed to the mixed performance against the Netherlands' own aid effectiveness targets.*

**Recommendation:** To ensure a higher proportion of its aid is delivered effectively, the Netherlands should:

- programme more of its non-delegated bilateral resources through the Dutch embassies in the 15 partner countries to maximise existing strengths – notably flexibility and capacity; and
- ensure these 15 embassies have the necessary skills and mandate to improve the predictability of Dutch aid, make more use of country systems and improve the transparency of Dutch plans, activities and funding decisions.

The Dutch embassies have established a good reputation and are able to deliver their development assistance effectively. Two traits underlie the success of Dutch-embassy managed development co-operation: flexible co-operation and strong technical capacity (Box 3). The ministry should ensure these strengths are maintained and build on them to improve the broader spectrum of Dutch development co-operation. The plans to focus support on just 15 countries is a good opportunity to ensure that the relevant 15 embassies have the flexibility and capacity to spend a larger budget effectively and to oversee all Dutch development co-operation in partner countries.

#### **Box 3. Good practice: Dutch embassy managed programmes in Tanzania**

A range of partners in Tanzania – including Tanzanian government officials, NGO partners and other donors – emphasised to the peer review team how the Dutch embassy's flexibility and capacity meant its field-managed contribution to the health sector and decentralisation reform efforts meant much more than simply financial support.

##### Flexibility

- In the health sector, the Tanzanian government appreciated Dutch flexibility to re-direct support to fill crucial gaps based on what was needed in Tanzania, rather than what was in vogue at home. The embassy also helped a health NGO to complete a successful malaria project when another donor withdrew the final phase of funding.
- The Netherlands agreed to join the World Bank in providing financial support to the Tanzanian programme for decentralisation and reform of local government. When the World Bank was slow to disburse funds, the Dutch flexibility made sure the programme started on schedule. .../...

## Capacity

(Cont'd)

- Having identified that monitoring was a weakness in the health sector, and that embassy staff had specific expertise, embassy and government officials worked together to produce a monitoring plan and framework.
- In the context of local government reform, the Dutch embassy was involved in policy development; it pressed for better monitoring, follow-up of audit reports, and engaged closely in joint reviews. Its capacity allowed it to lead a push for improvements in programme implementation.

**Towards better humanitarian donorship***The urgent need for a formal Dutch humanitarian policy***Key findings:**

*The lack of a clear policy mandate for Dutch humanitarian assistance means that the Netherlands has no formal humanitarian objectives, no guidance for cross-government co-ordination on humanitarian issues, and no anchor for effective and accountable programming.*

**Recommendation:** The Netherlands should finalise its cross-government humanitarian policy, which should include clear humanitarian objectives and promote:

- advocacy work to strengthen the global humanitarian system;
- continued respect for the humanitarian imperative, both within the ministry and across government;
- stronger linkages with other Dutch programmes and more structured discussions with parliament and partners;
- further programme efficiencies; and
- accountability for Dutch humanitarian objectives.

The Netherlands plays a key role in strengthening the global humanitarian system: this work is useful and relevant and should continue. To support this system strengthening work, the Netherlands uses its respected voice and significant funding to drive through key humanitarian reforms, promote more effective delivery by multilateral agencies and improve co-ordination. However, this important work has not yet been anchored in a cross-government humanitarian policy.

The lack of a clear policy mandate limits possibilities for effective cross-government co-ordination, and restricts discussions with partners and parliament. This may become critical in the near future if, for example, the humanitarian team needs to defend the humanitarian imperative in policies such as the overall Dutch “3D” – defence, diplomacy and development – strategy. The lack of a policy also makes it difficult to verify whether the Netherlands is allocating sufficient funding for, or achieving, its own humanitarian objectives.

***Building on good practice to become more efficient*****Key findings:**

*Making the programme more efficient could reduce the workload of humanitarian staff in the Hague – freeing them up for more strategic and analytical tasks – while also helping improve the quality, timeliness and predictability of funding.*

**Recommendation:** To support effective and efficient humanitarian aid the Netherlands should:

- refine its rapid response mechanisms for sudden onset emergencies; and
- expand the use of multi-annual funding streams in complex emergencies and protracted crises.

An effective rapid response mechanism ensures that help reaches disaster survivors as quickly as possible, and also reduces the workload for donor personnel, giving staff and partners more time to analyse the evolving situation on the ground. The Netherlands has a variety of tools to support a rapid response, but it could be more efficient, such as by using pre-positioned funding and simplified fast-track procedures.

The Netherlands should extend its current multi-annual funding agreements with certain NGOs to all partners working in protracted crises. Increasing funding authority to embassies could also make co-operation more flexible, build technical capacity and promote strategic links between Dutch humanitarian, stability and development programmes in these complex situations.

## Secretariat Report

### *Chapter 1* Strategic orientations

Equipped with six decades of experience, the Netherlands is revising its approach to development co-operation and formulating new policies and strategies to better respond to a rapidly-changing world. This chapter looks at how the Netherlands has reformed the strategic orientations of its development co-operation over the last five years. Building on the actions taken by the Netherlands in response to the DAC recommendations from the previous peer review (OECD, 2006a) and other changes made since 2006, this chapter also highlights four areas for future consideration:

- (i) Finalising the Netherlands' policy framework for the whole of its development co-operation and achieving greater synergy among the Dutch aid delivery channels.
- (ii) Strengthening the Netherlands' practices and systems for mainstreaming cross-cutting issues.
- (iii) Managing risks posed by combining an emphasis on private sector development with the promotion of Dutch commercial interests.
- (iv) Strengthening communication and engagement with civil society and the Dutch public on aid and development.

#### **Progress in implementing the recommendations of the last peer review**

The Netherlands has implemented the first of the two strategic orientations recommendations made by the previous peer review (summarised in Annex A) – to eliminate thematic spending targets; the last of these is to be phased out in 2011. The remaining challenge from the previous recommendations, to re-vitalise domestic policy dialogues, has not been achieved; this is discussed in the last section of this chapter.

#### **A good reputation and strong foundations**

The Netherlands is a respected bilateral donor with a history of development co-operation stretching back more than 60 years. It has a well deserved reputation for responding positively and creatively to challenges and setting trends for new operational approaches. It is one of only five DAC members to have achieved the United Nations (UN) official development assistance (ODA) target of 0.7% of national income. Since 1975 it has surpassed this target every year.

The Ministry of Foreign Affairs, which we refer to here as “the ministry”, is responsible for the country’s foreign policy and delivers most of Dutch ODA. Dutch foreign policy emphasises “a strong Netherlands in a strong Europe” and development co-operation (including the European Union’s development efforts) is seen as a key instrument for achieving this (MFA, 2011a). The ministry continues to be the hub of the system for managing Dutch development assistance, with other ministries – chiefly finance, economic affairs, environment and defence – gradually playing more important and relevant roles.

## Reforming Dutch development policy

The legal framework for the Netherlands’ development co-operation has not changed since the last peer review. It comprises: (i) the budgetary procedure, including the budget act passed by parliament each year; and (ii) the Coalition Agreement<sup>2</sup> for each legislative period, with the current one starting in 2010 (VVD and CDA, 2010).

Since the last peer review the Netherlands has embarked on two contrasting cycles of reform of its development assistance, the implications of which are still being worked out. The first cycle, from 2006 to 2009, largely maintained earlier policy directions, based on the Millennium Development Goals (MDGs), but focused Dutch efforts on a smaller number of partner countries (from 40 to 33) and fewer thematic priorities. The Netherlands also sought to improve the synergies between its main aid delivery channels by aligning these to an overarching policy framework set out in a policy memorandum entitled *Our Common Concern* (MFA, 2007a). This alignment was still being refined through more detailed memorandums (MFA, 2009c; MFA, 2009i) when the second cycle of reform began in 2010.

The second cycle of reform is a significant departure from earlier Dutch development policy. While *Our Common Concern* paid special attention to social and economic development for the world’s poorest people, the focus of Dutch aid has now shifted towards the economic sectors, the self-reliance of developing countries and global public goods (MFA, 2010a and 2011b). These new policy directions are based mostly on the Scientific Council for Government Policy’s report, *Less Pretension, More Ambition* (WRR, 2010), and recognise the relationships between development objectives (the MDGs remain a focus of Dutch aid); global public goods, such as climate policy or protecting biodiversity; and Dutch national interests. The policy revision also responds to growing public and parliamentary pressure in the Netherlands for the government to demonstrate the results of its development co-operation and also to reflect Dutch national interests in this activity.

The ministry has seized the opportunity presented by overall government budget cuts in the Netherlands to make some bold choices for its development co-operation, including:

- Further reducing the number of partner countries from 33 to 15.
- Narrowing the thematic focus of the Netherlands’ development co-operation to just four areas (described as policy spearheads in the Dutch policy documents): (i) security and the legal order; (ii) water; (iii) food security; and (iv) sexual and reproductive health and rights.
- Increasing opportunities for the Dutch private sector to engage in development co-operation.

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<sup>2</sup> The Netherlands has not had a single party government since 1900.



However, if the reforms are to be successful the Dutch government will need to complete and implement its supporting policy framework. The new policy directions will apply to all the Dutch aid delivery channels, but so far only the bilateral programme's new strategic orientation is clear. The Netherlands intends to revise all of its main programmatic areas in the light of its new policy directions, particularly its focus on global public goods and its objective of making a more concentrated, effective and professional contribution to development. This will require, for each channel, a strategic approach or road map to ensure better focus and results. In completing these reforms, the Netherlands should build on the main strengths of its development co-operation, in particular the flexible and responsive programmes managed by its embassies. A narrower focus gives the Netherlands a real opportunity to make a difference in its 15 partner countries, but only if it actually concentrates more of its bilateral resources on these countries.

The Netherlands will also need to manage several strategic risks associated with its reforms. The first of these is that the emphasis on private sector development may be confused with the promotion of Dutch commercial interests. The Netherlands needs to take care to ensure that development objectives remain paramount. A second risk is that if the planned reforms are not implemented and communicated to the Dutch people, public support for aid and development may decline further. This is because the policy changes are partly in response to growing public and parliamentary pressure for the government to demonstrate the results of its development co-operation and to also reflect Dutch interests. There are also reputational risks associated with phasing out of countries and sectors and the Netherlands will also need to ensure that its withdrawal from these does not undermine its earlier investments, and those of its partners. These risks are discussed in more detail in the remainder of this chapter, mostly in the context of the main aid delivery channels. Other implications of the policy changes – such as for policy coherence for development, aid volumes, organisation and management, aid effectiveness and humanitarian assistance – are discussed in the relevant chapters of this report.

## **An opportunity to reform all Dutch aid delivery channels**

As with the first reform cycle (2006 to 2009), in order to achieve synergy among all of its main aid delivery channels (bilateral, multilateral, civil society, humanitarian and enterprise), the Netherlands will need to align each of these with the new overall policy and with each other, work that is already being implemented for the bilateral channel. This is an opportunity for the Netherlands to reform these channels, to build on their strengths and to ensure that they are directly supporting its development objectives.

### ***Bilateral channel: halving the number of partner countries***

Of all the Netherlands' recent aid choices, the one that has received the most attention from stakeholders is the cut in the number of bilateral partner countries from 33 to 15 by 2015 (Table 1 and Figure 2).

**Table 1. Netherlands' partner countries categorised into profiles (2011)<sup>3</sup>**

<b>Profile 1. Accelerated achievement of MDGs</b>	<b>Profile 2. Security &amp; development</b>	<b>Profile 3. Broad-based relationship</b>
Main criteria: 1. Low-income country 2. Fragility not dominant problem 3. Government structures offer enough potential to work with them	Main criterion: 1. Fragility or major inequality blocking poverty reduction	Main criteria: 1. (Prospective) middle income country 2. Fragility not dominant problem
<b>Development co-operation to be continued: 2012-2015</b>		
Benin, Ethiopia, Mali, Mozambique, Rwanda, Uganda	Afghanistan, Burundi, Palestinian Territories, South Sudan <sup>4</sup> , Yemen	Bangladesh, Ghana, Indonesia, Kenya
<b>Development co-operation to be phased out: 2012-2015</b>		
Bolivia, Burkina Faso, Mongolia, Nicaragua, Senegal, Tanzania, Zambia	Colombia*, Congo DR, Guatemala, Kosovo SC Res.1244, Pakistan	Egypt, Georgia, Moldavia, Vietnam*, South Africa*, Suriname

\*These countries are eligible for a transition facility that will change the relationship from development to broader co-operation

Source: Ministry of Foreign Affairs Policy Letter of March 2011 (MFA, 2011b).

These country selections have been approved by the Dutch parliament. The government's rationale for the cut is that Dutch bilateral resources are spread too thinly and should be concentrated on the countries where the Netherlands can have the most impact on the lives of poor people (MFA, 2011b).

In making its country selections the Netherlands took into account the following considerations:

- the Netherlands' added value as a donor and Dutch interests in the concerned country;
- the country's income, poverty level and development needs;
- opportunities for pursuing the Netherlands' four thematic priorities;
- the extent to which the country has good governance or opportunities to promote this; and
- how re-shaping the development programme would impact on the proposed plans to cut back on the Dutch network of embassies (MFA, 2011b).

An additional consideration was the division of labour between donors. We note that the Netherlands had initiated informal consultations with a group of six like-minded countries – members of the European Union – and other donors regarding division of labour (Chapter 5) before deciding on the selection of countries.

<sup>3</sup> The three profiles were adopted by the Netherlands in 2008.

<sup>4</sup> In its new list of partner countries, it is not Sudan but the new state of South Sudan that is among the Netherlands' 15 partner countries

### *Ensuring a tighter thematic focus reflects partner country priorities*

While we commend the Netherlands for narrowing its thematic focus, this global statement of Dutch comparative advantage will need to be refined at partner country level. In particular, the Netherlands should ensure that its priority focal areas in partner countries are selected following full consultation with the partner country government and other development partners. The rationale for thematic selections in each country should be made explicit in discussions and in Dutch country strategies. The tighter thematic focus should not lead to *de facto* thematic spending targets (which the Netherlands has done away with only recently) as this would undermine partner country ownership of development strategies and programmes.

### *A specific focus on sub-Saharan Africa*

Sub-Saharan Africa has been given a higher profile in the Netherlands' policies and strategies since the last peer review and this seems likely to continue under the new policy directions. Ten of the 15 partner countries are from this region. The new policy should also help the Netherlands to tackle the concerns raised in an evaluation of Dutch aid to Africa compiled by the ministry's Policy and Operations Evaluation Department (IOB, 2008). This evaluation covered the period 1998 to 2006 and was critical of the Netherlands' approach in the region, highlighting its neglect of the agricultural sector in particular. The Netherlands is responding to the evaluation by tightening the focus of its programming, reporting on results and emphasising the new priorities of water and food security.

### *Fragile states will continue to receive attention*

The new policy focuses the Netherlands' attention on four fragile states. As the Netherlands' strategy for fragile states expires in 2011 (MFA, 2008d), this is now a good time to evaluate its approach. The new policy and a recent inventory of the Netherlands' support for fragile states commissioned by the ministry asserts that the Dutch approach has been successful, particularly in Afghanistan and Burundi, and should be continued (van Beijnum, Hoebeke and Vlassenroot, 2010). This approach, known as 3D, combines the Dutch government departments responsible for defence, diplomacy and development. It has resulted in some practical improvements in how these different government departments work together and how resources are mobilised. However, it has not necessarily brought greater strategic policy convergence or better results on the ground. Moreover, the costs of this co-operation are to increase time spent on co-ordination, a tendency towards lower common denominator approaches, and unclear lines of authority for development programming and field operations. An evaluation of the Netherlands' work in fragile states would be a timely first step towards strengthening the 3D approach. This work could inform the next Dutch strategies for the four fragile partner states in particular – see Chapter 2.

The Netherlands' implementation of its fragile states strategy has been assisted by improved organisational structures and systems – these can be built upon for further progress in this area. Since the last peer review, the Netherlands has: (i) established a Fragile States and Peacebuilding Unit in the ministry to co-ordinate and support its work; (ii) deployed people and resources more swiftly and flexibly, particularly in Afghanistan, Congo and Burundi; and (iii) reformed its Stability Fund to make its procedures simpler, more flexible and more streamlined. The Fragile States and Peacebuilding Unit should

now be delegated sufficient authority and resources to develop integrated country and regional strategies with the relevant geographic units of the ministry. These strategies should be developed using recent insights in statebuilding and peacebuilding, such as the latest *World Development Report* (World Bank, 2011a) and OECD statebuilding guidance (OECD, 2011d). Strong senior leadership support from the ministry will be needed if fragility is to remain a relevant policy theme in Dutch development co-operation, and one that is organised and implemented effectively.

### ***The multilateral system: giving strong and strategic support***

In reflecting its new policy in its multilateral aid, particularly the focus on global public goods, the Netherlands should take care to maintain and build on its track record as a good and strategic contributor to the multilateral system. The Netherlands sees EU policies on development as complementary to its bilateral efforts and works hard to influence EU aid policies and strategies and the Commission's programmes. The Netherlands also provides strong support for the UN system, particularly the reform to achieve coherence across all the UN development agencies. It also makes an active contribution to the work of the World Bank – discussed further in Chapters 3 and 6. The ministry should continue to make use of and develop its framework for assessing the relevance, effectiveness and need for reform of multilateral organisations (including its report cards, performance monitoring and field level feedback), as well as the Multilateral Organisation Performance Assessment Network (MOPAN), of which the Netherlands is an active member.

The Netherlands is yet to clarify whether and how the earlier policy it put in place to govern its multilateral aid (MFA, 2009i) will be changed. A ministry policy letter, *Working Together on Global Challenges* (MFA, 2009i), carefully reconsiders Dutch multilateral efforts in the light of changes in the international context and aid architecture. It broadly outlines what the Netherlands intends to do differently in the multilateral framework to implement the four priorities described in *Our Common Concern* (MFA, 2007a). While these thematic priorities have now changed, other key aspects of the 2009 policy remain valid and can continue to provide a coherent framework for Dutch multilateral aid. Particularly important objectives are to improve the links between development goals and the international public goods agenda, as well as to strengthen coherence.

We agree with the recent Scientific Council for Government Policy report that the multilateral channel offers greater opportunities than the bilateral one for Dutch foreign assistance to tackle development issues from a global perspective; this potential should be fully exploited (WRR, 2010). This view also seems to be shared by the Dutch people, as underlined by recent surveys. Dutch respondents in the latest Eurobarometer survey (EC, 2010) and in the Netherlands' own public opinion surveys (NCDO, 2010) consider that multilateral organisations are in a better position than any other agency, including the Dutch government and civil society, to help developing countries.

### ***Civil society: the need for a fresh look***

The new policy directions provide an opportunity for the Netherlands to take a fresh look at how it can better achieve its aim of strengthening civil society in developing countries. A first step would be for the Netherlands to define more precisely the rationale for providing funds for this purpose through Dutch NGOs. A policy memorandum (MFA, 2009c) on civil society

organisations (CSOs) heralded a new grant policy framework for working with NGOs (known as MFS II). This establishes a co-financing ratio for projects supported under the civil society channel of 75% (ODA) and 25% (private contributions), as well as greater alignment between this channel and the bilateral channel. Sixty percent of funding through MFS II is targeted at partner countries and the thematic priorities in *Our Common Concern*. Although these geographical and thematic priorities have now changed, the MFS II will run under its original framework until 2015. Nonetheless, the ministry needs to start thinking now about what will replace this system and what civil society's role should be in the future in the context of the new policy framework. In particular, the rationale for working with Dutch NGOs to strengthen civil society in developing countries will need to be clarified (discussed further in Chapter 3).

### ***Risk of combining private sector development with promoting Dutch commercial interests***

Although the Netherlands' new emphasis on increasing opportunities for the Dutch private sector to engage in development co-operation is a positive response to the growth agenda, this should be carefully managed to ensure that development objectives remain paramount. We commend the Netherlands for reforming aspects of its enterprise channel and encourage it to build further on this. But it must keep development objectives constantly in view and distinct from the promotion of Dutch commercial interests. The reform of the Development Related Export Transactions Programme (ORET) into the Development-related Infrastructure Facility (ORIO) is welcome as it has untied this aspect of Dutch aid and given partner governments more influence over the kinds of projects that are supported and the choice of partner firms. The Netherlands should now consider how the projects supported under this new programme, as well as its related instruments FMO (Netherlands Development Finance Company) and PSI (Private Sector Investment Fund), can more directly support the broader Dutch aim of achieving a good climate for investment and business in partner countries (see Chapter 3).

### **A more strategic approach is needed for mainstreaming cross-cutting issues**

The Netherlands is committed to mainstreaming gender equality, environment and climate change throughout its programmes, but implementation is variable. While gender equality mainstreaming has a high profile and strong leadership from teams and individuals in the Hague and most Dutch embassies, the mainstreaming of environment and climate change appears to have fewer resources devoted to it. The Netherlands has a gender equality adviser in 8 of its 15 partner countries, along with 7 environment experts, but there are no climate change advisers. We noted that in Tanzania the Netherlands embassy is relying on inputs from the Danish embassy when it is required to establish a position on environmental and climate related issues and this sharing of resources between donors is welcome. The Environment Department in the Hague has allocated responsibility for climate issues to its water experts posted in 10 of the 15 partner countries.

The Netherlands is regarded as an international leader on environment and climate change issues, particularly their impact on poor countries. All Dutch-supported interventions are screened for these issues during project preparation. The new thematic priorities give the Netherlands an opportunity to help tackle environmental and climate change issues in water and food security, but it will need to strengthen its capacities in these areas, particularly in partner countries, if it is to have an impact. With its much narrower geographical and thematic focus, combined with a continuing high level of ODA, the Netherlands now has the scope to do just that.

The Netherlands is also an internationally recognised leader on gender equality and women's empowerment in development and has a long and established track record in mainstreaming these issues in its development co-operation. This impressive performance should be maintained and strengthened through a more strategic approach. Previously gender equality was one of four focal areas for the Netherlands but now it is treated as a cross-cutting issue. The Netherlands should maintain its commitment to this issue and assess some of the constraints to mainstreaming. The Netherlands reports that gender objectives are not being achieved in all countries and mainstreaming does not appear to have reached all the Dutch channels of aid delivery (MFA, 2011c). The ministry's Gender Equality Unit is now part of the Human Rights Department. The unit's own resources, which should be maintained, are channeled through the MDG 3 Fund (Box 4). This is widely recognised by development partners as a good practice approach for promoting equal rights and opportunities for women and girls, as evidenced by the recent contributions to the fund by the United Kingdom. Ireland is considering contributing to the Funding Leadership and Opportunities for Women (FLOW), the successor to the MDG3 Fund, from 2011-2012.

**Box 4. The Netherlands' MDG 3 Fund and the Funding Leadership and Opportunities for Women (FLOW)**

The MDG3 Fund invests in projects that promote equal rights and opportunities for women and girls. The fund supports 45 projects worldwide, with an initial EUR 70 million to be distributed between 2008 and 2011.

The projects are aimed at securing property and inheritance rights for women, promoting equality of employment conditions and opportunities, increasing women's participation in politics and public administration, and stopping violence against women. The activities funded differ widely, but all have been selected for their contribution towards achieving the Millennium Development Goals (MDGs) in 2015.

FLOW is the successor to the MDG3 Fund with EUR 70 million to be distributed between 2012-2015. The objective is to improve the position of women and girls, strengthen their rights and opportunities and show their potential. Programmes have to focus on promoting security by combating violence against women (processes of peace, security and reconstruction), economic self-reliance (food security, employment rights and access to safe drinking water) and the participation and representation of women in politics and public administration.

**Towards better accountability: developing a public communication and awareness strategy**

Three important institutions (parliament and two high-level advisory councils) play key roles in Dutch development co-operation; the ministry needs to continue to prioritise and strengthen its communications with them. The various policy memoranda discussed in this chapter have all been submitted to the Dutch parliament for debate and approval via the International Development Committee. This committee is well informed and its members confirmed to us that they are generally satisfied with the level of reporting they receive from the ministry. The committee also receives reports and presentations from the Scientific Council for Government Policy (WRR) which advises the government on major social issues, including aid. The Advisory Council on International Affairs (AIV) advises both the MFA and the Ministry of Defence on peace and security, human rights, aid and European integration.

Between 2006 and 2008 the ministry had improved its consultation with Dutch civil society organisations. However, this has recently stalled and needs to be reinvigorated, particularly the policy dialogue. A structured dialogue with civil society and other stakeholders took place in 2007 on *Our Common Concern* and as part of the reform of the ministry's civil society co-financing system. In addition, the ministry ensured full consultation on its *Project 2015*, which

resulted in a set of Millennium Agreements with civil society, research institutes and the private sector. However, stakeholders reported to us that consultation and policy dialogue has reduced since 2009 and that the new policies introduced in 2010 and 2011 have not been the subject of wider discussion. During our visits to the Hague and Tanzania (Annex C), we heard from a range of stakeholders – including parliamentarians, Dutch NGOs, partner country representatives and development partners – about shortcomings in the Netherlands’ consultation on strategies and policies. These stakeholders felt that consultation on policy should occur earlier in the process, which would make it more meaningful.

While there is a high level of public awareness about aid and development in the Netherlands (it was an issue in the most recent national elections), public support for aid is declining and there is much scepticism about its effectiveness, particularly government-to-government development co-operation. The most recent surveys of public opinion in the Netherlands reveal that public support for development co-operation has declined from 80% to 50% over the past five years (NCDO, 2010). The least popular forms of development co-operation, according to the respondents in the surveys, are government-to-government and civil society managed aid. As noted earlier, the surveys show that multilateral organisations are perceived as the most effective means for delivering aid.

Although the ministry understands the importance of communicating development co-operation efforts and results to taxpayers, it needs to develop a coherent set of messages for target audiences and do more to communicate and demonstrate achievements. The Netherlands has adequate resources for communicating to the public on the results of its development co-operation. These resources need to be used more strategically to target specific messages to key audiences. In addition, the National Committee for International Co-operation and Sustainable Development (NCDO), the main Dutch body responsible for supporting the public debate on global citizenship, could organise detailed analysis of the decline in support for aid among different groups of the population. This analysis could then be the basis for a targeted communication strategy.

### Future considerations

- The Netherlands should complete its policy framework for development co-operation by (i) setting out the inter-linked principles and criteria that will drive objectives and choices for each of its main aid delivery channels; and (ii) making clear how it is going to carry out its new policy through these channels.
- To mainstream gender equality, environment and climate change issues, the Netherlands should (i) target mainstreaming resources on to its poorest-performing programmes; and (ii) ensure that it has sufficient access to technical specialists in these three domains in its 15 partner countries.
- The Netherlands’ emphasis on private sector development in its policies and programmes is a positive response to the growth agenda, but it will need to manage carefully the risk that this may be confused with the promotion of Dutch commercial interests. Care needs to be taken to ensure that development objectives remain paramount.
- The Netherlands can strengthen communication and engagement with parliament, civil society and the public on development and development co-operation by formulating a communication strategy, targeting resources and appropriate methods on to key audiences to communicate results and engaging strategically with NGOs, development institutions and think tanks both at the policy and implementation levels.





## *Chapter 2*

### **Development beyond aid**

The OECD, the DAC and the governments of developing countries recognise that aid alone cannot reduce poverty. Increasingly, developing countries depend less on the financial and technical support they receive from donors and more on the opportunities they find themselves in a globalising world. The question for DAC members is how development can be placed and tackled within this global perspective. This question leads to a consideration of a number of issues which, taken together, are described as *development beyond aid*. Within this conceptual framework, the DAC peer reviews focus on two closely related institutional issues:

- (i) How national and (in the Netherlands' case) European policies on issues which go beyond aid are supportive of, or at least do not undermine, the reviewed country's development policies – this is known as *policy coherence for development*.
- (ii) How to improve the co-ordination and strategic integration of development co-operation with other policies dealing with specific global challenges, such as global governance, global public goods and cross-border issues; or issues within particular developing countries, such as conflict and security. This is known as *a whole-of-government approach*.

This chapter looks at both of these related areas in turn and finds that the Netherlands has made progress in development beyond aid since 2006. We suggest that the Netherlands can build on this progress and highlight three areas for future consideration: (i) setting out a clearly prioritised coherence agenda with cross-governmental goals; (ii) more effectively integrating field level perspectives from Dutch embassies on development beyond aid issues; and (iii) improving and applying coherent whole-of-government approaches in more targeted ways through, for example, whole-of-government country strategies.

#### **Progress in implementing the recommendation of the last peer review**

The Netherlands has partially implemented the recommendation of the previous peer review on policy coherence for development (Annex A). It continues to employ three mutually reinforcing intervention strategies with a strong EU focus:

- (i) Across-the-board screening of EU legislative proposals for their impact on developing countries and poverty reduction, and incorporating development friendly positions into Dutch standpoints in Brussels.
- (ii) A proactive focus on specific policy coherence for development issues and cases (referred to as dossiers) led by the ministry, but also involving other relevant government departments and, where necessary, alliances with like-minded EU Member States and other stakeholders.
- (iii) Promoting general awareness of policy coherence for development at national, EU and international level; conducting independent monitoring of OECD countries' efforts; and stimulating research into actual impact in developing countries.

The Netherlands' remaining challenge from the previous recommendation is to strengthen its performance assessment, both in tracking progress against objectives and in assessing the impact of specific policy coherence successes. This requires efforts at country level to collect information about and to understand better the ways in which the Netherlands' policies, and reforms to those policies, have an impact in the developing world.

### A long-standing commitment to policy coherence for development

The Dutch government has long recognised the need to ensure that all its policies – and those of the European Union – support, or at least do not undermine, its development policies. The Netherlands has played a proactive role in international debates on a number of issues related to this agenda, particularly within the European Union, but also in the OECD and World Trade Organisation.

The OECD emphasises that policy coherence for development involves three building blocks: (i) a political commitment that clearly specifies policy objectives; (ii) policy co-ordination mechanisms; and (iii) monitoring, analysis and reporting systems to provide the evidence base for accountability and for well-informed policy making and politics (OECD, 2008a). The Netherlands has made good progress towards establishing these building blocks since the last peer review (Table 2).

**Table 2. The Netherlands' progress in building policy coherence for development, 2006-2011**

Building block	Situation in 2006	Progress made by 2011
<p><b>Building Block A:</b> Political commitment with clear policy statements</p>	<p>The ministry had established policy coherence as one of the main priorities of Dutch foreign and development policy in a document called <i>Mutual Interests, Mutual Responsibilities</i> (MFA, 2003). The Netherlands had put in place a combination of political commitment, a clear policy framework and the capacity to deliver through a dedicated Policy Coherence Unit (PCU) located within the ministry. The ministry was given responsibility for leading on policy coherence for development within the Dutch government.</p>	<p>All major government policy statements since 2006, particularly <i>Our Common Concern</i> and the policy letter of October 2010 (MFA, 2010a), and annual foreign policy agendas have emphasised the Netherlands' political commitment to policy coherence for development. The PCU, now merged with the ministry's Effectiveness and Quality Department to form the Effectiveness and Coherence Department (DEC), continues to lead on mainstreaming development across Dutch government policies.</p>
<p><b>Building Block B:</b> Policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies</p>	<p>The ministry had adopted a three-pronged strategy for policy coherence:</p> <ul style="list-style-type: none"> <li>• Promoting coherence at the European Commission level.</li> <li>• Proactive targeting of specific coherence dossiers.</li> <li>• Building partnerships and promoting awareness of the importance of coherence.</li> </ul> <p>The PCU prioritised structured working with ministries and embassies, and coalition building nationally and internationally. The PCU was aware that it needed to reach beyond traditional like-minded donors and to work with partner countries and civil society.</p>	<p>The three-pronged strategy continues to be the main approach to policy coherence. At cabinet level, the Coordination Council for European Affairs is the main entry point for promoting the agenda. The Netherlands has continued with its practice of systematically screening EC proposals, combined with a proactive targeting of specific coherence dossiers of current interest. In addition, the ministry works with other ministries and civil society on key issues, the result of which has been joint policy letters on agriculture, rural economic development, food security and on migration and development.</p>

Building block	Situation in 2006	Progress made by 2011
<b>Building Block C:</b> Monitoring, analysis and reporting systems	The ministry had started to manage for results in its work on coherence by ensuring a strong focus on results delivery and clear reporting on progress to parliament, including the regular MDG 8 report. The PCU was also trying to broaden the agenda.	The DEC is working towards a systematic approach to performance assessment. Successes and other elements of progress are reported in the Results and Development Report every two years.

### *Strengthening the Dutch approach further*

The Netherlands' approach to policy coherence has been successful in certain policy areas, such as climate and environment. However, it could be improved if the agenda were owned by a broader range of offices of government, thus also enabling a systematic screening of all relevant legislative proposals for their impact on developing countries. Indeed, the Netherlands' ultimate aim is for policy coherence for development to become the responsibility of each government office. Our meetings with the relevant focal points of several Dutch ministries revealed that understanding of Netherlands' development policy is strongest in departments that have been working with the ministry on global issues, such as the Ministry of Infrastructure and Environment. In order to increase development policy understanding and awareness across the entire Dutch government, three changes will be necessary: (i) a higher level of political commitment to the issue, particularly to make policy coherence for development binding on all government departments; (ii) strategic cross-government goals; and (iii) a stronger development-related capacity of the most relevant government offices. These are discussed in turn below.

#### *Building greater political commitment*

While there have been high-level political statements supporting policy coherence for development, political commitment to the issue should be raised so that the agenda is binding on government departments. Until 2010 the Minister for International Co-operation had full cabinet status (see Chapter 4). This was an important asset for promoting policy coherence for development as it provided a permanent platform for advocating for development co-operation and development issues both in the highest political sphere and publicly. The Minister for International Co-operation and European Affairs does, however, have a permanent seat in the cabinet meetings during the discussion of international agenda items. The Minister of Foreign Affairs has final responsibility for policy coherence for development and he promotes this in several cabinet or inter-ministerial committees, such as the Inter-ministerial Steering Committee for Security Co-operation. These committees provide an additional arena for policy co-ordination and an opportunity for considering development in the political discussion. However, ultimately commitment and support from the Prime Minister and the Ministry of General Affairs are vital to ensure that all Dutch government actors keep policy coherence for development at the top of their agendas.

#### *Developing strategic cross-governmental goals*

While a high level of political commitment is necessary, progress towards policy coherence for development also depends on embedding the concept within the various government departments and setting clear priorities for its implementation. The OECD recommends getting all departments to sign up to a clearly-prioritised and time-bound coherence agenda which establishes cross-governmental goals and a plan for implementation (OECD, 2009e). The basic content of this agenda may be found in the recent work that the Netherlands has supported in the

EU, in particular the policy coherence for development commitments included in the European Consensus on Development and related EU Council Conclusions.<sup>5</sup> In November 2009 the European Commission and EU Member States agreed a work programme on policy coherence for development which identifies five priority areas: (i) global trade regimes and international financial markets; (ii) climate change and sustainable management of resources; (iii) food security; (iv) migration; and (v) fragile states, security and conflict.

The Netherlands has not yet internalised these five EU priorities in its own work programmes. However, they are very much in line with the Netherlands' new thematic priorities for its development co-operation and would provide the kind of agenda and framework for setting cross-departmental goals that is currently missing. In line with the EU priorities and the recommendations of the Scientific Council for Government Policy (WRR, 2010), the Netherlands should define specific goals and a cross-governmental approach for achieving results in each of these areas. An example of a goal and cross-governmental approach might be as follows: *goal* - to put in place a migration policy that can offer significant pay-offs in terms of development outcomes; *approach* – ministry and Ministry of the Interior engage jointly in a process designed to raise awareness and build support for such a policy, with policy commitments achieved at the highest level and an action plan for achieving the goal guiding activities.

#### *Increasing government capacity for policy coherence for development*

The ministry has had a dedicated unit responsible for policy coherence for development since 2002, but there is a need for broader government capacity and more strategic technical competence. The policy coherence for development team in the Effectiveness and Coherence Department (DEC) now reports directly to the Director-General for International Co-operation and the Minister for International Co-operation. The team has a staff of four policy advisers who work closely with other divisions within the ministry as part of project teams on specific coherence issues. The team is led by the head of DEC and has administrative support, but its agenda is large with seemingly insufficient prioritisation and its resources are relatively thin.

The Scientific Council recently recommended that the ministry's policy coherence for development team should be strengthened (WRR, 2010). This may indeed be necessary, but it is equally important to ensure that (i) resources are concentrated on a prioritised coherence agenda with clear goals and activities, such as the one suggested above; and (ii) the capacity and expertise of relevant teams within other government departments, such as environment, economic affairs, agriculture and defence, are also built up. The Netherlands could consider establishing cross-departmental units or task forces in areas of the highest priority, such as the five identified by the EU.

#### *Progress in monitoring, analysing and reporting policy coherence for development*

The Netherlands has made progress in monitoring, analysing and reporting on policy coherence for development since the last peer review. It can build on this by taking into account the lessons identified by the OECD (OECD, 2009e):

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5. See EC (2006b and c). An important component of these resolutions is the decision to publish a bi-annual progress report on the implementation of the EU's coherence agenda. Reports were published in 2007 and 2009.

- **Monitoring:** With the exception of the system for determining the Dutch position on European issues, the Netherlands does not yet have a formal monitoring system to assess the impact of its policies on development, noting, of course, that not all policies are relevant. Within the ministry, progress on policy coherence from a development perspective is monitored internally alongside other operational goals: heads of department report progress to their directors general who use results to inform the ministry's internal planning process. In the field, there is only limited use of embassy resources to monitor the impact of relevant Dutch policies on partner countries' development, but it has been agreed to include analysis of policy coherence issues in future country and sector strategies. This is important progress.
- **Analysis:** A more focused and prioritised coherence agenda would allow research and analysis to target a select number of important strategic issues. Ministry resources could also be better used by drawing on the expertise of civil society and research institutes.
- **Reporting:** Public reporting on how Dutch policies contribute to development is not done separately, but as part of general development policy reporting. This is mainly the *Results in Development Report* which is submitted to parliament once every two years. This reporting is generally good, but could be improved by focusing on a prioritised coherence agenda.

### **Progress in using whole-of-government approaches**

Since the last peer review, the Netherlands has improved its whole-of-government approaches: (i) it has formalised inter-ministerial co-operation through several memorandums between the ministry and other Dutch ministries; (ii) it has improved co-operation between the Dutch government and Dutch civil society; and (iii) it has supported EU initiatives, such as the EU Forest Law Enforcement and Trade (FLEGT) programme aimed at combating trade in illegally harvested timber.

#### ***Investing time, energy and resources to make whole-of-government approaches work***

Over the last five years the Netherlands has learnt several important lessons about the costs and benefits of engaging in whole-of-government approaches, particularly in fragile states. Of these, the most important is that effective whole-of-government approaches require a significant investment of time and energy from the start to define and agree common or at least complementary objectives among participating departments and then to discuss strategy and resources. The necessary condition for effective participation is that resources can be mobilised once agreement has been reached on what the government as a whole is trying to achieve – without this condition being met, whole-of-government approaches can consist of little more than co-ordination for co-ordination's sake.

As noted in Table 2, the ministry has invested resources in strengthening relations with other relevant Dutch ministries, signing memoranda with some of these on agriculture, rural economic activity and food security and also on migration and development (Box 5).

### **Box 5. The Netherlands’ policy memorandum on international migration and development**

In July 2008 a policy memorandum on international migration and development (MFA, 2008a) was approved by the Dutch parliament. The memorandum established policy priorities for the Dutch government, raised the profile of migration and development within the relevant departments, and strengthened the involvement of migrant organisations in the dialogue and processes for managing both migration and development co-operation.

Focusing the migration and development efforts of the Foreign and Interior Ministries on these priorities has helped to produce a coherent and targeted package of activities. They concentrate on areas that really make a difference, such as strengthening understanding of migration and development issues in the consular sections of Dutch embassies. The migration and development activities were restricted to the Netherlands’ 40 partner countries, plus Morocco, Angola and Iraq. The progress made in these areas is reported to parliament every year, on the basis of activities carried out and achievements against each policy priority. The programme is now being evaluated.

*Source:* Information presented to the peer review team by the Ministry of Foreign Affairs and MFA, 2008.

In addition to the various memoranda that have been signed with different government departments, the ministry has also worked closely with the Dutch Ministry of Finance on international approaches to tax and development issues. These agreements, together with the strengthened cross-government working on specific issues, have helped to develop a shared understanding of common challenges and have enhanced the basis for successful cross-sectoral co-operation. Examples include, firstly, high levels of co-operation with the Ministry of Infrastructure and the Environment on (i) climate; and (ii) “governance and forests” in the context of Dutch support for Reducing Emissions from Deforestation and Forest Degradation (REDD+) and the EU Forest Law programme. A second example is the ministry’s co-operation with the Ministry of Finance in the “Working Party on Tax and Development” that the Netherlands co-chairs with South Africa

### ***Good progress with inter-ministerial co-operation in fragile states***

The Netherlands has also tried to strengthen inter-ministerial co-operation in the field of conflict, security and fragility, both at the policy level, and in country, particularly through its civil-military co-operation in Afghanistan and Burundi (Box 6). The 2008-2011 strategy for security and development in fragile states (MFA, 2008d) builds on the Netherlands’ earlier *Memorandum on Post-Conflict Reconstruction* (MFA, 2005e), and was an important step for bringing the key ministries (justice, interior and kingdom relations, finance, defence, economic affairs and foreign affairs) together in an integrated approach. As the strategy notes: “the principle underlying the integrated approach is to identify how ministries can help to implement the policy on fragile states and the Multi-Annual Strategic Plans (MASPs), based on local needs” (MFA, 2008d).

### Box 6. The Netherlands' Security Sector Development (SSD) programme in Burundi

The SSD programme supported by the Dutch in Burundi is innovative and incorporates important features of good practice:

1. **An integrated approach:** recognising Burundi's diverse issues, challenges and needs, the programme involves a joint effort between the Dutch ministries for development, foreign affairs and defence. Significant time was spent early on in joint assessments, strategising and design, which ensured all the relevant officials followed the same guidelines and became catalysts in their own organisations. This enabled a more innovative approach. As a result, all three ministries contributed significant resources and a strategic partnership took shape at senior levels of the Dutch administration.
2. **Long-term commitment from the Netherlands:** the SSD programme is based on an eight-year MoU, starting in April 2009. This demonstrates the understanding that progress will take a long time. The MoU between the Netherlands and the Government of Burundi incorporates the participation of the three Dutch ministries (development, foreign affairs and defence).
3. **A flexible approach:** unlike other SSD interventions, the programme design was not set in stone from the outset and is expected to evolve over the eight-year period through on-going dialogue and negotiation between the two parties. The programme provides for a high degree of flexibility – essential given Burundi's current circumstances and the joint approach of the three Dutch ministries. This approach has enabled the programme to overcome problems, such as the need for additional or new activities that were not foreseen at the planning stage.
4. **An emphasis on good working relations:** the MoU allows for effective working relationships at various levels, together with clear management and oversight mechanisms (see next point). This is in contrast to other, non-Dutch, SSD interventions where funders do not take adequate time to develop solid relationships with their partners.
5. **The use of a programme manager:** a Dutch government official is responsible for co-coordinating the work and ensuring that the programme proceeds on schedule. This programme manager position is essential for ensuring that key milestones and other results are achieved and to complement and strengthen weak country systems.

Source: Information presented to the peer review team by the ministry and its consultants.

Challenges remain for the Netherlands in implementing whole-of-government approaches in fragile states. These include: (i) a need for a practical overall joint strategy that clarifies where the different ministries are going to bring their joint focus to bear, why and how; (ii) the need for more cross-postings between the three principal ministries, interior, defence and foreign affairs, to increase policy and programming links; and (iii) in the 3D context in particular, the need for more coherence between development and peacekeeping/security efforts as their activities are separate in most cases. In addition, the ministry will need to look at how a poverty focus can be placed within the whole-of-government approach. Peacebuilding and statebuilding objectives are considered to be crucial staging posts towards reducing poverty and achieving the MDGs. In fact, the DAC's International Network on Conflict and Fragility (INCAF) is currently developing interim peacebuilding and statebuilding objectives to complement the MDGs, because a focus on poverty reduction is often unhelpful in fragile contexts, where the restoration of stability, dialogue, security and justice is considered the highest priority.

The challenge of fragile states might be tackled most effectively by ensuring that the Netherlands' next country strategies take a whole-of-government perspective. This is the approach recommended by the OECD (OECD, 2010c), but it requires the necessary buy-in from the relevant offices of government as well as the commitment of the development, humanitarian and diplomacy arms of the ministry itself. As noted earlier in this section, it will also require a significant investment of time and energy at the outset of activities to define and agree common objectives among participating departments and then to discuss strategy and resources. All participating departments would have to agree to be bound by the country strategy and to use it as the principal guide for their operations. It is important to bear in mind, however, that there is no simple way to balance strategic or geo-political objectives with statebuilding and development objectives. The role of the embassy as the principal co-ordinator of the country strategy is also critical for its success. We encourage the Netherlands to give this idea its full consideration.

### **Looking forward: the “beyond aid” agenda for the whole Dutch government**

In response to a recommendation from the Scientific Council (WRR, 2010) and endorsed by parliament, the Netherlands will develop a globalisation agenda which goes beyond the policy area of development co-operation (MFA, 2011d). The government has already identified some of the global challenges that it wishes to tackle, such as raw materials, energy scarcity, global pandemics, climate change, cross-border crime and international trade agreements, and it is now seeking to develop a policy agenda in consultation with key stakeholders which takes in all these areas. There would be considerable synergy between this policy agenda and the agenda for policy coherence for development suggested in this report. We therefore suggest that the Netherlands combine the challenges it has identified for its globalisation strategy with the priorities suggested here. Making progress against this combined agenda could then be a major part of future planning and reporting on development by the Netherlands.

### **Future considerations**

- The Netherlands would benefit from a policy coherence for development agenda which sets strategic cross-governmental goals and provides a clear plan for implementation by all involved ministries.
- The next set of country strategies should analyse how Dutch and European Union policies are affecting the Netherlands' partner countries. This should be the start of a systematic process of feedback from the field to continuously inform the Netherlands' monitoring, reporting and policies.
- The next country strategies should also be whole-of-government strategies, particularly for the Netherlands' four fragile partner countries where a coherent approach between humanitarian, development, diplomacy, interior and defence is critical.



## *Chapter 3*

### **Aid volumes, channels and allocations**

Since 2006 the Netherlands has set and achieved challenging targets for its aid volumes. We commend the Netherlands for these achievements. Building on these achievements, this chapter suggests four considerations for the future: (i) that the Netherlands' ODA/GNI ratio should not fall below 0.7%; (ii) that the Netherlands' criteria for allocating funds to the main aid delivery channels should be revised in the light of the new policy framework and the strengths of its system; (iii) that Dutch multilateral ODA should continue to concentrate on a smaller number of organisations and support be linked more closely to agency performance; and (iv) complete on-going work to increase transparency through improved reporting on Dutch ODA.

#### **Progress in implementing the recommendations of the last peer review**

The previous peer review made four recommendations on aid volumes, channels and allocations (summarised in Annex A). The Netherlands has implemented two of these recommendations, making progress on strengthening the sector focus in its bilateral programmes; developing a more coherent strategy for private sector development and pro-poor economic growth; improving the effectiveness of its NGO programmes while ensuring complementarity; and defining its multilateral strategy and striking a balance between bilateral objectives and implications for the management of multilateral agencies. The Netherlands' remaining challenges from the last review recommendations are to improve the reporting of its country allocations and to improve the effectiveness of its programmes with NGOs.

#### **Continuing high levels of Dutch ODA**

The Netherlands is one of only five DAC members to have achieved the UN ODA target of 0.7% of gross national income. Since 1975 it has surpassed this every year (Table B.1, Annex B). In 2010,<sup>6</sup> the key figures for the Netherlands' development co-operation are as follows:

- The Netherlands was the sixth largest donor in the world, supplying 4.9% of DAC members' total ODA (all of which is provided in the form of grants; see Table B.6 in Annex B).
- The Netherlands' net ODA was USD 6.351 billion, an increase of 2.2% in real terms over 2009.
- Dutch ODA as a proportion of GNI contracted slightly from 0.82% in 2009 to 0.81% in 2010.

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6. Only headline figures for 2010 are available. The financial analysis in this report is based on data for the period up to 2009.

Maintaining an ODA/GNI ratio well above 0.7% in the years following the financial crisis is a significant achievement for the Netherlands, especially at a time when Dutch public support for aid is under pressure (Chapter 1). We commend the Netherlands for this achievement.

While maintaining its ODA at not less than 0.7% of national income, the Netherlands will reduce the volume of its aid over the next two years; this will need to be managed carefully, to avoid negative impacts on its partner countries and to maintain predictable flows. It will cut ODA from 0.81% ODA/GNI in 2010 to 0.7% by 2012, with an interim step of 0.75% in 2011. From 2012 onwards the Dutch ODA budget will be 0.7% on average. This reduction in Dutch ODA is a departure from long-standing cross-party agreements on aid levels and will impact adversely on EU aid volume targets, which are framed on the basis that the Netherlands will maintain its ODA at not less than 0.8% of national income through to 2015. Nevertheless, the Netherlands will continue to be one of the most generous donors in the world in terms of the ratio of its aid to national income. The cut is part of general belt-tightening across the Netherlands' government following the global financial crisis and a downturn in the Dutch economy. While economic growth in the Netherlands recommenced in mid-2009, the recovery is expected to gather pace relatively slowly (OECD, 2010a).

### **A consolidated system**

The Netherlands' system for managing development co-operation is one of the most concentrated of all DAC members, with almost all its ODA consolidated within a single ministry. At the time of the last peer review the ministry was directly responsible for 80% of the Netherlands' development co-operation. This increased to an average of 87% every year since 2006. The remaining 13% not directly controlled by the ministry includes: (i) debt reduction mechanisms, including debt relief, managed by the Ministry of Finance; (ii) management of relationships with international financial institutions (IFIs), delegated by the ministry to the Ministry of Finance; (iii) management of ORIO, which is placed with the Ministry of Economic Affairs; and (iv) additional contributions from various Dutch line ministries funded from ODA (mainly defence, environment, water management, economic affairs and agriculture).

The Netherlands continues to operate its Homogeneous Budget for International Co-operation (HGIS) which groups all foreign policy expenditures (ODA and non-ODA) under one planning framework. The ministry has been responsible for an average of 79% of the international co-operation (ODA and non-ODA) annually since the last peer review, with the proportion of this devoted to aid consistent in each year. In 2009, ODA accounted for 76% of the international co-operation budget allocation, compared to 75% in 2006. The comprehensive budget presentation facilitated by the HGIS is useful in providing an overview of ODA and non-ODA international spending, but to improve transparency it would be helpful if the data could be broken down by recipient country.

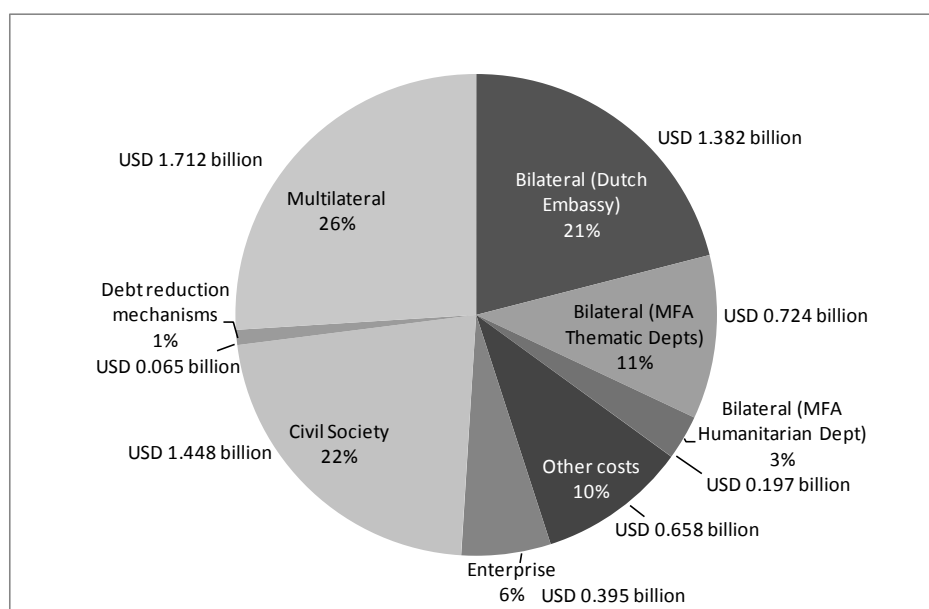
### ***Dealing with budget cuts***

The ministry includes an indicative four-year rolling plan with each annual ODA budget that it presents to parliament: *i.e.* an annual ODA budget plus the proposed budgets for the next three years. The Netherlands has a well established ODA budget and planning process that builds on the previous year's activities. It also uses quantitative approaches as an input to guide its actual aid allocations, which also reflect political judgement. This budget process has worked well while the ODA allocation has been increasing, but it will be harder to manage in the context of major budget cuts and shifting priorities in 2011 and 2012. The ministry will, therefore, need to check its criteria for allocations to the main ODA delivery channels against the new policy directions once these have been clarified for each programme area.

## Building on the strengths of the system

A key challenge for the Netherlands is to ensure that its main ODA delivery channels are functioning well and all working towards the Dutch development objectives so that together they produce a much greater result. As discussed in Chapter 1, the Netherlands relies on four separate delivery channels: (i) bilateral (including embassy-managed funds, thematic funds and humanitarian assistance); (ii) civil society; (iii) enterprise; and (iv) multilateral. The proportions of total ODA channelled through each of these in 2009 is presented in Figure 1 below – these proportions are consistent with previous years. To achieve the desired synergy and alignment with its new overarching policy, the Netherlands should reform these channels, building on the particular strengths of its development co-operation (see below) and look for ways in which the various channels can be combined more effectively.

**Figure 1. Dutch aid by delivery channel, 2009**



Source: Ministry of Foreign Affairs data presented to the peer review.

Two particular strengths of the Netherlands' development assistance should be borne in mind in the reform and budget allocation process:

The decentralised, responsive and flexible programmes managed through the Netherlands' embassies in partner countries (Chapters 4 and 5). The narrowing geographical focus is an opportunity to increase the Netherlands' presence in each of its 15 partner countries so that it can become a significant<sup>7</sup> donor in each case. The impacts for these 15 partner countries' development objectives will be greater as a result, and, if the Netherlands coordinates with other development partners, the global division of labour could be more efficient.

<sup>7</sup> By 'significant' we mean that: (i) for each partner country the Netherlands is among the largest donors that together account for at least 90% of all aid to the country; and/or (ii) in each case the Netherlands would provide a higher percentage of the partner country's aid than it provides of total global Country Programmable Aid (in 2009 this was 2%) (OECD, 2009n). See also paragraph 71 below.

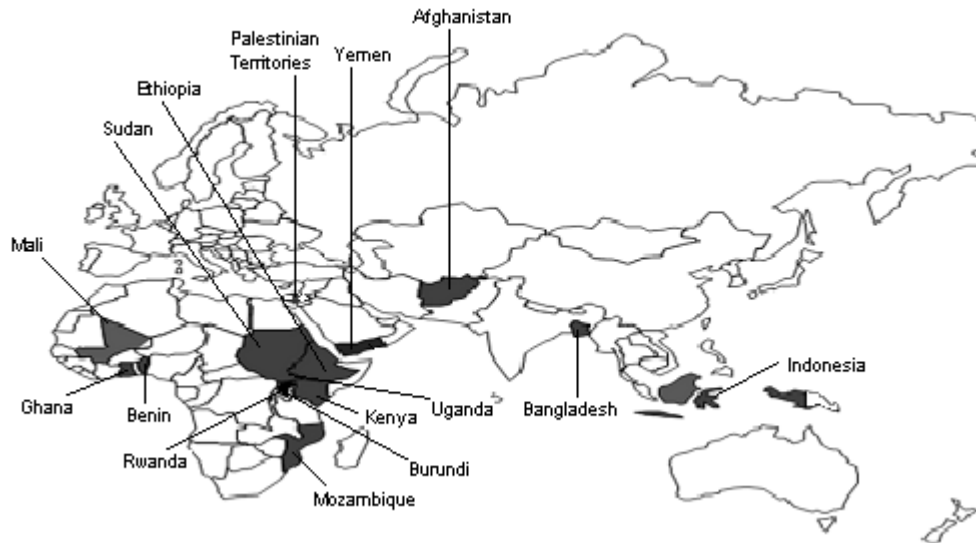
The Netherlands' strategic contributions to the multilateral system. By maintaining its contributions to a few strategic multilateral partners the Netherlands can continue to increase its influence, while focusing strategically on the comparative advantage and efficiency of individual organisations in specific areas of assistance.

These two strengths are discussed further in the sections below.

### *Managing a narrower bilateral focus*

To maintain the good reputation of its bilateral assistance and to rationalise its ODA, the Netherlands will need to overcome a double-edged management challenge over the next three years. Assuming that the bilateral channel continues to account for one-third of all Dutch ODA (though this is yet to be confirmed), the Netherlands will need to manage carefully (i) the withdrawal of bilateral ODA for the 18 countries from which it is phasing out; and (ii) the doubling of aid to its 15 partner countries while focusing on new thematic priorities. A successful outcome over the next three years will be, as suggested above, that the Netherlands increases its relative presence in each of its 15 partner countries (Figure 2) and becomes a significant donor (as defined in OECD, 2009n) in each. This would be a considerable rationalisation of Dutch ODA and could, if co-ordinated effectively with other development partners, contribute to the global improvement of division of labour.

**Figure 2. The Netherlands' 15 partner countries, 2011**



The Netherlands' embassy-managed programmes are delivered mainly through a mixture of general and sector budget support and programme-based approaches. However, the new government policy means that general budget support will decline as a proportion of the bilateral programme in future years. The ministry confirmed to the peer review team that the emphasis will be placed on the new thematic priorities and that sector budget support and programmes are possible instruments under this thematic framework. Thematic funds are managed by departments of the ministry and have been focused on the priorities of *Our Common Concern*. They include the MDG 3 Fund discussed in Chapter 1. In future the thematic funds will probably be delivered in the form of projects and not through integrated sector support programmes. As far as possible the Netherlands will aim to ensure that these centrally funded projects are connected to broader partner country-owned strategies and programmes. Humanitarian assistance is discussed in Chapter 6.

### ***The Netherlands should sharpen the focus of its civil society programmes***

Since the last peer review the Netherlands has channeled almost one-quarter of its total ODA to and through NGOs each year on average (Figure 1); this is a much higher proportion than most DAC members. NGOs are also supported through the thematic and embassy programmes and through humanitarian funding (through a separate mechanism, discussed in Chapter 6). While it is not possible to get an accurate picture from DAC statistics of how much of the Netherlands' ODA is channeled to Southern NGOs, it is clear from the ministry's own data that it is much less than the amounts channeled to and through Dutch NGOs. Between 2007 and 2009, the Netherlands channeled two-thirds of its civil society support to NGOs (*i.e.*, as core aid which used to fund their own projects) and one-third *through* NGOs (*i.e.*, donor-initiated projects implemented by civil society organisations).

As noted in Chapter 1, the civil society channel is now more closely aligned with the bilateral one, with MFS II requiring NGOs to spend at least 60% of their grants in the Netherlands' former 33 partner countries and on the thematic priorities identified in *Our Common Concern*. The recently signed contracts with the 19 NGO alliances for MFS II (all of which are led by Dutch NGOs) are worth up to USD 3.5 billion and will run until 2015, locking in most of the Dutch civil society assistance to previous priorities and partner countries. Despite this situation, the Netherlands should plan now to reform the assistance it channels through civil society organisations to bring it into line with its new priorities.

The reform of the civil society channel should start by reviewing the overall aim of this programme area in light of the new Dutch policy. If the aim is to contribute "to the establishment and strengthening of civil society in the South as a building block for structural poverty reduction" (MFA, 2010b), then the approach may need to change. While MFS II does include local NGO development and sustainability indicators, in practice the Dutch-led NGO alliances are focused on thematic priorities, such as health. On the other hand, local NGOs supported by Dutch embassies outside MFS II receive funds directly, not via a Dutch NGO, and this support often includes direct contributions to NGO sustainability. In Tanzania, the NGOs interviewed by the peer review team during the field visit questioned the added value of the Dutch NGOs (Annex C). This suggests that in the case of Tanzania the Netherlands' approach could do more to strengthen Southern civil society and be more country specific. This could be achieved by channelling a greater proportion of funds for strengthening Southern civil society directly to NGOs in partner countries through Dutch embassies.

### ***Reforming the enterprise channel***

While "enterprise" is the smallest of the Netherlands' main aid delivery channels (Figure 1), it is expected to grow following the new policy emphasis on the private sector. The main components of the enterprise channel – the ORIO programme and the activities of the Netherlands Development Finance Company (FMO) – are aimed at encouraging firms and financial institutions in developing countries by offering them grants, credit facilities and guarantees. These incentives are now mostly on the terms of the partner countries and the enterprise channel is more focused on development objectives than previously. The recent report of the WRR notes that schemes set up since the 1960s to persuade Dutch companies to invest in developing countries have not been successful (WRR, 2010).

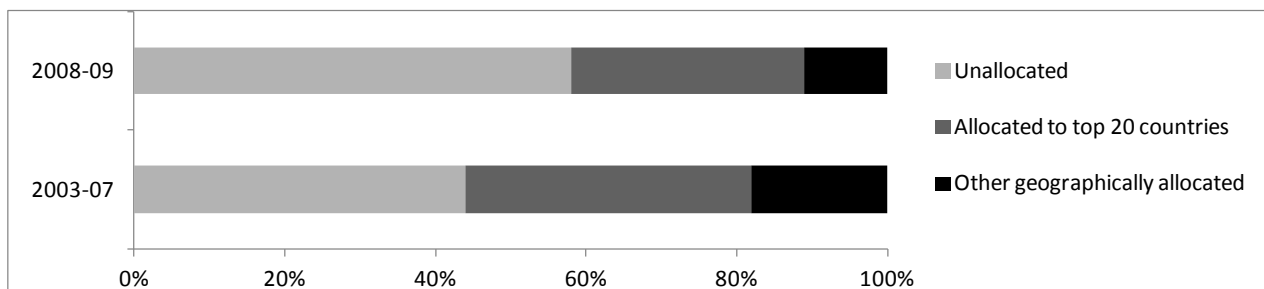
In growing and reforming this channel, the Netherlands should be clear about what it is trying to achieve. The enterprise channel should be geared more towards supporting the development of a positive investment and business climate in partner countries. The Netherlands is doing just this with many of its embassy managed private sector

development programmes that aim to help partner countries establish the rule of law, particularly as it applies to contract and property rights, an effectively functioning labour market and a state that guarantees physical safety. These programmes are also in line with the guidance of the Advisory Council in International Affairs (AIV, 2006) and the policy advice of OECD/DAC (OECD, 2006b). We support the findings of the WRR report that financial stimulants should only be used if they can lead to more and better investments in developing countries and that these should be based on the situation in specific countries. This suggests that the enterprise channel could be more closely aligned to the bilateral programme, and that Dutch embassies could be given a greater role in its management.

### ***Geographical allocations of bilateral aid: more transparency is needed***

While the Netherlands has increased the concentration of its aid since the last peer review and focused it on poor countries, issues with the reporting of Dutch ODA since 2006 make it difficult to present a complete picture of its portfolio. Since 2006, the share of bilateral unallocated ODA reported by the Netherlands has ranged between 45 and 55% of total bilateral ODA each year (Tables B.3 and B.4, Annex B; Figure 3 below). This is due in part to alterations made to the Netherlands' data management system in 2006. The ministry is taking steps to tackle the problem and expects more detailed information to be reported to the Creditor Reporting System (CRS) in 2011 on 2010 flows. The transparency of Dutch aid will be improved as a consequence.

**Figure 3. Comparison of Dutch bilateral ODA allocations to countries, 2003-07 and 2008-09**

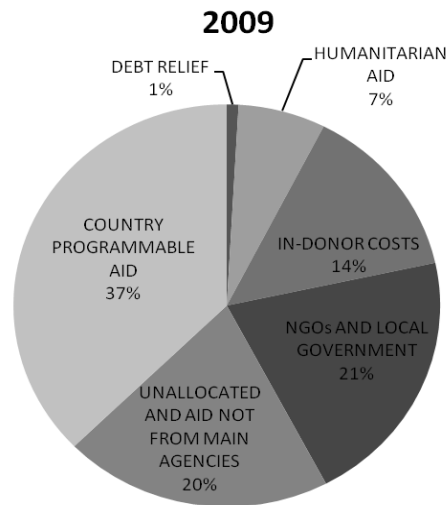


Source: DAC statistics

While the bilateral allocable ODA of the Netherlands has decreased since the last peer review, the proportion of this allocated to its top 20 recipients (Figure 3) has increased. This group of countries, all of which are partner countries, received 68% of the Netherlands' allocable bilateral ODA between 2003 and 2007, rising to 73% between 2008 and 2009.

### ***Composition of the Netherlands' bilateral ODA***

A proportion of the Netherlands' bilateral ODA is considered to be country programmable (CPA; Figure 4). This is a measure of a donor's contribution to the "core" development programmes of its partner countries, normally reflected in government-to-government agreements, such as memoranda of understanding. Dutch CPA in 2009 was USD 1.9 billion, or 37% of its bilateral ODA, which is much lower than the DAC average of 52% and a reduction of 3% from 2008. This low CPA figure is to be expected given, as we have seen, the high amount of unallocated bilateral ODA the Netherlands provides through its central funds, especially through the civil society channel. It is important to note from Figure 4 that debt relief amounted to 1% of gross bilateral ODA in 2009 and the stock of debt is now almost exhausted.

**Figure 4: Composition of the Netherlands' bilateral ODA, 2009**

Source: OECD statistics

### ***The Netherlands faces a major challenge to grow its programmes in the new thematic areas***

The Netherlands faces a major challenge to grow its investments from a low base in the new thematic priorities of water and food security. As shown in Table B.5 at Annex B, the majority of the Netherlands' bilateral ODA since 2006 has been spent either in areas that are no longer thematic priorities, such as social infrastructure and services (40% of bilateral aid, 2008/09 average), or that are multi-sector, principally general budget support (20%). Most of these spending patterns reflect the previous policies and strategies of *Our Common Concern*. The new policy directions should shift spending towards economic infrastructure and services and production (including agriculture), sectors which were low priorities previously (enterprise accounted for only 4% of Dutch ODA in 2008/09). Thus, the Netherlands must not only manage its exit from previous priority sectors responsibly (see Chapter 5), but it will also need to invest heavily in programme identification, planning and consultation in the economic and production sectors of its 15 partner countries if it is to implement its planned new thematic priorities. This is already happening in the case of food security with the support of OECD and in accordance with the Netherlands' L'Aquila Food Security Initiative commitments. Having worked so hard to eliminate thematic spending targets since 2006, the Netherlands should ensure that its tighter thematic focus does not lead to these being resurrected.

### ***Keeping cross-cutting issues high on the agenda***

The Netherlands' spending on gender equality reflects its prioritisation of this issue. The Netherlands spent a higher proportion of ODA on gender equality and women's empowerment activities in 2008 (USD 842 million)<sup>8</sup> than most other DAC members (OECD, 2010b). Nevertheless, the amount of ODA devoted to this activity by the Netherlands has fallen since 2006, when it was USD 884 million. The Netherlands should maintain its high levels of funding for gender equality and women's empowerment activities.

The Dutch commitment to environment and climate change is also reflected in its spending, with increased amounts for climate change between 2006 and 2008 (the latest year for which

<sup>8</sup> 2008 is the latest year for which gender data are available.

these data are available). The Netherlands' aid related to climate change mitigation as a percentage of Dutch sector allocable ODA between 2006 and 2008 rose from 5% to 8%. The Netherlands has also made progress towards the Fast Start Climate Finance pledges it made at Copenhagen in 2009. The Netherlands committed USD 467 million for Fast Start; USD 427.5 million of this is additional to the ODA it was giving at that time. These commitments represent an extra 0.1% of GNI and come on top of the almost USD 500 million that had already been committed to climate activities for 2010 to 2012 from the ODA budget. Despite the reduced ODA budget, the government has confirmed that the pledges for Fast Start will be reserved within the total 0.75% of GNI budgeted for 2011 and the 0.7% of GNI budgeted for 2012.

Dutch climate funds have supported innovative schemes for building the capacity of developing countries to enhance their access to carbon markets and also to increase sustainable access to modern energy services for energy-poor people. The Netherlands has played a leading role in the DAC's Network on Development Co-operation and Environment, particularly its Task Teams on Climate Change and Capacity Development for Environment. In addition, the Netherlands has been leading innovative work on water and climate change. The strong recent focus on climate, however, should not divert attention away from other important environmental issues, particularly biodiversity, forests and broader natural resource management. The Netherlands should ensure a balanced approach to its funding for the environment and climate.

### **The Netherlands should maintain its contribution to the multilateral system**

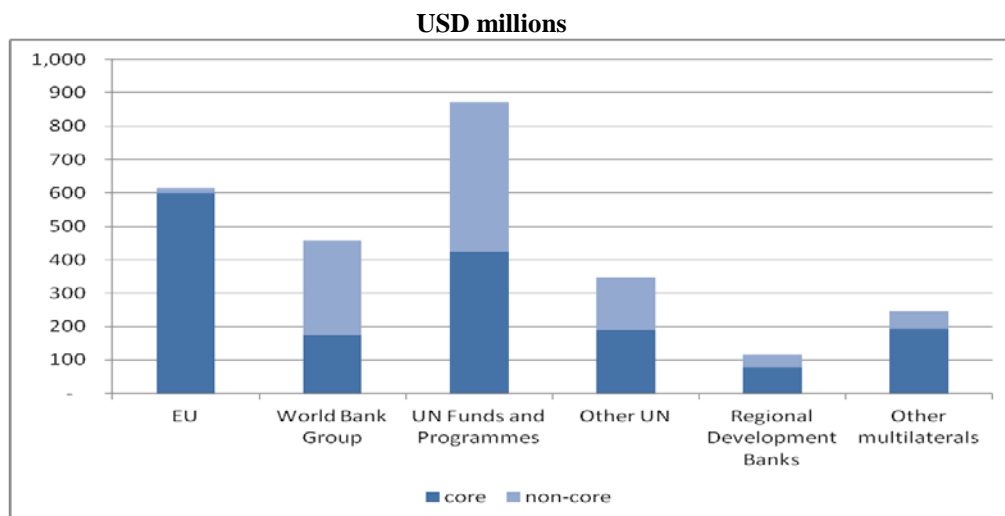
The Netherlands has made large and strategic contributions to the multilateral system since the last peer review and it should maintain these in the future. The multilateral channel is the second largest in the Dutch portfolio (Figure 1) and has been the subject of much reform since 2006. Over the last three years (2007-2009) multilateral assistance as a share of total gross Dutch ODA has averaged 25%, compared to the DAC average for these years of 27%. In terms of volume the Netherlands was the eighth largest DAC contributor of multilateral ODA for this period.

Most of Dutch ODA is concentrated on a small number of multilateral organisations. The Netherlands combines its financial contribution with strategic participation in the governance structures of the entities it supports. Increasingly, the Netherlands has used agency performance as part of its criteria for allocation decision making, basing its assessments on ministry score cards,<sup>9</sup> internal and external evaluation reports and the work of MOPAN. The Netherlands' key objectives for its multilateral ODA are to improve the links between development objectives and the international public goods agenda (such as climate and security), as well as strengthening coherence within and among the various multilateral entities.

In 2009, the Netherlands provided USD 2.58 billion to and through multilateral organisations and 63% of this was in the form of core funding – *i.e.*, contributions to the regular budgets of the multilateral institutions (Figure 5) – while non-core ODA (*i.e.*, earmarked funds for specific programmes and purposes) was 37%, compared to a DAC average of 29%. The bulk of the Netherlands multilateral ODA is channelled through the UN, EU and the World Bank. The Dutch contribution to the EU over the last three years has comprised, on average, 61% for its assessed contribution, with the balance going to the European Development Fund.

<sup>9</sup> Reports from embassies in partner countries on the performance of multilateral organisations, in particular on the way they co-operate with development partners in the countries concerned.



**Figure 5: The Netherlands' core and non-core multilateral ODA, 2009**

Source: OECD statistics

The majority of Dutch multilateral ODA is provided in a form that is welcomed by the multilateral agencies, but some are now concerned that the Netherlands will earmark more of its funds for its new thematic priorities. Multilateral organisations supported by the Netherlands, particularly those from the UN system and the World Bank, rate the Netherlands' performance very highly. These organisations appreciate the reasonably high level of core contributions and the positive engagement of the Dutch in the governance of their organisations through board meetings.

The Netherlands' financial support for the UN system as a proportion of its multilateral ODA is much larger than most other DAC members and it is regarded highly by the UN development agencies as one of their most important donors. The Netherlands has actively supported the *Delivering as One* approach being piloted by the United Nations system at the country level and engages in processes aimed at achieving this. While the Dutch contribution is warmly appreciated by the UN agencies, there is uncertainty about how the Netherlands will co-operate with them in the future. To remove the uncertainty about levels and forms of future Dutch multilateral funding for the UN and other entities, the Netherlands should complete its policy framework so that its position towards the multilateral organisations it supports is made clear.

If it intends to carry on being a significant contributor with influence over the behaviour of the organisations that it supports, the Netherlands should continue to concentrate its multilateral ODA on a small number of entities and link its support more closely to agency performance. The Netherlands should continue to measure agency performance through the agencies' own reporting and evaluation systems, and the work of MOPAN and other donors,<sup>10</sup> and use this information to guide its decisions.

<sup>10</sup> Such as the UK, which has recently conducted its own review of its multilateral ODA (DFID, 2011).

## Non-ODA flows

According to DAC figures (Table B.1 in Annex B), after years of steady growth the level of other official flows and private flows from the Netherlands to ODA-eligible countries declined steeply following the global financial crisis of 2008. Dutch investors withdrew private investments worth more than USD 21 billion from ODA eligible countries in 2008. This amounted to three times the total Dutch official development assistance flow being allocated to these countries. The Dutch investors withdrew less in 2009 (almost USD 2 billion in total) and these withdrawals were off-set, to some extent, by the recommencement of direct investment, export credits and multilateral flows. Nonetheless, Dutch investors withdrew more funds than they invested in developing countries for a second year in 2009 and the signs for 2010 and 2011 are not encouraging. In pursuing its focus on economic growth and the productive sectors, the Netherlands aims to use ODA to leverage private sector investment in developing countries principally through the facilities available under its enterprise channel, discussed earlier in this chapter: the Development-related Infrastructure Facility (ORIO), the Netherlands Development Finance Company (FMO) and the Private Sector Investment Fund (PSI).

## Future considerations

- The Netherlands should maintain its ODA/GNI ratio at not less than 0.7%.
- The Netherlands should reform its criteria for allocating funds to its main aid delivery channels to reflect its new policy and strategic framework. It should emphasise synergy among these channels and build on its strengths as a provider of responsive programmes through its embassies and as a strategic contributor to the multilateral system.
- The Netherlands should continue to concentrate its multilateral ODA on a small number of entities, consistent with Dutch development priorities and taking into account agency performance.
- To improve transparency and decision making, the Netherlands should continue its efforts to improve the geographical and sectoral reporting of its bilateral ODA.

## *Chapter 4*

### **Organisation and management**

Changes to the organisation and management of Dutch development co-operation are taking place in a context of reform and administrative cuts across government. Since the last peer review the Netherlands has made some adjustments to the organisation and system for managing its development co-operation, but much more change is expected as the ministry puts the government's new policies into operation. Indeed, major reforms are planned, which will need to be carefully managed and communicated. This period of change could provide an opportunity to modernise and tackle some organisational challenges. After reviewing the progress made in implementing the recommendations made in the last peer review, the chapter outlines the planned changes. It then highlights five areas where improvement in how Dutch aid is organised and managed would help the ministry to maximise the value of its development co-operation: (i) strengthening the links between headquarters and the field; (ii) the need for better focused information on results; (iii) improving knowledge management; (iv) increasing the availability of information about Dutch aid; and (v) getting the most out of the ministry's human resources and expertise.

#### **Progress in implementing the recommendations of the last peer review**

The 2006 peer review made three recommendations for improving the organisation and management of Dutch development co-operation (Annex A):<sup>11</sup>

Continue efforts to ensure that embassies have the right human resources.

Simplify the planning and monitoring system.

Ensure an independent evaluation function.

The Netherlands has implemented the third recommendation, and has improved the independence of its evaluation function (discussed below). The other two have been partially implemented. While continuing to try to get the right skills mix in its embassies, the Netherlands is constrained by staff cuts and limited information about the expertise of its people. And while the ministry has trimmed its planning and monitoring system by reducing the depth of annual reporting, in doing so it has also added a parallel system of reporting.

#### **An integrated ministry adjusting to change**

The Ministry of Foreign Affairs is the hub of Dutch development co-operation. It is directly responsible for 87% of Dutch development assistance;<sup>12</sup> it leads on development policy and implementation and is well placed and mandated to co-ordinate the full Dutch development effort (MFA, 2011c).

<sup>11</sup> Note that two other recommendations included under this heading in Annex A are discussed in the next chapter on aid effectiveness.

<sup>12</sup> 2006-2010 average.

Development is largely integrated with other foreign policy issues in the ministry's organisational structure (Annex D) and this integration entails both advantages and risks. The Director General for International Co-operation has overall responsibility for Dutch aid and many development themed departments report to her; but some thematic departments also report to other directors general. Regional departments and embassies report to the whole senior management team (which includes three directors general, a secretary general and a deputy secretary general). This integrated structure is also applied at embassy level – where thematic teams work on diplomacy, development and other types of co-operation. The aim of such integration is to ensure there are no organisational barriers between development and other foreign policy activities. The risk of this arrangement is that the development perspective may be lost or overruled by other foreign policy priorities.

Since the last peer review, the ministry has introduced over 30 minor organisational changes and, perhaps more importantly, one major change to its leadership. The number of ministers has been reduced from three to two – part of a government-wide reduction in ministerial posts – and the ministry no longer has a cabinet level minister wholly focused on development. The development portfolio is now held by a non-cabinet level minister who also has responsibility for European affairs. Many of the minor organisational adjustments have been driven by necessity; for example 391 full time equivalent positions have been cut since 2007 (MFA, 2011c). Other changes included merging different departments – such as those responsible for aid effectiveness and policy coherence.

### **Managing and communicating about the changes ahead will be vital**

To put the government's new policies into practice effectively – including the thematic shift, reducing the number of partner countries and making budget and staff cuts – significant organisational changes will be inevitable. When the peer review team visited the Hague it was unclear exactly how these changes would play out, but they will certainly affect both headquarters and the field:

- In headquarters. To deliver the new policy priorities, the ministry is considering restructuring some thematic departments. It is also looking at reorganising the top management team in a way which would de-link individual directors general from specific policy areas. However, losing a development focused minister and a development focused director general would be a significant and risky change and may be perceived as a de-prioritisation of development.
- In the field. Eighteen bilateral development co-operation programmes will be phased out, and five of the ten planned embassy closures will be amongst those countries. The ministry plans to establish a network of regional embassy “hubs” to provide administrative and consular services to those missions that remain. In countries where the Netherlands maintains a development programme, it will also need to recalibrate its teams and programmes to reflect the new themes.

Whatever the final decisions about the reform, it is vital that the ministry plans and manages the change process carefully, in particular by:

- Communicating the objectives, rationale and progress to both internal and external stakeholders.

- Managing the risks associated with change, including: (i) undermining previous and ongoing investments; (ii) losing valuable skills and expertise; and (iii) reputational damage.
- Ensuring there are sufficient resources available to guarantee effective management of the change process, which may mean dedicating a senior official to lead the process and avoiding frontloading efficiency savings in the early stages.

### **Strengthening the links between field and headquarters**

The ministry has decentralised staff and delegated a significant authority to its embassies. The ministry estimates that around 40% of its development-related staff are located in headquarters and 60% in the field; these figures include all locally-recruited staff (OECD, 2009I).<sup>13</sup> Embassies have full responsibility for their programmes, which account for around one-third of the Netherlands' bilateral aid. Embassy teams have the authority to agree financial disbursements to partners based on strategic four-year plans (the MASPs) and annual plans agreed with headquarters.

There are two main benefits of this decentralised approach. First, the expertise in its embassies allows the Netherlands to make technical and other useful input into local development discussions and programming. Second, delegating co-operation funds to embassies allows Dutch funding to be flexible and responsive. Within an agreed framework, field teams have leeway in deciding when and how to disburse funds and can decide to re-direct support if circumstances change. This combination of financial flexibility and technical capacity has helped Dutch embassies to establish reputations as agile and effective partners and to get good value and results out of their co-operation (Box 8, Chapter 5).

### ***Improving field – headquarters linkages for knowledge sharing and coherent management***

While the high level of decentralisation and delegation is undoubtedly a key strength, the links between headquarters and the field could be improved. The review team noted two main challenges in field and headquarters relationships: (i) the need to share knowledge and experiences more systematically; and (ii) improving how different funding channels are managed to achieve synergies (see Chapters 1 and 3).

Knowledge is not systematically shared between the field and headquarters. Embassy teams have valuable experience of implementing Dutch development co-operation, including knowledge of what has and has not worked, but this is often not gathered and used to inform policies and approaches. On the other side of this equation, efforts to build knowledge centrally are not necessarily benefitting all field teams. This disconnect may relate to the decline of “country teams”: networks of people based in different parts of the ministry responsible for facilitating relations between field teams and headquarters. The country teams have achieved mixed results; some have been disbanded as staff changed departments. Revitalising these teams – or replacing them with another mechanism – could be one way to improve communication and share learning. The knowledge shared through the recent series of video conferences between headquarters and embassies to discuss challenges in making aid effective, highlights how useful such communication and experience sharing can be. Such communication should be more systematic.

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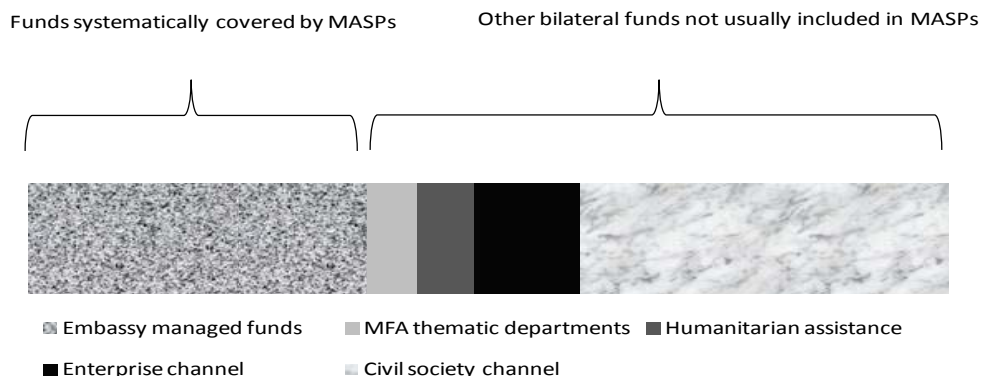
13. In responding to an OECD DAC decentralisation survey the Netherlands estimated that 30% of Ministry of Foreign Affairs staff could be counted as development co-operation staff, and the field-headquarters staff ratio is based on the whole of the ministry.

The Netherlands could also get more out of its overall effort by improving the links and synergies among embassy and Hague-based funding channels. Because the management of the different channels is separate, the Netherlands is missing out on synergies, failing to take account of field level perspectives, and leaving its embassies without sufficient information to be able to represent and co-ordinate the full Dutch effort. While embassies are formally consulted on most Hague-managed channels, this can occur too late and their advice is not always taken. For example, the Dutch embassy in Tanzania recently advised the ministry against awarding two proposed Dutch civil society projects. One was not coherent with the Netherlands’ priorities, and the other had lacked consultation with local partners. The Hague nevertheless approved the funding. In some cases, embassies do not have information about all Dutch government funded and planned activities in country. These information gaps pose a management and oversight challenge for Dutch embassies. They also constrain the extent to which Dutch embassies can provide transparent information to stakeholders about what the Netherlands is doing in a particular country.

Simple changes to procedures could help achieve synergies and deepen field-headquarters relations for mutual benefit. In particular:

- **Comprehensive planning.** Multi-annual strategic plans cover only the funds managed by the embassies (Figure 6). If the next generation of country strategies were broader – and included more centrally-managed bilateral funds – the Netherlands could lay the foundations for more joined-up planning, programming, information sharing and monitoring.
- **Shared analysis.** Funding channels which are not currently included in country strategies may also benefit from the analyses behind the plans. Notably, the strategic governance and anti-corruption assessments and “track record” analyses, which look at country performance and constraints at general and sector level, are equally as relevant to embassies as to Hague-managed programmes. The track record analysis will be optional in the next round of country strategies; the ministry plans instead to ground embassy strategies in “country analyses” which will examine binding constraints to development and principal risks in each context (MFA, 2011e).

**Figure 6: General coverage of a 2008-2011 multi-annual strategic plan (MASP)**



## **The need to create a “learning” and results-orientated organisation and to make better use of evaluations and other evidence**

The ministry has made a strong push to improve its results reporting since the last peer review. The *Results in Development Report*, issued every two years, is now in its second edition and assesses development achievements against the Millennium Development Goals, using examples from partner countries (MFA, 2005b and 2009g). The Netherlands has also made commendable efforts recently to discuss how the international community collectively can do better on measuring development results. In 2011 it took part in a bilateral-multilateral discussion on the potential for more harmonised results management and standard indicators (OECD, 2011a). The Netherlands is replicating these efforts in individual countries; for example, in Tanzania embassy officials are actively improving results monitoring in the sectors in which they are engaged (Box 8, Chapter 5).

While the ministry has invested a lot of effort in monitoring, there may be scope to adjust its focus and combine some internal monitoring systems. In an attempt to reduce the reporting burden on country teams, the ministry moved from full annual reporting to brief annual reports covering only activities that are either going especially well or badly. However, these brief reports and other project information were not sufficient to compile the *Results in Development Report*. Thus, teams are also being asked to contribute information for this report every two years. This input tends to be qualitative examples; while it is a source of good practice, it has been difficult to collate. Teams also give a rating to describe whether projects are on or off track, but this information is not collated or analysed. Ministry officials are now discussing whether these parallel systems – limited annual reporting and the biennial results report input – can be consolidated. Doing so would reduce the burden of reporting for both implementing teams and central teams collating the information.

### ***Re-focusing planning and monitoring in order to understand and learn more from results***

It seems that the roots of the problem of gathering good results information may lie in the planning stages for both country strategies and individual projects. The current generation of country strategies do not describe the overriding goal of Dutch co-operation in the country, or how planned activities will help to achieve this. The ministry has tried to solve this problem by adding in “results chains” later (these set out the consequential logic for the inputs, outputs and outcomes of individual projects or whole country programmes). It will also ensure that the next generation of country plans take the overriding objectives of Dutch co-operation for that country as their starting point. One embassy has already re-issued its country plan for 2010-11 in this new format (MFA, 2010g). Newly released guidance indicates that results chains will feature strongly in the next set of country strategies (MFA, 2011e).

At project level, the team heard from both staff and external stakeholders that even though a lot of time is invested in detailed planning and appraisal, this planning has not always ensured a clear focus on objectives and how to measure them. This makes follow up difficult. Less time has been invested in monitoring progress and identifying any adjustments needed to achieve results, yet this type of regular scrutiny and fine-tuning is crucial if the Netherlands wants to apply results-based management.

The Ministry should now focus on ensuring that monitoring gathers the type of information it needs and that this is identified at the outset. Such fine tuning could also enable it to combine its two parallel monitoring systems. To get the focus right, the ministry should prioritise:

- Setting clear objectives. The Netherlands needs to ensure that new policies, programmes and projects set out clear objectives, demonstrate how individual projects from all channels contribute to overarching country or policy goals, and how progress towards objectives can be assessed. Differences between what project and programme managers think they can provide in terms of results information, and what the ministry would like, can then be dealt with at the outset.
- Asking the right questions. Headquarters need to be clear on what information it needs and for what purposes (*i.e.* qualitative *versus* quantitative data, for management decisions or for external reporting) and provide good examples to guide teams on what type of information is useful.

### *Making use of a strong base of evidence from evaluations*

The ministry has built a strong internal evaluation capability. It conducts many evaluations in-house and has a relatively large evaluation team, composed of roughly equal shares of permanent employees, staff on rotation from other parts of the ministry and externally-recruited evaluation specialists. In response to a concern raised in the previous peer review about the independence of the evaluation team, the ministry has recruited an external director with a fixed contract (MFA, 2011c). The envelope for all development related evaluations is around USD 5 million per year and is budgeted to increase in 2011. The rolling evaluation programme is discussed between the evaluation team and senior management. Importantly, evaluation reports are sent to parliament with a policy response from the minister attached. The evaluation team are doing more evaluations with other development partners, aiming to share learning and reduce transaction costs. Box 7, for example, outlines the role the Netherlands has played in the multi-donor evaluation of development co-operation in Southern Sudan.

Recognising this strong starting point, the evaluation team acknowledges two main challenges which they would like to tackle:

- Raising the quality of decentralised evaluations. A minority of evaluations is not done by the evaluation team and there have been concerns about their quality – the robustness of one study was even questioned in parliament. The central evaluation team wants to improve the quality of these evaluations, and is now providing practical support, advice and quality control.
- Making sure evidence from evaluations is used. Although evaluations go to parliament with a formal policy response, there is no systematic follow up to check whether these deal with the biggest issues, if actions proposed are then implemented, or whether management implications are followed up. A 2009 review found that (i) at operational level, staff did use evaluation findings in designing new programmes, despite the lack of a formal mechanism; (ii) for senior management, the reaction to evaluations was sometimes defensive rather than open to learning; and (iii) evaluations were generally not used as a source of information to inform policy (Gils and Leeuw, 2009). The evaluation team also has a responsibility to make their findings and recommended actions clear and to disseminate them. The internet is under-used, partly because the ministry's overall website is very limited. Though evaluations are publicly available they are not widely disseminated or easy to find. This automatically reduces their audience and impact.



### **Box 7. Dutch leadership of a multi-donor evaluation in Southern Sudan**

The Netherlands initiated and led a multi-donor evaluation of support to conflict prevention and peacebuilding activities in Southern Sudan. It originally planned this evaluation in response to internal requests for an evaluation to help inform better programming in conflict-affected states. But because many other donors are also seeking greater understanding of what works in post-conflict situations, and since so many are active in southern Sudan, it was an appropriate topic for a joint evaluation exercise.

The evaluation, which covered the period 2005 to 2010, involved 15 different donors and development organisations. A representative of the government of Southern Sudan was also involved in the evaluation's steering committee and a reference group was established with a wider group of stakeholders in Southern Sudan. The Netherlands chaired the evaluation's management group and was one of nine commissioning donors.

In addition to evaluating the outcomes of support to Sudan, the evaluation also piloted the draft OECD DAC guidance on evaluating conflict prevention and peacebuilding (OECD, 2011d). The methodological feedback is being used to update this guidance.

*Source:* (MFA, 2010i)

### ***Ongoing efforts to improve overall knowledge management***

The ministry has made knowledge management a corporate priority and followed it up with an operational plan (MFA, 2010h). The plan acknowledged that lack of corporate ownership was the main reason behind the failure of most of the 43 initiatives to improve knowledge management over the past 10 years. Past initiatives relied on individuals who took a personal interest and fell apart when those individuals changed roles. The plan identifies three main areas to concentrate on to improve this situation: (i) human talent; (ii) organisational structure; and (iii) information technology. Despite the title "operational plan" the document is high level and does not set out specific actions or identify the main gaps in knowledge. The ministry's next step should be to establish exactly what it will do in each of the three areas and with what specific aims.

### **Increasing the availability of information on Dutch aid**

A theme that cuts across many of the organisational challenges for Dutch development co-operation is the linked challenge of communication, availability of information and transparency. These are all crucial for accountability and also for public support at home. The importance of communicating the organisational changes to come have already been mentioned in this chapter, but the importance of providing and proactively communicating information is much wider, and is crucial for transparency and building trust. The extent to which financial data and strategic priorities (including the multi-annual strategic plan and data on where the Netherlands deploys its funds) are publicised to partner countries, and indeed to the Dutch public, varies. Across the system as a whole it is limited. In Tanzania, for example, local civil society groups identified a need for more transparency around Dutch aid and also for more information and outward communication about what the Netherlands is doing in the country. Increasing the information accessible through the ministry's main interfaces with the outside world – its website and its embassies – should be a top priority.

## Getting the most out of the ministry’s human resources and expertise

Since the last peer review, the Dutch government as a whole has been through a process of cost cutting and the ministry has lost the equivalent of 391 full time places, or around 8% of its staff. The ministry estimates that as around 30% of its staff work on development co-operation, it is likely that development lost roughly 130 staff (OECD, 2009). These staff cuts were implemented while the development budget was increasing, so they translated into an increase in the budget-to-staff ratio of around 20% between 2007 and 2010. Looking ahead, with even more focus on austerity, further staff cuts are likely.

In this context, the ministry needs to find ways to manage its resources better. For example, since its human resource management system is centralised, information about existing skills is crucial if the ministry is to get the right people in the right places. Yet, the ministry has not yet mapped its in-house expertise. As one senior official put it to the review team, “There is a lot of knowledge and expertise here, but nobody knows where to find it”. Linked to this, the ministry does not conduct strategic workforce planning. If it is to make best use of its people as it implements its new policy agenda, it will need to conduct such planning.

We asked the ministry to count its sector specialists; information which it had not already collated. The results, shown in Table 3, highlight two major issues. The first is the relatively small number of sector specialists given that over 1 500 of ministry staff members work on development co-operation, according to ministry estimates. The second is the mismatch between current expertise and the new thematic priorities (Chapter 1). The ministry did not include any expertise on food security, governance or conflict in the figures it provided.

**Table 3: Numbers of sector specialists in the ministry, 2011**

<b>Specialism</b>	<b>Number of experts</b>
Education	21
Environment and climate change	17
Water	17
Health	12
HIV/AIDS, sexual and reproductive health and gender	8
Research	2
<b>Total</b>	<b>77</b>

The Netherlands is acutely aware of recent calls to professionalise its development co-operation (WRR, 2010; AIV, 2010) and to manage the challenge of staff rotation, but this does not mean simply buying in expertise and training. The Netherlands should seek to retain and develop the skilled staff it already has. Although the ministry has introduced both a development and a generalist career circuit, like many DAC members it has struggled to create a career path that allows development-focused officials to climb the organisational ladder. In addition, by shifting sector priorities the Netherlands runs the risk of losing experienced professionals whose sector expertise no longer fits with policy priorities, even though their implementation and policy experience could be relevant to managerial and technical roles. For example, the ministry has more specialists in education (21) than any other single sector, but education is not a priority sector any more. If the ministry has funds to recruit externally it should focus on getting particular expertise in place rather than replenishing the generalists at junior level. It might also consider making more strategic use of internal and external secondments.

Similarly, though the ministry has increased the number of staff it recruits within partner countries, these staff cannot climb to mid-range positions and cannot transfer to other Dutch embassies. In addition, there is no systematic induction for locally-recruited staff and the Netherlands' strong record in providing documents in both Dutch and English seems to have slipped in recent years, with a number of guidance and strategy documents only available in Dutch. As the team in Tanzania pointed out, this is a very practical barrier for non-Dutch staff. How the Netherlands can get the most out of local recruitment is an area that the ministry should examine as it focuses on a much smaller number of countries.

### **Future considerations**

- The Netherlands would benefit from a change management strategy that emphasises (i) communicating the objectives of the changes, internally and externally; and (ii) managing the risks of undermining existing investments and losing valuable expertise. It will also need to dedicate resources to managing the change process, including senior leadership of the ministry.
- To get the most out of its aid, the Netherlands should improve the synergy and links among its funding channels through (i) greater involvement of field teams in planning and managing them; and (ii) turning its country strategies into more comprehensive planning tools.
- To improve its information on results, the Netherlands should ensure that its development objectives – at global, country and programme levels – are clear, and define what types of information it needs for both accountability and learning.
- It will be crucial for the ministry to put its knowledge management strategy into action given its strategic changes and staffing reductions. To do so it should identify: (i) pools of knowledge and knowledge gaps; (ii) practical actions to harness in-house experience, monitoring and evaluation; and (iii) a way of ensuring this knowledge and evidence is used to inform policy and operational decisions.
- The ministry needs to manage existing human resources and expertise better. It should treat development as a discipline, map staff expertise and experience, and introduce strategic workforce planning. It should also examine how it might better support and provide incentives to its locally-recruited staff.



## *Chapter 5*

### **Aid effectiveness and results**

The Netherlands has been a key proponent of efforts to improve how international development co-operation is delivered and has worked hard to make its own aid more effective (OECD, 2005b). Three main factors – high-level political commitment, good staff awareness of the Paris principles and efforts by Dutch embassies to apply them – have helped the Netherlands to make progress. In a changing policy context, the Netherlands will need to protect the gains it has made and the good practices its teams have developed. At the same time, the policy changes provide an opportunity to go further. Against this background of strong commitment, progress in practice and the changing direction of Dutch aid policy this chapter sets out five future considerations. These highlight the need to: (i) increase the predictability of Dutch aid and use of partner countries' systems; (ii) use the principles of aid effectiveness as a guideline when phasing out of sectors and countries; (iii) resist pressure to tie its aid; (iv) apply its experience in delivering aid in an effective way to the Netherlands' new priority sectors; and (v) grasp the opportunity provided by focusing on only 15 countries to build on the strengths of its embassy managed development co-operation.

#### **Progress in implementing the recommendations of the last peer review**

The Netherlands has implemented one of the aid effectiveness recommendations made in the 2006 peer review (Annex A) – to produce an overall aid effectiveness strategy. However, it has not implemented the other recommendation – to clarify its approach to conditionality. This remains a concern, particularly with politically-sensitive approaches like budget support.

#### **A strong commitment to making development co-operation more effective**

From the 2005 Paris Declaration on Aid Effectiveness to the Accra Agenda for Action and in preparing for the Fourth High Level Forum on Aid Effectiveness in 2011, the Netherlands has always been engaged and influential in shaping the agenda. High level political commitment to making Dutch aid – and indeed all international aid – more effective, has:

- Provided incentives for ministry staff to apply the aid effectiveness principles (MFA, 2010d).
- Encouraged the ministry to (i) establish a central team to work on aid effectiveness (recently merged with the team working on policy coherence); (ii) agree a plan to implement Dutch commitments (MFA, 2009b); (iii) conduct an evaluation on the process of implementing the Paris Declaration (MFA, 2010d) and a self assessment exercise (MFA, 2010f).
- Engaged parliamentary attention, such as by including progress on aid effectiveness in the Netherlands' overall reports to parliament on development results (MFA, 2007c and 2009g).

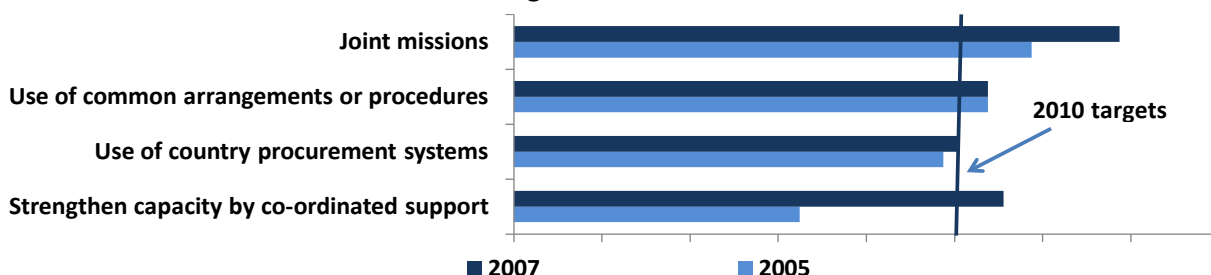
However, whether this level of political commitment will be maintained is now uncertain. This relates to both the change in policy and also a perception amongst ministry officials that their approach to aid effectiveness has become bogged down in technical detail and risks losing the political support which has been so important to date. Yet, future Dutch engagement in international efforts to make aid more effective is likely to be crucial to their success as well as to the Dutch government's own commitment to focus on results.

### From commitment to practice: a solid performance and identifying barriers to progress

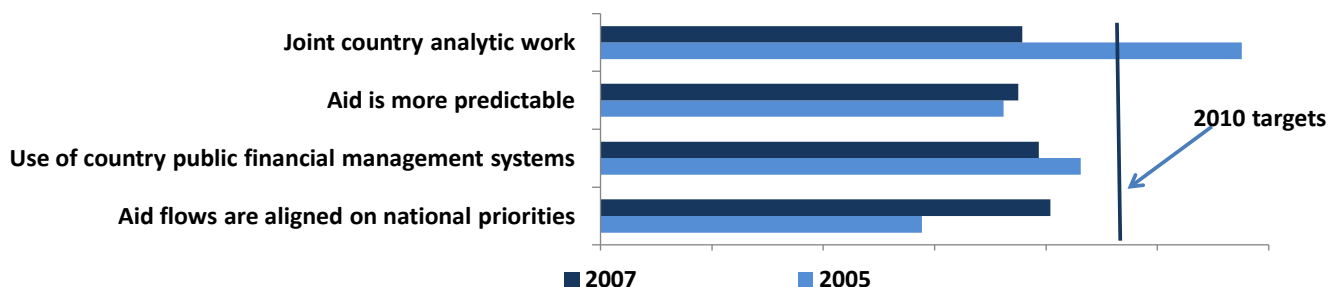
Results from the 2006 and 2008 surveys on monitoring implementation of the Paris Declaration suggest mixed progress against the Netherlands' own targets (OECD, 2007b and 2009h; Figure 7). In addition to signing up to contribute to the collective targets in the Paris Declaration, the Netherlands set itself very clear targets for 2010, based on targets agreed by EU members. Having already met three targets in 2005, the Netherlands started from a strong baseline. By 2007 the Netherlands had met four of its targets. Most notable has been the increasing share of Dutch support to capacity development which is co-ordinated. However, there was slippage in the extent to which the Netherlands was conducting country level analytical work jointly. The ministry has made good use of the monitoring surveys' results to help focus its efforts. For example, its own action plan identifies two priorities where it feels it could make more progress: (i) improving aid predictability; and (ii) using country systems (MFA, 2009b).

Figure 7: Mixed performance against the Netherlands' targets for Paris Declaration indicators

#### Indicators where the Netherlands exceeds targets:



#### Indicators where the Netherlands is behind targets:



Source: The Paris Declaration Monitoring Surveys 2006 and 2008 (OECD, 2007b and 2009h).

Note: Based on 2005 and 2007 data reported in the 23 countries supported by the Netherlands that were among the 33 included in both surveys.

### *Aid effectiveness beyond bilateral ODA*

Much of the ministry's aid effectiveness efforts and analysis have focused on the way its embassies manage their funds; there is less clarity on how the Netherlands has applied the principles across the rest of its portfolio. In particular, the ministry has not collated information on the extent to which Hague-managed funding channels are aligned, supporting partner country ownership, or harmonised. For the other channels – multilateral and civil society – the Netherlands uses the concepts of co-ordination, harmonisation and alignment, but in different ways.

- The Netherlands tries to co-ordinate its multilateral aid and be a good partner, for example by establishing co-ordinated positions with other countries and by providing predictable core support to its key partner organisations (MFA, 2009i). The next step would be to use its position on the boards of these organisations to ensure they deliver their aid effectively.
- In its civil society funding, the ministry is encouraging Dutch NGOs to co-ordinate and form coalitions. But, it has less focus on Dutch NGOs' co-ordination with non-Dutch actors. The ministry's stated aim is to strengthen civil society in partner countries. Yet, paradoxically, the vast majority of its NGO funding goes to or through Dutch NGOs to implement specific projects with little support for capacity development or sustainability of Southern NGOs. Given the benefits of local ownership and civil society engagement in accountability, this is a missed opportunity.

### *Progress on ownership and supporting partner country capacity*

The Netherlands promotes partner country ownership by supporting partners to develop strong policies and strategies and, importantly, the capacity to implement them. Embassy efforts to support strong leadership from the government were evident in Tanzania, particularly in the health and local government sectors. To support local ownership and sustainability, the ministry has made an additional effort to improve its support to partner capacity through:

- Supporting multi-donor "basket funds" for capacity development, in areas partners themselves identify as priorities, using inputs partners consider as most appropriate and good value. This approach – rather than supply-driven technical assistance – is appreciated by partner countries and explains the progress made in co-ordinating support to capacity development (Figure 7).
- A programme to assist embassies to analyse how they could better support partner capacity development (MFA, 2008f).
- Staff guidance which focuses on integrating capacity development into all projects and programmes (MFA, 2008f). Although it appears to be aimed at embassy staff, the guidance should be relevant to all Dutch bilateral funding channels.
- An evaluation of Dutch support for capacity development, which includes inputs from NGOs working in this area (MFA, forthcoming).

It would be helpful also to examine whether these efforts have been applied right across the portfolio and if this has led to positive results.

### *Success in untying Dutch aid and the link with ownership and effectiveness*

The Netherlands has increased the proportion of its aid which is untied, and we commend this progress. The ministry reported that 99% of Dutch aid which should be untied under the *2001 DAC Recommendation on Untying* (OECD, 2001) was untied between 2007 and 2009. Overall, 86% of Dutch aid is reported as untied (OECD, 2011b).<sup>14</sup> This progress means that the Netherlands is living up to its commitments under the *2001 DAC Recommendation* and the Accra Agenda for Action, and responding to an issue raised in the 2006 peer review (OECD, 2006a).

This progress has been achieved by reforming the Netherlands' Development Related Export Transactions programme (or ORET). The new Development Related Infrastructure Facility (ORIO) is not tied to Dutch companies. As well as allowing the Netherlands to meet its commitments to untying, the reforms should also improve value for money, by ensuring partners are able to choose the most appropriate project and supplier. This approach is also more supportive of partner country leadership. The untying is part of a wider reform of the ORET programme, whose overall objective has shifted from supporting Dutch companies to encouraging partner governments to work with the private sector in order to achieve development objectives. The reforms also aim to respond to past evaluations and experiences which questioned the results and approach of the programme (NCSTE & MFA, 2006) and the appropriateness of some projects (e.g. a railway project which subsidised the Tanzanian government to purchase expensive fibre optic technology from a Dutch company). It is, therefore, concerning that the government has recently discussed reversing this progress by re-tying the programme. In order to protect the effectiveness of Dutch aid, by promoting partner country leadership, supporting development and value for money, the Netherlands should strongly resist pressure to tie its official development assistance.

### *Making more use of partner country systems*

The Netherlands' country strategies are broadly aligned with selected issues from its partner countries' poverty reduction or sector strategies, but they are not always based on thorough consultation with partners, or made publicly available. Though these country strategies all follow the same Dutch schedule – and are therefore not aligned with partners' processes – embassies feel that the content is still aligned to partners' priorities. Although there is some consultation with partners, the documents remain very much Dutch internal planning tools and in the past were not even published, as noted in the last peer review. The ministry now asks all embassies to publish at least a summary version on the embassy website.

Although the Netherlands has built a strong reputation for working through partner government-led approaches, it acknowledges that it should do more to increase its use of partner countries' systems. Indeed, the survey results (Figure 7) show slippage in Dutch use of partner country systems between 2005 and 2007 (which relates to cancelled programmes in some countries). The ministry's action plan says using country systems – including financial systems – should be the first option, so that they can be strengthened through use (MFA, 2009b). Embassies have increasingly been doing this, although the country-specific obstacles to making further progress were a key topic of discussion in a recent headquarters-initiated consultation

14. The issue of inconsistencies in reporting on tying status is currently being discussed in the DAC – some members report in-donor refugee costs and promotion of development awareness as untied (including the Netherlands) and some as tied (OECD, 2011c).



with embassies. The ministry should now build on this by encouraging the use of country systems in all Dutch aid to partner country governments, not just the funds managed by its embassies.

### *The predictability challenge*

In order to make its aid more predictable – which is crucial for its partners’ planning – the Netherlands should examine its approach on two different levels:

- Sharing forward spending plans. Embassies are able to provide partner governments with indicative figures, for individual projects and programmes, but only within (i) a limited time period (next four years); and (ii) the channels included in the country strategy. In some countries, there is only limited information available to partners about the totality of planned Dutch activities.
- Reducing short term volatility. Partners find Dutch aid to be reliable and predictable in some cases, but volatile in others. This mixed picture was evident in Tanzania where counterparts in the health sector described the Dutch contribution as flexible, timely and predictable yet unpredictable and volatile in the water sector and for general budget support (Table 4).

Some of this volatility relates to general budget support which receives much political attention in the Netherlands, as in many other countries. In the Dutch case this has resulted in a “stop and go” practice for this type of funding and there is a continuing lack of clarity about the necessary conditions for the Dutch to use it (OECD, 2006a). Three cases where the Netherlands has frozen its contributions to general budget support are examined in Table 4. The Netherlands has stated that it will make far less use of general budget support in future (MFA, 2010a).

**Table 4. Changing gears on general budget support: Rwanda, Tanzania and Uganda**

Country	Recent decisions to cancel or delay Dutch contributions to general budget support
Rwanda	<ul style="list-style-type: none"> <li>• Following the 2008 report by the UN expert panel on the role of Rwanda in the conflict in the Democratic Republic of Congo, the Netherlands decided not to disburse general budget support that had already been committed. This equated to roughly 14% of the embassy’s programme in 2008. Sweden also suspended some support to Rwanda following the UN report.</li> <li>• Nearly 15% of the embassy’s 2009 budget had been intended to be provided as general budget support, this was also not disbursed.</li> <li>• In 2010, the Dutch Minister wrote to the Netherlands’ parliament explaining that there were no plans to provide general budget support to Rwanda in future, citing both concerns around freedom of expression and an intention to drastically reduce the use of general budget support right across Dutch aid.</li> </ul>
Tanzania	<ul style="list-style-type: none"> <li>• In June 2009, the Netherlands decided to suspend disbursement of its 2009-10 contribution to general budget support, which was EUR 30 million. It cited a problem between a Dutch company and the Tanzanian government as the reason. This was a unilateral action and not based on the agreed disbursement conditions or monitoring framework.</li> <li>• In July 2010, the Netherlands informed Tanzania that this tranche of EUR 30 million was now cancelled; because not all of the conditions set out in the letter postponing the tranche had been met in time.</li> <li>• In December 2010, the Netherlands announced that Tanzania would be one of the countries to which it would not provide general budget support in future.</li> <li>• In March 2011, the Netherlands announced that Tanzania would be one of the countries from which it would phase out its development co-operation.</li> </ul>

Uganda	<ul style="list-style-type: none"> <li>• In December 2010, the Netherlands informed the Ugandan Ministry of Finance that it was withholding a EUR 3.2 million contribution to general budget support. It cited lack of progress in tackling a high-level corruption scandal. This was a part of a coordinated decision amongst budget support donors to reduce their general budget support contribution by 10% overall. It was based on lack of progress on a specific corruption case which constituted a violation of the agreed monitoring framework.</li> </ul>
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### ***Generally a champion for harmonisation, but some un-co-ordinated decisions***

The Netherlands has a strong reputation when it comes to harmonising its work with other donors. It conducts many missions jointly and uses common arrangements and procedures in most of its partner countries. Dutch embassy programmes involve a mixed portfolio, but most try to channel a large proportion of their funds through multi-donor, partner government-led programmes. In addition, in many countries the Dutch embassies are fully engaged in donor co-ordination mechanisms, and the Dutch voice is clearly heard. This was evident in Tanzania where, as well as chairing health and decentralisation working groups, the Dutch Embassy chaired the general budget support and donor co-ordination groups and also pushed strongly for a joint assistance strategy (Annex C).

Dutch embassies have also made progress since the last peer review in focusing on fewer sectors and have generally done so in consultation with other actors, in a co-ordinated attempt to agree a better division of labour and reduce transaction costs for partners. At the same time, by focusing on fewer thematic areas, some embassies have established strong reputations in their chosen sectors – for technical input and engagement in monitoring progress.

Some unilateral decisions and funding outside of embassies' control may have undermined this strong reputation, however. In particular:

- The funds managed from the Hague do not generally use joint procedures nor are they necessarily related to the sectors that the embassy has identified as priorities for Dutch development co-operation in that country. In Tanzania, for example, most missions that were not conducted jointly with other donors were those relating to centrally-managed channels.
- Some decisions made by headquarters to postpone or cancel funding have made it harder for embassies to harmonise their actions, especially when decisions were not based on the conditions pre-agreed with the partner. The starkest case was the unilateral decisions around general budget support to Tanzania in 2009/10 (the first of which was linked to a commercial dispute) which undermined the Netherlands' reputation as one of the most harmonised donors (Table 4).

### ***Doing more to manage for development results and improve accountability***

The ministry is making more efforts to manage its aid to achieve development results and this is evident in partner countries. In Tanzania, the embassy supported using mutually-agreed indicators in the health and decentralisation programmes. In health, embassy specialists identified poor monitoring and results orientation as constraints and worked closely with counterparts in the Ministry of Health to improve them. However, the Netherlands can still improve its own planning for results as well as how it monitors and collates information about development results (Chapter 4).

Cases from Tanzania highlight some of the challenges the Netherlands is facing more generally in supporting the development of better mutual accountability mechanisms. For example:

- The lack of information made publicly available on what the Netherlands as a whole is planning, doing and achieving in any specific country makes it difficult to hold it accountable.
- As already noted, not all decisions to postpone or cancel already-agreed Dutch contributions are clearly related to the partner breaching agreed principles or issues outlined in the mutually-agreed performance framework (Table 4).
- While there is some direct support from Dutch embassies to partner country civil society organisations which work on accountability and advocacy, this is usually a very small part of embassy programmes. The vast majority of Dutch civil society funding goes through Dutch organisations (Chapter 3) and is focused on service delivery, as opposed to advocacy or activities aimed at holding governments accountable.

### **New policy shifts: opportunities and challenges for more effective Dutch aid**

The challenge for the Netherlands now will be to protect its existing good practices and solid progress while also implementing the new policy agenda. In doing so it should use the aid effectiveness principles as a roadmap to steer change and achieve results.

#### ***Maintaining and building on what works well***

Two traits – flexibility of co-operation and technical capacity – underlie the success and reputation of Dutch bilateral aid and have enabled the Dutch embassies to establish a strong reputation and to deliver their aid effectively (Box 8). The ministry should ensure these traits are maintained and also reflect on how to build on them to improve the broader spectrum of Dutch development co-operation. The Netherlands plans to focus its support on just 15 countries and this gives it a good opportunity to ensure that the relevant 15 embassies have the flexibility and capacity to spend a (likely increased) budget effectively.

To implement its new policies effectively, the Netherlands should draw on its valuable experience in working through sector-wide approaches, sector budget support and programme-based approaches. Indeed, since the early 2000s the Netherlands has been at the forefront of a group of donors who, working with partner country governments, are developing more co-ordinated and aligned ways of delivering development co-operation that make use of country systems but are less prone to volatility than general budget support. Much of this experience comes from the health and education sectors, which will not be the focus of Dutch co-operation in future. Applying the same type of approach in the areas of water, food security and the rule of law will be challenging because more partner ministries and other actors are likely to be involved. Nevertheless, lessons and experience from the social sectors may be valuable and could be collated through close working with staff directly involved. The Netherlands is already engaged in joint funding initiatives in water and the rule of law in 10 of its partner countries – looking closely at these initiatives should also help inform decisions about how to scale-up Dutch investments in these areas in the 15 partner countries.

### **Box 8. Worth more than the money alone: Dutch flexibility and technical input in Tanzania**

A range of partners in Tanzania – including Tanzanian government officials, NGO partners and other donors – highlighted for the peer review team how the Dutch embassy’s flexibility and capacity meant its contribution added up to much more than simply financial support. Examples from the embassy’s work in the health sector and decentralisation efforts illustrate this point.

#### Flexibility

- In the health sector, the Dutch Embassy was able to re-orient its support when many other bilateral donors and vertical funds all chose to focus on the same health challenges. The Tanzanian government appreciated that the Dutch had the flexibility to re-direct support to help fill crucial gaps – based on what was needed rather than what was in vogue at home. The embassy also helped a health NGO to complete a successful malaria project when another donor pulled the final phase of funding (because their headquarters’ priorities changed).
- The Netherlands agreed to join the World Bank in providing financial support to the Tanzanian government’s programme for decentralisation and reform of local government. When the World Bank was slow to disburse funds, the Netherlands was able to make sure the programme was able to get started on schedule.

#### Capacity

- Having identified that monitoring was a weakness in the Tanzanian health sector, and that this was an area in which embassy staff had specific expertise, embassy and government officials worked together to produce a monitoring plan and framework.
- In the context of local government reform, the Dutch embassy was involved in policy development; it pushed for better monitoring, follow-up of audit reports, and engaged closely in joint reviews. Its capacity allowed it to take on a leadership role which it used to push for improvements in implementation of the programmes.

*Source: Interviews with partners and officials in Tanzania*

### ***The need to implement new policies in accordance with the aid effectiveness principles***

As the Netherlands begins to “exit” from specific sectors and from countries it should do so with the principles of aid effectiveness in mind. The most recent policy is to withdraw development co-operation “responsibly but irrevocably” from more than half the Netherlands’ priority partner countries (MFA, 2011b). The Dutch government wants to see evidence soon that the ship is turning. But in some cases leaving will be much more difficult and take longer than in others. Research indicates that poorly-managed exits have the worst impact on aid dependent countries (Heldgaar, 2008; Slob & Jerve, 2008). Successful exits are characterised by good planning, a sensible timeframe, consultation with partners and flexibility (*ibid*).

The ministry has produced guidelines for embassies which will need to agree exit plans (in place of multi-annual strategic plans) by 2012. While also acknowledging that each situation will need to be assessed on its own merits, the guidelines recognise the importance of (i) communication; (ii) involving stakeholders; (iii) setting realistic timeframes; (iv) allowing flexibility in programming and allocation of budgets; (v) meeting legal obligations; (vi) avoiding capital destruction; and (vii) supporting partners to identify possible alternative funding sources (MFA, 2011e).

At the global level, to inform its decisions on which countries to withdraw from, the Netherlands recently organised a meeting on harmonisation and division of labour with a small group of other EU members. This was a useful co-ordination initiative since it laid the groundwork for avoiding a donor exodus from any particular country. A similar initiative could also be used to identify whether some donors have an interest in supporting successful programmes in countries that others are leaving. The Netherlands kept the European Commission informed about this meeting and hopes that the EU will be involved in taking discussions further as part of its follow up on the EU Code of Conduct on Complementarity and Division of Labour (EC, 2007).

The new policy and narrower geographic focus provide an opportunity to apply some of the aid effectiveness principles more rigorously. By concentrating on just 15 countries the Netherlands can contribute to a better division of labour, improve transparency and coherence at country level and re-think how the principles can be applied right across its development co-operation portfolio, not just the assistance managed by its embassies. Focusing on a smaller number of countries should also allow it to ensure each embassy has sufficient capacity and expertise to (i) maintain and build on its strong reputation; (ii) engage further in using country systems; and (iii) examine how mutual accountability might be strengthened.

### **Future considerations**

- To continue to make its aid more effective, the Netherlands should focus on (i) increasing the predictability of its support; (ii) using country systems; and (iii) improving the transparency of its plans, activities and funding decisions. To do so it should look holistically at the entire Dutch effort in each partner country.
- Guided by the principles of aid effectiveness, the Netherlands should plan and carry out its exit from specific countries and sectors in a way that is consultative and transparent, honours existing commitments and seeks to minimise negative impacts in aid-dependent countries.
- The Netherlands is commended for untying the majority of its aid and is strongly encouraged to resist pressure to reverse these gains, since doing so could undermine the development effectiveness and value for money of Dutch development co-operation.
- The Netherlands should seize the opportunities presented by its new focus on just 15 countries to increase aid effectiveness. It should build on the 15 embassies' existing strengths – notably flexibility and capacity – and ensure they have the sufficient skills and mandate to co-ordinate and implement an increased effort towards aid effectiveness.



## *Chapter 6*

### **Humanitarian assistance**

These are challenging times for humanitarian donors, with increasing taxpayer and partner pressure to improve the quality of assistance, coupled with internal pressures to stretch the funding envelope to cover issues that go beyond the traditional humanitarian imperative. Donors need to find more strategic and effective ways of delivering aid, both by improving their internal practices and promoting improvements in the wider humanitarian system. In this light, the Netherlands is a significant and important humanitarian donor, playing a key role in strengthening the global humanitarian system. To support this approach, Dutch humanitarian assistance – which totalled USD 361 million in 2009, down from USD 527 million in 2006 – focuses heavily on funding multilateral agencies (2009: 21%) and UN-led pooled funding mechanisms (2009: 53%).<sup>15</sup> Partners agree that Dutch advocacy work on system strengthening has been useful, remains relevant and should continue.

#### **Little progress in implementing the recommendations of the previous peer review**

The Netherlands has made little progress on the recommendations of the 2006 peer review (Annex A), which called for the development of a comprehensive Dutch humanitarian aid policy; a review of funding arrangements for protracted crises; and for an increase in staff capacity, especially in the field. These recommendations remain pertinent, especially the urgent need to finalise a cross-government humanitarian policy. Continuing staffing constraints could, however, be offset by adopting more efficient ways of working, building on current good practices.

#### **Formalising policy: now an urgent priority**

##### *A clear need to anchor the Netherlands' strategy in a cross-government policy framework*

The Netherlands holds the firm belief that humanitarian assistance is most effective and efficient when delivered by a coherent and co-ordinated international humanitarian system, under the leadership of the United Nations and anchored in the Principles and Good Practice of Humanitarian Donorship (GHD Principles). Accordingly, the ministry has taken up the challenge of improving the global humanitarian aid architecture, using its respected voice to drive through key humanitarian reforms, promote more effective delivery by multilateral agencies, and support improved inter-agency co-ordination. This key advocacy work is backed up with significant levels of core funding to multilateral agencies, and increasing contributions to pooled funding mechanisms (Figure 8).

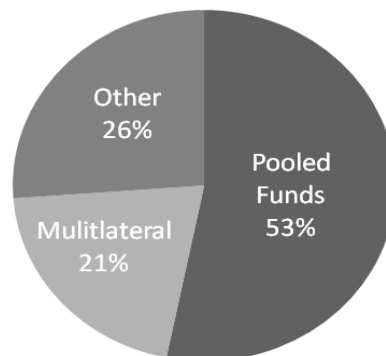
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15. All figures sourced from OECD/DAC using 2008 constant prices.

However, Dutch humanitarian funding and its advocacy work on system strengthening have not yet been anchored in a cross-government humanitarian policy. A strategy was drafted in 2009, but this is still awaiting ministerial approval. Finalising the policy is now urgent if the Netherlands is to be clear on its overall humanitarian objectives, and especially to provide a solid foundation for:

- Continuing to build on Dutch advocacy successes at global level.
- Providing a reference document for continued respect of humanitarian principles both within the ministry and across government.
- Providing sufficient humanitarian funds to meet overall policy objectives.
- Enabling further humanitarian programme efficiencies.
- Promoting stronger linkages and synergies with other Dutch programmes, especially in fragile states and in disaster risk reduction (see below), while avoiding mission creep beyond the humanitarian imperative.
- Facilitating more structured discussions with partners and parliament.
- Providing the framework for accountability against the overall goals of the humanitarian programme.

**Figure 8: The Netherlands’ humanitarian funding channels, 2009**



Source: OECD/DAC statistics

### ***Opportunities for supporting recovery more consistently***

The GHD principles call upon donors to “deliver humanitarian assistance in ways that are supportive of recovery” (GHD Principle 9), and the ministry uses a mixture of approaches to work towards this goal, although there are some opportunities to promote recovery more consistently. The bulk of the Netherlands’ humanitarian funding is delivered through multilateral partners and pooled funds (Figure 8), and the ministry therefore relies heavily on those agencies and funds to work in ways that, at a minimum, do not undermine future development work. Other humanitarian grants are programmed by either the MFA’s humanitarian team in the Hague, after consulting Dutch embassies. Here the Netherlands can take a more active role in promoting recovery, but a lack of guidance on how to address this key area in funding decisions is hampering a coherent approach to mainstreaming.



The Netherlands could build on its experiences with NGOs and consider offering multi-annual funding across all protracted crisis programming. Other donors are moving towards predictable multi-annual funding streams for humanitarian partners in protracted crisis settings. The Netherlands is also doing this with certain NGOs, some of whom have received two year funding in complex crisis situations. Multi-annual funding – in line with the multi-annual nature of protracted crises – has proven useful in many areas, notably in providing partners with sufficient flexibility to adapt and learn in evolving contexts and to orient programming to support the recovery of both local communities and basic service delivery systems.

Delegating funding authority to embassies in protracted crises provides another important opportunity for the Netherlands. This delegation could allow the ministry to further promote strategic links between its humanitarian, stability<sup>16</sup> and development programmes. Shared context analysis locally by the three sets of actors could lead to more appropriate programme design in all three areas, and ensure that synergies in programme delivery are exploited. For example, shared analysis and planning could ensure that humanitarian concerns, such as protection issues, are properly included in Dutch stability programmes, and that system strengthening by humanitarians with local authorities and communities links up with national state-building programmes supported by development actors. Stronger cross programme links could come, for example, through systematically incorporating humanitarian programmes into each embassy's multi-annual strategic plans. A note of caution, however: the Netherlands will need a finished humanitarian policy that clearly outlines the need to respect humanitarian principles if it is to avoid the risk of its humanitarian programmes being used to promote stability objectives that may be at odds with the humanitarian imperative.

### ***A renewed focus on disaster risk reduction in the humanitarian team***

Disaster risk reduction is receiving increased attention. The Dutch humanitarian team, in line with the overall focus on delivery through multilateral agencies and funds, provides financial support to the United Nations International Strategy for Disaster Reduction (2010: USD 1.1 million) and the joint World Bank/UNISDR global fund for disaster risk reduction (2010: USD 2.2 million), as well as supporting community level preparedness through the Red Cross/Red Crescent movement. In addition to these earmarked annual contributions, the humanitarian team also spends around 10% of all disaster response budgets on follow-on risk reduction programmes.

The Netherlands should develop clear guidance on risk reduction as a useful first step towards mainstreaming, including plans to increase staff awareness of this important subject across all areas of the ministry. The Dutch humanitarian team rightly limits its risk reduction programming to disaster preparedness, encouraging the Netherlands' development programmes to deliver on the related areas of disaster prevention and mitigation. However, there is limited awareness of risk reduction programming in other areas of the ministry, despite its critical role as an insurance strategy for development investments. The new priority area of water sector programming, for example, could provide an excellent entry point for reducing the growing risk of hydro-meteorological hazards in partner countries.

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16. The Stability Fund combines resources from the development and foreign policy budgets to support issues such as security sector reform, peacekeeping capacities and small arms control.

## Partnership: supporting system-wide reform, stronger leadership and co-ordination

The Netherlands defines partnership broadly – it sees itself as a partner in the global humanitarian system, with a global portfolio – and thus it focuses its attention on making that global system work better. The Netherlands provides flexible funding, with at least 80% of its contributions to UN agencies and the International Committee of the Red Cross either wholly, or partially, un-earmarked. It also supports co-ordination: over 50% of its total annual budget is now reserved for pooled funding mechanisms; and it is a timely donor, aiming to commit 75% of the annual humanitarian budget before the end of April each year. In return for these good humanitarian donorship practices, the Netherlands asks the humanitarian system to implement the full range of its planned reforms, to further strengthen the capacity of UN leadership, and for all involved agencies to co-ordinate under the cluster system. Partners are appreciative of the frank exchange of views and positive policy dialogue that underpins this system strengthening work.

The strong role of the Netherlands on UN agency boards and on donor working groups, and its sometimes forceful dialogue with multilateral agencies, are also widely appreciated by both operating agencies and other donors. The Netherlands continues to play a key role in the GHD group, and the Director General for International Co-operation is the acting chair of the UN's Central Emergency Response Fund's advisory group.<sup>17</sup> NGOs appreciate the Netherlands' work to facilitate their access to pooled funds at country level, and also applaud the openness of ministry staff – both in the Hague and in embassies – to engage in advocacy, although they have noted a recent decline in dialogue opportunities. Partners also commend ongoing Dutch work to develop and promote common advocacy messages, as seen in its continuing engagement on the High Level Committee on Sudan. The Netherlands' key role in strengthening the international humanitarian architecture is undoubtedly its comparative advantage, and should remain the central pillar of its humanitarian programming.

The trend towards encouraging the creation of Dutch NGO consortia for development funding should not be carried over to humanitarian funding if the Netherlands is to remain true to its commitment to co-ordination through the cluster system in the field. Other options for reducing transaction costs in disaster response are discussed later in this chapter.

### Do allocations match Dutch global ambitions?

The Netherlands is a significant humanitarian donor, although the volume of its humanitarian aid, and its relative share of ODA, has dipped significantly over the peer review period. The overall volume of Dutch humanitarian aid declined by over 30% between 2006 and 2009,<sup>18</sup> and its relative share of ODA has halved – humanitarian aid now represents only 5% of the overall development budget of the Netherlands. There are no indications that the volume will shrink further, as humanitarian assistance enjoys wide popular support in both parliament and amongst the general public. However, the Netherlands should assess whether this diminished humanitarian budget is sufficient to meet the overall goals of the yet-to-be-finalised Dutch humanitarian policy. A donor with such important investments in system-wide strengthening must match its advocacy work with appropriate funding commitments.

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17. This position is held in a personal capacity, but demonstrates clear Dutch support for the CERF as a rapid response pooled funding instrument.
18. Source: OECD/DAC (2008 constant prices).

Criteria used for funding allocations, both to determine the split between core and geographical envelopes, and then to decide how those envelopes will be spent – on which partner and/or for what programme – could be made more transparent. It is logical that the Netherlands should back up its strong focus on global system strengthening with significant levels of core and notionally earmarked funding, including to pooled funds. The ministry’s humanitarian team has outlined a specific set of eligibility criteria for partners,<sup>19</sup> but it remains unclear what criteria drive decisions to allocate funds between eligible partners, or towards individual crises. It is also unclear how the Netherlands determines the severity of any new sudden onset emergency and thus the amount of funding that it should receive. In general, and as with many other donors, it appears that historical funding patterns are often used to determine the size of future envelopes. It will be important for the Netherlands to clarify and disclose its decision-making criteria and how these link to the goals of its long-awaited humanitarian policy if it is to demonstrate the continuing independence and coherence of its humanitarian programme.

### **Operational mechanisms: some opportunities to deliver even more effectively**

#### ***A clear mandate for humanitarian assistance would sharpen cross-government co-ordination***

The lack of a clear policy mandate for the Netherlands’ humanitarian programme limits the possibilities for effective cross-government co-ordination. This may become critical in the near future, as the Dutch humanitarian team is likely to come under political pressure to define its approach in relation to the overall Dutch “3D” strategy – defence, diplomacy and development (Chapter 2) – while also remaining true to the wider humanitarian imperative. Partners note that migration is another issue where cross-government programming could be useful (also discussed in Chapter 2), especially in seeking the advice of humanitarian actors before sending asylum seekers home to an insecure environment.

The Netherlands has a civil-military co-operation policy, which clearly states that military resources are only to be used as a “last resort”, in situations where civilian resources are not available, and their use must follow the wider principle of “do no harm” (MFA/Ministry of Defence, 2002). This is in line with the approach required by relevant international instruments,<sup>20</sup> and has so far worked well in the field, as, for example, in Afghanistan (TLO, 2010). The ministry consults with the UN Office for the Co-ordination of Humanitarian Affairs (OCHA) to ensure that the principle of “last resort” has been met before seeking military support.

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19. The criteria are achieving results, inclusion in an appeal, reliable needs assessment and needs-based aid, attention to specific target groups, participation in co-ordination mechanisms, experience with previous co-ordination, accountability, legitimate expenditure of resources and learning capacity.
  20. The GHD principles outline the requirement to respect the “primary position of civilian organizations in implementing humanitarian action” (GHD Principle 19) and to respect the 1994 Oslo Guidelines and the related 2003 MCDA Guidelines that govern the use of, and humanitarian interactions with, military and civil defense assets in disasters and complex emergencies (GHD Principle 20).

### ***Building on good practice to become even more efficient***

Providing an appropriate and timely response to sudden onset emergencies often results in a spike in donor workload. Much of this added burden can be offset by the use of appropriate rapid response mechanisms. The Netherlands uses a variety of tools to support rapid response:

- Multi-annual commitments to the UN's Central Emergency Response Fund (CERF). These three-year commitments are backed up by work to strengthen the functioning of the CERF, mostly through the ministry's director general, who is the current chair of the fund's advisory group.
- Pre-arranged drawdown facilities for the Netherlands Red Cross Society, who passes these funds through to the international Red Cross/Red Crescent movement. Both the Red Cross and the Netherlands agree that this is an effective mechanism.
- A contingency reserve for sudden onset crisis response, used to make small disaster response grants, often to Dutch NGOs. However, these funds do not have pre-agreed response protocols or mechanisms, which slows down fund release and creates a high administrative burden for both NGOs and the humanitarian team.
- Dutch civil protection responses and deployment are co-ordinated by the ministry's humanitarian team. However, this added responsibility creates a heavy additional workload during a crisis.

The Netherlands has some useful methods to deal with the additional workload in the early days of a crisis, and they could build on these good practices and those of other donors to make their overall response even more effective. Following the Haiti earthquake, the ministry's humanitarian team worked in shifts in order to keep up with the evolving situation. To add to this new way of working, the Netherlands could also consider pre-positioning funds with pre-accredited NGO or multilateral partners for disaster response, or implementing simplified fast-track procedures for funding pre-accredited partners. Alternatively, and in line with the overall Dutch policy on supporting co-ordination mechanisms, the Netherlands could adopt a policy of always supporting the UN-led emergency rapid response pooled funds set up in the larger humanitarian crises. Finally, looking at lessons from recent deployments of Dutch civil protection teams could throw up interesting ideas for reducing the added workload surrounding the deployment of these teams.

The Dutch approach to accountability relies heavily on joint donor evaluations of agency or overall crisis responses, and on independent evaluations of funding channels, especially pooled funds. The results of these evaluations, plus the research provided by Dutch-funded think tanks, feed into the ministry's overall work to improve the efficiency and effectiveness of the global humanitarian system. The Netherlands accept their partners' standard reporting formats for over 70% of their funding decisions, supplementing the information received with annual consultations. Dutch field staff are actively involved in donor co-ordination, but much less so in monitoring individual partner programmes. This overall focus on the big picture has led to some administrative issues, however, with auditors on occasion finding incomplete grant advance files with no evidence of results attached. In addition, without a humanitarian policy, it is difficult to determine whether the Netherlands has achieved its own overall humanitarian objectives. However, an independent evaluation was largely positive (IOB, 2006), though it noted that monitoring in the field is weak. Another evaluation is due in 2014.

Members of the humanitarian community interviewed for this peer review consistently described the ministry's humanitarian staff as engaged, informed and useful partners. Humanitarian training for staff began in 2010, and this good practice should continue, either in-house or using other donors' programmes, such as Sweden's ATHA.<sup>21</sup> Systematic pre-deployment briefings are also provided by the humanitarian team, which serve to raise awareness of the humanitarian programme and also to establish the basis for ongoing working relationships with field-based staff.

While partners report that the humanitarian staff in the Hague appear stretched, creating further programme efficiencies could help. Streamlining rapid response mechanisms and decentralising grant making for protracted crises to embassies could be particularly useful in this regard (see above). Clarifying the overall humanitarian programme objectives through a clear policy mandate, and further enhancing programme efficiencies will free up staff time to focus more on the Netherland's main strength: international advocacy work to strengthen the humanitarian system.

### Future considerations

- The Netherlands should finish its cross-government humanitarian policy. It should focus on the Dutch comparative advantage of global system strengthening, and be in line with GHD principles and the EU Consensus. The policy should promote improved programme effectiveness; strengthen the role, strategic focus and accountability of the humanitarian programme; and promote stronger cross-programmatic linkages, thematically and in-country.
- The ministry could fine tune its approaches for addressing humanitarian challenges, especially by refining rapid response mechanisms and providing multi-annual funding for protracted crises. This would improve programme efficiency and effectiveness.
- The ministry should develop practical guidance on disaster risk reduction, and raise awareness of risks, as it incorporates risk reduction across its development programmes.

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21. The Advanced Training Program on Humanitarian Action (ATHA), [www.atha.se](http://www.atha.se).



## *Annex A*

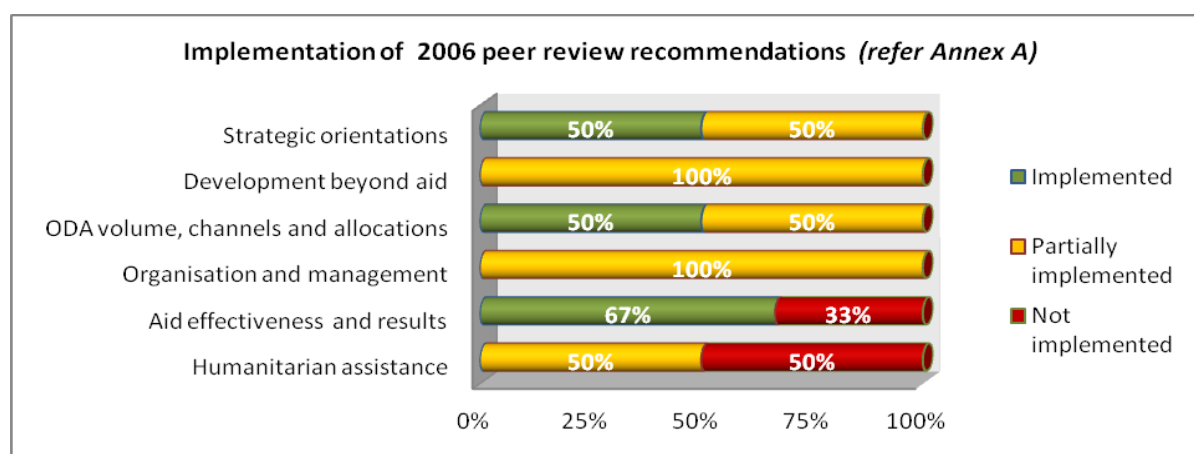
### Progress since the 2006 recommendations

Key Issues	Recommendations 2006	Progress in implementation
<b>Strategic orientations</b>	The current policy framework gives the MFA a clear mandate and provides geographic and sector focus. The MFA should ensure that spending targets do not jeopardise the principles of aid effectiveness and are balanced with a strong focus on results.	Implemented.  The Netherlands' policy framework no longer includes thematic spending targets: the spending target on education was abolished in 2010 and the remaining thematic spending targets will be phased out in 2011.
	The MFA should consider a more structured domestic policy dialogue with the full range of Dutch stakeholders, including civil society organisations, private sector and the development research community.	Partially implemented.  A structured dialogue with civil society and other stakeholders took place in 2007 on <i>Our Common Concern</i> and as part of the Ministry of Foreign Affairs' civil society co-financing system for the period 2007-2010. In addition, the ministry ensured full consultation on its <i>Project 2015</i> which resulted in a set of Millennium Agreements with civil society, research institutes and the private sector. However, stakeholders reported to the review team that policy dialogue has dropped off since 2009 and that new policies introduced in 2010 and 2011 have not been the subject of consultation with civil society organisations, private sector or the development research community.
<b>Development beyond aid</b>	The Netherlands is encouraged to pursue its efforts in enhancing policy coherence for development domestically and internationally. It could now build on achievements to date to ensure a more systematic approach to performance assessment in this area, both in tracking progress against objectives and in assessing the "real-world" effects of specific policy coherence successes.	Partially implemented.  The <i>Results in Development Report 2007-08</i> reported on progress towards MDG 8 (to develop a global partnership for development) and policy coherence in the Netherlands. However, there is still no systematic approach to performance assessment in this area, both in tracking progress against objectives and in assessing the "real-world" effects of specific policy coherence successes. During 2010 the Effectiveness and Quality Department was merged with the Coherence Unit to form the Effectiveness and Coherence Department (DEC) – this has resulted in a more integrated institutional base for policy coherence for development within the Ministry of Foreign Affairs.
<b>Aid volume, channels and allocations</b>	The Netherlands is encouraged to build on its efforts towards geographic concentration by increasing the share of aid provided to the 36 partner countries. The Netherlands is also encouraged to pursue, in collaboration with other donors, its efforts towards stronger sector focus in its bilateral country programmes.	Partially implemented.  The Netherlands has increased the geographic concentration of its allocable bilateral ODA since the last peer review, as measured by the proportion of this allocated to its top 20 recipients. This group of countries, all partner countries, received 68% of Dutch allocable bilateral ODA from 2003 to 2007, and this rose to 73% from 2008 to 2009. However, it is difficult to establish a true picture because more than 50% of the Netherlands' bilateral ODA has been un-allocable each year. It is possible that some of these unallocated

Key Issues	Recommendations 2006	Progress in implementation
		funds are also benefiting partner countries. Policy shifts since 2006 have reduced partner countries from 40 to 33 and then to 15 and thematic priorities. This should feed through into more concentrated aid flows in future years. There has been some progress towards stronger sector focus in Dutch bilateral country programmes, but the Netherlands' ODA was still spread across a wide range of sectors in most partner countries in 2009.
	The Netherlands could develop a more coherent strategy with respect to private sector development and pro-poor economic growth.	Implemented.  A more coherent strategy has been established through the publication of a policy memorandum on private sector development in developing countries in 2007; a policy memorandum on agriculture, rural economic development and food security in 2008; and the adjustment of the ORET (Development Related Export Transactions Programme) following a rigorous evaluation with the introduction of a successor, ORIO (Development-related Infrastructure Facility), that focuses more closely on infrastructure that benefits the poor and is fully untied.
	The MFA is encouraged to pursue its efforts to improve the effectiveness of its programmes with NGOs while ensuring complementarity with its bilateral programmes and considering how to manage potential risks identified by the NGOs in moving to a stronger results focus.	Partially implemented.  The NGO channel is less fragmented than it was in 2006. The Netherlands has also succeeded in aligning the civil society channel more closely to the bilateral priorities set out in <i>Our Common Concern</i> . The Dutch co-financing system (MFS II) has helped to achieve some economies of scale with its emphasis on alliances of NGOs and is focusing more on evaluation of NGO activities than monitoring. At the prompting of the Ministry of Foreign Affairs, Dutch NGOs are adapting their interventions in partner countries according to the three country profiles identified by the ministry, and focusing more on results.
	Given its objective of promoting greater multilateral effectiveness, The Netherlands is encouraged to elaborate its multilateral strategy and to strike a balance between bilateral objectives and implications for the management of multilateral agencies, taking account of on-going reform efforts.	Implemented.  The Netherlands' multilateral strategy was defined in a policy letter on multilateral development co-operation published in January 2009. The policy letter lays the groundwork for a re-think of Dutch multilateral efforts in development co-operation in response to changes in the international context and outlines future plans for multilateral development co-operation. It emphasises the linkages between bilateral objectives and multilateral efforts
<b>Organisation and management</b>	In order to fulfil its ambitious policy agenda the MFA should continue its efforts to ensure that embassies have the right human resources (skills mix and capacity levels).	Partially implemented.  The MFA has continued to try to get the right skills in the right places but has been constrained by (i) cuts in staff numbers and (ii) the absence of skills mapping and workforce planning which means the centre does not have full information on what skills are available and needed. Some successful training initiatives have also been introduced for embassy staff.
	The MFA is encouraged to consider options to simplify the planning and	Partially implemented.



Key Issues	Recommendations 2006	Progress in implementation
	monitoring system, potentially by combining certain of its components. In developing the new strategic plans, the Netherlands could move towards a more collaborative approach involving partner country governments and other key stakeholders.	The ministry has tried to lessen the reporting burden by reducing the frequency of full reporting from annual to every four years, with annual reporting only exceptionally required. However, it has also introduced a parallel system for reporting, every two years, to feed into the <i>Results in Development</i> report. Though there was some consultation involved, the strategic plans for 2007 to 2011 remain very much internal planning documents.
<b>Aid effectiveness and results</b>	The Netherlands is encouraged to move forward with its plan to develop an overall aid effectiveness strategy to better communicate how the Paris Declaration agenda is to be implemented at headquarters and in different partner country circumstances.	Implemented.  In 2009 the MFA published the <i>Netherlands Action Plan on Aid Effectiveness</i> . It followed this up with meetings with embassy staff to discuss how further progress might be made and the challenges in each country.
	In conjunction with other donors, the Netherlands needs to clarify its approach to conditionality in order to ensure that general budget support contributes effectively to ownership and predictability as well as poverty reduction objectives.	Not implemented.  The Netherlands has not clarified its approach to conditionality and particularly when it comes to budget support has taken decisions to suspend or end contributions for a variety of reasons.
	The MFA is encouraged to ensure that, to safeguard evaluation quality, IOB retains its independence for managing the evaluation process and for reporting and making public the findings.	Implemented.  The MFA conducted an external recruitment for the new Director of Evaluation on a fixed-term contract. The evaluation team is grouped with other oversight teams (audit and inspection), all of which report to the director general.
<b>Humanitarian Assistance</b>	The development and publication of a comprehensive humanitarian aid policy framework could be useful in drawing together the various elements of the Netherlands' involvement in this area and in identifying those issues where further work needs to be done.	Not implemented.  A draft humanitarian aid policy framework was drawn up in 2009 but has yet to be approved.
	The funding arrangements for protracted complex emergencies could be reviewed in the light of experience with existing instruments, including CERF, in order to improve the predictability of Dutch humanitarian assistance and help reduce transaction costs for operational partners.	Partially implemented.  Some NGOs have become eligible for two-year funding in complex crisis situations.





## Annex B

### OECD/DAC standard suite of tables

**Table B.1. Total financial flows**  
USD million at current prices and exchange rates

Netherlands	<i>Net disbursements</i>						
	1995-99	2000-2004	2005	2006	2007	2008	2009
<b>Total official flows</b>	<b>3 159</b>	<b>3 836</b>	<b>5 267</b>	<b>5 795</b>	<b>6 224</b>	<b>6 993</b>	<b>6 426</b>
Official development assistance	3 119	3 564	5 115	5 452	6 224	6 993	6 426
Bilateral	2 190	2 483	3 683	4 282	4 644	5 200	4 798
Multilateral	929	1 081	1 432	1 169	1 580	1 793	1 628
Other official flows	40	272	152	343	-	-	-
Bilateral	40	272	152	343	-	-	-
Multilateral	-	-	-	-	-	-	-
<b>Net Private Grants</b>	<b>299</b>	<b>318</b>	<b>422</b>	<b>277</b>	<b>343</b>	<b>330</b>	<b>542</b>
<b>Private flows at market terms</b>	<b>5 688</b>	<b>2 112</b>	<b>17 091</b>	<b>22 544</b>	<b>11 575</b>	<b>-21 345</b>	<b>-923</b>
Bilateral: of which	5 442	2 035	17 565	22 792	10 779	-21 176	-1 912
Direct investment	4 876	2 075	2 348	6 351	-1 028	-24 523	540
Export credits	32	1 382	10 614	5 713	-143	-18	401
Multilateral	246	77	-474	-248	795	-169	989
<b>Total flows</b>	<b>9 146</b>	<b>6 266</b>	<b>22 781</b>	<b>28 616</b>	<b>18 142</b>	<b>-14 022</b>	<b>6 045</b>
<i>for reference:</i>							
ODA (at constant 2008 USD million)	4 997	5 705	6 305	6 539	6 738	6 993	6 676
ODA (as a % of GNI)	0.80	0.79	0.82	0.81	0.81	0.80	0.82
Total flows (as a % of GNI) (a)	2.36	1.40	3.65	4.23	2.35	-1.61	0.77
ODA to and channelled through NGOs							
- In USD million	308	483	678	1 475	1 245	1 512	1 480
- In percentage of total net ODA	10	14	13	27	20	22	23
- DAC countries' average % of total net ODA	4	9	9	7	7	7	8

a. To countries eligible for ODA.

**ODA net disbursements**  
At constant 2008 prices and exchange rates and as a share of GNI

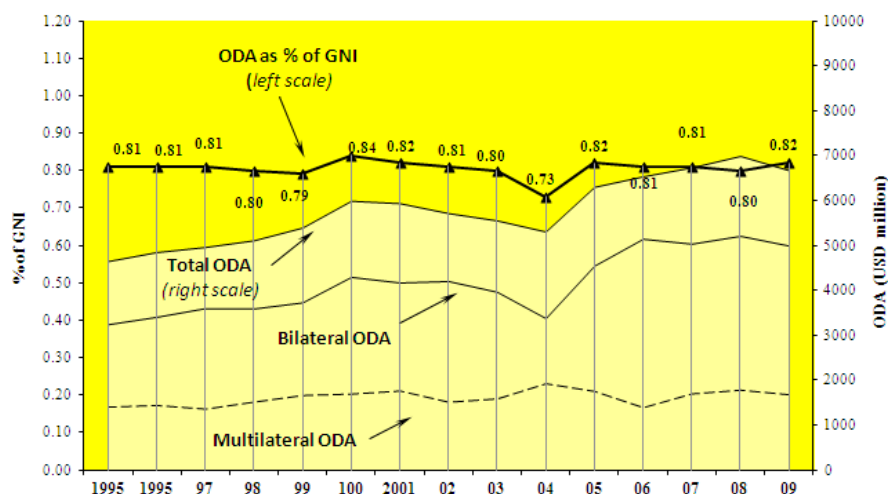


Table B.2. ODA by main categories

Netherlands	Constant 2008 USD million					Disbursements					Total DAC 2009%
						Per cent share of gross disbursements					
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	
<b>Gross Bilateral ODA</b>	<b>4 646</b>	<b>5 661</b>	<b>5 455</b>	<b>5 489</b>	<b>5 150</b>	<b>72</b>	<b>80</b>	<b>76</b>	<b>75</b>	<b>75</b>	<b>73</b>
<i>Grants</i>	<i>4 621</i>	<i>5 661</i>	<i>5 455</i>	<i>5 483</i>	<i>5 150</i>	<i>72</i>	<i>80</i>	<i>76</i>	<i>75</i>	<i>75</i>	<i>61</i>
Project and programme aid	1 218	1 231	1 392	1 130	932	19	17	19	16	13.62	25
Technical co-operation	751	557	515	372	344	12	8	7	5	5	13
Developmental food aid	-	2	1	22	25	-	0	0	0	0	1
Humanitarian aid	503	476	367	403	316	8	7	5	6	5	6
Action relating to debt	407	374	425	124	46	6	5	6	2	1	2
Administrative costs	302	306	287	320	344	5	4	4	4	5	4
Other grants	1 438	2 715	2 469	3 112	3 143	22	38	34	43	46	9
<i>Non-grant bilateral ODA</i>	<i>25</i>	<i>-</i>	<i>-</i>	<i>7</i>	<i>-</i>	<i>0</i>	<i>-</i>	<i>-</i>	<i>0</i>	<i>-</i>	<i>12</i>
New development lending	-	-	-	7	-	-	-	-	0	-	9
Debt rescheduling	25	-	-	-	-	0	-	-	-	-	2
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
<b>Gross Multilateral ODA</b>	<b>1 765</b>	<b>1 403</b>	<b>1 711</b>	<b>1 793</b>	<b>1 691</b>	<b>28</b>	<b>20</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>27</b>
UN agencies	503	533	572	575	614	8	8	8	8	9	5
EU institutions	533	518	616	630	599	8	7	9	9	9	10
World Bank group	387	105	200	316	227	6	1	3	4	3	6
Regional development banks (a)	200	66	115	75	79	3	1	2	1	1	2
Other multilateral	142	180	208	198	172	2	3	3	3	3	4
<b>Total gross ODA</b>	<b>6 411</b>	<b>7 063</b>	<b>7 166</b>	<b>7 282</b>	<b>6 841</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Repayments and debt cancellation</b>	<b>- 341</b>	<b>- 768</b>	<b>- 695</b>	<b>- 542</b>	<b>- 415</b>						
<b>Total net ODA</b>	<b>6 070</b>	<b>6 295</b>	<b>6 470</b>	<b>6 740</b>	<b>6 426</b>						
<i>For reference:</i>											
<i>Associated financing (b)</i>	<i>150</i>	<i>156</i>	<i>182</i>	<i>264</i>	<i>172</i>						
<i>Net debt relief</i>	<i>425</i>	<i>374</i>	<i>425</i>	<i>124</i>	<i>46</i>						
<i>Imputed student cost</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>						
<i>Refugees in donor countries</i>	<i>116</i>	<i>134</i>	<i>136</i>	<i>250</i>	<i>351</i>						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.

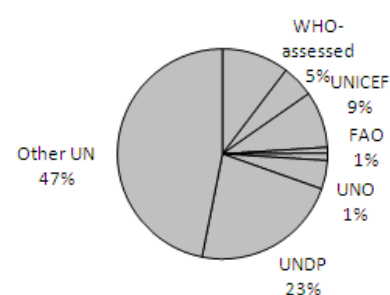
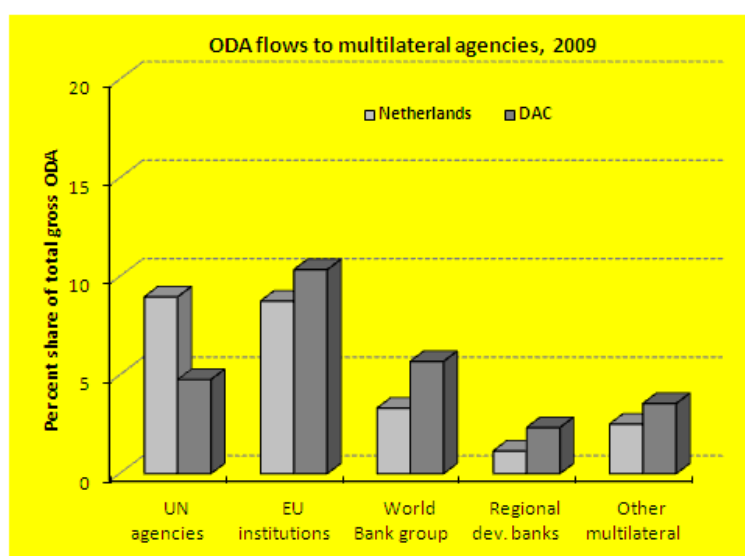
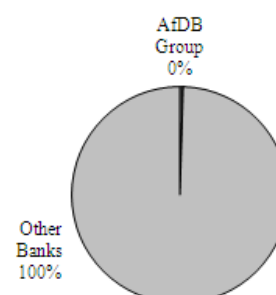
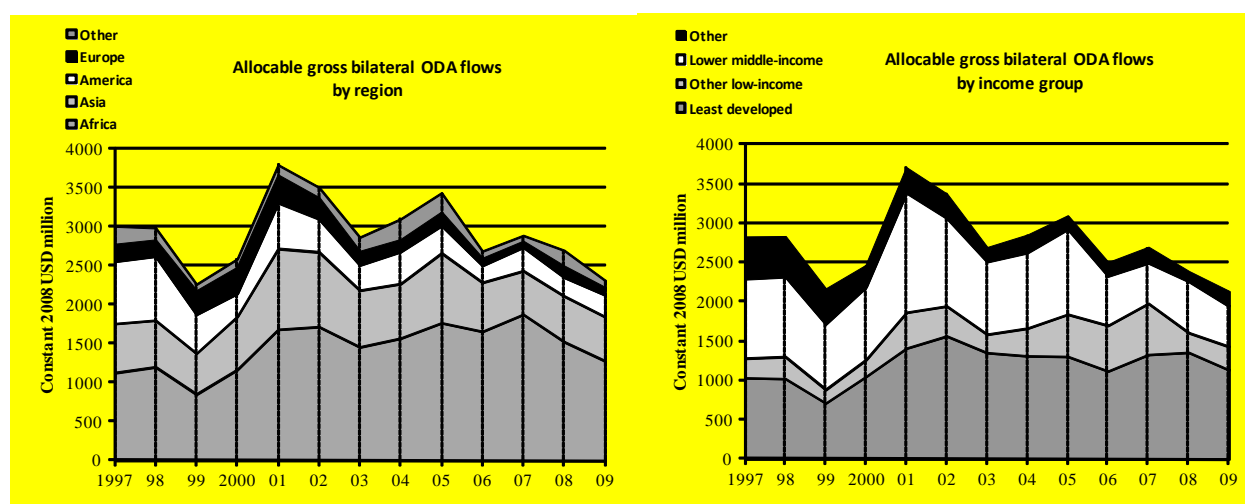
Contributions to UN Agencies  
(2008-09 Average)Contributions to Regional Development  
Banks (2008-09 Average)

Table B.3. Bilateral ODA allocable by region and income group

Netherlands	Constant 2008 USD million					Per cent share					Total DAC 2009%
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	
	<i>Gross disbursements</i>										
<b>Africa</b>	1 770	1 659	1 880	1 526	1 279	51	62	65	57	55	<b>42</b>
Sub-Saharan Africa	1 649	1 587	1 796	1 446	1 206	48	59	62	54	52	<b>36</b>
North Africa	35	18	17	22	21	1	1	1	1	1	<b>4</b>
<b>Asia</b>	899	631	559	587	568	26	23	19	22	25	<b>33</b>
South and Central Asia	460	288	307	332	309	13	11	11	12	13	<b>18</b>
Far East	395	336	242	247	250	11	12	8	9	11	<b>14</b>
<b>America</b>	352	216	303	240	279	10	8	10	9	12	<b>10</b>
North and Central America	124	74	72	79	68	4	3	2	3	3	<b>4</b>
South America	200	139	226	156	208	6	5	8	6	9	<b>5</b>
<b>Middle East</b>	242	95	77	205	94	7	4	3	8	4	<b>8</b>
<b>Oceania</b>	9	0	-	-	-	0	0	-	-	-	<b>2</b>
<b>Europe</b>	170	89	72	141	92	5	3	2	5	4	<b>5</b>
<b>Total bilateral allocable by region</b>	<b>3 442</b>	<b>2 690</b>	<b>2 891</b>	<b>2 699</b>	<b>2 312</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	1 313	1 127	1 338	1 365	1 141	42	45	50	57	54	<b>36</b>
<b>Other low-income</b>	534	578	648	246	294	17	23	24	10	14	<b>16</b>
<b>Lower middle-income</b>	1 085	628	514	652	512	35	25	19	27	24	<b>39</b>
<b>Upper middle-income</b>	161	164	191	119	182	5	7	7	5	9	<b>9</b>
<b>More advanced developing countries</b>	0	-	-	-	-	0	-	-	-	-	<b>-</b>
<b>Total bilateral allocable by income</b>	<b>3 093</b>	<b>2 497</b>	<b>2 692</b>	<b>2 383</b>	<b>2 129</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
<i>Total bilateral</i>	4 582	5 296	5 210	5 318	5 105	100	100	100	100	100	100
<i>of which: Unallocated by region</i>	1 140	2 606	2 319	2 619	2 792	25	49	45	49	55	22
<i>of which: Unallocated by income</i>	1 489	2 799	2 519	2 935	2 976	33	53	48	55	58	29



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Netherlands	1998-2002 average				Memo: DAC countries' average %	2003-07 average				Memo: DAC countries' average %	2008-09 average				Memo: DAC countries' average %
	Current	Constant	Per cent	share		Current	Constant	Per cent	share		Current	Constant	Per cent	share	
	USD million	2008 USD mln				USD million	2008 USD mln				USD million	2008 USD mln			
Indonesia	96	173	4		Nigeria	164	190	4		Indonesia	165	168	3		
Tanzania	89	159	4		Indonesia	123	150	3		Afghanistan	130	133	2		
India	77	136	3		Sudan	114	136	3		Sudan	127	129	2		
Mozambique	59	105	2		Tanzania	109	134	3		Ghana	109	111	2		
Bosnia-Herzegovina	58	102	2		Ghana	106	128	3		Mozambique	103	104	2		
<b>Top 5 recipients</b>	<b>378</b>	<b>675</b>	<b>16</b>	<b>25</b>	<b>Top 5 recipients</b>	<b>616</b>	<b>738</b>	<b>15</b>	<b>32</b>	<b>Top 5 recipients</b>	<b>634</b>	<b>646</b>	<b>12</b>	<b>28</b>	
Ghana	56	101	2		Afghanistan	85	104	2		Ethiopia	100	101	2		
Bolivia	53	94	2		Congo, Dem. Rep.	81	106	2		Suriname	92	94	2		
Serbia	51	92	2		Uganda	72	89	2		Tanzania	89	90	2		
Netherlands Antilles	50	86	2		Bangladesh	70	85	2		Mali	78	80	2		
Bangladesh	43	76	2		Iraq	69	88	2		Bangladesh	78	79	1		
<b>Top 10 recipients</b>	<b>631</b>	<b>1 124</b>	<b>26</b>	<b>40</b>	<b>Top 10 recipients</b>	<b>993</b>	<b>1 210</b>	<b>25</b>	<b>46</b>	<b>Top 10 recipients</b>	<b>1 070</b>	<b>1 090</b>	<b>20</b>	<b>39</b>	
Afghanistan	41	73	2		Mozambique	61	75	2		Burkina Faso	77	79	1		
Uganda	38	68	2		Mali	61	74	2		Zambia	75	76	1		
Mali	37	66	2		India	55	72	1		Uganda	64	65	1		
Yemen	37	65	2		Ethiopia	55	68	1		Palestinian Adm. Areas	61	62	1		
South Africa	35	61	1		Zambia	54	66	1		Rwanda	46	48	1		
<b>Top 15 recipients</b>	<b>818</b>	<b>1 457</b>	<b>34</b>	<b>50</b>	<b>Top 15 recipients</b>	<b>1 280</b>	<b>1 565</b>	<b>32</b>	<b>53</b>	<b>Top 15 recipients</b>	<b>1 394</b>	<b>1 419</b>	<b>27</b>	<b>48</b>	
Ethiopia	35	61	1		Burkina Faso	54	66	1		Congo, Dem. Rep.	46	46	1		
Congo, Dem. Rep.	32	56	1		Viet Nam	52	64	1		Iraq	45	45	1		
Burkina Faso	31	54	1		Suriname	49	57	1		Viet Nam	44	45	1		
China	31	55	1		South Africa	48	58	1		Bolivia	43	44	1		
Zambia	30	55	1		Bolivia	46	56	1		South Africa	43	44	1		
<b>Top 20 recipients</b>	<b>977</b>	<b>1 738</b>	<b>41</b>	<b>58</b>	<b>Top 20 recipients</b>	<b>1 527</b>	<b>1 867</b>	<b>38</b>	<b>59</b>	<b>Top 20 recipients</b>	<b>1 614</b>	<b>1 643</b>	<b>31</b>	<b>55</b>	
<b>Total (141 recipients)</b>	<b>1 633</b>	<b>2 905</b>	<b>68</b>		<b>Total (145 recipients)</b>	<b>2 250</b>	<b>2 763</b>	<b>56</b>		<b>Total (143 recipients)</b>	<b>2 216</b>	<b>2 256</b>	<b>42</b>		
Unallocated	776	1 382	32	22	Unallocated	1 744	2 101	44	24	Unallocated	3 007	3 064	58	29	
<b>Total bilateral gross</b>	<b>2 409</b>	<b>4 287</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>3 994</b>	<b>4 864</b>	<b>100</b>	<b>100</b>	<b>Total bilateral gross</b>	<b>5 223</b>	<b>5 320</b>	<b>100</b>	<b>100</b>	

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Netherlands	Commitments - Two-year averages						
	1998-2002 average		2003-07 average		2008-09 average		2008-09 Total DAC per cent
	2008 USD million	Per cent	2008 USD million	Per cent	2008 USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>1 244</b>	<b>29</b>	<b>1 982</b>	<b>35</b>	<b>2 187</b>	<b>40</b>	<b>41</b>
Education	365	8	722	13	548	10	9
of which: basic education	228	5	379	7	142	3	2
Health	175	4	262	5	241	4	4
of which: basic health	88	2	111	2	191	4	3
Population & reproductive health	76	2	124	2	217	4	7
Water supply & sanitation	159	4	296	5	289	5	6
Government & civil society	283	6	478	8	718	13	12
of which: Conflict, peace & security	-	-	108	2	264	5	3
Other social infrastructure & services	186	4	99	2	174	3	4
<b>Economic infrastructure &amp; services</b>	<b>283</b>	<b>6</b>	<b>518</b>	<b>9</b>	<b>446</b>	<b>8</b>	<b>16</b>
Transport & storage	144	3	47	1	64	1	8
Communications	24	1	17	0	15	0	0
Energy	59	1	77	1	240	4	4
Banking & financial services	24	1	162	3	62	1	3
Business & other services	32	1	216	4	64	1	1
<b>Production sectors</b>	<b>226</b>	<b>5</b>	<b>190</b>	<b>3</b>	<b>239</b>	<b>4</b>	<b>7</b>
Agriculture, forestry & fishing	189	4	134	2	145	3	5
Industry, mining & construction	17	0	13	0	18	0	1
Trade & tourism	19	0	44	1	76	1	1
<b>Multisector</b>	<b>278</b>	<b>6</b>	<b>404</b>	<b>7</b>	<b>1 063</b>	<b>20</b>	<b>7</b>
<b>Commodity and programme aid</b>	<b>253</b>	<b>6</b>	<b>303</b>	<b>5</b>	<b>373</b>	<b>7</b>	<b>5</b>
Action relating to debt	306	7	541	9	76	1	6
Humanitarian aid	294	7	389	7	397	7	8
Administrative costs of donors	6	0	135	2	335	6	5
Aid to NGOs (core support)	1 304	30	1 106	19	0	0	1
Refugees in donor countries	168	4	161	3	304	6	3
<b>Total bilateral allocable</b>	<b>4 362</b>	<b>100</b>	<b>5 728</b>	<b>100</b>	<b>5 420</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	4 839	77	5 976	80	5 562	73	73
of which: Unallocated	477	8	248	3	143	2	1
Total multilateral	1 478	23	1 454	20	2 043	27	27
<b>Total ODA</b>	<b>6 317</b>	<b>100</b>	<b>7 431</b>	<b>100</b>	<b>7 605</b>	<b>100</b>	<b>100</b>

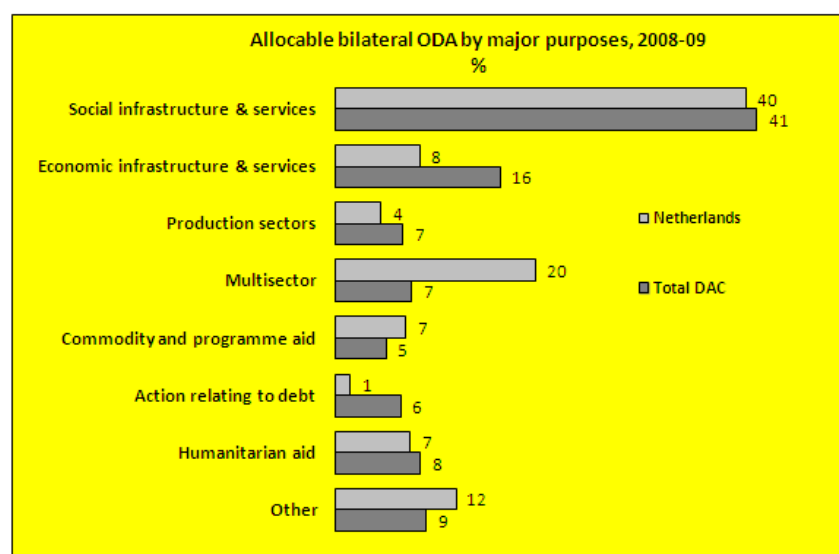


Table B.6. Comparative aid performance

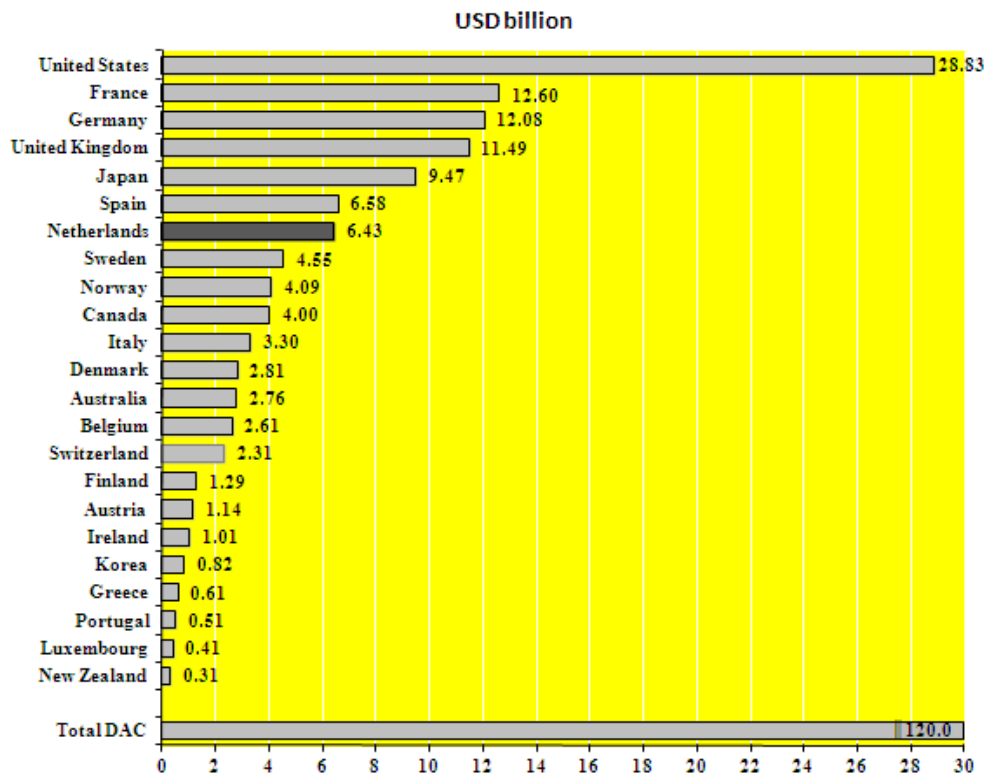
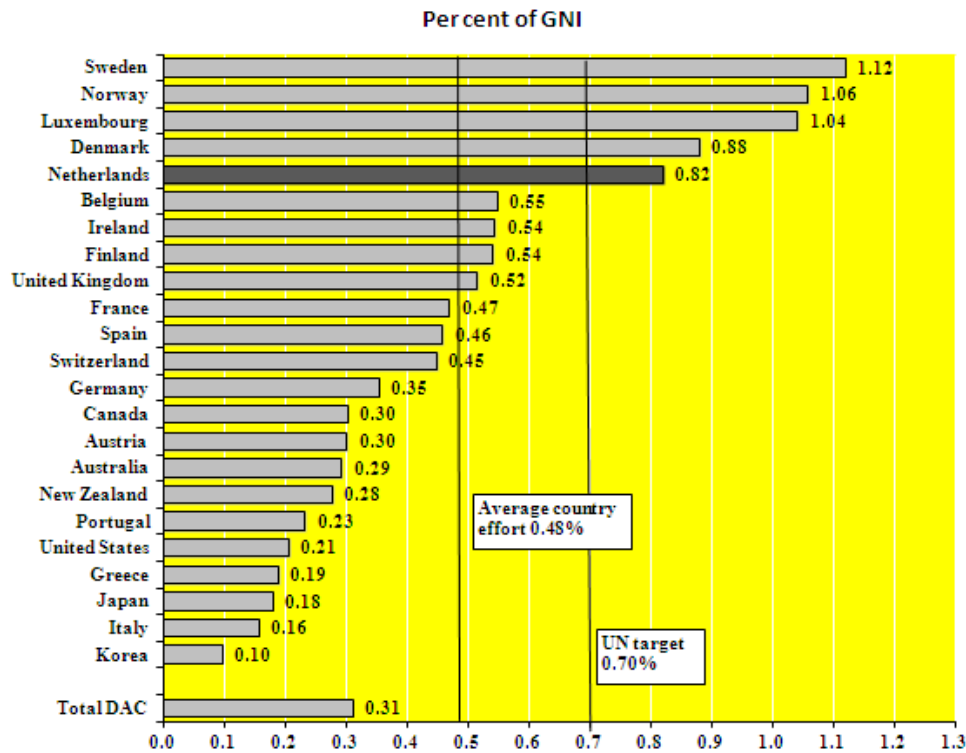
	Official development assistance			Grant element of ODA (commitments) 2009 % (a)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2009	
	2009		2003-04 to 08-09 Average annual % change in real terms		2009		2009		% of ODA	% of GNI
	USD million	% of GNI			% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)		
Australia	2 762	0.29	8.4	99.0	16.3		0.05		26.4	0.08
Austria	1 142	0.30	13.1	100.0	55.6	10.9	0.17	0.05	30.4	0.09
Belgium	2 610	0.55	2.4	99.8	39.3	19.3	0.22	0.09	36.7	0.20
Canada	4 000	0.30	6.5	100.0	21.5		0.07		37.0	0.11
Denmark	2 810	0.88	2.1	100.0	32.2	25.1	0.28	0.21	39.1	0.34
Finland	1 290	0.54	9.0	99.9	38.7	22.4	0.21	0.10	34.9	0.19
France	12 600	0.47	2.4	88.8	44.3	17.6	0.21	0.07	26.0	0.12
Germany	12 079	0.35	7.6	93.3	41.2	15.1	0.15	0.06	28.1	0.10
Greece	607	0.19	6.6	100.0	51.1	21.6	0.10	0.05	19.2	0.04
Ireland	1 006	0.54	10.8	100.0	31.1	18.3	0.17	0.11	50.9	0.28
Italy	3 297	0.16	4.4	98.6	73.5	26.9	0.12	0.06	34.5	0.05
Japan	9 469	0.18	-0.3	86.5	36.6		0.07		32.2	0.06
Korea	816	0.10	14.1	93.3	28.8		0.03		30.8	0.03
Luxembourg	415	1.04	6.0	100.0	35.9	24.3	0.37	0.24	36.9	0.39
Netherlands	6 426	0.82	4.7	100.0	25.34	16.63	0.21	0.13	25.3	0.21
New Zealand	309	0.28	7.3	100.0	26.9		0.07		33.5	0.09
Norway	4 086	1.06	4.5	100.0	22.5		0.24		30.8	0.33
Portugal	513	0.23	-8.5	94.3	46.1	13.8	0.11	0.04	41.2	0.10
Spain	6 584	0.46	16.9	96.4	32.1	15.0	0.15	0.07	25.9	0.12
Sweden	4 548	1.12	8.8	99.9	33.8	25.8	0.38	0.25	30.7	0.34
Switzerland	2 310	0.45	3.7	100.0	24.2		0.11		30.2	0.14
United Kingdom	11 491	0.52	8.3	100.0	33.4	18.6	0.17	0.08	34.1	0.18
United States	28 831	0.21	6.2	100.0	12.7		0.03		32.6	0.07
<b>Total DAC</b>	<b>120 000</b>	<b>0.31</b>	<b>5.8</b>	<b>96.3</b>	<b>30.3</b>	<b>0.09</b>			<b>31.1</b>	<b>0.10</b>
Memo: Average country effort		0.48								

## Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.



Figure B.1. Net ODA from DAC countries in 2009





## *Annex C*

### **Field visit to Tanzania**

The peer review team, made up of four examiners – two each from Italy and the United States – and two members of the DAC Secretariat, visited Tanzania in March 2011. The team held meetings with:

- Dutch embassy staff.
- Officials from the Tanzanian government, including the Ministry of Finance, the Prime Minister’s Office for Regional and Local Government and the Ministry of Health, as well officials from local government.
- Tanzanian civil society organisations and parliamentarians.
- Other development partners including both bilateral and multilateral organisations.

Information gathered during this field visit is used throughout this report to illustrate broader issues. This annex gives further detail, basic information on the country context and an overview of international development co-operation in Tanzania, including the aid co-ordination structure. It goes on to discuss the specific role of Dutch co-operation in Tanzania, focusing on five main areas: (i) how the Netherlands delivers its aid and its focus; (ii) how the Netherlands adds value in Tanzania; (iii) how the embassy is organised and linked to headquarters; (iv) the Netherlands’ experience with general budget support; and (v) the Netherlands’ decision to “exit” Tanzania.

#### **Country context: persistent high levels of poverty**

The United Republic of Tanzania is a least developed country ranking amongst the world’s poorest 25 countries in terms of both gross national income per capita and the Human Development Index (World Bank, 2011a; UNDP, 2010). It has achieved economic growth rates of between 5-7% in the last few years. However, with annual population growth of around 3% and inflation at 7%, these economic growth rates have not yet reduced poverty levels (*ibid*). In 2007, 34% of the population was living below the national poverty line – barely 2% less than in 2000 (GoT, 2009) – and during that period a further 1.3 million people joined the ranks of the absolute poor (World Bank, 2011b). However, primary school attendance has improved since 2000, as have infant and child survival rates (GoT, 2009).

The Government of Tanzania is implementing its second National Strategy for Growth and Poverty Reduction, commonly known by its Swahili acronym MKUKUTA II. Zanzibar has its own strategy, known as MKUKUZA II (GoT, 2010a; 2010b). These strategies are intended to contribute towards Tanzania’s “*Vision 2025*” of becoming a middle income country (GoT 1999). The MKUKUTA II sets out development objectives under three main areas: (i) growth and reduction of income poverty; (ii) quality of life and social well being; and (iii) good governance and accountability.

## Development co-operation in Tanzania

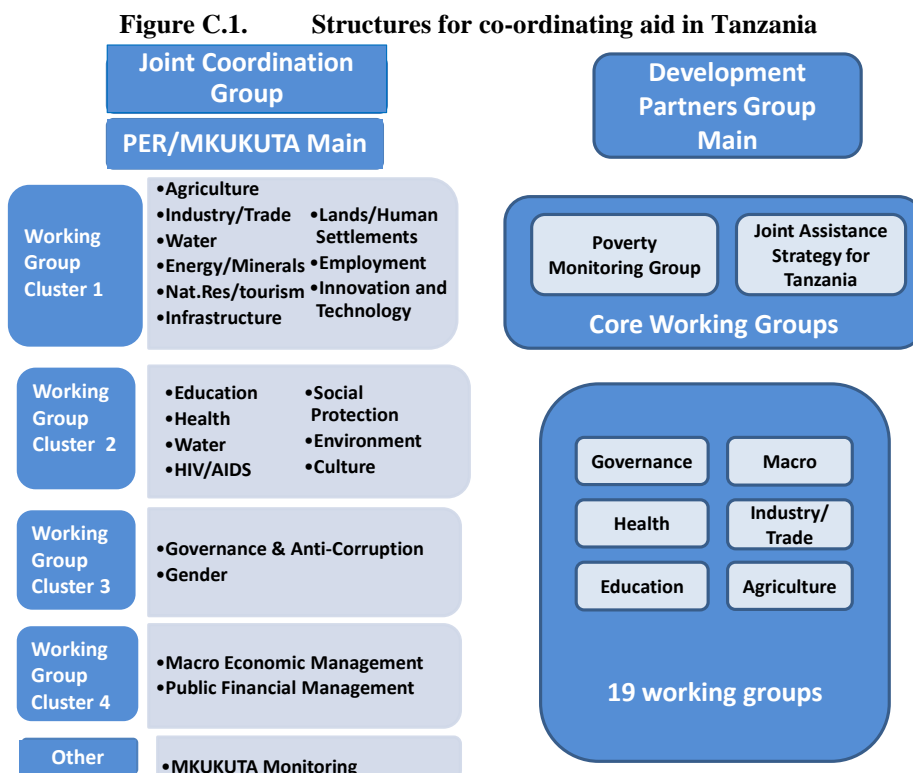
### *Significant volumes, diverse focus*

Tanzania is highly dependent on external development assistance – aid accounted for around 14% of its gross national income from 2007 to 2009 (OECD, 2011e). As much as 40% of the government’s national budget comes from development co-operation. Five main donors supply around half of the USD 3 billion that Tanzania receives in official development assistance each year. The other half is split across 40 other donors.

The type of development co-operation Tanzania receives varies. It includes a significant proportion through general budget support, but also sector budget support, programme-based approaches as well as a plethora of both large and small projects, loans and grants. While this diversity in aid approaches enables the government to spread its risk, it means that Tanzania requires sufficient capacity to engage in the whole spectrum of donor-supported activities. This engagement ranges from development partners wishing to discuss public financial management and high level policy with the government to those focused on implementing stand alone projects in specific areas.

### *A highly developed co-ordination context*

With so many actors present, Tanzania has long recognised the need for better aid co-ordination. An independent monitoring group formed in the 1990s was asked to look into the relationship between the Government of Tanzania and its development partners. This group identified a need for better communication and co-ordination. The aid co-ordination structure subsequently established by the government and its development partners in 2001 (Figure C1), has helped to achieve this aim. In particular, it has enabled those development partners that are engaged in the structure to be better co-ordinated, which is appreciated by the Tanzanian Government. Today, partners agree that the situation is markedly better than before.



Source: Based on information from the Development Partners Group

Despite delivering clear benefits, there are now concerns that the dialogue structure has become overly complicated and cumbersome. There are two parallel structures, one for development partners and one for interaction between them and the Government of Tanzania. The joint co-ordination group and the development partners group each include around 20 thematic working groups. The elaborate structure may have reduced transaction costs for the Government of Tanzania, but it has not had the same benefit for development partners. This higher cost for development partners might not be considered a problem if it helped to improve policy dialogue. However, a significant group of development partners informed the peer review team that the structure has not enabled them to deepen the policy content of dialogue with the Government of Tanzania. The dialogue remains mainly technical or process orientated.

In addition, the development of the Joint Assistance Strategy for Tanzania (JAST) in 2006 has undoubtedly been a useful tool to co-ordinate, harmonise and encourage alignment, though its implementation has not been monitored. The JAST was approved by the Tanzanian cabinet and 19 development partners. The process of agreeing the document helped to raise awareness about the importance of harmonisation. The missing element has been in monitoring adherence to it: an annual, government-led, monitoring report on the JAST was originally planned but has never been produced.

Another concern is that neither the dialogue structure nor JAST include all of Tanzania's bilateral development partners, such as China – an important partner for a long time – and some of the Arab states and funds. More recently, the role of India and Brazil has grown markedly, but they are also outside the JAST. It is not possible to say how much support these countries are providing to Tanzania and what proportion of it qualifies as ODA. However, the following examples illustrate that such support is considerable: (i) a USD 46 million concessional loan from the Abu Dhabi Fund for Development was agreed in 2009; (ii) USD 180 million have been allocated in concessional loans by China since 2009; and (iii) a USD 40 million concessional line of credit from India was agreed in 2009.

### ***Accountability***

Accountability mechanisms – between the Tanzanian Government and its people – are growing. In the past, observers raised concerns about mistrust between CSOs and the government and the extent to which aid was skewing the government's accountability away from its electorate (including CSOs and parliamentarians) and towards foreign donors. Box C.1 provides some examples of some improvements in the last few years.

#### **Box C.1. The Government of Tanzania's engagement with civil society on poverty reduction**

**Developing the poverty reduction strategy.** The first MKUKUTA was developed with very little involvement by civil society organisations. In contrast, for the second version the government asked a civil society umbrella group to organise a consultation exercise. The umbrella group succeeded in consulting 1 600 CSOs from across the country.

**Reviewing progress.** An annual review meeting discusses progress on poverty reduction linked to MKUKUTA and to the two-yearly report on human development. Four or five years ago a very select group of CSO representatives were invited, but to the opening and closing speeches only. In 2009, a larger number were invited to attend the whole meeting. For the most recent meeting in late 2010 the government asked the same CSO umbrella group to co-ordinate greater CSO involvement – with good results from both the CSO and government perspective.

**Parliamentary engagement.** Parliamentarians are also becoming increasingly involved in the annual review meeting, notably the chairs of relevant parliamentary committees.

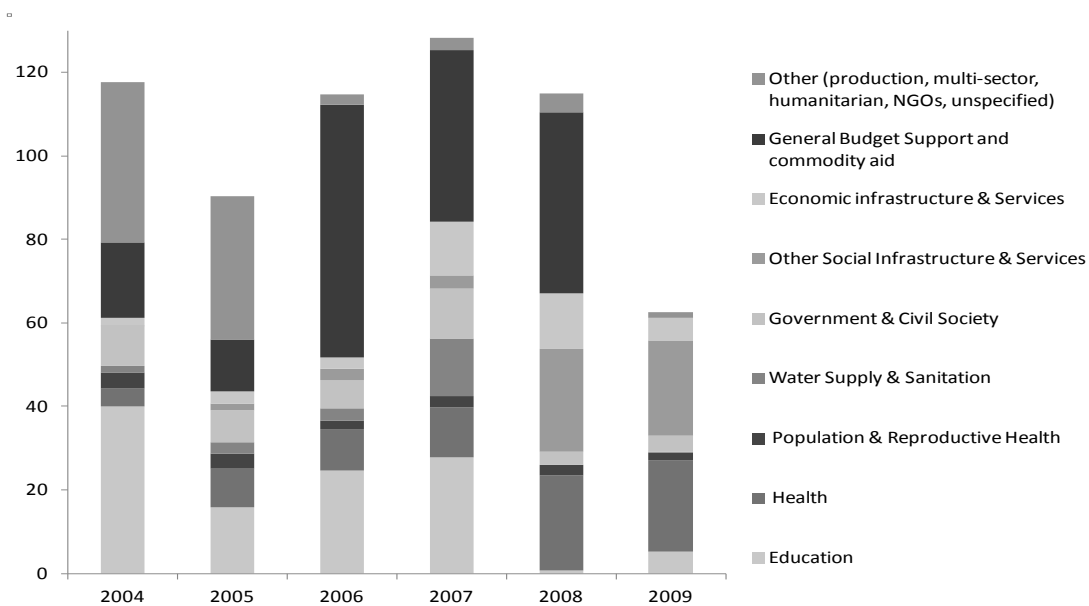
## Dutch development co-operation in Tanzania

The Netherlands has a long history of engagement in Tanzania. It has also been closely involved in efforts to improve how development co-operation is managed and co-ordinated there, particularly the aid co-ordination architecture and the JAST discussed above.

### *How the Netherlands delivers its official development assistance*

Between 2004 and 2009 Dutch development assistance to Tanzania was, on average, worth more than USD 100 million per year. There was a major drop in financial support between 2008 and 2009 (Figure C.2.) which directly relates to the decision not to disburse the agreed general budget support contribution (see Table 4 in Chapter 5). Other notable changes in the programme have included: (i) a decrease in sectoral fragmentation; and (ii) a move out of education and into health. Both of these changes relate directly to the Netherlands' concentration policy and to respect an agreed division of labour between donors in Tanzania. By the time the peer review team visited in 2011, the funds managed by the Dutch Embassy were focused on three areas: health, local government reform and private sector development. The first two of these areas received the bulk of embassy-managed funds.

**Figure C.2. Dutch ODA to Tanzania, 2004-2009**  
USD millions



Source: OECD DAC Creditor Reporting System

Three-quarters of the Netherlands' official development assistance to Tanzania is delivered through its embassy, but there are also other official funds deployed in Tanzania which are managed from the Hague. These include the private sector infrastructure facility (ORIO), the private sector investment fund (PSI), and the Netherlands' initiative for capacity development in higher education (NICHE). In addition, there are numerous projects in Tanzania supported by the Ministry's centralised civil society channel (MFS II). The embassy was not able to provide a complete picture of all the Dutch ODA for Tanzania. However, on the basis of past expenditures it is clear that the ORIO programme is the largest of the Hague-based channels. The channel's

annual disbursements in Tanzania fluctuate from zero to EUR 15 million and in total it has around EUR 200 million worth of ongoing contracts there. The PSI programme is far smaller, while the NICHE programme accounts for roughly EUR 2 million per year.

### *The Dutch added value in Tanzania*

The visit to Tanzania highlighted two particular strengths of the Netherlands' development co-operation that are appreciated by its partners. These two strengths – flexibility and capacity – have helped the Netherlands build a reputation as an agile, responsive and engaged development partner in Tanzania. Several development partners consider that these strengths make the Dutch contribution worth more than the monetary value of the assistance it provides. Dutch engagement in Tanzania's health sector and local government reform initiatives illustrate this point (Box 5 in Chapter 5). Both the flexibility and capacity are linked to the Netherlands' earlier decision to decentralise and delegate authority to its embassies.

These two strengths – as well as a commitment to making the Netherlands' and all aid to Tanzania more effective – have also helped the Dutch Embassy to lead by example on aid effectiveness issues such as harmonisation. The embassy team's efforts to apply and encourage others to apply the principles of harmonisation and alignment were evident, for example, through its active chairing of donor groups on general budget support and the joint assistance strategy. At the sector level – notably in health and local government reform – it has established a similarly strong reputation. At both macro and sector levels, the Netherlands has established good dialogue and strong working relationships with the government and other development partners.

### *An integrated embassy but somewhat de-linked from headquarters*

The Dutch embassy in Tanzania is comprised of thematic teams which cover development as well as other foreign policy issues, reflecting the integrated structure of the ministry itself. In March 2011, the embassy had a total of 31 staff members (all grades) more than half of which were locally recruited. All senior positions are held by Dutch staff. The development co-operation perspective is brought together by the head of development co-operation, who is also the deputy head of mission. Since development is such a large part of the embassy's work in Tanzania, it also comprises a major part of the ambassador's work and is the focus for three of the embassy's four first secretaries.

While the embassy is "integrated" and is delegated significant responsibility by the ministry, it could be better linked into decision-making processes at headquarters, especially in respect of how knowledge is shared and used to inform decisions, such as for the Hague-based channels:

- Need for better sharing of knowledge and experience between the field and headquarters to support policy making and implementation. There are no clear mechanisms for the Tanzanian embassy to have an input into ministry policy-making decisions. The type of reporting from the embassy to the Hague (for example, the annual progress reports and monitoring information) does not appear to capture the lessons from the field.
- Need for more involvement in decisions about Hague-based funding channels, which make up nearly a quarter of Dutch bilateral ODA in Tanzania. Few of these channels work closely with the embassy. The ministry refers funding applications from Dutch NGOs proposing projects in Tanzania to the embassy for comment. However, in at least two significant cases, even though the embassy gave negative advice, the ministry still awarded the grants. Though still not involved in any of the decision-making processes relating to ORIO, embassy staff

felt that there is more sharing of information than was the case for its predecessor, ORET. Since the Netherlands does not earmark much of its multilateral support or use multilateral organisations as implementing partners in Tanzania, there are few incentives for developing strong relationships between the Hague-based multilateral team and the embassy.

The experience of the Dutch embassy in Tanzania indicates that the ministry's central units are trying to consult embassies more than in the past. For example, the Development Effectiveness and Coherence Unit organised a video conference in 2010 to discuss how to overcome obstacles to effective aid. To help decide which countries from which to phase out support, the embassy was asked to provide information on which of the new priority themes it thought would be appropriate for Dutch engagement in Tanzania. However, as discussed in Chapter 2, more could be done to engage the embassy on issues related to policy coherence for development.

### ***The nature and impact of the Netherlands' departure from general budget support***

The positive local perception of the Netherlands as a well co-ordinated development partner in Tanzania was damaged following changes to the programme decided in the Hague. In 2009, the minister at the time decided to delay the general budget support payment for that year, because of a legal case between the Tanzanian Government and a Dutch timber company (Table 4, Chapter 5). Although the Dutch decision related to concerns shared by other donors about the business climate in Tanzania, it was not specifically linked to the agreed performance framework or memorandum of understanding for general budget support and was made unilaterally by the Netherlands. It was not the decision to withdraw from budget support that has caused waves, but linking that decision to a Dutch business concern. This undermined the embassy's position as a leading advocate for harmonisation and its track record for respecting agreed accountability frameworks. It has also harmed the Netherlands' relationships with the Ministry of Finance and high-level government of Tanzania officials. In fact, the postponed 2009 tranche was later cancelled altogether. Then, in 2010, the Dutch government decided it would not provide any general budget support in Tanzania.

### ***The Netherlands' decision to "exit" Tanzania***

As discussed in Chapter 1, the Dutch Government has announced that it will be reducing the number of priority partner countries from 33 to 15 and, as a result, bilateral development co-operation with Tanzania will be phased out. Tanzania will, however, continue to benefit from some central funds. When we visited, this decision was still subject to parliamentary approval and the period over which the phase out from Tanzania would take place had not been decided. There were some concerns – from embassy staff, from other development partners and from Tanzanian officials – that the Netherlands would expect to pull out rapidly, with implications for areas where the Netherlands had been playing a leading role, notably in local government reform and health. The embassy was planning to discuss with donors who intend to remain active or even scale up in Tanzania, which gaps left by the Dutch departure they would be interested in filling. While the Government of Tanzania may now be in a position to fill some gaps, in others, the embassy will need to be especially cautious about how it paces its withdrawal.

Although the embassy has not yet produced its exit strategy – a document should be approved by the end of 2011 – the Hague has now agreed some indicative figures for the phase out of its programmes in Tanzania. It is committed to a phased exit, although it will be completed within just four years – deploying roughly 70% of the 2011 budget in 2012, down to 0% by 2015.

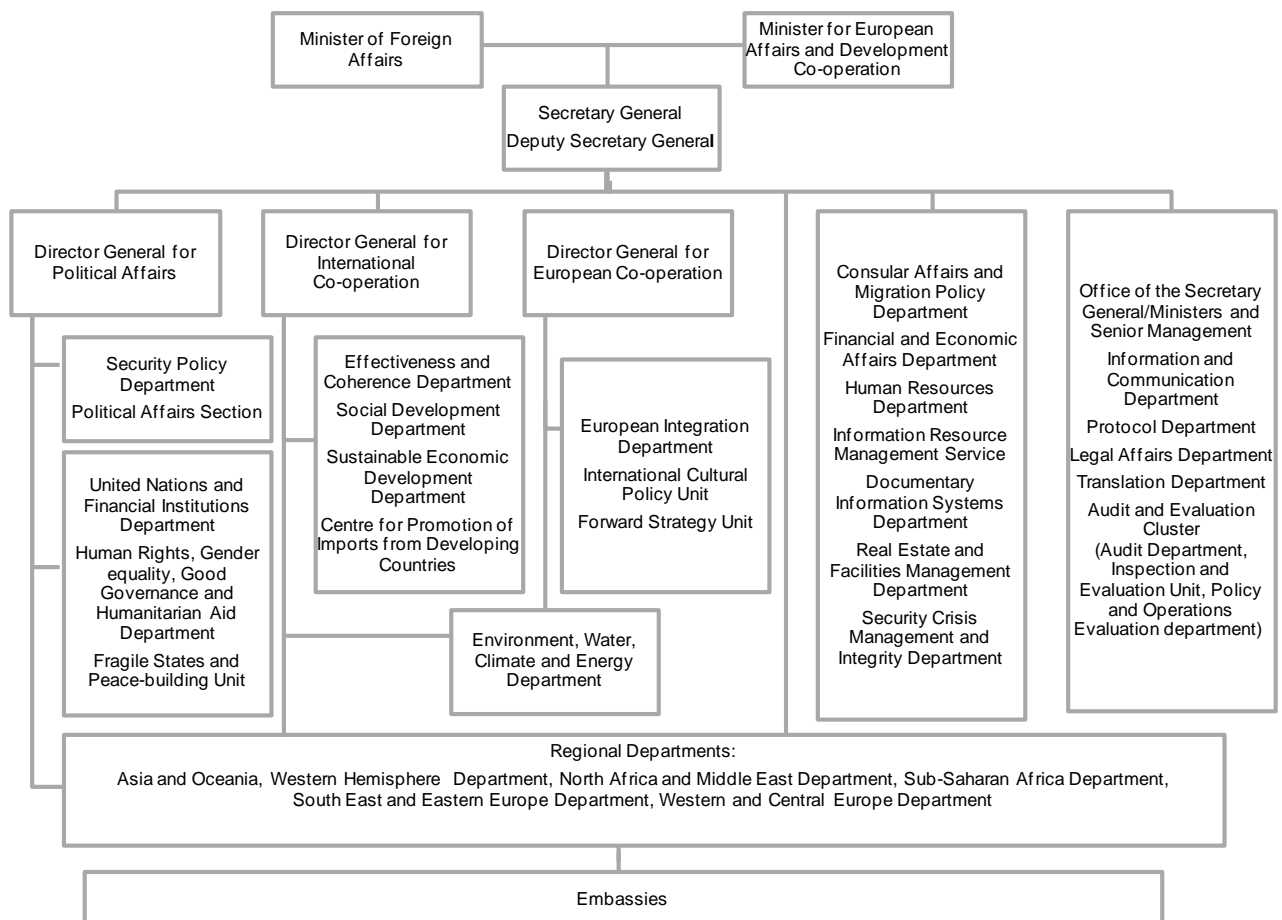


Some of the Hague-based funding channels are likely to remain active in Tanzania even after the embassy managed programmes have been phased out. Indeed, the embassy has already informed the Tanzanian Ministry of Finance that funding through the ORIO channel will still be available. As discussed in earlier chapters of this report, the rationale for providing central funds to non-partner countries is not clear. However, in the case of Tanzania, the Netherlands considers that the availability of these other funds will help cushion the exit of its bilateral programme.

The phase out of development co-operation also has broader implications for the embassy. Since development co-operation is the main business of the embassy as a whole, the closure of the development programme has major consequences for staffing and operations. When we visited, the Dutch government was reviewing whether the Tanzanian embassy would be one of those to close completely. In fact, it is not on the since agreed list of 10 embassies to be closed.



**Annex D**  
**Netherlands' Ministry of Foreign Affairs organigramme**





## Description of key terms

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.*<sup>22</sup>

**ASSOCIATED FINANCING:** The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

**AVERAGE COUNTRY EFFORT:** The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

**DAC LIST OF ODA RECIPIENTS:** For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

**LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

**DEBT REORGANISATION (also RESTRUCTURING):** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

**DIRECT INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

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22. For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.





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