The DAC's main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

The Netherlands 2017

OECD

BETTER POLICIES FOR BETTER LIVES

1 Towards a comprehensive Netherlands' development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main findings

The Netherlands is a relatively small but influential member of the international community. The Dutch approach to development co-operation, particularly its commitment to innovation, has played a key role in building the Netherlands' international stature.

The Netherlands has carved out a niche for itself in a changing global context in which a number of emerging countries are increasingly influential. It is a global leader – backed up by its full political, financial and moral weight – on a few well-defined issues, notably sexual and reproductive health and rights, gender equality and responsible business practices. It uses its membership of the European Union (EU) and United Nations to amplify its voice and drive change.

Both the Dutch government and Dutch society have embraced the 2030 Agenda for Sustainable Development, recognising the universality and inter-dependence of the associated goals and targets, and the implications for development co-operation.

Robust co-ordination structures are in place across government to implement the 2030 Agenda, and to reduce incoherence between national or EU policies and the Netherlands' international development objectives. Progress is reported annually to parliament. Impressive steps have been taken to improve policy coherence for development in areas of trade, taxation, health, food security, global value chains, investment protection, climate change and remittance costs. Cross-government action plans are proving to be excellent instruments to sustain momentum and build awareness of policy coherence and the 2030 Agenda. It will be important that these plans remain responsive to a rapidly changing policy environment.

With the establishment of a single cabinet-level ministerial post covering both trade and international development, the Netherlands has created new opportunities to link its aid, trade and investment objectives. It advocates in international trade fora for measures to respond to the needs and interests of developing countries, and has broadened its bilateral engagement with developing countries to include political, trade, security and development dimensions.

The Netherlands is willing to be creative and to take risks in order to attract development finance from a variety of sources, in keeping with the 2015 Addis Ababa Action Agenda on Financing for Development. The government has invested in various mechanisms to strengthen the role of the private sector in development co-operation, to promote corporate social responsibility and to encourage investment in fragile states. Where official development assistance (ODA) is used to catalyse other finance, the Netherlands should ensure that development objectives are given precedence over other interests.

Significant volumes of private finance flow from the Netherlands to developing countries. It is home to a number of multinational companies and finance institutions, including Europe's largest development bank, FMO. Although FMO is majority-owned by the public sector, all its operations are reported as private flows and the public finance contribution cannot be separately identified. It is difficult therefore to assess how the FMO portfolio is complementing Dutch development programmes.

The Netherlands is committed to meeting its share of international climate finance commitments from both public and private sources. This share is expected to rise to EUR 1.2 billion per year in 2020. The government's coalition agreement requires public climate finance to be reported as ODA and has set a maximum limit for the ODA budget. This means that fluctuations – in both the share of the development co-operation budget reported as climate finance and the volume of private climate finance – undermine the predictability of the rest of the ODA budget.

Recommendations

1.1 The Netherlands should do more to clarify and communicate how it plans to meet its international climate finance commitments, including a) increasing climate mainstreaming within development co-operation programmes; and b) using concessional finance to mobilise investment from all sources.

1.2 The Netherlands should continue to improve the reporting of its official development finance beyond ODA, in particular finance linked to FMO.

2 The Netherlands' vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main findings

The Netherlands' 2013 policy for aid, trade and investment, *A World to Gain*, clearly communicates the government's priorities and policy positions under three objectives: poverty eradication, sustainable development and increased trade for Dutch companies. The policy is regularly referred to in guidance documents and it shapes strategic choices. It is kept up to date through policy letters to parliament.

While implementation of the aid, trade and investment policy is largely the role of the Dutch Ministry of Foreign Affairs, a number of government departments and agencies play an important role and the policy is well understood and supported across the Dutch government and regularly debated in parliament and in the political arena. In the absence of legislation other than annual budget laws, however, both the policy and budget are vulnerable to change.

Within the sustainable development and poverty eradication objectives of the policy, there is a strong focus on four themes – water, sexual and reproductive health and rights, food security, and security and the rule of law. Bilateral and multilateral ODA and political engagement are aligned to these themes, which build on the experience and skills of Dutch businesses and knowledge institutions. Steps have been taken to join up the themes, but more work is needed to integrate the thematic work, in the spirit of the 2030 Agenda, in a way that adds up to more than the sum of its parts.

The Netherlands has invested heavily in evaluation, knowledge and learning but it is not clear that the resulting evidence is driving decisions on budget allocations and partnerships. Budget holders in the ministry do not use standard funding criteria and there is no clear guidance on how resources should be shared across the three objectives of *A World to Gain.*

A World to Gain stresses the importance of partnership and identifies 15 partner countries for the Netherlands. However, the context and preferences of partner countries are not identified as the point of departure for development co-operation. Budgets are increasingly managed from the Netherlands, with limited opportunities for national governments to input into decisions. This is in contrast to the Netherlands' leadership role in the Global Partnership for Development Effectiveness and the emphasis in Agenda 2030 on building developing countries' own capacity. While the Netherlands' efforts to broaden bilateral dialogue beyond development co-operation reflect the 2030 Agenda, this should not be at the expense of development objectives or the ownership of development programmes by partner countries.

A World to Gain recognises the importance of addressing the root causes of poverty and inequality and the Netherlands has consistently championed gender equality, climate change and the role of the private sector. Guidance and tools have been developed to encourage all staff to consider these issues in all policies and programmes. However progress in implementing the guidance remains uneven. Continued attention to these issues will be important.

New ways of working have drawn attention away from *A World to Gain's* first policy objective of poverty eradication. A new policy on inclusive development offers an opportunity to ensure that inequality and exclusion remain prominent in the Netherlands' bilateral and multilateral efforts, particularly in multi-stakeholder partnerships involving the private sector.

The Netherlands has a strong focus on security and the rule of law in fragile situations, where funding instruments and technical assistance are backed up by defence and diplomatic resources. Its robust but flexible approach, which reflects international principles and good practice, allows its partners to engage along the spectrum from humanitarian assistance to longer-term development, as appropriate to the context. Sustaining this approach will require continued support for a range of funding instruments and devolved decision making in risky environments.

Recommendations

2.1 The Netherlands should explore ways to further weave the various strands of its development co-operation programme into a coherent narrative which continues to place due emphasis on poverty eradication and leaving no-one behind.

2.2 The Netherlands should develop, communicate and apply a clear rationale and funding criteria for its bilateral allocations and partnerships, in order to mitigate the impact of fluctuating budgets on its partnerships.

3 Allocating the Netherlands' official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main findings

Historically the Netherlands has been a generous and predictable donor with a strong poverty focus and good adherence to the aid effectiveness principles. However, the shape and scale of Dutch development co-operation has changed over the review period.

Three decisions by the coalition government have, taken together, affected both the volume and predictability of Dutch ODA: the introduction of a ceiling on ODA; budget cuts rising to EUR 1 billion per year; and the requirement to report all eligible climate finance and refugee costs as ODA.

Every year between 1975 and 2012, the Netherlands exceeded the United Nations target of allocating 0.7% of gross national income (GNI) to ODA. However, in 2013 and 2014, the ODA/GNI ratio dropped below 0.7%. Although it rose again to 0.75% in 2015, preliminary figures for 2016 indicate a drop back to 0.65%. Budget projections sent to parliament flag further steep cuts in ODA for the period 2017 to 2019. This presents a risk for the Netherlands' international reputation and the sustainability of the development gains achieved through Dutch support.

Allocations of the Netherlands' bilateral ODA are consistent with the thematic priorities identified in *A World to Gain.* There has been a shift towards centralised tenders, with a stronger role for Dutch business and knowledge institutions. This, together with sharp increases in in-donor refugee costs in 2014 and 2015, has reduced the share of bilateral ODA specifically targeted at recipient countries (country programmable aid).

While *A World to Gain* has a stated intention to increase allocations to 15 partner countries, this is less evident in actual allocations. A large and increasing share of grants is open to countries other than the 15 partner countries. In some cases, over 60 countries are eligible for funding. Just over 11% of total bilateral ODA was directly channelled to least developed countries (LDCs) in 2015. When both bilateral and multilateral ODA are considered, funding to LDCs in 2015 represented 0.14% of gross national income (GNI), an increase from 0.13% in 2014 but below the UN target of 0.20%.

Analysis of the programme's geographic focus is hampered by a lack of country-level data, on both ODA and other financial flows from the Netherlands, reported to the OECD. For example, almost 82% of bilateral ODA in 2015 could not be allocated by country income group, which may affect the reporting on LDCs. This incomplete data limits the extent to which the Dutch and partner countries' parliaments can have full oversight of Dutch ODA. It also hampers efforts by Dutch embassies to shape and leverage the full Dutch aid and trade portfolio at country level.

The Netherlands is an important multilateral donor, displaying many elements of good practice. Although funding to multilateral bodies has reduced, cuts were managed and communicated in a timely manner. Allocation decisions are based on scoresheets and joint donor assessments, both shared with the Dutch parliament. Multilateral grants are increasingly earmarked to Dutch thematic priorities and linked to Dutch interests. It will be important to protect core funding to agencies in order for the Netherlands to realise its stated intention to engage strategically in the reform and governance of the multilateral system.

A *World to Gain* emphasises the importance of broad and diverse partnerships. A quarter of Dutch bilateral ODA was channelled to and through civil society organisations in 2015, reflecting a target set by the Dutch parliament. A smaller proportion, 7% of bilateral ODA, is channelled to and through the private sector.

Reflecting its leadership on gender equality, 60% of bilateral allocable ODA, EUR 2 billion, was targeted to gender equality in 2015, well above the DAC average. Almost one-third (30%) of bilateral allocable ODA in 2015 was targeted to climate change and 15% to the environment. However, these amounts have fluctuated considerably in recent years.

Recommendations

3.1 The Netherlands should halt the decline in its ODA and renew efforts to deliver 0.7% GNI as ODA.

3.2 In line with its commitments to transparency and accountability, the Netherlands should identify the recipient country in relevant ODA reporting.

3.3 The Netherlands should maintain its levels of core support to multilateral organisations to allow it the credibility to engage strategically in relevant multilateral governance structures.

4 Managing the Netherlands' development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main findings

Innovation and flexibility have become the hallmarks – and the prized assets – of Dutch development co-operation. The Netherlands continues to push boundaries, whether through the aid to trade policy agenda or through innovative partnerships and funding mechanisms. At the same time, it has recognised the need to further professionalise its institutional set-up, creating a more integrated system for delivery and performance. It has, for example, established dashboards to improve the flow of management and organisational information.

The Netherlands has adapted its business model and institutional structures to the new policy framework. Co-ordination across government, for example on the Sustainable Development Goals, works well. However, the resource-constrained environment means the Netherlands now needs to take stock of its structure and how it is organised to deliver effective development co-operation. Three elements warrant particular attention: the role of the embassies, strategic workforce planning, and managing change.

Only 10% of Dutch ODA is channelled through embassies, including priority countries. More and more funding is directed to instruments and tenders originating from the Hague. Even if these flows benefit priority partner countries, they are not captured in the country multi-annual strategic plans.

Whilst mechanisms have been established to improve co-ordination between headquarters and the field – for example, rules of engagement protocols – embassies and their country partners struggle to obtain a full picture of Dutch activity, including its development bank (FMO) investments. This inevitably means missed opportunities for maximising impact and sustainability, as also observed by the Policy and Operations Evaluation Department (IOB). Preparing the next generation of country plans offers an opportunity to reflect on the role, resources and influence of Dutch embassies in the overall structure.

Human resources in Dutch development co-operation are also under strain, undermining morale and continuity. Many long-standing development experts, for example, will soon be retiring. Permanent staff are being replaced by temporary staff. Embassies have little flexibility to adjust their complement of specialist skills according to need or context. Local staff are increasingly relied upon, but have access to limited promotion and other career opportunities.

Progress has been made to improve access to and use of data on human resources. However, the Netherlands will need to reflect – through strategic workforce planning – on the skill sets required to respond to new policy priorities and ways of working, particularly for managing new partnerships.

In line with the overarching "modernising diplomacy" agenda of the Ministry of Foreign Affairs, the Netherlands will need to find new ways of responding to country contexts and allocating staffing capacity. There may, for example, be further potential to draw on expertise across government and develop more regional approaches.

The combination of policy re-orientation, budgetary pressures, the demands of the tender-driven approach and heightened scrutiny of aid has increased pressure on the workforce. Staff surveys confirm that stress levels are high and not all staff see clearly how they contribute to the overall vision and strategy. As the Netherlands reviews or refines its organisation and management, it should focus squarely on delivering the best possible development impact with available resources, managing workloads, and supporting staff with clear guidance and performance management.

Recommendations

4.1 The Netherlands should enhance the role of embassies in 'partner countries', including through delegated funds, in order to increase the effectiveness and sustainability of Dutch investments.

4.2 The Netherlands should improve its internal communications, so that staff – including locally employed staff – are clear on how they are contributing to the overall vision for development co-operation and are well equipped to do so.

4.3 The Netherlands should find new ways of creating a flexible and agile workforce, with the skills to pursue policy priorities and new ways of working, addressing gaps and stress points identified in the new strategic workforce planning processes.

5 The Netherlands' development co-operation delivery and partnerships

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximizing the impact of its support, as defined in Busan

Main findings

The Netherlands is seeking to add flexibility, ensure policy relevance, and identify synergies across portfolios in its budgeting and programming. A number of initiatives are encouraging this. Portfolio reviews seek to compile and take stock of activities across themes and countries. A robust programme appraisal and "quality at entry" process enhances the policy relevance and quality of programming. The four-year, budgeted multi-annual strategic plans offer embassies and partner countries medium-term predictability and context specificity. These are to be extended beyond the 15 partner countries. Risk analysis in country programmes is comprehensive.

However, the Netherlands is not striking the right balance between being innovative and flexible, and predictable and responsive. The centrally-driven tender approach is attracting a range of Dutch businesses, universities and other non-government organisations. It is delivering a number of innovative funding models to tackle big development challenges. However, it comes at the expense of commitments to development effectiveness, as demonstrated in worsening scores on some indicators in the 2016 global monitoring report by the Global Partnership for Effective Development Co-operation.

Firstly, the approach inevitably leads to a fragmented programme which is both difficult to manage internally and complex for external partners to navigate. Secondly, it reduces attention to using and building partner country systems, which are key for long-term sustainability. Thirdly, embassy plans offer only a partial view of Dutch activities in the country, weakening mutual accountability between the Netherlands and its partner countries. Finally, the explicit objective to internationalise Dutch business risks eroding the country's historically high levels of untied aid. The next planning cycle should seek to redress these imbalances.

At the same time, the Netherlands is enhancing its reputation for strong partnership approaches, epitomised by the "Dutch Diamond" approach, which mobilises all sectors of society into multi-stakeholder partnerships and alliances, drawing on the respective strengths of the private sector, academia and civil society. It promotes greater harmonisation with other donors through, for example, EU joint programming.

The Netherlands has stepped up investment in knowledge platforms and has developed a range of ODA instruments intended to increase private sector investment in developing countries and to strengthen the role of the private sector in development co-operation. Experience built up over many years provides rich knowledge with which the Netherlands can further refine its partnerships with the private sector and knowledge institutes and assess their added value. In particular, there is further scope to reduce the number of funding instruments and to ensure that programmes reflect partner countries' priorities.

The nature of the Netherlands' relationship with civil society has changed over this review period. There has been a push to preserve the independence of civil society organisations (CSOs) in relation to government spending, and therefore to move away from core funding. Instead, CSOs can compete for grants from the ministry in each of the thematic areas. In addition, a new and innovative policy framework includes a budget for CSOs to engage in "dialogue and dissent". The DAC can usefully learn from this, and other related donor initiatives that seek to address the shrinking space for civil society globally.

Recommendations

5.1 To increase impact and avoid further fragmentation and dispersion, the Netherlands should review and rationalise its instruments and tenders, particularly in its approach to private sector development.

5.2 To meet its commitment to development effectiveness, the Netherlands should:

1) include all programmes and funds benefiting partner countries in country strategies and formally agree those strategies with the countries, to enhance predictability, transparency and accountability

2) increase the use of or strengthening of partner country systems

3) continue to untie aid.

6 Results and accountability of the Netherlands' development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main findings

The Netherlands has built on improved results reporting noted in the last peer review and is developing a more robust results culture. It is now emphasising the use of results in learning and decision making, and improving its communication of results. This is to complement the already strong accountability for results in parliament. It is rectifying problems associated with fragmentation of results information. It is also investing in the structures and systems for results-based management, though this is still work in progress.

At the heart of this effort is the introduction in 2016 of an ambitious new corporate results framework, built around 15 indicators aligned with the Sustainable Development Goals. This should also improve alignment with partner country results frameworks, as long as the indicators to be used at country level are negotiated with partner governments through the multi-annual strategic plan process.

In the future, budgets will also be influenced by the results framework. During this transition, the Netherlands should retain the flexibility to focus on long-term development gains and not just short-term targets. It is well placed to keep this focus given its impressive use of theories of change to underpin its priorities. Disaggregated indicators and data would also create stronger incentives for the Netherlands to focus on the poorest, most vulnerable and furthest behind.

The Netherlands' robust evaluation system is more established than the results system. The evaluation system covers policy and operations, process and impact, and a range of interests and needs. The Netherlands' Policy and Operations Evaluation Department (IOB) is an example of a world-class independent evaluation unit. Significant investments in knowledge platforms and partnerships also add to the impressive evidence base available to the Netherlands.

There is, however, scope to improve how this body of evidence is used to encourage learning and inform decision making. It is not clear, for example, how evaluation findings are systematically followed up or contribute to new policies and strategies. There could be more awareness of the knowledge platforms in partner countries, and stronger connections made with partner country initiatives and researchers. More broadly, the Netherlands will need to continue to ensure that systems are fit for purpose for capturing and sharing knowledge across the organisation, building connections within and across themes and teams.

The external face of the development programme is becoming more open. The Netherlands' transparency performance is improving, and it has a very strong commitment to using the International Aid Transparency Initiative for activity and results reporting. The Ministry of Foreign Affairs is experimenting with more interactive ways to present results information to the Dutch public and parliament.

The Netherlands has also developed a communications action plan tailored to various audiences according to influence and interest. Whilst this is a positive development, resources for development education have been cut. Development education is no longer included in school curricula or in civil society grants. Opportunities are therefore being missed for engaging with other ministries and partners to raise development awareness at home.

Recommendations

6.1 To improve learning, and to better inform decision making, the Netherlands should:

1) improve systems for managing for results so that results information can be used to steer the programme

2) disaggregate data to support Dutch commitment to inclusion and leaving no-one behind

3) sustain the commitment to knowledge generation, and better connect Dutch knowledge partners with their counterparts in the field to increase the use of evidence.

6.2 The Netherlands should invest in development education to improve development awareness and support, in line with the Netherlands' strong commitment to global issues.

7 The Netherlands' humanitarian assistance

Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity in crisis and disaster settings.

Main findings

Humanitarian assistance is a policy priority for the Netherlands. The weight given to the humanitarian programme has been matched by a significant budget increase since 2014, making the Netherlands a key humanitarian donor globally.

The Netherlands' whole-of-government efforts and flexible multi-year funding leave it well placed to confront complex crises in which humanitarian aid, development assistance, migration policies and statebuilding are closely bound. Structured policy work has also allowed some new tools to be developed, such as cash response, transparency and innovation, all of which are in line with global priorities set out at the 2016 World Humanitarian Summit.

The Netherlands deepens its influence on the global humanitarian landscape through interacting with other co-operation actors and participating on the boards of multilateral organisations. The Netherlands also has a clear early warning system and a functioning civil-military co-ordination mechanism.

The Netherlands' ambitions in humanitarian aid are also matched by new funding mechanisms. Notably, the Dutch Relief Fund has become the Netherlands' high-profile vehicle for mobilising its humanitarian aid. This fund enables the Netherlands to provide flexible and multi-year humanitarian funding to its partners, in addition to the core funding it provides through its regular humanitarian budget.

In securing funds for the non-governmental organisations (NGOs) within the Dutch Relief Fund, the Ministry of Foreign Affairs has helped to build a solid consortium of Dutch NGOs – the Dutch Relief Alliance – that is stable enough to fundraise outside the Netherlands. The Netherlands should be commended for crafting a partnership model that promotes co-operation and is based on each member's added value.

The Netherlands' credibility as a major donor was further strengthened when it deployed regional field advisors to East Africa and the Middle East to assess needs, liaise with its partners and monitor projects. The Netherlands is encouraged to use this new field expertise to strengthen its context analysis and knowledge, for example in assessing local response capacity.

All this impressive work in shaping a better humanitarian response is at risk, however. The system built around the Dutch Relief Fund remains fragile and is not yet rooted in the Netherlands' humanitarian policy. Additionally, it is not underpinned by predictable funds.

The Netherlands should protect its humanitarian response system in order to remain a trusted and predictable partner. One way of ensuring the continuation of the Dutch Relief Fund model would be to update the 2012 humanitarian policy *Aid for People in Need* to anchor the funding and the need for a field presence, in a solid framework.

An updated strategy would also make the case for innovative initiatives such as a recent proposal for a humanitarian data centre to enhance humanitarian transparency. The strategy should clarify the role of humanitarian assistance in complex crises to be clear that where humanitarian aid, development co-operation and migration are interlinked, humanitarian assistance cannot address the root causes of conflicts and migrations.

The adherence by the Netherlands to many good humanitarian donorship principles, such as providing mostly core funding or softly earmarked funding to its partners, makes it challenging to communicate to parliament or the general public the results achieved by its humanitarian aid. Being clearer about how humanitarian funds are spent is key for building political and public support. The Netherlands should therefore take advantage of its key role as a humanitarian donor to develop, notably with its multilateral partners, a more strategic approach to communication.

Recommendations

7.1 The Netherlands should update its humanitarian policy to consolidate its work on humanitarian innovation and secure the Dutch Relief Fund and field presence in a solid framework.

7.2 The Netherlands should develop communications strategies with the partners to whom it provides core funding to allow better feedback on results to its domestic constituents.

Access the full report

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