

**DIRECTOR**

DEVELOPMENT CO-OPERATION DIRECTORATE & ENVIRONMENT DIRECTORATE

Director's Office

DCD/JMdS(2021)04

10 February 2021

To: DAC Delegates and Observers

Dear Colleagues,

### **The Netherlands Mid-term Review, 16 December 2020, The Hague – Paris**

On 16 December, I conducted the mid-term review of the Netherlands virtually, together with Mayumi Endoh and Mags Gaynor of DCD. I would like to thank Ms. Kitty van der Heijden, Director General for International Cooperation at the Ministry for Foreign Affairs (MFA) and all her colleagues for very constructive meetings on the day and for their help in preparing for the review.

The review was based on rich and frank discussions with senior officials from the International Cooperation Directorate (DGIS) and Evaluation Office (IOB) of the MFA. My colleagues also had an opportunity to meet with Foresight Consulting who have an overview of market development issues and with the non-governmental umbrella organisation PARTOS. These discussions allowed us to consider the Netherlands' approach to development co-operation from a number of different angles.

The mid-term review focussed on implementation of the [DAC's 2017 peer review](#) recommendations, in the context of developments since 2017. In particular, since the last peer review, the Netherlands' Parliament has approved its new strategic framework [Investing in Global Prospects](#) and the MFA has embarked on a programme of internal reforms. I was pleased to note that the Netherlands had drawn heavily on the 2017 peer review findings and has already taken steps to address 14 out of 16 of the DAC's 2017 recommendations, in particular related to:

- stabilising official development assistance (ODA) levels;
- building back expertise and staff numbers;
- increasing the volume and transparency of the Netherlands' international climate finance;
- restoring the key role of embassies in shaping policy and programming decisions; and
- protecting and leveraging core multilateral support.

### **An ambitious process of reforms aims to identify and scale up fewer, better, more flexible programmes**

A hard-hitting [evaluation](#) of two components of the Netherlands' work to promote security and the rule of law triggered a robust debate in the Ministry and with external partners on how the Netherlands can achieve more impact with its resources. This debate has paved the way for an ambitious reform process intended to direct funding and diplomacy towards "Fewer, Better, More Flexible" programmes. Through these reforms, the number of projects will be reduced by 25% between 1 January 2019 and 1 Jan 2022 and a limited number of successful initiatives will be scaled up and sustained. The reform process is now well advanced and addresses a number of DAC peer review recommendations such as building a coherent narrative, reducing fragmentation, engaging staff and using learning to inform decision-making. I was impressed by the Netherlands' commitment to learning from both success and failure and to investing in longer-term change. A consolidated portfolio is also expected to free up staff time for diplomacy and policy engagement at

international and country level. Having achieved a high level of buy-in to the reform process from staff, I would encourage the Netherlands to continue to engage with its partners and with other DAC members in order to share learning from its reform experience – particularly as consolidation and focus have been recommended in many DAC peer reviews – and to help others to understand changes underway in the Netherlands and what partnerships and programmes will be affected.

### **A robust narrative based on enlightened self-interest has allowed the Netherlands to stabilise its ODA levels**

At the time of the 2017 peer review, the Netherlands' ODA had decreased sharply and a significant proportion of current and future ODA budgets had been allocated to in-donor refugee costs. I was pleased to hear that the current coalition government had set out a plan to sustain ODA levels at 0.54% – representing a projected EUR 4.6 billion in 2021 rising to EUR 5 billion by 2024 – and aims to protect ODA volumes over the coming years in spite of the impact of COVID-19 on national income. This is commendable – compensating for borrowing in recent years required an additional EUR 1.7 billion to be added to the ODA budget for 2018-21. A predictable budget has been a critical factor in allowing the Netherlands to adopt a longer-term approach to development co-operation with a view to enabling transformative change.

I noted that the Netherlands had leveraged a combination of factors to build political support for ODA levels using a narrative of enlightened self-interest. These factors included: public and political support in the Netherlands for addressing the root causes of migration and fragility, input from the Advisory Group on International Affairs recommending additional funding for COVID-19 and a worsening situation in priority regions for the Netherlands i.e. the Sahel, Horn of Africa and the Middle East and North Africa. The Netherlands has also provided additional funding of EUR 150 million for the international response to COVID-19, 97% of which had been disbursed by December 2021. This funding for COVID-19 is coupled with strong political support for the role of the multilateral system in responding to global challenges. With elections due in March 2021, a proactive approach to building and sustaining this high level of political support will remain critical.

As noted in its 2017 peer review, the Netherlands is committed to providing predictable funding and respecting its contractual engagements. In spite of fluctuations in gross national income (GNI) and in-donor refugee costs over the past three years, I was impressed to hear that the Netherlands has met all its funding commitments. The Netherlands nonetheless feels that its approach of borrowing from future years to smooth fluctuations, which the 2017 peer review welcomed, is proving problematic where several shocks occur simultaneously or in quick succession. The Netherlands would welcome a Committee discussion on how DAC members can best manage fluctuations in ODA levels that are pegged to GNI as well as an exchange within the Committee to understand how changes to ODA rules and coefficients impact DAC members in different ways.

Given that the Netherlands has a de facto ceiling on its ODA budget linked to its GNI, increasing ODA coefficients has an immediate impact on funding pipelines because the overall ODA budget doesn't grow to accommodate new demands. Changes to the ODA coefficient of the UN regular budget and discussions in the DAC Working Party on Development Finance Statistics (WP-STAT) on the possibility of counting a significant part of contributions to the Coalition for Epidemic Preparedness Innovations (CEPI) as ODA, are recent examples that can effectively reduce available Dutch ODA for development programmes. This makes it more challenging for the Netherlands to deliver on its ambition to provide predictable funding to partners.

### **A focus on building local resilience has strengthened the Netherlands' approach to the humanitarian-development-peace nexus and to reaching those left behind**

The Netherlands 2018 strategic framework [Investing in Global Prospects](#) as well as its 2019 [People First](#) policy note provide a strong rationale for its development co-operation with a focus on local resilience to bring about longer term change that will benefit the most vulnerable groups. The vast majority of the Netherlands' priority countries are now fragile. A focus on local resilience also underpins the flagship [Prospects Partnerships](#) which aim to find structural solutions to long term displacement (employment, education, protection) in eight countries. I was interested to hear that the Netherlands now uses the likely contribution to local resilience as a strategic lens for selecting programmes. In keeping with its integrated approach, the Netherlands has shown leadership in advocating for more attention to mental health and psychosocial support in crisis situations, including hosting a high level meeting in 2019.

The Ministry is placing more emphasis on operationalising the humanitarian-development-peace nexus, in particular through joint analysis, more coordination and focus, and a greater voice for local actors. Localising aid – both humanitarian assistance and longer term development – is an important agenda for the Netherlands, recognising that leaving no-one behind and tackling entrenched poverty and inequality requires partnerships with local actors and implies higher risks. The Netherlands’ tradition of providing flexible funding directly to women’s organisations is testament to this commitment to localising aid. Another example is a flexible long term (10 year) integrated program on the food-water-climate nexus that has been initiated in the heart of the Sahel region, with a view to contributing to longer term stability in this conflict-affected region. The Ministry has implemented a comprehensive package of measures aimed at tightening procedures to prevent and combat sexual exploitation and harassment (SEAH) and leads donor efforts to harmonize relevant clauses in contractual arrangements with multilateral organisations.

Overall, these discussions highlighted the challenge of building political support for a longer-term approach, particularly in relation to tracking taxpayers’ money and demonstrating more immediate results. To help build confidence and understanding of pathways towards longer term change, the Ministry is investing in a new interface for its results information. It is hoped that this new interface will also allow programming decisions to be better informed by evidence and performance. Continuing to invest in robust dialogue between MFA officials and other elements of society will remain important, in order to provide a channel outside Parliament for single-issue agendas and concerns to be raised and discussed. This will allow political dialogue and engagement with Parliament to focus on high level policy objectives and strategic questions.

#### **Leadership on climate action is matched by increasing levels of climate finance, with a strong poverty focus**

The Netherlands has steadily increased its levels of international climate finance, now amounting to EUR 1 billion annually, of which approximately half is mobilised from the private sector. I was particularly pleased to note a strong poverty perspective: over 45% of the Netherlands’ international climate finance goes to adaptation and there is also a strong focus on addressing deforestation, renewable energy and clean cooking. This is consistent with the Netherlands’ focus on building local resilience and addressing the root causes of fragility. After a slow start, the Dutch Fund for Climate and Development has now gained momentum. While levels of private finance may be negatively impacted by the COVID-19 pandemic, I was very encouraged by progress to date. [Recent reporting](#) suggests that the Netherlands still has some way to go to meet European Union (EU) emission targets at home – more progress in this area would be coherent with its international diplomacy.

Alongside increased financial contributions, the Netherlands has stepped up its leadership on climate action, investing heavily in climate diplomacy. Echoing the Build Back Better narrative of Team Europe, the Netherlands worked with other EU members on a non-paper calling for ambitious EU climate targets and has been vocal on the need to address inequities. For the past two years, the Netherlands has chaired the [NDC partnership](#) which aims to translate countries’ Nationally Determined Contributions under the Paris Agreement into action. The Netherlands has taken a very deliberate and structured approach to leveraging its role as a shareholder in multilateral organisations to advocate for environmental sustainability and climate action, and has worked towards a coherent approach with a number of other DAC members and across Dutch ministries. For example, all Dutch representatives in the constituencies of multilateral development banks are following strict framework instructions in relation to MDB investment in fossil fuels. The Netherlands engaged very actively and constructively on the OECD Report [Aligning Development Co-operation and Climate Action](#), with strong input from Minister Kaag and the DAC has much to learn from the Netherlands’ experience in this area.

The Netherlands has also risen to the challenge of more consistently mainstreaming climate change in its development co-operation portfolio, as recommended in the 2017 peer review. At several points during my discussions, I heard of the hard work that has gone into this, from coaching and producing guidance to updating systems and processes. The rate of progress in considering climate change and environmental sustainability across the portfolio is expected to drop off as fewer new programmes are initiated but I commend the Ministry for the solid foundations which it has put in place.

#### **The Netherlands is refining its whole-of-society approach to sustainable development**

The Netherlands has a long-standing commitment to what it calls a “Dutch Diamond” approach to development, through which it harnesses elements across society (academia, investors, business, civil society and government) to contribute to

the United Nations Sustainable Development Goals (SDGs). The 2017 DAC peer review noted that innovation was a hallmark of Dutch development co-operation and welcomed efforts to roll out voluntary compacts to promote responsible business compacts in areas such as banking, gold and garments, including collaboration with relevant directorates of the OECD. This approach to responsible business conduct has now become more refined, taking account of the findings of a recent [evaluation](#) – the Netherlands has invested in reflection and analysis to identify what types of approaches and instruments are most effective in promoting responsible business conduct and engages with the OECD on standards and guidance in these areas. The approach in each sector is now tailored to match different stages of market development. Further clarification on the Netherlands’ overall strategic approach would nevertheless be welcome, to distinguish between private sector engagement at the level of multinational enterprises and efforts to enhance private sector development in developing countries, including through enhancing the business enabling environment. The Netherlands have consolidated support for strengthening civil society under a new instrument with funding of EUR 1.2 billion over five years. The new instrument reinforces the role of Southern Civil Society Organisations (CSOs) in the partnerships and works towards a stronger geographic and thematic focus. The instrument is forward-looking with opportunities for joint strategizing and learning between the Ministry and CSO partners. The MFA partnership with civil society would benefit from ensuring that opportunities to integrate civil society considerations and views are systematically explored across other areas of the development and trade portfolios.

The Netherlands employs numerous strategies to build support across society for development co-operation and the SDGs more broadly and supports capturing these broader contributions in line with the 2030 Agenda (under target 17.3: “Mobilize additional financial resources for developing countries from multiple sources”). However, the Netherlands is one of a few DAC members that do not provide reporting on Total Official Support for Sustainable Development (TOSSD), the voluntary reporting structure under the TOSSD task force. The Netherlands is of the view that this important statistical measure should first and foremost be developed with and owned by the UN-system and not be limited to DAC reporting. Therefore the Netherlands is an observer of the working group on measurement of development support of the Inter-Agency and Expert Group on the Sustainable Development Goal Indicators (IAEG-SDGs). I would nevertheless call on the Netherlands to reconsider its position on reporting on TOSSD to align with other DAC members.

### **New country strategies are more comprehensive but less transparent**

As recommended in the 2017 DAC peer review, the Netherlands has expanded its country strategies to reflect all funding from MFA and political perspectives from across government – country plans previously captured only funding that was delegated to missions. The Netherlands has also stepped up its efforts to provide data to in-country ODA tracking and reporting systems and continues to require partners to feed project information and results into the International Aid Transparency Initiative (IATI) database. The new Multiannual Country Strategies (MACS) are a positive development. However, I was disappointed to hear that only the one page summary of the MACS was shared externally, including with partner governments. The full country strategies are considered to be internal documents in view of their comprehensive, political and therefore potentially sensitive nature. This limited public information constrains opportunities for building shared ownership of the Netherlands’ work and for other actors to complement and engage with the Netherlands’ analysis and forward plans. Drawing from previous experience and an IOB evaluation of country exits, the shift in country focus set out in the 2018 policy is being carefully managed by the Netherlands, with only one exit – from Rwanda – and a gradual scale down in the delegated budgets for Mozambique, Bangladesh and Benin. Thematic funding managed at headquarters will still be used to protect investments, results and relationships where appropriate.

### **Conclusion**

Overall, I was very encouraged by steps taken by the Netherlands to address the DAC’s 2017 recommendations. I was impressed by commitment of DGIS to building a learning culture, embracing risk and recognising failure when necessary. I was particularly struck by the willingness of senior management to take decisive action based on evidence, exemplified by the Fewer, Better, More Flexible reforms that are underway. The next DAC peer review of the Netherlands will allow a more in-depth consideration of the extent to which these reforms have helped the Netherlands to achieve more with its resources – including ODA, diplomacy and other resources across society – to maximise its contribution to sustainable development. It will also allow a fuller assessment of the Netherlands’ progress with a learning agenda and whether the

Netherlands' has successfully focused its efforts on building local resilience in some very challenging communities and countries.

Yours sincerely,



Jorge Moreira da Silva

CC: Ms. Susanna Moorehead, DAC Chair  
Ms. Mayumi Endoh, DCD  
Mr. Rahul Malhotra, DCD  
Ms. Mags Gaynor, DCD  
Ms. Kerri Elgar, DCD  
Ms. Jacqueline Wood, DCD  
Ms. Alison Pollard, DCD