

Letter to the House of Representatives presenting the spearheads of development cooperation policy

I	Introduction
II	Policy spearheads
II A	Introduction: Principles underpinning policy spearheads
II B	Spearheads
II B1	Security and the legal order
II B2	Water
II B3	Food security
II B4	Sexual and Reproductive Health and Rights (SRHR)
II C	Cutbacks
III	Choice of countries
III A	Main principles
III B	More focus on fewer countries
III C	Central funds
IV	Terminating development relationships: responsible but irrevocable
V	Financial contours
Annexe	Reasons underpinning choice of partner countries

I Introduction

The three main aims of foreign policy are to improve the Netherlands' economic position in the world, promote global stability and security, and foster human rights and the rule of law.

To achieve results, the Netherlands has to work with others, including developing countries, because they are part of both the problem and the solution. Poverty in developing countries and the Netherlands' aims are closely linked. The challenge is to bring interests together. Development cooperation needs to make a major contribution to this.

The Netherlands is mindful of the rightful interests of developing countries. International solidarity and the Millennium Development Goals continue to be important, as do efforts to ensure coherent policy.

In order to involve the public in development cooperation, visible results are needed – both in developing countries and at home. For this reason, the government is seeking a fundamental revision of development policy, based on the Advisory Council for Government Policy's report 'Less Pretension, More Ambition. Development policy in times of globalisation'.

The letter to the House of Representatives of November 2010 outlining development cooperation policy marked the start. The main change is a shift from the social to the economic sectors, with more focus on developing countries' self-reliance and more opportunities for private initiative. The Netherlands also wants to play an appropriate role in tackling global problems such as security, migration, climate change, financial stability, and food and water shortages. We therefore need to focus and take a position. Where can we make a difference, and where do our interests lie?

Apart from this review of development policy, the cuts announced in the Coalition Agreement also play a role. As of 2012, the ODA budget will be reduced to 0.7% GNP, with a reduction to 0.75% GNP in 2011. This will lead to radical choices and cutbacks, related to the policy review (see section II C and section V).

To be more effective and more efficient, quality will have to be upgraded. Core notions include further professionalisation of human resources policy, and knowledge building. Human resources policy will provide more scope to strengthen expertise on the four spearheads of development policy, both now and in the future. This will mean, for example, more targeted recruitment, more secondments to and exchanges with the private sector and knowledge institutions, and more flexible employment contracts. Relations with knowledge institutions, the private sector and civil society will be scrutinised in order to involve these parties more closely in formulating and fleshing out the new policy. The aim is not only better results, but also stronger ties between the parties involved in (development) cooperation.

The main principle underpinning this document is the need to make choices – relating to the spearheads of policy and the countries with which the Netherlands seeks an intensive bilateral development relationship. The objective is to make a more concentrated, effective and professional contribution to development.

The Netherlands wishes to work on four spearheads, each forming a bridge between global problems and Dutch expertise. They are (a) security and the legal order, (b) food security, (c) water and (d) Sexual and Reproductive Health and Rights (SRHR). The Ministry of Foreign Affairs seeks cooperation with other ministries. Food security and water have been explicitly chosen to dovetail with the economic sectors in which the Netherlands excels. What is more, the number of partner countries will be radically reduced. Instead of 33 countries, bilateral development cooperation will concentrate in future on just 15.

This letter first describes the four spearheads of policy. It then explains the choice of countries, and presents the final list of partner countries. It goes on to describe which responsible but irrevocable steps the Netherlands will take to exit the countries removed from the list. Finally, the letter presents an overview of the financial consequences. The Explanatory Memorandum to the 2012 Foreign Affairs Budget will present these consequences in more detail.

Some elements of the letter outlining development policy will be worked out in more detail later this spring. They include multilateral cooperation in a broader perspective and general budget support. In relation to the latter, the guiding principle will continue to be that no budget support will go to countries where there is evidence of corruption, human rights abuses or lack of good governance. As promised, the government will inform the House of Representatives later this year about transparency, coherence and global public goods and, in accordance with the Coalition Agreement, about the discussion on the international definition of development cooperation expenditure. The House has already received the government's views on the future of EU development cooperation in its response to the green papers (on EU development policy and budget support) and in the context of the public consultations 'What funding for EU external action after 2013?'¹. More information on individual exit strategies will follow in late 2011, once the plans have been fleshed out by the missions involved.

II Policy spearheads

A Introduction: Principles underpinning policy spearheads

Investment in sustainable growth enables developing countries to solve their own problems and become less dependent on aid. To this end, they need a strong private sector; businesses operating internationally can help them. In fleshing out its four policy spearheads, the government will therefore promote a good business climate, and will invest in cooperation with the business community. It will do so by means of economies of scale and expanding public-private partnerships, continuing and improving business-related development instruments, and conducting regular strategic consultations with the business community.

In fleshing out the policy spearheads, the government has adopted a number of principles. They are selectivity, coherence, added value and effectiveness. They will be factored into assessments of the multiyear country strategies for the 2012-2015 period.

- **Selectivity** Development cooperation benefits from clear choices. Of course, many factors play a role in achieving our aims, but that does not mean that the Netherlands should be active in every field. The spearheads have been limited to four. Environment, good governance and gender are cross-cutting themes, action on which supports the spearheads.
- **Coherence** Synergy contributes to effectiveness and efficiency. The spearheads of development policy should dovetail with the Netherlands' foreign policy priorities and the priorities of developing countries. In other words: how can development cooperation contribute to other goals?
- **Added value** We can define added value as Dutch expertise, our position vis-à-vis other donors and the added value of bilateral cooperation for the Netherlands. Expertise relating to the policy spearheads must be preserved or expanded.

¹ See *Parliamentary Papers* 21, 501-04, no. 121 of 7 February 2011.

- **Effectiveness** Effects must be measurable, without too much focus on figures. The results envisaged must be known in advance. The baseline situation must be clear, so that progress can be shown. What is more, it must be clear why a given intervention was chosen. Plans must be based on evidence (evidence-based policy) or, where this is not possible, assumptions.

These principles will also apply to multilateral and civil society organisations. Below we have outlined by spearhead when the bilateral channel will be used, and where the multilateral and private channels will be chosen. This letter focuses on the bilateral channel.

B Spearheads

B1 Security and the legal order

The problem

The global security problem has changed. Extremist groups more frequently seek refuge in countries and areas where governance and the rule of law are both weak (Afghanistan, Pakistan, Somalia, Yemen). International traffickers in arms, drugs and women can more easily reach the West from these areas. The illegal trade in raw materials (coltan in the DRC and poppies in Afghanistan) in countries with poor governance leads to greater instability. Conflicts about water resources, oil and gas supplies, and piracy on shipping routes are increasingly undermining our prosperity. And conflicts between and within countries lead to swelling refugee flows and more illegal immigration. Many asylum seekers in the Netherlands come from countries in conflict such as Somalia and Afghanistan.

Conflict leads to human suffering and prevents social and economic development, and thus forms an obstacle to achieving the Millennium Development Goals.² In their turn, unemployment, exclusion, human rights abuses and lack of security contribute to outbreaks of armed conflict. And conflict is disastrous for the economy. The costs of international conflict control are estimated at US\$270 billion a year, of which US\$7.2 billion for international peacekeeping operations (UN operations; blue berets). Prevention is thus not only humane, but also efficient.

By working on peacebuilding, conflict prevention and statebuilding, the government wishes to contribute to reducing the differences between population groups and preventing the emergence of ungoverned spaces which may be exploited by terrorist groups and criminal organisations. To prevent radicalisation, it is important to consider the root causes of exclusion, conflict and instability.

Objective

The Netherlands is committed to promoting human security in weak states by tackling the underlying causes of instability, conflict and exclusion. This creates the conditions for more security and development. The problems call for a coherent, specific approach on the basis of three objectives:

1. Improving human security and promoting the legal order. This approach fosters stability in fragile states, and this in turn is important for the security of the Netherlands.
2. Contributing to legitimate governments with enough capacity to carry out the most essential tasks.
3. Achieving visible results (peace dividend) through rapid delivery of services and employment.

² According to the OECD/DAC, 22 of the 34 poorest countries are scenes of internal conflict, meaning that the Millennium Development Goals cannot be achieved, and people cannot make a living.

The Netherlands' position

The Netherlands earned international recognition with its 3D (diplomacy, defence and development) approach to cooperation in, for example, Afghanistan and Burundi. Apart from the Ministry of Foreign Affairs, the Ministries of Defence, Security & Justice and Economic Affairs, Agriculture & Innovation also take part in this whole-of-government approach. Customised support can be provided rapidly from the Stability Fund and the Reconstruction Fund. The Dutch government also works with Dutch universities, local partners, civil society organisations and the business sector.

Overlap with foreign policy

The spearhead 'Security and the legal order in fragile states' draws together various elements of foreign policy in a joint approach. It contributes to achievement of the Millennium Development Goals, human rights policy, and security policy in the wider sense (counterterrorism, efforts to fight international crime, refugee flows and illegal migration). It also serves our economic interests.

Method of working

The joint approach entails a country-specific combination of defence, diplomacy and development. Defence relates to, for example, decommissioning of arms and reform of the armed forces; diplomacy to support for political and peace processes, reconciliation and preventing impunity; development to working on governance (the criminal justice chain), and the rule of law, e.g. by action on police, courts and prisons by creating employment and providing basic services.

In its bilateral relations, the Netherlands focuses on issues that tend not to be in the international spotlight, but on which it has special expertise, such as reform of the security sector and development of the rule of law. It also focuses on peace negotiations and cooperation between the Dutch and local business communities. However, multilateral cooperation is the preferred option for international peacekeeping missions, decommissioning of arms, demobilisation programmes and large-scale investment in basic services. Civil society may contribute to social services and the dialogue between the government and various population groups. The business community mainly plays a role in creating jobs, and acting as a partner on the spearheads water and food security.

Cross-cutting themes

In weak states, improving governance is so important that it is a separate objective. In post-conflict situations, restoring confidence in government authorities (through, for example, anti-corruption measures) and building government capacity for essential tasks such as security, the legal order, economic growth and employment are of vital importance in reducing dependence on international aid and promoting self-reliance. Gender will receive special attention within the three objectives. Women are not only regarded as the victims of conflict, but also as important actors in reconstruction and economic development. Activities will be informed by UN Security Council Resolution 1325.³ Moreover, the synergy between the spearheads will be strengthened, for example between water and conflict prevention in Yemen, and employment and food security in the Palestinian Territories. Land use, water management and exploitation of raw materials can also lead to national and international conflict.

³ Motions submitted by MPs Kathleen Ferrier 32 500-V (No. 34) and Wassila Hachchi 32 500-V (No. 38).

Priorities

1. Action to develop the rule of law through, for example, capacity building, closely linked to security sector reform and support for a political dialogue.
2. Creation of jobs as a peace dividend for the people. This is crucial for stability and an opportunity for cooperation with the private sector.
3. Enlarging country-specific expertise and making programmes to prevent conflict through conflict analysis and cooperation with local actors (community-based approach).
4. Action to boost the role of women in peace processes,⁴ with a new Dutch action plan for implementation of UN Security Council Resolution 1325 and the MDG3 fund.
5. Efforts towards more effective multilateral action in post-conflict situations.

B2 Water

The problem

A growing number of countries face water issues caused by climate change, stress, scarcity and pollution. This has an impact on drinking water, food supplies, infrastructure and economic development, and on vulnerable ecosystems and the stability of societies. Lack of clean water and sanitation leads to disease and child mortality, and increases the workload and vulnerability of women and girls in developing countries.⁵ Water scarcity is a potential source of conflict at local, national and international level, while floods often cause serious damage and claim many victims. Salinisation in coastal areas is a threat to agriculture, while the exploitation of groundwater leads to soil subsidence, increasing the risk of flooding.

Objectives

The Netherlands wishes to contribute its knowledge and experience to achieving effective water management. It has the following objectives:

1. Efficient, sustainable use of water, especially in the agriculture sector (agriculture accounts for 70% of global water use).
2. Safe deltas and better management of river basins, including in the context of climate change.
3. Better access to safe drinking water and sanitation.

The Netherlands' position

The Netherlands possesses a large body of knowledge, including on specific subjects, and shares it with other countries. Our holistic approach is unique. Dutch knowledge of the management and planning of river basins and coastal areas, cross-border water management, sustainable irrigation and drainage technologies and water and waste-water treatment is used all over the world. The Netherlands also comes into the picture where support is needed in adapting to climate change, urban areas need protecting against flooding, innovative forms of funding are called for, and users have to be involved in planning and implementing water projects. The Netherlands also possesses financial resources (for example through the contribution of the private sector) and its ministries work closely together, for example in the *Water Mondiaal* programme.⁶ The spearhead 'water' presents opportunities for the Dutch private sector.

Overlap with foreign policy

Water management and access to water are essential elements of poverty reduction, sustainable economic growth and self-reliance. In particular, production for food security is dependent on good water management. Distribution of water is under increasing pressure in

⁴ Ferrier motion, 32 500-V (No. 34) and Hachchi motion, 32 500-V (No. 38).

⁵ OECD-DAC, January 2010. 'Benefits of investing in water and sanitation: an OECD perspective.'

⁶ National Water plan 2009-2015, chapter 6: 'The Netherlands works with water worldwide'.

international river basins, and threatens to fuel international tensions. The Netherlands is already making a contribution to international water diplomacy, and will step up its efforts. Dutch expertise in the field of water may also be deployed in (preventing and) relieving humanitarian emergencies, and at the reconstruction stage. Access to drinking water and sanitation has been recognised as an economic and social right⁷ and the Netherlands actively promotes this.

Cross-cutting themes

Good governance is central to water policy. Proper water management and preventing conflict about access to and distribution of water call for strong institutions with sufficient capacity. The accountability relationship between institutions and users deserves special attention. Various countries have gained experience of user participation, accountability on the part of drinking water suppliers, and increasing the sustainability and ownership of water systems. Proper management of natural resources is essential for integrated water management.

Method of working

The Netherlands works bilaterally in fields where it is a knowledge leader, and where cooperation between the government, the Dutch business sector, civil society organisations and knowledge institutions has added value. The Netherlands works through multilateral institutions such as UNICEF, the World Bank and the Asian Development Bank to implement large-scale and other investment programmes. In doing so, it is committed to stepping up the role of Dutch knowledge institutions, civil society organisations and enterprises.

Priorities

1. Expanding Public-Private Partnerships (PPPs) and partnership programmes. This can be achieved most rapidly within the drinking water and sanitation sector, where close cooperation already exists with Dutch drinking water companies,⁸ water authorities, knowledge institutions, civil society organisations and local partners.
2. Action to improve water management and adapt to climate change, with a view to sustainable food production and safe deltas, involving the Netherlands Water Partnership, the Dutch water sector's umbrella organisation. Activities in the field of drinking water and sanitation now form the lion's share of the total water programme. Activities to increase food security, adapt to climate change and ensure safe deltas will be stepped up.
3. The number of partner countries with which the Netherlands works in accordance with the principles of *Water Mondiaal* will be increased by five (on the basis of the country list). Partnership will be sought with relevant ministries. The partner countries will be chosen partly on the basis of a study by the Netherlands Water Partnership of the Dutch water sector's interest in various countries.

B3 Food security⁹

The problem

⁷ The 64th session of the UN General Assembly on 28 July 2010 declared that access to clean drinking water and sanitation was a human right.

⁸ In his Motion (30895 no. 42), Koppejan called on the government to deploy the knowledge, expertise and experience of Dutch drinking water companies to promote good drinking water supplies in developing countries. These companies may spend up to 1% of their annual turnover on development cooperation activities.

⁹ World Food Summit definition: Food and nutrition security exists when all people, at all times, have physical, social and economic access to sufficient food which meets their dietary needs and food preferences for an active, healthy life.

One billion people worldwide are chronically undernourished, and two billion people suffer from deficiencies of essential nutrients.¹⁰ Production is under pressure, due to an increasing struggle for land, water and energy, and the poorest people have too little money to buy food. Problems also arise when supply and demand do not match, due, for instance, to failing markets, inadequate regulation and poor infrastructure. Smallholders are often insufficiently integrated into the market economy. By 2050, the world must be producing and trading in 70% more food. There is scope to boost food production in Africa in particular, given the rising demand from Asia. But there are many obstacles to be overcome. In rural areas, especially in Sub-Saharan Africa, agriculture is failing to develop properly. The causes are not only poor farming methods and techniques, but often also political or institutional factors. The natural resources needed for farming and rural development are inequitably distributed and are often badly managed and becoming scarcer. Market disruption often prevents the private sector from helping to raise productivity sufficiently.

Objective

To increase food security (MDG1: halving hunger and the number of people living below the poverty line) by stimulating sustainable production, more efficient markets, income security and better access to healthy food.

The Netherlands' position

The Netherlands has much to offer, with its innovative spirit and internationally operating food and agriculture companies, its position as the world's second largest exporter of agricultural products, its leading knowledge institutions with expertise on stimulating rural industry and farming, its experience with sustainable value chains and its expertise in the field of water. All this know-how can be combined with the Netherlands' strong reputation as a donor country. The Dutch support programmes for industry and the business climate (PUM, PSI, ORIO, IDH and CBI¹¹) can all be deployed for food security. By combining knowledge and instruments, this spearhead will receive an extra boost. The Ministry of Foreign Affairs and the Ministry of Economic Affairs, Agriculture & Innovation are developing a pilot programme on food security.

Overlap with foreign policy

The theme of food security dovetails with Dutch knowledge and expertise. As a result, it presents investment and trade opportunities for Dutch companies and institutions. Economic growth and food security also contribute to peace and security, since exclusion and poverty are both causes of conflict. High food prices can lead to disruption. Better use of water by the agriculture sector can lead to less conflict about water. A voice for women on the subject of food leads to higher birth weights, less maternal mortality and better nourished children. Nutrition in the first years of life is a major determinant of children's development.

¹⁰ The State of Food Insecurity in the World (FAO, 2010).

¹¹ Netherlands Management Cooperation Programme (PUM), Private Sector Investment Programme (PSI), Infrastructure Development Facility (ORIO), Sustainable Trade Initiative (IDH), Centre for the Promotion of Imports from Developing Countries (CBI).

Method of working

To promote food security, higher, more sustainable production, efficient sales methods and more access to healthy food are needed. The Netherlands will help markets and companies to move forward. Wherever possible, Public-Private Partnerships will be developed. Action will be taken first and foremost through the bilateral channel, and with the help of the private sector. The focus will be on land rights, financial services in rural areas, strengthening producer organisations, vocational and agricultural education, integration of smallholders in value chains and rural infrastructure. Multilateral cooperation with, for example, IFAD and IFC contributes to economies of scale and harmonisation.

Cross-cutting themes

Good governance is of great importance for food security, economic growth and private sector development. The rule of law is essential for a healthy business climate. Legal certainty is a condition for both local and Dutch business. Land rights, including women's, are of fundamental importance. Women play a major role in producing and selling food, but often have less access to the means of production such as capital, knowledge and land. It is therefore important to devote special attention to gender in agriculture. The sustainable management of natural resources also contributes to the availability of water and prevents erosion.

Priorities

1. A sustainable rise in production and sustainable use of land and water by stimulating innovation in cooperation with knowledge institutions.
2. Sustainable value chain development, so that local producers can also benefit from international and regional trade. The Sustainable Trade Initiative and other public-private partnerships play an important role.
3. Better access to good nutrition for poorer population groups through more jobs, better social services and increased, sustainable food production.
4. Creating favourable conditions for producers by removing obstacles, improving the national infrastructure, supporting farmers' organisations and providing financial services (including insurances).
5. Stimulating local and regional markets and promoting international market access and trade. This links consumers and producers, while market incentives encourage economic development.

B4 Sexual and Reproductive Health and Rights (SRHR)

The problem

In developing countries, getting pregnant, being pregnant and giving birth often go hand in hand with illness and complications. It says everything that of all the MDGs, the least progress has been made on reducing maternal mortality and improving reproductive health. This is the consequence of poor health care, gender inequality (in access to education¹² and food, but also in the right to self-determination), illnesses such as malaria and HIV/AIDS, the lack of contraception and limited access to safe abortion. Maternal mortality disrupts families and hampers economic growth.¹³ Poor sexual and reproductive health and rights¹⁴ lead to

¹²Educating girls means that women become pregnant later in life, have less chance of becoming infected with HIV and have fewer children in total.

¹³Worldwide, loss of productivity due to death during pregnancy and childbirth costs \$15 billion a year, Women Deliver 2010.

¹⁴SRHR covers a wide range of subjects, such as access to prenatal and postnatal care, safe delivery, family planning, the prevention and treatment of STIs (including HIV/AIDS), sex education, safe abortion, female circumcision and maternal and infant mortality.

high, imbalanced population growth, which affects food security, employment and the availability of scarce resources and basic services.

Objective

The Netherlands is working to reduce maternal mortality and ensure access to reproductive health (MDG5). Specific objectives are:

1. Improving access to effective contraception, medicines, vaccines and reproductive health supplies.
2. Teaching young people about sexuality, so they can make their own choices about relationships, sex and the use of contraception.
3. Improving the quality of and access to public and private health services, in relation to SRHR.
4. Removing impediments to health care for marginalised groups, such as drug users, prostitutes, homosexuals and prisoners, in various countries.¹⁵

The Netherlands' position

Although many donor and other organisations are active in this area, the Netherlands is a particularly progressive and resolute advocate of sexual and reproductive health and rights. Many may find it a controversial subject, but the Netherlands has a wealth of national experience with young people and sexuality, access to contraception, prevention of unsafe abortions, reproductive rights in general, and the rights of lesbians, homosexuals, bisexuals, transsexuals, prostitutes and drug users in particular. Dutch experience of public-private cooperation in health care, for example in health insurance, is useful for developing countries wishing to fund long-term reproductive healthcare services together with private parties. One of the reasons underpinning the choice of SRHR as a spearhead of policy is the fact that life sciences is an economic area in which the Netherlands excels.

Overlap with foreign policy

SRHR contributes to a range of foreign policy objectives, e.g. promoting human rights. Maternal mortality violates the right to life, and is often avoidable. Reproductive rights also feature in the fight to reduce gender inequality. SRHR helps to limit population growth. The health of women and young children also influences food security and, thus, economic growth. Likewise, a woman who is chronically undernourished is at high risk of having a child whose birth weight is too low. This is how undernourishment, which is linked to an increased risk of chronic illness and higher healthcare costs, is passed on from one generation to another.

Method of working

The Netherlands works closely with UN institutions, primarily the UN Population Fund (UNFPA, which has a mandate for SRHR), WHO (an essential partner in developing standards and improving health care) and the UN's SRHR research programme. Multi-donor funds allow for economies of scale. Examples include the Global Programme on Reproductive Health Commodity Security, the Global Alliance for Vaccines and Immunisation (GAVI) and the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).¹⁶ The Netherlands is working with the business community and national and international civil society organisations to increase access to contraception and other services. The pharmaceutical industry is also involved in, for example, Product Development Partnerships for developing new vaccines, contraceptives and medicines.

¹⁵ See the Hachchi motion, 32 500 V (no. 37).

¹⁶ See the Dijkhoff-Irrgang amendment 32 500-V (no. 22) and the Ferrier-Dijkhoff amendment 32 500-V (no. 55).

Cross-cutting themes

Gender equality and SRHR go hand in hand, as mentioned above. At the core of the fight against maternal mortality is the right to life. Good governance is an important condition for providing people with services, and should therefore be given the necessary attention. Due to mismanagement, health and SRHR services often leave a lot to be desired. Corruption can result in people being required to pay for SRHR services that should actually be free of charge, and pregnant women failing to receive appropriate care.

Priorities

1. Advocacy and policy influencing, nationally and internationally.
2. Effective provision of service by improving ties between government and the private sector.
3. Stronger capacity within health care for better SRHR services.
4. Targeted research to improve access to services, for example with Product Development Partnerships.
5. Education, by training personnel and influencing curriculums, for example.

C Cutbacks

There can be no priorities without non-priorities. The letter outlining development cooperation policy identifies education and health care as non-priority themes, not because they are unimportant, but because the Netherlands brings relatively less added value than other donor countries. These themes will not disappear from Dutch policy, but will support the four spearheads. That means, for example, commitment to vocational education and education in weak states will continue or even increase,¹⁷ or that vocational education will be given extra attention where it relates to food security or water management. Less money will be going to:

- bilateral efforts in primary education that do not contribute to the four spearheads;
- the contribution to the Fast Track Initiative;
- sectoral budget support for the education sector;
- central research programmes, where they do not relate to the spearheads.

The same more or less applies to health care. Investments in health care are no longer a goal in themselves, but must contribute to SRHR. This means cutbacks in the following areas:

- global funds for fighting illness;
- Dutch contributions to international initiatives aimed at broad healthcare systems;
- bilateral efforts relating to HIV/AIDS.

With the Coalition Agreement in mind, cutbacks on themes such as good governance and the environment are unavoidable. In particular, less money will be spent on elements of these themes that do not support the spearheads. Activities and programmes that support the spearheads will be spared, where possible.

Good governance is of essential importance to the spearheads. Programmes that do not support the spearheads will receive less funding:

- Independent bilateral programmes for good governance, such as liberalisation of the media and civic education. Anti-corruption programmes will continue, because they contribute to stability, transparency and responsible use of public funds, including development aid.
- Centrally financed programmes run by multilateral organisations, such as the World Bank's Governance Partnership Facility.

¹⁷ Van der Staaij motion, 32 500-V (no. 49).

Elements of environmental policy that do not support the four spearheads will receive less funding. These are, roughly speaking:

- Forestry programmes. Exceptions are sustainable timber production and cooperation with the private sector in this regard, i.e. making the production chain more sustainable (as distinct to forest policy management or forest management). This will make a direct contribution to economic development.
- Programmes for renewable energy in developing countries, once current programmes initiated by the previous government have ended.
- Efforts to preserve biodiversity, except where they relate to water management and food security.
- Generic support for national environmental plans.

III Choice of countries

A Main principles

Countries were chosen from among the 33 countries with which the Netherlands has a bilateral development relationship. The following considerations were factored into the selection process:

- There need to be sufficient prospects of achieving development results, partly because of the Netherlands' added value, and of serving Dutch interests. Opportunities for the Netherlands to pursue the four spearheads, and broader Dutch interests, therefore played an important role in the selection process.
- The income and poverty level. Which countries have a low income level, and which have now achieved the status of middle-income country? What do countries need? It was important to consider whether countries could receive sufficient revenue from taxation. Finally, the share of development aid in the government's budget was also established.
- Opportunities were identified for pursuing the spearheads of policy. For this purpose a quick scan of each of the 33 current partner countries was carried out, to see where these opportunities presented themselves and where the Netherlands had something to offer. We examined specific problems, trends and obstacles relating to each of the spearheads. We also drew up an overview of the importance of local players such as the government, private sector and civil society attach to these obstacles, and examined whether cooperation with the Netherlands would bring more added value than cooperation with other donors. Finally, we looked at whether there were any broader Dutch interests and whether synergy between the various spearheads would be possible.
- Opportunities for, and the interests of, the line ministries most closely involved. The key questions were: In which countries can the Netherlands contribute to self-reliance through knowledge, expertise and networks? And in which countries are there specific Dutch interests in terms of security and the economy?
- The scope of the current aid programme in financial terms, the number of Dutch development activities and the added value of the Netherlands as a donor. It is a more logical choice to exit countries in which termination of programmes can be speeded up, in cooperation with the country in question.
- The extent to which there is good governance, including democratisation, respect for human rights and action to fight corruption (or opportunities to promote those goals).

- The extent to which ending or reshaping the development programme would help achieve the proposed cutbacks to the mission network. More information will follow in the response to the Nicolai motion.

In choosing countries, we looked especially closely at the division of labour between donors, in the interests of increasing effectiveness (Paris Declaration and Accra Agenda for Action), promoting careful donorship and avoiding creating donor orphans. In limiting its spearheads and partner countries, the Netherlands is aiming for a better division of labour. Where possible, we selected our partner countries in coordination with like-minded donor countries and the EU.

In order to make more detailed arrangements, the Minister for European Affairs and International Cooperation organised informal consultations on the division of labour with six like-minded countries – the United Kingdom, Germany, Denmark, Sweden, Belgium and Spain – in the margins of the Informal Development Cooperation Council. The following is an extract from the report to the House of Representatives on these consultations: ‘Given that many donors have reviewed their bilateral development policy, there was wide recognition of the importance of the Dutch move to improve harmonisation. There was also the recognition that country choices are often nationally driven processes in which coordination can easily be forgotten. Those present pledged to keep each other informed of any changes in choice of sector and focus countries and, where possible, to devise concrete solutions to any problems resulting from withdrawal from a sector or country. They showed a clear political commitment to working on the division of labour, with the focus on pragmatic cooperation. No major, ambitious agreements can be made as yet. We will be meeting again in the margins of the World Bank spring meetings.’ European Commissioner Andris Piebalgs was informed about the initiative before and after it took place. The European Commission sees this pilot as support for its coordinating role.

B More focus on fewer countries

The selection process has resulted in a list of countries eligible for the status of partner country. Partner countries are countries with which the Netherlands has a multiyear bilateral development relationship and where funding delegated to the mission is deployed. In partner countries, programmes will be carried out relating to the spearheads water, SRHR, food security and security and the legal order. Human and financial resources will be deployed in accordance with these spearheads. Gender, good governance and the environment will be taken into account, from both the general and the country-specific viewpoint. The government currently applies a financial lower limit of €15 million for bilateral programmes in partner countries.

The previous government categorised partner countries according to three profiles, each with its own specific objectives. The government will continue to use this categorisation because it provides a logical basis for choosing and designing programmes. It is possible that funding for profile 2 (specifically, the development of the rule of law and conflict prevention) may also be used within other profiles.

Countries in profile 1 are low-income countries where aid plays an important role in development. These countries have insufficient resources to make the investments required to achieve the MDGs. In profile 2 countries (fragile states), an integrated approach to peace, security and development (including the development of the rule of law) forms the core of the programme. The focus is on working simultaneously to achieve security, legitimate governance and socioeconomic development. Profile 3 encompasses countries with healthy economic growth, where all four spearheads will feature. In the coming years the ODA

budget for this group of countries will, however, decrease, in the expectation that they will be increasingly capable of shaping their own development without the need for bilateral ODA.

A new instrument will be created for a number of former profile 3 partner countries: the transition facility announced in the letter outlining development cooperation policy. This facility is a country-specific instrument for middle-income countries (or those that have almost achieved middle-income status), enabling the transition from a bilateral development relationship to a mutually profitable economic partnership. This facility also aims to improve the business climate in sectors with opportunities for Dutch business, and will stimulate the application of Dutch knowledge and expertise.

The transition facility will bring a number of existing instruments together, with country-specific interventions to help bridge the transition from development cooperation to economic cooperation. Examples include buying in knowledge, shaping the role embassies wish to play as intermediaries in bringing parties together, targeted financial support, technical assistance, communications, opportunities for study and training, and visitors' programmes. Embassies in the countries in question will be invited to submit proposals. Other ministries, specifically Economic Affairs, Agriculture & Integration, and Infrastructure & the Environment, will be closely involved in formulation and implementation. In contrast to profile 3 countries, the focus will not be confined to the four spearheads; the transition facility will make it possible to support activities that contribute to economic cooperation in a broad sense.

In line with the letter outlining development cooperation policy, the government will operate a list of 15 partner countries.¹⁸ The selected countries score high on the main principles set out in III A. All criteria were taken into account in the final selection process. Embassies in the partner countries, as well as line ministries, were closely involved in the decision-making process. This eventually led to the following 15 countries being chosen:

<u>Profile 1</u>	<u>Profile 2</u>	<u>Profile 3</u>
1. Benin	7. Afghanistan	12. Bangladesh
2. Ethiopia	8. Burundi	13. Ghana
3. Mali	9. Yemen	14. Indonesia
4. Mozambique	10. Palestinian Territories	15. Kenya
5. Uganda	11. Sudan	
6. Rwanda		

The countries not listed here no longer have the status of partner country.¹⁹ Aid to these countries will be phased out with due care (see section IV).

Transition facility Colombia, Vietnam and South-Africa are eligible for the transition facility.

North Africa and the Middle East The government is closely following developments in North Africa and the Middle East. The European Union will be playing a major role in the region. The Netherlands will work closely with EU member states, while at the same time reviewing the bilateral relationship with Egypt. The government will investigate the role development cooperation can play in the transition process in the region in general, and in Egypt in particular. As was the case with Eastern Europe, we can assume that programmes will be developed for this purpose that are much broader than the development cooperation framework allows. The government will return to this subject at a later date.

¹⁸ See annexe for further details.

¹⁹ Bolivia, Burkina Faso, DRC, Egypt, Georgia, Guatemala, Kosovo, Moldavia, Mongolia, Nicaragua, Pakistan, Senegal, Suriname, Tanzania, Zambia.

Former colonies Suriname is no longer a partner country, but remains closely tied to the Netherlands through a shared history and language and socioeconomic networks. In October 2008 the Netherlands and Suriname reached a joint decision on allocating the remaining Treaty Funds. As pledged during the debate on the budget in December 2010, a memorandum will be sent to the House of Representatives this year on the new form relations with Suriname will take. The Netherlands also has a special relationship with Indonesia. The reason Indonesia remains a partner country has largely to do with income level. The considerable public involvement in developments in Indonesia justifies widening and deepening the relationship. The development programme is one response. However, since Indonesia is now developing further, we need to ensure that relations are forged outside the development frameworks.

Pakistan Pakistan is no longer a partner country. As a donor, the Netherlands brings little added value. Compared with some of the major donor countries, our contribution is modest. But the socioeconomic and political developments in Pakistan continue to give cause for concern and are having a destabilising effect on the situation in Afghanistan, where the Netherlands will be operating a police training mission over the next few years. The government will continue to allocate considerable funding for activities relating to peace, security and stability.

Guatemala and Nicaragua The bilateral development relationship with Guatemala and Nicaragua will be scaled back, but the Netherlands will not be completely withdrawing. The human rights situation, political developments and the effects of transboundary crime in Central America continue to give cause for concern. The Netherlands benefits from stability in the region, partly because of the proximity of the Caribbean territories of the Kingdom. The government will be starting up a regional programme, comparable to that run by the United Kingdom, aimed at improving the human rights situation, the democratisation process and the security situation in Central America.

C Central funds

Cutting back on the number of partner countries does not mean that Dutch development funds will no longer be invested in other countries.

Firstly, multilateral funds will continue to exist. Dutch contributions to multilateral institutions will of course reflect the four spearheads, but the institutions will be free to decide where the money is used.

Secondly, the civil society channel will still exist. In the framework of the cofinancing system for 2011-2015 (MFS II) it has been agreed with civil society organisations that they need to focus a minimum of 60% of their efforts on the current 33 partner countries.

The government sees the advantages of working through these two channels. Civil society organisations' and multilateral institutions' added value lies in their networks, expertise and alliances.

Thirdly, there are countries receiving money from central ministry programmes and funds. Emergency aid is also, by definition, available to all poor countries. Moreover, at the request of the Dutch private sector, business-related development instruments are accessible to more than 50 countries. And access will become easier thanks in part to the introduction of

simpler rules. The Stability Fund is open to all DAC countries. Finally, countries can also apply to the Migration and Development Fund²⁰ and the Human Rights Fund.

IV Terminating development relationships: responsible but irrevocable

Reducing the number of partner countries and opting for four spearheads will necessitate exit/transformation strategies. The Netherlands wants to be a reliable partner. Existing agreements and promises will be respected wherever possible. However, in exceptional cases existing agreements with bilateral, multilateral and civil society parties will be adjusted.

The termination or transformation of development cooperation relationships will be carefully prepared and planned along the lines specified in the 2009 policy letter.²¹ Although it is the Netherlands' decision to reduce the number of partner countries, the government is keen to agree a joint approach (mutual accountability) in line with the Paris Declaration and Accra Agenda for Action.

It is important that the following elements are considered:

- There should be prompt communication on the decision-making process.
- The schedule should allow the recipient country to be involved.
- Legal obligations should be met and, wherever possible, promises made should be taken into consideration.

It is also important to take the institutional capacity of the partner country into consideration, so the government is able to fill in gaps. This will ensure that the investments already made are not wasted, and that the results achieved are enduring. Therefore, in phasing out and closing down programmes, and determining budgets, the government will ensure there is sufficient flexibility. The Netherlands will investigate whether other donors are able to take over activities receiving Dutch support. Whether it is an entire programme or a single sector that is being phased out the government is obliged to do all in its power to find suitable alternative donors. One form this could take is an 'exchange' with other donor countries, and the Netherlands is already negotiating with a number of like-minded countries (Germany, the United Kingdom, Sweden, Denmark, Spain and Belgium). We must, of course, first look at whether countries are able to fund programmes themselves.

This is not a blueprint for successfully ending, or adapting, an aid relationship. Each situation needs to be assessed on its own merits, and different points may be more important in one situation than in another.

An exit or transformation strategy will be drawn up by the mission. It will replace the Multi-Annual Strategic Plans (MASPs) for 2012-2015 and will be incorporated into the budget cycle.

The government will inform the House of Representatives of the progress made in terminating development relationships via the annual development cooperation budget and the report on it, starting with the 2011 report.

V Financial contours

In line with the Coalition Agreement, expenditure will be reduced to 0.7% GNP as of 2012. Taken together with a number of extra measures, this will lead to the following cutbacks during the government's current term of office.

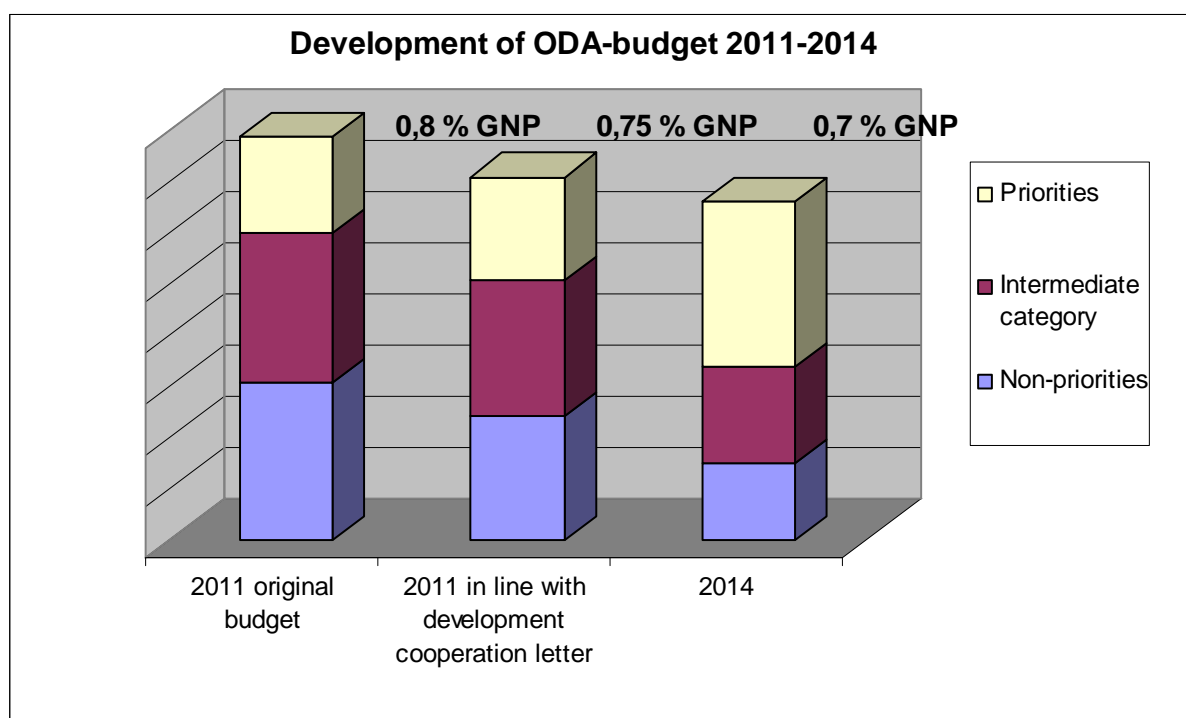
²⁰ The House of Representatives will receive a separate letter shortly on migration and development cooperation.

²¹ House of Representatives, 2008-2009 session, 31250, no. 56.

Coalition Agreement Measures	2011	2012	2013	2014
(EUR million)				
Adjustment to ODA budget	290	640	660	690
Climate finance above 0.8% GNP	50	200		
Higher attributions	60	60	60	60
Total	400	900	720	750

The budget for 2011 (including the proposed adjustments) is set out in the letter outlining development cooperation policy and in the non-recurring supplementary budget. We now need to determine the shifts and cutbacks for 2012 to 2014.

This letter sets out the thematic contours of the budget up to 2014, the final year of this government's term of office. This makes the government's objectives, both in terms of the cutbacks and of the four spearheads, more visible. The following diagram shows an ambitious twofold objective. Firstly, the adjustments to the ODA budget called for in the Coalition Agreement: to 0.7% GNP as of 2012, via an interim reduction to 0.75% GNP in 2011. Secondly, shifting the thematic focus of policy within the parameters of a shrinking budget.



As stated in the letter outlining development cooperation policy, the aim is a higher financial commitment for the four spearheads (security and the legal order, water, food security and SRHR/maternal mortality), and for private sector development, reflecting the shift from social to economic sectors. The objective is to almost double these spearheads' share of the ODA budget between 2011 and 2014, through bilateral, civil-society, multilateral and business channels. For more details see Chapter II B.

Increasing funding for the spearheads means a reduced share for the intermediate category and non-priorities. The intermediate category concerns budgets where, following on from the letter outlining development cooperation policy, it has been decided, for policy reasons, to introduce only limited cutbacks. This applies to emergency aid, gender, the environment,

good governance and contributions to regional development banks. The relatively largest cutbacks affect the non-priorities, which include budgets for education, health care, HIV/AIDS and civil society. One exception is the MFS-II budget, which will not be subjected to further cuts in the 2012 to 2015 period. For more information on cutbacks see Chapter II C.²²

Specific implementation, in terms of programmes, is an ongoing process that will be shaped in further detail during this government's period of office. The House of Representatives will be informed in greater detail in the budget documents of each ministry involved in ODA (beginning in 2012).

²² Following on from the letter to the House of Representatives outlining development cooperation policy, this overview does not include expenditure that cannot be cut (attributions for EU contributions and asylum policy, debt relief (EKI), administrative costs and mandatory contributions to international institutions and the European Development Fund). Again, the WB/IDA has not been included.

Annexe

Reasons underpinning choice of partner countries

Profile 1

Benin

Low income (\$750); opportunities for the following themes: water, food security and SRHR; the Netherlands is very influential, as there are relatively few bilateral donors; several like-minded donors are pulling out, so there is a risk of the country becoming a (bilateral) 'donor orphan'; relatively good score for governance (progress on reforms is slow, but there is political will to combat e.g. corruption); relatively good contribution to own development (taxation).

Ethiopia

Very low income (\$330); opportunities for the following themes: water, food security, SRHR and security; the Netherlands is one of many donors and has limited influence on government policy, but there is broad appreciation in Ethiopia for Dutch efforts because of their innovative nature and commitment of the business community (this sets the Netherlands apart from other donors); progress in fighting corruption, but political freedoms remain limited (NGO legislation); own contribution to development via taxation still limited because of the country's narrow economic base, but good development results and vigorous administration; Ethiopia plays a crucial role in the Horn of Africa; significant from an economic and security perspective.

Mali

Low income (\$680); opportunities for the following themes: water, food security, SRHR and security; the Netherlands is one of the main, and longest-standing, bilateral donors, and therefore has considerable influence on government policy; weak on implementation, but reasonable score for governance (although there are concerns regarding corruption and security in relation to drugs transit and AQIM); important from a security perspective; reasonable contribution to own development via taxation, economic base still limited.

Mozambique

Very low income (\$440); opportunities for the following themes: water, food security, SRHR and security; the Netherlands is a reasonably large donor with a sizable programme and, therefore has considerable influence; reasonable score for governance (vigorous donor-government dialogue on corruption and democratisation); reasonable contribution to own development via taxation; economic base still limited; important from an economic perspective.

Rwanda

Very low income (\$460); opportunities for the following themes: water, food security and security; multiple donors active, the Netherlands is a valued donor; effective governance with little corruption, although there are concerns about political space; reasonable contribution to own development via taxation, economic base still limited, very good development results; major (regional) significance for stability in Great Lakes region.

Uganda

Very low income (\$460); opportunities for the following themes: food security, SRHR and security; the Netherlands is one of many donors; concerns relating to governance (including corruption and political freedom); reasonable contribution to own development via taxation; economic base still limited; Uganda has a positive role in the Great Lakes region and Horn of Africa, link with developments in southern Sudan.

Profile 2

The governance situation in all profile 2 countries gives cause for concern. The Netherlands is investing in these countries because of their importance to security both in the region and in Europe.

Afghanistan

Very low income (\$260); fragile state with opportunities for the following themes: security, food security, implementation of 3D approach; many donors, extensive Dutch programme; income from taxation very low; important because of stability and security both in the region and in Europe.

Burundi

Very low income (\$150), fragile state with opportunities for the following themes: food security and security, implementation of 3D approach; small number of donors, the Netherlands is one of the largest donors; governance situation cause for concern; reasonable contribution to own development via taxation, economic base still very limited; important because of stability and security in the Great Lakes region.

Palestinian Territories

Low middle income (\$1,250); opportunities for the following themes: water, food security and security; many donors; important in framework of Middle East Peace Process.

Sudan (Southern Sudan)

Low middle income (northern and southern Sudan together: \$1,220); opportunities for the following themes: water, food security, security and SRHR; few donors; governance situation cause for concern; taxation very low; crucial in framework of peace, security and stability in the region.

Yemen

Low middle income (\$1,060); opportunities for the following themes: water, food security, SRHR and security; the Netherlands is an important donor; also important from a regional and European security perspective.

Profile 3

Bangladesh

Currently still low income (\$590), but the economy is steadily growing (is seen as a new emerging market – therefore important from an economic perspective); opportunities for the following themes: water, food security and SRHR; not aid dependent, so the Netherlands' influence on policy is limited; concerns regarding the governance situation (including corruption and human rights); limited contribution to own development via taxation.

Ghana

Low income (\$700, but according to more recent figures, is now low middle income); opportunities for the following themes: water, food security and SRHR; the Netherlands is a valued donor; good governance; very good contribution to own development via taxation; important from an economic perspective.

Kenya

Low income (\$770); opportunities for the following themes: water, food security and security; the Netherlands is one of many donors and there is no direct relationship with the government; concerns regarding the governance situation (including corruption); reasonably good contribution to own development (taxation); important from an economic and security perspective (including piracy).

Indonesia

Low middle income (\$2,230); opportunities for the following themes: water, food security, SRHR and security; special relationship with the Netherlands and good positioning of Dutch business community; corruption cause for concern; reasonably good contribution to own development (taxation), widespread interest in Indonesia in the Netherlands.

Transition facility

Colombia

High middle income (\$4,990); not ODA dependent; rapidly growing economy; good business climate and political and economic policy, free trade agreement signed with the EU – therefore important from an economic perspective; important for stability in the region because of internal conflict and drugs problems.

South Africa

High middle income (\$5,770); not ODA dependent; very good contribution to own development; many opportunities for trade and investment and other relationships with the Netherlands; in political terms, important for the Netherlands in Africa.

Vietnam

Low middle income country (\$1,010); not ODA dependent; cooperation to continue via intensifying economic relations; interest in/from Dutch business community; important from an economic perspective.