

DAC Peer Review of the Netherlands

5 June 2001

FOREWORD

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC Members. The policies and efforts of individual Members are critically examined approximately once every four years. Five or six programmes are examined annually.

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

The Secretariat then prepares a draft report on the Member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the Member under review respond to questions posed by DAC Members led by the examiners. These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Main Findings and Recommendations section of the publication.

This publication contains the Main Findings and Recommendations as agreed by the Development Assistance Committee following its review on 5 June 2001 at the OECD, and the report prepared by the Secretariat in association with the examiners, representing Germany and Portugal, on the development co-operation policies and efforts of the Netherlands. The report is published on the authority of the Secretary-General of the OECD.

Jean-Claude Faure
DAC Chairman

ACRONYMS

CBI*	Centre for the Promotion of Imports
COCA*	Organisational Capacity Assessment Checklist
COCO*	Co-ordination Committee for European Affairs
CORIA*	Co-ordinating Council for International Affairs
DAC	Development Assistance Committee
DGIS*	Directorate General for International Co-operation
DGRB*	Directorate General for Bilateral Affairs
EU	European Union
FEZ*	Financial and Economic Department
FMO*	Netherlands Development Financing Company
GATT	General Agreement on Tariffs and Trade
GNP	Gross national product
HDI	Human Development Index (UNDP)
HGIS*	Homogenous Budget for International Co-operation
HIPC	Heavily-Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDGs	International Development Goals
IMF	International Monetary Fund
IOB*	Policy and Operations Evaluation Department
LLDCs	Least developed countries
MFA	Ministry of Foreign Affairs
M&E	Monitoring and Evaluation
MFO*	Cofinancing organisation
NCDO*	National Committee for International Co-operation and Sustainable Development
NCM*	Netherlands Credit Insurance Company
NGOs	Non-governmental organisations
NLG	Dutch guilders
OA	Official assistance
ODA	Official development assistance
ORET/MILIEV*	Development-related export support programme
OSEO*	Swiss Organisation for Worker Support
PRSP	Poverty Reduction Strategy Papers
SNV*	Netherlands Development Organisation
SPA	Special Programme for Africa
SWAPs	Sector-wide approaches

UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USD	United States dollars
WTO	World Trade Organization

* Denotes acronym in original language

Exchange rates (NLG per USD) were:

1995	1996	1997	1998	1999	2000
1.6053	1.6861	1.9509	1.9845	2.0683	2.3912

Signs used:

()	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable
P	Provisional

Slight discrepancies in totals are due to rounding

Netherlands' aid at a glance

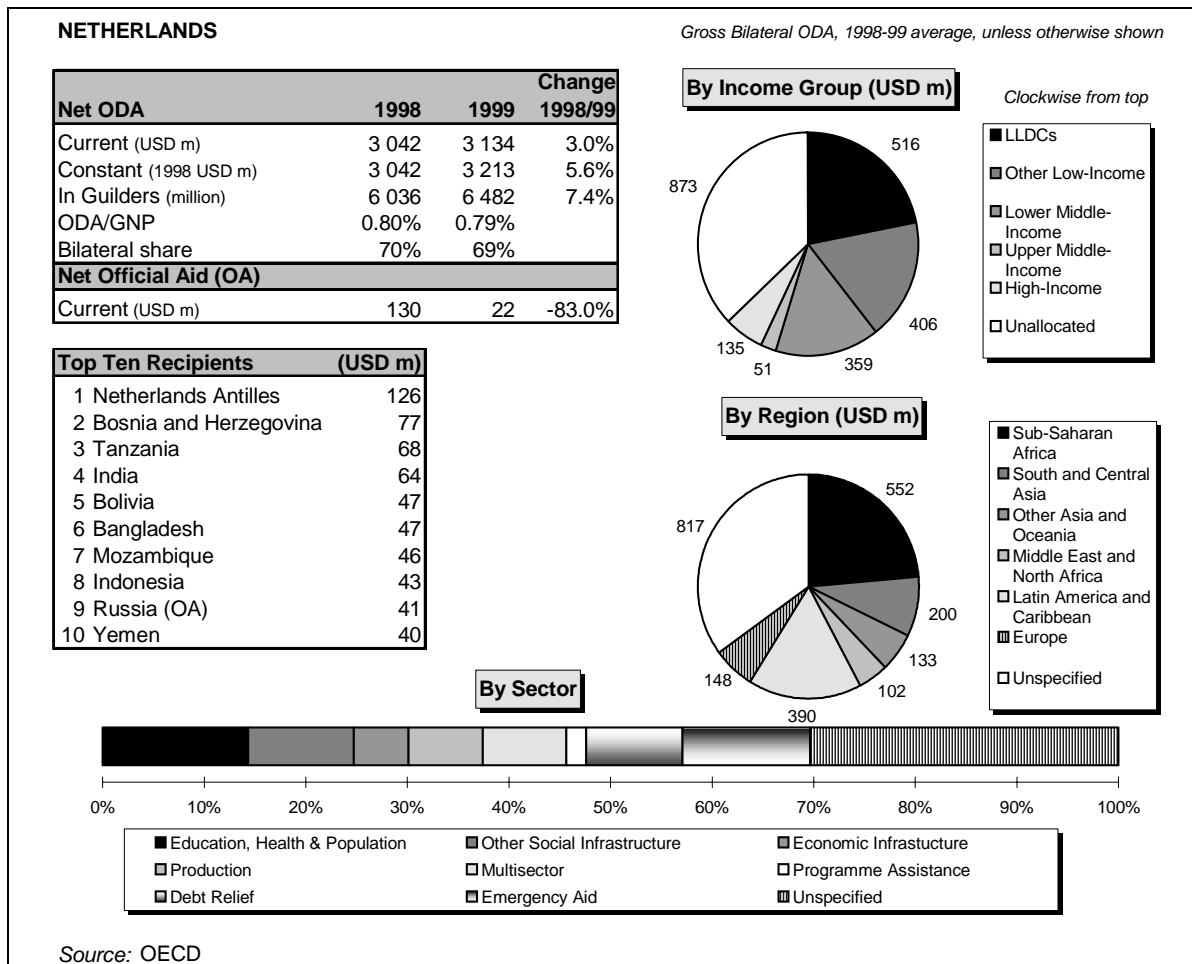


TABLE OF CONTENTS

DAC MAIN FINDINGS AND RECOMMENDATIONS	I-9
CHAPTER 1 THE FOUNDATIONS OF DEVELOPMENT ASSISTANCE IN THE NETHERLANDS	I-15
Fifty years of Dutch development assistance	I-15
The role of Dutch society	I-15
The current vision of Dutch development assistance.....	I-16
Strong public support	I-17
CHAPTER 2 AID VOLUME, CHANNELS AND ALLOCATIONS	I-19
Official development assistance volume.....	I-19
ODA bilateral channel	I-20
Geographical allocation.....	I-20
Sector allocation	I-22
ODA multilateral channel	I-23
The “private” channel	I-24
CHAPTER 3 KEY POLICIES AND APPROACHES	I-27
Policy Coherence	I-27
Approaches to private enterprise.....	I-28
Untying.....	I-29
Debt relief	I-30
Donor co-ordination	I-30
Sector approaches	I-31
CHAPTER 4 OVERALL ORGANISATION, STAFF, AND COUNTRY OPERATION ISSUES	I-33
Overall organisational structure	I-33
Management of vision and strategy	I-36
Personnel management	I-37
Implementation management	I-38
Financial management	I-39
Monitoring and evaluation	I-40
Country operation issues.....	I-42
CHAPTER 5 PERFORMANCE OF THE NETHERLANDS IN RELATION TO DAC ISSUES	I-45
Consistency with basic DAC Guidelines in key development areas.....	I-45
Progress in addressing key issues raised in the 1997 DAC Netherlands Peer Review	I-48

ANNEX I	STATISTICS OF AID AND OTHER FLOWS	I-51
ANNEX II	DAC COUNTRIES' BILATERAL ODA TO BASIC SOCIAL SERVICES 1997-98	I-59
	PRESS RELEASE OF THE DAC PEER REVIEW OF THE NETHERLANDS	I-61
	DESCRIPTION OF KEY TERMS	I-63

Tables

Table 1.	HGIS budget.....	I-20
Table 2.	The Netherlands' multilateral contributions.....	I-24
Table 3.	MFO cofinancing.....	I-25
Table I.1.	Total financial flows.....	I-52
Table I.2.	ODA by main categories	I-53
Table I.3.	Bilateral ODA allocable by region and income group.....	I-54
Table I.4.	Main recipients of bilateral ODA	I-55
Table I.5.	Bilateral ODA by major purposes	I-56
Table I.6.	Comparative aid performance.....	I-57

Organigrammes

Chart 1.	Ministry of Foreign Affairs: departments and sub-units	I-34
Chart 2.	Ministry of Foreign Affairs: Central Support Services	I-35

Figure

Figure I.1.	Net ODA from DAC countries in 2000 (preliminary figures)	I-58
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Boxes

Box 1.	List of “partnership” countries	I-21
Box 2.	List of “thematic” countries.....	I-21
Box 3.	NGO involvement in a sector approach to education.....	I-32
Box 4.	Recruitment in 2001	I-37
Box 5.	Operationalising the “Golden Rules”	I-39
Box 6.	Summary of the Burkina Faso field visit.....	I-42

DAC MAIN FINDINGS AND RECOMMENDATIONS

A tradition of development co-operation leadership and performance

Dutch development co-operation has historically evolved flexibly with the challenges of the changing times, and has traditionally played an important and very active role among donor nations in shaping the world agenda in development assistance, particularly in policy coherence areas. The Netherlands put in motion an ambitious sequence of internal reforms in 1995, then again in 1998. Many of them, such as the decentralisation and delegation of authority to the field, the promotion of host country ownership of the Dutch programmes, and the emphasis of sector approaches, have put Dutch field missions in a role that is applauded by many of their local foreign donor counterparts. The Netherlands has designated poverty reduction as the overarching rationale for its development assistance, and is playing a strong role in testing operational approaches to this theme.

Dutch official development assistance (ODA) has averaged an ambitious 0.8% of gross national product (GNP) since the last Peer Review, and even before, putting it in the select group of Development Assistance Committee (DAC) Members who meet or exceed the United Nations (UN) target goal of 0.7%. DAC statistics show the Netherlands to be the second most generous bilateral donor among its Members. This laudable achievement was undoubtedly greatly facilitated by the strong and widespread Dutch public and political support for development assistance. The formal shaping of Dutch development co-operation by the Parliament is similarly influenced by many civil society groups, including non-governmental organisations (NGOs), private enterprises, municipalities, research institutes and universities.

Dutch development co-operation since the last Peer Review (1997) has been carried out in a manner highly compatible with most aspects of DAC guidelines in key sector and theme areas, including those in poverty, environment, evaluation, governance and conflict, gender and the private sector. The Netherlands vision of aid has been heavily influenced by DAC strategic principles, and by the International Development Goals (IDGs) and indicators, which, over the last year, were integrated into official reporting to the Dutch Parliament. The Netherlands was able to successfully address some, but not all, aspects of the key issues raised in the 1997 DAC Peer Review.

The shape of aid

Managing a growing budget: The fact that Dutch annual ODA is benchmarked against a fixed percentage of GNP means an automatically expanding level of ODA in a situation of national economic growth. This, in turn, places increasing pressure on Dutch management systems, which, simultaneously are under pressure due to staff constraints. Additional funds tend to be absorbed through flexible use of macroeconomic assistance, partially in cofinancing agreements with multilateral institutions.

Country targeting: The Netherlands has made a substantial effort since 1998 to reduce the dispersion of its assistance by more clearly defining its 17+4 “partnership” countries, in conjunction with some

The Netherlands

30 other, more thematically defined recipients. This was a politically difficult and courageous step toward creating the conditions for more efficient development co-operation. Nevertheless, the number of beneficiary countries still remains rather high and the justification for placing some countries in certain theme categories is debatable. With the ever-evolving situation of the developing world, as well as the politico-economic situation of the Netherlands and its developed world partners, Dutch authorities need to maintain clarity in country selection policies.

NGO targeting: Dutch development assistance makes extensive use of private and non-governmental organisations (representing some 20% of overall Dutch ODA) in implementing its programmes. Ten percent of overall ODA is traditionally allocated to the “Four Pillars+1” group of NGOs. The Dutch government is currently attempting to improve upon the logic and nature of this allocation process along performance, efficiency and transparency lines. This will result in an opening up of the former allocation system which is felt to be beneficial to all parties.

Policies and approach

Policy coherence focus: The concept of broad-based policy coherence is not new to the Netherlands development assistance approach and the importance of having a Minister for Development Co-operation in the national cabinet is critical in this respect. The Dutch are very actively engaged in the linking of the Dutch perspective on developing world issues to key international fora such as the European Union (EU) and World Trade Organization (WTO), and over a wide variety of themes, including trade, environment, and private sector policies. As in other donor countries, some domestic issues such as debt relief and export credit policies, require additional attention. Policy coherence is a complex task, and a more systematic approach requires an adequate analytical capacity to better identify and address this task.

Ownership and poverty focus: The Netherlands builds its approach to development co-operation on three principles: ownership, utilisation of domestic resources and poverty reduction. As is true with several DAC Members, it promotes the use of country-owned strategies, in particular, the Poverty Reduction Strategy Paper (PRSP), as a framework for implementation, monitoring and evaluation, donor co-ordination and policy dialogue in priority countries. Because of the major importance of this new system, based on over 30 years of lessons learned of development co-operation, Dutch leadership faces a challenge in terms of risk management whenever the implementation of such models proves difficult. Options for reducing interim risks include the further development of sector approaches (which can feed into a PRSP framework), and the pursuit of priority collaboration with key partners, bilateral and multilateral, to help ensure that poverty approaches are rendered operational as soon as and as effectively as possible.

Multilateral focus: In light of its interest in striving towards greater policy coherence, the Netherlands has been actively involved in co-ordinated action with its major multilateral partners. Because the Netherlands is a strong supporter of the European Union (EU) and because of its historical interest in engaging the development of future European policies, it is appropriate for Dutch leadership to continue its active involvement in European policy dialogue and co-ordination.

Alliance with civil society: Because Dutch development co-operation derives its strength from the strong support of civil society and the Dutch political process, a continuing engagement of civil society is necessary, especially the Dutch NGO community, academic and research institutions, and the business sector. The Minister for Development Co-operation maintains an active dialogue with Dutch civil society. It would seem desirable to build from this framework to further operationalise collaboration between civil society and the Ministry of Foreign Affairs (MFA), and between Dutch

civil society and its partners in Europe and elsewhere. Such an approach will allow for a more action-oriented dialogue on policy coherence issues, as well as other relevant issues affecting the Dutch system of foreign aid and its field operations.

Untying: The Netherlands has provided strong political leadership and support for untying of development assistance. Given the DAC High Level Meeting agreement reached in April 2001 on untying aid to least developed countries (LLDCs), the Netherlands has now decided to re-allocate the funds previously used for tied-aid projects in LLDCs to a special facility for infrastructure development in those countries.

Management considerations

The MFA provides an organisational framework which permits it to pursue the various and inter-related foreign policy objectives of the Netherlands, one of them being sustainable poverty reduction through development co-operation. This integrated organisational setting has undoubtedly improved the coherence of policy emanating from these two sides of the ministry. From a management perspective, however, this association of functions appears to have generated some operational challenges. The Minister for Development Co-operation, while responsible for some 80% of the overall MFA budget, lacks authority in several critical organisational areas, not the least of which is personnel. In the recipient country embassies in the field, the aid portfolio usually represents the majority of official Dutch funding in-country, while delegations of authority to the field remain with the ambassador. The operational issues created by this situation have not been entirely resolved. The Regional Bureaus have a key role here, but suffer staffing constraints.

Improved communications: Perhaps one symptom of the somewhat unclear chain of authority and responsibility (although not the only reason) is an apparent problem with communication between headquarters and the field. It would seem important to initiate action to address evidence of a psychological separation of the field and headquarters, when convergence and communication are so critical to successful decentralised management. In a similar vein, recent strong statements from headquarters on new policies on sector approaches, budget support and technical assistance, seem to have generated misunderstanding which can best be mitigated by a strengthening of communication and a sharing of field experiences in these areas.

Need for modern personnel policy: Another side effect of this system would appear to be at the level of personnel management. Relatively little attention is given to specialised management needs of the development assistance side of overall staffing. While a survey is planned in 2001 to estimate the size and composition of the development assistance work force, current figures only show the global numbers of employees within the MFA, leaving an absence of basic data against which normal personnel policy and planning for development assistance can be derived. It is important for the incentive system of the developmental side of the ministry, and for its appropriate future staffing (skill mix, location, size), to develop a forward-looking personnel policy which is optimally responsive and supportive of the development co-operation side of the ministry.

Financial vs. management decentralisation: Despite the principle of decentralisation of development co-operation to the field level, only a part of overall Dutch ODA in any given recipient country is actually managed by the local embassy. A more holistic re-examination of the various budget flows of Dutch ODA to any individual recipient could be undertaken so as to more strategically place the local Dutch representative in transacting the use of these funds. One specific intention expressed by the Minister for Development Co-operation in this respect is the delegation of more authority for macro support funds, all of which are currently controlled out of headquarters. A result of this will be the

The Netherlands

reinforcement of the authority of the Dutch field missions and the better use of local experience to focus these considerable funds more in line with local developmental policy and logic.

The recurrent issue of an effective monitoring and evaluation (M&E) system: This Peer Review, as was the case in both the 1994 and 1997 reviews, found a continuing need for the Netherlands to strengthen its M&E system. While some efforts are being made in this respect, the current system still appears conceptually disconnected and minimally co-ordinated operationally, resulting in an overall feedback system which is uneven in quality and with a tendency to be informal and anecdotal. It is suggested that, perhaps under the aegis of the evaluation office (IOB), a comprehensive review of overall Dutch M&E systems be undertaken so as to identify the range of options in this area which are before Dutch leadership. Failure to redress these deficiencies hold the potential to undermine the credibility of the ministry's widely announced results orientation in the eyes of the public, and will continue to permit a management style which does not have a system of feedback for learning.

Recommendations

Based on these findings, the DAC encourages the Netherlands to:

- Continue to maintain the current strong commitment to high ODA levels, combined with high quality and creative approaches to development programmes.
- Continue to use developmentally appropriate allocation solutions to a regularly growing ODA budget and give special attention to adequate staffing.
- Strengthen MFA analytical capacity to pursue greater policy coherence among Dutch actors and on the international scene.
- Initiate the actions necessary to effective communications between headquarters and the field, so as to redress any perceptions of separation and to ensure that perspectives from both ends are fully understood and utilised.
- Ensure that policy-making is fully informed by the field perspective. Special note is made in this sense of the need for policy clarity relating sector assistance to budget support and on the appropriate uses of technical assistance in the field.
- Continue to actively collaborate with Dutch civil society so as to address policy coherence issues and other issues of mutual interest concerning Dutch development co-operation in headquarters and abroad.
- Pursue current intentions to bring Dutch policy on tying in line with the April 2001 DAC agreement on untying to the LLDCs.
- Maintain its active involvement in co-ordinated actions with selected multilateral agencies as well as in European policy dialogue and co-ordination.
- Develop a personnel policy for the development co-operation operations of the MFA that provides a useful framework for the recruitment and assignment of appropriate staff and generates accurate information on developmental staff.

- Undertake the actions necessary to creating an overall monitoring and evaluation system which allows for well informed management decisions and which is structured conceptually around learning.
- Further develop sector approaches and continue to engage key international partners in collaborative efforts to ensure that country-owned approaches such as the PRSP are rendered operational as soon as possible.

CHAPTER 1

THE FOUNDATIONS OF DEVELOPMENT ASSISTANCE IN THE NETHERLANDS

Fifty years of Dutch development assistance

The 1950s through the 1980s: The Netherlands has been widely recognised by its peers over the last fifty years as one of the most progressive countries in development co-operation policy and implementation. The first official Dutch aid programmes were initiated in the 1950's in the form of technical assistance to a small number of colonies and former colonies. This rapidly evolved in the 1960's in the context of world-wide efforts to address the needs of the developing world, particularly the newly independent states of Africa and Asia. During this period, Dutch leadership publicly justified its expansion of development assistance on new moral and social grounds, in addition to the previous economic and geopolitical ones. The Netherlands was also among the earliest supporters of international development instruments, in the United Nations (UN), the OECD, and the international financial institutions. The Netherlands played a major role in drawing attention to numerous new developmental themes in the 1970's (e.g. poverty alleviation; self-reliance; policy coherence; untying), and the 1980's (e.g. structural adjustment; capacity building; sector approaches).

The 1990s: By the 1990's Dutch development assistance took on the contours of today's official policy. Two Dutch policy documents produced at the time, *A World of Difference* (1990) and *A World in Dispute* (1993), drew significant attention within the international community. They also outlined for the Netherlands a new strategic approach that was more compatible with the post-Cold War era and the transition from structural adjustment policies to those of sustainable development. In 1995, Dutch leadership reviewed the country's overall foreign policy, including development co-operation, as well as the mechanisms through which it was delivered. This led to a third important policy statement, *Aid in Progress* (1995), which supplemented the two previous documents as a conceptual framework for today's Dutch development assistance. Major decisions were made at that time, *inter alia*, to merge foreign policy and development co-operation organisation, to decentralise operations to the embassy level, and to simplify implementation procedures. Formal statements of policy since that time have tended to be thematic in nature, and are generally found in the explanatory memoranda contained in presentations of the National Budget, or are expressed in ministerial speeches or policy memoranda to the Parliament.

The role of Dutch society

A reminder to the State: "Development assistance is not only the responsibility of the State." Dutch non-governmental organisations (NGOs), parliamentarians, intellectuals, and the government itself, freely admit that the Dutch form of development assistance is deeply rooted in the culture of the country and that its survival requires the active participation of all elements of Dutch society.

The Netherlands

The strength of pluralism: Setting of development policies in the Netherlands has been described by many as a “consensus-based” process. National development co-operation goals and directions are formally established by Parliament, based largely on policy initiatives presented to it by the Minister for Development Co-operation, usually in annual National Budget debates. The Dutch Parliament is far from being passive in the role it plays, however. In shaping the directions of development co-operation it maintains multiple channels of communication with Dutch special interest groups, including NGOs, private enterprise, municipalities, research institutes and universities. Most of these groups actively use parliamentary connections to further their own vision of Dutch development assistance. The role of civil society in development assistance is sufficiently well understood politically that four Dutch NGOs, representing the “four pillars” of Dutch society (Catholic, Protestant, humanist, Social-Democrat), have received, for more than 20 years, a current annual entitlement of 10% of total Dutch ODA.¹ This type of legislation is consistent with Dutch society’s traditional concern for consensual decision-making and equity – itself, plausibly related to the earliest days of polder construction, which dictated equal attention to all segments of society and the encouragement of a spirit of participation and contribution to the common good. This spirit of equity, when linked with Holland’s strong religious tradition, undoubtedly also accounts for much of the nation’s strong popular support for assistance to the developing world. Since the early 1970’s, broad agreement among all Dutch political parties has led to an allocation of at least 0.7% of the gross national product (GNP) to official development assistance (ODA). This has been reflected in every government since then, including the present one, which allocates 0.8%. This makes the Netherlands one of the handful of most generous countries in the world (see Annex I).

The current vision of Dutch development assistance

What, then, is the current strategic vision of Dutch development assistance? This will be extensively dealt with elsewhere in this report, but several highlights merit mention at the outset.

Poverty reduction: First and foremost, Dutch development assistance is organised around obtaining results in the perceptible reduction of poverty. To quote the current Minister for Development Co-operation, “Poverty is a way of thinking about people.” Poverty is the touchstone for geographical and sector concentration, it is key to the development of an operational approach to donor co-ordination, and is probably perceived by the Dutch public as the most noble and logical reason to have a development assistance programme. Poverty has been an important element of Dutch aid for many years. But making poverty the strategic framework for all development assistance now provides the Ministry of Foreign Affairs (MFA) with a non-controversial rationale for its overall development programme, keeps it in step with the latest thinking of many from within the international donor community, and provides it a coherent framework to knit together other important characteristics of its aid, including such themes as **ownership, sector approaches, and co-ordination and coherence**. As will be noted later, however, much remains to be done to render this concept operational.

Ownership: While relatively new as an operational concept for Dutch development assistance, the theme of ownership is one that resonates well in Dutch society. It suggests that, as in the Netherlands, developing societies benefit from a regular process of non-governmental participation in the formulation and implementation of national policy. For the Dutch, ownership also requires that donors be predictable and reliable, and that the recipient countries lead the development of strategic planning, then translate it into sector policies with the involvement of civil society, where donor funds can be

1 . A fifth Dutch NGO (Foster Parents Plan) was admitted to this programme in 2000.

most efficiently implemented. Dutch programming around ownership therefore emphasises the importance of capacity building within the recipient country.

Sector approaches: Sector approaches are now a requirement of programmes in all countries with which the Netherlands has a long-term bilateral relationship. This approach opens up opportunities for effective co-operation by enabling the recipient country to devise long-term policies that bind all parties. It is seen by the Dutch as a more efficient way to implement development programmes and one which makes it possible to better focus on the strengthening of national capacity and the use of public funds. The Netherlands also makes it a policy to attempt to influence other donors to join in using this approach to implement their respective programmes. Recent Dutch efforts to promote sector approaches are now focussing on the use of Poverty Reduction Strategy Papers (PRSP) as a primary focal point for field strategy, implementation, donor co-ordination, and monitoring and evaluation.

Co-ordination and coherence: Somewhat related to the rationale for sector approaches, the Netherlands sees co-ordination as a concept which ideally requires all donor, recipient country and civil society partners to work together to ensure optimal use of their respective resources. From the Dutch perspective, co-ordination is critical to successful use of sector approaches. With respect to the donor community, it also suggests that attention must be paid to key multilateral partners who use Dutch funds [especially the UN system, development banks, the European Union (EU)]. Finally, donor groups such as the OECD Development Assistance Committee (DAC) or the Utstein² forum are seen as useful instruments for broad policy co-ordination among peers. Closely related, the concept of coherence implies the need for Dutch development co-operation, whether in headquarters or the field, to ensure that ODA-funded programmes are not compromised by inappropriate policies in other key areas (e.g. trade, agriculture, intellectual property, arms). As pointed out by the minister, “What is the point of increasing the export capacity of developing countries, if the rich nations close their borders? What is the point of encouraging small-scale farmers to produce for the market, only to crush them with export subsidies?”

Strong public support

Public opinion: Understanding the importance of public opinion for the future of development co-operation, the MFA maintains an active network of public education organisations throughout the Netherlands. These efforts have resulted in supplementary teaching materials on development for primary, secondary and even university level classes that integrate development education into such mainstream courses as geography or social studies. Ministry guidelines ensure that NGO teaching materials are relevant to existing curricula and textbooks. Given the spontaneously supportive public sentiment toward aid which seems to characterise Dutch society, it is difficult to hypothesise the special impact of these education efforts. A December 2000 sample survey measured a continuing trend of strong public support for Dutch aid programmes³, although opinions expressed appeared to be somewhat less positive than a 1998 survey.

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- 2 . Informal group of four development ministers from Norway, Germany, United Kingdom and The Netherlands, who decided at a meeting in Utstein, Norway, in 1999 to network closely on a select number of policy and organisational issues.
 3. Survey carried out by the Education/Information Department of the Dutch MFA, December 2000. Result examples included: 76% suggested that more or the same amount of money should be spent on aid; only 15% felt that aid does not help. The sample size of 816 respondents was felt to be fairly representative by the authors.

The Netherlands

Field perspectives: In the field, the Peer Review team found a remarkable appreciation of Dutch programmes from relevant host country nationals, donors, and other informed individuals. This positive attitude included appreciation for the clear direction of Dutch policy, and the leadership and example that it provided in such areas as decentralisation, concentration, sector approaches, partnership and ownership.

CHAPTER 2

AID VOLUME, CHANNELS AND ALLOCATIONS

Official development assistance volume

A growing ODA budget: The Netherlands likes to claim that it is part of the “G7 of ODA”. Its average ODA level of 0.8% of GNP over the last several years puts it in the select group of DAC Members which honour the UN-pledge to commit at least 0.7% of its GNP to ODA. A strong 3-4% growth of the Dutch economy since 1997, when combined with its politically agreed-upon target of 0.8% of GNP, gives the country an aid budget that has grown steadily in recent years. The budget for 2001 is expected to be close to 3.5 billion United States dollars (USD) (USD 300 million more than in 2000).

ODA composition: In recent years there has been an on-going debate over the so-called “pollution” of ODA from a variety of sources that support activities not considered as pure aid (e.g. peacekeeping operations, refugee assistance, private sector support). The more comprehensive development assistance perspective introduced in the early 1990s following the end of the Cold War, also led to the use of a more comprehensive budget system for international co-operation. The Homogeneous Budget for International Co-operation (HGIS) shown in Table 1 was introduced in 1995 in order to ensure that all foreign policy activities sponsored by the Netherlands are regrouped into one planning framework. The five foreign policy priorities used by HGIS are: a) international order; b) peace, security and stability (including emergency relief and human rights); c) European integration; d) poverty reduction; and e) bilateral interests. Table 1 demonstrates the relative budgetary weight of these different categories, and particularly the percentage of ODA (73% of the total) subsumed in each. The HGIS, because of its comprehensiveness, helps to make sharper distinctions between activities that are consistent with ODA definitions and those that are not.

Aid channels: The Dutch assistance programme relies on three main delivery channels referred to as the **bilateral**, **multilateral** and **private** (NGO/civil society/private enterprise) channels. Overall, some 30% of Dutch ODA is channelled through multilateral organisations, while 70% is spent bilaterally⁴. Within the bilateral envelope, a significant proportion of resources (about 35% of bilateral ODA and 23% of total ODA) is available for the private channel.

4 . According to OECD/DAC definitions, this includes the private channel.

Table 1. **HGIS budget (2001)**
in billion USD*

Foreign Policy Priority	Total HGIS budget	Of which ODA	Percentage Distribution of ODA
1. International order	0.04	0.01	0
2. Peace, security and stability	0.4	0.2	6
3. European integration	0.02	-	-
4. Sustainable poverty reduction	3.2	2.9	85
<i>A. Bilateral development co-operation</i>	<i>1.5</i>	<i>1.4</i>	<i>40</i>
Of which:			
Delegated funds to Embassies			0.6 17
Macroeconomic assistance			0.4 12
Support to Surinam			0.1 3
Reconstruction in Southern Europe etc.			0.1 3
<i>B. Multilateral development co-operation.</i>	<i>0.9</i>	<i>0.75</i>	<i>22</i>
<i>C. Private development co-operation</i>	<i>0.8</i>	<i>0.8</i>	<i>23</i>
Of which:			
NGO co-financing			0.3 10
Research and international education			0.2 6
ORET/MILIEV programme, etc.			0.1 3
5. Dutch bilateral relations	0.5	0.2	6
6. Other	0.5	0.1	3
TOTAL	4.7	3.4	100

* Based on an exchange rate of NLG 2.4 for USD 1 (April 2001).
Source: MFA, HGIS 2001.

ODA bilateral channel

Geographical allocation

"Partnership" and "Thematic" countries: In 1998, the Minister for Development Co-operation decided to concentrate its aid on a reduced number of countries in order to increase aid effectiveness. First, a list of 17 **partnership countries** (see Box 1) was determined, with which the Netherlands would make a commitment for intensive and long-term structural co-operation. The selection criteria included the degree of poverty, the recipient government's commitment to good policies, and good governance⁵. Another four countries were added to the list where full-scale co-operation was foreseen for only a limited period of time (an initial period of five years). The list of partnership countries was the subject of intensive parliamentary and public discussion. In spite of some reservations toward specific countries, there is now a general consensus that all selected countries need aid. Second, and in addition to these core partnership countries, Dutch development co-operation maintains a list of 29 countries with which it pursues **thematic co-operation** on a limited scale (see Box 2). These

5 . It is interesting to note that Ethiopia and Eritrea were included on the partnership list with reservation because of their political instability. Year 2000 aid was, in fact, frozen, but the Dutch intention is to resume assistance once the political situation permits it.

themes are: i) environment, ii) human rights, peace building and good governance, and iii) business and industry. Finally, special, long-term **sustainable development** agreements, with their own rationales, have been additionally signed with three countries - Benin, Bhutan and Costa Rica. This makes a total of (17+4+29+3=53) 53 focus countries. All sides agree that this new system has reduced the sense of “scatter” among countries that benefit from Dutch development assistance. From the previous confusing list of almost 100 recipients, highest-level focus is now accorded to a fairly non-controversial range of 21 countries. Despite this politically courageous effort to focus and concentrate, the need to develop lists for about 30 additional countries in different subject areas is evidence of the domestic and international influences that prevent the Netherlands (as with aid programmes elsewhere) from obtaining a completely consistent and coherent geographic allocation system, based on technical criteria alone.

Box 1. List of “partnership” countries

Bangladesh, Bolivia, Burkina Faso, Eritrea, Ethiopia, Ghana, India, Macedonia, Mali, Mozambique, Nicaragua, Sri Lanka, Tanzania, Uganda, Vietnam, Yemen, Zambia (+ Egypt, Indonesia, the Palestinian Administered Areas, South Africa).

Box 2. List of “thematic” countries

Environment: Brazil, Cape Verde, China, Colombia, Ecuador, Guatemala, Mongolia, Nepal, Pakistan, Peru, the Philippines, Senegal.

Human rights, peace building and good governance: Albania, Armenia, Bosnia, Cambodia, China, Colombia, El Salvador, Georgia, Guatemala, Guinea Bissau, Honduras, Kenya, Moldova, Namibia, Nepal, Rwanda.

Private Sector: Armenia, Bosnia, Cap Verde, China, Colombia, Côte d’Ivoire, Cuba, Ecuador, El Salvador, Georgia, Guatemala, Moldova, Nigeria, Peru, the Philippines, Thailand.

Finally, it should be noted that a few, very large countries figure on the priority country list (China, India, Indonesia, Brazil). For these countries a thoughtful policy of regional concentration within the country may be as important an aspect of Dutch geographic concentration policy as that at the national level.

Setting of budget targets: In 2000 a new system was introduced to determine target country budget levels, based on a multiple criteria analysis. This analysis takes into account both country needs (IDA eligibility, debt service ratio, importance of other donor resources) and performance (macroeconomic policies, social policies, human rights record). The new system has not yet led to a drastic change in resource allocation. Its purpose is essentially to create a reference allocation system, rather than one based on historical trends. Finally, it should be noted that the ministry plans to allocate 50% of its bilateral ODA to Africa in 2001, although this may not be easy to achieve, given limitations in absorptive capacity of these countries, as evidenced (see Table I.3) by the 37% of bilateral ODA that was actually disbursed in Africa in 1999.

Breakdown by income level: The destination of the Netherlands’ bilateral aid indicates a clear focus on countries with low levels of *per capita* income, consistent with the poverty reduction objective of

The Netherlands

Dutch development co-operation. Of the 17+4 partnership countries, 10 countries belong to the category of least developed countries (LLDCs) and five to that of “other low-income” countries. Of the 32 thematic/sustainable development countries, 16 are low-income countries. As a result, more than 60% of Dutch bilaterally allocated ODA benefited the least developed and other low-income countries in 1999. This exceeded the DAC average of 52%. With the removal of the Netherlands Antilles and Aruba from the DAC list of ODA-eligible recipients in 2000, this share is likely to increase to 70%, since the majority of these funds (USD 126 million in 1998-99) have been reallocated to Indonesia, with which co-operation was resumed in 2000.

Dispersion of resources: Despite a strong political will to focus efforts on a select number of countries, geographic dispersion of resources is still present. The share of bilateral ODA reaching the most important beneficiaries has actually decreased over the years (see Table I.4). In 1988-89, the top 15 recipients received 65% of total bilateral ODA. This declined to 52% by 1998-99. In 1999, only 21% of bilateral ODA (16% of total ODA) reached the 17+4 countries. At the same time, 34% of bilateral ODA (26% of total ODA) benefited the 29 thematic countries. One explanation of these numbers relates to the fact that only a part (28% of bilateral, or 17% of total ODA) of overall aid is allocated as “delegated”⁶ funds to embassies in both the 17+4 partnership countries and the 29 thematic countries. Finally, it should be noted that the previously standard line item for small embassy projects was also abolished, representing one special effort to curtail the dispersion of budget resources.

Exit strategy: Under its current leadership, the Netherlands has withdrawn its development assistance from a wide range of beneficiary countries. In 1997, some 100 countries received more than USD 1 million. The number of focus countries is now about one-half that number, in addition to which 41 countries, not previously mentioned, are being actively phased out over the period 1998-2003. Most agree that this focusing of resources around transparent and acceptable criteria was a major step in rendering Dutch development co-operation more relevant and effective. But the job of optimal geographic focusing of resources is not complete and continued attention to entry and exit countries and programmes will be a long-term preoccupation of Dutch development co-operation leadership. According to the MFA, exit criteria include graduation out of IDA eligibility and deterioration of performance in good governance, although this does not appear to have been a topic of written policy. This does not, however, provide guidance on the way in which such a phasing out process is done. The current effort toward greater transparency and efficiency in targeting of Dutch ODA, would also seem to suggest the utility of establishing clearly drawn, strategic guidance for the eventual exiting of Dutch aid from a recipient country, and of working towards greater coherence in the existing lists of recipients, particularly those in the “thematic” country category, several of which are not optimally consistent with the current Dutch focus on poverty.

Sector allocation

Sector focus: Explicit geographical selectivity has been accompanied by an implicit tightening of development co-operation around a modest number of poverty sectors. Because of the Dutch emphasis on a demand-driven approach, budget targets for politically important priority areas have been abolished, with the exception of environment (0.1% of GNP). However, examples of “soft” targeting still exist, for example, the annual allocation of 45 million Dutch guilders (NLG) for gender activities.

6. Decentralisation to the embassy-level of implementation responsibility is actually limited to the so-called “delegated” development funds. See Chapter 4, Financial Management, for a more complete discussion of this topic.

Basic social services: Although the earlier commitment of the Netherlands to the 20/20 Initiative remains valid, the 20% donor input target is no longer formally applied, mainly because these supply targets are not consistent with Dutch support for demand-driven approaches. Support for basic social services⁷, however, is still strong. For example 14 of the 17+4 partnership countries chose basic education as a priority sector for Dutch assistance and 12 chose health. According to DAC statistics⁸, the Netherlands committed USD 178.5 million or 17% of its total bilateral allocable ODA to basic social services in 1997-98. If multilateral commitments attributed to basic social services (USD 118.4 million) are added, Dutch overall aid to basic social services represented 19% of its total ODA in those years. While accounting in this area still has limitations across all DAC Members, this data seems to indicate that Dutch contributions to basic social services is ahead of the DAC average of 10% for bilateral ODA and 11% of total ODA.

Macroeconomic assistance: An important component of bilateral assistance is that of macroeconomic support, comprised of debt relief and budget support. Such support amounted to more than USD 342.5 million in 2000. Since 1997, disbursements for budget support have probably been the fastest growing budget line item, particularly since it has become an expeditious way to absorb part of the additional funding generated by the growing overall aid budget, mentioned earlier. The proportion of funds devoted to macro-oriented aid within any given country is also likely to increase in accordance with the aim of providing “programme aid where possible, project aid where necessary”. Non-targeted budget support is provided in close collaboration with the Bretton Woods Institutions and is usually linked to an assessment of the macroeconomic track record of the recipient country. Progress in implementing social policies and commitment to good governance is also taken into account in programming this type of aid. Macroeconomic support is, in principle, reserved for partnership countries and selected Eastern European countries, but it can also be provided to countries within the framework of current exit plans, in particular for countries where there is still outstanding bilateral debt. The main beneficiaries in 2000 were Indonesia (USD 47 million debt relief) and Mozambique (USD 24 million budget support) and three HIPC countries receiving additional balance of payments for budget support in order to compensate for high oil prices: Tanzania (USD 47 million), Mali (USD 29 million) and Uganda (USD 27 million). In a country like Burkina Faso, macroeconomic support has represented some 30% of the total country envelope of bilateral assistance in recent years.

ODA multilateral channel

Policy: The Netherlands currently provides some 30% of its ODA multilaterally. Although it carefully watches the performance of international organisations and has commissioned a number of critical assessment studies, the minister has recently made a proposal to the Parliament to increase the share of funds earmarked for the multilateral channel to 33%. The rationale for this increase is ostensibly to place Dutch assistance more in line with the DAC average⁹, and is also an obvious way to help disburse a steadily expanding aid budget in a context of organisational capacity constraints. It also relates to the Netherlands long-standing belief in the value-added of multilateral aid (greater pool of knowledge and experience; simplification of co-ordination; reduced burden on the recipient country). This proposed increase in multilateral funding has met some resistance within Parliament, which has made known its concerns over the quality of work of international organisations. The government

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7. Basic social services include basic education and reproductive health programmes and poverty-oriented water supply and sanitation systems.
 8. See Annex II, DAC Countries' Bilateral ODA to Basic Social Services 1997-98.
 9. According to OECD statistics, net disbursements of Dutch multilateral assistance in 1999 represented 31% of total ODA. This is slightly lower than the DAC average of 33%.

The Netherlands

itself feels that it is reaching the limits of its ability to increase these contributions, because of large amounts already contributed to UN agencies such as the United Nations Population Fund (UNFPA), the United Nations Development Programmes (UNDP) and the United Nations Children's Fund (UNICEF).

Allocations: Allocations to individual multilateral categories are outlined in Table 2. These funds can be periodically adjusted, and will ultimately be measured against their impact in achieving internationally agreed development goals. Embassies in the 17+4 partnership countries have received standing instructions to report on activities of multilateral organisations, and in particular, on the way they co-operate at the field level. One forthcoming opportunity is to raise the level of Dutch burden sharing to the next International Development Association (IDA) replenishment (currently at 2.6%). A number of trust funds have also been established in the form of Partnership Programmes, around such themes as the facilitation of implementation of the PRSP process, or the promotion of greater integration and co-ordination among UN actors in the field.

Table 2. The Netherlands' multilateral contributions
1999 disbursements in USD million

UN agencies	241	
<i>of which: UNDP</i>		88 (36%)
<i>UNFPA</i>		46 (19%)
World Bank Group	250	
EU development programs	250	
Regional development banks	60	
Others	190	
Total	997	

Source: OECD.

The “private” channel

Role of non-government actors: The NGO community plays a strong role in Dutch development co-operation. They directly impact on public awareness of Dutch development programmes and on the politics and strategic thinking related to development co-operation. They logically constitute, therefore, an important channel for Dutch ODA. NGOs are able to work directly with local partners who have an intimate understanding of the needs and culture of the beneficiary groups. They are also able to play a credible role in the strengthening of civil society in an era where sustainable development ultimately requires strong participatory governance processes. A significant share of humanitarian assistance is channelled through both Dutch and foreign NGOs (30% of the total budget for emergency assistance, or some USD 30 million per year). NGOs are also used by the MFA to implement humanitarian assistance, or to help in countries that are not eligible for official aid because of a prevailing situation of poor governance. The 2001 overall budget estimate for non-government actors amounts to almost USD 800 million (23% of ODA) and covers 18 different budget items encompassing a wide range of actors. The current administration, encouraged by a recent competition law, has encouraged greater openness in dealing with this complex and politically active group. It would seem consistent with best practice to continue to publicly explore the logic of past NGO funding arrangements, with attention to maintaining public transparency on funding decisions, particularly in relation to performance and efficiency criteria.

MFO cofinancing: The four largest Dutch NGOs¹⁰, the so-called “MFO”s, represent a number of other organisations in the Netherlands and have traditionally benefited from cofinancing arrangements under their four-year agreements (see Table 3). This cofinancing approach was modified in early 2000, so as to permit better ministry review of results and financial issues. The process of redefining this collaborative process is still under way, but the principle of maintaining an annual 10% allocation of ODA to the MFOs has been reconfirmed. Foster Parents Plan (the Dutch branch of Plan International) was recently admitted as a fifth member of the programme. These recent adjustments to the long-standing administrative agreement between the MFOs and the ministry could be a harbinger to more open dialogue on this topic.

Table 3. MFO cofinancing

indicative 2001 budget estimates, in USD million

	Government grant	% of total	% of MFO total budget from internal sources
NOVIB	92	29	61
CORDAID	85	26	54
ICCO	85	26	94
HIVOS	46	14	87
Foster Parents Plan	15	5	17
Total	323	100	

Source: MFA.

Other private actors: Another major private actor is the **National Committee for International Co-operation and Sustainable Development (NCDO)**, which currently receives a government subsidy of USD 12 million (including USD 4 million for activities in developing countries) over a four-year timeframe. The NCDO works to strengthen support within Dutch society for international co-operation. It organises and finances development education and public awareness activities. Its co-operation agreement with the MFA is also under review. **International education and research institutions** are also important beneficiaries, receiving among them some USD 100 million on research activities and USD 125 million on higher education and research capacity building. This latter category is further broken down into scholarships (75%) and institutional support in developing countries (25%). Another player is the **Association of Dutch Municipalities**, which receives a modest contribution of USD 5 million, earmarked to two specific projects in local development. It is difficult to assess the amount that municipalities spend on development co-operation from their own budgets, but estimates suggest that their contributions are roughly equivalent to the value of the ministry grant funds. Finally, about USD 160 million are allocated to various private sector programmes: the most important one being the **ORET-MILIEV programme** (the Dutch system of associated finance with the private sector), which has had a fast growing budget in recent years. This programme is more fully discussed in Chapter 3. Finally, the **Netherlands Development Organisation (SNV)**, has, for many years, had an MFA mandate to provide technical assistance in the context of overseas development co-operation. The recent major policy decision on technical assistance (see Chapter 4) included a decision to phase out government subsidies to SNV over the next five years, at which point it will revert to an entirely private status. Currently, however, SNV still receives an annual contribution of about USD 60 million, which represents some 90% of the organisation’s total budget.

10. NOVIB (social-democrat organisation), CORDAID (network of Catholic organisations), ICCO (Protestant inter-church organisation), HIVOS (humanist institute).

The Netherlands

CHAPTER 3

KEY POLICIES AND APPROACHES

Policy Coherence

Background: Policy coherence has always been a key concern of Dutch development policy. As early as the 1970s, the need for an “integral” policy was mentioned, in the sense of a single co-ordinated approach towards the transfer of financial flows, debt, raw materials, trade, industrialisation and agriculture. The concept of coherence, as such, appeared in the policy documents *Development Co-operation in a World Economic Perspective* (1980) and *The Quality of Aid* (1989), which stressed the necessity of integrating policies on aid, trade and international finance. A later paper *A World in Dispute* (1993) brought coherence to the forefront while introducing the concept of “de-compartmentalisation” of approaches and policies, both within development co-operation itself and between development co-operation and other dimensions of foreign policy.

Institutional setting: From an institutional standpoint, policy coherence is dealt with at several different levels. Broadly speaking, the integration of development co-operation within MFA facilitates policy coherence between the foreign affairs and the development co-operation sides of the Dutch government. This is similarly true at the field level, where the ambassador oversees both sides in the context of overall embassy operations. Internally, the unified geographic desks maintain a theoretical responsibility to ensure operational coherence in internal processes, although, as is noted later, these desks are still struggling to find their proper role in the new organisational environment of the ministry. At the level of the MFA Secretary-General, a joint planning unit is responsible for co-ordinating the annual budget planning among ministry operational units, as well as among the other ministries involved in development co-operation. The Co-ordinating Council for International Affairs (CORIA) also has theoretical responsibilities for inter-ministerial co-ordination of policy, although it has not played an active role in development co-operation policy to date. Another body, the Co-ordination Committee for European Affairs (COCO) co-ordinates European policies which can indirectly affect Dutch national policies of development co-operation, as well. Finally, at the highest level, the weekly Council of Ministers is ultimately responsible for decision-making and arbitration of differences of opinion among ministries. The Minister for Development Co-operation is a full member of this Council and, as such, has frequently used this forum to make the development world agenda heard and respected.

A more systematic approach: While there is a high political commitment to maintain policy coherence, there is no mechanism to help the Minister for Development Co-operation to comprehensively and systematically identify and address policy coherence issues. Potential issue areas at the domestic level which merit greater attention include associated financing (tied aid; development relevance) and export credits (respect of environment; social transfers; debt creation). The minister expressed her concern over the lack of an analytical capacity to maintain a more systematic identification of possible issues. It would seem appropriate to develop such a mechanism. More organised engagement of civil

The Netherlands

society, especially the NGOs, in a more systematic policy dialogue on coherence issues could help, as well.

Trade: It is on the trade front, and especially within the European Union framework, that coherence has been most actively and systematically sought. Dutch support has been critical in promoting the interests of developing countries on the trade agenda of the EU and World Trade Organisation (WTO). The Netherlands has been a strong supporter of the EU focus on “everything but arms”, and favours the extension of market access for products from the developing world, in particular those benefiting from the Heavily-Indebted Poor Countries (HIPC) initiative as well as binding the “everything but arms” trade preferences under the General Agreement on Tariffs and Trade (GATT). The Netherlands is pushing the EU to reform its agricultural policies, so as to avoid the dumping of agricultural surpluses that contribute to the distortion of markets in the developing world. In the context of WTO, the Dutch side has made a special effort to mainstream development issues into trade policies¹¹. Key future directions recently suggested by the Minister for Development Co-operation include: i) developing new trade agreements on area of specific interest to the developing world, ii) screening existing agreements on their consequences for development (e.g. the relationship between provisions in WTO/TRIPS and access to essential medicines), iii) reforming the system of Special and Differential Treatment in favour of the countries that really need it, and iv) working toward more coherent global economic policy.

Arms export: The Netherlands used to be among the world’s larger exporters of arms. In 1997, European NGOs launched a campaign against arms trade. They questioned the lack of transparency and co-ordination of arms export policies among the EU Member States. A European code of conduct for arms transfers was adopted in 1998. The Netherlands supported the NGO perspective and adopted national criteria more strict than those in the European code. As a result of this campaign, the Netherlands actually destroyed its surplus small weapons when no acceptable buyer was found, based on the new export criteria.

Approaches to private enterprise

Background: Development assistance policies in the Netherlands have experimented with a variety of ways of involving private enterprise in its field operations. Currently, the budget funding provisions until 2005 for this sector show an increase, however, actual disbursements have not changed over the past three years. Resources appear to be more oriented toward support of the Dutch private sector, than to the promotion of the local private sector in the target developing countries themselves. A 2001 paper *In Business Against Poverty: The Private Sector and Pro-poor Growth* has now established a framework for better addressing this issue, although much of this policy still needs to be operationalised. Many of the instruments for direct support to the private sector have undergone evaluation in recent years. While each instrument has been found to perform its assigned task, the need to have instruments clustered around a reduced number of implementing bodies and to improve co-ordination between the implementing bodies has been mentioned. Discussions are still under way regarding the possibility to have a one-stop shop for private enterprises. There are several reports by NGOs indicating a lack of information disclosure by the Government on private sector-related activities, despite Dutch legislation on public administration transparency. Suspicion still exists among

11 . For further reading see March 2001 speech by the minister on “Mainstreaming development issues into trade”.

some Dutch developmentalists concerning the motives of the private sector and its appropriate role in the development process¹².

ORET/MILIEV programme: A significant package (more than USD 150 million of which 25% is for environmental projects) is available to support development-related export transactions by Dutch companies. The MFA and the Ministry of Economic Affairs jointly run the ORET/MILIEV programme. Funding for this programme has more than doubled between 1995 and 2000¹³ despite growing NGO questions on the use of ODA for this type of activity. The Minister for Development Co-operation also proposed to abolish this programme because it constituted a form of tied aid, but this suggestion was rejected by Parliament. At the same time, there has been an ongoing general debate on the development relevance of these types of programmes, including the topics of export promotion and investment promotion. A recent Policy and Operations Department (IOB) evaluation attempted to assess the development effectiveness of the ORET/MILIEV activities from 1994-99 in terms of employment creation, mitigation of negative effects on the poor and the environment, as well as scope for technical and financial viability. Their conclusions in the three focus sectors (environment, public services/energy and health and transport) demonstrated favourable development contributions (infrastructure improvement; employment creation; wider benefits). On the other hand, evidence from at least one specific case study suggests that the development relevance of ORET/MILIEV activities may not be so simple¹⁴. WEMOS, a Dutch non-profit organisation that addresses health issues, raised questions about the pertinence of the delivery of Dutch medical diagnostic equipment to Tanzania¹⁵. This involved a grant from the Dutch government of USD 15.5 million and a contribution from the Tanzanian government of USD 12 million. Because the activity did not include analysis of local health sector needs, it was felt that this investment became counterproductive with respect to other, more urgent health priorities. They also flagged concerns regarding the recurrent cost impacts of the project on the national health budget.

Export Credit: Export credit and guarantees are administered by the Netherlands Credit Insurance Company (NCM), on behalf of the Ministry of Finance and the Ministry of Economic Affairs. Two additional export credit insurance facilities have been set up for emerging countries and developing countries, where standard credit insurance might not be available. NGOs have criticised the Dutch Government for its lack of transparency in the use of export credits and the difficulties in accessing information on these activities. More recently, a campaign has been launched in the framework of Jubilee 2000 to highlight concern about the risk of debt creation through export credit and to call for the application of strict social and environmental standards in the case of export credit policies. Recent controversy over the activities of other DAC Member countries in the area of export credit (e.g. the Three Gorges Dam in China and the Ilisu Dam in Turkey) suggests the need for closer scrutiny of, and adequate screening mechanisms for, export credit policies.

Untying

The Dutch position: The Netherlands has made renewed efforts to untie aid in recent years. The Dutch authorities have always been, in principle, ready to untie, but did not want to do it unilaterally. They

12 . These suspicions go beyond the scope of the Peer Review process, but merit the attention of the MFA.

13 . The ministry notes that, while budget funding provisions show an increase, actual disbursements have not changed over the past three years.

14 . See footnote 13.

15 . Since the early 1990s, a major Dutch private company carried out four more, similar projects in India, Jordan, Zambia and Zimbabwe.

The Netherlands

have been very supportive of the DAC initiative to untie aid to LLDCs. The Netherlands has also made attempts to clarify the European rules on state aid and questioned the Commission on the compatibility of EU tied aid with the EU support framework as set out in the EC Treaty. At this time, the Dutch ORET/MILIEV programme is tied to the procurement of Dutch goods and services. Given the April 2001 DAC/HLM agreement on untying aid to LLDCs, the Minister for Development Co-operation has decided to reallocate the funds previously used for tied aid projects in the LLDCs to a special facility for infrastructure development in those countries.

Debt relief

Progress in debt relief: The Netherlands is one of the major bilateral contributors to the HIPC Trust Fund (USD 165 million as of 31 December 2000) and is planning to put additional amounts into this fund when other donors secure their initial pledges. Debt relief is also provided in the form of country-specific bilateral and multilateral debt relief (USD 119 million in 2000, of which USD 83 million went to Dutch partnership countries). Since 1995, the average Netherlands debt relief programme has averaged USD 165 million annually. A major independent evaluation of the Dutch debt relief programme is under way and results will be available in 2002.

Remaining debt: Despite the generous Dutch contribution to debt relief (both bilateral and multilateral) over the past decade, the Netherlands remains a creditor for developing countries. Dutch bilateral ODA has been extended exclusively in the form of grants for the last several years. However, there are still annual flows in the range of USD 200 million for the estimated USD 2 billion (1999) of previous development loans outstanding. The biggest debts at that time were Indonesia (USD 664 million) and India. The list also comprises nine HIPC countries, two of which having reached their completion point. Those HIPC countries can all expect 100% relief of their ODA debt after reaching their decision point. The Netherlands also remains an important creditor of developing countries through its export credit activities. At the end of 1999, the total amount owed by Part I borrowers was above USD 5 billion, of which USD 585 million was owed by LLDCs and USD 865 million by HIPC countries. The consolidated part of these commercial debts will be cancelled after these countries have reached their completion point, while their debt service payments will be cancelled after they have reached the decision point. As part of its macroeconomic programme, a budget line for relief of debt created by export credits was introduced in 1997 (cumulated disbursement of USD 150 million).

Donor co-ordination

Official policy: As already noted, the Dutch operational concept of co-ordination is aimed at all partners who contribute to Dutch objectives, including the recipient government and civil society. While the Dutch are keen on promoting this co-ordination, because of their extensive experience in this area they also recognise that it has proved difficult. The Dutch are particularly interested in the operational dimensions of donor co-ordination, and are one of the few donors to focus special attention to the reform and harmonisation of donor procedures in this context. Their preference is to look to host country-led fora, such as special sector programmes or the PRSP process, to be consistent with their own operational principles, including host country ownership. The Dutch are frequently recognised by their partners in the field for their helpful and practical approach to co-ordination.

Promotion of country-owned strategies. The Netherlands builds its approach to development co-operation on three principles: ownership, utilisation of domestic resources and poverty reduction. The Peer Review team was impressed by the extent to which Dutch development co-operation expects to use country-owned strategies, and in particular the PRSP process, as a model for aid delivery. Based

on over 30 years of lessons learned of development co-operation, such a model is seen as the mechanism around which strategy, implementation, monitoring and evaluation, and co-ordination, will find their form and substance. The PRSP process for most countries is still in a preliminary “interim” basis, with rushed timetables aimed to HIPC debt relief qualification, precluding the participation of many segments of local civil society. In the next few years it will be important for the quality of Dutch development co-operation that appropriate PRSP frameworks become operational, and function well. Because of the major Dutch commitment to using this new framework, it would seem important to address risk management in relation to the PRSP, as its implementation could prove difficult. Two possible suggestions are made in this respect: i) Accentuate current efforts to assemble sector approaches (e.g. raise to a higher level of visibility internally; specialised support mechanisms to field missions; special operational analysis). Sector approaches have the advantage of fitting easily into a PRSP approach, once operational. ii) Priority attention by donor and recipient countries, to the identification of internationally acceptable solutions for the political, technical and process obstacles to the PRSP. The Utstein forum, the International Monetary Fund (IMF), World Bank (IBRD), the EU, and the DAC could all be partners in this process. The Netherlands is well positioned to play a role in influencing the IMF and the IBRD to develop and implement vital, pro-poor macroeconomic policies in the context of this larger PRSP process and, in fact, already does so.

European Union issue: The EU is a special case in terms of donor co-ordination. The Netherlands position on EU co-ordination has consistently suggested that it should be based at the field level and that EU co-ordination should not be at the expense of recipient leadership and/or at the expense of other non EU Members. The MFA has not yet focused extensively on future relationships between Dutch bilateral assistance and that of the European Commission. Because the Netherlands is a strong supporter of the EU and because of its historical interest in engaging in the development of future European policies, it is appropriate for Dutch leadership to continue its active involvement in European policy dialogue and co-ordination.

Sector approaches¹⁶

Official policy: The idea of implementing Dutch development assistance in sectors of emphasis, through host country-led sector approaches, has long been felt desirable in Dutch development circles. However, it did not become a matter of official policy until the 1995 policy document *Aid in Progress*. It was further operationalised following the 1998 Parliamentary decision to focus development assistance on 17+4 partnership countries, for which sectors eligible for support were identified. The sector approach is a first, pragmatic step toward preparing the PRSP that will eventually form the framework for the implementation of longer-term assistance in the priority poor countries. To ensure that priority attention is accorded to sector approaches the MFA formed, in 1998, an *ad hoc* “Sector Approach Support Group”. This *ad hoc* group appears to have been efficient in stimulating clearer thinking and pragmatic implementation of sector approaches.

Miss-impressions: The Peer Review process noted, from a variety of sources, miss-impressions concerning the Dutch policy on sector approaches. These miss-impressions included: a) sector approaches would immediately replace projects, and b) sector approaches would disburse funds through recipient country budget support mechanisms. Neither has proven true to date. Most Dutch development co-operation still takes place in the form of projects, albeit, importantly, in the context of sector policy frameworks, and most Dutch funding still is disbursed through project budgets, albeit, importantly, through control mechanisms which are more often managed by the recipient country.

16. A more comprehensive statement on this can be found in the document *The Sector Approach*, published by the Sector Approach Support Group of the MFA in June 2000.

The Netherlands

Although many seem to believe that sector approaches are only relevant for government-to-government development operations, experience is showing that NGOs and other private groups need to be involved in this form of national development. Box 3 contains one example of this approach from Burkina Faso.

Box 3. NGO involvement in a sector approach to education

In Burkina Faso, Dutch concern that a sustainable sector programme for education required the implication of qualified civil society actors, led them to provide a grant to the Burkina Faso affiliate of a Swiss NGO, *Oeuvre Suisse d'Entraide Ouvrière (OSEO)*. When OSEO pilot work demonstrated that use of their bilingual (local language+French) curriculum could double the performance and halve the time for graduation of average local public school students, the Burkina Faso Ministry of Basic Education requested that the programme be expanded. With a USD 3.2 million Dutch grant, the programme was developed in Moré language (six provinces) and in Dioula, Peuhl, Lyélé, Gourmanché and Dagana (five provinces), and ultimately integrated into the national experience. One-time only Dutch support permitted a major practical innovation in local education that was managed by competent Burkina talent and adapted to local conditions and perceptions. Perhaps as importantly, OSEO was invited to participate in the development of the national 10-year plan for basic education, and subsequently became a close partner to the ministry in implementing and following-through on the programme.

New pragmatism: As thinking on the topic of sector approaches evolves in light of field realities, Dutch practices are more pragmatic and are implemented progressively, without neglecting the longer-term vision noted above. **Sector approaches** are still identified as the immediate norm, but project mechanisms will continue to be popular until true sector planning, implementation and evaluation capacities and mechanisms can be put in place. Similarly, **budget support** will continue to be identified as the longer-term ideal, but will not be used as a primary disbursement mechanism until the local capacity to appropriately manage the funds can be concluded. In many of the “poverty” category of countries, this could easily be several years off.

Targeting of sectors: Dutch funding is theoretically available to be used in any sector chosen by the recipient country. In reality, however, most partnership country missions have simplified their operations by concentrating on three-four sectors, usually in the most commonly accepted poverty areas (e.g. basic education, basic health care, local rural development). Efforts have also been made to “mainstream” crosscutting themes, including the “GAVIM” list (good governance, poverty reduction, women in development, institution building, environment). With the exception of the already mentioned target in environment and the special funding for gender, however, no budgets are formally assigned to these cross-cutting themes.

CHAPTER 4

OVERALL ORGANISATION, STAFF, AND COUNTRY OPERATION ISSUES

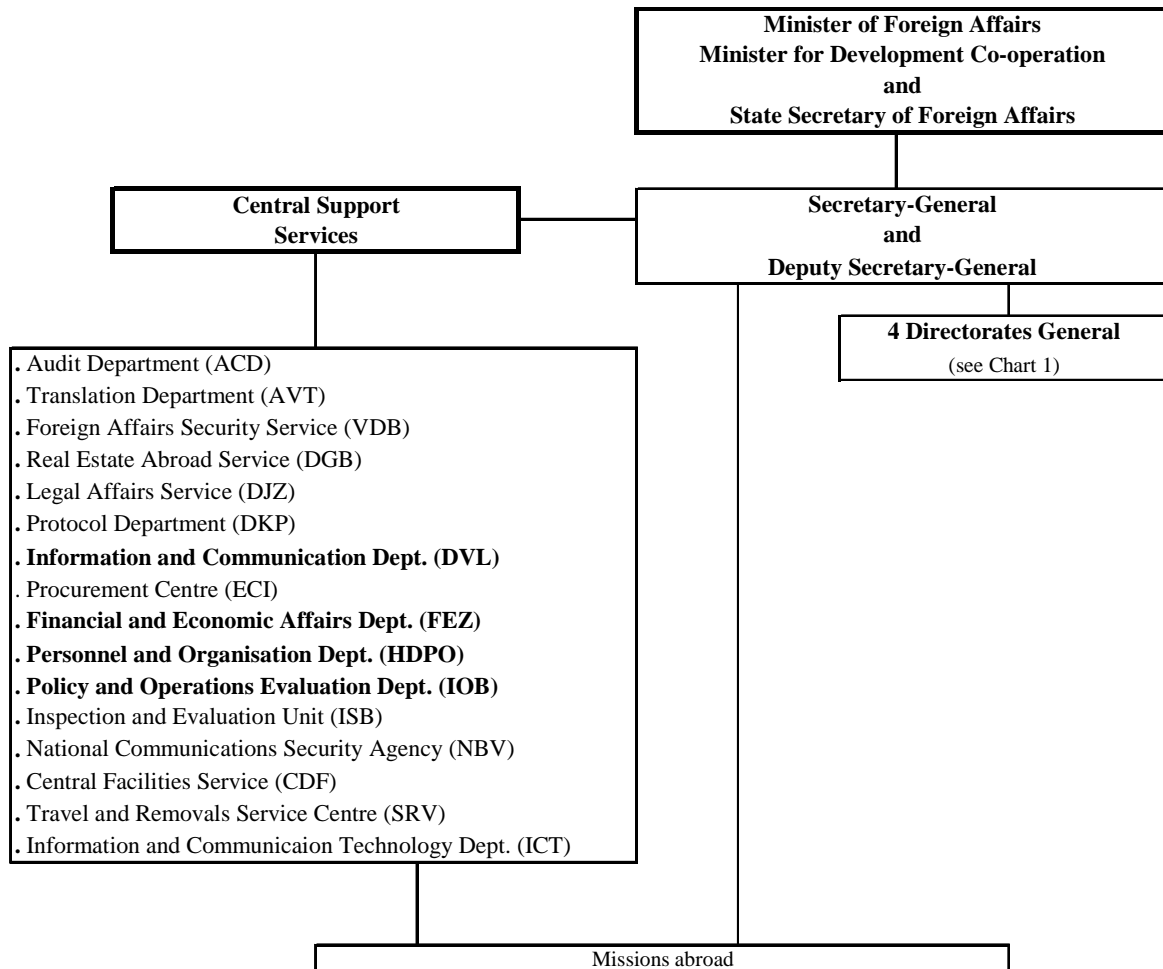
Overall organisational structure

General description: Authority to manage Dutch development co-operation rests with the Minister for Development Co-operation, who is part of the “two-headed” Ministry of Foreign Affairs. As such, the minister relies extensively on ministry staff from both the **foreign affairs** side and **development co-operation** side to oversee and/or implement each of the different aspects of Dutch development co-operation (see Chart 1 below for summary organisation). Within the overall ministry, the Directorate General for International Co-operation (DGIS) is the organisational heart of much of Dutch development co-operation. Parts of other directorates, ministries and embassies are involved in the management of ODA. It should be noted that the directorates for United Nations and International Financial Institutions (DVF) and Human Rights and Peace Building (DMV) both report to the Directorate General for Political Affairs (DGPZ) and the DGIS. Primary actors with responsibility for ODA can be located in Chart 1, including: *bilateral “delegated” funds* (embassy); *bilateral “macro” funds* (DVF), *World Bank and UN funds* (DVF+Ministry of Finance); *European Union funds* (DGES/DIE); *NGO funds* (DSI); *humanitarian assistance* (DMV); *private sector funds* (DOB+Ministry of Economy).

The locus of leadership: Organisational leadership in Dutch development co-operation is clearly situated at the level of the Minister of Development Co-operation. However, the co-location of both the Ministers of Foreign Affairs and that for Development Co-operation in one organisational framework means that the Development Co-operation Minister, while responsible for perhaps 80% of the overall MFA budget, has less authority than the Minister of Foreign Affairs in critical operational areas such as personnel. This is similarly true in the field, where development co-operation is located in the Dutch embassy. The development co-operation portfolio usually represents the vast majority of overall Dutch official funding in the recipient country, yet, the considerable authorities that are delegated to the field remain with the ambassador, who may not necessarily be a development professional. The operational ambiguities created by this unusual organisation, in which authority does not necessarily equal operational responsibility, has the potential to generate management confusion within the ministry.

Decentralisation: The reforms introduced in 1996 led to major increases in delegation of management responsibility to the field. Embassies are now responsible for local policy, implementation, and financial management, within the limits of the so-called “delegated funds” mentioned previously. This includes policy dialogue with partner country governments and other donors, and formulation of local Dutch country and sector policy, as well as assessment, approval and monitoring of implementation activities. Embassies work rather autonomously and receive only general policy guidance from headquarters. In The Hague, the key organisational link with overall field operations is the “country team”, composed of a small group of MFA staff, who meet periodically under the co-ordination of the country desk officer.

Chart 2. Ministry of Foreign Affairs: Central Support Services



Source: MFA.

The Netherlands

The communications issue: Perhaps one symptom of the somewhat unclear chain of authority and responsibility noted above is an apparent problem with communication between headquarters and the field. Statements such as “communications seem to be drying up” (senior field official), or “we seem to be drifting apart” (senior headquarters official), were felt indicative of an internal communication problem that merits the immediate attention of ministry leadership. Possible causes of this situation identified by the Peer Review included: a) The newness of the decentralised system, which is not yet fully operational, and now merits more comprehensive, senior-level review of the special needs of field personnel. b) The structural difficulties inherent in a system which delegates primary field - headquarters operational interface at the level of the regional desk (DGRB). Desks were felt to be too understaffed, too over-focused on non-developmental issues (foreign affairs priorities; Parliamentary enquiry), and too frequently lacking the depth and breadth of experience necessary, to be an effective interlocutor for the complex development and management issues coming from the field. Whatever the reasons, it would seem important to initiate some form of action to address the current trend toward the psychological separation of the field and headquarters.

Management of vision and strategy

Headquarters: As previously noted, overall Dutch foreign policy embraces five key objectives. At this highest level, the Minister of Foreign Affairs and the Minister for Development Co-operation have, in theory, a joint responsibility before the Dutch Parliament and people, to manage the vision and strategy of national development co-operation, including its coherent relationship to other foreign policy priorities outside of development co-operation. The manner in which this highest-level co-ordination takes place in the Dutch organisational context depends a great deal on the personalities of the two ministers. Relations between the current two ministers are collaborative and not an issue at the present, but could potentially be in the future. In practice, headquarters management of policy and strategy is the primary responsibility of the Minister for Development Co-operation and her key advisors (Director-General, Deputy Director General, and senior staff).

At the country level: At the level of field operations, where major delegations of authority have been housed since the decision to decentralise in 1995, overall leadership is ensured by the ambassador. While this will vary based on their personal predisposition and experience, ambassadors tend to delegate operational responsibilities, including strategic planning of development assistance, to the development professionals in the embassy. Because of the current policy to focus operations at the sector level, strategy at this level (e.g. health, education, rural development) is co-ordinated by the Dutch specialist in charge of that sector. Ultimately, because of the Dutch policy in favour of local ownership, the embassy’s sector strategy is determined by a collaborative process with the host country and other financial partners. It should be noted that country-level development strategy documents are no longer generated, and have only been replaced by annual programme and budget submission documents, which are themselves focussed on budget estimates and discussions of operational issues such as sector approaches and donor co-ordination. Drawing inspiration from the ownership policies so characteristic of Dutch development co-operation, current and future statements of strategy for the Netherlands will be embodied in the PRSP or other host country-owned documents. Until such a PRSP strategy can become a reality, however, it would seem necessary and useful for the Netherlands to develop some form of simple statement of strategy and rationale for Dutch development assistance at the country level.

The special role of NGOs: The NGO community, particularly the Four Pillars+1 in addition to those who participate in Dutch humanitarian assistance programmes, clearly represent an important and politically important segment of Dutch society. Along with their non-governmental colleagues from the private sector, the municipalities, and a range of engaged academic and research institutions, they

play a strategic “partnership” role with government. It would seem desirable to build from this framework to further operationalise collaboration between civil society and the MFA, and between Dutch civil society and its partners in Europe and elsewhere. This could be used as a basis for dialogue and co-ordination at the recipient country level, as well.

Personnel management

Description: The overall Ministry of Foreign Affairs officially maintained a staff of 3 038 employees in 2000, 58% of whom were located in the Netherlands (1 764 employees) and 42% were located abroad (1 274 employees, excluding local staff). The male-to-female ratio for all staff was 3:2. The Peer Review found it difficult to break out the exact number of these staff whose primary function was on the development co-operation side of the ministry, and for those who had split responsibilities within the ministry (e.g. ambassadors, geographic officers, personnel, financial management), the percentage of their time spent on development co-operation. The minister uses the number of 800 staff as those who work on her side of the ministry, and another source suggested a number of 980. A survey to better estimate the exact size of the development assistance work force has been commissioned for later this year. If accurate, this would seem like a remarkably small staffing level for the management of a USD 4 billion annual budget. Two years ago, the MFA absorbed an across the board reduction in staff of 5%, consistent with the government-wide standard. It is expected that MFA staff will remain straight-lined for the foreseeable future, although several interesting experiments at “doing more with less” are on the drawing boards. These include the use of the PRSP framework to reduce the need for embassy technical staffing in-country, to the delegation of some field responsibilities to staff from another member of the Utstein Group.

Personnel policy: While descriptive documents containing information on the staffing of the MFA are readily available, this Peer Review was unable to locate any recent strategy or policy document on personnel. This was surprising given the number of personnel issues identified by the review, including recruitment difficulties (see Box 4), redundant personnel, problems with the current skill mix, and strains in the personnel management of both sides of the MFA. This appeared highly problematic for a setting where staff is repeatedly cited as the ministry’s greatest asset, and where the maintenance of a high level of professionalism is a priority concern. It would seem important for overall morale and the appropriate future staffing of the development co-operation side of the MFA, to immediately initiate the analysis necessary to develop a forward-looking personnel policy, which deals with the full range of personnel needs of Dutch development co-operation. This includes a review of the most logical approach to personnel management of the dual functions (foreign affairs vs. development co-operation) of the MFA, as well as the need for specific sector knowledge and experience.

Box 4. Recruitment in 2001

Timely recruitment of qualified staff is an issue which is high on the list of some field missions, especially those in the poorer priority countries, where sector leadership may be vacant for up to a year because of recruitment difficulties. Viewed from The Hague, recruitment is an issue as well. This year’s recruitment cycle uses a competitive system in which eligible candidates can bid on their posting priorities. Of the 450 positions open for Summer 2001, 70 received no bidder, even though 550 eligible candidates were in the bidding pool. Many of the unfilled jobs were in the poorest developing world countries.

Technical assistance policy: Much has been said in Dutch development circles on the most appropriate use of technical assistance in the field. The critical view suggests that the deployment of (especially

The Netherlands

long-term) foreign experts is excessively expensive in relation to its real value, is supply-driven, and has historically not led to sustained capacity increases in developing countries. In August 2000 the Minister for Development Co-operation took on entrenched interests and presented a proposal to Parliament to rapidly reform Dutch practices in relation to the use of technical assistance for development. Although the final report, "Policy Framework for Technical Assistance" (October 2000) is considered by most to be a balanced and realistic statement for progressively reduced, expatriate-based operations in this area, some in the field interpreted the minister's vision as one of immediate withdrawal. Based on feedback received from most parties during this Peer Review, it would seem important to expand communications with the field on this topic. Care could be made to ensure a clear definitions of terms (e.g. long-term vs. short-term, expatriate vs. local, support vs. replacement) and to encourage flexible approaches to technical assistance which more fully takes into account the realities and needs of the field. This could prove particularly interesting for Dutch technical assistance policy, given the creative new approaches that are surfacing in the field and which pose a challenge for traditional Dutch technical assistance structures and personnel. Most interesting in this context is the deployment of joint donor funding of technical assistance in the context of sector collaboration in-country. This new approach offers multiple advantages for the use of technical assistance, including the avoidance of redundancy among donors, the minimising of cost in any given sector, and the focussing of assistance around sector results, under the supervision of the host country.

Implementation management

Division of labour: Dutch development assistance implementation agents can be organised into three categories: headquarters, field, and other. a) Even in a context of decentralisation, considerable implementation responsibility is still located at the centre, particularly in The Hague, and especially in the MFA. This includes implementation responsibilities for most multilaterals, the EU, the macro budget support programme, and parts of the "thematic" programmes (e.g. gender or environment). b) In theory, field missions in the beneficiary countries, following decentralisation of authority in 1996, are in charge of most bilateral implementation. In reality, as is noted in Chapter 4, embassies currently only have direct implementation responsibility for the "delegated" bilateral funds, frequently only a part of the total Dutch ODA flowing to that country. c) Finally, other direct implementation agents include NGOs, SNV, or private sector mechanisms.

Methods: Perceptions to the contrary, it would appear the majority of bilateral, Dutch government-managed development assistance is still structured around projects, and not sectors or programmes. This has tended to be the most pragmatic mechanism for the non-controversial disbursement of ODA in the field. Today, many, if not most, of these projects are co-ordinated in the context of some form of sector approach. Clearly, the Dutch government has a strongly expressed desire to move from projects to programme or sector management, and ultimately, to simple budget support, whenever possible. It is important to note that no matter what the approach to implementation, the Netherlands has made a special effort to ensure that oversight is maintained by a host country body. Finally, it is noteworthy that NGOs and other implementation agents outside the MFA have a less standardised approach to management of their activities. MFA's operational guidelines do not apply to them and most do not use them - for example, geographic concentration, strategic or sector priorities, the use of sector approaches in implementation, or donor co-ordination. This is in striking contrast with the very organised attempts by the ministry to develop simple, efficient and standardised procedures for implementation of the bilateral Dutch government activities. It would undoubtedly be useful and more effective if all Dutch management of ODA resources were loosely co-ordinated around some minimally acceptable implementation standards, at least to avoid detracting from the efforts of each other.

Financial management

Description: In recent years, growing pressure from Parliament and the Court of Audit for a more transparent and accountable system of ODA disbursement have caused Dutch leadership to place increasing attention on issues of financial management and control. New policy emphasis on local ownership and the shift from project to programme (or sector) support, as well as the decentralisation of authority to the embassy level, led to new thinking on the budget and accounting management system which made the most sense. New arrangements are now being put in place for planning and control, financial management and information management, bottom-up annual plans and reports, decentralised control positions, instruments, and training courses.

Accountability: The accountability of Dutch programmes has become an important issue in recent years, particularly because of the increasingly demanding public and political opinion of public expenditures, as well as the need to carefully examine the issue of budget support within the context of sector approaches. As a result of prolonged discussion with the Court of Audit and the Parliament, a special policy paper on the scope of ministerial responsibility for ODA use and its accountability was produced in 1998. It laid down the four “Golden Rules” in using ODA funds: 1) Investigate the other party before doing business. 2) Make sure the anticipated results and all contractual obligations are well documented. 3) Monitor and evaluate progress and performance (are we getting value for money?). 4) Apply sanctions, when necessary. All disbursements of ODA are subject to these rules, but no general minimum standard is required. Acceptability of disbursements is determined by local conditions and the extent to which conscientious application of the four rules is demonstrated. Box 5 explains more fully the operational approach now used to implement the Golden Rules. Just the attempt to simplify regulations and procedures in this difficult, technical area is to be congratulated and will hopefully lead to changes in other donor programmes, as well. The Netherlands has engaged this regulatory simplification process with a number of other like-minded donors, including the United Kingdom, Ireland, the Scandinavian countries and the World Bank. Because of these efforts by the MFA, the Ministry of Finance recently launched a broad survey of all government funding rules and procedures in relation to auditing requirements.

Box 5. Operationalising the “Golden Rules”

When the Netherlands embraced a policy of sector approaches in 1999, a simple and organised four-step process, tracking the Golden Rules, was put in place to account for funds in any sector scenario. 1) **Prior assessment** - requiring the use of an “Organisational Capacity Assessment Checklist” (COCA) which permits a judgement on the acceptability of risk to be encountered. 2) **Commitments and liabilities** – a flexible contract mechanism can be used depending on the contract partner’s financial management capacity; later increases can be made flexibly and simply; conditionality clauses on respect for human rights, democratic principles, the rule of law and good governance are required. 3) **Disbursements, procurement, reporting, auditing** - disbursements are made as advance payments, the size of which is determined by the partner’s short-term liquidity needs; because of decentralisation, budget allocation and disbursement are flexible (e.g. embassies can make transfers between line items in their annual budget plans); World Bank procurement guidelines apply; no standard reporting is required, but financial reporting must show total receipts and expenditures, and the Dutch percentage of both; audits are required for annual disbursements over NLG 1 million. 4) **Sanctions** - ground rules were simplified for imposing either preventative and reactive measures, with substantial emphasis on the use of best judgement by management, in consultation with the budget holder.

Decentralised span of control: As noted previously, only a part of total Dutch ODA is actually delegated to the embassies. This is interesting given the fact that decentralised management through

The Netherlands

embassies is intended to represent the core of Dutch development co-operation. It would seem desirable to more holistically re-examine the various budget flows that, together, represent overall Dutch ODA to any individual recipient, with an eye to more strategically placing the local Dutch representation in the middle of the use of these funds. One specific intention expressed recently by the Minister for Development Co-operation in this respect is the delegation of more authority for macro support fund, all of which are currently controlled out of headquarters so that use of these funds could be organised more in line with the strategic objectives of the Dutch presence in-country. It is also expected that, from the overall pool of macro assistance funds, responsibility for a fund of NLG 400 million would be retained in headquarters for emergency situations.

Overhead costs: The Dutch 2000 budget projected overhead costs of some NGL 363 million in relationship to the programme for development co-operation. Given the large size of the ODA budget in that year (estimated NGL 8 billion), this would translate out to a very respectable 4.5% overhead cost for Dutch development assistance that year. This is undoubtedly, in part, a budgetary insight into the cause of the current, widely-held feeling in the organisation that it is well understaffed in relation to its large and growing ODA budget. One other plausible observation on this low number is that it may not have included some staff and support costs in its calculation - perhaps because of the difficulties inherent in differentiating between MFA staff on the development co-operation side, and those on the foreign affairs side. Indeed, the current methodology is to attribute 28% of all MFA overhead costs (a number which was initially estimated in 1996) to the management of ODA. Whatever the case, in this era of cost efficiency, it is important the Dutch financial management leadership ensure regular tracking of all overhead costs of operations for the different levels of Dutch development co-operation. These numbers should become a regular part of the automated financial reporting system that the ministry is currently attempting to put in place.

Monitoring and evaluation

“What counts is results”: With the Minister for Development Co-operation in the lead, much has been said around MFA on the creation of a results “culture” at the level of development co-operation in headquarters and the field.

The role of IOB: The ministry’s Policy and Operations Evaluation Department (IOB) was created in 1977 as an independent “Inspection Unit” first reporting directly to the minister, later through the minister to Parliament. IOB evolved considerably over the years and with the organisational reform of 1996, took on the responsibility of evaluating foreign affairs activities, as well as those of development co-operation. IOB estimates that some 85% of its resources are currently dedicated to the development co-operation side of the ministry, mainly in the review of wider policy and cross-cutting issues. IOB reports are generally viewed as being of high quality, and it is undoubtedly true that they have had major impacts on the form and content of Dutch development co-operation over the years. The minister takes these reports seriously enough to make it a personal priority to comment on most IOB evaluations sent to Parliament. IOB has a staff of 10 evaluation specialists and, because of the complexity of the evaluation subjects, frequently calls upon external consultants and specialists. A number of interesting challenges will confront IOB in the years to come, including poverty measurement issues (see Chapter 5), and those of sector approaches and partner-country ownership of evaluation.

Other sources: In addition to IOB, a range of decentralised evaluations (usually mid-term and end-of-project or programme), as well as monitoring, are conducted by operational units in the MFA and by the embassies. The bulk of these evaluation studies are also focussed on development co-operation, although a small but growing percentage is attributed to foreign affairs. While these

evaluations were themselves evaluated extensively in 1993 by IOB in its study “Evaluation and Monitoring”, external observers suggest that they are still done in an *ad hoc* manner and are of uneven quality. This is similarly true for the monitoring side. In addition, many of these evaluations do not comply with normal procedures for joint donor-recipient implementation of the review. Finally, it should be noted that the Financial and Economic Department (FEZ) of the ministry is responsible for the co-ordination of an annual evaluation plan, which is attached to the annual budget submission. The FEZ, which is more oriented to its budget function than that of evaluation, is playing only a minimal operational role in the co-ordination of monitoring and evaluation within the ministry.

Measurement in the context of poverty: Measurement of results is complicated by the positioning of Dutch development assistance in a strategic context of poverty reduction. This places highest priority Dutch assistance in some of the poorest countries in the world, who, practically by definition, have some of the world’s poorest statistics and poorest capacities to measure and co-ordinate the actions which are undertaken within their borders. While an enormous challenge, the Netherlands is not alone in this context, since a wide range of DAC member countries are now also strategically re-structuring their own aid efforts along these lines. The Dutch (and many others) see their longer-term solution to this methodological dilemma in the future arrangements now being planned in the context of the PRSP process.

Feedback and future action: Evaluation feedback, as defined by the DAC Working Party on Evaluation, is “the process of ensuring that lessons learned are incorporated into new operations.” Several informed observers suggested that, although specific actions have been or are planned to take place in this respect, weaknesses are still apparent in the Dutch oversight systems. This is true of both monitoring and evaluation sides of the system, and particularly at the activity level, where reporting is reputedly of poor quality and learning is minimal. It was perhaps unfortunate that changes to the monitoring and evaluation (M&E) system envisaged several years ago were temporarily put on hold in 1995, when new decisions on organisational decentralisation were reviewed from an operations viewpoint. In the years following 1995, however, a number of initiatives were taken to strengthen M&E, including a pilot for rating systems in Bolivia, Mali and Pakistan. IOB is creating an evaluation help desk to support decentralised evaluations, but generally focuses its attention and limited staff on the broader evaluation issues. The reluctance by IOB to avoid compromising its integrity by avoiding direct involvement in the management of the broader M&E system is an unfortunate loss for the operational side of the ministry. This is particularly true because the major M&E issues now lie in the more directly operational areas of the ministry (e.g. data management, non-IOB evaluation). This undoubtedly points to a need for higher quality and centralised control of the M&E process. Lacking co-ordinated, high-level attention to the system issues noted above, it is suggested that much of the learning part of the Dutch M&E system will tend to remain informal and anecdotal. It is appropriate, perhaps under the aegis of IOB, to conduct a comprehensive review of overall Dutch monitoring and evaluation systems, as soon as possible, so to rapidly appreciate the range of options before Dutch leadership. The Netherlands has the capacity to bring the overall Dutch M&E system to a level more consistent with the leadership role they play in other areas of development co-operation, while satisfying their own need for a better documented results feedback system.

The Netherlands

Country operation issues¹⁷

Field perspective: Numerous issue areas of relevance to the considerable field operations of Dutch development assistance have been noted throughout this Peer Review. They include, but are not limited to, problems relating to span of control, communication, monitoring and evaluation, and personnel recruitment. Over-arching all of these issues, however, is the fundamental need to recognise the front line responsibility of the field mission in determining Dutch operations in that country. The decentralisation of operations to the country level was undoubtedly one of the most implementation decisions taken by the Netherlands in recent years. Now, headquarters needs to make it a priority to factor field leadership into every facet of its international operations. Box 6 contains a resume of the results obtained from the Peer Review field visit to Burkina Faso.

Embassy infrastructure: It is interesting to note that, because of the Dutch development policy focus on poverty, many of the Dutch development programmes are located in the poorest countries in the world. For many countries, development co-operation may be the only reason to maintain an embassy in the country. Yet because of the nature of international diplomacy, a wide range of non-developmental expenses are required (staff, support infrastructure, overhead) to operate the full range of traditional embassy services. This paradox would seem to invite a discussion on ways in which development co-operation missions might function in the absence of an embassy framework, and ways in which foreign affairs leadership might focus its scarce funds on higher priority sites for the location of embassy infrastructure.

Box 6. Summary of the Burkina Faso field visit

On 18-24 February 2001, Dutch field operations in Burkina Faso were reviewed by a Peer Review team composed of Examiners from Germany and Portugal, in addition to two members from the DAC Secretariat.

The development context of Burkina Faso: Burkina Faso is currently ranked 172nd out of 174 countries in the UNDP Human Development Index (HDI). In July 2000, Burkina Faso became one of the first countries to obtain endorsement of a full Poverty Reduction Strategy Paper (PRSP), built around: i) accelerated, equity-based growth; ii) guaranteed access to basic social services for the poor; iii) expanded employment opportunities and income-generating activities for the poor; and iv) promotion of good governance.

The Dutch programme: Burkina Faso is one of the 17+4 Dutch “partnership” countries. For the last several years, ODA levels have averaged close to USD 20 million per year, making the Netherlands the fifth largest donor to Burkina Faso. The Dutch portfolio of activities in 2000, delegated to the embassy, totalled NLG 37.5 million, essentially organised around rural development (41%), basic education (33%), and primary health care (17%), with smaller budget areas in institutional development, urban development, gender, and governance. An important additional contribution of NLG 15 million in macroeconomic budget aid was annulled due to reports of Burkina Faso involvement in arms trade with Liberia and Sierra Leone. Dutch strategic, political or commercial interests in Burkina Faso are extremely limited, leaving development assistance as virtually the only key justification for the fairly large Dutch embassy presence in the country. General principles of Dutch development assistance in Burkina Faso are well in line with local policy and strategy. The Netherlands does not have a country strategy document for Burkina Faso and currently establishes its annual programme based on an ongoing dialogue with local partners. It plans on using the PRSP process in the future for eventual shifts in its programming focus.

17 . Country operation issues were drawn largely from field work in Burkina Faso, and, to a lesser extent, Mali. Another field mission to Mozambique will take place in September 2001, the results of which will figure in a separate report.

Organisation and staffing: A major asset of Dutch development co-operation in Burkina Faso is its strong, decentralised presence and its extensive delegations of authority. The embassy in Ouagadougou believes that it has sufficient development co-operation staff to play a meaningful role (nine Dutch and three full and two part-time Burkina professionals), although problems were noted with the timely recruitment of this staff, which, in one case, caused the embarrassing absence of a section head leader for an entire year. Greater use of qualified local contract staff is one possible alternative, and may need to be used more extensively if timely recruitment continues to be a problem.

Other channels of Dutch development support: **Headquarters** plays a important oversight role of local operations, and is importantly responsible for the management of multilateral assistance and macroeconomic budget aid. The Hague vitally depends on effective feedback mechanisms from the field to inform its policies and decisions. It was of particular concern for the Peer Review team to hear that “communications with The Hague are drying up”. **Multilateral channels:** An important part of Dutch development co-operation with Burkina Faso (possibly similar in size to the bilateral assistance) is provided through Dutch contributions to the EU, the World Bank, and selected UN agencies. The embassy uses its privileged position in the field to periodically provide feedback on the quality of the projects and programmes of these local multilateral programmes. **Dutch and local NGOs:** Major Dutch NGOs receive central funding from headquarters and, although some work in Burkina Faso, they do so almost entirely through local NGO entities. The NGOs are not part of the official Dutch development programme delegated to the embassy and there is limited organised contact with them. It would seem logical that exchanges of perspective, perhaps built around key strategic moments in the year, could generate greater mutual understanding and strengthen the programmes of both parties. **SNV:** The Netherlands Development Organisation (SNV) is a Dutch technical assistance organisation which manages its own programmes which are largely funded by The Hague. The embassy could undoubtedly find simple ways to better tap SNV’s considerable reservoir of talent and experience in Burkina Faso.

Implementation: i) The long-term vision of Dutch development toward funding of non-earmarked **budget support** has proven difficult to implement in light of the realities of Burkina Faso’s underdeveloped management capacity. It has required embassy staff to generate new approaches, adapted to local realities. Projects, properly co-ordinated through sector frameworks are necessarily still the principle implementation mode. Meanwhile, the embassy has identified, and has invested in redressing, specific areas of weaknesses in local budget management. ii) The Government of Burkina Faso and most donors show general support for **sector approaches** to local development assistance. It is also an excellent interim step in moving all donor programming toward the eventual reality of the PRSP. iii) The size of Dutch-funded, long-term **technical assistance** in the Burkina Faso is rapidly decreasing, but it is also clear in today’s context that some form of technical assistance will be necessary for several years to come. iv) The Dutch are seen locally as strong advocate of **donor co-ordination**. They are a source of leadership in terms of the promotion of local ownership, broad-based partnership and other practical development co-operation innovation. The Dutch are also among the most vociferous of donors in pushing for harmonisation of donor procedures, however, common efforts in this area have been limited by the fact that most of the authority to change procedures are located in the headquarters of most donors represented in Burkina Faso.

Monitoring and Evaluation: Drawing inspiration from the results of a Special Programme for Africa (SPA) pilot in the testing of development indicators in Burkina Faso, Dutch programming is now organised around a well-developed logical framework or “log frame”, including a series of measurable indicators in key sectors of involvement. This log frame has the potential to be immediately applicable, on the downstream side, to an eventual M&E system for the PRSP, once operational. The Peer Review team was struck by the lack of a visible and explicitly useful world-wide M&E system for Dutch aid. The existence of such a system is especially important in a context of highly decentralised management, such as that currently used by the Dutch. Attention to improved dialogue between headquarters and the field is important to the development of a learning approach to overall management of Dutch development assistance, both at the level of improving field operations, and at the level of better informing the policies, guidelines and systems located in The Hague.

The Netherlands

Selected key conclusions:

Commitment to DAC principles and Burkina Faso development: Dutch development co-operation in Burkina Faso probably goes as far as any donor present in-country in its pursuit of DAC principles in the field. They are particularly strong in putting the partnership and ownership concepts into practice by consistently promoting national strategies and management approaches. Dutch strengths lie in its decentralised presence, including major delegations of authority, in the flexibility provided to its motivated and competent staff, and in the use of simple implementation procedures.

Vision vs. Reality: Implementation of policy and other guidance issued by The Hague occasionally pose a major challenge to the staff in Ouagadougou. They are confronted with a local policy and institutional context that does not easily lend itself to the implementation of ambitious concepts like sector approaches, budget support, or the new restrictive view towards technical assistance.

Feedback and communication between the embassy and headquarters: It appears that the role of headquarters in the new decentralised environment has yet to be effectively addressed. One casualty in this respect is the quality of communication between headquarters and the embassy, which appears urgently in need of improvement. Clearer understanding of the types of headquarters support for Burkina Faso field operations similarly requires attention. Relationships need to be built more systematically and used more strategically. Monitoring and evaluation would also benefit.

Country strategy: A multi-year country strategy paper defining the Dutch contribution to the PRSP, sector strategies and/or the general development process in Burkina Faso would increase transparency (including in programming) and could allow for improved collaboration and shared systems of monitoring and evaluation.

CHAPTER 5

PERFORMANCE OF THE NETHERLANDS IN RELATION TO DAC ISSUES

Consistency with basic DAC Guidelines in key development areas

Global vision (1996): The OECD/DAC strategy *Shaping the 21st Century: The Contribution of Development Co-operation* sets out a vision of development co-operation based on partnership around strategies that were owned and led by developing country governments and civil societies. The principles underpinning the vision are policy coherence, partnership, ownership, country leadership, broad-based participation, development effectiveness and accountability. Clearly the Netherlands buys into this vision, and appears to be doing its best to operationalise these characteristics in its own aid programs. The DAC vision also commits Member Countries to the objective of working toward the International Development Goals (IDGs). Using the United Kingdom model, the Dutch hope to report to Parliament this year using a results-based budget which tracks the International Development Targets, including seven “pledges” and 21 indicators. Aside from this Parliamentary example, however, use of the intermediary and more operational targets has yet to be built into the lower levels of Dutch operational management.

Poverty guidelines (2001): The Minister for Development Co-operation has defined the overall rationale for Dutch aid programmes as being the “perceptible reduction in poverty”. Speeches, budget presentations, and general discussions on Dutch aid all ultimately go back to “poverty” as the primary point of reference of Dutch foreign assistance. Dutch operational theory tracks very closely with DAC poverty guidelines and, indeed, the Dutch have made strong contribution to their development. Funding is allocated very much in line with need, based of socio-economic criteria; local ownership gets highest priority; multi-year PRSP processes are accepted as frameworks for broad-based, locally-inspired strategy, implementation and evaluation. Flexible, decentralised organisational systems have been put in place; support for local capacity building is a priority; gender and to a lesser extent, environment, is a focal point of poverty approaches. Finally, on the important issue of policy coherence, Dutch leadership is very proactive is attempting to ensure coherence, but, as noted earlier, does not yet have a mechanism to ensure that coherence is systematic. In short, the Netherlands appears to be one of the more progressive agencies within the donor community in the way it addresses poverty issues. Yet problems are also evident at the level of field implementation of these principles. These problems include: a) *Understanding poverty* - like most donors, the Dutch are grappling with the principle of poverty reduction, without fully understanding the dimensions of the problem, without a clear sense of documented priorities, and without a clear sense of how to organise around the problem. They are placing an enormous amount of faith in the rapid development of a PRSP process to deal with all these issues, lacking which, they do not have an operational framework to approach the problem. b) *Organisation* - the internal operations of the MFA are not yet organised around the concept of poverty. It is interesting to note that the separate Poverty Analysis and Policy Division of the Social and Institutional Department (DSI/DGIS) co-exists on an equal footing with the full range of other sector theme divisions (e.g. environment, private sector, rural development). Under the current organisational arrangement, it would seem more logical to establish a specific poverty

The Netherlands

focus for at least the International Co-operation Directorate (DGIS). With such an over-arching vision framework, other sector groups could more readily organise their own staffing, analysis and strategic priorities more in line with that vision. To mainstream poverty in this manner, experience has shown the importance of top management involvement in the clarification of objectives, in consulting widely with affected staff, and in the arbitration of differences, which arise in this context.

Environmental guidelines (1995, et. al.): The DAC environment guidelines consist of a set of nine separate guidelines. This made the assessment of Dutch compliance more difficult because it could not be appraised in a simple and measurable way. However, environment is a key concept for Dutch national policies and has generally been well integrated into aid programmes. Environmental issues are also kept high on the agenda because a vibrant network of NGOs which actively lobby for their perspective. The Netherlands continues to be a key player in shaping the international agenda on environment, including a strong role in the drafting of DAC environment guidelines. The Netherlands is taking its international commitments seriously. The Netherlands adopted a 0.1% GNP target for environment and development funding to support their international commitments and devotes about USD 30 million year to climate change issues in developing countries. The Netherlands is also one of the few countries providing support to developing countries for obsolete pesticide disposal. As a result of the 0.1% GNP target, many feel that too much attention has been devoted in the past to global environment issues at the expense of mainstreaming where the Ministry of Foreign Affairs is still on a learning curve. The responsibility for MFA management in environment rests with the Environment and Development Department. This Department is organised around management units in: i) international environment policy, instruments and water management; ii) bio-diversity and forests; and iii) climate, energy and environmental technology and is involved in both policy development and operational activities. Efforts have been made to improve backstopping to embassies involved in environment activities has been constrained by a lack of capacity (number and skill mix of staff)¹⁸, the communication gap mentioned in Chapter 4, and weak monitoring. Progress has been achieved in intensifying the dialogue with embassies, where the shift towards sector approaches provides a good framework to promote environment issues without doing it in a supply-driven way. Much remains to be done in terms of mainstreaming, and in particular, in linking environment management and poverty reduction. The future use of the PRSP also merits more attention on the environmental front, given the future reliance of the Netherlands on the PRSP mechanism to organise assistance at the field level.¹⁹

Gender guidelines (1999): Dutch policy on women dates back the early 1980s. The current policy focus is framed around empowerment of women and gender mainstreaming, in line with international agreements. There is perhaps an overemphasis on women issues, as opposed to gender issues, however latest efforts attempt to integrate gender and poverty into macroeconomic analysis, policy and planning. Two future areas are now emphasised: 1) the PRSP, using embassies to open a dialogue with other PRSP partners²⁰, and 2) sector-wide approaches (SWAPs) where the Netherlands is the lead donor in drafting guidelines for gender mainstreaming into these sector approaches. This allows for a much more strategic approach, including linkages with poverty and governance. A small, gender-specific unit of five persons within the Department for Social and Institutional Development,

18 . The Netherlands maintains an environmental staff of 30 specialists at the level of headquarters and 30 more at the level of field embassies.

19 . For example, it was noted in the Burkina Faso field visit conducted by the Peer Review team that environment was absent from that country's PRSP, despite the existence of a national "desertification" plan which made significant reference to environmental impacts on the poor.

20 . The specific Dutch focus on PRSPs, for example, caused them to help Tanzanian civil society groups to highlight the strong gender-poverty linkages in that country. This effort at enunciating the issues later led the Government of Tanzania to integrate them into the national PRSP.

and a network of 20 gender experts in the embassies implement a budget of NLG 45 million. Staff in headquarters expressed the opinion that too much staff time was spent in the past on headquarters-initiated projects and is anxious to focus more on mainstreaming and on providing advice and support to embassies. Explicit leadership support for gender issues has apparently been on the decrease since 1995, purportedly because of higher-order organisational efforts and energy mobilised for the decentralisation process.

Evaluation guidelines (1998, et. al.): To avoid redundancy, Dutch development co-operation consistency with the DAC evaluation guidelines is addressed below.

Governance guidelines (1998) and Conflict, Peace and Development guidelines (1998): Good governance is a central dimension of Dutch policy. Good governance (or commitment to good governance) is used as a criterium for: a) selection as a partnership country; b) allocation of annual country budgets; and c) eligibility for macro assistance. In the case of Burkina Faso, good governance considerations were used at the end of 1999 to postpone the delivery of macro assistance. Good governance is defined in a number of different ways depending on the context. Aspects of good governance taken into account may include transparency in public expenditure, absence of corruption in public management, fair administration of justice, freedom to form trade unions, political parties and interest groups, level of military expenditure, or respect of human rights. The crucial question for the Netherlands is whether the government under scrutiny demonstrates the political will to structure society in such a way that equitable development is possible. The Netherlands has been quite outspoken on human rights in current years (e.g. Indonesia and Surinam), although the traditional Dutch position is to encourage rather than to sanction. Criticisms expressed by NGOs suggest that Dutch human rights policy is not always consistent, particularly in relation to more powerful countries, where economic interests may prevail. The Netherlands was very active in the preparation of the DAC conflict and peace guidelines. At the operational level, 16 thematic countries focus on human rights, peace building and good governance (four of which are post-conflict countries). In the 17+4 countries, mainstreaming of good governance is through a focus on decentralisation, anti-corruption and institution building. Although jointly managed in theory by both the DGPZ and DGIS, the political focus for leadership in peace-building and good governance is located in a sub-department of the department for human rights and peace building – a fact which distracts somewhat from the longer-term developmental agenda in this area. The Dutch place strong emphasis on the importance of a participatory development process. This explains, in part, the large volume of resources channelled through NGOs to support civil society in developing countries. The Netherlands has a pilot programme in three countries to involve civil society in the PRSP process and field experience tends to support the importance of building participatory, bottom-up approaches to development co-operation.

Private sector guideline (1995, et. al): Despite considerable debate over the past decade on the role of private sector in poverty alleviation, concrete plans for Dutch promotion of the private sector in developing countries have been limited to date, with the notable exception of activities sponsored by the Netherlands Development Financing Company (FMO) and the Centre for the Promotion of Imports (CBI). Dutch private sector initiatives frequently appear more related to the promotion of the Dutch private sector, through export promotion schemes and associate finance programmes, than to the capacity building of the local private sector. A policy memorandum *In Business Against Poverty - The Private Sector and Pro-poor Growth* was released in October 2000 in response to several requests from Parliament. The document explains the government's vision for private sector contributions to poverty reduction and its subsequent translation into policy and policy plans. This paper is a first attempt to define a comprehensive Dutch approach. It was prepared by a team in the MFA for Parliament, but also so as to raise in-house awareness on the topic. This initiative has led, for the first time, to a discussion within Parliament on the private sector and sustainable development

The Netherlands

beyond the traditional debate over tied aid, and has the future ambition of enlarging discussions on poverty reduction beyond the targeting of social sectors alone. By creating a broader awareness of the potentially broader role of private sector development for the full range of aid activities, the Netherlands made an important step in the sense of current DAC Guidelines to better co-ordinate private sector and development co-operation. Much remains to do in operationalising this co-ordination. More attention could be specifically focused on the identification of priority private sector actions in the programmes of the 17+4 countries, where the local private sector is crucial for sustainable rural development, national production and even the social sectors. An impending merger, later this year, of two DGIS organisational units may offer new insight on the question of promoting private sector-led growth in developing countries.

Progress in addressing key issues raised in the 1997 DAC Netherlands Peer Review

Challenge of decentralisation and operationalisation of the overall reform programme: Four years ago, the 1997 Peer Review was impressed by the magnitude of the operational reform that had just been put in place by the Netherlands, but also expressed real concern over its ability to rapidly implement such an extensive package. This 2001 Peer Review similarly noted a number of favourable consequences of the 1996 reform, eloquently expressed by many other bilateral donors in the field. a) Clearly, **decentralisation** is a concept that succeeds in permitting a far more effective development assistance programme, and one that more clearly respects the concept of host-country ownership and partnership. At several levels, however, it was also clear that the principles of decentralisation, and the corresponding type of organisation needed at headquarters, have yet to be efficiently operationalised. As noted elsewhere in the text, this includes decentralised systems of monitoring and evaluation, communication, partnerships with other donors and Dutch colleagues in the field, and personnel policy. b) The combination of both foreign affairs and development co-operation sides into **a single organisation**, topped by two separate ministers, also has produced mixed results and is still seeking its most appropriate expression. This combination is an operationally efficient way of structurally guaranteeing one Dutch position in any given developing world country. Simultaneously, the ambiguities of a two-headed management of the MFA appears to have introduced a set of organisational challenges, which have yet to be addressed. The challenges of practically perpetual reform since 1996 cannot be neglected and have had an impact on the morale of the ministry's staff in The Hague. The Peer Review registered several declarations of reform "fatigue" by staff members who have witnessed frequent reorganisations and changes in procedure as official reform evolved over time. In light of the context of growing budgets and responsibilities, with straight-lined or even reduced staff levels, it would seem prudent to avoid further leaps in management organisation or behaviour in the face of these perceptions of organisational strain. (1997 ISSUE STILL OUTSTANDING)

Strengthening of monitoring and evaluation: The Dutch MFA, particularly the Policy and Operations Evaluation Department, has been a strong supporter of the development of comprehensive evaluation guidelines within the context of the DAC. The IOB has been consistently recognised by its peers for its progressive, often trend-setting, measures to improve the quality of Dutch evaluation. Among these measures it is worth noting IOB's recent efforts to focus on priority thematic clusters, to consult with stakeholders, to increase the timeliness and relevance of reporting, and to establish a "help desk" for decentralised evaluations. Nevertheless, this Peer Review, as was the case in both the previous 1997 and 1994 Peer Reviews, flags a continuing need for the Netherlands to strengthen its monitoring and evaluation systems. Chapter 4 of this report describes in greater detail the organisation of Dutch monitoring and evaluation and makes several suggestions for improving the current system - several improvements for which appear to have been delayed by policy decisions concerning decentralisation and the move to sector approaches. The current Dutch organisation uses a bifurcated M&E system. It

is dependent on IOB, on the one hand, for broad, cross-cutting and policy feedback, and on the other hand, on different units in The Hague, plus the embassies, for more routine and operational feedback. This “system” appears conceptually disconnected and minimally co-ordinated operationally. The net result is an overall feedback system which uneven in quality, not yet systematic in its approach, and with a tendency to be informal and anecdotal. (1997 ISSUE STILL OUTSTANDING)

Special case of Surinam, Aruba and Netherlands Antilles: The 1997 review noted an apparent overemphasis on Latin America in overall Dutch ODA. It particularly noted that Aruba and the Dutch Antilles were part of the Kingdom of the Netherlands, and should not be eligible targets for ODA. It also noted that Surinam was an upper middle-income recipient and seemed more of a political than a developmental priority. In 2000, Aruba and the Dutch Antilles were removed from the DAC ODA list. Surinam is not on the list of partnership or thematic countries, although it benefits from a special relationship, including development co-operation aspects, based on the 1975 independence treaty and the 1992 framework treaty. (1997 ISSUE RESOLVED)

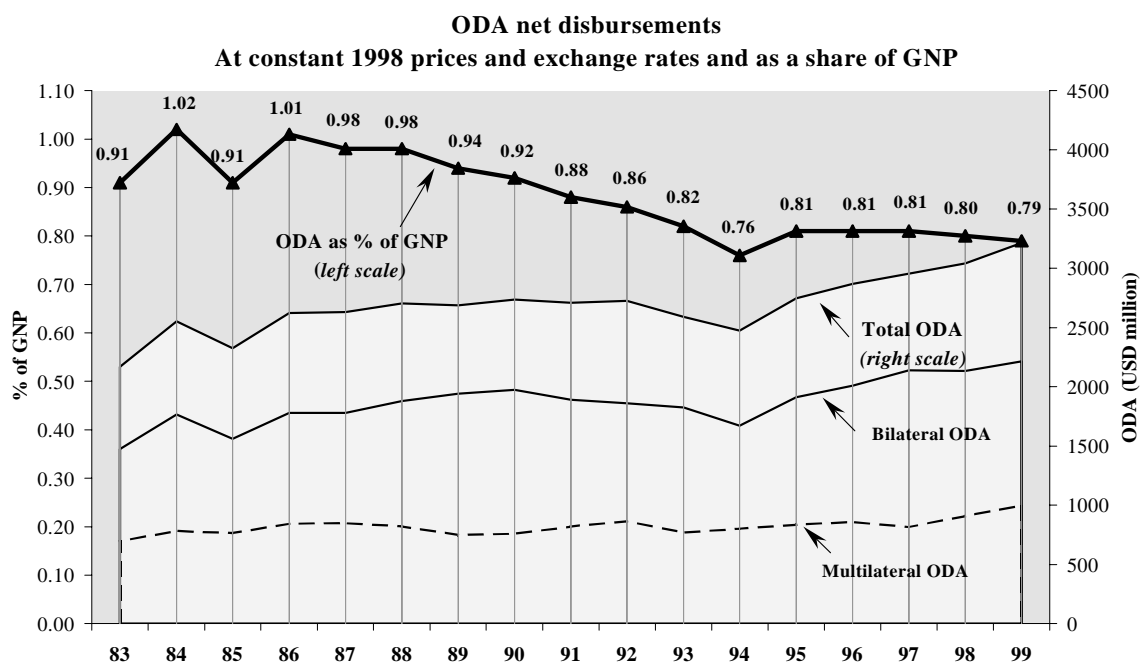
Assessment of the role of Dutch technical assistance: Much has been said on the Dutch policy toward technical assistance (see, especially, Chapter 4). The primary DAC 1997 concern in this area was the lack of a clearly articulated vision for Dutch technical assistance in development co-operation. The policy statement made in 2000 now provides clear guidance toward the implementation of a technical assistance programme that is consistent with much of best practice suggested by the DAC Member countries in the previous Peer Review. Implementation of this new vision will now require the focused attention of Dutch leadership. (1997 ISSUE RESOLVED)

ANNEX I
STATISTICS OF AID AND OTHER FLOWS

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

Netherlands	Net disbursements						
	1983-84	1988-89	1995	1996	1997	1998	1999
Total official flows	1 248	2 164	3 622	3 310	2 879	3 636	3 164
Official development assistance	1 232	2 162	3 226	3 246	2 947	3 042	3 134
Bilateral	845	1 532	2 245	2 275	2 133	2 133	2 162
Multilateral	386	631	981	971	813	909	972
Official aid	n.a.	n.a.	305	13	7	130	22
Bilateral			149	13	7	130	22
Multilateral			156	-	-	0	-
Other official flows	17	2	90	51	- 75	464	8
Bilateral	17	2	90	51	- 75	464	8
Multilateral	-	-	-	-	-	-	-
Grants by NGOs	104	189	355	353	353	158	278
Private flows at market terms	761	214	3 108	5 822	9 028	11 049	6 881
Bilateral: <i>of which</i>	- 68	452	3 264	4 778	9 833	10 291	6 494
Direct investment	206	505	1 825	6 269	4 557	10 425	7 349
Export credits	149	- 691	72	- 501	74	125	418
Multilateral	829	- 238	- 157	1 044	- 805	759	387
Total flows	2 113	2 567	7 084	9 486	12 260	14 843	10 323
<i>for reference:</i>							
ODA (at constant 1998 \$ million)	2 360	2 695	2 746	2 869	2 954	3 042	3 213
ODA (as a % of GNP)	0.96	0.96	0.81	0.81	0.81	0.80	0.79
Total flows (as a % of GNP) ^(a)	1.65	1.14	1.71	2.38	2.38	3.35	2.02

a. To countries eligible for ODA.



Source: OECD.

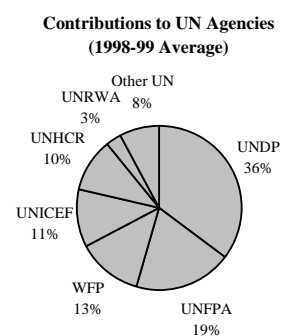
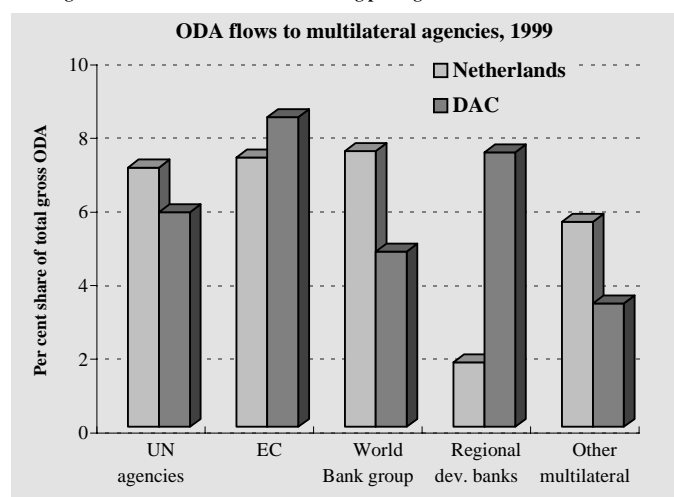
Table I.2. ODA by main categories

Netherlands	Constant 1998 USD million					Disbursements					Total DAC 1999%
						Per cent share of gross disbursements					
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
Gross Bilateral ODA	2 169	2 218	2 308	2 323	2 419	72	72	74	72	71	70
<i>Grants</i>	<i>2 167</i>	<i>2 217</i>	<i>2 308</i>	<i>2 323</i>	<i>2 419</i>	<i>72</i>	<i>72</i>	<i>74</i>	<i>72</i>	<i>71</i>	<i>55</i>
Project and programme aid	366	271	312	320	473	12	9	10	10	14	12
Technical co-operation	806	841	920	912	614	27	27	29	28	18	21
Developmental food aid (a)	38	4	2	2	2	1	0	0	0	0	2
Emergency and distress relief (a)	298	301	280	297	410	10	10	9	9	12	7
Action relating to debt	149	193	159	154	163	5	6	5	5	5	4
Administrative costs	108	139	184	164	236	4	5	6	5	7	5
Other grants	401	469	451	475	521	13	15	14	15	15	4
<i>Non-grant bilateral ODA</i>	<i>3</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>0</i>	<i>0</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>16</i>
New development lending	3	1	-	-	-	0	0	-	-	-	15
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	0
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
Gross Multilateral ODA	835	858	816	909	997	28	28	26	28	29	30
UN agencies	261	315	263	248	241	9	10	8	8	7	6
EC	278	217	257	307	250	9	7	8	10	7	8
World Bank group	210	245	192	226	256	7	8	6	7	7	5
Regional development banks (b)	36	44	47	62	60	1	1	1	2	2	7
Other multilateral	51	37	58	66	190	2	1	2	2	6	3
Total gross ODA	3 005	3 077	3 123	3 232	3 416	100	100	100	100	100	100
Repayments and debt cancellation	- 258	- 208	- 169	- 190	- 203						
Total net ODA	2 746	2 869	2 954	3 042	3 213						
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	254	265	268	312	371						
<i>Associated financing (c)</i>	42	89	118	109	105						

a. Emergency food aid included with Developmental food aid up to end 1995.

b. Excluding EBRD.

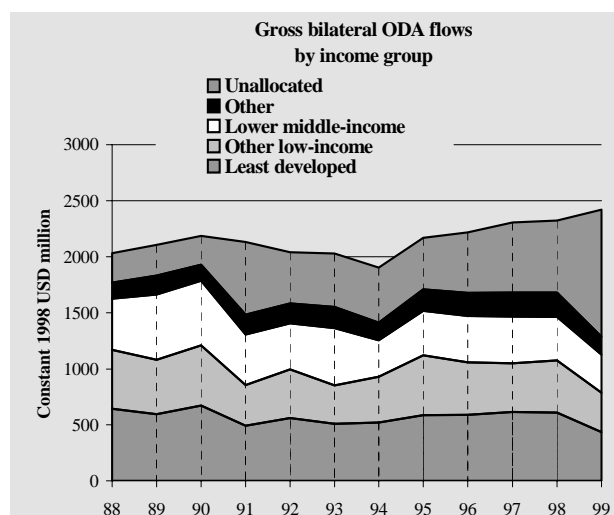
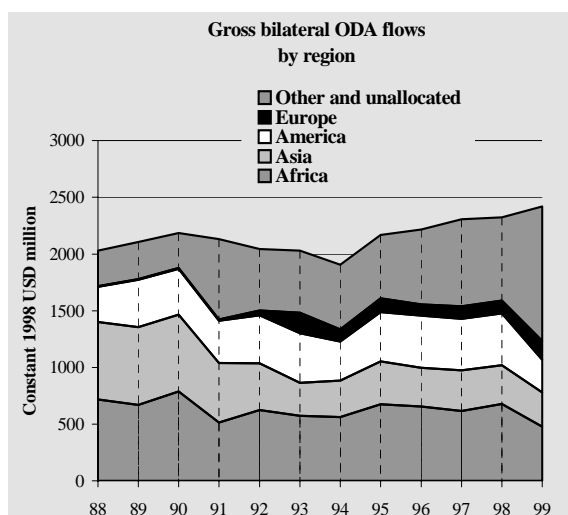
c. ODA grants and loans in associated financing packages.



Source: OECD.

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

Netherlands	Constant 1998 USD million					Per cent share					Total DAC
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	1999%
	<i>Gross disbursements</i>										
Africa	675	658	616	678	478	40	39	37	40	37	33
Sub-Saharan Africa	647	622	582	648	447	38	37	35	39	35	26
North Africa	29	35	34	30	31	2	2	2	2	2	7
Asia	378	340	359	344	303	22	20	21	20	24	39
South and Central Asia	291	263	273	247	152	17	16	16	15	12	12
Far East	88	77	86	97	151	5	5	5	6	12	27
America	436	462	456	456	289	25	28	27	27	22	13
North and Central America	247	241	242	257	198	14	14	14	15	15	6
South America	189	221	214	199	90	11	13	13	12	7	7
Middle East	98	119	139	92	51	6	7	8	5	4	4
Oceania	2	2	2	2	0	0	0	0	0	0	4
Europe	121	97	108	111	165	7	6	6	7	13	7
Total bilateral allocable	1 710	1 678	1 680	1 682	1 286	100	100	100	100	100	100
Least developed	587	589	617	608	435	34	35	37	36	34	22
Other low-income	532	471	432	468	352	31	28	26	28	27	30
Lower middle-income	397	411	418	387	340	23	24	25	23	26	40
Upper middle-income	76	73	73	74	29	4	4	4	4	2	5
High-income	111	128	140	144	129	7	8	8	9	10	3
More advanced developing countries	7	6	-	-	-	0	0	-	-	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	2 169	2 218	2 308	2 323	2 419	100	100	100	100	100	100
<i>of which: Unallocated</i>	460	541	628	642	1 133	21	24	27	28	47	23



Source: OECD.

Table I.4. Main recipients of bilateral ODA

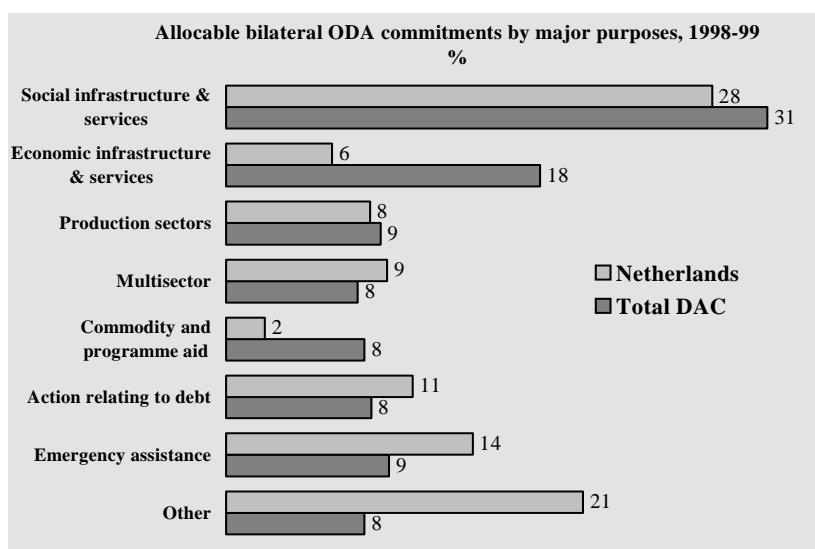
Netherlands	1988-89			1993-94			1998-99		
	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share
Indonesia	189	236	13	110	112	7	126	128	9
India	138	172	10	99	99	7	77	78	5
Tanzania	75	94	5	73	74	5	68	68	5
Bangladesh	69	86	5	62	62	4	64	65	4
Netherlands Antilles	67	83	5	57	57	4	47	48	3
Top 5 recipients	538	671	37	401	404	27	382	387	26
Sudan	62	77	4	56	57	4	47	47	3
Kenya	59	73	4	54	55	4	46	47	3
Mozambique	58	72	4	50	51	3	43	44	3
China	38	48	3	34	34	2	40	40	3
Pakistan	36	45	2	33	34	2	35	36	2
Top 10 recipients	791	985	55	629	634	43	594	601	40
Yemen	33	41	2	33	33	2	34	35	2
Burkina Faso	30	37	2	32	33	2	34	34	2
Bolivia	29	37	2	32	32	2	32	32	2
Suriname	29	36	2	32	32	2	32	32	2
Sri Lanka	28	34	2	32	32	2	31	31	2
Top 15 recipients	939	1 171	65	791	796	54	756	765	52
Philippines	27	33	2	31	32	2	31	31	2
Mali	26	33	2	30	31	2	29	29	2
Egypt	26	33	2	30	30	2	28	28	2
Nicaragua	25	31	2	24	30	2	27	27	2
Zambia	24	30	2	23	24	2	26	26	2
Top 20 recipients	1 067	1 331	74	928	943	63	896	907	61
Total (114 recipients)	1 444	1 801	100	1 474	1 481	100	1 468	1 484	100
Unallocated	215	268		483	485		873	887	
Total bilateral gross	1 659	2 069		1 957	1 966		2 341	2 371	

Source: OECD.

Table I.5. **Bilateral ODA by major purposes**
at current prices and exchange rates

Commitments, two-year averages

Netherlands	1988-89		1993-94		1998-99		Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	421	24	467	31	484	28	31
Education	127	7	105	7	169	10	11
of which: basic education	-	-	17	1	81	5	1
Health	52	3	78	5	80	5	4
of which: basic health	-	-	30	2	26	2	2
Population programmes	6	0	2	0	31	2	2
Water supply & sanitation	71	4	102	7	85	5	5
Government & civil society	16	1	43	3	58	3	5
Other social infrastructure & services	149	9	137	9	59	3	5
Economic infrastructure & services	351	20	137	9	105	6	18
Transport & storage	227	13	37	2	41	2	9
Communications	78	4	35	2	7	0	1
Energy	36	2	31	2	25	1	5
Banking & financial services	7	0	1	0	23	1	1
Business & other services	4	0	33	2	10	1	2
Production sectors	417	24	354	24	143	8	9
Agriculture, forestry & fishing	323	19	327	22	121	7	7
Industry, mining & construction	89	5	18	1	15	1	2
Trade & tourism	4	0	9	1	8	0	0
Other	-	-	-	-	-	-	0
Multisector	27	2	177	12	160	9	8
Commodity and programme aid	296	17	109	7	39	2	8
Action relating to debt	34	2	112	7	186	11	8
Emergency assistance	51	3	140	9	246	14	9
Administrative costs of donors	72	4	-	-	-	-	6
Core support to NGOs	73	4	-	-	355	21	2
Total bilateral allocable	1 742	100	1 495	100	1 718	100	100
<i>For reference:</i>							
Total bilateral	1 787	72	2 257	70	1 956	68	72
of which: Unallocated	44	2	762	24	238	8	4
Total multilateral	690	28	967	30	930	32	28
Total ODA	2 476	100	3 224	100	2 886	100	100



Source: OECD.

Table I.6. Comparative aid performance

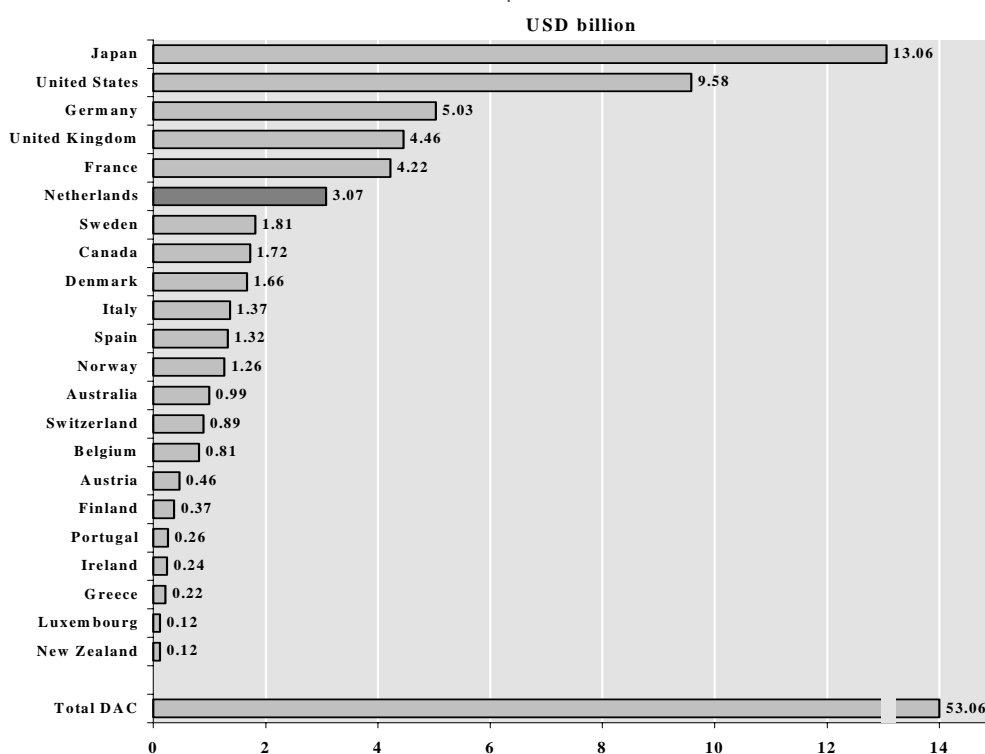
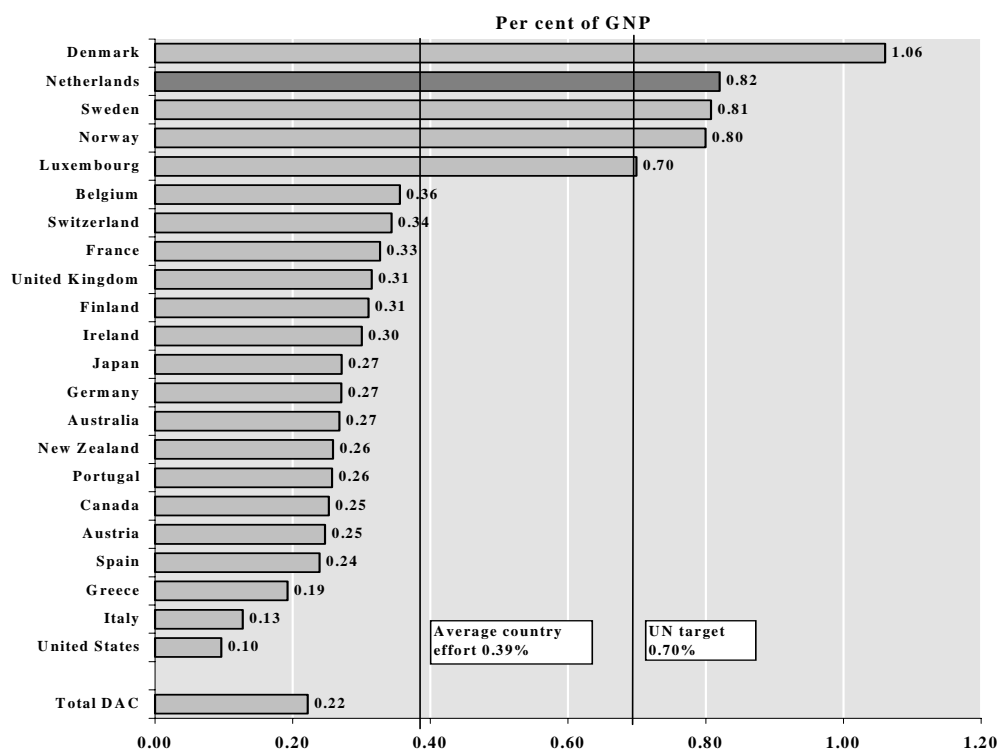
	Official development assistance		Grant element of ODA (commitments) 1999	Share of multilateral aid 1999			ODA to LLDCs Bilateral and through multilateral agencies 1999		Official aid 1999	
	93-94 to 98-99 Ave. annual % change in real terms			% of ODA		% of ODA		% of GNP		
	USD million	% of GNP		(b)	(c)	(b)	(c)	USD million	% of GNP	
Australia	982	0.26	100.0	25.7	11.9	0.07	17.4	3	0.00	
Austria	527	0.26	88.2	34.7	11.9	0.09	13.5	184	0.09	
Belgium	760	0.30	99.9	42.5	13.8	0.13	21.9	82	0.03	
Canada	1 699	0.28	100.0	31.0	0.09	0.09	18.2	165	0.03	
Denmark	1 733	1.01	100.0	40.8	36.5	0.41	31.6	128	0.07	
Finland	416	0.33	100.0	42.2	28.6	0.14	25.0	74	0.06	
France	5 637	0.39	94.4	26.8	12.7	0.11	16.0	550	0.04	
Germany	5 515	0.26	95.0	40.6	16.6	0.11	19.9	729	0.03	
Greece	194	0.15	..	59.3	12.6	0.09	2.1	11	0.01	
Ireland	245	0.31	100.0	39.4	16.1	0.12	37.3	-	-	
Italy	1 806	0.15	99.3	75.0	37.4	0.12	21.7	92	0.01	
Japan	15 323	0.35	85.7	31.6	0.11	0.11	16.7	67	0.00	
Luxembourg	119	0.66	100.0	25.4	12.2	0.17	24.8	3	0.01	
Netherlands	3 134	0.79	100.0	31.0	23.2	0.25	19.8	22	0.01	
New Zealand	134	0.27	100.0	24.3	0.07	0.07	24.1	0	0.00	
Norway	1 370	0.91	99.8	26.5	0.24	0.24	33.0	28	0.02	
Portugal	276	0.26	97.7	24.8	2.7	0.06	44.8	28	0.03	
Spain	1 363	0.23	92.7	39.2	12.3	0.09	10.8	13	0.00	
Sweden	1 630	0.70	100.0	29.7	24.2	0.21	25.0	99	0.04	
Switzerland	984	0.35	100.0	25.4	0.09	0.09	26.7	70	0.03	
United Kingdom	3 450	0.24	100.0	34.8	10.4	0.08	20.7	326	0.02	
United States	9 145	0.10	99.5	25.1	0.02	0.02	15.8	3 521	0.04	
Total DAC	56 442	0.24	94.9	32.9	24.0	0.08	18.9	6 193	0.03	
Memo: Average country effort		0.39								

Notes:

- a. Excluding debt reorganisation.
b. Including European Community.
c. Excluding European Community.
.. Data not available.

Source: OECD.

Figure I.1. Net ODA from DAC countries in 2000 (preliminary figures)



Source: OECD.

ANNEX II

DAC COUNTRIES' BILATERAL ODA TO BASIC SOCIAL SERVICES 1997-98

two-year average, USD million

	Basic Education	Basic Health	Population Programmes	Water supply & sanitation – small systems	Water supply & sanitation – large systems, poverty marked	TOTAL BSS	TOTAL BSS as a % of total sector allocable ODA
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	35.1	29.2	9.8	0.9	..	75.1	14%
Austria	1.6	5.7	0.0	6.9	4.1	18.3	8%
Belgium	2.3	25.1	3.7	3.9	..	35.0	12%
Canada (1)	9.2	7.4	16.6	0.5	3.1	36.9	6%
Denmark	10.6	6.6	1.5	13.0	..	31.6	6%
Finland	8.5	1.2	1.1	1.2	..	11.9	7%
France (2)	..	..	..	..	..	..	..
Germany	119.6	109.4	89.3	177.8	..	496.0	14%
Ireland (3)	15.9	12.4	0.0	..	..	28.2	35%
Italy	0.1	9.3	0.4	5.0	..	14.7	7%
Japan (4)	172.3	86.1	7.8	53.8	47.3	367.3	3%
Luxembourg	5.9	9.4	0.0	..	..	15.3	27%
Netherlands	58.3	54.8	25.7	30.1	9.6	178.5	17%
New Zealand	5.6	0.0	0.0	..	..	5.6	9%
Norway	19.1	11.5	10.2	0.0	..	40.8	10%
Portugal	0.6	1.1	0.2	..	..	1.9	5%
Spain	10.5	54.1	3.0	9.5	..	77.2	12%
Sweden	43.1	23.5	30.8	0.3	3.9	101.8	15%
Switzerland	12.1	9.5	1.1	3.8	12.5	39.0	13%
United Kingdom	101.7	79.7	75.2	15.3	5.1	277.1	24%
United States	71.2	94.3	570.3	0.1	..	735.9	20%
TOTAL DAC	703.3	630.4	846.8	322.1	85.7	2588.2	10%

1. **Canada** has stated that pending the introduction of multiple sector coding in CIDA's project management system, data on aid to BSS derived using the sectoral approach will greatly underestimate its efforts. For its internal purposes, Canada monitors "aid to basic human needs" which represents about 30% of Canada's total ODA. This data cannot be sufficiently disaggregated to estimate aid to BSS.
2. The reporting systems of **France** do not enable distinguishing basic from other social services.
3. **Ireland** has not reported aid to BSS in CRS or the DAC but provided separate estimates for this report.
4. Data for **Japan** exclude technical co-operation. **Greece** became a Member of the DAC in 1999.

Source: CRS and DAC data.

The Netherlands

PRESS RELEASE OF THE DAC PEER REVIEW OF THE NETHERLANDS

The Netherlands remains a leader among the Development Assistance Committee (DAC) Member countries for the share of its gross national product (GNP) devoted to official development assistance (ODA). Its ODA totalled USD 3.07 billion in 2000, representing 0.82% of GNP and the second best performance in the DAC. This is almost a 10% increase over the 1999 budget. Given the Dutch system of a GNP-linked aid budgeting mechanism, the volume of Dutch ODA is likely to continue to increase significantly over the coming years.

The Netherlands started an ambitious sequence of internal reforms in 1995, and then again in 1998, with the aim of making its aid programmes more effective and coherent. Poverty reduction has now been designated as the overarching objective for Dutch development assistance and the Netherlands is playing a strong role in testing operational approaches to this theme.

The DAC reviewed the Dutch development co-operation policies and programmes on 5 June 2001. The DAC Chairman, Mr. Jean-Claude Faure, summarised the Main Findings and Recommendations:

- The Dutch commitment to maintaining a high ODA/GNP ratio is laudable. Such an achievement is facilitated by strong and widespread public and political support for development assistance. The DAC encouraged the Netherlands to continue to maintain the current strong commitment to ODA levels, combined with high quality and creative developmental programming, including multi-year approaches. The DAC expressed its concern that staff constraints within the MFA render difficult the task of effective management of this regularly growing ODA budget.
- The association of functions between foreign affairs and development co-operation within the MFA has had positive effects, especially at the level of policy coherence. Nevertheless, it has exacerbated management difficulties, including issues in personnel management, such as recruitment, size and skill mix. The DAC strongly recommends that the MFA develop a clear statement of vision for the personnel policies of the development co-operation operations of the MFA. The DAC also recommends that the MFA strengthen the administrative authorities of the Minister for Development Co-operation in the areas of personnel recruitment and management, to help ensure an appropriate mix of skills at headquarters and in the field.
- Dutch development co-operation has long been engaged in pursuing greater policy coherence among Dutch actors and on the international scene. Nevertheless, the task of policy coherence is highly complex and requires a strengthening of the MFA analytical capacity to best address this task. The DAC welcomed the Dutch intention to establish such a capacity within the Ministry and at a senior level of government, so as to better identify and address areas of policy coherence in relation to Dutch developmental objectives. The DAC welcomed Dutch interest in deepening its current attempts to network with civil society, so as to permit a more systematic discussion on policy coherence and other issues concerning development co-operation.

The Netherlands

- The Netherlands uses country-owned strategies, in particular, the Poverty Reduction Strategy Papers (PRSP), as a model for the delivery of bilateral aid, based on lessons learned from over 30 years of development co-operation. The DAC welcomed the focus on ownership, on the importance of the utilisation of domestic resources, and on poverty reduction, but also underscored the challenge that future Dutch development co-operation could face in terms of risk management, whenever the implementation of such models proves difficult. It was therefore suggested to review ways in which the use of the PRSP model as the privileged approach for implementation of Dutch bilateral aid can be advanced.
- In light of its interest in achieving greater policy coherence, the Netherlands has been actively involved in co-ordinated action with selected multilateral agencies. The Netherlands has been similarly engaged in shaping European development policies and was encouraged to continue to do so.
- The Netherlands has provided strong political commitment and support for untying of development assistance. Further the April 2001 High Level Meeting agreement on untying aid to least developed countries, the DAC welcomed the Dutch intention to re-allocate the funds previously used for tied-aid projects in the LLDCs to a special multilateral facility for future development use. In the same spirit of openness, the Netherlands has also encouraged greater opportunities for the Dutch NGO community to participate in co-financing programs.
- The DAC applauded the Netherlands for its ambitious decentralisation of management and authority. It was, in particular, suggested that the MFA initiate the actions necessary to effective communications between headquarters and the field, so as to ensure that perspectives from both ends are fully understood and utilised. Policy makers should also be fully informed from the field perspective. The DAC also welcomed the announcement by the Minister for Development Co-operation to move the main responsibility for management of macroeconomic funds to country embassies.
- While efforts have been made to strengthen the Dutch monitoring and evaluation systems, this Peer Review echoed the recommendations contained in those of 1994 and 1997. The DAC recommends that the Netherlands initiate the range of actions necessary to the creation of a coherent, overall monitoring and evaluation system. Such a system should be structured conceptually around the use of feedback, particularly that of the field, for learning and future management decision-making. The DAC was pleased that the MFA now uses the International Development Targets in its reporting to the Dutch Parliament.

During the review, the Dutch Delegation was led by Ms. Eveline Herfkens, Minister for Development Co-operation. The examining countries were Germany and Portugal.

DESCRIPTION OF KEY TERMS

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

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

DAC LIST OF AID RECIPIENTS: A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

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

Other LICs: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP less than USD 765 in 1995 (World Bank Atlas basis). LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.

LMICs: Lower Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 766 and USD 3 035 in 1995.

UMICs: Upper Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 3 036 and USD 9 385 in 1995.

HICs: High-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) more than USD 9 385 in 1995.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

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

The Netherlands

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

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

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

GRANT ELEMENT: Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (i.e. the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

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

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

PARTIALLY UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

PRIVATE FLOWS: Consist of the following flows at market terms financed out of private sector resources:

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

Bilateral portfolio investment: Includes bank lending, and the purchase of shares, bonds and real estate.

Multilateral portfolio investment: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

Private export credits: See EXPORT CREDITS.

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

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

UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME: Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.