

Consultation Netherlands' new Foreign Trade and Development Cooperation policy

– The EU dimension –

This note complements ECDPM's responses to some of the questions of the public consultation (see below) on the Netherlands' new Foreign Trade and Development Cooperation policy. It emphasises the importance of incorporating a strong EU dimension in the future policy.

The fast-changing global context, characterised by geopolitical tensions, a more contested and fragmented world and recurrent crises, including threatening climate change, a lingering COVID-19 crisis, and now the Russian war in Ukraine, have prompted a strong sense of urgency to strengthen the EU's collective action, visibility and impact. In such a context, the ability of what the Netherlands (or any other EU Member State) can do alone is very limited with the Netherlands' global leverage likely to decline in the face of rising importance of other powers, therefore, **working with and through the EU becomes even more of an imperative.**

The EU remains a giant in the area of trade, a key actor in the area of development and international cooperation, and is increasing its ambitions in the area of security and defence. **The importance of the EU's role in development and trade has increased in the last decade**, including financially, and it is seeking to make better use of its own policies and instruments, as well as those of its member states, to leverage additional resources and influence in partner countries. The EU also sees itself as a leading global regulatory power, another aspect with a key development and international cooperation dimension that the Netherlands should seek to engage with on a policy level.

In recent years, the EU has strengthened its resolve to become a strong global actor and has adopted a new broad instrument for development and international cooperation (NDICI Global Europe) as well as new policy approaches (e.g. policy-first, Team Europe) with a view to making its external action more strategic, coherent and responsive. There is now a much **stronger political rationale and increased opportunities for the EU and Member States to work better together** across a variety of policy areas and through a much wider toolbox of financial and non-financial implementation modalities.

In this context, **the Netherlands should seek to maximise its own experience and instruments and contribute to shaping and improving EU collective action.** While the EU is seeking to enhance its visibility and influence, it is also suffering from a credibility crisis due to a certain lack of follow-through of policies, promises made to partners and bureaucratic hurdles. Dutch engagement in EU cooperation can also ensure proper follow-up of EU policies and "quality" partnerships. The Netherlands can indeed play a role in promoting international discussion on creating global standards that take into account the priorities and interests of partner countries and regions.

The Netherlands is a key trade and development actor and has proactively linked its development cooperation with trade. It consistently figures among the largest ODA donors in the OECD-DAC and is the fourth largest EU donor, as well as one of the leading providers of aid for trade. The Netherlands is a significant net contributor to the EU budget therefore should have a key interest in ensuring that these are used effectively. Yet, the Netherlands could and should be punching above

its weight by engaging more with the EU institutions on these issues, at headquarters and in partner countries. In particular, the Netherlands has a key role to play in better linking the trade and aid agenda, further promoting private investments in EU development and international cooperation, as well as the nexus approach to sustainability, notably in the water-energy-food sectors. In addition, the Netherlands has consistently invested in developing better responses to conflict and fragility, yet its engagement and influence of the EU has not been consummate with its own policy ambitions in this area.

As Dutch development cooperation is structured around thematic priorities, **the Netherlands should take a stronger role in trying to influence how thematic priorities are developed and set at the EU level**, establishing clear and ambitious targets and building coalitions towards this end that extend beyond traditional governmental cycles. Attempting to influence the EU's thematic priorities will make up for the more limited in-country footprint and geographic priorities that the Netherlands has.

Indeed, in order to contribute to agenda-setting and advancing the Dutch priorities in EU policies, **the Netherlands should scale up its engagement with the EU institutions and ensure it mobilises and devotes the appropriate political will and senior administrative energy to this end**. Attention also needs to be paid to incentive and disincentive structures within the Dutch administration. The Netherlands should not be afraid to take a fundamental look at its own policies, financial cycles, administrative procedures, ways of working, and staffing allocation to critically analyse whether they are optimally deployed to be an influential player within a European set up.

The Netherlands should establish stronger coalitions and align its actions in partner countries, to promote its priorities in a way that they contribute to the EU's increased visibility and displays the Union's clear collective added value. Different types of coalitions and partnerships are required with the EU institutions (including various services within the institutions), with other EU Member States, as well as with a broader range of European stakeholders, notably development finance institutions and the private sector who are becoming central actors of EU development cooperation, but also members of the European Parliament, civil society, knowledge institutions and think tanks. While the Netherlands does not have an operational development agency in the same way that other member states do, it could be more supportive of how its own institutions (in academia, civil society, knowledge institutions and private sector) could make a positive contribution to Netherlands' development cooperation.

The Team Europe approach that emerged as part of the EU's collective response to the COVID-19 pandemic is now being rolled out in Team Europe Initiatives as well as the Global Gateway, both of which put a strong emphasis on the collective financial weight and political leverage of the EU and its member states, together with their respective development agencies and financial institutions. **The Netherlands should identify within these high profile EU initiatives where the Netherlands' own added value is and how it can better engage.** In particular, both Team Europe Initiatives as well as the Global Gateway focus on key European priority areas - notably climate change and digital transformation - which are also central to Dutch cooperation. The Netherlands should also seek to make stronger synergies between these initiatives and its bilateral engagement, including by rallying other EU member states in a Team Europe approach around Dutch cooperation priorities or key projects.

The Netherlands should continue thinking strategically about what it wants to achieve together with the EU and other member states in partner countries and in multilateral fora. At the global level the Netherlands will also have to work more closely with EU partners and build international coalitions to shape the international development agenda and what comes after 2030.

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– Responses to the questions of the public consultation –

1. How can we increase the involvement of Dutch companies in the twin transitions in low- and middle-income countries?

Embassies of the Netherlands can usefully play a more active role. They need more [tailored guidance](#) on how to support companies in translating the twin agenda into practice. Embassies also need to be adequately staffed to be able to support the transition.

Relatedly, the Netherlands can support the creation of [platforms that connect companies](#) involved in green/ digital transition in low and middle-income countries, in which Dutch companies can get involved. A good example to build on is the Netherlands Circular Economy Hotspot which provides this kind of service, albeit broader, as it supports countries in setting up circular economy hubs that facilitate networking, such as the Circular Business Platform Lagos launched in October 2021.

Sources:

- IOB. 2021. [Report – Implementation of the aid, trade and investment in 3 partner countries](#)
- Ashraf and van Seters. 2021. [The role of low- and middle-income countries in the circular economy transition of the Netherlands and the EU](#) (ECDPM Briefing Note 142)
- Ashraf and van Seters. 2021. [Working with the private sector for sustainable digital transformation](#) (ECDPM Briefing Note 136)

2. How can government, the private sector and knowledge institutions work together better to achieve the Sustainable Development Goals?

The Netherlands has a **strong track record of supporting multi-stakeholder initiatives** for sustainable value chains, for example through the sectoral International Responsible Business Conduct Agreements and the work of the Sustainable Trade Initiative (IDH). This is very valuable, as a single actor cannot address systemic issues alone, and thus worth building on.

This is **particularly relevant in the context of legislative initiatives at the EU level to promote responsible business conduct**, such as the proposals for a regulation on deforestation-free products, a regulation on batteries and a directive on corporate sustainability due diligence. Clear and effective mandatory requirements are important but are not a silver bullet. 'Accompanying measures' such as multi-stakeholder initiatives [can play a key role](#) in contributing to the achievement of the objectives of these legislations.

Attention is therefore needed to design, implement and support initiatives involving the public sector, companies, knowledge institutions, but also other civil society actors to effectively play this role. Furthermore, as a frontrunner in this field, **the Netherlands can promote this approach actively in the EU context**. For example, lessons from the IRBC agreements can be used to inform possible EU level sectoral platforms, and in partner countries, the Netherlands can promote multi-stakeholder approaches in Team Europe initiatives.

An approach to build on is the [European Partnership for Responsible Minerals](#), of which the Netherlands is one of the founders, where the European Commission has joined as an observer on the governing board and has provided funding for EPRM supported projects in sourcing countries.

When supporting multi-stakeholder partnerships, **enhanced attention should be paid to the [configuration and management of the partnerships](#)**, including allowing more creativity in the design of

partnerships, specifying the role of public sector partners (whether it be the Ministry of Foreign Affairs itself, RVO or other public actors), and focusing on empowering local partners who are often considered 'weak' actors in partnership arrangements.

Sources:

- Karkare and van Seters. 2019. [A smart mix for responsible business conduct: Due diligence legislation and multi-stakeholder initiatives](#) (ECDPM Briefing Note 108)
- KIT. 2017. [Review of external evaluations of Dutch Aid and Trade programmes from 2013-2017](#)
- van Seters and Ashraf. 2019. [Responsibly sourcing minerals from conflict-affected and high-risk areas: Lessons from the European Partnership for Responsible Minerals](#) (ECDPM Briefing Note 109)

3. How can the Netherlands' efforts to achieve policy coherence for development be further strengthened or enhanced?

In the current context of heightened geopolitical tensions and intensified international economic competition, rich countries' attention to the unintended effects of their policies on poor countries may be receding. Yet, with the negative socio-economic impacts stemming from the pandemic and the Ukraine war exacerbating pre-existing difficulties, a continued commitment to policy coherence for development (PCD) is critical for supporting poverty reduction and more inclusive and sustainable economic growth in developing countries.

The Dutch government's efforts to formulate and implement policies that do not undermine the objectives of development cooperation has so far been guided by its PCD action plan, a tool that few developed countries have. In this rapidly changing context, the priority PCD areas of the government should be reviewed, even though most of them remain relevant. Given the repercussions of the pandemic on public finances, efforts to reduce tax avoidance, tax evasion and illicit financial flows out of developing countries should remain a priority for the Netherlands. The recent international agreement on minimum taxation of multinationals provides opportunities for progress in this area. With sustainability challenges in international supply chains rising on the agenda of policy-makers, advanced economies' governments and the EU are formulating new measures directed at the practices of businesses sourcing products abroad (due diligence, non-financial reporting, deforestation-free trade, etc.), in addition to trade and investment agreements. Yet, trade regulations and company laws, on their own, are limited in their ability to solve social and environmental problems linked to supply chains (for example, [deforestation](#)). Policy-makers should also pay attention to the unintended effects of international economic policies on governance in developing countries and to potential synergies with governance support. Doing so is in the long-term interest of the Netherlands and Europe, as weak institutions, corruption and other governance issues not only affect local populations and enterprises, but they also drive [irregular migration](#) and prevent the realisation of sustainable business opportunities.

Besides setting priorities, current challenges also require upgrading approaches to policy coherence. Notably, a [whole-of-government approach](#) is needed for the climate crisis and the ecological transition. The Dutch government should seek to reduce trade-offs and exploit synergies across a broad range of policy areas that may contribute to climate mitigation and adaptation in developing countries. The interconnections between different thematic areas of development cooperation, for example, [climate action](#), [food security, water and energy](#), may provide opportunities for enhancing the impact of PCD. For example, the government should not only pursue its efforts to mitigate the adverse effects of subsidised export credit for oil and gas projects on climate objectives in developing countries, but it should also consider the implications of its energy and trade policies on food security and water objectives. While food security is not explicitly part of the current PCD action plan, it should be integrated amongst the new priorities, considering the recent rise in staple food prices and the mounting effects of climate change on agricultural and food systems.

Promoting policy coherence in the context of the SDGs is a complex task and the Dutch government has to provide for adequate capacities to undertake it. With the broader notion of [policy coherence for sustainable development](#) (PCSD) being a key means of implementation of the 2030 Agenda (SDG 17.14),

different state and non-state actors may not share the same level of understanding of the underlying challenges. Policy coherence issues prioritised by the new development policy should be discussed with parliamentary actors to allow for a common understanding, constructive debates and an effective monitoring of PCD commitments. When formulating new policies possibly affecting the SDGs in developing countries, the government should implement *ex ante* impact assessments such as the “SDG Check” devoting adequate efforts to the analysis of cross-border spillover effects in a disaggregated way, considering the potential impacts on specific sectors and vulnerable population segments. Institutional mechanisms enabling discussions and negotiations on policy trade-offs concerning international development interests amongst ministries are critical for the operationalisation of PCD. They should operate in close coordination with broader PCSD-related mechanisms, with a clear locus for arbitrage. The Netherlands also has the opportunity to promote PCD internationally, especially at the EU level, where PCD priorities are increasingly influenced by the European Green Deal initiative. Beyond the EU, Dutch diplomacy could play a role in promoting what it sees as PCD priorities by engaging with advanced and [emerging economies](#)’ governments whose economic and security policies have major impacts on developing countries.

Sources:

- Woolfrey. 2021. [Can trade policies help promote sustainable forest management? An analysis of the EU-Ghana FLEGT Voluntary Partnership Agreement](#) (ECDPM Discussion Paper 307)
- Mackie, Ronceray and Spierings. 2017. [Policy coherence and the 2030 Agenda: Building on the PCD experience.](#) (ECDPM Discussion Paper 210).
- Medinilla. 2021. [An adaptive and context-driven approach to the water, energy and food nexus](#) (ECDPM Briefing Note 135)
- Tondel, Ronceray, Mackie and Ashraf. 2019. [Implementing policy coherence: A challenge inherent to the 2030 Agenda](#) (ECDPM commentary)

4. How can the government strengthen Dutch companies’ sustainable earning capacity abroad?

EU trade policy measures are key to strengthening Dutch companies’ sustainable earning capacities, by removing barriers to trade. The Netherlands needs to continue to actively inform EU trade policy measures in the context of the Council of the EU and beyond. This can include striving for strong SME chapters in EU free trade agreements and their effective implementation.

EU trade agreements are widely used by Dutch companies, [but their utilisation rate can further increase](#). Trade and investment promotion tools of the Netherlands can be supportive in this regard, but [better use can also be made of European economic diplomacy efforts](#). Embassies and RVO staff can collaborate more strongly with EU delegations in third countries in this context, for example, to involve Dutch companies in EU trade missions (including circular economy missions, which the EU intends to organise more of, as stated in the [European Circular Economy Action Plan](#)) or to feed into EU policy dialogues with third-country governments for a more enabling sustainable business environment. The latter is particularly relevant in light of the [IOB evaluation finding](#) that policy dialogues on the business environment merit to be strengthened, but that the Netherlands has little capacity to do this.

The Netherlands seeks to combine the promotion of its economic interests and its values. This can further be strengthened by [building greater synergies](#) between development and commercial (non-ODA) activities and finance. This would mean for example between FMO, Invest International and Atradius, together with private financial institutions and pension funds.

Sources:

- IOB 2022. [Policy review article 1 of the budget for Foreign Trade and Development Cooperation \(BHOS\)](#)
- Bilal. 2021. [A European Economic Diplomacy in the making.](#)
- Große-Puppenthal, Karaki and Bilal. 2016. [Investment promotion for sustainable development: The roles of DFIs and export credit agencies](#) (ECDPM Discussion Paper 208)

5. In which themes or sectors do you see opportunities for international enterprise?

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6. How can the government better support companies (and SMEs specifically) that are doing or wish to do business abroad?

- What type of support do companies need in order to achieve international success in the areas of digital innovation (innovation partnerships) and sustainability?
- For what countries, regions or markets should the government provide private sector support?
- What type of trade promotion activities should the government stop doing?

In the private sector instruments mix, particularly the ODA instruments, attention is needed for private sector support in **low and lower-middle-income countries**, where risks - and perceived risks - tend to be high. To avoid fragmentation, certain instruments could focus more explicitly on a limited number of countries with specific needs that match the expertise of the Dutch business community, as also noted in the recent [IOB partners in development evaluation](#).

In light of the ambitious climate targets of the government and the European Green Deal, particular focus should be on **private sector support for low carbon, resource-efficient and inclusive development pathways**. This relates to the selection criteria of instruments, but also the type of support offered. Bilateral instruments can be further adapted, but the Netherlands can also use its leverage to strengthen and use EU instruments in this regard, such as the [Enterprise Europe Network](#) that provides international matchmaking and technical assistance to SMEs). Relatedly, the commitment to phase out export support for fossil fuels by the end of 2022 is very welcome, which needs to be put into practice.

More (bilateral and multilateral) support could be directed to specific (sub-) sectors or chains. This can yield more results than support to individual companies without a **sectoral or chain approach**. For example, the merger of PUM and DECP could take more sectoral approaches in specific countries, which can contribute to more enabling eco-systems for Dutch companies to trade and invest.

Sources:

- van Seters and Bilal. 2020. [The under-tapped potential of trade and investment promotion tools: The Enterprise Europe Network](#) (ECDPM Great Insights magazine, Volume 9, Issue 2)
- van Seters, J. and S. Bilal (2019). [The Enterprise Europe Network: EU Trade Promotion and Sustainable Trade Policy Objectives](#), (RESPECT paper)
- IOB. 2021. [Report — Partners in Development](#)

7. In your opinion, what are the Netherlands' strengths when it comes to development cooperation? In which policy themes could the Netherlands play a leading role?

Responsible business practices: As noted above, The Netherlands has a strong track record of supporting multi-stakeholder initiatives for sustainable value chains. Most RBC agreements are concrete attempts to give shape to international RBC guidelines: they stimulate companies to publicly commit to comply with the RBC guidelines and they have put in place reporting frameworks and (largely independent) monitoring structures to follow up on those commitments. RBC agreements contribute to a harmonised and structured approach on due diligence among participants, particularly when they develop detailed assessment frameworks against the OECD Guidelines. RBC agreements have had significant success in raising awareness about due diligence and in creating space for cross-sector knowledge exchange and collaboration. The RBC agreements offer a platform function—particularly to build trust, facilitate new interactions between CSOs and the private sector, and initiate innovative partnerships that would otherwise not have emerged and offer a (safe) platform to discuss alleged misconduct in supply chains and to come up with a coordinated response.

The Netherlands also made substantial contributions to both non-regulatory and regulatory IRBC initiatives and used its EU membership to amplify its voice and drive change. Many of these initiatives have led to tangible results, such as guidance on due diligence, changes in national legislation, action

plans and projects to stimulate the application of due diligence. Some initiatives have demonstrably improved the (reporting) behaviour of governments and companies.

Sustainable value chains and cooperation with the private sector, with attention for the informal sector: combining the private sector's efficiency and market orientation with the regulatory capacity of the public sector, the social orientation and local knowledge of civil society organisations, and the expertise of research and knowledge institutes.

The Netherlands has a unique two track approach for its PSD policy and the policy aimed at trade and investment: direct support to individual companies and activities aimed at improving the business climate.

Policy coherence: the Netherlands has experience in setting up and using robust coordination structures, working with a PCD action plan, to reduce incoherence between national or EU policies and the Netherlands' objectives in areas like trade, taxation, health, food security, global value chains, investment protection, climate change and remittance costs. Given the scale of trade flows and the potential impact they have, it is worth making targeted use of this scope.

Sexual and reproductive health and rights and gender equality: the Netherlands prioritise this topic, especially (political) decision-making and women's leadership, economic empowerment, violence against women and girls and the role of women in conflict prevention, conflict situations and peace processes. The Ministry has a strong institutional set up; with a Task Force women's rights and gender equality (TFVG) – responsible for gender diplomacy, managing projects, programmes and partnerships for women and promoting gender mainstreaming, and gender focal points (GFPs) – responsible for gender mainstreaming in thematic sections and embassies.

Dutch CSOs play an active role in Dutch development cooperation and **the strategic partnerships between government and civil society** are highly valued and considered innovative. Partnerships respect the autonomy of CSOs, allow for complementary and collaboration between CSOs, and reflect long-term commitment and multi-year planning. Soft earmarking provides the necessary flexibility and space to adapt to be effective.

The funding scheme 'Dialogue and Dissent' goals are to strengthen a civil society that expresses the voices and needs of citizens, and the establishment of an inclusive and sustainable society overall based on a human rights approach. The Netherlands is one of the few governments supporting **movement building, lobby and advocacy support, addressing power dynamics among the civil society actors and partnerships, human and women's rights work**. This work needs long term, flexible funding and technical support.

Prioritising Southern leadership; shifting the power ensuring ownership of programmes and policies from Southern-based organisations and civil society and stimulating leadership from the Global South / strengthening organisations in the global south beyond project funding but long term organisation/movement building support.

Sources:

- Donor tracker. 2022. [Netherlands](#)
- IOB. 2022. [Gedeelde belangen, wederzijds profijt? Beleidsdoorlichting BHOS-begroting art.1](#)
- IOB. 2021. [Report – Gender mainstreaming in the Dutch Ministry of Foreign Affairs](#)
- IOB. 2021. [A Taxing Issue: Evaluation of the Dutch government's policy on strengthening developing countries' tax systems \(2012-2020\)](#)
- IOB. 2021. [Report – Implementation of the aid, trade and investment in 3 partner countries](#)
- IOB. 2021. [Trading interests and values](#)
- KIT. 2020. [Evaluation of the Dutch RBC Agreements 2014-2020: Are voluntary multi-stakeholder approaches to responsible business conduct effective?](#)
- IOB. 2019. [Mind the governance gap, map the chain: Evaluation of the Dutch government's policy on international responsible business conduct \(2012-2018\)](#)
- IOB. 2019. [Evaluatie – Strategies for partners: balancing complementarity and autonomy](#)

- OECD DAC. 2017. [Peer review of The Netherlands](#)

8. In what other ways and areas could Dutch development cooperation innovate more?

The Netherlands could more consistently seek to pay attention to the political-economic context in which it operates, to better adapt its approaches to that context. Political economy analysis and flexibility to adapt interventions/programmes are important in that regard. A good example to build on is the West Africa Trade Facilitation Programme.

9. In what ways or areas could the Netherlands, as a donor, be even bolder?

In the reallocation of the Dutch own special drawing rights (SDRs, or equivalents) to Africa and providing leadership in the related SDR processes within the EU and beyond. The G20 Summit of 2021, including the Netherlands, expressed the global ambition to voluntarily reallocate SDRs to the equivalent of \$100 billion for countries most in need, but SDR reallocation pledges are not even half of this, with the Netherlands considering so far rechannelling only 3% of its SDRs. [The Netherlands could commit more, e.g. 20% reallocation like France, Italy and Spain did, and influence other countries to do so, in particular to channel such resources to African countries](#) suffering the most, in the context of the renewed partnership announced at the recent AU-EU Summit (22 EU member states have not signalled any potential pledge so far).

Moreover, the Netherlands could support this process by promoting African systematic participation in the decisions around how to use these reallocated SDRs (or their equivalents) for the SDGs and by recommending effective channels for reallocation, e.g. use guarantee mechanisms to also be catalytic for additional private investment in African economies.

Technical difficulties may exist to rechannel the SDRs directly to African countries, outside IMF intermediation; but the Netherlands and other EU member states could take advantage of their increased reserves through the new SDRs and opt to provide a range of equivalent solutions to SDRs reallocation, including concessional loans, grants and guarantees, to support African countries more directly. This would be very important to help address financial needs of vulnerable countries, especially with respect to COVID-19 impact. The Netherlands could also play a leadership role in directing this SDR re-channeling to the needs of the countries suffering most from the soaring food prices and looming food crisis due to the Ukraine war.

The Netherlands could also consider **a capital increase of FMO. It could also consider a capital increase of the European Investment Bank**, in the context of the recent creation of EIB Global.

Sources:

- Bilal. 2022. [EU countries should reallocate a share of their special drawing rights as a strong commitment at the EU-AU Summit](#) (ECDPM commentary)

10. Are there any other points that you believe should be included in the new policy document?

If you would like to get in touch with our staff members directly, please feel free to do so via www.ecdpm.org or contact us via info@ecdpm.org.