

**INTERACTION BETWEEN ACTORS IN
INTERNATIONAL COOPERATION
TOWARDS FLEXIBILITY AND TRUST**

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Foreword

In March 2012, the Advisory Council on International Affairs (AIV) was asked to produce an advisory report on the complementarity and synergy of aid channels (see annex I). This follows on from the recent report by the AIV on shifting patterns of poverty, 'Unequal Worlds: Poverty, growth, inequality and the role of international cooperation' (advisory report number 80), which was requested at the same time.

This advisory reports goes further than the request for advice in two respects.

More than with other advisory reports, this request for advice touches on the implementation modalities of development cooperation. For that reason the AIV extensively consulted experts working for the various aid actors (see annex II). Special thanks go to Jan Gruiters. A pattern emerged of declining confidence in social design, measurability, plan-based approaches and legislation and a growing call for flexibility and trust within clear, but broad frameworks. The AIV explores this input further in chapter V, on the possible need for a paradigm shift.

This request for advice was submitted by the previous government. The new government is currently facing a number of issues on which the minister has indicated that she would appreciate the opinion of the AIV in the short term. Chapter VI therefore contains a number of recommendations that are consistent with the main text of the report, but do not necessarily follow on from it.

This report was prepared by a committee consisting of the following persons: Professor A. de Ruijter, F.A.J. Baneke, Dr B.S.M. Berendsen, Professor B. de Gaay Fortman, J. van Ham, Dr N. Tellegen, D.E. van Norren (executive secretary) and E.C.H. Wielders (trainee).

The AIV adopted this report at its meeting on 1 February 2013.

Summary

*'Doubt requires more courage than conviction does, and more energy; because conviction is a resting place and doubt is infinite; it is a passionate exercise. [...] We've got to learn to live with a full measure of uncertainty. There is no last word: that's the silence under the chatter of our time' (John Patrick Stanley, *Doubt: A Parable* (2004)).*

*'The remaining membrane that held Dutch culture together for more than a century was a marvel of elasticity. Responding to appropriate external stimuli, it could expand or contract as the conditions of its survival altered' (Simon Schama, *The Embarrassment of Riches*, p. 596).*

Context and complexity

Today, international cooperation is faced with a world characterised by complex issues and hybrid international relations. Complexity is reflected in the indefinite, unlimited and interconnected nature of issues. These are thus becoming 'wild problems of organised complexity'. The hybrid nature of international relations is mainly reflected in the growing number of non-state actors. Although the national state will remain an important point of reference, it will increasingly become part of a loosely structured network of continually changing actors and theatres.¹ Chapter I presents a short history and summary of changes, acquired rights and complexity in the field of international cooperation, with references to previous AIV advisory reports.

From channels to actors

Unlike the request for advice, the AIV refers not to aid channels but to actors in international cooperation. Current definitions of aid channels are problematic, and the actors involved play roles not only as part of the aid chain (which flows in one direction, from donors to recipients) but also as active agents of social change, each contributing to international cooperation within their own mandate. This is addressed in the first section of chapter II.

The added value of the actors

This report distinguishes four groups of actors: bilateral, multilateral, civil (civil society organisations and research institutions)² and the private sector. Chapter II analyses the added value and limitations of these actors. The analysis is generic per actor, allowing a discussion in general terms of how the government can make use of their added value. Two tables in chapter IV aim to pinpoint this added value for a number of policy areas.

Chapter II also contains an analysis of the disadvantages of the current cofinancing system for civil society organisations and advocates a different way of funding NGOs by the government, analogous to the model used in Sweden. It proposes a number of

1 Advisory Council for Government Policy (WRR), *'Aan het buitenland gehecht: over verankering en strategie van Nederlands buitenlandbeleid'* [in Dutch], Amsterdam, 2010.

2 Civil society refers to the structure of a society, to the groups and organisations, with widely varying degrees of formalisation, positioned between the household, the state and the private sector. It includes non-governmental organisations (NGOs), think-tanks, trade organisations, faith groups, social movements, traditional and religious leaders, community groups, youth groups and women's groups. These actors protect public or common interests. Civil society organisations play diverse roles in varying contexts and are indispensable in achieving social, economic and political development.

criteria that government programmes for cofinancing private sector activities should meet in order to benefit as much as possible from the added value of businesses in international cooperation.

Cooperation and synergy between the actors

Synergy can be described in short as '1+1=3'. As other actors can also be identified (e.g. the EU and research institutions), and because combinations within groups of actors (government – government) or with three or four different actors are possible, chapter III presents a broad range of combinations of actors that generate added value. The positive conclusion is that actors – and businesses and NGOs in particular – show increasing respect for each other and are increasingly inclined to cooperate, and that the government has some opportunities to promote this cooperation, for example in the increasingly popular form of public-private partnerships (PPPs), as long as certain conditions are fulfilled.

Basic suggestions for the complementary deployment of actors in relation to a number of current issues

At the request of the new minister, in Chapter IV the AIV briefly puts forward suggestions – in brief and allowing for further elaboration of the issues in question – on the complementary roles the various actors can play in relation to a number of current issues and on opportunities for the government to enable them to do so. It addresses the following issues:

- The international security budget: an integrated approach.
The AIV notes that opting for a broad interpretation of the coalition agreement constitutes a political choice. The agreement states: 'Underscoring the importance of *peace and crisis management operations for developing countries*, a new permanent budget of EUR 250 million will be established for international security, to begin operations in 2014. It will be available to cover international security-related spending *that currently comes out of the Ministry of Defence budget*.' This budget 'will be available to the Ministry of Defence for costs connected with international security.' It is important that the Ministry of Defence should continue to have a sufficient budget not only for participation in crisis management operations in fragile states but also for defence within the context of the alliance, otherwise no operational budget will be available. The AIV emphasises the importance of an integrated approach, as stated in the coalition agreement. The development dimension of such an approach was recently outlined in the letter to the House of Representatives on the policy priority Security and the Rule of Law. With regard to participation in peace and crisis management operations, the AIV recommends that the goals, approach and resources described in the assessment framework and the Article 100 letter on deployment of the Dutch armed forces in peace operations should devote explicit attention to human security and the protection of civilians. The assessment framework should also state that independent monitoring and public reporting of civilian victims needs to be carried out from the start.
- Coherence between trade policy and development cooperation. The report discusses aid for trade, import chains, export and the revolving SME fund (added value of smaller and medium-sized enterprises). The SME fund should be demand-driven and flexible, act as a catalyst, provide access to funding, mitigate risks, assess activities against development goals, impose strict reporting requirements and offer an expert implementation framework.

Conclusions for governability

The analysis in these first chapters shows that these complex issues and hybrid relations are very difficult to govern, let alone design. Ministers and policy-makers are increasingly finding that classical instruments to achieve coordination, consistency and coherence no longer ensure effective and efficient policy. In fact, given the interdependence and interaction between issues and actors, and the unintended consequences of policy, efforts to reduce complexity are more likely to increase it. There is no single remedy for complexity, no one-size-fits-all solution. That implies accepting uncertainty and not going directly into 'analysis-instruction mode', which encourages tunnel vision. A degree of modesty is called for, and openness to variation and multiplicity, together with a multi-actor approach.

Interaction between actors on the future international cooperation agenda

Against this background it is impossible to give off-the-peg answers to all the questions in the request for advice. Other like-minded donors have not yet developed ready-made systems either. The AIV therefore puts forward recommendations that point in a direction and provide points of reference for facilitating complementarity between actors.

The decision to suggest a direction and reference points for each challenge is partly inspired by the fact that the new government, and the new Minister for Foreign Trade and Development Cooperation in particular, must soon develop new policy, within new political and financial frameworks and with a broader mandate.

The AIV recommends that in formulating policy on complementarity priority should be given to two strategic questions:

- What actors can make a strategic contribution to effective implementation of a future international cooperation agenda, on the basis of their specific added value and innovative strengths?
- How can the government provide the conditions and support needed to enable these actors to make a strategic contribution to international cooperation?

Two tables in chapter IV show the most logical added value of actors and synergy-generating combinations of actors in the following policy areas of the Netherlands' international cooperation agenda:

- sustainable development in low-income countries;
- sustainable development and security in fragile states;
- sustainable development and redistribution in middle-income countries;
- fair and legitimate management of global public goods.

Paradigm change

Chapter V argues that if the Netherlands wishes to continue to play a significant role in international cooperation a change of perspective is required. SMART-based 'New Public Management' is becoming obsolete. Society is moving towards a way of working based on networking, flexibility, variation, resilience, vitality and agility. The government should take this into account, since in the unpredictable reality of a complex world, the capacity to adapt is more decisive than planning, and agility and resilience are more effective than permanence and uniformity. The keywords are trust from the outset and accountability and effective control afterwards. Effective government increasingly means managing, connecting and facilitating, rather than monitoring and controlling. This paradigm change is essential in facilitating the hybrid relationships with actors whose added value gives them a comparative advantage in international cooperation. The AIV advises the government to consider the consequences for policy and to put them into practice.

One possible consequence could be to examine whether the way current official development assistance (ODA) modalities are defined form an obstacle to effective international cooperation. That may entail redefining the ODA criteria or aggregating External Financing for Development, which comprises both current ODA and other, innovative forms of aid.³ The Ministries of Finance and Foreign Affairs will shortly be publishing a report on the definition of ODA. The AIV recommends reserving ODA mainly for socially-oriented global public goods and innovative funding for other global public goods. However, it is important that innovative funding should serve the purpose for which it is intended (international cooperation) and not be swallowed up by general funds. Maintaining as far as possible the 0.7% target for ODA makes an important contribution to the Netherlands' international profile. This could be the subject of a separate AIV report.

Another consequence of this paradigm change is a greater emphasis on trustworthy, well-motivated, expert staff making and implementing policy. This recommendation is at odds with the current cuts to expert staff.

Conclusions

Lastly, chapter VI presents conclusions on:

- future cooperation with bilateral actors;
- future cooperation with multilateral actors;
- future facilitation of the private sector and coherence between aid and trade;
- future facilitation of civil society organisations;
- international security budget: an integrated approach;
- the importance of public implementation and preservation of the mission network.

Structure of the report

Below is a summary of the questions asked in the request for advice, showing which chapter deals with each question.

1. To ensure a sound basis for the advisory report, I would request that you elaborate the concepts of 'complementarity' and 'synergy' in detail. (See *annex IV: Definitions of complementarity and synergy*.)
2. Are there more opportunities for synergy at thematic level and at the level of individual partner countries? What limiting factors play a role? (See *chapter III: Synergy: combinations of actors that generate added value*.)
3. Where are the limits of complementarity across the various channels? (See *chapter II: From aid channels to actors: capitalising on added value: see sections on possible limitations*.)
4. What are the implications of seeking greater complementarity for the management (central or otherwise) of policy implementation? (See *chapter V: The complexity of governance in a turbulent world – exploring flexibility and trust*.)
5. Which experiences of other donors provide lessons for Dutch development cooperation? Are there examples of efforts to identify either positive effects (e.g. greater efficiency and effectiveness) or complicating factors (e.g. increased bureaucracy)? (See *chapter III.6.2: How the government uses NGOs' added value (Swedish model for facilitating civil society)*, *chapter III.2.3: Multilateral institutions, other donors and local actors*, and *chapter IV.3: Selecting actors for specific components of international cooperation (DFID and other donors)*.)

3 ECDPM, 'Reporting for Development: ODA and Financing for Development', Maastricht, April 2012.

6. One question in this connection is what opportunities or obstacles the AIV sees in regard to further strengthening theme-based management (see former minister Ben Knapen's letter presenting the spearheads of development cooperation). Which channels have a potential role in achieving the intended results? (See, for example, chapter III.1.1 (bilateral cooperation) and III.1.3: Synergy in bilateral cooperation with other actors.)
7. What specific 'typical' added value can the various channels offer? What are their respective strengths and weaknesses? How do the channels complement each other in this respect? What synergies could we be striving for? (See chapter II: From aid channels to actors: capitalising on added value: see sections on potential added value.)
8. How does theme-based management square with the policy applicable to the various channels? For the multilateral channel, for example, policy decisions are determined in part by a global governance policy. (See chapters I.3: Need for frameworks, I.5: Global governance, I.6: Global public goods, together with chapter II.1: From aid channels to actors and chapter III.2: Cooperation with multilateral institutions). Increased use of the business sector is currently a priority for all policy themes. (See chapter IV.2: Coherence between trade policy and development cooperation). The policy themes will differ according to the relevance and activities of each channel. The AIV has reformulated the question to address cooperation between equal actors on various themes. It also refers to the forthcoming IOB evaluation of channel choice for an optimal funding mix. (See chapter IV.3: Selecting actors for specific components of international cooperation; for the perspectives on LICs, MICs, Fragility and GPGs, see chapter IV.4.)
9. To what extent could efforts to achieve complementarity and synergy between and within aid channels affect the delegation model employed by the Ministry of Foreign Affairs and the desire of NGOs, multilateral forums and businesses to determine for themselves how (and where) they operate? (Between channels: see chapter III: Synergy: combinations of actors that generate added value; Within channels: see chapter III.1 (governments), III.2.2 (multilateral institutions), III.6.1 (civil society organisations), III.4.1 (businesses).)
10. Is it easier to define and achieve complementarity and synergy when they are viewed from the perspective of aid recipients (i.e. the partner countries) rather than donors (taking due account of considerations of harmonisation, etc.)? (See chapter II.1: From aid channels to actors, chapter III.1.3: Synergy in bilateral cooperation with other actors, and chapter VI.6: The importance of public implementation and preserving the mission network. The AIV has proceeded on the assumption that experts at the missions are in the best position to promote synergy between equal actors in recipient countries.)

I Context, complexity, coherence

I.1 Shared global challenges

Global problems are interconnected. They include a growing population (9.2 billion in 2075)⁴ and rising consumption, with an increasing scarcity of food, energy and resources, a greater burden on the climate, the environment and water, as well as issues such as poverty, inequality, security and the legal order. The Netherlands needs other countries to solve its problems. Climate change is one of the clearest examples. Economic development and poverty in low- and middle-income countries affect us through migration and instability (take, for example, piracy in Somalia), employment in production chains, potential markets and population growth. In the not too distant future, Africa will have the youngest population in the world; without prospects of work, these young people will migrate, despite rising economic growth on the continent. At the same time Africa provides the world with oil and other important natural resources, and, more recently, farmland.

Since the review in 1995, the Netherlands has aimed to achieve a more integrated foreign policy that 'enables the Dutch economy and society at large to make full use of the opportunities presented by an interdependent world'.⁵

To take a few examples: promoting food security is a priority area of attention. Because people are no longer able to afford food, as a consequence of poor farming, economic crisis, speculation on international markets or the introduction of biofuels, there have often been outbreaks of public unrest. The Netherlands promotes free trade through the EU and the World Trade Organisation, partly to improve its own export prospects. We also help to limit the debt burden of developed and developing countries in order to foster international financial stability. Transfer of knowledge and technology also encourages new markets and produces export opportunities. Now that companies are increasingly operating on a global level and their production chains are spread across several countries, the conditions in those countries affect our economy more directly. At the same time, the Netherlands is committed to promoting equal rights for women and the right of access to contraceptives, so that people can decide for themselves how many children they will have. This is also important to combat population growth and the ever-growing burden on scarce resources.

I.2 New actors

An increasingly broad and diverse range of actors at home and abroad are becoming involved in international cooperation. Since the 1990s, interaction between civil society organisations, multilateral institutions, companies and government has intensified. Policy can only be effective if the various components are coherent and, where necessary, all actors participate within their own mandates. The wider the agenda becomes, the more

4 UN, 'World Population to 2300', see: <<http://www.un.org/esa/population/publications/longrange2/WorldPop2300final.pdf>>.

5 House of Representatives of the States-General, 'A Review of the Foreign Policy of the Netherlands', ref. 24337, no. 2, The Hague, 11 September 1995.

non-traditional actors will be involved. These might include ministries of infrastructure, environment and justice, trade unions, environmental movements, peace and human rights movements, development organisations and multinational companies, as well as local entrepreneurs and individual citizens in their roles as consumers. Other new actors are the large private foundations. In addition, the G20 is gaining in importance, the emerging BRIC countries are playing a more prominent role, and South-South and trilateral cooperation is increasing.

The increasing complexity of aid led to the Paris Declaration on Aid Effectiveness and the follow-up declarations of Accra and Busan. In an earlier report, the AIV recommended taking account of the reality of this 'network society' which does not permit itself to be governed from above.⁶

Growing volumes of aid and more actors

Aid is becoming more complex partly because its volume has risen so substantially. Fifty years ago, it totalled a little over USD 30 billion. In 2000, it had risen to around USD 80 billion and, in 2011, total aid flows of all members of the OECD Development Assistance Committee (DAC) amounted to some USD 130 billion, an increase of more than 50% in ten years. The total volume of aid for 2011, including from non-DAC members, is estimated at around USD 200 billion. NGOs and large private foundations account for about a third of this amount. According to a World Bank study (Aid Architecture: An overview of the main trends in official development assistance flows, IDA 2007) the number of bilateral donors has grown from 12 in the early 1960s to more than 60 now, and around 225 bilateral donor agencies are currently active. The number of international organisations, funds and programmes has also increased spectacularly, to more than 240. However, the greatest growth has occurred in the number of foreign NGOs, with more than 18,000 now estimated to be working in the field of development. This trend means that the number of donors that individual countries have to work with tripled in the past 50 years to an average of 33 per country in 2005. This does not include non-governmental organisations active in a country.⁷

1.3 Need for frameworks

Pursuing specified goals with so many actors requires a normative framework. Despite all their shortcomings, the Millennium Declaration and the MDGs have fulfilled this role. A new framework will have to be agreed for the future. In its advisory report on the post-2015 agenda, the AIV examined the following clusters of issues that have come to the fore in the international debate. The AIV recommended addressing human rights as a cross-cutting theme in all clusters:

- economic production and distribution (including food security, access to energy, resources and farmland) and demographic developments;

6 AIV, 'The Post-2015 Development Agenda: The Millennium Development Goals in Perspective', advisory report number 74, The Hague, April 2011, pp. 78-80.

7 A. van der Wiel and D.E. van Norren, '*Landenbeleid: meer realisme, minder idealism*', in W. Elbers, L. Schulpen, R. Visser (Eds.), '*De Hulp Voorbij? Op zoek naar internationale samenwerking*' [in Dutch], Amsterdam, December 2012, p. 114.

- education and literacy;
- gender equality and equality of vulnerable groups;
- health;
- peace and security, social security;
- effective government institutions and legal certainty;
- sustainability (environment/climate/energy);
- global partnership (trade, debt relief, aid (ODA), knowledge and technology exchange, infrastructure).⁸

Establishing normative frameworks requires a consensus. Experience shows that achieving a consensus is a political struggle, the outcome of which is largely determined by national interests and international power relations. The more politicised clusters are, the more difficult it will be to reach a consensus.

1.4 Aiming for coherence

Development strategies aimed at poverty reduction should focus on all of these dimensions if they are to be effective. The clusters listed above are also interconnected. A sound economy cannot function without healthy, well-trained people, stability and an effective government. Coherence is desirable and needs to be pursued for an effective development-driven policy. Elements include coherence between different policy areas, coordination, complementarity and synergy between different activities and actors, and coordinating Dutch international cooperation with that of other donor countries. Coherence between aid and trade is a very topical issue. Nonetheless, despite the great importance of coherence many actors in international cooperation come little further than paying lip service to it.⁹ Coherence is not a technical exercise, but a question of political will, both in the Netherlands and in our international relations. Aiming for coherence remains crucial but requires a new approach, certainly in the current system of hybrid international relations.

1.5 Global governance

To implement the post-2015 agenda, certain conditions for flexible and coherent global governance are required. In its report on the agenda, the AIV makes a number of suggestions:

- Collecting data on progress in development, rather than percentages of a pre-set target.
- Reaching agreement on compliance with the principles of good governance (participation, non-discrimination and duty of accountability) when collecting data and implementing programmes. The report also refers to the principles of self-government of public commons formulated by Elinor Ostrom. Ostrom formulated seven principles for successful 'common pool resources': (i) establishing rules for entitlement at the source, (ii) adequate conflict resolution mechanisms, (iii) the duty to maintain the resource in reasonable proportion to the benefits, (iv) monitoring and sanctioning carried out by the users themselves, (v) sanctions should be graduated, becoming stricter as violations are repeated, (vi) democratic decision-making on rules, and (vii) explicit recognition by outside authorities of the right of users to self-organise.

⁸ AIV, 'The Post-2015 Development Agenda'.

⁹ See for example the interview with Kathleen Ferrier and Bram van Ojik in *Vice Versa*, number 4, September/October 2012.

- Mapping out needs and available resources, so that ODA is used only for socially-oriented global public goods while additional and innovative forms of funding will have to be found for other global public goods. This innovative funding will have to be allocated to international cooperation under the responsibility of the Minister for Foreign Trade and Development Cooperation, and not as part of the government's general budget.
- Promoting a governance structure that provides policy frameworks and standards for the various actors in the network society. Here, too, the guiding principle should be self-governance and not governance from the top down.

The AIV has argued before in favour of preserving the 0.7% standard for ODA as a guiding principle for Dutch aid. This also helps the Netherlands maintain its international profile.

1.6 Global public goods

Awareness of global interdependency has led to a call for a joint approach to global public goods (GPGs).¹⁰ Although internationally the concept of GPGs is controversial (it was, for example, not included in the declarations of the Rio+20 summit or the 2010 MDG summit), it can serve in the national debate to demonstrate the political interdependence of various global issues. The AIV has previously recommended construing the GPGs as normative, and including not only goods from which no one *can* be excluded, but also the 'merit goods' from which no one *may* be excluded (non-excludability) and/or of which the use of one may not be at the expense of another (non-rivalry).¹¹ In this context, GPGs are goods and services the following elements of which are public: consumption, decision-making (participative) and the distribution of revenues. The GPG agenda can be categorised as follows:¹²

- socially-oriented GPGs (poverty reduction, access to education, health care, etc.);
- economic GPGs;
- environmental GPGs;
- other GPGs.

The AIV will advise on these GPGs in its forthcoming report on international public environmental goods.

1.7 Shifting poverty

Besides influence, poverty is also shifting towards middle-income countries. In fact, the majority of the world's poor now live in MICs. A large proportion of those living in poverty are women. It is therefore important not only to focus on low-income countries and fragile states but also to support marginalised groups in MICs, so that they can share in the growing prosperity. Increasing inequality in these countries can be combated by promoting corporate social responsibility, ensuring compliance with human rights

¹⁰ Some commentators object to the term 'goods' as they believe it reduces them to the status of economic objects subject to supply and demand. They prefer to call them 'global issues'. Since the term global public goods (GPGs) has become an accepted concept in international discussions, the AIV will continue to use it for the time being.

¹¹ AIV, 'The Post-2015 Development Agenda'.

¹² A distinction can also be made between global, international, regional and local public goods.

and labour standards, and introducing a social minimum and a safety net. Together with MICs and other donor countries, the Netherlands can work to achieve a coherent development policy, joint provision of global public goods, and trilateral cooperation.¹³

1.8 The role and responsibility of the Dutch government

The Netherlands' responsibility to help reduce global poverty and its role in development cooperation in particular is increasingly becoming the subject of debate. Despite efforts to strengthen its institutional base, development cooperation has remained too much a separate area of government policy. A change of direction towards international cooperation and a multidimensional approach,¹⁴ based for example on Amartya Sen's five freedoms,¹⁵ could generate a new institutional and public support base for development policy. Poverty reduction itself should then be seen as a challenge that manifests itself not only in 'poor' countries but everywhere where socioeconomic inequality and alienation are growing, not only abroad, but also at home.¹⁶

13 AIV, 'Unequal Worlds: Poverty, growth, inequality and the role of international cooperation', advisory report number 80, The Hague, October 2012.

14 On multidimensional poverty, see also: AIV, 'Cohesion in International Cooperation: Response to the WRR Report "Less Pretension, More Ambition"', advisory report number 69, The Hague, May 2010, p. 7: 'We refer here to the thinking of, for example, Nobel Prize winner Amartya Sen, who defines development as the creation of a greater measure of freedom (i.e. social, political and economic). This school of thought has gained in significance through the increased awareness that macroeconomic growth does not always resolve the basic problems confronting large groups of people, such as food supply, poverty and lack of rights. Notions such as basic needs and meeting them through the Millennium Development Goals are partly based on this thinking.'

15 These are: political and civil freedoms, social opportunities, economic facilities, transparency in governance and economic life, and protective security (social safety nets and public safety).

16 Keynote lecture by Professor Robert Chambers at the 60th anniversary of the Institute of Social Studies, entitled 'From Voices of the Poor to Choices of the Rich', The Hague, 11 October 2012.

II From ‘aid channels’ to ‘actors’: capitalising on added value

II.1 From aid channels to actors

II.1.1 The definition of aid channels used by the Dutch government

The Explanatory Memorandum to the budget of the Dutch Ministry of Foreign Affairs for 2013 describes aid channels as follows. ‘There are four categories of channels: the bilateral channel, the multilateral channel, the civil society channel and the private sector channel. There is also a ‘non channel-related’ category for activities that fall outside the four regular categories. The definitions of the channels have been updated, on the basis of who can be regarded as the ‘first recipient’ of the resources in question. The bilateral channel includes the funds delegated to the embassies. Contributions to multilateral institutions and civil society organisations fall under the multilateral and civil society channels, respectively. For the private sector channel, however, the recipient is not the determining factor but whether the funds are intended to support the private sector in developing countries. Only a quarter of the funding provided through the private sector channel goes directly to businesses. The ‘non channel-related’ category comprises other non- ODA funding (including EU contributions) and a few ODA expenditures that do not fall within one of the other channels.’¹⁷

As with all forms of classification, there are some marginal cases and some overlap. Funds delegated to missions, for example, which are currently classified as bilateral, may be allocated locally to NGOs and multilateral organisations. And a substantial proportion of the funds now classified under the private sector channel were formerly categorised under other channels.

II.1.2 The definition of aid channels used by the OECD/DAC

The OECD/DAC classifies aid channels according to the type of organisation that first receives the funds. Expenditures by governments to strengthen other organisations (core contributions) are not seen as bilateral, while funds allocated to projects run by these organisations are. On this basis, the International Aid Transparency Initiative (IATI) uses the following list of concepts.¹⁸

17 Ministry of Foreign Affairs, Explanatory Memorandum, Finalisation of the Budget of the Ministry of Foreign Affairs (V) for 2013, Parliamentary Papers 33, 400 V, September 2012.

18 See: <http://iatistandard.org/codelists/collaboration_type>.

Code name	Description
1. Bilateral	Bilateral transactions are those undertaken by a donor, excluding core contributions to other organisations (codes 2 and 3 below). It includes transactions channelled through other organisations.
2. Multilateral	Multilateral contributions are those made to a recipient institution which: i. conducts all or part of its activities in favour of development; ii. is an international agency, institution or organisation whose members are governments, or a fund managed autonomously by such an agency; and iii. pools contributions so that they lose their identity and become an integral part of its financial assets.
3. Bilateral, core contributions to NGOs and other private bodies / PPPs	Bilateral funds paid over to national and international non-governmental organisations (NGOs), Public-Private Partnerships (PPPs), or other private bodies for use at their discretion.
4. Multilateral outflows	Aid activities financed from the multilateral institutions' regular budgets.

Here, too, there are marginal cases and overlap. 'Bilateral', for example, is a diffuse concept which also incorporates donor aid to all kinds of organisations. Why are contributions to NGOs and multilateral organisations funded by the government not classified as 'civil society' or 'multilateral'? Strictly speaking, the term 'bilateral' should be reserved for government-to-government aid.

II.1.3 From aid channels to actors

Given the varying definitions applied to aid channels, the AIV prefers to use the concept of 'actors in development' for the purposes of this report. There is another, equally important, reason for this choice. In the AIV's view, the questions posed in the request for advice are based on an outdated approach to development cooperation. The terms 'aid' and 'channels' imply one-way traffic from developed to developing countries, and suggest that actors function only as channels for financial flows, with no scope for their own agency.

The report now distinguishes the following main groups of actors:

- governments, 'here' and 'there';
- multilateral organisations such as the UN, IFIs and the EU;
- civil society organisations, including research institutions;
- businesses.

Chapter II will examine for each actor:

What is their added value (complementarity) over and above other actors in pursuing international cooperation goals?

What can government do to increase that added value?

Chapter III explores various combinations of actors to determine whether and how they can generate synergy (1+1=3), and what government can do to promote this. In chapter IV, these combinations are related to policy perspectives on fragility, LICs, MICs and GPGs. This leads in chapter V to the conclusion that there are limits to how far this complex series of goals and actors can be governed. The obsolescence of current paradigms (New Public Management and SMART) will be examined, followed by suggestions for new paradigms to take their place (networking, flexibility, variation, resilience, vitality and agility). As complexity increases, efforts aimed at harmonisation and coordination prove less and less able to guarantee effectiveness.

II.2 Governments as actors in international cooperation

II.2.1 The potential added value of governments as actors

- Governments are required to provide a clearly defined policy context for a structural approach.
- Governments are appointed or elected for extended periods and can be called to account for the policies they have pursued, and therefore have democratic legitimacy.
- Governments have relatively predictable budgets.
- Governments can make agreements on cooperation, conclude contracts and maintain contacts. These create the framework in which cooperation takes shape. Long-term cooperation presents not only the best prospects for sustainable, structural effects but also the best guarantee that outcomes are in line with the wishes of both parties (*ownership*).
- Such long-term relationships also provide a solid basis for making clear agreements with other parties (countries, international organisations, the private sector and NGOs) which they all can take into account (coordination).
- Cooperation between governments of different countries also presents opportunities to transfer responsibility from the initiating country to the recipient country. This means that the cooperation can have structural effects.
- Lower tiers of government, cities and municipalities may also be involved as actors, with the advantage that they can exchange knowledge about specific problems at these levels of government.
- The activities undertaken have the advantage of being recognisable to both the initiator and the recipient: both have explicitly committed themselves to these activities and can ensure that they are compatible with their policies and that their citizens can identify with them. This will help ensure that there is public support for the activities.
- It is the government's task to facilitate the provision of public goods and make them available.

II.2.2 Possible limitations of governments as actors

- The implementation capacity of one of the parties, the less developed country, is by definition limited. This is an even greater problem where there are many partners with multiple activities: each imposes a burden on the partner's scarce management capacity.
- Insufficient management capacity increases the risk of resources being used inefficiently, of corruption, of funds being lost, and of the aid being used for political purposes that may compromise the original objectives.

- As the first concern of national governments is to serve the national interest, solving global problems may receive less priority.
- Some governments lack legitimacy, have little concern for the public interest, favour certain groups and restrict freedoms.
- Much state power has been transferred to the global arena, which is still beyond political control. The state has surrendered many of its formal powers and executive tasks to continental power blocs, and to regional and local institutions (see chapter V).

II.3 Multilateral institutions and the EU as actors in international cooperation

II.3.1 The potential added value of multilateral institutions as actors

- Multilateral organisations have legitimacy, a clearly defined mandate and an internationally agreed administrative structure.
- They play an important role as platforms for international consultations in their fields of operation, for example, international trade, financial stability, the global agriculture and food situation, biodiversity, climate and energy.
- They can be used to achieve common goals (for example, peacekeeping), so that individual member states can share the risks and costs.
- Multilateral cooperation offers national governments and international organisations the best opportunity to pursue global policy on issues like peace and security, the rule of law, international financial stability, balanced international trade flows, cross-border health problems, global food supply, climate change and biodiversity.
- Since the mandates of multilateral organisations are not based on national political interests, they are less susceptible to outside pressure. They are best suited to situations that call for political neutrality.
- Multilateral organisations are in a position to develop, promote and circulate specialised knowledge in specific areas of international cooperation, for example education and health care. They are excellently placed to provide technical assistance in these specific areas and to establish standards for policy and implementation.
- Lastly, multilateral organisations enjoy economies of scale in undertaking activities that are beyond the financial or other capacities of individual countries.

II.3.2 Possible limitations of multilateral institutions as actors

- International organisations are sometimes less sensitive to national political concerns.
- The institutional and financial interests they represent can stand in the way of flexible, effective approaches and working methods. They tend to adopt a technocratic approach when a political or economic solution is more appropriate.
- International organisations have varying governance models. UN agencies work on a one-country-one-vote principle, but at the international financial institutions voting is weighted according to financial contribution; from the democratic viewpoint, the two models both have their advantages and disadvantages.
- The composition of the UN Security Council is based on international relations in the period immediately after the Second World War and no longer reflects today's power relations.
- According to Easterly and Williamson (2011), UN agencies and multilateral organisations are less transparent than bilateral donors and have higher overhead costs.¹⁹
- The multilateral system is complex and fragmented, with overlapping mandates and coordination problems. Although some organisations are praised for delivering excellent programmes, for reaching the most poor people under difficult circumstances, and

¹⁹ W. Easterly, C.R. Williamson, 'Rhetoric versus Reality: The best and worst of aid agency practices', World Development, 39, pp. 1930-1949, 2011.

responding quickly to local needs, others are criticised for responding slowly, failing to reach the poor and squandering their resources.²⁰

II.3.3 *The potential added value of the EU as actor*

- The EU plays a coordinating role and makes policy.
- When European development policy was reviewed (Agenda for Change),²¹ it was agreed that the European Commission would focus its aid efforts primarily on two pillars: (1) democracy, human rights and good governance and (2) sustainable and inclusive development. It was also agreed that the Commission would continue to spend 20% of its budget on the social integration of developing countries²² and human development,²³ with the emphasis on the social sectors. The Netherlands supported this complementarity.²⁴
- European policy can sometimes exert greater influence on local governments than the policy of individual member states.
- The EU also has specific added value for regional cooperation, making it an example for developing countries. However, the EU programmes aimed at promoting regional cooperation are faced with insufficient implementation capacity and underuse of funds (report by the European Court of Auditors).²⁵
- The EU plays a central role in ensuring policy coherence for development (referred to as early as 1992, in the Maastricht Treaty) and possesses the instruments to help achieve it. However, attention is still needed to the coherence agenda and the consequences of incoherence for developing countries (e.g. in relation to the common agricultural and fisheries policy), as prescribed in 'Policy Coherence for Development: Establishing the policy framework for a whole-of-the Union approach'.²⁶
- The EU has global presence, also in countries where the Netherlands is not itself active, including low-income countries (LICs) and, especially, fragile states.

20 DFID, 'Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations', March 2011.

21 See European Commission, 'Increasing the Impact of EU Development Policy: an Agenda for Change', Brussels, 13 October 2011. See also: <http://www.dev-practitioners.eu/fileadmin/Redaktion/Documents/Post-Busan_03_2012/agenda_for_change_en.pdf?PHPSESSID=f771204b2e31194c50904500b3aafbfc>, accessed on 29 October 2012.

22 Social integration means the regional development and integration of developing countries in global economic markets to promote trade and investment and achieve peace and stability. This can be achieved by developing competitive local private sectors and investing in new or existing funds and through private domestic and foreign investment in infrastructure (European Commission, 'Increasing the Impact of EU Development Policy: an Agenda for Change', 13 October 2011, p. 9).

23 This involves supporting a healthy and educated population, giving the workforce skills that respond to labour market needs, developing social protection, and reducing inequality of opportunity (European Commission, 'Increasing the impact of EU Development Policy: an Agenda for Change', p. 7).

24 In the Annotated Agenda for the Foreign Affairs Development Council of 14 November 2011, the government expressed its appreciation for this complementarity.

25 European Court of Auditors, 'Effectiveness of EDF support for Regional Economic Integration in East Africa and West Africa', Special Report 18, 2009.

26 COM (2009) 458 final, 15 September 2009.

II.3.4 Limitations of the EU as actor

- International cooperation policy is mainly formulated on the basis of consensus and compromise. Although the priorities of Dutch policy are relatively well represented in European policy, the two are not by means identical. Moreover, political agreements are not necessarily legally enforceable; this also applies to multilateral institutions.
- Despite repeated attempts to change them, the Commission's procedures remain bureaucratic and slow and may differ by foreign policy instrument. The member states are largely to blame for this. Since they each want to see some of their procedures represented, the Commission's procedures are sometimes stricter than those of the member states themselves.
- The many procedures can lead to less efficient use of resources, with the Commission spending more time on them than on the real work of international cooperation. Policy may also prove to be less effective than intended. The Netherlands must urge for procedures to be improved and streamlined, and not to be changed too frequently.
- The existing decision-making procedures of the Commission in consultation with member states (formerly known as 'comitology') do not always contribute to the flexible use of resources and effective implementation. Little seems to have come of the announced reforms – which again has much to do with the attitude of the member states.
- Despite improvements in monitoring and evaluation, there is still insufficient insight into results and impact. The Netherlands must insist that these are improved and that the resources required are reserved at central and especially local level (EU delegations).

For a study on the EU's development efforts see the forthcoming evaluation by the Policy and Operations Evaluation Department (IOB).²⁷

II.4 Businesses as actors in international cooperation

II.4.1 The potential added value of businesses as actors in international cooperation

- Businesses are the main providers of goods and services and thus of employment, income, prosperity and economic growth.
- Businesses can make a genuine contribution to sustainable economic development if certain conditions are met.
- Businesses are sustainable institutions in society, as they must be able to withstand competition.
- Businesses generate and distribute innovations, technology and knowledge.
- Sufficient competition should in principle lead to the efficient and effective use of all resources, including labour.
- Businesses possess capital that can be used for the innovative funding or cofinancing of international cooperation.
- Businesses are important agents of change in society, among other ways by influencing the behaviour of consumers by offering new goods and services, by marketing and advertising, and by taking part in policy-making.
- Pioneers in the private sector demonstrate social awareness through corporate responsibility and responsible citizenship that goes further than a reference to corporate social responsibility (CSR). More and more businesses regard social

²⁷ IOB, 'The Netherlands and the European Development Fund: Principles, practices, myths and merits', upcoming report.

awareness in terms of enlightened self-interest and are mainstreaming sustainability principles within their operations. This makes it easier to strengthen both the private sector agenda (CSR, resource security) and the public agenda on, for example, poverty reduction, preserving biodiversity and local private sector development. The private sector is way ahead of governments in seeking sustainable solutions to climate problems. Businesses and NGOs are developing – sometimes jointly – inclusive business models to reach the poor, the excluded and those with insufficient purchasing power. However, many businesses still have to make the change (see for example ICCO's study of small and medium-sized enterprises (SMEs)).²⁸

- The private sector is accustomed to working in continually changing markets. Businesses need to be flexible and to respond effectively if they want to survive. They have to adapt to circumstances in different ways depending on their size, and have to acquire the insight required to ensure that they can continue to operate and make a profit. For example, pioneers are developing sustainability technology to combat cost shifting, turning a disadvantage into a comparative advantage. International companies have the advantage that they have access to knowledge and technology available in the international arena, while local businesses have knowledge of local markets (supply and demand).

The AIV has referred in earlier reports to the importance of private sector activities for poverty reduction since they create employment.²⁹ Creating prosperity is a good example of the complementarity of actors where, besides profit, the private sector also pursues socially desirable goals.

II.4.2 Possible limitations of businesses as actors in international cooperation

- The private sector has a shorter time horizon and more limited responsibility than the government. Businesses bear no direct responsibility for broader societal objectives and structural changes. After all, governments are primarily responsible for making structural changes in areas such as social relations, poverty reduction and income distribution and for creating frameworks for these changes.
- Global problems also seem at first glance to lie beyond the field of vision of local businesses in particular. Yet more and more companies are accepting the idea that the local and more especially the international business community bears a broader social responsibility for promoting sustainability and social justice both nationally and internationally (people-planet-profit, inclusive business models).
- Businesses aim to make a profit and serve their own interests first. This means that the roles of different actors must be clearly defined and established.
- Businesses, especially those that operate internationally, seek and find ways to keep their tax burden as low as possible, as a result of which governments of both developed and developing countries miss out on potentially considerable tax revenues.³⁰

28 ICCO and TNS, '*Internationaal Maatschappelijk Verantwoord Ondernemen, kansen en belemmeringen* [in Dutch], October 2012; see: <<http://www.icco.nl/nl/participeer/sociaal-ondernemen/?CFID=11611222&CFTOKEN=54912160>>.

29 AIV, 'Private Sector Development and Poverty Reduction', advisory report number 50, The Hague, October 2006.

30 According to some estimates (e.g. by Global Financial Integrity), a billion dollars leaves developing countries illegally every year. An estimated two-thirds is attributable to tax evasion by commercial actors taking advantage of tax havens and favourable tax regimes.

- Businesses prefer to operate from locations with the most favourable production conditions (e.g. where raw materials, land, water, etc. are available) and pay the wages and salaries necessary to allow them to hire the most suitable employees. This can exacerbate income inequalities between countries and regions, between cities and rural areas, and between different social groups.
- Businesses often pass on part of their social and ecological costs to actors other than their customers, as a result of which many of their activities exert pressure on the environment.
- Businesses have to respond quickly to changes and opportunities if they are to stay ahead of their competitors. This may lead to conflict with legislation and government policy frameworks. They do, however, welcome rules as long as there is a level playing field and efficient enforcement.
- Many businesses are not sufficiently open about their CSR policies, investment choices, risk models, etc. The quality of their reporting on these issues varies widely but is, in most cases, seriously inadequate, as the Transparency Benchmark and other indicators show.

II.5 Civil society organisations (NGOs) as actors in international cooperation

II.5.1 The potential added value of NGOs as actors

The OECD sees the added value of NGOs as lying primarily in their capacity to link up with civil society in developing countries (see chapter III.6). It also points to their role in:

- sensitising citizens in the North and giving them opportunities to participate in development actions that contribute to change processes;
- facilitating global social movements worldwide and strengthening international solidarity;
- creating opportunities for the political changes in the North that are required for just and peaceful relations.³¹

In addition, NGOs:

- possess knowledge of local circumstances in the countries where they are active and the problems those countries face;
- can build up a close relationship with relevant local groups to address problems;
- can make use of local knowledge and networks in cooperation with other organisations, from the public and private sectors, where knowledge is seldom easily accessible and the necessary contacts are lacking;
- are perfectly placed to undertake small-scale and politically sensitive activities that governments, businesses or international organisations may not be willing to risk;
- where they are scientific and research institutions, offer potential for developing new technologies and knowledge and entering into productive cooperation with other organisations that do not yet possess them;
- possess an inherent added value because they can often undertake socially relevant activities at a lower cost and with a more humanitarian approach than the state or the market;³²

31 OECD-DAC, 'Added Value of Northern NGOs from the Synthesis Report of the Advisory Group on Civil Society and Aid Effectiveness', 2008.

32 Amati Etzioni, 'The Third Way to a Good Society', London, 2000: 'Because they can fulfil social missions at lower costs and with greater humanity than either the state or the market.'

- can have a democratising impact in partner countries in the long term, because they help mobilise civil society and encourage partner organisations to organise themselves independently of government. This also includes fundraising among businesses and the wider public in developing countries themselves;
- can, like businesses, respond more flexibly to changing circumstances and more quickly to humanitarian disasters than many governments and multilateral actors. Their mandates are not based on treaties that can be changed only with the permission of many member states and after passing through ratification procedures. This enables them to adapt more quickly to new challenges;
- can, through the emergence of the network society, have an increasing influence on the international stage and on the policy and position of national states. International NGOs with a large international network may in some cases be better placed than governments to influence important international processes (e.g. to influence the agenda of the G20, by consulting with crucial government negotiators in advance).

II.5.2 Possible limitations of NGOs as actors

- Some problems exceed the capacity of individual NGOs. To achieve results at structural level, problems sometimes have to be addressed on a bigger (national or international) scale. On the other hand, internationally organised NGOs are in a position to gather specialised knowledge, develop strategies to solve global problems and respond to the opportunities currently offered by global forums to this end. The disadvantage that NGOs have insufficient funds to address global problems is no longer universally applicable, since some NGOs (like the Bill and Melinda Gates Foundation) have such huge financial resources that they can tackle them effectively. Like other donors, of course, they will have to ensure that they do not overshadow local government budgets.
- NGOs have widely varying accountability structures and some are insufficiently transparent. It is sometimes unclear to whom they are accountable. In such cases, they are not always accepted as legitimate representatives or discussion partners. All NGOs should therefore report on their activities publicly and with full transparency.
- Many NGOs have limited finances, which are not always predictable in the long term. Dependency on non-governmental funds and grants can affect their independence if they do not take steps to prevent that happening. (Measures to protect their policy independence and integrity include agreements with grant providers and donors on independent programme and country choices, professional management of projects and programmes, agreements with partners on opportunities for interim adjustments if their incomes fall significantly, and timely reservations for personnel costs for a period of, for example, three or six months, in case revenues should fall substantially in the future).

II.6 Research institutions and communication networks

Research institutions are a specific category of non- and semi-governmental organisations. With their international networks, experts, databases and analyses, they can provide added value. A country-based perspective can be used as an integrating framework to achieve such synergy. Research institutions have a broad-based analysis framework and are therefore better at establishing interconnections between different disciplines and between developments taking place in different countries and regions. That makes it important for the Netherlands to continue to invest in knowledge, research, innovation and learning.

Besides the research conducted by Dutch research institutions, attention should also be paid to the role that research institutions in developing countries can play, and how they can best interact with other actors both in their own countries and at international level. Innovative technological solutions for establishing contacts more quickly and simply and making optimal use of knowledge and experience, are of great value.

Section III.5 will outline how research institutions can be included in forms of cooperation with other actors to achieve synergy.

III Synergy: combinations of actors that generate added value

The analysis in the following sections of combinations of actors and their complexity shows that these complex issues and hybrid relations are increasingly difficult to govern, let alone design.

III.1 Bilateral cooperation between governments

III.1.1 Modalities: project, programme, budget support and multiannual plans

From the 1970s, bilateral cooperation focused on poverty reduction and promoting economic self-sufficiency. Aid consisted of technical assistance and financial support for investment in development, often in the form of individual projects. These investments were partly gifts and partly concessional loans, the latter initially intended exclusively for development. Later, technical and financial assistance, with the exception of mixed credits, was given almost exclusively in the form of gifts.

In 1978, steps were initiated to improve coherence between these two forms of aid, with the focus on specific themes (also referred to as sectors). Project aid was gradually replaced by programme funding over several years. Later, this gave way to budget support, which the government of the recipient country could use freely to finance themes of its own choice.³³ The Netherlands imposed some restrictions by focusing on its own priorities, such as rural development, basic health care and education.

Gradually, embassies acquired a greater say in country policy and held dialogues with the authorities in their host countries. Theme experts were assigned to the missions. As the missions acquired more financial competences, their administrative staff was also strengthened. Bilateral country policy in individual countries was ultimately set down in multiannual strategic plans (MASPs), which specified the themes that bilateral cooperation would focus on for several years to come, what form it would take, and who the partners would be in the recipient country.

After the foreign policy review in 1997, budgetary responsibility for bilateral cooperation was allocated to the policy theme departments (instead of the country departments). The funds for theme-based policy in partner countries were delegated to the embassies, along with funds for balance of payments support and debt relief. The remaining, non-delegated funds were used by the policy theme departments to finance global programmes, for which non-partner countries were also eligible.

In recent years, embassies have increasingly been allocating funds that formally qualify as bilateral cooperation to multilateral organisations or civil society organisations (see II.1.1 and II.1.2). This is partly in response to growing criticism from parliament and the media of bilateral relations with an increasing number of countries with repressive governments. As a result, however the Dutch government can exert less influence on these governments. In addition, embassies have less access to local civil society than international NGOs.

³³ On the usefulness of budget support, see IOB, 'Budget Support: Conditional Results', number 369, The Hague, 2012.

Partner countries

The allocation of budgets to the policy theme departments in 1997 ran contrary to the policy pursued up to that point of concentrating on partner countries, because funds were increasingly allocated to specific worldwide themes and were thus spent in countries other than the partner countries. The Netherlands also regularly changed its partner countries. Initially, these were the former colonies (Suriname, the Antilles and Indonesia) and economic heavyweight India. In 1967, development minister Berend Jan Udink added nine more partner countries: Pakistan, Sudan, Tanzania, Kenya, Uganda, Nigeria, Tunisia, Colombia and Peru. The selection criteria were poverty reduction, the Netherlands' economic interests, historical ties and geographical spread. In 1976, in his policy document on bilateral development cooperation, development minister Jan Pronk extended the list to 18 countries after the aid budget had increased when the Netherlands agreed to meet the 0.7% standard. The new countries were mainly in Latin America and Africa and they pursued progressive socioeconomic policies. The main criteria were poverty and the need for foreign aid, and the aim was to provide basic needs. Minister Jan de Koning shortened the list again, partly because of insufficient capacity at the ministry. The official reason for scrapping the four countries in question was that their per capita income was too high, but the real reasons – for example, in the cases of Cuba and Jamaica – were more political. Minister Eegje Schoo opted for less government intervention and attention to macroeconomic policy. In her 1984 policy document reviewing bilateral policy, the 110 countries in which the Netherlands was active were reduced to 10 programme countries, 25 regional countries and 20 sector countries. The three designated focus regions were Southern Africa, the Sahel and Central America. Minister Piet Bukman added the Andes region, with five countries. The regional approach ultimately proved to focus on a limited number of countries in the four regions and, by the end of the 1980s, the Netherlands essentially had structural development ties with 27 countries.

Many people saw the fall of the Berlin Wall and the end of the Cold War in the early 1990s as a new era for development cooperation. One notable feature of that period was the addition of good governance to the development agenda. In his 1990 policy document 'A World of Difference', returning minister Jan Pronk added three new regions: East Africa, the Nile-Red Sea region and the Mekong. A few years later, optimism was overshadowed by a growing number of conflicts. Pronk's 'A World of Dispute' (1993) focused on concepts such as conflict management and political stability. In addressing these problems there was an even stronger emphasis than before on a supranational approach: the desire to seek solutions from a more regional perspective. Until 1996, the list of countries was regularly reviewed. In 1992, for example, 15 countries were scrapped. In 1994, a new country classification was introduced, comprising regular cooperation and regional countries, countries with a sustainable development agreement, countries in conflict and rehabilitation, and transition countries. In 1996, the minister scrapped the country list, because he considered the substantive aims of development cooperation (food security, child mortality, etc.) more important. When the country approach was abolished, the Netherlands had structural development ties with 34 countries.

Minister Eveline Herfkens wanted to bring back the distinction between countries and themes and shifted the emphasis to budget support, an approach based on the intention of giving recipient countries greater ownership. Herfkens designated 19 partner countries. There was also a group of 'theme countries' eligible for

limited cooperation (IBO, *Effectiviteit en coherentie van ontwikkelingssamenwerking 2002-2003* [Effectiveness and Coherence in Development Cooperation], 2002). This came to a total of 51 countries. In 'Mutual Interests, Mutual Responsibilities' (2003), minister Agnes van Ardenne jettisoned the distinction between partner countries and theme countries. The two lists were merged to form a group of 36 partner countries, half of which were in Africa. This also meant that the list now contained countries in non-traditional development regions, such as the Balkans (Albania, Bosnia & Herzegovina and Macedonia) and former Soviet states (Mongolia, Georgia, Armenia and Moldova). Under minister Bert Koenders, the list was reduced to 33 countries. He also chose a number of priority themes: fragile states, growth and distribution, equal rights for women, and environment, energy and climate change ('Our Common Concern', 2007).

In his letter to the House of Representatives presenting the spearheads of development cooperation policy in 2011, minister Ben Knapen took on board the conclusions and recommendations of a report published by the Advisory Council on Government Policy (WRR) by radically cutting the list of partner countries by more than half to 15. The list is now a mixture of 'MDG countries' with the focus on poverty reduction, countries of interest to the private sector (MICs), and fragile states where the main objective is regional political stability. Two-thirds of the partner countries are in Africa, and a third in Asia and the Middle East. Latin America has disappeared from the list completely. Civil society organisations, the private sector and a number of central programmes and funds are permitted to choose the countries they work in themselves. The number of policy themes has been reduced to four: food security, security and the rule of law, water, and sexual and reproductive health and rights. Aid through the multilateral channel will be provided more selectively on the basis of assessments of relevance and effectiveness. However, the ODA share of the multilateral channel will in principle remain unchanged.³⁴

III.1.2 Partner country policy

Concentrating aid helps to make it more effective by preventing fragmentation. This is in line with the Paris Declaration on Aid Effectiveness, which calls for a better division of labour between donors. However, too much concentration can hamper complementarity. When deciding on which countries to focus, the OECD's concentration and fragmentation indices can be used to establish whether the Netherlands can play a significant role in the country concerned. The global public goods agenda calls for broad involvement by the Netherlands.³⁵ An overly limited number of countries also creates problems with implementation, because of absorption capacity and unforeseen political events. Changing lists of countries make cooperation unpredictable. The AIV therefore supports a flexible policy, in which the aim is to achieve a more or less coherent programme in various countries, but which allows for policy theme programmes in a wide range of middle and low-income countries.

34 A. van der Wiel en D.E. van Norren, 'Landenbeleid: meer realisme, minder idealisme', in W. Elbers, L. Schulpen, R. Visser (Eds.), 'De Hulp Voorbij? Op zoek naar internationale samenwerking' [in Dutch], Amsterdam, December 2012, p. 116.

35 AIV, 'Unequal Worlds: Poverty, Growth, Inequality and the Role of International Cooperation'.

If the decision is made to work together with a country – on the basis of need, regional or economic interest or historical ties – the embassy must try to improve cooperation among the actors involved, with the bilateral country policy framework as the decisive factor. Interesting examples include drinking water programmes in Ghana and Mozambique, aimed at privatisation, in which the Dutch company Vitens/Evides cooperates with local companies, local government, the World Bank and NGOs (see III.4.2). The missions' multiannual strategic plans (MASPs) must be based on a power and change analysis: they can be used as a pre- and post-marginal assessment framework, leaving enough room for flexible action.

III.1.3 Synergy in bilateral cooperation with other actors

In practice, little came of the combined deployment of aid actors in partner countries. Exceptions were multi-bilateral cooperation and cofinancing projects, in which bilateral funds were used to finance projects and programmes of multilateral organisations.

Cooperation with the Dutch private sector only occurred where aid was tied to expenditures on Dutch goods and services. This applied only in the case of projects funded with concessional loans, which have become less and less common, and of special programmes, for example with mixed credits.

There was also no cooperation with NGOs, as their expenditures were not bound by the basic principles formulated for bilateral country programmes. NGOs actively preferred not to be tied by the frameworks of bilateral cooperation. Section III.6.2, which describes the cofinancing programme for NGOs, shows how successive ministers tried with little success to achieve greater coherence between bilateral cooperation and NGO interventions in partner countries.

III.2 Cooperation with multilateral institutions

III.2.1 The Netherlands and multilateral institutions

The Netherlands has always worked closely with international organisations in development cooperation. In the 1970s, faced with a lack of implementation capacity, the government even chose to spend a large share of the funds available for development cooperation through multilateral organisations (until the mid-1960s, the only bilateral aid was to Suriname and Indonesia). In that period, multilateral organisations gave the Netherlands the opportunity to increase its aid significantly despite its limited capacity. Since then, the share of multilateral development cooperation has fallen considerably, to less than 30% of the total development budget. This is due partly to the expansion of implementation capacity for bilateral development cooperation and partly to the use of NGOs through the cofinancing programme (see box in section III.6.2).

Multilateral aid has nevertheless continued to play a significant part in Dutch development cooperation as a whole, also in quantitative terms. Multilateral organisations have played an important role in analysing and solving the problems of developing countries in specific areas, such as macroeconomic management, financial management, international trade and the debt problem. They have given developing countries a voice in determining policy in these areas. In addition, they are increasingly being seen as the most important organisations in terms of solving global problems relating to biodiversity, energy, food supply and climate.

The structure of the UN system

Multilateral organisations are primarily maintained by voluntary contributions from donor countries, including the Netherlands, to their regular budgets, to finance their administrative costs and central programmes. Member states also provide funds to finance specific programmes and projects.

There are three categories of UN organisations (1) UN funds and programmes, (2) multilateral banks and financial institutions and (3) specialised agencies. The first category includes all organisations that are formally part of the central organisation of the UN, to which the principle applies that all member states have equal voting rights. Individual donors can acquire more say in the policy of certain organisations, like UNDP, UNFPA, UNICEF, UNHCR and WFP, by giving larger voluntary contributions. The second category includes the multilateral banks and the IMF, as well as the concessional funds (IDA, IFAD) and the regional development banks, all of which provide conditional loans (the funds exclusively to poor countries or target groups). They are financed by donor countries – which today include many developing countries themselves – in the form of replenishments every three years. Voting rights are determined by cumulative replenishments. In the case of the banks and the IMF this is determined by the cumulative donation of own funds, which largely depends on the country's status in the global economy. The third category includes the specialised agencies, which were not in the first instance set up as development organisations, but to analyse and solve global problems, introduce legislation and standards in international cooperation and provide technical assistance in these areas. Examples of specialised agencies are FAO, WHO, UNIDO, UNESCO, UNCTAD and the regional commissions.

III.2.2 Cooperation between multilateral institutions

Multilateral organisations are giving increasing thought to division of labour and the options for cooperating with other actors, for example in addressing global problems and formulating the new generation of development goals. They realise that development is no longer simply a matter of solving poverty in the poorest countries, but that poverty is also a problem in middle-income countries. That calls for an approach with the emphasis on measures in the areas of social policy, law and legislation in these countries themselves. What is more, in the network society, multilateral institutions are increasingly tasked with setting international standards (see II.3.1 and here below).³⁶

III.2.3 Multilateral institutions, other donors and local actors

The added value of multilateral organisations described in chapter II is not inherent but is created in cooperation with other actors. Countries can, for example, call in the help of international financial institutions to increase their financial stability or the World Health Organisation to initiate and organise programmes to combat epidemics. National governments and individual companies can appeal to the World Trade Organisation to monitor compliance with trade agreements, and trade unions can call on the International Labour Organisation to enforce compliance with standards for working conditions. Humanitarian NGOs can rely on UNHCR initiatives to provide care for refugees, and make their contributions within this framework.

36 See AIV, 'The Post-2015 Development Agenda'.

The UN also has a responsibility to coordinate humanitarian aid, and to coordinate cooperation between all donors and local governments every five years.

In stable low and middle-income countries, multilateral organisations could play a more advisory, managerial role and leave executive tasks to other donors.³⁷ Dutch evaluations of the strategic plans of multilateral organisations already devote attention to this issue. In this way, competition between UN agencies can be avoided, and priority given to local needs. Individual donor countries can share the risks, while specialised and humanitarian agencies can ensure coordinated deployment of their expertise and capacity. Multilateral organisations can help create support for the involvement of businesses and NGOs in implementing programmes. In unstable low-income countries, UN institutions sometimes play a role as ‘provider of social services of last resort’.

Multilateral development cooperation requires both a theme-based and a country-specific approach. Knowledge of themes is available in abundance at UN agencies and theme-based international and non-governmental organisations. However, for an integrated approach to implementation, taking account of local and regional circumstances and strengthening ownership, knowledge is required of the specific country and region. This applies in particular to fragile states like the DRC, for example. Multilateral organisations with a presence in all countries can contribute in their capacity as platforms.

Increasingly, multilateral organisations will be required to contribute to new priorities in international cooperation that can only be pursued in an international context – relating to global problems, for example. They will be judged on their ability to do so. The added value of UN agencies is primarily their democratic legitimacy (they represent all countries), their platform function, risk-sharing (especially in fragile countries) and their role as policy multipliers. They can also help to create support among local governments for the implementation of programmes by NGOs and businesses. Multilateral organisations, and regional organisations in particular, can have added value at regional level because they have a supranational perspective.

Ad hoc multilateral consultations like the G20 are gaining in importance and increasingly overshadowing the UN. Though they have less legitimacy they are more effective, and emerging countries will have an increasingly influential voice in these forums. The AIV believes that, in addition to the individual performance of organisations (as recently measured by the UK Department for International Development (DFID)),³⁸ a broad and coherent perspective among donors on the role of multilaterals and their added value remains indispensable. As stated in its work plan for 2013, the AIV will provide more recommendations on multilateral organisations at a later date.

III.2.4 Cooperation between multilateral institutions and NGOs

Researchers confirm the slowly but steadily growing influence of NGOs within the UN and refer to them as the ‘third UN’, alongside the first UN of governments and the second of

37 Idem.

38 DFID, ‘Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations’, March 2011.

international secretariats.³⁹ This has become manifest in a greater way in multilateral negotiations – through the consultations held at the MDG Review Summit in 2010 and the Rio+20 conference in 2012, for example. Exactly how much influence NGOs exert on the final outcome of these negotiations is, however, debatable.

An innovative example of cooperation between multilateral institutions and with NGOs and governments in the field of health care is that of UNITAID, an intergovernmental treaty-based organisation which raises funds for the purchase of medicines for AIDS, tuberculosis and malaria through a tax on air travel. A number of national governments impose a modest tax on air travel and the revenue is transferred directly to UNITAID, which works together with WHO (standard setting), UNICEF (procurement services), the Global Fund (funds) and the private Gates Foundation (research funds). This is a form of South-South cooperation that deserves to be replicated in the effort to achieve other MDGs.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) has grown into a large-scale initiative in which a wide range of actors – multilaterals, governments, NGOs and companies – are now active at central level and within a large number of developing countries.

In the field of sexual and reproductive rights there has long been an alliance between UNFPA, the International Population Control Committee (IPCC), Rutgers/WPF and others, and a Reproductive Health Supplies Coalition with UNFPA, NGOs, foundations and bilateral donors.

III.2.5 Cooperation between multilateral institutions and the private sector

Multilateral organisations working in the fields of health, environment, agriculture and food supply work increasingly with the international business community to implement their programmes and develop international standards relating to, for example, medicines, agricultural products, terms of employment and energy consumption. The Netherlands supports these efforts in the governing councils of these organisations. Some developing countries are sensitive about cooperation of this kind. Multilateral organisations have to be prepared for task transfer, taking account in their activities of entry and exit strategies. Countries might, for example, take over tasks that were previously performed by multilateral organisations, or pay these organisations for the services they provide.

An important form of synergy is for the government to promote the application of international conventions developed by multilateral institutions, such as the ILO's guidelines on terms of employment or those of UNEP on the environment. The government can facilitate the active involvement of business sector organisations (e.g. programmes run by employer organisations and trade unions) in developing conventions. To achieve this, the AIV recommends promoting systematic consultations within the government apparatus between those involved in developing multilateral conventions and those who develop and implement private sector instruments.

The government can also facilitate the participation of multilateral institutions in PPPs cofinanced by the Netherlands (see section III.4.3). Generally speaking, however, relevant partners are able to seek each other out. Lastly, the government can help

39 O. Stokke, 'The UN and Development: From aid to cooperation', United Nations Intellectual History Projects, Bloomington, 2009.

Dutch businesses win contracts from multilateral institutions, like the World Bank, where the Netherlands' own interests play a role.⁴⁰ Establishing tied trust funds, for example at the International Finance Corporation (IFC), can lead to contracts for Dutch consultancies, and strengthen Dutch expertise, which can then be used for other development activities.

III.3 Cooperation between the European Union and its member states

III.3.1 Complementarity between Dutch and European development cooperation

In its advisory report 'The Netherlands and European Development Policy',⁴¹ the AIV indicates that the Netherlands must determine its position with regard to the complementary role of the EU in relation to its own priorities, given that member states will always want to play an independent role in development cooperation. The AIV recommended that the EU should act as lead donor in areas where it has exclusive authority, such as international trade, but not necessarily in all areas. In addition to its role in promoting democracy, already mentioned above, the AIV believes that the EU has a specific role to play in the 3D approach in fragile states because, more than any other multilateral institution, it has the potential to bring policy areas together. The EU is also the most neutral actor and Europe is currently making a greater effort to promote cooperation between humanitarian and development programmes. The AIV proposes that the Netherlands should opt in the long term to give the EU a leading role in poverty reduction in fragile states. Government-to-government cooperation in these countries is difficult in any case and fragile institutions must not be overburdened. As mentioned in section II.3.3, the EU also plays a specific role in regional cooperation. The Netherlands should urge the EU to strengthen its capacity in regional cooperation and to open regional missions.

III.3.2 Coherence between the EU's development policy and its other policies

Besides aid efforts, several other internal and external areas of EU policy have a substantial impact on developing countries (e.g. trade, climate, food security/agriculture and the investment climate). For this reason, the need to take account of developing countries in drafting and implementing European policy is laid down in the Lisbon Treaty (2009).

In the report 'Policy Coherence for Development', the EU and its member states announced their decision to increase the effectiveness of aid by seeking synergy and coherence between European policy and development goals.⁴² The policy underlying this report has its roots in the Maastricht Treaty (1992). It was elaborated at the start of the

40 See: High Level Working Group on Export Financing, 'Een Wereld in Beweging' [in Dutch], July 2012.

41 AIV, 'The Netherlands and European Development Policy', advisory report number 60, The Hague, May 2008.

42 EU, 'EU Report on Policy Coherence for Development', Commission Working Paper 545, 2007. See: <http://ec.europa.eu/development/icenter/repository/Publication_Coherence_DEF_en.pdf>, accessed on 26 October 2012.

new millennium, with the focus on the MDGs.⁴³ The report aimed to raise awareness and provoke discussion among all stakeholders in the EU (European and national governments, and civil society organisations) on the impact of EU policy in a broad sense on developing countries.

Considerable political commitment is required to make progress on policy coherence, effectiveness and visibility in the context of the 'Europe in the World' agenda.⁴⁴ It can be achieved by raising awareness of Europe's own interest in development and poverty reduction. The European External Action Service (EEAS) presents the best opportunity to move towards coherence within the EU, and has more political authority to do so than the Commission. The EEAS has the potential to unite all the different policy areas in the EU. The AIV recommends that the Netherlands should call not only for a greater role for EEAS High Representative Catherine Ashton in assuring coherence but also for the capacity of the EEAS Global and Multilateral Issues department to be strengthened.

The AIV recommends that the Netherlands provides funding for national and international NGOs and research institutions to enable them to work with their partners in developing countries to identify and investigate incoherences between different areas of European policy, e.g. trade and development, and suggest what the EU and its member states should do to rectify the situation. Examples are the common agricultural policy and the proposed Economic Partnership Agreements (EPAs).⁴⁵

III.3.3 The EU's role in donor coordination

The European Commission and the member states have drawn up the Fast Track Initiative (FTI) (2008) to help partner countries establish a division of labour among donors.⁴⁶ This is to be achieved in various ways, including through joint multiannual strategies and analysing which donors have a comparative advantage. The EU Code of Conduct on Division of Labour in Development Policy (2007) defined the concept of complementarity (see annex IV),⁴⁷ for which there are still no internationally agreed definitions. The code of conduct emphasised that after previous experience has been analysed and built on, a political mandate must be identified, along with method of implementation and an effective system of monitoring.

43 Commission Communication, 'Policy Coherence for Development: Accelerating progress towards attaining the Millennium Development Goals', COM(2005)134 final of 12 April 2005 and May 2005 General Affairs and External Relations Council (GAERC), 'Conclusions on the Millennium Development Goals' (Doc. 9266/05).

44 COM (2006) 278 of 8.

45 See for example K. van Hoestenbergh in *Internationale Spectator*, volume 62, June 2008 and L. Drieghe & J. Orbie, *Internationale Spectator*, volume 62, February 2008.

46 OECD-DAC, 'EU Fast Track Initiative: Division of Labour', June 2008, updated December 2010. See: <<http://www.oecd.org/dac/aideffectiveness/46836584.pdf>>, accessed on 29 October 2012.

47 EU, 'Code of Conduct on Division of Labour in Development Policy', Brussels, 28 February 2007. See: <<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0072:FIN:EN:PDF>>, accessed on 29 October 2012.

In 2004, the EU's evaluation services (united in the EUHES group),⁴⁸ conducted six evaluations to study the role of coordination, complementarity and coherence (3Cs), as specified in the Maastricht Treaty, in the implementation of EU development policy. The main findings were as follows:

1. EU member states are increasingly acknowledging the importance of policy coherence for development (PCD).
2. Although EU member states are improving coordination in relation to trade capacity building, the impact on complementarity and coherence is limited. This is because there is no joint European approach.
3. There is little agreement between EU member states on the importance of the concept of complementarity and how it can be applied in practice. Because of a lack of coordination no agreements can be made at EU level that are binding for all actors.
4. Inadequate EU coordination, complementarity and coherence reduce the impact of the EU's development and humanitarian aid programmes, as a result of which developing countries are forced unnecessarily to fall back on their humanitarian and financial resources.
5. There is a need for broad political support to achieve progress with the 3Cs.

EUHES recommends taking the following action:

1. Institutional fragmentation within the EU makes it more difficult to work together on the 3Cs. This forms an obstacle to increasing the effectiveness of the joint development efforts of the Commission and the member states. To prevent friction, development cooperation therefore needs to be harmonised at EU level.
2. Frameworks and protocols for EU coordination and a joint agenda must be developed and decision-making must be performed jointly by EU member states.
3. Good practices and lessons learned regarding the integration of development policy must be shared by the member states.
4. Research and training facilities in the EU must be expanded to conduct monitoring and evaluation studies of the processes and effects of institutional coordination on policy coherence and complementarity at EU level. The role of partner countries such as Tanzania, India and South Africa in relation to the 3C agenda is also of importance.

Unfortunately, achieving these aims has proved elusive, as political cooperation between the member states is difficult to mobilise. They usually seek to work together with like-minded states. The Commission is increasingly playing a coordinating role in the fields of energy, democracy and budget support, and there are positive examples of joint reporting in the field. However, coordination at central level lags behind, as demonstrated by the negotiations on implementation of the EU Policy Framework for Food Security.

The new architecture of the European Commission and the European External Action Service has created important preconditions for more effective international joint action by the European Union, especially in developing countries. Now that resources are shrinking, the Netherlands can play a leading role in realising this potential by engaging

⁴⁸ EUHES is the group of heads of evaluation services for development cooperation of the European Commission and the EU member states (Evaluation Services of the European Union, 'Evaluating Co-ordination, Complementarity and Coherence in EU development policy: a synthesis', Triple C Evaluations, number 8, 2007, p. 11).

more actively and critically with the Commission and the EEAS. This can be expected to have a significant, positive effect on European cooperation and the coherence of European policy.

III.3.4 The EU and civil society actors

EU support for civil society in developing countries is specified in the Cotonou Partnership Agreement. In its communication on steps towards a joint EU position on the post-2015 process, the Commission emphasises the importance of civil society organisations for social cohesion and a democratic system. Their participation in policy processes makes policies more inclusive and effective. In the light of the changing context in which civil society organisations are operating – in which newer and looser forms of civil society action are emerging, particularly among young people – the Commission has set three priorities for EU support for these organisations: (1) supporting efforts to create an enabling environment for civil society organisations in partner countries; (2) promoting the significant and structured participation of civil society organisations in partner countries' domestic policies, in the EU programming cycle and in international processes; and (3) increasing the capacity of local civil society organisations to make their role as independent actors more effective.

In line with the focus and differentiation proposed in the Agenda for Change, the EU aims to extend these priorities for support to civil society organisations to all instruments and programmes in all sectors of cooperation with third countries. This involves a strong focus on the country level. The EU will, for example, invest more in a results-based dialogue in which all stakeholders are involved: not only civil society organisations, but also the private sector, partner governments, local authorities, parliaments and other national institutions. The Commission proposes that the EU and the member states draw up roadmaps for each country for cooperation with civil society organisations to improve the impact, predictability and visibility of the EU's efforts and ensure synergy. These roadmaps, to which local civil society organisations must also be able to contribute, must be in line with the EU's aid programme. In addition to support to civil society organisations at country level, the EU will support organisations that are active internationally and focus on transnational and global problems.

The AIV believes that, through its own strong civil society programme, the Netherlands can exert considerable influence on the way in which this programme works. Dutch civil society organisations have a strong international orientation which can have a substantial influence on a European civil society programme because (a) only about six EU countries have strong civil society programmes (Dutch NGOs win European contracts and have influence in Brussels) and (b) through their partners, they are active in developing countries where the EU supports local civil society. The priorities that Dutch NGOs set have a considerable influence far beyond our borders. In addition, NGOs conduct expansive and often very effective lobbying campaigns on issues that the Netherlands considers important, such as policy coherence, the effectiveness of EU development policy, peace and security, trade and food security.

III.4 Synergy between the private sector and other actors

III.4.1 Synergy between businesses and with governments

We have referred above to ways in which the government can mobilise the added value of companies and put it on the right track to benefit international cooperation, and how it can facilitate innovative financing for international objectives.

In chapter IV of this report, the AIV explores the opportunities to allow aid and trade to strengthen each other, taking account of the economic capacities of the Dutch economy and in this light of the revolving SME fund which was recently announced. Companies can implement large infrastructural projects to promote the investment climate and economic growth, for the production of utilities etc., and governments can support them through combinations of bilateral and multilateral cooperation (for example, with the World Bank), export funding and private financing. The issue of tied aid is always a relevant factor in this discussion, but falls outside the scope of this report.

Public-private partnerships (PPPs) are a rapidly growing form of cooperation between companies and governments. Because NGOs also often take part in PPPs, they are discussed below in section III.4.2.

A good opportunity for a different kind of complementarity is for the government to enter into a dialogue with the government of the developing country on specific legislation and obstacles in the local business climate. Implementing private sector projects offers many opportunities in this context. Again, this requires sufficient expert capacity at the missions.

Institutional consultations regularly take place in The Hague between the government and the organisations that implement private sector instruments, including FMO, CBI, PUM, IDH, FNV International, CNV Global, DECP, Agriprofocus and NL Agency. The aim is to promote exchange of knowledge and experience, and synergy between activities. The Policy and Operations Evaluation Department (IOB) is currently evaluating the private sector instruments, and may recommend adjusting some of them. Coordination between the various instruments, as now takes place on the Private Sector Development (PSD) platform, deserves further encouragement.

III.4.2 Synergy between the private sector and non-governmental organisations
AIV advisory report number 80, 'Unequal Worlds: Poverty, growth, inequality and the role of international cooperation' states: 'By working with NGOs, companies can help prevent or mitigate the negative effects and strengthen the positive effects of their activities. NGOs act as watchdogs and are themselves increasingly involved in productive activities. There has been a noticeable shift in recent years in the way the two sectors deal with each other. NGOs talk to large companies about sustainability and sometimes conclude agreements with them. Companies feel the influence of NGOs on their consumers and their reputations, and this makes them more accommodating.' NGOs increasingly play varying and complementary roles in relation to the private sector: through partnerships and ad hoc or long-term cooperation, and by conducting a dialogue, providing advice or acting as watchdogs.

Increasingly, companies are beginning to accept that the local and, more especially, international business community has a greater social responsibility to promote sustainability and social justice, nationally and internationally. With a view to achieving these broader objectives, the private sector will have to make a more targeted effort to work together with NGOs, governments and international organisations in PPPs.

Differences in culture and a lack of trust between some partners can lead to confusion. Businesses may be wary of NGOs being both partners and watchdogs, while some NGOs do not have the knowledge or experience to work productively with companies. Some themes, such as sexual and reproductive health and rights (SRHR), are also less appropriate for cooperation with companies (although it is not unknown) and businesses

are not always interested in countries that NGOs target for action, such as fragile states. NGOs themselves can be critical of large companies that work in mining or large-scale agriculture in developing countries. Nevertheless, more and more businesses and NGOs are engaging in dialogue and are seeking and finding solutions together. These many considerations present opportunities for complementarity: an extra focus on fragile states by civil society organisations and on stable poor and middle-income countries by the private sector (see chapter IV).

The added value of the private sector and NGOs, as described in this report, is largely complementary. In short, the private sector offers financial and economic capacity and continuity on the basis of economically viable activities, knowledge transfer and technical assistance, while NGOs have knowledge of both social and institutional sustainability and specific local situations. They are also currently playing an interesting role in the development of new business models and 'inclusive business'.⁴⁹ It is thus extremely worthwhile for the government to help build bridges between them.

Public-private partnerships are an effective instrument in encouraging synergy between companies and NGOs. PPPs received a significant boost in June 2007, with the signing of the Schokland Agreement, which pledged EUR 50 million of government funding for innovative proposals from partnerships of companies and NGOs. PPPs have become increasingly popular since then and PPP funds have been set up for themes such as water and food.

There are good examples of water PPPs in Ghana and Mozambique, where Dutch water company Vitens/Evides is helping authorities in the two countries to supply clean drinking water. Local companies are responsible for implementation, and NGOs are investigating water needs and getting different groups involved. The government's task is to set rules for the water supply, ensure they are complied with, and give international organisations technical advice and financial support for the necessary infrastructural investments. More and more studies are being conducted of the effectiveness of PPPs, and are revealing the conditions required for them to be a success. In many cases, service provision by the private sector is still more expensive for the consumer, while the government needs to improve its complicated procedures for the private sector.⁵⁰

Other forms of cooperation that have already benefited from government funding are related to trade networks. Dutch supermarket chains and wholesalers benefit from a constant supply of quality products, including from developing countries. They work with NGOs that issue fair trade quality marks and/or organise and train small farmers and other producers locally and help ensure they get a fair price for their products. The Netherlands has contributed to these activities, for example through the cofinancing system (MFS) and the Private Sector Investment (PSI) programme. The Sustainable Trade Initiative (IDH), a PPP of government, companies and NGOs, received EUR 100 million to work on poverty reduction, environmental protection and fair trade in a number of product chains. The government also cofinances many of the activities of the Netherlands Platform for Microfinance, a partnership between major Dutch banks, the Entrepreneurial Development Bank (FMO), Oikokredit and NGOs including ICCO, Cordaid, Hivos and Oxfam-Novib.

49 ICCO, 'Civil Society Paper', September 2012.

50 P. Farlam, 'Working Together: Assessing Public Private Partnerships in Africa', NEPAD Policy Focus Report, 2005.

While these organisations have regular contact at headquarters level in the Netherlands, they know relatively little about each other's activities in developing countries; there is a lack of cooperation and coordination. Once again, the most effective way to bring all these actors together and promote synergy is to strengthen the capacity of the embassies.

The AIV concludes that there is increasing cooperation between the private sector and civil society, that government funds play an important role in promoting it – a role that should be encouraged – and that there seems to be growing mutual respect between large groups of these actors.

III.4.3 Government facilitation of the added value of businesses as actors in international cooperation

Partly as a result of the redefinition of aid channels mentioned above, funding of the private sector accounts for 9% of the Dutch development budget for 2013. Of this, 27% goes directly to businesses. The rest is for strengthening the local market sector, with 22% channelled through multilateral institutions like the IFC, 13% through civil society institutions and the rest through the Entrepreneurial Development Bank (FMO), the Centre for the Promotion of Imports from Developing Countries (CBI) and, increasingly, PPPs and other formal partnerships.⁵¹

Internationally, there has been an exponential rise in public funding of non-governmental parties. According to one estimate, the international financial institutions (IFIs) invested more than USD 40 billion in the private sector in 2010. This will have risen to more than USD 100 billion by 2015, almost a third of all external public funding in developing countries.⁵²

All private sector instruments funded from the development budget aim to promote the private sector in developing countries and to reduce poverty. Dutch companies can play a valuable role, but they are not the ultimate target of these interventions.⁵³ Government support for the private sector must focus on businesses, countries, sectors and projects that have the least access to private capital and must achieve the best outcome for the poor. It can also be used to invest in Chambers of Commerce, well functioning legal systems, trade unions, etc. which help to create a favourable business climate. Only then is private sector support effective.

A substantial advantage in promoting the involvement of private companies in international cooperation is in mobilising their potential as providers of funds to achieve international goals. The government's contribution should aim to create maximum leverage to tap this potential. The grant component of a private sector programme should be just enough to

51 All private sector instruments aimed at developing countries are summarised in the government's brochure '*Van hulp naar investeren*' [in Dutch], October 2011. Most of these instruments are funded from the development budget.

52 EURODAD, 'Private Profit for Public Good? Can investment in private companies deliver for the poor?', May 2012.

53 The report '*Een Wereld in Beweging*' by the High Level Working Group on Export Financing, July 2012, formulates a number of wishes regarding private sector programmes, including those aimed at development and funded from the development budget. This report focuses on strengthening opportunities for the Dutch private sector and argues for a win-win policy.

act as a catalyst for the intended private sector activities or to strengthen the intended impact. There are specific situations in which grants may be preferable to achieve government objectives, including non-commercial measures in relation to global public goods, innovative business activities and PPPs aimed at local development, where there are good prospects that the activity may be profitable but the instep risk is high and discourages investment. However, the ODA rules sometimes restrict the scope for allocating grants flexibly.

In the complex and rapidly changing society described above, businesses tend to see opportunities sooner and better than governments. To obtain maximum benefit from their dynamism and creativity, demand-driven instruments within policy frameworks to promote trade and investment are therefore more suitable than pre-planned programmes. The broader the criteria, the greater the chance that valuable proposals can be selected and implemented. However, this may conflict with the desire to focus programmes more specifically on themes, countries and deprived groups, with links to other aid programmes, for example within the context of bilateral relationships, and with ODA requirements.

Like parliament, the WRR and the Social and Economic Council (SER), the AIV finds that government funding should not be provided to businesses that do not meet at least the minimum requirements for international corporate social responsibility (ICSR), based on the renewed OECD guidelines (including the Ruggie principles).⁵⁴ In this context, it is essential to aim for a single CSR policy framework for trade, investment and development cooperation. Here, too, the social impact is of primary importance. Clearer definitions and the uniform application of international guidelines make matters clear for applicants for government support, and prevent too much bureaucratic red tape.

These rules must be applied proportionately: the more extensive an activity, the more strictly they should be applied. A disadvantage of the reporting obligations accompanying them is an increase in regulatory pressure that can cause a relatively high increase in costs for smaller businesses. The AIV therefore advocates not only making businesses responsible for these ICSR reports, but also ensuring that enough reliable, professional staff are available at all times to carry out assessments relating to the private sector instruments.

The risk of market distortion can be limited by observing the agreed OECD rules for export financing. In 2006, the AIV argued that direct support for business activities should preferably not take the form of grants, but of guarantees or financing.⁵⁵ It should be noted here that a market is seldom perfect and that expert staff are required in The Hague and at the embassies to apply whatever method of analysis is chosen to determine the risk of market distortion.

Specific recommendations:

- promote the complementarity of local and other NGOs, research institutions and governments with the private sector without limiting the scope for proposals to the plan-based approaches of other aid actors; in doing so, take account of evaluations of the effects of PPPs;

54 ICCO, 'Civil Society Paper'.

55 AIV, 'Private Sector Development and Poverty Reduction'.

- promote coordination between actors in developing countries, especially by appointing experts at embassies and implementing organisations and by making greater use of specialised local parties, such as NGOs, businesses and research institutions;
- combat excessive regulatory pressure by making greater use of and relying on experts to assess and supervise private sector projects.

III.5 Synergy with research institutions

The new media will increase the importance of knowledge exchange with international actors and developing countries. South-South exchange is also growing. It is important to obtain an overview of the key persons in research institutions in these non-Western countries who also hold other positions of power.

It is important for research to be accessible so that knowledge that is already available can be used more effectively. The Royal Tropical Institute (KIT), for example, is part of an extensive worldwide network of research institutions, giving it access to important databases. Posing specific questions or disseminating information on published research can increase accessibility. Conversely, research institutions can ensure that Dutch knowledge is accessible internationally. Open access (open archives) and open data present opportunities to break down information and knowledge silos to make knowledge more accessible, easy to retrieve with targeted searches, and available to all. This is an important basis for cooperation between research institutions and with other actors. Lastly, it is important to emphasise that transparency (e.g. through open data) is a basic precondition for complementarity, which can only be achieved and measured if each actor knows what the other is doing now and is planning to do in the future.

In international cooperation, the AIV recommends seeking opportunities to involve research institutions in PPPs and other joint activities of public and non-governmental institutions. Active knowledge partners on the themes of water and food security include Wageningen UR (including its Agricultural Economics Institute (LEI)) and the Netherlands Water Partnership. CSR Netherlands is a knowledge platform to promote sustainable business practice.

An example of how research institutions can work with other actors was the joint 65th anniversary of the African Studies Centre (ASC) and the Netherlands Africa Business Council (NABC) in 2012. Both organisations were established at the same time, but had grown far apart. The anniversary presented an opportunity for exchange between large corporations (including Unilever, Shell and Heineken), small businesses, financial institutions, research institutions, NGOs, the government and representatives of migrant communities. Many issues were discussed, including the increased interest of emerging economies such as China, Brazil and India in Africa.

The ASC regularly organises meetings at which experts from various backgrounds can exchange information on specific countries. The reason for this initiative is the rapidly increasing number of actors involved in financing and implementing development activities in the public and non-governmental sectors and the rising number of partnerships.

Another example of long-term cooperation with partners in Africa, the Caribbean and the Pacific, and in Europe, is the European Centre for Development Policy Management. ECDPM's main activities focus on regional cooperation between various public and non-governmental actors, with the aim of improving the relevance to development and

effectiveness of international policy and its implementation. In this context, ECDPM supports the cooperation between the African Union, the NEPAD Agency and the Comprehensive Africa Agriculture Development Programme (CAADP) and regional and farmers' organisations and the private sector on agriculture, regional integration and trade for food security in Africa.

III.6 Synergy with civil society organisations

III.6.1 North-South civil society cooperation

According to the OECD, the added value for development cooperation of non-governmental organisations in Western countries lies primarily in their ties with counterparts in the South. NGOs are also perfectly placed to contribute to the democratic participation of community organisations and the representation of marginalised groups in development processes. NGOs also provide knowledge and expertise for strengthening capacity.⁵⁶

The influence of civil society has been growing steadily since the mid-1980s. Not only because governments are coming up against their own limitations in their development interventions, but also because there is a growing understanding that an independent civil society is vital for democratisation and social development.⁵⁷ Worldwide, some 30% of all public and non-governmental funds for development cooperation are spent through non-governmental organisations.⁵⁸ NGOs have also had demonstrable success in influencing international legislation.⁵⁹

The AIV examined the various roles played by NGOs (direct poverty reduction, society-building and influencing policy) in various contexts (fragile states, middle-income countries) in earlier reports ('Unequal Worlds'⁶⁰ and 'Cohesion in International Cooperation'⁶¹). These reports expressed the expectation that, in the future, NGOs would increasingly link their work in the context of fragile states and emerging economies and at global level to efforts to organise and mobilise global citizenship in the Netherlands. Since development depends to a significant extent on international trade relations and access to financial markets and relevant knowledge, international cooperation takes place not only within countries but also in the international arena. In countries themselves, NGOs can play an essential role in supporting citizens' organisations and processes targeted at social policy, defending freedoms, promoting transparent governance and redistributing wealth in emerging countries.

56 OECD-DAC, 'Added Value of Northern NGOs from the Synthesis Report of the Advisory Group on Civil Society and Aid Effectiveness', 2008.

57 WRR, 'Less Pretension, More Ambition: Development policy in times of globalization', Amsterdam, 2010.

58 R. Riddell, 'Does Foreign Aid Really Work?', Oxford, 2007.

59 M. Edwards, 'Have NGOs 'made a difference?' From Manchester to Birmingham with an elephant in the room', in A. Bebbington, S. Hickey, & D. Mitlin, (Eds.), 'Can NGOs Make a Difference? The challenge of development alternatives', London, 2008.

60 AIV, 'Unequal Worlds: Poverty, growth, inequality and the role of international cooperation'.

61 AIV, 'Cohesion in International Cooperation: Response to the WRR report "Less pretension, more ambition"', advisory report number 80, May 2010.

III.6.2 How the government uses NGOs' added value

There is a long tradition of government funding of civil society in the Netherlands. So the added value of NGOs, the complementarity between their activities and those of other actors, and the synergy between what they and the government can do have all long been recognised. In a recent evaluation on the global role of NGOs,⁶² the IOB concludes that it is important to apply an integrated approach to supporting civil society, with both government and other actors promoting civil activism and different forms of self-organisation and combating inequality and prejudice between social groups.

The specific form of complementarity between government and civil society through public financing goes further than simply 'sub-contracting'. The government has goals in fields such as human rights, emergency aid, the rule of law, health care, etc. and allows other actors, including Dutch NGOs and their partners, to help achieve those goals in their own way and within the context of their own objectives, programmes and expertise. That is also why these organisations raise more than half their budgets for these activities themselves. Involving development organisations in pursuing the government's objectives has the additional advantage of engaging wider civil society in the Netherlands in the government's own development effort.

It is debatable, however, whether from this perspective the current system for allocating grants to NGOs is sustainable in the long term. Legal equality is a determining factor in the structure of recent cofinancing systems. Because non-governmental organisations make a comparative contribution to development cooperation and thus fulfil a public function, it is also important for the government for their strengths to be developed as fully as possible. Of course, non-governmental organisations are and will remain responsible for maintaining their vital functions themselves. However, the government benefits from exploring what public functions are relevant alongside or in coordination with its own policy and how it can encourage them adequately and responsibly. In theory, every organisation applying for support is equally entitled to it; that means that the government has to apply complex selection and time-consuming objection procedures, with an uncertain outcome but much bureaucratic red tape for the organisations concerned. Even more importantly, these procedures give no consideration to which activities have a greater strategic importance. Through them, the government seeks to assess highly varied and incomparable organisations on the basis of uniform criteria. This working method results in organisations fitting their activities into a uniform template. Consequently, not only are the grant applications becoming increasingly alike, but organisations ultimately huddle together, carrying out the same programmes with the same intervention strategies in the same countries. As the differences between grant applications become smaller, it will become more and more difficult for the government to assess differences in quality. The greatest disadvantage of these procedures for the government, however, is not the management burden they entail but their unpredictable outcomes. The selection process may lead to an overdose of organisations working in one area, while those working in another, which may have much potential for added value and synergy, miss out.

62 IOB, 'Civil Society, Aid and Development: A cross-country analysis', June 2012.

Short history of cofinancing of NGOs in the Netherlands

After the Netherlands started providing development aid in 1949, the appeal by American president Harry Truman led to growing public interest in aid and a willingness to contribute to development.⁶³ In the 1950s, the Dutch public also became increasingly interested in development cooperation. In 1956, Novib was founded and faith-based organisations originally set up to do missionary work, like CMC/Cebemo (Catholic) and ICCO (Protestant), also focused increasingly on development cooperation. In 1964, the Dutch government decided for the first time to allocate funds to NGOs to cofinance development activities in developing countries.⁶⁴ Only two years later, the Ministry of Foreign Affairs observed that Dutch development aid would be 'unthinkable' without the NGOs.⁶⁵ In 1978, the government also made funds available to a humanist organisation (Hivos).

Until the end of the twentieth century, these four (later five) cofinancing organisations (MFOs) shared a growing pool of public funds, from 1997 according to a formula agreed among themselves. Besides the cofinancing system (MFP), other funding programmes were introduced, for example for seconding experts to projects in developing countries,⁶⁶ supporting trade unions,⁶⁷ and financing municipal development programmes.⁶⁸

The landscape and funding of development cooperation through civil society underwent radical changes in the first decade of the new millennium and the four MFOs lost their monopoly on government financing. This started in 1999, when development minister Eveline Herfkens agreed to give Foster Parents Plan Nederland access to MFP funding. In 2001, the original MFP, dating from 1980, was replaced by a new system of cofinancing. The decision was based on the General Administrative Law Act, under which government grants have to be available to all citizens and organisations in the Netherlands.⁶⁹

In 2003, a new policy framework was introduced for the MFP, which opened up the system to all organisations. As a result, Terre des Hommes joined, bringing the number of MFOs to six. In addition to the MFP, with its six organisations working to

63 For a short outline, see: NCDO, '*Ontwikkelingssamenwerking in vogelvlucht, de feiten op een rij*' [in Dutch], June 2012.

64 The concept of cofinancing refers not to the cofinancing of civil society organisations but of programmes in the South.

65 Prof. P. Hoebink, '*Verschuivende Vensters: Veranderingen in het institutionele landschap van the Nederlandse Ontwikkelingssamenwerking*' [in Dutch], WRR, Web publication no. 40, The Hague, January 2010.

66 E.g. the Netherlands Management Cooperation Programme (PUM), which seconded managers to developing countries.

67 Managed by the trade unions CNV and FNV-Bondgenoten.

68 Through the Association of Netherlands Municipalities.

69 WRR, '*Verschuivende Vensters*', p. 76 (OPOP 2000:9).

achieve structural poverty reduction in various countries and continents, in various sectors and themes, and at different levels (local, national and international), a theme-based cofinancing programme (TMF) was also set up to focus on organisations which specialised in specific themes, regions or target groups, and which were often more knowledge than capital intensive. In subsequent grant rounds, a total of 214 organisations, 100 of which were located abroad, received support.

In 2007, minister Agnes van Ardenne merged the MFP and the TMF in a new cofinancing system (MFS). A total of 59 organisations received MFS grants, considerably reducing the administrative burden for the Ministry of Foreign Affairs. However, Minister Bert Koenders decided that for the next round, more organisations should work together as he felt that the field was too ‘fragmented’. He announced that, in 2009, a maximum of 30 alliances/organisations would be able to receive a grant in the second round. After a complicated tendering procedure, 21 alliances of NGOs would be eligible for a grant from 2011, reducing the ministry’s administrative burden further or – perhaps more accurately – transferring it to the alliances’ lead organisations.

The AIV recommends investigating how – including through cofinancing – the government can continue to achieve synergy with civil society without the disadvantages referred to above. As will be argued in chapter IV of this report, in today’s rapidly changing world, NGOs will continue to fulfil roles that other actors cannot perform. Thinking ahead, the AIV would suggest the following areas: operating in fragile states and conflict areas, working to reduce income differences in middle-income countries, acting as watchdogs, and promoting global citizenship, for example, in relation to global public goods.

The AIV has examined models used by a number of like-minded donors and considers the way in which Sweden currently facilitates the work of its NGOs a good example of how to avoid the disadvantages identified in the current Dutch system, while benefiting from NGOs’ special characteristics.

What it comes down to is a more strategic method of financing, with a grant system that is not generic but focuses on facilitating the specific added value of NGOs that the government considers of strategic importance. The government is working towards a limited number of organisations which, depending on the context, can participate in strategic alliances with each other and with other actors. These organisations/alliances will be selected by drawing up strategic frameworks, comprising a combination of objectives, contexts and policy themes, for the priorities that are relevant to the post-2015 agenda and to the roles specified in chapter VI of this report. The strategic importance of civil society development should be recognised as a goal in itself, meriting its own framework. This entails organising citizens’ voice and participation, guaranteeing rights and freedoms, and developing checks and balances to the exercise of power by the government.

After strategic partners/alliances have been selected, a funding programme will be agreed that contains no – or as few as possible – aspects that might negatively affect the efficiency and effectiveness of the participating actors or increase transaction costs unnecessarily. This means reducing regulatory pressure, with the emphasis on a) global and strategic plans; b) customised monitoring; c) meaningful and substantive reporting; d) transparent financial reporting; and e) evaluations that support the learning process. In the interests of continuity, long-term agreements are preferable – Sweden works with

terms of eight to ten years – with the government having the right, at certain points, to terminate the cooperation if the other party does not perform as agreed, or to adapt it to changing circumstances. When assessing the quality of organisations, it must be possible to rely on externally verified quality systems to avoid double work. Attention to and scope for public representation must ensure that NGOs can also contribute to social engagement. Communication with the Dutch public must go further than fundraising and focus on engaging global citizenship. Organisations' own financial contributions can be differentiated, depending on their programmes and access to private funding. Alongside this system, accessible only to a limited number of strategic alliances, the government could consider having another system for NGOs that undertake activities sought by the government in, for example, areas that are relevant but are beyond the scope of the alliances selected for cooperation.

To optimise the synergy between government policy and NGOs and not restrict the relationship to that of grant provider and grant recipient, selection and management should not be sub-contracted to parties who themselves have no affinity with government policy.

The Netherlands' position in a globalising world calls for a strong and knowledgeable Ministry of Foreign Affairs. Strengthening the ministry by adding the foreign trade portfolio (see IV.2), the increased involvement in peace, security and the rule of law (see IV.1), and the return to a second minister are welcome steps in that direction.

IV Interaction between actors in low- and middle-income and fragile countries and for global public goods

Current policy themes

Development cooperation was traditionally concerned with sustainable development in low-income countries. As the introduction shows, new developments have led to a review of this focus: poverty in middle-income countries (AIV advisory report number 80 'Unequal Worlds') and how to manage GPGs at global level (AIV advisory report number 74 'Post-2015 Development Agenda'). This chapter first examines two themes currently being addressed by the government: the international security budget (section IV.1) and coherence between trade policy and development cooperation (section IV.2). Both themes present challenges and opportunities for integrated and coherent policy. Sections IV.3 and IV.4 go on to discuss the added value and synergy of actors in relation to policy in different types of countries.

IV.1 Permanent international security budget: for an integrated approach

In its coalition agreement, the Dutch government opted to take an integrated approach to security and stability. Complex conflict situations call for simultaneous interventions in the areas of security, the rule of law, institution-building and socioeconomic development. This policy was set out earlier in the 2005 policy document 'Reconstruction after Armed Conflict'.⁷⁰ The current budget allocates EUR 250 million to cover expenses relating to international security (2014-2017). At the same time, the defence budget is to be reduced by EUR 250 million, and the development budget by EUR 1 billion. The Minister for Foreign Trade and Development Cooperation is responsible for this budget, in consultation with the Minister of Defence. This is currently being fleshed out in a policy framework for international security.

In the context of the defence cutbacks, the homogenous budget for international cooperation (HGIS) for crisis management operations (EUR 190 million) will disappear in 2014. This budget was used for Ministry of Defence operations. It is important that the Ministry of Defence should continue to have a sufficient budget not only for participation in crisis management operations in fragile states but also for NATO defence operations; otherwise no operational budget will be available.

The coalition agreement states: '*Underscoring the importance of peace and crisis management operations for developing countries, a new permanent budget of EUR 250 million will be established for international security, to begin operations in 2014. It will be available to cover international security-related spending that currently comes out of the Ministry of Defence budget.*' Its annex on financial policy states that 'an annual sum of EUR 0.25 billion from the development cooperation budget will be placed in a budget for international security from 2014. This budget will be available to the Ministry of Defence for costs connected with international security.'

The AIV observes that the choice for broad deployment of the international security budget is purely political. The AIV emphasises the importance of an integrated approach, as stated in the coalition agreement: 'International missions in conflict countries should

70 Parliamentary papers 30075, no. 1.

closely link security, development and diplomacy.’ It should be noted that the dividing lines between developing and developed countries are blurring. In the Arab region, for example, there is a need for an integrated approach to security and the rule of law, even though many of these countries are not poor. The development dimension of such an approach was recently outlined in the letter to the House of Representatives on the policy priority Security and the Rule of Law.⁷¹

The coalition agreement also states that ‘a contribution by the Netherlands to an international crisis management operation will require either a mandate under international law or the existence of a humanitarian emergency. Requests for a contribution will be assessed from the standpoint of our international responsibilities and national interests.’

With regard to participation in peace and crisis management operations, the AIV recommends that the goals, approach and resources described in the assessment framework and the Article 100 letter on deployment of the Dutch armed forces in peace operations should devote explicit attention to human security and the protection of civilians. The same recommendation was made by the independent committee of experts that evaluated the Dutch contribution to ISAF, and was taken up in the revised version of the Terms Of Reference for decision-making for the deployment of military units abroad. The assessment framework should also state that independent monitoring and public reporting of civilian victims needs to be carried out from the start.⁷²

IV.2 Coherence between trade policy and development cooperation

Not new but of continuing importance is the attempt to reduce obstacles to international trade and promote equal participation in the trade system. This objective is coherent with development cooperation, given that, in theory, free international trade promotes economic growth and development, both here and in the rest of the world, as long as there is a level international playing field for the poorest countries and national policies do not allow a small segment of society to monopolise the benefits of trade. After all, inequality has risen substantially in many emerging economies. Although investment relationships are not specified separately, it is important to include them under the heading ‘trade’, as they generally lead to trade flows and have a considerable impact on societies. Synergy between that impact and development efforts is desirable. In addition, investments are activities by the same actors (businesses) that do not have their own place elsewhere in the policy discussion. ‘Trade’ can then be seen in terms of ‘business relationships’. It is worthwhile investigating how local branches of Dutch companies such as banks could play a greater role in achieving international cooperation goals.

71 Letter to parliament from the Minister for European Affairs and International Cooperation, reference EFV-190/2012, The Hague, 21 May 2012.

72 Idem.

Aid-for-trade programmes,⁷³ which are closely linked to the WTO negotiations on trade liberalisation, aim to create a level playing field. After the failure of the Ministerial Meeting in Cancun, due to the refusal of the US and the EU to put an end to protectionist policies in relation to agricultural products, aid for trade played an important role in securing the participation of developing countries in these negotiations. Despite these efforts, subsequent negotiations in the Doha round also failed, again through disagreement on the opening up of agrarian and industrial markets and on guarantees for foreign investment. Support for aid for trade among leading donors has grown spectacularly, but is closely related to their own economic interests.

Supporters of aid for trade see it as an opportunity to allow relations with more advanced developing countries to evolve from an aid relationship to one based on business ties and offering mutual benefits. Other analyses are more sceptical, including a study from 2011 concluding that billions of euros from the European Investment Bank are being spent on large-scale infrastructure and mining projects implemented by European companies that do not meet the aid-for-trade criteria.⁷⁴ The AIV believes that aid for trade is a useful instrument but needs to be monitored carefully.

Broader coherence issues relate to combating tax evasion and corruption, a sustainable policy on natural resources, preventing land-grabbing, and sustainable chains. Economic development can only thrive in an enabling environment; that means investing in a stable legal system, and in education and health care.⁷⁵ Coherence with investment policy is also important.

Import chains

Here there are considerable opportunities for synergy. The Netherlands is a prominent trade partner for many developing countries and their first entry point to the EU. It has many internationally operating companies engaged in commerce and is often at the forefront of efforts to make trade chains sustainable, partly through its internationally renowned, specialised research institutions, increasingly critical and aware consumers, and active NGOs working on quality marks. The government can promote this synergy by:

- facilitating businesses and NGOs in both the Netherlands and developing countries which are working on the sustainability of trade chains for, for example, clothing, food and commodities; a good example is the new entrepreneurs' portal for SMEs;⁷⁶
- mitigating the risks entailed in and promoting the availability of local funding for investments by Dutch and local businesses aimed at sustainable production with quality marks that qualify for import into the EU;

73 OECD, 'Trading Out of Poverty: How Aid for Trade Can Help', 2009: 'The international community has agreed to expand and improve aid for trade to help developing countries, particularly the least developed, build the supply-side capacity and trade-related infrastructure needed to expand their trade and to benefit from their integration into the world economy. Aid for trade has been designed as a tool to interlock aid and trade policies in pursuit of raised living standards and reduced poverty'.

74 M. Langan, J. Scott, 'The False Promise of Aid for Trade', Brooks World Poverty Institute, University of Manchester, December 2011.

75 See also SER, 'Development through Sustainable Enterprise', September 2011.

76 On the initiative of Partos and VNO-NCW, together with the government.

- setting OECD/ICSR requirements (see section III.4.3) and requirements relating to a demonstrable development impact (payment of taxes, employment, strengthening local SMEs, decent wages, attention for the position of female employees) for all businesses receiving grant-based funding, including through the revolving fund (risk mitigation);
- helping exporters from developing countries to meet the EU's import requirements (e.g. by using PUM, CBI, IDH).

Export of goods and services/knowledge

Export financing plays a major role on the export side of trade. In July 2012, the High Level Group on Export Financing drew attention to changes in the field of export financing that also relate to development cooperation.⁷⁷ Developing countries shop around to find donors that offer the most favourable financing for public investment projects. If the Netherlands is systematically excluded from investment projects by new donors who do not feel bound by OECD agreements, our presence in these countries will be reduced, damaging our prospects of moving towards an economic business relationship with them. With regard to possible synergy between development cooperation and export financing, the AIV believes that all activities financed from the Dutch development budget must continue to be in the interest of development or international cooperation. However, it is not impossible to combine this aim with a role for Dutch companies and therefore with efforts to achieve a new business relationship with the country concerned. This can be achieved by:

- taking account of opportunities for Dutch businesses when formulating programmes and selecting countries and themes;
- when drawing up policy frameworks for demand-driven programmes, leaving sufficient scope for proposals from Dutch businesses and for selecting those that are most compatible with the goals of development policy; see also section III.4.3 of this report, which provides recommendations for structuring programmes with business actors.

Economic diplomacy

Trade missions present a good opportunity to promote trade and investment relations between Dutch and local companies and generate proposals for the various private sector programmes referred to in this report. It is important that all Dutch and local participants are well informed of the goals and conditions of the various programmes.

When preparing trade missions, attention should be paid to themes relevant to development and obstacles in the fields of human rights and CSR in the countries to be visited. Locally active NGOs can play a role in this respect. It is advisable to leave room in mission programmes for visits to relevant development programmes and/or businesses where corporate social responsibility is an important factor, and if possible to arrange meetings with critical human rights activists.

In line with the main finding of this report – that reality is too complex to encapsulate in preconceived plans and rules – the AIV calls here too for secondment of experts to the Netherlands' diplomatic missions. They should have a thorough knowledge of international cooperation and knowledge of opportunities for Dutch and local companies,

⁷⁷ The report '*Een Wereld in Beweging*' by the High Level Working Group on Export Financing, July 2012, formulates a number of wishes relating to export financing programmes and also alludes to programmes funded from the development budget.

to which they are able to respond flexibly. It is important that these experts stay long enough to become familiar with the local situation and that they receive regular training. They can be paid from the funds available for economic diplomacy.

Lastly, the AIV recommends that the Netherlands choose a partner country to serve as a pilot study for conflicts and synergy between trade and development cooperation; this will involve inviting as many actors as possible to discuss opportunities and challenges in this country. The government can facilitate the exchange of knowledge and make it available to newcomers.

SME fund

The new government decided recently to set up a revolving fund for SMEs. In line with the other recommendations in this report, the AIV makes the following recommendations:

- Focus the fund on countries, businesses, sectors and projects which have a commercially unattractive risk-benefit profile and therefore no access to private capital, but which offer the best pro-poor outcomes (i.e., increasing tax revenues, creating jobs, strengthening local SMEs, ensuring sufficient wages and improving the position of female employees).
- Develop a set of flexible financial instruments (guarantees, venture capital, loans with flexible grant components, possible grants for non-commercial but desirable project components). They should each be in line with AIV advisory report number 50 'Private Sector Development and Poverty Reduction' (October 2006). The risks and chances of success should be assessed by experts.
- Ensure that the fund acts as a catalyst in mobilising extra financing/investments by businesses. The fund must generate powerful leverage (matching requirements); each 'aid euro' must generate a few euros in investment, perhaps repeatedly (hence: 'revolving' fund).
- Ensure that the fund is primarily demand-driven (i.e. responds to the demands of SMEs in developing countries); it is intended for both SMEs in developing countries and activities of Dutch SMEs in developing countries. In other words, it must respond to SME proposals 'here' and 'there' ('there' with Dutch partners, and 'here' with partners from developing countries).
- Assess all proposals for compliance with development objectives. In that context it should be noted that only 25% of all private sector support provided by the EU and the World Bank is actually given to businesses in developing countries.⁷⁸ The fund could also partly be spent on joint ventures such as the Fair Trade Fund (Triodos Bank). The focus should be on connecting SMEs to international, regional and local chains, with sufficient attention for access to financing by strengthening capacity for acquiring loans and/or providing guarantees for high-risk loans.
- Ensure compliance with development objectives, and guarantee complementarity, coherence and synergy with other (Dutch) efforts through 1) a clear policy framework (countries, themes, project scale, etc.); 2) assessment criteria published in advance (for example, job creation, impact on chains, compliance with local government policy); and 3) established compliance with the principles of ICSR, as specified in

78 'Only 25% of all companies supported by the EIB and IFC were domiciled in low-income countries. Almost half goes to support companies based in OECD countries and tax havens. (...) This cast doubt on whether IFIs are succeeding in channelling their financial support to the most credit-constrained companies in the world's poorest countries: instead, they appear to be simply following market trends.' See J. Kwakkenbos, 'Private Profit for Public Good? Can investing in private companies deliver for the poor? European Network on Debt and Development', May 2012, p. 5.

section III.4.3. A scoring system could be used with extra credits for sought-after components, for example for fragile states. The AIV calls for a policy framework that leaves sufficient scope to select from a wide range of valuable initiatives from Dutch SMEs.

- Understand that the fund only has more added value for SMEs than financing by banks if it is prepared to accept the risks of supporting projects in developing countries. That applies even more to small, innovative projects. These risks must not be passed on to foreign investors through securities. The government must accept that the fund will experience a certain percentage loss each year and will ultimately be exhausted, or it must allocate an annual budget for supplementary grants to cover risks, reduce initial expenses and fund non-commercial, but desirable project components.
- Set stringent requirements for the reports to be submitted by the financial organisations implementing cofinanced investment projects, where relevant in accordance with the Global Transparency Charter for International Institutions.

These recommendations will inevitably lead to greater regulatory pressure. The only way to keep it under control is to establish an expert implementation framework that allows scope for flexibility, and inspires the government's confidence.

IV.3 Selecting actors for specific components of international cooperation

The AIV recommends that in formulating policy on complementarity priority should be given to two strategic questions:

- What actors can make a strategic contribution to effective implementation of a future international cooperation agenda, on the basis of their specific added value and innovative strengths?
- How can the government provide the conditions and support needed to enable these actors to make a strategic contribution to international cooperation?

In response to the request for advice, the AIV has explored the systems which other – especially like-minded – donors use to decide what actors they should deploy to address which international challenges and in what proportion. The criticism of the Netherlands expressed in the OECD's peer review (no policy on the alignment of different kinds of aid, too much fragmentation) also applies to other donors. The UK Department for International Development (DFID) comes the closest to a policy, but presents no clear criteria for distributing the work over various channels to address various challenges. There are no comparisons of the effectiveness of different channels /actors in solving certain problems. In the absence of an objective system, all that ultimately remains is a political choice, to which this report aims to give a basis. The AIV hopes that the IOB's current study will offer some guidelines for making concrete choices.⁷⁹

79 The IOB has already conducted a preliminary study of the literature on the choice and impact of three channels: bilateral, multilateral and civil society. Many studies investigate the considerations donors have applied in selecting countries and channels, the degree of transparency, coordination and fragmentation, and the effects on economic growth.

IV.4 The added value and synergy of various actors from four policy perspectives: fragility, LICs, MICs and GPGs

To a greater or lesser extent, the various categories of actors distinguished in the previous chapters can each play an effective role in achieving the main aims of future Dutch development policy and the post-2015 agenda for international cooperation:

- sustainable development in low-income countries;
- sustainable development (including security and the rule of law) in fragile states;⁸⁰
- sustainable development and redistribution in middle-income countries;⁸¹
- managing global public goods,⁸² including the four priorities: food security, water management, sexual and reproductive health, and security and the rule of law, and with three cross-cutting themes: gender, environment and good governance.⁸³

In a complex world with hybrid international relations, GNP, the strength of the armed forces and the size of the population are no longer the only determinants of the power and influence that a country can exercise. By focusing on the four policy aims listed above and by investing in networks and strategic cooperation with actors that generate added value, the Dutch government can continue to play a prominent role in international cooperation. That calls for skilful political entrepreneurship, rather than anxious management focused on fixed structures. Above all, it calls for the political conviction that the Netherlands can only build bridges to a just and sustainable future through international cooperation based on collective interest.

The AIV believes that these policy aims and the priorities and themes based on them, which will be addressed later, should be decisive in selecting combinations of actors and facilitating their added value.

As described in chapter III, besides this added value, synergy can also be achieved by actors combining and working together. Several combinations were examined systematically, with here and there recommendations on what the government can do to promote these forms of complementarity and synergy (for example, in PPPs).

The table below shows the potential added value of each actor from the four policy perspectives.

80 AIV/CAVV advisory report 'Failing States: A global responsibility', advisory report number 35, The Hague, May 2004.

81 AIV, 'Unequal Worlds: Poverty, growth, inequality and the role of international cooperation'. The AIV noted that this income classification is not absolute and that multidimensional poverty measurements must also be taken into account in formulating policy.

82 AIV, 'The Post-2015 Development Agenda'.

83 For the purposes of the overview, the GPGs are interpreted broadly here. For the government's priorities, see: 'Building Bridges', coalition agreement VVD-PvdA, The Hague, 29 October 2012, p. 15.

Table 1 Added value of actors per policy perspective

Policy area	Sustainable development of low-income countries	Sustainable development (incl. security and the rule of law) in fragile states	Growth and redistribution in middle-income countries	Global public goods
Bilateral actors	<ul style="list-style-type: none"> - Good governance and the legal system - Knowledge transfer on Dutch priorities, especially technical assistance to governments, universities and NGOs - Balance of payments support - Risk mitigation private sector - Regulation of CSR, promoting business climate - Human rights and political scope for civil society - Attention to special groups (women, children) 	<ul style="list-style-type: none"> - DDR / SSR⁸⁴ - Good governance and legal system - Risk mitigation private sector - Regulation of CSR, promoting business climate - Human rights and political scope for civil society 	<ul style="list-style-type: none"> - Risk mitigation private sector - Regulation of CSR, promoting business climate - Human rights and political scope for civil society 	<ul style="list-style-type: none"> - Cooperation and investment with like-minded (bilateral, multilateral, civil society and private sector) actors in niches within the priority themes - National and international coherence agenda
Multi-lateral actors	<ul style="list-style-type: none"> - Promoting economic and social infrastructure - Basic services - Complying with civil, political, socioeconomic and cultural rights - Promoting good policy and governance 	<ul style="list-style-type: none"> - Protecting the public - Basic services - Complying with civil, political, socioeconomic and cultural rights - Promoting economic infrastructure - Promoting good policy and governance 	<ul style="list-style-type: none"> - Catalysing and monitoring trade agreements - Organising and promoting financial stability - Creating enabling environment for civil society organisations and initiatives - Complying with civil, political, socioeconomic and cultural rights - Promoting social infrastructure 	<ul style="list-style-type: none"> - Protecting and distributing GPGs like climate, environment, peace and security, cross-border health problems, trade and financial systems - Increasing coherence between European policy areas

84 Demobilisation, Disarmament & Reintegration and Security Sector Reform programmes.

Policy area	Sustainable development of low-income countries	Sustainable development (incl. security and the rule of law) in fragile states	Growth and redistribution in middle-income countries	Global public goods
Dutch and local civil society organisations	<ul style="list-style-type: none"> - Strengthening civil and democratic society - Access to courts - Basic services - Demanding accountability from governments and businesses 	<ul style="list-style-type: none"> - Strengthening civil and democratic society - Community-based security and conflict transformation - Access to courts - Basic services - Demanding accountability from governments and businesses 	<ul style="list-style-type: none"> - Strengthening marginalised groups - Safeguarding rights and freedoms - Promoting social policy and redistribution - Supporting sustainable economic development and social investment - Demanding accountability from governments and businesses 	<ul style="list-style-type: none"> - Mobilising global citizenship - International cooperation between NGO networks on GPGs - Demanding accountability from governments and businesses regarding GPGs
Dutch and local businesses	<ul style="list-style-type: none"> - Building up infrastructure and utilities - Introducing microfinance and internet banking - Investing in employment and development of SMEs - CSR and inclusive business 	<ul style="list-style-type: none"> - Building up infrastructure and utilities - Introducing microfinance and internet banking - Investing in employment and development of SMEs - CSR and inclusive business 	<ul style="list-style-type: none"> - Developing trade chains - Co-investment in and advice on infrastructure and utility projects - Co-investment in and advice on building the local financial sector - Investment in SMEs incl. foreign joint ventures - CSR and inclusive business 	<ul style="list-style-type: none"> - Investing in public goods: water, food security, sustainable energy etc. - Developing and applying innovative technology aimed at sustainability - Making trade chains sustainable

The table below presents a number of promising combinations organised by policy perspective.

Table 2 **Examples of complementarity and synergy between actors per policy perspective**

Sustainable development of low-income countries	Sustainable development (incl. security and the rule of law) in fragile states	Growth and redistribution in middle-income countries	Global public goods
<ul style="list-style-type: none"> - Businesses contribute to growth and international competitiveness while civil society actors work to promote redistribution - Bilateral and civil society organisations support social programmes (including education) which primarily serve the poor - Different actors contribute their special added value through public-private partnerships to support public goods and services and GPGs - Bilateral actors contribute, through CSR regulation, to good practice by businesses - Civil society actors demand accountability from businesses on CSR - Multilateral and bilateral actors can support marginalised civil society actors - All actors can cooperate on promoting human rights 	<ul style="list-style-type: none"> - Bilateral and civil society actors cooperate with multilateral actors to restore the social contract between society and government - Multilateral, bilateral and civil society actors cooperate on human security - Bilateral actors and the private sector cooperate to mitigate the highest risks for investment and facilitate private sector development, together with SMEs - Multilateral and bilateral actors and the private sector contribute, through CSR regulation, to good practice by businesses - Civil society actors demand accountability from businesses on CSR - Bilateral and multilateral actors cooperate on good governance, basic services and regional security - Multilateral actors contribute to restoration of the social contract and work on human security 	<ul style="list-style-type: none"> - Businesses contribute to growth and international competitiveness while civil society actors work to promote redistribution - Different actors contribute their special added value through public-private partnerships to support public goods and services and GPGs - Bilateral actors contribute, through CSR regulation, to good practice by businesses - Civil society actors demand accountability from businesses on CSR - Civil society actors work to promote freedom and social policy and demand accountability from governments on their own promises and commitments - Multilateral and bilateral actors can support marginalised civil society actors - All actors can cooperate on promoting human rights 	<ul style="list-style-type: none"> - Multilateral, bilateral, civil society and private-sector actors can cooperate with multilateral institutions on international agreements regarding GPGs - Civil society actors contribute to support for the decisions and policies of multilateral and bilateral actors by mobilising global citizenship - Civil society and bilateral actors demand accountability from businesses on CSR - Bilateral and civil society actors cooperate to promote coherent policy by multilateral actors (including the EU) - Companies and bilateral and civil society actors cooperate with multilateral organisations on international codes of conduct in multilateral organisations - Multilateral, bilateral, civil society and private sector actors generate and share experiences in various knowledge platforms

V The complexity of governance in a turbulent world – exploring flexibility and trust

V.1 Limitations of the current system

The above outline of the patterns of interaction between the many actors in relation to the various themes, regions, financial flows, activities, tasks and resources shows that development cooperation has been transformed in recent decades from a relatively simple delta landscape of clearly defined objectives, institutions and relationships to a quagmire dominated by ambiguities, ambivalences, shifting concepts and changing actors in increasingly complex and confusing constellations. To gain a grip on this situation, new mechanisms and interventions are increasingly being developed, resulting in an accumulation of policy and regulation. The boxes above with their short histories of the four important areas of development policy (growing volumes of aid and more actors, partner countries, the structure of the UN system and a short history of the cofinancing system) show how ill-defined and less effective policy has been due to repeated attempts to keep control in the face of major changes. This is, of course, not restricted to development cooperation and may apply to all policy areas.

When consulting experts, especially from the private sector and NGOs, the AIV was told consistently and emphatically that regulatory pressure has become stifling and, more seriously, it is preventing achievement of the desired objectives. Highly detailed programmes lead repeatedly to unforeseen and unintended consequences. Despite all the references to criteria, logframes and measurable results, the problem of accounting for consequences remains fundamentally insolvable and the government has nowhere near the capacity it would require to assess all the reports it receives. Experts refer to ‘institutionalised mistrust’. The rigidity and regulatory pressure is partly caused by the ODA rules imposed by the OECD/DAC. The concept of ODA – on which the AIV regularly issues reports⁸⁵ – is a recurring topic of discussion.

V.2 The myth of controllability versus emerging complexities

It is becoming increasingly clear that the traditional view of development cooperation has reached its limits. In short, we need a new way of looking at and working in the broad field of development cooperation. Of course, because of existing institutional arrangements and the established interests embedded in them, the old way of thinking and working will continue to play a role in the new paradigm. In any event, this new paradigm will have to take account of a changing world, in which other relationships and insights have evolved, and new actors have made their entrance. For now, there is a continued need for structure and direction.

People have a fundamental need to order their world, and to predict the future. This has had an enormous impact on how we structure and manage society. On the basis of perspectives that may or may not be underpinned by rational argument and in which science and religion have played prominent roles, organisations and institutions have evolved that attempt to control or manage the future. Today, in a turbulent and complex world, this need is under great pressure.

⁸⁵ See AIV advisory reports ‘Cohesion in International Cooperation: Response to the WRR report “Less pretension, more ambition”’ and ‘The Post-2015 Development Agenda’.

As relationships become increasingly intertwined and interdependent, we have a growing need to distinguish ourselves from others. Globalisation has given rise to calls for localisation, or 'glocalisation'.⁸⁶ The nation state is losing its self-evidence or 'naturalness',⁸⁷ as its formal competences and executive tasks are transferred to both continental power blocs and regional and local institutions. As a result, a division is growing between politics and power. A large proportion of state power has shifted to the politically uncontrollable global arena.⁸⁸ In some cases, this shift is limited in scale (e.g. in areas such as tax legislation, national security and economic protectionism). What is more, developing countries need a strong state to create the conditions for a normally functioning society.

Politicians are not able to make decisions on actions at global level, as they operate at the regional and local levels. As a result, new economic and financial forces are becoming a source of great uncertainty. The 'risk society' responds to this by continually redefining and demarcating units, task and competences. As a consequence, the dividing lines between them become increasingly obscure.⁸⁹ New interconnections and borders are emerging in chains, networks and temporary alliances. The rationale of the individual organisation or actor therefore has to be supplemented by the perspective of cooperating in alliances.

This leads to 'emerging complexity',⁹⁰ which occurs in situations which are not clearly defined and where the main stakeholders are not obvious, so that no adequate strategy for intervention is available. If the future cannot be predicted on the basis of trends from the past, issues have to be addressed while they are still developing in ways that are practically unpredictable. The greater the complexity, the less we can rely on past experience, because it does not provide sufficient guidance.

The unavoidable conclusion is that most challenges relating to policy planning and strategy can be seen as 'wild problems of organised complexity', characterised by interconnectedness, complexity, uncertainty, ambiguity, conflict and being embedded

86 R. Robertson, 'Glocalization: Time-Space and Homogeneity-Heterogeneity', in M. Featherstone, S. Lash, & R. Robertson (Eds.), 'Global Modernities', London; Sage, 1995, pp. 25-44.

87 A. Giddens, 'The Consequences of Modernity', Cambridge: Polity Press, 1990.

88 Z. Bauman, 'Liquid Modernity', Cambridge: Polity Press, 2000.

89 U. Beck, 'Risk Society: Towards a new Modernity', London: Sage, 1992.

90 C.O. Scharmer, 'Theory U: Leading from the Future as it Emerges', San Francisco: Berret-Koehler Publications, 2009.

in comprehensive social frameworks.⁹¹ The fact that 'wild problems' are indefinite, unlimited and interwoven, makes it extremely difficult to address strategic and administrative issues. What is more, their 'organised complexity of interconnectivity' is usually reinforced by the fact that government authorities and policy-makers have a natural inclination to seek solutions to problems.⁹² After all, government authorities are expected to develop and manage a stable system. Creating such a system requires coordination, consistency and coherence, which are seen as minimum conditions for transparency, continuity and trust. These in turn form the basis of efficiency and effectiveness. This approach leads almost automatically to organised complexity and thereby to more dilemmas (also known as 'wickedness'). We have become increasingly aware that our ability to manage – let alone design – our world has become highly questionable, and is, in fact, being revealed to be a myth.

V.3 New perspectives: towards trust and flexibility

That 'myth' forces us to be modest, in recognition of the fact that our actions will always have unintended consequences. It leads to an understanding that every issue is embedded in a more comprehensive constellation and is therefore to a certain degree determined by context. Government authorities and others who consider themselves responsible for what happens in our society should not allow themselves to be paralysed by a reality that is difficult to grasp. In other words, the above analysis is not a plea for a *laissez-faire* approach, but for a new perspective, a new paradigm. Learning to deal with uncertainty implies that, in the future, we must develop and apply modest and flexible scenarios in an attempt to achieve consistency, coherence and coordination. In doing so, we must realise that all such efforts are only provisional, since any form of organisation is a temporary outcome of an interaction between actors, activities and structures (procedures, protocols, rules, principles), in which four kinds of criteria are simultaneously involved, i.e. correspondence, complementarity, contrast and hierarchy. In addition, a relationship between actors and structures based on, for example, complementarity and equality can turn into one based on correspondence or contrast and hierarchy. The core concepts that have been dominant until now, such as system, complementarity, synergy and entropy need to be supplemented by others such as networking, flexibility, variation, resilience, vitality and agility.

91 A well-known categorisation of such problems (cf. B. de Wit & R.J.H. Meyer, 'Strategy Synthesis. Resolving Strategy Paradoxes to Create Competitive Advantage', International Thomson Business Press, London, 1999; and R.O. Mason & I. I. Mitroff, 'Challenging Strategic Planning Assumptions: Theory, Cases and Techniques', New York, Wiley, 1981) is puzzle, dilemma, trade-off, paradox and wild (or wicked) problems (alternatives for wild or wicked also include messy, squishy, integrative or synthetic) (see WRR, '*Lerende overheid. Een pleidooi voor probleemgerichte politiek*' [in Dutch], Amsterdam, Amsterdam University press, 2006; I.I. Mitroff & R.O. Mason, 'Structuring Ill-structured Policy Issues: Further Explorations in a Methodology for Messy Problems', *Strategic Management Journal*, 2006, vol 1, pp. 331-342 ; R. In 't Veld, '*Kennisdemocratie. Opkomend stormtij*' [in Dutch], The Hague, SDU, 2010; H. Vermaak, 'Enjoying Tough Issues', Deventer, Kluwer, 2009).

92 The instruments that are available to us work best with simple problems that can be clearly separated from each other and reduced to relatively few variables and interconnections. The three factors (separability, reducibility and a one-dimensional goal structure) mean that simple problems can be limited, managed and 'tamed'.

These new basic concepts imply a reappraisal of how we deal with or manage issues. Such a change will meet with much resistance, certainly from existing institutional arrangements with their established interests and historically evolved practices.

In addition, different actors – including those directly involved, together with their organisations and enfranchised citizens – accord different values to and bestow varying degrees of trust in development cooperation and its necessity, effectiveness and learning capacity and the financial resources devoted to it. Trust in particular has proved essential for the actors who are condemned to competitive cooperation in this sector to function optimally. Cooperation processes are the most dynamic where there is multilateral dependence and a reasonable degree of trust. After all, trust reduces the uncertainties and tensions that arise wherever there is ambiguity.

It is important to note here that this plea for trust in no way suggests that effective monitoring mechanisms are no longer necessary. Trust may even thrive on the knowledge that there is effective control, but this must be based on accountability for and/or assessment of the degree to which core objectives, efficiency, effectiveness and context-sensitivity have been achieved and not on detailed protocols and working methods prescribed in advance. Of course, there is a risk that trust bestowed in advance (partly on the basis of past performance) may prove later to have been betrayed. However, the costs of this risk do not outweigh the initial transaction costs. It is worth noting here that instructions for financial reporting will always be more detailed than for monitoring of effectiveness.

Essential conditions for the growth of trust are transparency, continuity and reasonableness, but these conditions are typically scarce in a turbulent and complex environment.⁹³ In such a situation, an interactive, working method ('piecemeal engineering')⁹⁴, which gradually unfolds and involves different actors is perhaps the most appropriate way of building up trust along the way.

In their joint publication '*Loslaten in Vertrouwen*', the advisory councils called on the government to adopt such an approach, giving more responsibility to citizens.⁹⁵

93 Various researchers point to a combination of a management formulae to promote synergy and vitality where there is uncertainty and ambiguity. Recent studies include T. Konijn & W. van Spijker, '*Vitale coalities en regie in het publieke domein*', Baarn, 2008; S. Schruijer & L. Vansina, '*Samenwerking over organisatiegrenzen als psychologische opgave*', in: M. Noordegraaf et al., '*Handboek publiek management*' [all in Dutch], The Hague: Boom Lemma, 2011; J.F.M. Koppenjan & E.H. Klijn, '*Managing Uncertainties in Networks*', London: Routledge, 2004; K. Weick & K.M. Sutcliffe, '*Managing the Unexpected: Resilient Performance in an Age of Uncertainty*', New York: John Wiley, 2004; H. de Bruin, E. ten Heuvelhof, & R. In't Veld, '*Process Management: Why Project Management Fails in Complex Decision Making Processes*', Springer, 2003.

94 See also K.R. Popper, '*The Poverty of Historicism*', London: Routledge, 1961: 'Only a minority of social institutions are consciously designed while the vast majority have just 'grown' as the undesigned results of human actions' (p. 64). See also pp. 64-70.

95 Council for Public Administration, '*Loslaten in Vertrouwen, Naar een nieuwe verhouding tussen overheid, markt en samenleving*' [in Dutch], December 2012 (including '*Cahier Loslaten in Vertrouwen, beschouwingen van adviesraden over een nieuwe verhouding tussen overheid, markt en samenleving*'). This report was not completed in time to be included as an annex.

Experts at embassies play a unique role in responding flexibly to opportunities and in bringing actors together. To do that, their posting needs to be long enough for them to become sufficiently familiar with the local situation. Cutbacks in the mission network are therefore incompatible with the recommendations of this report. To mitigate them, experts at the missions could be financed partly from the various programme budgets for policy priorities and economic diplomacy. The AIV believes that further cutbacks in the mission network will harm the international profile and position of the Netherlands.

VI Conclusions and policy recommendations

The AIV believes that, in a turbulent and increasingly complex world, trust, flexibility, variation and networking must be given priority. We have become increasingly aware that our ability to manage – let alone design – our world has become a huge problem. That ‘myth’ forces us to be modest. It leads to an understanding that every issue is embedded in a more comprehensive constellation and is therefore to a certain degree determined by context. In this situation, an interactive working method (‘piecemeal engineering’) which gradually unfolds and involves different actors is perhaps the most appropriate way of building up trust along the way. A number of obstacles, including established interests, existing institutional arrangements and historically evolved practices, will have to be overcome to achieve this transition.

Global problems are interconnected. They include a growing population and rising consumption, with an increasing scarcity of food, energy and resources, a greater burden on the climate, the environment and water, as well as issues such as poverty, inequality, security and the legal order. This is also referred to as the increasing importance of global public goods and interdependence.

An increasingly complex context for international cooperation calls for a flexible approach in deploying foreign policy instruments; fewer plan-based approaches, attempts at design and measurable objectives, and more trust in well-motivated experts and institutions. Deploying a variety of actors offers the best prospects of positive results. Synergy and complementarity can best be achieved by looking at the most appropriate combination of actors in each situation. The AIV believes that the concept of channels is no longer clear or feasible. The focus must be on equal actors in international cooperation, financed by the government or other funding sources. The form of funding can affect the cooperation.

International cooperation should be built around Amartya Sen’s five freedoms: (1) political and civil freedoms, (2) social opportunities, (3) economic facilities, (4) transparency in governance and economic life, and (5) protective security (social safety nets and public safety). The AIV reported on these freedoms in its advisory report on the post-2015 agenda. A change of direction towards international cooperation and a multidimensional approach could generate a new institutional and public support base. Poverty reduction itself should then be seen as a challenge that manifests itself not only in ‘poor’ countries but everywhere where socioeconomic inequality and alienation are growing, including the Netherlands.

Because the international cooperation agenda is becoming broader in scope, more actors who have not traditionally been active in development have to be involved; this is called ‘global citizenship’. Poverty reduction is largely a matter of inequality and redistribution. Poverty is also clearly present in middle-income countries, as the AIV noted in its report ‘Unequal Worlds’. Coherence between policy areas and between actors, and coordinating Dutch policy with that of other relevant donors, are crucial to international cooperation.

VI.1 The future of bilateral actors/cooperation

As far as the policy of the government as actor is concerned, little has come of the combined deployment of 'aid actors' in partner countries (with the exception of multi-bilateral cooperation and tied funding of/by the private sector). If the government decides to work together with a country – on the basis of need, regional or economic interest or historical ties – the embassy must try to improve cooperation among the actors involved. The bilateral country policy framework continues to be decisive. The missions' Multiannual Strategic Plans (MASPs) must be based on a power and change analysis: they can be used as a pre- and post-marginal assessment framework, leaving enough room for flexible action.

The AIV advises setting up country and theme policy in broad outlines, so that priorities do not have to be changed constantly. This will benefit continuity and predictability. In addition, the Netherlands can choose themes in which it possesses expertise. It is better to work towards abolition of country lists, as each country follows its own path to transition and that requires flexibility.⁹⁶ It must be possible to adapt policy and add new countries in response to current developments. A country approach should also be based on a regional approach.

As the AIV argued in its earlier advisory report (no. 80) 'Unequal Worlds', bilateral support to middle-income countries can be phased out, because poverty in MICs is a redistribution issue, on which other actors can work more effectively. In these countries, bilateral development cooperation can be replaced by, for example, cooperation with governments in relation to policy coherence or provision of GPGs or by action to strengthen rights, including labour rights and a minimum wage, through NGOs and multilateral institutions.

VI.2 Future cooperation with multilateral actors

It is important to recognise the importance of multilateral organisations in providing global public goods and achieving a better system of global governance, especially in light of the major changes taking place in the world and the serious challenges posed by climate change, security and growing inequality. In cooperation with other EU countries, the Netherlands can submit proposals for improving the way these organisations function on the basis of the recent quick scan of their operations in terms of organisational strength and relevance for the main aims of Dutch policy.⁹⁷ This means going further than DFID's Multilateral Aid Review, which only looked at poverty reduction,⁹⁸ (and which is therefore of only limited value for future developments in multilateral organisations in relation to various public goods and global governance). Relations with multilateral organisations that have insufficient organisational strength and relevance should be phased out. However, a broad perspective on the role of multilateral institutions is required, in addition

96 International Dialogue on Peacebuilding and Statebuilding, 'A New Deal for Engagement in Fragile States', 4th High Level Forum on Aid Effectiveness, Busan, 30 November 2011.

97 This should involve all multilateral UN funds and programmes, banks, financial institutions and specialised agencies that the Netherlands supports financially.

98 UK AID, 'Multilateral Aid Review, Taking Forward the Findings of the UK Multilateral Aid Review', DFID, March, 2011.

to a focus on their value for money. The added value of the UN lies in its platform function, the opportunities it presents to share risks, especially in fragile countries, its representative function (democratic legitimacy) and its role as a policy multiplier. It will play an increasingly important role in managing GPGs. The AIV will present further recommendations on the role of multilateral institutions at a later date (see work programme for 2013).

As far as the EU is concerned, the AIV believes that political initiatives are needed to increase European cooperation and the coherence of European policy through active and critical engagement with the European Commission and the European External Action Service. The AIV recommends that the Netherlands should call not only for a greater role for EEAS High Representative Catherine Ashton in assuring coherence but also for the capacity of the EEAS Global and Multilateral Issues department to be strengthened.

The AIV recommends that the Netherlands should provide funding for national and international NGOs and research institutions to enable them to work with their partners in developing countries to identify and investigate incoherences between different areas of European policy, e.g. trade and development, and to suggest what the EU and its member states could do to rectify the situation. Examples are the common agricultural policy and the proposed Economic Partnership Agreements (EPAs). Increasing European coherence can be expected to generate positive leverage in relation to the Netherlands' policy priorities.

The AIV recommends giving the EU a leading role, not only in the area of democracy but also in integrating defence, diplomacy and development (3D) in fragile states. The EU must also develop the capacity to play a leading role in regional cooperation by opening regional missions.

As far as the cooperation programme between the EU and civil society organisations is concerned, the AIV believes that, through its own strong civil society programme, the Netherlands can exert considerable influence on the way in which this programme works. Dutch civil society organisations have a strong international orientation which can have a substantial influence on a European civil society programme because (a) only about six EU countries have strong civil society programmes; (b) through their partners, they are active in developing countries where the EU supports local civil society and (c) they conduct expansive and often very effective lobbying campaigns on issues that the Netherlands considers important, including policy coherence, the effectiveness of EU development policy, peace and security, trade and food security. The priorities set by Dutch NGOs are thus influential far beyond our borders.

VI.3 Future facilitation of the private sector

In relation to promoting complementarity with the private sector, the AIV recommends aiming to make optimal use of the creativity and flexibility of businesses to support development in rapidly changing situations. This means promoting complementarity with the private sector without limiting the scope for proposals to the plan-based approaches of some other aid channels. Coordination between channels/actors in developing countries should also be fostered, especially by appointing experts at embassies. Excessive regulatory pressure can be combated by making greater use of and relying on experts to assess and supervise business projects. If necessary, a percentage of the programme budgets can be reserved to pay for these experts.

As regards synergy with other actors, synergy between the private sector and multilateral efforts should be promoted by, for example, involving private sector organisations in the Netherlands' contribution to multilateral institutions on specific issues. Synergy between the private sector and bilateral cooperation is highly feasible at all stages of the planning and implementation of large-scale projects. Companies' primary goal of making a profit must be respected and will not lead to problems if prices are verified and clear agreements are made. The AIV does not consider it advisable to limit all generic private sector instruments to bilateral partner countries or to link them to bilateral programmes. The AIV sees a growing mutual understanding between the private sector and NGOs. The government has promoted this rapprochement by encouraging public-private partnerships (PPPs). The AIV advises making greater use of PPPs. Strong synergy is possible in trade chains in which SMEs are also increasingly coming into contact with NGOs. NGOs themselves are increasingly engaging in business activities. Coordination between the various private sector instruments, as now takes place on the Private Sector Development (PSD) platform, deserves further encouragement. Consultation between these programmes and the various export financing programmes could be promoted, while not losing sight of their different objectives.

The AIV makes specific recommendations on coherence between trade policy and development cooperation, import chains, the SME fund, and economic diplomacy:

- Coherence: coherence between trade policy and development cooperation demands a critical aid-for-trade policy, to allow developing countries to participate in international trade on an equal footing. Broader coherence issues include combating tax evasion and corruption, a sustainable policy on natural resources, preventing land-grabbing, and sustainable chains. Lastly, economic development thrives only in a good enabling environment, which means investing in a stable democracy founded on the rule of law, and in education and health care.⁹⁹ In the case of trade, investment and coherence with investment policy need to be examined.
- Import: making chains more sustainable by (1) cooperation between NGOs and the private sector, (2) risk mitigation and access to financing and import quality marks, (3) setting OECD/ICSR requirements (see section III.4.3) and requirements relating to a demonstrable development impact (payment of taxes, employment, strengthening local SMEs, decent wages, attention to the position of female employees) for all businesses receiving grant-based funding, including through the revolving fund, and (4) helping exporters from developing countries to meet the import requirements.
- Export: the AIV believes that all activities financed from the Dutch development budget must continue to be in the interest of development or international cooperation. However, it is not impossible to combine this aim with a role for Dutch companies and therefore with efforts to achieve a new business relationship with the country concerned. This can be achieved by taking account of opportunities for Dutch businesses when formulating programmes and selecting countries and themes and leaving sufficient scope for proposals from Dutch businesses in policy frameworks for demand-driven programmes.
- Economic diplomacy: when preparing trade missions, attention should be paid to themes relevant to development and obstacles in the fields of human rights and CSR in the countries to be visited.
- Revolving SME fund: the SME fund should be demand-driven, flexible, act as a catalyst, increase access to funding, mitigate risks, assess activities against development goals, impose strict reporting requirements and provide an expert implementation framework.

⁹⁹ See also SER, 'Development through Sustainable Enterprise'.

VI.4 Future facilitation of civil society organisations

The AIV recommends confirming the principles of freedom and independence of civil society organisations, incorporating them into cooperation agreements and grant conditions, and promoting them in the context of Dutch foreign policy in general. The strategic added value of civil society organisations' contribution to international cooperation should be recognised as a public function that the government must facilitate without eroding the specific nature of these organisations.

As argued in section III.6.2, the general cofinancing system should therefore be replaced by the strategic financing of partnerships with various kinds of actors. These should be selected on the basis of a number of strategic frameworks relating to but not limited to the perspectives (LICs, MICs, fragile states, GPGs), priorities and cross-cutting themes of Dutch policy. The AIV also advises selecting a strategic partner to cofinance innovative initiatives. After strategic partners have been selected, financing agreements can be concluded on the basis of customised conditions that take account of the partners' specific added value. This will reduce regulatory pressure and place the emphasis on trust built up on the basis of a track record. Social legitimacy based on genuine engagement in society should be a requirement. Strategic partnerships must help organise and mobilise global citizenship in the Netherlands and function as watchdogs in relation to governments and businesses. In the interests of continuity, long-term agreements should be made, in which the government has the right to terminate the cooperation if the other party does not perform as agreed, or to adapt it to changing circumstances. Financial scope must be allowed for new developments and innovation.

In international cooperation, the AIV also recommends continually seeking opportunities to involve research institutions in joint activities of public and private institutions. Open access (open archives) and open data present opportunities to break down information and knowledge silos to make knowledge more accessible, easy to retrieve with targeted searches, and available to all. This is an important basis for cooperation between research institutions and with other actors.

VI.5 Permanent international security budget: an integrated approach

It is important that the Ministry of Defence should continue to have a sufficient budget not only for participation in crisis management operations in fragile states but also for defence within the context of the alliance, otherwise no operational budget will be available.

The coalition agreement states: 'Underscoring the importance of peace and crisis management operations for developing countries, a new permanent budget of EUR 250 million will be established for international security, to begin operations in 2014. It will be available to cover international security-related spending that currently comes out of the Ministry of Defence budget.' Its annex on financial policy states that 'an annual sum of EUR 0.25 billion from the development cooperation budget will be placed in a budget for international security from 2014. This budget will be available to the Ministry of Defence for costs connected with international security.'

The AIV observes that the choice for broad deployment of the international security budget is purely political. The development dimension of the integrated approach was recently outlined in the letter to the House of Representatives on the policy priority Security and the Rule of Law.

With regard to participation in peace and crisis management operations, the AIV recommends that the goals, approach and resources described in the assessment framework and the Article 100 letter on deployment of the Dutch armed forces in peace operations should devote explicit attention to human security and the protection of civilians.

This was also advocated by the independent committee of experts in evaluating the Dutch contribution to the ISAF mission, and in the review of the assessment framework in 2009. The assessment framework should also state that independent monitoring and public reporting of civilian victims needs to be carried out from the start.

VI.6 The importance of public implementation and preserving the mission network

In the abovementioned policy areas, actors are selected. Chapter IV of this report argues in favour of formulating broad strategic policy frameworks and cutting down on micro-planning and regulation. That gives more weight in selection procedures to actors who are able to work flexibly where necessary and who can be trusted. The AIV therefore believes that the government should not delegate the selection and supervision of NGOs and businesses in particular to commercial organisations that implement programmes, but must remain in the hands of experts in public posts. It is of great importance to continue investing in professional government staff, partly through career supervision and permanent education.

As has been noted repeatedly, there are also many opportunities for complementarity and synergy in the field that cannot be predicted in advance, planned or enforced by rules. Experts at embassies play a unique role in responding flexibly to opportunities and in bringing actors together. To do that, their posting needs to be long enough for them to become sufficiently familiar with the local situation. Cutbacks in the mission network are therefore incompatible with the recommendations of this report. To mitigate them, the experts at the missions can be financed partly from the various programme budgets for policy priorities and economic diplomacy. The AIV believes that further cutbacks in the mission network will harm the international profile and position of the Netherlands.

Decisions on strengthening or cutting back on the Netherlands' network of diplomatic missions should partly depend on Dutch priorities in the field of international cooperation and complementary partnerships. The Netherlands' influence within international cooperation depends not only on the scale of its financial contributions. Its position in networks of relevance to Dutch policy is much more important: the more prominent our position in the network (many contacts, appreciated by other actors), the greater our capacity to acquire knowledge and services from other actors and to determine agendas, frame debates and influence decisions.¹⁰⁰ That calls for strategic decisions in relation to the mission network. New forms of representation, cooperation with EU countries, and the deployment of staff by other ministries can also play a role. A dynamic, high quality mission network is an important factor in the success of international cooperation.

¹⁰⁰ WRR, *'Aan het buitenland gehecht'*.

Request for advice

Mr F. Korthals Altes
Chairman of the Advisory Council
on International Affairs (AIV)
P.O. Box 20061
2500 EB The Hague

Date March 2012
Re Request for advice on complementarity of aid channels

Dear Mr Korthals Altes,

The Netherlands provides development aid through various channels: the bilateral and multilateral channels, civil society organisations and the business community. Each of these channels has specific advantages as well as specific limitations.

In its response to the report by the Advisory Council on Government Policy, 'Less Pretension, More Ambition', the AIV discusses the growing role of other actors besides government in international cooperation. It also distinguishes between bilateral and multilateral channels, urging closer examination of the division of roles among the various actors and channels with a view to combating fragmentation.

The AIV's recommendations on this point relate mainly to individual actors and channels and not so much to the complementarity, synergy and coherence of aid efforts carried out by or through them.

The main feature of the government's new development policy, set out in two letters to the House of Representatives, is a strong focus on four themes and on a limited number of partner countries. The policy has now been fleshed out in a series of multi-annual strategic plans (MASPs), programmes and projects by the Ministry's policy theme, regional and multilateral departments and by the missions in partner countries.

In light of the above, I would request the AIV to produce an advisory report on the complementarity of the various aid channels deployed. Are there more opportunities for synergy at thematic level and at the level of individual partner countries? What limiting factors play a role? What are the limits of complementarity across the various channels? What are the implications of seeking greater complementarity for the management (central or otherwise) of policy implementation? Which experiences of other donors provide lessons for Dutch development cooperation?

To ensure a sound basis for the advisory report, I would request that you elaborate the concepts of 'complementarity' and 'synergy' in detail. I would also ask you to base the report in part on a literature study that considers how other donors have engaged with the development cooperation architecture in respect of the channels and choices available. How have others gone about it? Are there examples of countries working to identify either positive effects (e.g. greater efficiency and effectiveness) or complicating factors (e.g. increased bureaucracy)?

At this stage, an advisory report in the form of an exploratory study would be most useful, though I would like to retain the option of requesting a follow-up report at a later stage. In accordance with the advice of the Advisory Council on Government Policy, current policy is

aimed at increased goal-centredness and effectiveness, achieved by focusing clearly on four priority policy themes and by concentrating bilateral aid on 15 countries. The policy theme departments are responsible for fleshing out and then implementing policy in each of the priority areas. The missions' task is to flesh out policy at partner-country level in their MASPs for 2012-2015.

One question in this connection is what opportunities or obstacles the AIV sees in regard to further strengthening theme-based management. Which channels have a potential role in achieving the intended results? What specific 'typical' added value can the various channels offer? What are their respective strengths and weaknesses? How do the channels complement each other in this respect? What synergies could we be striving for?

The answers to these questions should form the basis for recommendations on various policy issues:

- How does theme-based management square with the policy applicable to the various channels? For the multilateral channel, for example, policy decisions are determined in part by a global governance policy. And increased use of the business sector is currently a priority for all policy themes. The relevance of each channel and the extent of its deployment differs per policy theme.
- To what extent could efforts to achieve complementarity and synergy *between* and *within* aid channels affect the delegation model employed by BZ and the desire of NGOs, multilateral fora and businesses to determine for themselves how (and where) they operate?
- Is it easier to define and achieve complementarity and synergy when they are viewed from the perspective of aid recipients (i.e. the partner countries) rather than donors (being somewhat constrained by considerations of harmonisation, etc.).

In closing, a request regarding time scales. In spring 2012 I opened discussions with civil society organisations on the future set-up of the civil society aid channel. I shall be briefing the House of Representatives on the outcome and recommendations resulting from that dialogue before the autumn. These findings will be an important input in the context of an advisory report on complementarity. It therefore seems sensible that the AIV wait until this information is available before drawing up the report.

The AIV has already been requested to produce two other advisory reports that seem relevant in the context of aid channel choices and architecture: 'Poverty reduction and shifting patterns of poverty' (no. 4, Work Programme 2012) and 'International public goods in the area of the environment' (no. 6, Work Programme 2012). Both requests for advice could serve as a basis for the AIV's advisory report on complementarity of aid channels. The first centres on how, in a climate of shifting patterns of poverty, different aid channels can be used to ensure that the Netherlands' contribution to poverty reduction is (or remains) effective. The second could offer an interesting perspective on the viability and employability of the various aid channels in efforts aimed at international public goods.

I therefore propose that the AIV base its advisory report on complementarity on the requests for advice on shifting patterns of poverty and on international public goods.

Finally, I would ask that you complete the report by December 2012.

Yours sincerely,

[signed]

Ben Knapen
Minister for European Affairs and International Cooperation

Experts consulted

- Dr Frans van den Boom (MBA), director, NCDO
- Vanessa Nigten, NCDO
- Dr Paul G.H. Engel, director, European Center for Development Policy
- Jan Gruiters (MSM), general director, IKV Pax Christi
- Saskia Jongma, director of development programmes, NL Agency
- Alexander Kohnstamm, director, Partos
- Sander Laban, Partos
- Jeroen de Lange, consultant and former member of the Dutch parliament
- René de Sévaux (MCC), FMO
- Ewald Wermuth, IDH
- Marinus Verweij, chair, ICCO Executive Board
- Machteld Ooijens, ICCO
- Jan Bouke Wijbrandi, general director, UNICEF Nederland

List of abbreviations

3Cs	Coordination, Complementarity and Coherence
3D	Defence, Diplomacy and Development
AIV	Advisory Council on International Affairs
ASC	Africa Studies Centre
BRIC countries	Brazil, Russia India and China
CAADP	Comprehensive Africa Agriculture Development Programme
CAVV	Committee on Issues of Public International Law
CBI	Centre for the Promotion of Imports from Developing Countries
CMC	Central Mission Board
CNV	National Federation of Christian Trade Unions in the Netherlands
CSR	Corporate Social Responsibility
DAC	Development Assistance Committee
DDR	Disarmament, Demobilization, Reintegration
DECP	Dutch Employers Cooperation Programme
DFID	Department for International Development
ECDPM	European Centre for Development Policy and Management
EEAS	European External Action Service
EIB	European Investment Bank
EPA	Economic Partnership Agreement
EU	European Union
EUHES	EU Heads of Evaluation Services
EURODAD	European Network on Debt and Development
FAO	UN Food and Agriculture Organization
FMO	Entrepreneurial Development Bank
FNV	Dutch Trade Union Federation
FTI	Fast Track Initiative
G20	Group of 20 (19 major industrial countries and the EU)
GFATM	Global Fund to fight AIDS, Tuberculosis and Malaria
GNP	Gross National Product
GPGs	Global Public Goods
IATI	International Aid Transparency Initiative
ICCO	Interchurch Organisation for Development Cooperation
IDA	International Development Association
IDH	Sustainable Trade Initiative
IFAD	International Fund for Agricultural Development
IFC	International Finance Cooperation (World Bank)
IFIs	International Financial Institutions

ILO	International Labour Organisation
IMF	International Monetary Fund
ICSR	International Corporate Social Responsibility
IOB	Policy and Operations Evaluation Department
IPCC	International Population Control Committee
ISAF	International Security Assistance Force
KIT	Royal Tropical Institute
LEI	Agricultural Economics Institute (Wageningen University)
LIC	Low Income Country
MASP	Multiannual Strategic Plan
MDG	Millennium Development Goal
MFP	Cofinancing Programme
MFS	Cofinancing System
MIC	Middle Income Country
NABC	Netherlands Africa Business Council
NCDO	National Committee for Sustainable Development and International Collaboration
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PCD	Policy Coherence for Development
PPP	Public Private Partnership
PSD	Private Sector Development
PSI	Private Sector Investment
PUM	Netherlands Senior Experts Programme
SER	Social and Economic Council of the Netherlands
SMART	Specific, Measurable, Attainable, Relevant and Time-sensitive
SMEs	Small and Medium-sized Enterprises
SRGR	Sexual and Reproductive Health and Rights
SSR	Security Sector Reform
TMF	Theme-based Cofinancing Programme
UN	United Nations
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNESCO	UN Educational, Scientific and Cultural Organization
UNFPA	UN Population Fund
UNHCR	UN High Commissioner for Refugees
UNICEF	UN Children's Fund

UNIDO	UN Industrial Development Organization
UNITAID/IDPF	UN International Drugs Purchasing Facility
VNO-NCW	Confederation of Netherlands Industry and Employers
WFP	World Food Programme
WHO	World Health Organization
WPF	World Population Foundation
WRR	Advisory Council on Government Policy

Definitions of complementarity and synergy

The various dimensions of complementarity as defined by the EU

Complementarity is the optimal division of labour between various actors in order to achieve optimum use of human and financial resources. Complementarity implies that each actor is focusing its assistance on areas where it can add most value, given what others are doing. Complementarity can take place in the five following dimensions which, all interact with each other and must be seen as a whole:

1. *In-country complementarity:* aid fragmentation leads to an increased administrative burden and transaction costs in partner countries, diffuses policy dialogue and may misallocate resources. Some, often politically attractive sectors may receive excessive funding while some other – no less important – sectors remain under-funded.
2. *Cross-country complementarity:* too many donors focus on some, often success, countries, while leaving too often aside other, often fragile, countries. This tendency leads to an increasing gap between ‘aid darlings’ and ‘aid orphans’. The EU has a special role to play in this respect. Member states have close linkages with all developing countries and the EU has formal agreements with almost all of them.
3. *Cross-sector complementarity:* not all donors need to build capacity in all sectors. Some donors have developed specific know-how that should be fully used. The EU as a whole should be able to provide a complete ‘tool box’ of thematic and sector operations, building on the specific expertise of individual donors.
4. *Vertical complementarity:* the emergence of global aid initiatives and of regional organisations as major actors has established a complex set of development assistance layers. There are several areas where similar activities are undertaken simultaneously at the national (including sub-national), regional or international levels. New synergies need to be thought through. For example, cross-border activities, large-scale projects or capacity building projects are often planned both at national and regional levels.
5. *Cross-modalities and instruments complementarity:* some initiatives involve a combination of various modalities or instruments, whose synergies need to be strengthened.¹⁰¹

Synergy as defined by social science

The impact of the cooperation is greater than that which each of the individual parties could have achieved on their own. The opposite is entropy (an increasing deployment of funds with a decreasing impact).

101 See: <http://www.europa-nu.nl/id/vi7jgt5dxiym/mededeling_van_de_commissie_aan_de_raad>.

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