

# A new approach to international cooperation

“Threefold reform for threefold gain: innovation,  
expansion and coordination as the basis for better  
foreign policy”

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# Introduction

The new coalition agreement presents some striking reforms in the field of international cooperation. One ambition is to establish clearer links between policy addressing sustainability, poverty reduction and security. The creation of the new post of Minister for International Trade and Development Cooperation underlines that there is indeed a relationship between international trade and poverty. However, the ambitious programme is accompanied by a 25% reduction in the development cooperation budget. It seems that the government hopes to do much more with much less funding. In this discussion paper, experts from the worlds of research, politics and the civil society propose a far-reaching reform of international cooperation. Innovation, expansion (in terms of both effort and resources) and stronger coordination are cited as the three strands which will combine to create an effective, integrated approach to poverty reduction, sustainability and security. It must be remembered that international cooperation is not solely a government responsibility; it requires a national commitment based on the principles of reciprocity, global solidarity and the equality of all people, everywhere.

In this discussion paper, we first describe the shifts and developments in the field of international cooperation before briefly examining the motives and objectives of the Netherlands' involvement. We then propose a new agenda for international cooperation, examining the various aid channels and the role of the various actors. The paper concludes with recommendations for the practical implementation of the agenda, with a particular emphasis on coherence and coordination.

# 1. A changing world

The world is changing. While the emerging economies of Asia and elsewhere are experiencing strong growth, virtually the entire developed world is still in the grip of a global financial and economic crisis. The ongoing problems of the eurozone continue to have a marked effect in the Netherlands and far beyond. Both the euro and the dollar are under pressure and there is great uncertainty about the long-term tenability of the international financial and monetary system.

Alongside these financial problems, ecological and social systems are being stretched to breaking point. Worldwide, we are using natural resources one-and-a-half times faster than the planet can generate them, while over two billion world citizens must live on an income of less than two dollars a day. In other words, we are plundering the earth's resources to exhaustion, while a major proportion of the world's population is denied the benefits. The current system, although responsible for much progress in the past, is burnt out and no longer 'fit for purpose'. It is the source of loss and damage in so many areas. For the first time in history, mankind is now able to destroy the world in three different ways: nuclear weapons, exhausting the planet's natural resources, and through unchecked pollution. An effective response demands international cooperation.

We may soon face even greater challenges. The world's population continues to grow and is forecast to reach over nine billion by the year 2050. Each and every one of those nine billion people is entitled to a humane existence. Population growth and the pursuit of prosperity can only increase demand for scarce resources such as oil, water and land for agriculture. To meet that demand calls for new organizational forms and policy structures, particularly at the international level: the countries of the world will become ever more interdependent as the issues of financial stability, resource management and climate become more complex. Within this new reality, effective cooperation *between* and *within* countries is crucial.

Given the shifts in global influence, the role and nature of international cooperation must also change. We can identify six key trends:

1. Economic shifts: while the developed West will continue to see declining, perhaps negative growth, the emerging economies will enjoy ongoing positive growth. Figure 1 shows a clear relationship between the shifts in economic power and the volume of the money flows to the developing countries. The value of official development assistance (ODA) is decreasing in relation to other flows such as foreign direct investment (FDI) and the remittances made by migrant workers to their countries of origin. The precise nature of the shifts varies according to the recipient country. For the very poorest countries, ODA remains a significant component of the foreign money flows. ODA represents an average of 10% of the Gross Domestic Product (GDP) of the low-income countries, while one in ten of those countries rely on ODA for at least 20% of their GDP (Kenny, 2012). Clearly, development aid remains of great importance to these countries.

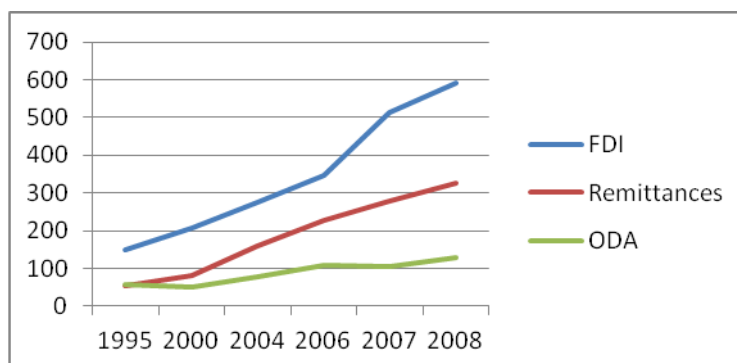


Figure 1: Money flows to the developing countries in billions of dollars (World Bank, 2012)

Although the financial situation in the West is cause for concern, and while global competition for resources will increase, the current economic situation has some positive aspects. It is the countries which were previously classed as 'poor' which are now achieving greatest growth, while the 'rich' countries are, at best, marking time. Accordingly, we see a more equal and

equitable distribution of growth and the resultant prosperity. This applies not only to the familiar example of the BRIC countries, but to an increasing number of African states, notably Ghana. Growth (or future growth) in other developing countries creates new opportunities for the Dutch economy. In terms of employment, the Netherlands is already reaping the rewards of economic growth in China and India.

2. *Poverty is shifting to the middle-income countries.* As we see in Figure 2, the problem of poverty is no longer confined to the low-income countries but, in absolute terms, can also be seen in the middle-income countries. No fewer than three-quarters of the people living beneath the international poverty line are to be found in the emerging countries (Sumner, 2010). Almost half of the world's poor live in India (34%) and China (15%), countries which are known for their spectacular growth figures. (Sumner, 2012.)

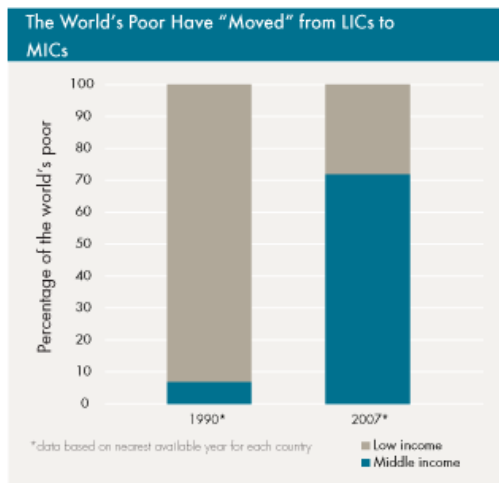


Figure 2: 'Shift' of the world's poor from the low-income countries to the middle-income countries (from Sumner, 2012)

3. *Poverty and associated problems are increasingly a distribution issue.* The BRIC countries demonstrate that economic growth does not automatically lead to any reduction in inequality. In fact, inequality in these countries continues to rise, reflecting a worldwide trend. Inequality between countries is indeed decreasing, but income inequality between individual citizens in one and the same country has been increasing for many years. As the Dutch Scientific Council for Government Policy (WRR, 2010) and the Advisory Council on International Affairs (AIV, 2012) have stated, effective (complementary) policy is crucial to ensure that the benefits of economic growth are fairly distributed. In the low-income and middle-income countries, notably those of Latin America where governments have prioritized policy to reduce inequality, some improvement can now be seen (Melamed, 2011). In the BRIC countries, where bilateral aid relationships are now of lesser importance, NGOs must now assume the lead in tackling inequality.
4. *Shared global challenges.* Issues such as financial instability, climate change and the depletion of natural resources are not confined by national borders. They are, however, of increasing urgency. Joint, targeted action and international cooperation are essential if we are to safeguard the global public goods for all world citizens. The personal efforts of the individual are also important. The rising prices of food and natural resources, scarcity and natural degradation are all influenced to a significant degree by consumer behaviour and ongoing population growth. People in the Netherlands have no reason to be complacent: if everyone in the world consumed resources at the same rate as the average Dutch citizen, we would need 3.5 planet earths to meet the demand (WNF, 2012). It is evident that the urgency of these global challenges is increasing by the day, and that they are closely linked to problems such as poverty and inequality. After all, increases in food, energy and water prices impact the very poorest more than others. The situation is further complicated by a lack of agreement between the established 'rich' countries and the emerging and poorer countries with regard to the urgency of the sustainability agenda and appropriate responses.
5. *New forms of cooperation.* The mandate for development cooperation no longer rests exclusively with the OECD-DAC countries and their governments. Increasingly, the development aid sector

involves other actors: the large funding agencies and international charities, smaller private initiatives, migrant organizations and others. The BRIC countries have become important players. Brazil, Russia, India and China, themselves regarded as developing countries not so very long ago, now have their own development organizations which are actively involved in south-south cooperation. Brazil's official development assistance (ODA) has risen by 20% since 2005, while Russia's contributions increased fourfold between 2006 and 2010 (GHSi, 2012). Much of this aid is bilateral, but the new donor flows have also affected the multilateral channel. Until 2005, for example, China received aid from the World Food Programme (WFP). It is now a major donor to the WFP. Alongside a substantial ongoing contribution, in 2011 the Chinese government made an additional donation of sixteen million dollars in response to the food crisis in the Horn of Africa. Nevertheless, in absolute figures, the total contribution of the BRIC countries remains limited. In 2011, the western countries devoted 133.5 billion dollars to official development assistance, of which approximately 40% was distributed through the multilateral channel (OECD, 2012). Even this figure is less than Europeans' total annual expenditure on alcohol and tobacco. As yet, Brazil, Russia, India, China and South Africa (the BRICS countries) have not reported the amount of their aid contributions to the OECD. The total amount in ODA (or similar) flows in 2009 is estimated to be in the order of 1.75 billion dollars, primarily in the form of bilateral aid. Increasingly, therefore, the developing countries can now choose between various donors. The traditional donor countries must accept that they can no longer determine the form and implementation of recipient countries' development agendas.

6. *Changes in the international arena.* The emergence of the BRIC(S) countries as economic powers and donors has changed the multilateral playing field and its 'rules of play'. Cynthia Roberts, writing in *The European Financial Review* (2011), states that the BRICS countries have in the space of just five years become a recognized diplomatic group which has achieved much through 'soft power' and can now offer a counterbalance to the traditional dominance of the West. This was evident from the course and outcome of various recent international meetings, such as the Copenhagen Climate Conference and the environmental summit in Rio de Janeiro, at which the developing and emerging countries made it perfectly clear that they were no longer willing to be lectured to by the West. The traditional donor countries are losing their influence in the international arena. Global sustainability issues represent one area in which there are very diverse views regarding both the urgency of action and the most appropriate form of that action. As a result, it is extremely difficult to arrive at adequate international agreements.

## 2. The added value of development cooperation

Based on the trends described thus far, it is clear that a repositioning of international cooperation is essential if the global issues are to be addressed in an adequate manner. At the same time, all other motives for involvement in international cooperation, such as solidarity with all world citizens, remain relevant. There are, after all, hundreds of millions of people living in the most abject circumstances, with no access to basic welfare amenities and little prospect of a better future. One in seven people in the world is hungry; every five seconds, a child dies as a direct result of poverty.

The Netherlands has a long tradition of international cooperation. It began providing formal financial aid as long ago as 1949, at the behest of the American president Harry S. Truman. During the 1970s, the development cooperation budget rose to 0.75% of GDP. This figure was in line with the norm suggested by the economist and Nobel Laureate Jan Tinbergen as necessary to stimulate economic growth in the poor countries, as endorsed by the World Council of Churches. In subsequent decades, the Netherlands emerged as a world leader and very influential player in the field of development cooperation and by the mid-1980s was devoting approximately 1% of GNP to international aid. It is noteworthy that our country channels a large part of the development cooperation budget (approximately 20% in 2012) through private sector organizations such as ICCO, Oxfam Novib, Cordaid and Hivos (NCDO, 2012). By doing so, the Netherlands has developed expertise in other important areas such as capacity building, civil society development and good governance.

In the last two years, however, the Netherlands has become at risk of losing its leading position in the field of international cooperation. This is partly due to the government's swingeing austerity measures: the development cooperation budget for 2012 was 21% lower than in 2010, and a further 25% reduction has been announced for the years ahead. Another reason for the Netherlands having lost ground is its 'uncooperative' attitude. Rob de Wijk, an expert in international relations, noted recently that the Netherlands has courted the displeasure of the international community by stubbornly refusing to consider opposing views on sensitive issues such as the Hedwige Polder, the eurozone crisis and immigration rules.

### 2.1. Dutch expertise

It is highly regrettable that the Netherlands is losing its leading position, not least because the Dutch have much to offer the world in terms of expertise and experience. A report published by the WRR in 2010 (*Minder Pretentie, Meer Ambitie*; 'Less pretention, more ambition') contends that the efficiency of aid efforts is determined by the degree to which they are based on sound expertise. The added value of Dutch development aid is derived from our knowledge and know-how in agriculture, water management, justice, civil society development and HIV/Aids. Expertise in agriculture and water management also creates opportunities for the Netherlands itself, since the growth in the world population will increase the demand for innovative solutions to ensure food security and access to water.

### 2.2. An international economy

The Dutch economy has a strong international orientation. According to the *Internationalization Monitor* (Statistics Netherlands; CBS, 2011) one in every ten Dutch companies engages in some form of international trade. The value of that trade accounts for almost 75% of the country's GDP. A study by the Netherlands Bureau for Economic Policy Analysis (CPB, 2009) concludes that the openness of the national economy accounts for additional per capita income of between 1200 and 1600 euros each year.

Of all companies active in the Netherlands, 1% are in foreign ownership. They account for approximately 17% of national employment and some 25% of private sector profits. The Netherlands is the global leader in terms of foreign direct investment (FDI). Private investments are of immense importance to the developing countries. Research has shown a clear link between investment levels and economic growth (OECD, 2002). According to the IMF's *Coordinated Direct Investment Survey*, Dutch companies' investments in international enterprises totalled 3,700 billion dollars at the end of 2009. This figure is however distorted by the effects of the favourable fiscal climate in the Netherlands; approximately 75% of the Dutch FDIs to other countries are made by organizations which enjoy special

fiscal status and exemptions (the *Bijzondere Fiscale Instellingen*; BFIs). A reasonable estimate of FDIs from the Netherlands to developing and emerging countries would be in the order of 106 billion dollars.<sup>1</sup> This is approximately seventeen times the national ODA budget and – provided it is used responsibly – can have a major positive impact on the social, economic and ecological welfare of the developing countries and others.

Apart from the long-term benefits of international cooperation, such as the promotion of peace and security, there are also short-term gains for the Netherlands. The Dutch private sector does good business with (former) aid recipients and international organizations such as the United Nations. According to the EVD (an official agency of the Ministry of Economic Affairs), partners and former partners such as Indonesia, Bangladesh, Vietnam and Ghana imported Dutch goods and services to a value of over 1.5 billion euros in 2010. That is over a third of the current development cooperation budget. The United Nations is also an important customer. In 2010, it purchased Dutch goods and services to a total value of over 155 million dollars. The financial motive to engage in international cooperation therefore remains important, even – or perhaps *especially* – in the current financial climate.

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<sup>1</sup> When corrected for the BFIs, the Netherlands' foreign direct investments were 950 billion dollars at year-end 2009, approximately 25% of the total. Of all FDIs recorded at year-end 2010, almost 423 billion dollars were made in businesses in the developing countries. Almost half, 193 billion dollars, represented investments in the BRICS countries. It is difficult to assess the exact value of FDIs from the Netherlands excluding the BFI component, since the IMF gathers and compares only uncorrected data. However, if we assume that FDIs are distorted by fiscal measures to the same extent as overall foreign direct investments, we arrive at a figure of approximately 106 billion dollars directed to developing and emerging countries (approximately 25% of the total Dutch FDIs in these countries).



### 3. Towards a ‘National Commitment’ to international cooperation

Although the economic, political, social and ecological importance of international cooperation is underestimated by many, there is a groundswell of opinion, both within and beyond political circles, that the traditional form of development aid (ODA) is no longer appropriate given the shifts in global influence and the issues now being faced. The coalition agreement presented in October by the People’s Party for Democracy and Freedom (VVD) and Labour (PvdA), which together hold a parliamentary majority, therefore proposes a reform of Dutch international cooperation. The creation of the new post of Minister for Foreign Trade and Development Cooperation is an important step in this direction. In this discussion paper, however, we contend that more ambitious and far-reaching reforms are both possible and essential if the required level of coherence and effectiveness is to be achieved.

#### 3.1. A new agenda with broad support

The great diversity of international actors (governments, NGOs, international organizations, major philanthropists, religious organizations, companies and private individuals), together with the increasing urgency of many global and distribution issues, demands a new, overarching approach to international cooperation. In view of the political reality and the challenges which the Netherlands now faces, it is no longer appropriate to view development cooperation as a narrow government task, but as a broad ‘national commitment’ based on a broad agenda. The proposed system embraces not only traditional development aid (and the relevant budget), but also efforts in the areas of peace, security and sustainability. The discussion of the ‘ODA norm’ is thus placed in a new context, which includes the Netherlands’ contribution to resolving global issues as part of the international community.

Given the scale and urgency of the global challenges, traditional ODA is not adequately equipped to address issues such as climate change and financial instability. To do so calls for further resources, different financing forms and closer international cooperation. Severino and Ray (2009), researchers at the American Center for Global Development, use the term ‘*global policy finance*’. They differentiate between financing economic convergence, financing access to basic welfare (through ODA or ODA-like channels) and financing (the management of) global public goods. Figure 3 offers an example of how activities within these three areas can be financed by different societal actors. This concept notwithstanding, ODA currently remains the only mechanism for financing international cooperation which can rely on broad support. In time, the principle of ODA must be replaced or supplemented. Until that happens, it is crucial to observe the existing international agreements.

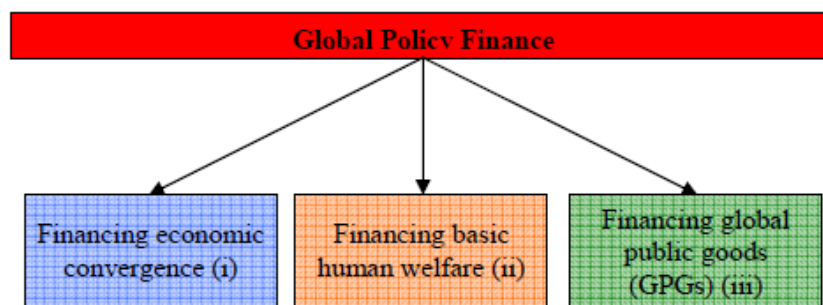


Figure 3: The pillars of Global Policy Finance (part of an illustration in Severino & Ray, 2009)

The three ‘pillars’ proposed by Severino and Ray also offer a foundation for the development of the proposed ‘national commitment to international cooperation’. Within this system, the Dutch ODA budget, together with donations from the general public, the business community and the lotteries, will be channelled through organizations dedicated to international development. The international efforts of other ministries concerned with social, economic and economic sustainability will also form part of the broad international cooperation agenda. The Ministry of Infrastructure and the Environment, for example, has certain responsibilities with regard to climate change, while the Ministry of Defence is concerned with peace and security. Violent conflicts form one of the most

serious obstacles to development, and the Netherlands itself will benefit from there being a stable, just and peaceful world. Ideally, all foreign policy which falls under the HGIS budget (Homogenous Group for International Cooperation) will be organized in a coherent way according to the three pillars of economic convergence, access to basic human welfare and the management of global public goods.

In practice, the Netherlands' contribution to development cooperation exceeds the established ODA norm of 0.7% of GDP. According to the European Centre for Development Policy Management (ECDPM), the Netherlands' total expenditure on development-related matters was in the order of 13 billion dollars in 2010, almost 1.7% of GDP. This figure includes both the official government funding flows and the private flows (Van Heukelom *et al.*, 2012). If we consider only the current (2012) ODA budget (2012), private donations, remittances by non-Western migrants, the international efforts of the Ministry of Infrastructure and the Environment, and the costs<sup>2</sup> incurred by the Ministry of Defence in undertaking international peace-keeping missions, the total Dutch commitment to international cooperation is somewhat less at approximately 0.9% of GDP. Although the official development aid budget still represents the lion's share of this amount, the announced reduction in government expenditure means that its contribution to a future 'national commitment' will be somewhat lower.

<b>National Commitment (government and private)</b>	<b>Absolute in euros</b>
Official development assistance (ODA)	4,340,000,000
Defence (crisis control operations and attachés)	233,996,000
HGIS (non-ODA): climate, water management, etc.	124,272,000
Private donations intended for international aid	572,000,000
Remittances	300,000,000
<b>Total</b>	<b>5,570,268,000</b>

Figure 4: Breakdown of minimum National Commitment for international cooperation

In financial terms, the Netherlands' current commitment to international cooperation is estimated to be between 0.9% and 1.7% of GDP. The components shown in the above table will primarily benefit economic convergence and access to basic human welfare, with a somewhat lesser effect in terms of the management of global public goods. Given the urgency of issues such as climate change and financial instability, it is crucial that the Netherlands adopts a far more ambitious approach in this area. Inge Kaul *et al.* (2003) point out that huge amounts are already being devoted to the management of global public goods, but that doing nothing will cost far more. As Figure 5 shows, the costs of addressing the global issues cited (310 billion dollars) are considerably lower than the potential costs of ignoring them (2,586 billion dollars).

<b>Annual costs (\$)</b>	<b>Financial stability</b>	<b>Multilateral trade</b>	<b>Avoidable disease</b>	<b>Stable climate</b>	<b>Peace and security</b>
<b>Inaction</b>	50 bn	260 bn	1138 bn	780 bn	358 bn
<b>Corrective action</b>	0,5 bn	20 bn	93 bn	125 bn	71 bn

Figure 5: Costs of inaction and corrective action with regard to global public goods (Kaul *et al.*, 2003)

The figures in the above table date from 2003. The United Nations has since estimated that the stabilization of climate change alone will demand a contribution of 1% of GDP. It is therefore clear that 0.9% of GDP, derived from all sources public and private, will not be enough to finance an integrated response to poverty, sustainability and economic development. ODA and similar flows will remain essential in combating poverty and inequality, but the current level of ODA expenditure represents only a small fraction of the resources needed to administer the global public goods effectively. This applies not only to the Netherlands, but to the combined international expenditure of all countries.

<sup>2</sup> The Ministry of Defence distinguishes between 'fixed' costs of maintaining manpower and resources, and the additional costs of specific missions, such as staffing allowances, equipment repairs, storage, etc. The table includes only these additional costs.

The current economic situation makes it very difficult to release more funds for international development, but innovative financing instruments and improved coherence offer viable alternatives. It is essential that the resources available are used more effectively, since the Netherlands will be affected by all the global issues sooner or later.

**3.2. Restructuring the aid channels**

The development cooperation budget represents a substantial proportion of the overall HGIS budget, which covers all government expenditure in matters of foreign policy. The development cooperation budget for 2012 has been set at 4.34 billion euros, of which 28% is earmarked for bilateral aid and 29% for multilateral contributions. It is likely that this ‘split’ will alter in the years ahead since it would be impractical to spread the planned 25% cutback in overall expenditure evenly across all channels.

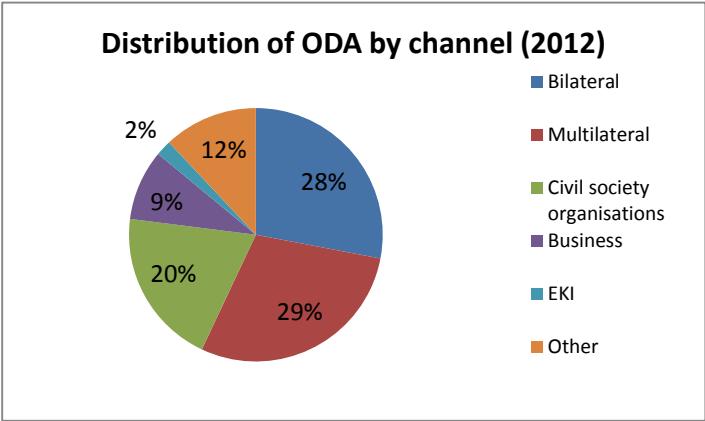


Figure 6: Distribution of ODA by channel (BBO, 2012)

The proposed ‘national commitment to international cooperation’ assumes that the distribution of funds via the various channels will be revised. Not every channel is suited to meeting specific objectives. Based on Severino and Ray’s three pillars of Global Policy (Figure 3), each pillar or objective can be directly linked to the most appropriate channel. Multilateral cooperation, for example, will provide the opportunities to address sustainability issues and manage the global public goods. Bilateral aid offers opportunities for cooperation in areas in which the donor countries have some special expertise. In the case of the Netherlands, those areas include agriculture, water, justice and jurisprudence, HIV/Aids and good governance. Other topics might better be left to other bilateral donors or the multilateral organizations. The civil-lateral channel deserves special attention. The role of civil society organizations in development cooperation is changing, but remains essential. As noted by the AIV (2012), bilateral development aid will become less significant in the emerging economies in the light of their strong domestic growth. At the same time, poverty and inequality will continue to be major problems in these countries. Those civil society organizations which are concerned with capacity building and strengthening the societal midfield will therefore have a particularly important part to play in addressing distribution issues. Moreover, civil society organizations represent added value in that they can provide aid in fragile states and conflict zones. Here, multilateral aid (other than direct food aid and help for refugees) is often too cumbersome an instrument. Where there is no fully functioning government apparatus, bilateral aid can often achieve relatively little. Civil society organizations are therefore best equipped to provide the necessary relief and assistance.

## 4. Global citizenship: the contribution of the various actors

As noted above, the government is not the only actor involved in the Netherlands' international cooperation efforts. Private sector companies, the major philanthropists and members of the public and others are increasingly connected with each other and with their counterparts worldwide. Countless Dutch citizens are actively helping to create a better world. This is very important, since governments' efforts alone are not enough, in either quantity or quality, to provide an effective response to global issues such as climate change, scarcity and financial instability. The contribution which individuals, companies, philanthropists, religious organizations and others are making to international cooperation can, however, be used more effectively.

### 4.1. Individuals

The Dutch public are actively involved with the rest of the world in many ways. They give generously to good causes. According to VU University Amsterdam, in 2009 Dutch charities received private donations (including those from individuals, companies and lotteries) totalling 4.7 billion euros. Of this amount, 12% (572 million euros) was specifically intended to support international aid (Schuyt, 2011). It should however be noted that some of the donations to church institutions (representing 19% of the total) and to organizations concerned with the environment (9%) also support international cooperation, either directly or indirectly.

The IS Barometer 2011 reveals that 75% of Dutch citizens made some contribution to development cooperation in 2010. This contribution can take various forms: donations of goods (40%), spontaneous financial donations (37%), taking part in a lottery (36%) or purchasing Fairtrade products (31%) (Hento, 2011). The international concern of the Dutch public is evident not only from general consumer behaviour, but in general attitudes: 64% consider development cooperation to be important, a significant majority (74%) follow the news about global issues, and approximately 75% regularly discuss poverty and environmental issues (Carabain, Van Gent & Boonstoppel, 2012).

Migrants make a contribution to Dutch society but also contribute to the development of their country of origin through their 'remittances': money sent to their family. An NCDO study shows that non-Western migrants from the Antilles, Morocco Suriname and Turkey were responsible for a total of 300 million euros in such remittances in 2009 (Carabain, 2011). This figure is broadly in line with an earlier estimate by the Ministry of Finance, which concluded that direct remittances to Surinam, Turkey, Morocco, the Antilles, Ghana and Somalia totalled approximately 365 million euros in 2005.

Last but not least, many Dutch citizens devote their time and energy to international cooperation efforts. MyWorld, the platform for private development cooperation initiatives, reports that there are some eight thousand volunteer organizations in the Netherlands working to create a better world. The sector organization Partos states that its 93 members have between 2,500 and 3,000 fulltime (or fulltime equivalent) professional staff. To this figure we must add the vast number of volunteers working for good causes. The country's 350 'Wereldwinkel' shops are run by no fewer than 12,500 volunteers. This demonstrates broad acceptance of the notion that international cooperation is not solely a matter for the government, but relies on the concerted efforts of society at large.

### 4.2. The private sector

Private sector companies' trading practices and production methods play an important part in economic and social development, welfare and sustainability. The Advisory Council on International Affairs (2012) identifies two specific roles for the private sector: to promote the adoption of legislation intended to improve the business climate, and to promote socially responsible enterprise, with particular reference to chain responsibility. Many large Dutch companies, including Heineken, DSM and Unilever, are making an important contribution to sustainability and welfare throughout the world. Rabobank has invested in local African banks, enabling them to offer their services to a broader public using mobile phone 'apps' and the internet. This type of initiative is crucial to welfare and the development of societal systems.

As noted above, the Dutch private sector is investing many billions of euros in companies in the developing countries. Although such foreign direct investment is indeed very important in terms of economic development, there are potential hazards. The money could be used to fund 'perverse practices', such as misappropriation of land and environmental pollution. It is therefore crucial that the European regulations governing 'Coherence of Policy' (whereby national policy must not frustrate or undermine development in other countries) are implemented and observed. It will then be possible to use foreign direct investments and trade policy as effective development instruments. There is, of course, government policy governing taxes, trade, natural resources, fisheries, agriculture and countless other aspects of business. However, all Dutch companies must go beyond the formal rules to ensure that their international activities promote sustainability and human rights to the greatest extent possible. They must also impose contractual terms and conditions to ensure that their suppliers do likewise. The guidelines produced by the OECD provide a useful point of departure.

#### 4.3. The major philanthropists

According to the *Dutch Wealth Report (2012)*, 1.3% of Dutch households have a net worth in excess of one million euros. The 'average' Dutch millionaire has assets of 2.9 million and as a group the millionaires own 39% of the country's wealth (Van Lanschot, 2012). Millionaires tend to donate to ideological causes, medical research and international aid. Their average annual charity contribution is 2,763 euros, thirteen times higher than the 'man in the street'. Donations exceeding 25,000 euros are rare, made by only 2% of the millionaire group (VU University Amsterdam, 2011).

Unlike the United States, the Netherlands has very few major philanthropists who choose to support international cooperation. There is no Dutch Gates, Gates, Rockefeller or Ford. Nevertheless, there are a number of large donors, including the Van Leer Foundation which administers the trust set up by the late industrialist Bernard van Leer. Each year it donates some 4.5% of current assets (approximately 800 million euros in 2008) to good causes, mostly in countries other than the Netherlands. As long ago as 2008, Rien van Gendt, executive trustee of the Van Leer Foundation, noted that the government's withdrawal from development cooperation created more room for private philanthropic initiatives which could often achieve better results.

#### 4.4. Civil society organizations

Civil society organizations have a crucial role to play in international cooperation, in both the emerging economies and the fragile states. Such organizations also have great added value in the Netherlands: they raise public awareness of issues such as sustainable consumption and fair trade. For example, Oxfam Novib recently ran a successful campaign to ensure that the chocolate traditionally given to mark 'Sinterklaas' is from certified Fairtrade sources.

## 5. Prerequisites and policy recommendations

The proposed broad approach is appropriate to the changing field of international cooperation, but cannot be achieved without stronger government coordination and a suitably ambitious agenda for all ministries and departments. Severino and Ray (2009) point to the ongoing fragmentation of the development sector and describe a transition from collective action to 'hypercollective action'. In future, the Western governments will not be in sole charge: those of the south, civil society organizations, small-scale private initiatives, major philanthropists, the business community and the general public will all come to play a more prominent part in the changing international cooperation arena. Although it is desirable for each actor to have a well-defined and specific role, there are a number of aspects which demand government coordination. Without any form of coordination, the various efforts may well prove counterproductive.

Further multilateralization is required to provide an effective response to the current global challenges. This applies equally at the European level. Aspects which call for coordination and strategic management by the government include climate change mitigation and adaptation, arrangements for asylum seekers, international health care and global public health. There are various other global public goods whose stewardship cannot be left entirely to the private sector: international security, clean oceans, international justice and financial stability, to name but a few. Similarly, the international framework for poverty reduction is a matter for coordinated government intervention, particularly in terms of fair trade and sustainable production. The Sustainable Development Goals adopted by the United Nations Conference on Sustainable Development ('Rio+20') offer opportunities to create an international framework and a fully integrated approach to sustainable development and poverty reduction.

### 5.1. Recommendations

The desired coordination should not only ensure that the Netherlands' contribution supplements the international efforts of organizations such as the UN and EU, but that the contribution itself, including the deployment of Dutch expertise, is fully visible. This is in our own interests. Coordination is also required to ensure that national policy is fully in line with that of other countries, in all relevant policy fields. We therefore present ten recommendations for the reform of international cooperation policy and strategy.

1. *Replace the term 'official development assistance' with 'national commitment to international cooperation'.* This will make clear that all ministries and departments are involved in the government's international cooperation efforts, and that other actors within society also have a significant role to play. Based on the combined contribution of the government, private sector and the general public, the Netherlands should provide a 'national commitment' of no less than 2% of GDP. To ensure that resources (financial and otherwise) are used in a coherent and effective manner, the Netherlands should take an active role in international cooperation addressing economic convergence, access to basic welfare and the management of public goods. This will entail only a minor increase in the development-related public and private expenditure of 2010, which was assessed by the ECDPM (2012) to be just under 1.7% of GDP. Moreover, the additional resources need not necessarily be drawn from the governmental budget but can be raised by means of innovative financing mechanisms (see Recommendation 8, below) and through the more effective use of foreign direct investments.
2. *Invest in better coordination and coherence of policy.* This is perhaps the most important recommendation of all: there can be no effective national programme without coherent policy. That policy must address not only the government's own activities in areas such as trade and agriculture, but also aspects such as companies' production processes and consumer behaviour. If the Netherlands is to deploy its expertise where it is needed, and to do so as efficiently as possible, coherent international policy is absolutely essential. It forms the very basis of effective international cooperation.
3. *Devise a broad agenda for international cooperation.* Many people associate the term 'development cooperation' primarily with poverty reduction. However, global welfare relies on more than economic development alone: it demands attention for sustainability and the creation of social amenities. The implementation of the agreements made at Rio+20 with regard to

promoting a sustainable economy will do much to create a broad agenda for international cooperation: non-sustainable behaviour in one region or country has a negative impact in others. It is not only governments which must realize this, but all sections of society. By implementing the principles of the green economy at home, we shall create room for growth in the developing countries.

4. *Multilateral cooperation should be made more prominent.* The issues of distribution and management of public goods cannot be solved through bilateral aid alone. Despite its shortcomings, multilateral cooperation remains essential if such issues are to be addressed in a structured manner. Any intensification of multilateral cooperation should however be accompanied by the reform and strengthening of the relevant organizations and channels. As the Advisory Council on International Affairs noted in 2012, trilateral cooperation between the West, emerging economies and developing countries offers opportunities to work alongside the middle-income countries to enhance policy coherence and ensure that the global public goods are duly protected.
5. *Work on international cooperation at the European level.* The European Union is one of the three largest economic powers in the world, and is the largest donor in the field of development cooperation. Like that of the Netherlands, the general prosperity of the EU is heavily reliant on developments in the rest of the world, and *vice versa*. For reasons of efficiency and effectiveness, it is essential for the Netherlands and the other member states to work together in their international cooperation efforts. Ideally, a pan-European policy will be developed, based on the principles of coherence, coordination and complementarity, with the specialist implementation of that policy taking place at the national level.
6. *Focus on the fragile states.* To date, the reforms of Dutch development policy have led to a stronger focus on the productive sectors and on economic diplomacy designed to bring mutual benefits. This detracts attention from the fragile states because they offer too few economic opportunities and represent too high a risk. However, it is essential that the Netherlands continues its efforts to strengthen the fragile states, preferably in a multilateral context. It is precisely these countries, Mali being just one example, which are now faced with complex economic, ecological and social problems for which bilateral relationships alone cannot offer permanent solutions. Coordination between all donors is highly desirable: they should act in concert wherever possible.
7. *The response to climate change should be given higher priority.* The global response to climate change seems to have reached an impasse; the agreements in place are not being observed, while diplomatic wranglings are frustrating efforts to arrive at new agreements. It is, however, crystal clear that a stable climate is to everyone's advantage, and is particularly important to low-lying delta regions such as the Netherlands. The Dutch government must therefore continue to press for an effective global response to climate change. Meanwhile, it should implement all possible mitigation and adaptation measures further to national and European policy.
8. *Implement innovative financing mechanisms.* Innovative financing instruments have been successfully applied in international health care for several years. There are many opportunities to use similar arrangements to support the management of global public goods. The Netherlands could, for example, follow France's example and impose a 'solidarity levy' on air tickets. Other possibilities include 'meso-loans' for small and medium enterprises, and peer-to-peer loans between companies or NGOs. It also seems prudent to channel revenue raised by the proposed Financial Transaction Tax (FTT) into a European fund to be used for climate mitigation. In the absence of adequate international policy, this represents a 'quick win'.
9. *Acknowledge the need for 'disparallel space'.* Policy governing foreign trade must not stand in the way of economic development in the poorer countries; vulnerable economies should be given extra space. The developing countries might, for example, be permitted to introduce market protection measures on a temporary basis, while the Western countries open their markets to all. Moreover, the developing countries should be given better access to (intellectual) property rights, not least in the area of health care and prescription drugs. Based on the principle of reciprocity, it is not morally defensible to monopolize knowledge when large groups of people face life-threatening diseases, climate risks and major economic challenges..

10. *Peace-keeping operations must continue as an intrinsic part of international cooperation.* War and conflict form a serious obstacle to progress, and can quickly negate any gains already made. Violence in any form precludes the development of ecological, social and economic sustainability. The people of South Sudan have been forced to rebuild their lives time after time; sustainable progress is virtually impossible. Those who cannot sow cannot reap.



## 6. A new role for DGIS

International cooperation when undertaken by Dutch society as a whole demands strategic management and visionary policy. Ideally, the Directorate-General for International Cooperation (DGIS), part of the Ministry of Foreign Affairs, will provide both. In addition to administering the ODA budget, it will then have two key tasks, both of which involve coordination. The first is at the interdepartmental level, whereby DGIS will ensure effective use of the resources and manpower of other departments and oversee policy coherence. The second task is equally important; DGIS can create appropriate frameworks and facilitate the role of the societal midfield. If international cooperation is to become a matter for society at large, there must also be a broad dialogue, with the various actors receiving the necessary encouragement. This too is an appropriate task for DGIS.

The current issues within the international cooperation arena are not confined to the traditional portfolio of Foreign Affairs but involve many areas of policy. It is therefore essential that the government has an international development agenda which involves all relevant ministries and departments. The decision to create the new post of Minister for Foreign Trade and Development Cooperation must be applauded, all the more so because its holder forms part of the cabinet itself. All officials and policy makers must take into account the influence of the European Union, both as a source of policy and a partner. Similarly, the multilateral system must no longer be compartmentalized and hidden away within the DGIS apparatus, but 'mainstreamed' whereby the relationship with each of the international policy fields is recognized and respected. An innovative approach to international cooperation policy will enable the Netherlands to establish a strong profile on the international stage, an opportunity which must not be allowed to pass. Accordingly, DGIS must be given the mandate and the resources needed to re-establish the Netherlands' reputation as a leader in international cooperation.

The proposed new approach to international cooperation demands a new set of skills and competencies. Overseas diplomatic missions will also play a key part in implementing the new agenda, taking on the role of 'broker' between local actors and the public and private sectors in the Netherlands. To ensure that this task is fulfilled properly, it is important to investigate the role that the missions can continue to play in the former partner countries which have now achieved economic independence. Hopefully, the Netherlands will now be able to reap the rewards of our long relationships with these countries, and the knowledge and networks we have built over the course of many years.

Main recommendations in terms of organization:

1. *Strengthening of DGIS.* A broad approach to international cooperation demands a new, more prominent role for DGIS. It must become a recognizable and visionary coordination centre with a clear mandate, along the lines of the United Kingdom's Department for International Development (DFID). This entails a fundamental transformation of the organizational structure, as well as more effective use of the expertise made available by research institutes and 'thinktanks' in the Netherlands and elsewhere.
2. *Competency development.* The implementation of a successful national programme which enjoys the envisaged level of support demands new skills and competencies both within and beyond DGIS. The development of these competencies can be encouraged by the use of career columns, whereby promotion depends on both practical and theoretical expertise in areas such as implementation and evaluation.
3. *An interdepartmental agenda.* The proposed new approach to international cooperation can only succeed if it enjoys the full support of all ministries and departments, all of which should be working according to the same coordinated agenda. The Minister for Overseas Trade and Development Cooperation must have the authority to devise, coordinate and if necessary correct the policy of other departments. This also entails greater authority in the budgetary context.

4. *Organizing for emergence.* When developing policy in general, and that addressing international cooperation in particular, it will be prudent to leave room for adaptation should new issues or developments emerge. For example, the final form of the post-Millennium Development Goals agenda remains unclear at this time, as does that of the post-Rio agenda. Similarly, the outcome of the international trade negotiations cannot be predicted with any degree of certainty. The principle of '*organizing for emergence*' allows unforeseen developments to be accommodated.
5. *Interaction with the research field.* The proposed restructuring of international cooperation efforts to become a national undertaking, and with it the ambition of taking a prominent and relevant place on the world stage, cannot be achieved without close cooperation between policy research and policy implementation. There must be an ongoing dialogue between the government, the private sector, the civil society, academics and researchers from the leading institutes. In other words, there must be intensive cooperation with the existing institutes, together with further development of the 'knowledge platforms' concerned with the spearheads of government policy and the 'top economic sectors'. The Scientific Council for Government Policy has also called for academic involvement of a more general nature, whereby policy development can be linked to the research capacity in the Netherlands itself, and to relevant international developments. It would be possible for the existing institutes to fulfil this role within a network structure. In keeping with the contents of this discussion paper, the 'golden triangle' of private sector, government and the research field should be expanded to include the civil society organizations.

*Political support*

Although political discussions are currently dominated by the economic situation, there is clear support for the proposal of transforming and intensifying the Netherlands' role in international cooperation. Prior to the general election of September 2012, NCDO analysed the various party manifestos and found that most were strongly in favour of retaining the development cooperation budget. The Christian Democrat Alliance, D66 and the Reformed Political Party (SGP) called for the budget to remain at its current level of 0.7% of GDP, while Labour, the Socialist Party (SP), Green Left, the Christian Union and the Party for the Animals wished to see the budget increased. Only the People's Party for Democracy and Freedom (VVD) and the Party for Freedom (PVV) proposed a reduction in the budget. Most party manifestos also state that better policy coherence is required, which calls for efforts at the EU level. Labour, Green Left and the Christian Union draw attention to the need for an interdepartmental agenda.

## 7. Conclusion

This discussion paper calls for a radical reform of the Netherlands' approach to international cooperation, based on the principle of reciprocity. International cooperation whereby we assist other countries on their own path to development is undeniably in the Netherlands' own national and economic interests. We may be an important trading nation, but geographically and demographically we are 'small fry'. Our relationships with other countries are of great value in all senses of the word. Further international cooperation in the economic, social and ecological areas is essential to the Netherlands' ongoing prosperity and the welfare of its people. The creation of a stable, just and sustainable world will greatly benefit Dutch society and the national economy.

In a changing world full of new players, new systems and urgent global issues, the traditional bilateral form of international cooperation is no longer the most appropriate. It offers too few opportunities to address the complex and pressing issues within a particular country, and offers no response to wider problems such as financial instability, climate change, infectious diseases, etc. Further multilateralization is essential if we are to address today's global sustainability issues effectively before it is too late. At the same time, the efforts of civil society organizations will remain crucial in tackling inequality in the middle-income countries and in providing emergency relief in fragile states.

Efforts to reduce poverty and inequality remain essential in a world in which hundreds of millions of people are denied the benefits of globalization. Indeed, many have become the victims of globalization. The fragmentation of the development sector, in which not only governments but private sector companies, civil society organizations, philanthropists and individual members of the public are active, calls for a new and broader system of coordination. This will enable the activities of Dutch companies and individuals make a real difference in terms of welfare and well-being elsewhere in the world. Rather than focus exclusively on official development aid, the government must turn its attention to coordinating and facilitating a 'national commitment' which address the three pillars of economic convergence, access to basic welfare and the management of global public goods. The successful implementation of such a broad agenda will depend on there being fully coherent policy. Only then can the contribution of the various actors be used effectively and efficiently.

To design, implement and direct this national programme demands a recognizable and visionary coordinator: a 'spider in the web'. This will be the new role of DGIS. Skills and competences can be developed by means of career columns. If the Netherlands is able to modernize its policy and provide the necessary resources for international cooperation, it will once again assume the role of leader within Europe and indeed the wider international arena. This will greatly enhance its reputation and standing.

The proposed threefold reform (policy innovation geared towards coherence, expansion to include society at large rather than the government alone, and professionalization to achieve better coordination) will have threefold gains. Foreign policy will be more efficient and coherent. The economic relationships with other countries will be strengthened, and the Netherlands will be able to reposition itself within the international arena. Moreover, the Netherlands and its people will be helping to create a just, sustainable and stable global society.

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