Millennium Development Goal 8: Developing a Global Partnership for Development

Progress Report by the Netherlands

Millennium Development Goal 8: Developing a Global Partnership for Development

Progress Report by the Netherlands

Table of Contents

Boxes, Tables and Figures

Foreword

In September 2000, 147 heads of state and government – and 189 nations in total – adopted the Millennium Declaration, which mainstreams a set of interconnected and mutually reinforcing development goals into a global agenda. Quantitative targets have been set for most of these Millennium Development Goals (MDGs), which are to be achieved over a 25-year period – between 1990 and 2015. MDG 8 – developing a global partnership for development – sets out the targets to be met by developed countries. They cover efforts in important areas such as development aid, trade, debt relief, affordable essential drugs and foreign direct investment.

The Dutch government is fully committed to playing its part in reaching MDG 8 and related targets. It has decided to report to the international community on its performance in order to be fully transparent and accountable. The report shows developing countries whether the Netherlands is keeping its side of the implicit political bargain reflected in the MDGs. Developed countries' efforts within the framework of MDG 8 can after all be regarded as inputs that help developing countries to reach MDGs 1 to 7. The report indicates that the Netherlands, both bilaterally and as a member of the European Union, has made progress towards MDG 8. However, it also shows that there is no reason for complacency and that much remains to be done.

For a long time now, Dutch Official Development Assistance (ODA) has exceeded the UN target of 0.7% of Gross National Income. Only four other donor countries have managed to reach this target. At the Financing for Development Conference in Monterrey many donor countries, most notably the EU member states, committed themselves to increasing their ODA performance. Progress on these commitments is welcome, but more needs to be done to reach the MDGs by the year 2015. I urge other developed countries to increase their efforts.

However, development cooperation is not only a matter of money, but also of effective policies. The Dutch government has recently realigned its development policy to boost its quality and effectiveness. The number of partner countries eligible for bilateral aid has been reduced, while the quality of aid to these countries is being strengthened. Development cooperation will concentrate on four priority themes: education, reproductive health care, AIDS prevention and environment & water. The shift from project to programme-based approaches continues, together with emphasis on donor coordination and alignment with policies and procedures in recipient countries. Helping developing countries improve the quality of their policy and governance remains a challenge. A result-based monitoring system has been developed with a focus on various MDGs; it will be operational by the end of 2004. Partnerships with enterprises, civil society organisations, knowledge institutes and others are being sought to broaden the approach. After all, development cooperation goes beyond government-to-government relations. Finally, policy coherence for development is promoted through a 'broad-based government approach' which takes full account of development concerns in other policy areas such as trade, finance and agriculture.

A fair, rule-based, non-discriminatory multilateral trading system is one of the most crucial and at the same time difficult targets of MDG 8. As an EU member state the Netherlands does not pursue a national trade and agricultural policy. We remain strongly committed to the Doha development agenda in the WTO negotiations. Agriculture plays an important role in the Doha round. Earlier reform of the EU Common Agricultural Policy (CAP) and the disciplining of agricultural policies in the WTO Agriculture Agreement have started to improve developing countries' trade opportunities in recent years but more needs to be done. The Dutch government endorses the EU view that WTO negotiations and forthcoming internal reforms should focus on products of particular importance to developing countries, such as cotton and sugar.

Another crucial MDG 8 target is to make developing countries' debts sustainable in the long term. The Netherlands will continue its debt relief efforts. At the same time, it is concerned about the continuing vicious circle whereby unsustainable debts lead to debt relief, new loans and more unsustainable debts. The Netherlands supports efforts to solve this through debt sustainability analysis and improved debt management.

In addition to official development aid, other official and non-official resource flows do much to fuel economic and social development in recipient countries. Remittances from migrants residing in the Netherlands, foreign direct investment by Dutch companies, and grants by Dutch civil society organisations amount to billions of dollars. Though the government does not control these flows, it seeks to stimulate them and enhance their development impact.

Sustainable development should be part and parcel of developed and developing countries' policies alike. The Johannesburg World Summit on Sustainable Development, which I myself attended, has provided a strong impulse. The agreed WSSD Plan of Implementation has been translated by the Dutch government into a Sustainable Action Programme with an international and national dimension. As part of the Dutch ODA target of 0.8% of GNI, the government has been targeting 0.1% on environment and development issues. The challenge is to integrate policies on international natural resource conservation and biodiversity with policies for sustainable poverty reduction.

This report is the first Dutch progress report on MDG 8. The Dutch government intends to repeat the exercise regularly in order to monitor progress made. The MDG targets offer a valuable framework for planning and monitoring Dutch efforts, not only in relation to the UN Millennium Declaration, but also to the Monterrey Consensus on Finance for Development and to the WSSD Plan of Implementation. Other developed countries are also preparing MDG 8 reports. A common format would further improve transparency in reporting and allow mutual comparison among donors, especially if the number of reporting donors increased. At the moment, standardised data collection and analysis appears to present a problem. The UN could play a crucial role here.

The Dutch government will present this report to its bilateral development partners and seek their views on progress made. It will also be presented to the EU, to be used as input for the EU contribution to the 2005 MDG stocktaking exercise by the UN. Last but not least, it will be presented to the Dutch public, in order to stimulate discussion on national development policies, be transparent and accountable, and increase civil society commitment to the MDGs. The task of achieving the MDGs by 2015 is a formidable one, especially as far as Africa is concerned. We need to reconfirm our mutual commitment and step up our efforts towards a true global partnership for development and the attainment of all MDGs by 2015.

Dr Jan Peter Balkenende
Prime Minister of the Kingdom of the Netherlands
May 2004

Introduction

I

The eight Millennium Development Goals (MDGs) synthesise the goals and targets for monitoring human development (see Box 1). Quantitative targets have been set for most goals, and appropriate indicators have been selected to monitor progress on each of the targets. A common list of 18 targets and 48 indicators corresponding to these goals has been prepared jointly by the UN, the World Bank, IMF, OECD and WTO to ensure a common assessment and understanding of the status of MDGs at global, regional and national levels.

MDG monitoring takes place at global and country level. The UN Secretary-General reports annually to the General Assembly on implementation of the Millennium Declaration, including progress towards the MDGs, with a more comprehensive report every five years (the next one in 2005). These reports support a dynamic campaign to help keep poverty issues at the heart of the global and national development agendas.

MDG 8 – developing a global partnership for development – outlines the efforts required by developed countries. The agreed targets (12 to 18) are shown in Box 2. In addition to MDG 8, part of MDG 7 is of relevance in demonstrating progress made by developed countries. MDG 7 deals with ensuring environmental sustainability, and target 9 with sustainable development and reversal of loss of environmental resources.

Chapter 2 of this report presents data on official development aid, trade, subsidies and debt relief, as well as on environment and sustainable development. It analyses progress made and discusses

Box 1.
The 8 Millennium Development Goals

1. Eradicate poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria and other diseases;
7. Ensure environmental sustainability;
8. Develop a global partnership for development.

the challenges as perceived by the Dutch government. International and national supportive environments are explored. Chapter 2 also briefly discusses productive work for youth, affordable essential drugs and new technologies. Chapter 3 looks at other official and non-official resource flows, using the same format as in Chapter 2. Chapter 4 reviews efforts by the Dutch government to increase its aid effectiveness and to achieve policy coherence for development. Finally, Chapter 5 analyses the MDG targets addressed by Dutch bilateral development aid.

Box 2. MDG Goals and Targets covered in this Report

Goal 8: Develop a Global Partnership for Development

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system

Includes a commitment to good governance, development, and poverty reduction – both nationally and internationally

Target 13: Address the special needs of the least developed countries

Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction

Target 14: Address the special needs of land-locked countries and small island developing states

(through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)

Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Goal 7: Ensure Environmental Sustainability

Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Goals and Targets to be met by Developed Countries

2

2.1 Aid

2.1.1 *Status and Trends*

In order to support developing countries' efforts to reach the Millennium Development Goals, target 13 calls for more generous Official Development Assistance (ODA), especially to least developed countries. The Netherlands belongs to the few donor countries that have reached the target of 0.7% ODA of Gross National Income (GNI), set by the UN in 1970. The Netherlands reached this target as far back as 1974. Between 1974 and 1997 net ODA as a percentage of GNI fluctuated between 1.08% in 1981 and 0.76% in 1994. In 1997 the Government agreed to fix the ODA budget at 0.8% of GNI.[1] Subsequent governments have reconfirmed this target, most recently in 2003 for the period up to 2007. In 2002, net ODA was EUR 3.8 billion, or 0.81% of GNI. As a result, the Netherlands ranked fourth – after Denmark, Norway and Sweden – on the performance list of donors (in relative terms). The ODA/GNI percentage for all DAC members combined was 0.23% in 2002, and for all EU countries combined 0.35% (see Section 2.1.3). According to preliminary DAC figures for 2003, the DAC percentage increased to 0.25% in 2003, while the EU and Dutch percentages remained at 0.35% and 0.81% respectively (see Annex 1).

Sustainable poverty reduction has been the main objective of Dutch development cooperation for many years now. To reach this objective, priority has been given to the poorest countries, particularly in Africa. Sub-Saharan Africa faces far greater poverty and related problems than any other region. The Netherlands aims to spend at least half of its bilateral development budget in Sub-Saharan Africa. Over the

Table 1. Official Development Assistance

Indicators	1990	1995	2000	2002
Net ODA, total, as percentage of Gross National Income	0.92	0.81	0.84	0.81
Net ODA to least developed countries as percentage of Gross National Income	0.30	0.23	0.21	0.29
Percentage of total bilateral, sector-allocable ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)*		15.0	19.7	26.7
Percentage of ODA to landlocked countries	14.2	18.3	14.0	18.1
Percentage of ODA to small island developing states	8.0	7.6	7.7	4.1
Proportion of multilateral ODA (percentage of total net ODA)	13.4	14.5	28.5	26.6
Percentage of bilateral aid that is untied	55.5	78.9	95.3	88.6

* *Calculated on a 2-year average basis, for 1997-98, 1999-2000 and 2001-02*

Source: OECD

years, Dutch net ODA to the least developed countries, as a percentage of GNI, has been well above the 0.15% target set by the UN (Table 1). At present, the Netherlands has 36 so-called partner countries,[2] including 15 least developed countries, 14 countries in Sub-Saharan Africa, 14 landlocked countries and 1 small island developing state.

The Netherlands is supporting both economic and social sectors in the developing countries concerned. Over the last few years, there has been an increasing focus on basic social services (Table 1), reflecting the greater focus of the Dutch aid programme on education and health as conditions for sustainable economic development (see Chapter 5 on priority themes in Dutch development cooperation).

In implementing its development cooperation programme, the Netherlands is making use of bilateral, multilateral, civil society and private sector channels. The share of multilateral ODA rose substantially in the second half of the 1990s to stabilise between 2000 and 2002 (Table 1). The multilateral channel is considered to be effective, due to its economies of scale and pooling of knowledge and resources. The Netherlands is a major donor to a number of UN organisations as well as to the International Financial Institutions (IFIs). Dutch capital replenishments to the IFIs total EUR 825 million, in addition to reserve capital in the region of EUR 22 billion. Over the past five years the Netherlands has contributed some EUR 195 million a year to the multilateral funds, which provide concessional credits and grants to low-income countries.[3] Furthermore, the Netherlands contributes a multiyear total of around EUR 290 million to increase the concessionality of the IMF's Poverty Reduction and Growth Facility (PRGF) and to finance the Heavily Indebted Poor Countries (HIPC) initiative (see Section 2.3). Lastly, the Netherlands has contributed USD 2 million to the interest rate subsidy fund for post-conflict countries, which reduces the interest rate on loans to countries undergoing reconstruction.

In reaction to the growing debt burden of developing countries, the Netherlands decided in 1991 to abolish loans and henceforth to provide only grants in its bilateral programmes. The aid provided has been largely untied. At present, the Netherlands only has two programmes which are still formally tied to procurement in the Netherlands. Both programmes are supporting development-related export transactions by Dutch companies.[4] The reason why the proportion of untied bilateral aid commitments decreased in 2002 (Table 1) lies in a shift from annual to multi-year commitments for these two programmes.

2.1.2 *Challenges*

The Netherlands recognises that it should be able to adapt its development policy to changing external circumstances whenever necessary. By the time the present government took office, globalisation, proliferation of conflicts, migration and the ever-pressing need to eliminate global poverty were prompting a realignment of policy. The policy memorandum, entitled 'Mutual Interests, Mutual Responsibilities: Dutch development cooperation en route to 2015', presented in October 2003, outlines Dutch development cooperation policy for the coming years. In the memorandum, the government confirms the central role of sustainable poverty reduction in its policy, stating that the Millennium Development Goals are the means to achieve this objective. The Dutch government calls for the commitment of everyone involved in meeting the MDGs by 2015. It aims to boost quality and effectiveness of development cooperation, and plans to make Dutch efforts and results more visible.

One of the main policy priorities for the next four years is to seek partnerships with citizens, enterprises, knowledge and research institutes, civil society organisations and government authorities. In a partnership two or more parties combine their knowledge, skills and resources to achieve a common goal. Key features are complementarity, added value, shared responsibility and public support. New initiatives will be developed to promote cooperation with the private sector, with a view to public-private partnerships.

Another key policy priority is to step up efforts to pursue an integrated approach to foreign policy, in which development cooperation is combined with diplomacy, political dialogue, security policy, sustainable development policies, trade and market access. Part of this effort is the establishment of a Stability Fund that enables rapid decisions to be made on the funding of activities to promote peace, security and development in developing countries. The Netherlands also advocates making certain development-related activities in the area of peace and security ODA eligible (e.g. security sector reform in developing countries and peacekeeping operations carried out by developing countries in other developing countries).

Other policy priorities relate to aid effectiveness and will be discussed in section 3.1.

2.1.3 Supportive Environment/National Examples

The UN Millennium Declaration, the Monterrey Consensus on finance for development and the World Summit on Sustainable Development Plan of Implementation constitute the *international framework* for ODA. The Millennium Development Goals provide specific targets for all partners involved in the development effort. The Netherlands welcomes those donor countries that have set a time path for reaching the 0.7% ODA/GNI target in the coming years and will call upon others to follow suit. Initiatives led by the Netherlands and others within the European Union have led to EU member states agreeing collectively to reach an EU average of 0.39% by 2006 and, in the light of this goal, individually to strive to reach at least 0.33% ODA/GNI by the same date. The European Commission recently reported that the implementation of the commitment on ODA is 'well on track'. In spite of a difficult budgetary situation in many member states, the EU countries increased their ODA in 2002 by 5.8% in real terms compared to 2001, and provided 0.35% of their collective GNI.[5]

The International Financial Institutions (IFIs) have a role to play in setting and monitoring international standards and in providing conceptual and financial assistance to countries in an effective and efficient manner. As an active and constructive member, the Netherlands contributes to shaping the IFIs' policies in the fields of surveillance, programme lending and technical assistance. In the case of low-income countries in particular, Poverty Reduction Strategy Papers (PRSPs) are seen as the basis for the involvement of the IFIs. The Netherlands attaches great value to mutual coordination based on a clear division of labour between the IFIs, given their respective mandates and competencies. Collaboration with bilateral donors is also important to achieve synergy and to reduce the transaction costs of aid delivery at country level.

As for the *developing countries* themselves, an increasing number of them have made their development plans, including poverty reduction strategies, more concrete by setting explicit goals and time-frames. The Netherlands has been supporting the drafting process of such documents, for instance, by financing civil society consultations. The New Partnership for Africa's Development (NEPAD) should also be mentioned. The NEPAD initiative, which was the brainchild of a few prominent African Presidents, has been adopted by the African Union. It marks the advent of a new spirit of cooperation in Africa, in which African leaders are increasingly prepared to take responsibility for the state of governance in their countries. The Netherlands appreciates the initiative and considers the African Peer Review Mechanism (APRM) the most important component.

At home *in the Netherlands*, both political and public support for development cooperation have traditionally been strong. Having benefited from the Marshall programme for reconstructing Europe after World War II, the Dutch government started its own development cooperation programme as far back as the early 1950s. It was one of the founding members of the Development Assistance Committee (DAC) in 1960. Since 1973, the government's development cooperation programme has been implemented under the responsibility of a full cabinet minister. All political parties support the present level of ODA. A poll conducted in 2002 confirmed broad public support for maintaining the present budget as a minimum. Twenty-six percent were in favour of increasing the aid budget, the highest percentage in

25 years. On the other hand, a growing number of people (36% in 2002 against 29% in 1998) were not satisfied with the results of the aid spent.

2.2 Trade and Subsidies

2.2.1 Status and Trends

Trade can be a potent force for development and poverty reduction in developing countries. Promotion of trade liberalisation, a fair rule-based multilateral trading system and a level playing field undistorted by unjustified subsidies and trade-restrictive measures are important elements of MDG-8 (Target 12). Being a member state of the EU, the Netherlands does not implement a national trade and agricultural policy. This section therefore contains primarily EU data and refers to EU policies, but where appropriate gives the Dutch view on development challenges in these policy areas.

Agriculture is probably the most important economic sector from a development and poverty reduction perspective, in view of the many poor people involved and the comparative advantage of most developing countries. Their agricultural production and potential in many product categories are affected by high tariffs, trade-distorting subsidies and sometimes unnecessarily restrictive sanitary and phyto-sanitary measures, in particular in developed countries. Earlier reform of the EU Common Agricultural Policy (CAP) and the disciplining of agricultural policies in the WTO Agriculture Agreement have started to improve developing countries' trade opportunities in recent years but more needs to be done.

Table 2. Trade and Subsidies

Indicators	1990	1995	2000	2002
• Percentage of EU imports (by value and excluding arms and oil) from developing countries (excluding LDCs) admitted free of duties	-	33.6*	52.4	47,0
• Percentage of EU imports (by value and excluding arms and oil) from LDCs, admitted free of duties	-	94.0*	97.5	96.7
• Average tariffs imposed by the EU on:				
a. Agricultural products				
- Developing countries (excluding LDCs)	-	13.4*	11.7	11.1
- LDCs	-	3.3*	3.0	2.2
b. Textile products				
- Developing countries (excluding LDCs)	-	6.9*	6.2	5.4
- LDCs	-	0.0*	0.0	0.2
c. Clothing products				
- Developing countries (excluding LDCs)	-	10.6*	10.2	9.6
- LDCs	-	0.0*	0.0	0.9
• Agricultural producer support estimate for the EU as percentage of GDP	2.2	1.7	1.3	1.3
• Agricultural producer support estimate for the EU, in volume (USD billion)	132.8	145.9	100.1	112.6
• Percentage of total bilateral, sector-allocable ODA provided to help build trade policy capacity			0.2**	0.1
• Percentage of total bilateral, sector-allocable ODA provided to help build trade capacity			1.5**	1.3

* 1996 ** 2001

Source: OECD, WTO

In value terms the EU is by far the biggest importer of agricultural products from developing countries. Under the EU's Everything But Arms (EBA) initiative, products from the 49 least developed countries now enjoy tariff and quota free access (with transitional periods for sugar, rice and bananas). Further, the EU has significantly reduced the trade-distorting effects of its domestic support through the CAP reforms agreed on in June 2003 and April 2004. Subsidies have been capped and (partially) decoupled from production and will over time be effectively reduced within an EU of 25 member states.

Market access was not part of the internal "Luxembourg" reform. Tariffs (including specific tariffs), management of tariff rate quota and safeguard measures are matters for the WTO negotiations. The average EU tariffs on imports of agricultural products from least developed countries and other developing countries are shown in Table 2 and Annex 2. These aggregated figures partly conceal the varying tariff treatment of products of particular interest to developing countries, which is also determined by preferences based on geographical origin. According to UNCTAD, developing countries (not including LDCs) face peak tariffs (>12%) in the EU on 44% of all agricultural product categories.[6] This is relatively high compared to the percentages of 19% in the US, 10% in Japan and 11% in Canada. Tariff escalation (tariffs for processed products higher than for primary products) is another obstacle to adding value locally and (industrial) development that needs to be tacked in the WTO. Many developed and developing countries apply tariff escalation. To illustrate, a recent WTO study compared tariffs and tariff escalation for fresh and preserved crustaceans.[7] The tariff escalation rate in the EU is 60%, compared to 111% in Japan, 110% in the US and 18% in Canada. Some developing countries have similar escalation rates, e.g. 48% in Brazil.

The most trade-distorting agricultural policy is export support in all its forms. Unsubsidised producers in developing countries face unfair competition from subsidised exports of high cost surplus production from developed countries. This occurs not only on their local markets but also on third markets, be it through export subsidies, officially supported export credits, state trading enterprises or food aid. These types of support shield protected producers from market signals and drive down world market prices. Consumers in developing countries may benefit in the short term but farmers in developing countries suffer, and this and other factors prevent them from realising their full growth potential. European products which receive export subsidies include dairy products, sugar, beef, cereals and rice. Partly as a result of the WTO Agriculture Agreement the EU had reduced its agricultural export subsidies by 47% in the marketing year 2001/02 compared to 1995/96.[8]

Non-tariff barriers may also affect export opportunities for agricultural and food products from developing countries. Genuine non-trade concerns in developed countries in the areas of food safety, animal welfare and consumer information are political priorities for the Dutch government and others. There is, however, a risk that stringent non-tariff measures in these areas could have trade-restrictive effects. Many developing countries' exporters find it difficult and costly to adapt to constantly changing standards and regulations. There is a ongoing international debate on the necessity and feasibility of such measures and the outcome of the balancing of the various interests involved. The SPS and TBT Committees of the WTO hold heated discussions on the extent to which proposed measures are WTO compatible and on the appropriate balance, with WTO panels and the Appellate Body as the ultimate arbiter in specific disputes.

For decades, production and trade *of textiles and clothing products* from developing countries have been affected by quota restrictions, (peak) tariffs and tariff escalation in developed countries. In 2002, the average EU tariff on clothing imported from developing countries (not including LDCs) was 9.6%, compared to 10.1% in Japan, 12.7% in the US, 16.5% in Canada and 23.6% in Australia (see Annex 2). The EU does not apply tariff peaks on imported textiles and clothing, but others do. Examples include both developed and developing countries: US 17%, Canada 42%, Malaysia 44% and Brazil 93%.[9] Tariff escalation in this sector has been a particular obstacle for least developed and other developing countries. Tariffs for labour-intensive garments, for instance, are usually considerably higher than for yarn and cloth. In the EU the current MFN tariff for yarn is 5.0% and 12.6% for garments, compared to 4.5% and 6.2% in the US, 9.5% and 12.5% in Canada and 3.5% and 12.4% in Japan.[10]

With the abolition of the MultiFibre Agreement (MFA) on 1 January 2005, developing countries will no longer face export quota in developed country markets. The end of MFA quota, however, also ends more or less guaranteed market shares and quota rent and hence implies less preferential treatment for smaller suppliers who will face stiffer competition. EBA has offered least developed countries[11] quota and duty-free access to the EU since 2001. After 2005 the remaining preferential treatment for least developed countries will be zero duties. Because of the complexity of preferential rules of origin, however, many least developed countries find it difficult to profit from preferential access under EBA.

2.2.2 *Challenges*

The Netherlands shares the EU view that continuation of CAP reform along the lines agreed in June 2003 will have significant benefits for developing countries. Products like sugar, cotton, dairy products, tobacco, rice and fruit and vegetables are of particular importance to many developing countries. WTO negotiations and forthcoming internal reforms for these products should take the interests of developing countries concerned fully into account. The serious development problems caused by trade-distorting subsidies have been highlighted by the Cotton Initiative of the poorest West African countries in the Doha round. The Netherlands advocates significantly reducing trade-distorting support (directly linked to production) and custom duties, and abolishing all forms of export support worldwide. In all three areas, the Netherlands supports additional efforts in the case of products of particular relevance to developing countries. Such efforts could, for instance, result in cotton-specific provisions with accelerated implementation within a new WTO agriculture agreement.

Regarding EU cotton reform, the Netherlands has advocated full decoupling of domestic support so that EU subsidies will have minimal trade-distorting effects. Future EU sugar reform should lead to a restructuring of sugar production within the EU and a more competitive and market oriented industry. Gradual but substantial price cuts – with decoupled income compensation to farmers – should drive this process. This should end EU sugar exports and create opportunities for competitive developing country sugar exporters on third markets. Traditional ACP raw sugar suppliers, including least developed countries, should receive partial and temporary compensation.

The EU has tabled several proposals in the Doha round that address concerns of developing countries in agriculture. On export support, the Commission has offered to eliminate export subsidies on products (without a priori exclusions) of interest to developing countries. Recently the Commission has offered to phase out export subsidies on all products if an acceptable outcome emerges also on market access and domestic support.[12] The EU insists on similar treatment of other forms of trade-distorting export support, i.e. officially supported export credits, food aid and state trading agencies. In an earlier policy document,[13] the Dutch government has suggested the elimination of all these forms of export support by 2013-2015 as part and parcel of a balanced WTO agricultural agreement.

On market access, the EU favours a “blended formula” for tariff negotiations since it provides flexibility to take account of sensitive EU products and the precarious position of commodity-dependent preferential suppliers to the EU market. The EU proposes that developed countries should make the largest contribution in market access, but expects more advanced developing countries to improve access to their markets as well, in particular for least developed countries. In addition, the Netherlands favours targeted improvements in market access for typical developing country products (such as rice, cotton, sugar, tobacco and certain fruits and vegetables). On domestic support, the EU accepts significant reduction commitments within the existing framework of the amber and blue boxes.[14] In order to minimise the impact of trade-distorting domestic support on developing countries, the Netherlands has suggested additional reductions for products of particular relevance to developing countries.

Concerning SPS measures, the Netherlands wishes the impact on developing countries to be taken into account fully when new measures are being designed and implemented. Technical and financial assistance should be offered to developing countries if mandatory national SPS measures go beyond international standards and have negative consequences for developing countries. The Netherlands is also in favour of simplification and relaxation of the preferential rules of origin, to increase the effectiveness of the General System of Preferences (GSP), including EBA. In the upcoming reform of the EU's GSP, the Netherlands advocates differentiation based on the development level of beneficiary countries. Administrative procedures should be simplified as well. Moreover, preferential systems for least developed countries like EBA should be bound within WTO. EU tariffs on textiles and clothing from other developing countries should be further reduced as part of a meaningful tariff package for non-agricultural products in the Doha round.

2.2.3 Supportive Environment/National Examples

In order to negotiate successfully for better market access and to benefit from new trading opportunities, developing countries need to build capacity to negotiate and implement WTO agreements and regulations. In addition, they need to strengthen their supply-side capacity and tackle infrastructure and marketing constraints. The Netherlands recognises this dual challenge and therefore actively supports developing countries in their efforts, through bilateral and multilateral channels. In 2002, the Netherlands committed EUR 27.3 million to trade-related capacity building.[15] The percentage for trade-related ODA in 2002 declined slightly compared to 2001 (Table 2). In absolute terms trade-related ODA remained more or less stable (EUR 27.4 million in 2001). These figures come from the Doha Database and should be treated with a certain amount of caution because of multi-annual commitments and definitional problems in identifying trade components in aid projects.

The Netherlands primarily uses the multilateral channel in this area, in particular the Integrated Framework and the Joint Integrated Technical Assistance Programme (JITAP). These programmes aim to enhance trade as an integral part of development strategies for least developed and other low-income countries. In the area of trade regulations and negotiating capacity, Dutch contributions include the WTO Doha Development Global Trust Fund, the Advisory Centre on

WTO Law and several international NGOs that advise developing countries in specific areas such as intellectual property protection. In 2003-04, the Netherlands supported African cotton-producing countries in making their case in the Doha round. Annual support is also given to research and training activities in trade by the World Bank Trade Department and the World Bank Institute. The Netherlands attaches importance to stimulating national trade policy debate in developing countries by supporting non-state actors in developing countries, such as academia (the African Economic Research Consortium), farmers' organisations and NGOs.

Bilaterally, there has always been a focus on assisting business sector export activities through the Centre for the Promotion of Imports from Developing Countries (CBI)[16] and the International Trade Centre (together more than EUR 10 million). Recently, activities have broadened to include improvements to the enabling environment for the private sector and to address specific constraints. Customised programmes are being developed in 20 partner countries with activities to support employers' organisations and Chambers of Commerce and efforts to strengthen the financial sector, fight corruption and train customs and tax officials. In 2003, a multi-annual project was set up – in partnership with the private sector – to enhance institutional capacity in the area of sanitary and phyto-sanitary measures in several partner countries.

2.3 Debt

2.3.1 Status and Trends

Many developing countries have become heavily indebted over the past decades and can never reach the MDGs without debt relief. Target 15 of MDG-8 therefore calls on creditor countries to deal comprehensively with these debt problems in order to make debts of developing countries sustainable in the long term. The most important platform to discuss these debts is the Paris Club. Debt rescheduling and debt cancellation, for both commercial loans and loans that were provided as part of development cooperation, are offered after an agreement between the Paris Club members and a country that has requested debt relief. Since 2000, the percentage of debt forgiveness as part of ODA disbursement in the Netherlands has considerably increased, mainly due to the (enhanced) Highly Indebted Poor Countries (HIPC) initiative and rescheduling for some large debtor countries (Table 3). The enhanced HIPC initiative provides an eligible group of low-income countries more favourable terms for debt reduction.

In 2003, Dutch policy on debt relief over the period 1990-1999 was evaluated by the independent Policy and Operations Evaluation Department of the Ministry of Foreign Affairs. One of the conclusions was that, even though substantial amounts of debt were cancelled prior to the HIPC initiative, a coherent Netherlands policy on debt relief for the poorest countries was only developed towards the end of the 1990s when the HIPC initiative came into being. The study also concluded, on the basis of eight debt relief country studies, that low-income countries have difficulty in breaking through the vicious circle of unsustainable debts -> substantial debt relief -> attracting new loans -> new unsustainable debts.[17]

2.3.2 *Challenges*

On the basis of this last conclusion, the Netherlands has initiated and supported initiatives to break this vicious circle. At present, the focus is too much on debt relief when a situation of unsustainable debts has been reached, while more needs to be done to prevent developing countries from acquiring new unsustainable debts. The Netherlands therefore supports the initiative of the IMF and World Bank to develop an improved debt sustainability analysis (DSA). The new DSA includes more indicators for debt sustainability as well as a country-specific (instead of general) analysis. It will also take other non-financial policy indicators (good governance, institutional strengths, etc.) and stress (shocks) into consideration. The analysis can be useful for both debtor and creditor countries as well as multilateral institutions. It may help to determine the financing modalities (amount of new loans) a debtor country can accept while maintaining a sustainable debt position.

Improved debt management may also prevent new unsustainable debts. Various institutions offer programmes to strengthen developing countries' capacity to manage their debts. The Netherlands supports the UNCTAD Debt Management and Financial Analysis

Table 3. Debt

Indicators	1990	1995	2000	2002
• Debt forgiveness as a percentage of ODA	4.6	5.4	3.2	8.9
• Percentage of ODA provided to HIPC countries	28.3	26.4	23.5	32.5

Source: OECD

System (DMFAS) Programme for developing countries and the debt management programme of the Macro-economic Financial Management Institute of Eastern and Southern Africa (MEFMI). Coordination between all the institutions that provide debt management support remains a challenge.

Another challenge is to prevent 'adverse selection' in debt relief. The Netherlands favours policies whereby countries with a good track record on governance benefit most from debt relief.

2.3.3 Supportive Environment/National Examples

The Netherlands does not favour loans to highly-indebted low-income countries. All bilateral assistance is therefore offered in the form of grants. The Netherlands has also been supportive to IDA, the WB window for grants and highly concessional loans for low-income countries. The Netherlands prefers low-income countries with sustainable debts to only be offered grants instead of loans from IDA.

In addition to internationally agreed debt relief to HIPC countries, the Netherlands has provided extra debt relief to these countries. On an ad hoc basis, the Netherlands has also cancelled ODA loans to non-HIPC countries. The Netherlands contributes regularly to the HIPC Trust Fund for the reduction of multilateral debts. It has also contributed to country-specific HIPC funds (Bolivia, Tanzania, Honduras, Burkina Faso) and has supported some multilateral institutions (IFAD, AfDB) in the HIPC initiative.

2.4 Environmental Sustainability

2.4.1 Status and Trends

MDG 7 aims to ensure environmental sustainability, including integration of the principles of sustainable development into country policies and programmes and reversal of the loss of environmental resources (Target 9). The Netherlands has a tradition of National Environmental Policy Planning (NEPP) with long-term quantitative objectives. It has developed an integrated approach to the economic, sociocultural and ecological aspects of sustainable development. The latest national plan (NEPP 4 of 2002) closely considers the interaction between these three dimensions. The plan has a strong emphasis on global environmental issues, thus taking into account international development considerations.

Over the past decade, a number of international environmental initiatives have been taken to reverse the present trends of global warming, environmental degradation and biodiversity loss. The Netherlands helped to shape the *Kyoto Protocol*, which it signed in 1998. It has achieved a relative decoupling of economic growth and growth of CO_2 emissions, largely due to a 14% decrease in the energy intensity of the Dutch economy between 1990 and 2000. The Kyoto target is to reduce the weighted sum of Kyoto greenhouse gas (GHG) emissions by 5.2% of their 1990 levels between 2008 and 2012. The Netherlands believes that it may be able to achieve this through domestic and international measures. The first national measures to be taken are non-fiscal (no regret) measures (i.e. energy conservation in all major sectors, increased use of renewable natural resources, cost-effective control of non-CO_2 GHG emissions). If this package is insufficient for the realisation of the domestic target, additional measures can be drawn from the 'reserve' package (i.e. increased regulatory energy tax and/or excise duties on motor fuels). The Netherlands seeks to realise 50% of the Kyoto commitments abroad. The Kyoto Protocol includes the Clean Development Mechanism (CDM) that enables industrialised countries to finance emission-reduction projects in developing countries and receive credit for doing so. The Netherlands has so far commissioned approximately 80 CDM projects (aiming at 67 million tons of CO_2 emissions).

The Netherlands has ratified all major international agreements concerning nature protection and biodiversity, including the Convention on Biological Diversity (CBD; on preservation of biodiversity), the Cartagena Protocol on Biosafety (on genetically modified organisms), the Convention to Combat Desertification, the Ramsar Convention (on wetlands) and the Convention on the International Trade in Endangered Species (CITES). The Netherlands is a densely populated country. One tenth of the land is covered with forest and one twentieth of the surface area is protected to maintain biological diversity (Table 4). Of the known species of mammals, 16% were

Table 4. Environment

Indicators	1990	1995	2000	2002
• Percentage of land area covered by forest (1)	10.8	10.9	11.1	11.2*
• Percentage of surface area protected to maintain biological diversity (2)				5.2**
• Energy use (kg oil equivalent) per USD 1000 (PPP) GDP (3)	245	217	177	
• Carbon dioxide emissions (metric ton per capita) (4)	10.7	11.2	10.9	
• Public waste water treatment (percentage of households served) (5)	100	100	100	100

* *estimate*

** 2003

Sources: UNSTAT (1, 5), UNEP-WCMC (IUCN cat. 1-5) (2), WB (3, 4).

threatened with extinction in 2000.[18] The percentage of threatened bird species was 27% and the percentage of threatened commercial fish species as high as 82%. The remaining indigenous nature and biodiversity needs to be preserved, and is subject to comprehensive national planning. The Dutch government is establishing a National Ecological Network that has to cover 17% of the land area by 2018.

The 2002 Plan of Implementation of the World Summit on Sustainable Development (WSSD) specifies a number of environmental targets in conjunction with MDG-7. One of them concerns water supply and sanitation, and states that the number of people without access to safe drinking water and sanitation should be halved by 2015. Obviously this is not a domestic concern to the Netherlands, as more or less the entire population is already connected to tap water and a sewerage system. In developing countries access to clean drinking water and sanitation is still a huge problem. Water is therefore one of the priority themes of Dutch development cooperation (programmes on water supply and sanitation amount to some EUR 70 million per year).

Another WSSD target states that, by 2020, chemicals should be used and produced in ways that minimise adverse effects on human health and the environment. A strategic approach to international chemicals management (SAICM) should be in place by 2005. The Netherlands is strongly committed to this WSSD target, as well as to other international agreements on chemicals, such as the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemical and Pesticides in International Trade, the Stockholm Convention on Persistent Organic Pollutants, the Montreal Protocol on substances that deplete the ozone layer, and the Protocol on long range transboundary air pollution. As a member state the Netherlands is committed to present EU efforts to develop legislation on Registration, Evaluation and Authorisation of Chemicals (REACH).

A third WSSD target states that, by 2015, measures should have been agreed to restore depleted stocks and put fisheries on a sustainable basis. In the case of the Netherlands this target refers to the Common Fisheries Policy (CFP) of the EU. In 2001 the European Commission concluded in a green paper on the future of the CFP that almost twenty years after its inception the CFP has not delivered sustainable exploitation of fisheries resources. Many stocks are at present outside safe biological limits, and if current trends continue many stocks will collapse.[19]

2.4.2 *Challenges*

The Netherlands attaches importance to the entry into force of the Kyoto Protocol. It therefore considers ratification by additional countries as an important challenge.[20] International discussions focus on the high cost of Kyoto policies. Cost-effectiveness of climate change protection is a priority in Dutch policymaking. Experience indicates that costs may be offset by benefits. In 2010 the net costs of the 'basic package' (see Section 2.4.1) are projected to be around EUR 450 million per year. Energy savings in the transport sector (EUR 215 million) would partially offset the costs of energy-efficiency improvements (EUR 600 million) and of controlling non-CO2 GHG emissions. The introduction of an EU emission trading scheme and national allocation of emission rights will strengthen cost-effective reduction of national emissions. As for the costs of international CDM projects, the Netherlands has learnt that transaction costs (e.g. validation, certification, credit, purchasing contract) often exceed benefits, especially in the case of smaller projects. Moreover, CDM projects may take up to 2 years to develop and require capacity building in the host country to achieve effective implementation.

Establishing the National Ecological Network is a domestic biodiversity challenge. The expansion of this network is presently below the target set to meet the objectives of completion in 2018. Land scarcity and high land prices hamper the realisation of this target. Biodiversity loss is another problem. It has been halted in some ecosystems, such as breeding habitats for migrating birds on farmland and woodland. Open spaces are relatively intact, but they are experiencing increasing pressure from urbanisation. Overall, only 10% of Dutch natural areas are fully protected against acidification and eutrophication compared with the 2010 national target of 20-30%.

Sustainable fisheries requires both a sustainable Common Fisheries Policy for European waters, and a coherent EU policy towards bilateral fisheries agreements with developing countries. As the abovementioned European Commission green paper states, such agreements should meet developing countries' requirements and aspirations to develop their own fisheries. The Community's ambition should be to join with partner coastal states in building a sustainable fisheries framework where Community interests have a positive role to play, including, if possible, fishing opportunities for its vessels. In December 2002 the Commission reconfirmed this in a communication on an integrated framework for fisheries partnership agreements with third countries.[21] Such agreements should be based on the principles of the CFP, e.g. establishing fisheries policies that are economically, socially and environmentally sustainable, and that are based on the best available scientific data. The Netherlands aims to have the Council conclusions of 1997 on EC Fisheries Partnership Agreements updated under its presidency in the latter half of 2004.

2.4.3 *Supportive Environment/National Examples*

As part of the 0.8% ODA/GNI, the Netherlands has targeted 0.1% on environmental issues to honour its UNCED92 commitment. Most environmental funding is provided through bilateral arrangements. A smaller part passes through multilateral funding mechanisms such as the Global Environmental Facility and the International Financing Institutes. The Netherlands also contributes to the UN Environmental Programme (UNEP), the environmental programmes of the UN Development Programme (UNDP) and the OECD chemicals programme.

The 2002 Plan of Implementation of the WSSD has led to a Dutch Sustainable Action Programme with an international and a national dimension.[22] The international part deals with the five priority themes identified by the Secretary-General of the United Nations in the run-up to Johannesburg: water, energy, health, agriculture and biodiversity (WEHAB). In addition, it focuses on making trade and investment more sustainable in order to guarantee consistency between the WSSD follow-up, Financing for Development, and the current WTO round. An integrated approach is required. Pro-poor growth must not be promoted at the expense of natural resource conservation or biodiversity. And conversely, concern about conservation and the environment must not lead to the fight against poverty taking second place. In line with the WSSD, the Netherlands attaches importance to the integration of environmental issues in PRSPs. Establishing adequate environmental governance in developing countries is supported through bilateral programmes.

2.5 Productive Work for Youth

One of the targets of MDG-8 concerns developing and implementing strategies for decent and productive work for youth, in cooperation with developing countries (Target 16). Only a few developing countries have reliable data on youth unemployment rates. There is, however, general agreement on a trend of high and rising youth unemployment in developing countries, especially in Africa. A survey in South Africa indicated that the unemployment rate among 15 to 24 year olds had risen above 60% in 2001, with young black women being hardest hit. The survey also showed that the number of youth classified as ‘lost’ or ‘at risk of marginalization’ was increasing rapidly.[23]

The *challenges* are legion, as young people in developing countries face significant obstacles in their search for jobs. Many do not have any formal schooling at all. They may at best find some casual work in the informal sector. Those who have formal schooling face other obstacles, e.g. school curricula are not always in line with the demands of the labour market; there is scarcely any basic vocational training; there are insufficient apprenticeship systems to make the transition from school to work; the business sector does not do enough to help young people enter the labour market either as employees or starting entrepreneurs.

The Netherlands has contributed to multilateral initiatives such as the UN Youth Employment Network (YEN) via its Partnership Programme with ILO[24] and the Youth Employment Summit network focusing on Africa and Eastern Europe. The Netherlands has a bilateral programme on youth employment in one partner country, namely South Africa. It supports, for instance, the South African Youth Development Network that provides young people with access to labour markets, entrepreneurial training, apprenticeship programmes and sources of credit.

2.6 Affordable Essential Drugs

Target 17 of MDG8 deals with the provision, in cooperation with pharmaceutical companies, of access to affordable, essential drugs in developing countries. The cost of pharmaceutical products is an important concern for developing countries because most poor people in those countries pay out-of-pocket for their own drugs, and state provision is normally selective and resource-constrained. Patents are one of the main reasons for the high prices of many pharmaceuticals. Extensive evidence shows that prices fall quite steeply as soon as drugs go off patent, especially when there are more generic competitors.

Most low-income countries have to rely on imports for their pharmaceutical supplies. On 30 August 2003 the WTO agreed on a system that gives WTO members with insufficient or no production capacity for generic medicines the possibility to import those medicines under compulsory licensing. The WTO decision is an important step towards affordable drugs for developing countries. The Netherlands is working on national implementation of the decision. All WTO members have to implement the WTO decision on compulsory licensing swiftly and effectively. In addition, the WTO decision needs to be integrated in the TRIPS Agreement by means of an amendment. The *challenge* is to make the system workable, meaning that developing countries are able to import cheap medicines without facing overcomplicated procedures and conditions.

Not only the cost of medicines but also the actual research and development (R&D) of appropriate drugs is a concern to developing countries and a challenge to all. Regardless of the intellectual property regime prevailing in these countries, there are no commercial incentives for pharmaceutical companies to undertake research on drugs that are of specific relevance to poor people without purchasing power. So, very little R&D is done on drugs for poverty-related diseases. The WHO, at the request of the Dutch government, is carry-

ing out a research project that will identify international research priorities to bridge this gap. The findings will inform the recently established WHO Commission on Intellectual Property, Innovation and Public Health, among others.
In the area of R&D, the Dutch government has also been supporting the 'European and Developing Countries Clinical Trials Partnership' (EDCTP). This programme aims to make new medicines and vaccines for HIV/AIDS, Malaria and TB available in Sub-Saharan Africa by coordinating clinical research and building clinical research capacity in Africa. Other R&D initiatives on essential drugs and vaccines supported by the Netherlands are the International AIDS Vaccine Initiative, the European Malaria Vaccine Initiative, the Medicines for Malaria Venture, the Global Alliance for TB Drugs Development and the International Partnership on Microbicides.

The Netherlands also contributes to international health initiatives such as the Roll Back Malaria Partnership, the STOP TB Partnership, the Global Alliance for Vaccines and Immunization, and the Global Fund to Fight AIDS, TB and Malaria. Finally, access to affordable essential drugs features in bilateral programmes. It is often part of the national health policy of partner countries that receive Dutch budget support for their health sector. In addition, the Netherlands finances specific programmes, like an emergency programme in Ethiopia to tackle the recent malaria epidemic. It promotes the distribution and use of condoms and other contraceptive devices by supporting the United Nations Fund for Population Activities (UNFPA) and Population Services International (PSI) in a number of partner countries. Financial and technical support is also given to private sector initiatives and local government programmes to expand the provision of Anti-Retrovirals (ARVs).

2.7 New Technologies

The Netherlands supports the conclusion of the World Summit on the Information Society (WSIS) that Information and Communication Technologies (ICT) is an important tool in achieving the MDGs. The first WSIS took place in Geneva in 2003. It adopted a Declaration of Principles and a Plan of Action. The second conference will take place in Tunis in November 2005. The main *challenges* are to implement the Plan of Action, to agree on the future management of internet, and to agree on the creation of a voluntary Digital Solidarity Fund. The Netherlands will pursue progress on these issues during its presidency of the European Union in the second half of 2004.

Together with the United Kingdom and Switzerland, the Netherlands is co-funding the International Institute for Communications and Development (IICD). IICD organises round table meetings in developing countries to identify the demand for ICT in relation to poverty reduction and to apply ICT in this area. As in many other priority areas of development cooperation, the Netherlands is also looking for ICT partnerships. A dialogue with civil society organisations and the business community in the Netherlands started in 2003, the aim being to formulate a concrete policy framework for collaboration.

Other Official and Non-Official Resource Flows

3

3.1 Remittances by Migrants

3.1.1 Status and Trends

Migrants from developing countries transfer a considerable portion of their earnings to their country of origin. Up to one third of the Gross National Income of countries like Ghana and Eritrea consists of such remittances. According to the World Bank's Global Development Finance (GDF) Report of 2003, workers' remittances received by developing countries increased from USD 48 billion in 1995 to USD 80 billion in 2002. The GDF report estimates the remittances originating from migrants in the Netherlands at USD 1.5 billion in 2001. This is considerably more than mentioned in Table 5, and stems from using a broader definition.[25] According to the table, a substantial increase can also be observed for remittances sent home by migrants residing in the Netherlands. Between 1995 and 2002 the volume increased by almost 100% (Table 5). Within the same period of time the number of non-western migrants living in the Netherlands increased by 45%, from 1.1 million in 1995 to 1.6 million in 2002.[26] This implies a substantial increase in the remittances per migrant.

3.1.2 Challenges

Remittances are a positive effect of migration. They are used to buy consumer goods, to pay for basic needs, such as medical care and schooling, and to invest in productive and income-generating activities. The challenge to developed countries is to support developing countries in their efforts to create an enabling environment for

Table 5. Other Official and Non-Official Flows to Developing Countries

Indicators	1990	1995	2000	2002
• Volume of remittances by migrants (EUR million)		331**	568	653
• Volume of Other Official Flows to developing countries (USD million)	84.6	90.3	132.8	228.8
• Volume of foreign direct investment to developing countries (USD million)	1,183	3,322	5,444	1,674
• Foreign direct investment to developing countries as a percentage of GNI*	0.45	0.88	1.43	0.43
• Volume of grants by civil society organisations (USD million)	240	355	306	257
• Grants by civil society organisations as a percentage of GNI	0.09	0.09	0.08	0.06

* *Calculated on a 3-year average basis, for 1989-91, 1994-96, 1997-99 and 2000-02*

** 1996

Source: IMF, OECD, DNB

private investment and trade, so that remittances can contribute to more sustainable development.

The ability of temporary labour migrants to gain knowledge which they can subsequently apply upon return in their home country is another positive effect. Labour migration may, however, lead to *brain drain* when skilled people do not return to their home country. By building in sufficient incentives and guarantees that temporary labour migrants return after some years to their home country, this could be anticipated (brain circulation instead of brain drain).

3.1.3 Supportive Environment/National Examples

Developing countries benefit not only from free movement of goods, but also from free trade in labour-intensive services. This touches, however, on politically sensitive issues such as high national unemployment rates in developed countries. Negotiations take place in the WTO on the liberalisation of the services sector in the context of the General Agreement on Trade and Services (GATS). Within this framework, four modes of international supply of services have been identified. Mode 4 deals with the temporary movement of natural persons. At present there are more openings for capital-intensive service providers (e.g. banks, telecommunication and insurance companies) under the other modes than there are for labour-intensive services under mode 4. This is to the advantage of developed countries.

More than 40 countries have now tabled their offers on the liberalisation of their services markets. These proposals constitute a basis for bilateral negotiations. Many developing countries are of the view that they have a comparative advantage in mode 4, given their vast reserves of (semi-)skilled people who are willing to work temporarily in developed countries. Negotiations with developed countries will focus on how far they are willing to further open their services sectors to temporary migrants. In its initial offer (tabled 2003), the EU put forward more proposals concerning ‘mode 4’ than most other WTO members. The Netherlands considers the initial EU offer a good starting point for further negotiations.

3.2 Other Official Flows and Foreign Direct Investment

3.2.1 Status and Trends

The volume of Dutch Other Official Flows to developing countries has shown a steady increase over the past decade (Table 5). It partly consists of interest subsidies, which slowly decline because Dutch development cooperation no longer provides loans. An increasing part of the Other Official Flows concerns replenishment of the funds managed by the Netherlands Development Finance Company (FMO). FMO supports the private sector in developing countries and emerging markets with loans, participations, guarantees and other investment promotion activities. The company works closely together with local parties and commercial investors, such as international banks and companies. The goal is to contribute to sustainable economic growth in the countries concerned and, together with the private sector, obtain sound rates of return.

Foreign Direct Investment (FDI) is the biggest non-official resource flow to developing countries. FDI is, however, quite volatile, as shown by a fivefold increase of Dutch FDI to developing countries between 1990 and 2000, and a subsequent decrease to the level of the early 1990s over a two year period (Table 5).[27] FDI is also quite selective; only a limited number of developing countries are able to attract major foreign investors. In 2002, Africa's FDI inflows were worth only USD 11 billion or 1.7% of global FDI inflows.[28] Half of it went to 6 countries (Algeria, Angola, Chad, Nigeria and Tunisia); most of it was oil-related.

3.2.2 Challenges

FDI can generate economic growth, employment and export revenues in developing countries. It can also provide access to new and better technologies. Developing countries face two major challenges. The first is to attract FDI and the second is to optimise its development relevance. Whether or not foreign companies invest in a certain country depends on a number of factors, including existing or potential markets, the availability of adequate natural and human resources and the business climate. Other factors, such as the physical and social infrastructure, the legal environment and the quality of governance, also play an important role. In all of these aspects, Africa has been lagging behind other continents. However, UNCTAD recently concluded that the African investment climate is improving: African countries have liberalised regulatory regimes for FDI, addressing investors' concerns, privatising public enterprises and actively promoting investment.[29]

The development relevance of FDI depends on additional factors. Of special importance is the question whether generated revenues will be reinvested locally or transferred abroad. Whether or not the FDI will create permanent jobs and train local middle management are other important criteria. These factors are also related to government policies in the developing country concerned, e.g. in the areas of higher education and vocational training, labour laws, industrial policy, R&D, etc. Again, African countries are working on this, but most of them still have a long way to go.

3.2.3 Supportive Environment/National Examples

Dutch ODA is used to support private sector development in developing countries through a number of specialised Dutch institutions and programmes. In addition to CBI (see Section 2.1.3) and FMO (see Section 3.2.1) these are:

- the Emerging Markets Cooperation Programme (PSOM) which aims to stimulate investments and commercial cooperation between Netherlands and local companies in developing countries; and
- the Netherlands Management Cooperation Programme (PUM) which assigns retired managers on short-term contracts to enterprises in developing countries.

The Netherlands recognises that opportunities to promote direct investments in developing countries are primarily indirect. With this in mind, its efforts in the coming period will aim to strengthen the investment climate in the partner countries through enhanced bilateral aid, building well-balanced bilateral investment protection agreements and strictly implementing international agreements such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

The Dutch government will continue to promote corporate social responsibility, the effective application of the OECD Guidelines, and the role of NGOs in this, both at home and abroad. The OECD Guidelines will play an important part in fostering corporate social responsibility. The Netherlands will also promote the application of the Guidelines at the international level. Initiatives such as the Global Compact and the Global Reporting Initiative are potentially significant because they address industry directly. The Netherlands will explore at the international level whether and how the OECD Guidelines can be further developed in conjunction with voluntary initiatives such as the Global Compact and the Global Reporting Initiative, and how greater integration and synergy between these instruments can be achieved. This will of course be carried out in close consultation with the relevant international organisations, industry and NGOs.

3.3 Grants by Civil Society Organisations

3.3.1 Status and Trends

In the Netherlands, a large number of NGOs, foundations and other private voluntary organisations work in the field of development cooperation. According to the Dutch Central Bureau for Fundraising (CBF), 136 of such organisations were active in 2002. Table 5 shows that their grants totalled EUR 257 million. The figure refers to the funds these organisations were able to spend as a result of own fundraising activities. In addition, these organisations received government grants amounting to EUR 329 million in 2002.

3.3.2 Challenges

Sustainable poverty reduction and the development of civil society are inseparably connected. Governance must at least be reasonable if poverty reduction is to be sustainable. A well-organised civil society plays a crucial role in promoting such governance. In countries where reasonable governance is lacking, support to civil society by foreign civil society organisations is often the only way to improve the governance situation. Organisations such as political parties, trade unions, employers' organisations, pressure groups and other civil society organisations form the fabric of society by enabling people's participation in policy-making.

In view of this, the Dutch government aims to strengthen civil society in developing countries through autonomous Dutch and international civil society organisations. Funding programmes focus on those organisations that can make an effective contribution to sustainable poverty reduction. They are asked to submit result-based programme proposals, in order to strengthen the link between performance and the provision of public funds. Complementarity of aid channels (private, bilateral and multilateral) at recipient country level will also be strengthened.

3.3.3 Supportive Environment/National Examples

Development cooperation is deeply rooted in Dutch society. The national development cooperation goals and policies are formally approved by parliament. Parliamentarians are in close contact with Dutch special interest groups such as NGOs, private enterprises, municipalities, research institutes and universities. These groups use their parliamentary connections to further their own vision of Dutch development assistance. In addition, they have regular contact with the Minister for Development Cooperation, helping to shape policy through consultation.

The Dutch government supports the activities of development-oriented NGOs in a number of ways. The Cofinancing Programme channels 11% of the total aid budget to six Dutch NGOs (NOVIB, Cordaid, ICCO, Hivos, Plan Netherlands and Terre des Hommes). In 2002, the government also created the Theme-based Cofinancing Programme, which provides funding to both Dutch and other NGOs working on priority themes. NGOs also receive funding in the context of bilateral country programmes, and humanitarian aid is channelled through them.

Other Efforts vis-à-vis Developing Countries

4

4.1 Aid Effectiveness

The Netherlands has made a substantial effort to increase its aid effectiveness, following a two-pronged approach: limiting the number of partner countries eligible for bilateral aid and enhancing the quality of aid to these countries. In 1998, the number of countries eligible for bilateral aid was reduced for the first time. Selection criteria for the allocation of resources were the level of poverty and the quality of policy and governance in the recipient country. In order to be effective, Dutch development cooperation focused primarily on poor countries that were characterised by good governance and sound policy.

In 2003 the exercise was repeated, leading to a further reduction in the number of partner countries. A third element was introduced: added value provided by Dutch development cooperation. Important elements included complementarity and concentration. Complementarity is sought by generating added value through cooperation with other donor agencies, whether they are governments, multilateral agencies or civil society organisations. Concentration relates both to the number of partner countries and the number of sectors focused on in each partner country. Concentration can lead to greater efficiency through the pooling of manpower, knowledge and resources.

At present, the Netherlands has 36 partner countries, each with two, sometimes three sectors (see Section 2.1.1). The list is more poverty-focused than the previous listing and the weight of African countries has increased. In the past there were additional country lists for specific themes (e.g. on environmental cooperation), but these lists have been abolished and most developing countries concerned have been put on the partner country list.

Aid effectiveness has also been increased by enhancing the quality of aid and reducing transaction costs. The Netherlands belongs to a group of active partners promoting a transition from project to programme-based approaches such as SWAP and budget support in alignment with the PRSP. Programme-based approaches increase ownership by recipient countries. In addition, they lower transaction costs for these countries. Conditions for these aid modalities are a satisfactory policy and governance situation and assured accountability.

The quality of aid is further improved and transaction costs reduced by fostering donor coordination and alignment in recipient countries. This can take three forms: information sharing (partners communicate), strategic coordination (partners actively build consensus) and operational harmonisation (partners negotiate a contract for a joint programme; see example in Box 3). In February 2003, 28 developing countries and 49 donor organisations, including the Netherlands, endorsed the Rome Declaration on Harmonisation. The Declaration specifies the four main principles of harmonisation: recipient countries coordinate development assistance, donors align their aid with recipient countries' priorities and systems, donors streamline aid delivery and donors adopt policies, procedures and incentives that foster harmonisation.

In 2003, the Netherlands participated in a joint pilot mission with 7 other donors to Zambia, to explore opportunities for harmonising procedures in the field.[30] The mission formulated an action plan of progressive harmonisation. In April 2004, a follow-up mission reviewed the progress made thus far. There has been reasonable progress in some areas, like improved public finance management and increased pooling of funds, including silent partnerships. More attention should be given to the Zambia aid policy and to predictability of donor funds. One of the main results of the mission is that other donors (World Bank, UN and Germany) are now joining the newly developed action plan.

To measure progress in enhancing the effectiveness of aid, a results-based monitoring system is required. Over the last two years, the Netherlands has developed a monitoring system that will closely monitor project performance, sector performance and country performance for each partner country against the backdrop of that country's progress in reaching the MDG targets. The system will be up and running by mid-2004 and produce its first reports by the end of 2004.

Box 3. Harmonised Budget Support to Mozambique

The Netherlands is participating with 14 other donors in a budget support group for Mozambique. In early 2004, the government of Mozambique and the donor group signed a joint Memorandum of Understanding (MoU) for harmonised budget support of the donors involved. One of the donors is the World Bank, an important and influential provider of macro-economic support. The MoU specifies the performance framework, the dialogue between partners, the reporting and monitoring system, disbursement schedules and public finance arrangements. For all these subjects there is one common arrangement; separate donor requirements have been avoided as much as possible. The arrangement is based on the systems, rules, procedures and regulations of the Mozambique government. With this harmonised approach, donor behaviour and disbursements will become less volatile and more transparent and predictable. The administrative burden for the government of Mozambique will decrease considerably. The approach has already been appraised positively in the joint review of March/April 2004.

For the time being, harmonisation of disbursement, reporting and evaluation procedures remain a major challenge. A harmonisation action plan is being implemented in Zambia. More donors might be interested in joining in. The Zambia approach can also be replicated in other recipient countries. It is important not to follow a blueprint as every country requires a tailor-made action plan. Support must be provided both in the field and at donor headquarters, and feedback must be given by international institutions such as OECD/DAC, SPA and other willing partners.

Another challenge is to improve the quality of policy and governance in developing countries. As OECD/DAC and SPA studies show, many developing countries lack the policy and governance environment for sector and budget support. In such situations, a meaningful dialogue with all public and private actors may prove more effective than large amounts of financial aid.

4.2 Policy coherence for development

The Netherlands strongly believes that the combination of coherent policies (aid, trade, agriculture, etc.) in both developed and developing countries will have the greatest impact on the realisation of the MDGs. An open and fair, rule-based, predictable and non-discriminatory trading system is a key part of that common responsibility and quest to reduce global poverty. In this quest, development and poverty reduction are the objectives, while trade, aid and investment are the tools.

According to the OECD, policy coherence for development means taking account of the needs and interest of developing countries in the evolution of the global economy.[31] It involves the systematic promotion of mutual reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives. The United Nations Millennium Declaration of 2000 called upon developed countries to ensure adequate resources and policy coherence. The Monterrey Consensus commits developed countries to increased and more effective aid, along with policy coherence.

In 2001, the DAC commended the Netherlands for its long-standing active engagement on issues of policy coherence for development (DAC peer review). The DAC suggested some further improvements: a more systematic approach, sufficient analytical capacity, expansion of the issues covered and a more systematic policy dialogue with civil society on coherence issues. Since the review, coherence has gained an even more central position in Dutch development cooperation policies.

The last three governments have clearly articulated the importance of policy coherence for development. Improving trade opportunities and market access for developing countries in particular have been mentioned in government policy statements and play a key role in implementation. The government has a Minister for Development Cooperation with full cabinet status. Furthermore, other ministers and departments have become more closely involved in issues related to policy coherence for development. The Memorandum on Coherence between Agricultural and Development Policy, drafted jointly by the Minister of Agriculture and Minister for Development Cooperation, and presented to parliament in December 2002 (co-presenters being the Minister for Trade and the State Secretary for European Affairs), is an indication of this trend. The inclusion of the Minister for Development Cooperation in the Dutch delegation to the WTO Ministerial Conference in Cancún can also be seen in this perspective.

In 2002 the institutional capacity for policy coherence was enhanced. The Minister for Development Cooperation set up a Policy Coherence Unit, further expanding the capacity to analyse coherence issues and work on them. The unit, with five full-time staff, is directly positioned under the Director-General for International Cooperation, and operates in project teams with key players from other divisions in the ministry and other departments. Policy coherence for development is also becoming internalised as an approach in other ministries.

The project teams address a rolling list of topical coherence issues closely related to the international and EU agendas. At present the list includes four key policy areas. The first is agricultural reform, focusing on products such as sugar, cotton and rice that are of specific interest to developing countries. The second and third policy areas are implementation of the WTO-TRIPS agreement and external conditions for sustainable fisheries in developing countries. The last policy area is market access for developing countries in relation to non-tariff barriers.

The Directorate-General for International Cooperation is recognised by other departments as an equal partner in discussions on EU policy. It is a member of the Coordination Committee for European Affairs (CoCo), the interministerial body that prepares Dutch positions on all European policies and that reports directly to the Cabinet. Thus, the development and poverty perspective is taken into account in Dutch positions. The Directorate-General for International Cooperation has a similar task in an interministerial body that appraises new EU legislative proposals in all policy areas. This results in a more systematic approach, in particular regarding potential policy coherence issues on the EU agenda.

At the national level, achieving a ‘broad-based government approach’, in which development concerns are fully taken into account, remains a challenge. It requires a continuous effort by all departments concerned. Another remaining challenge is the policy dialogue with Dutch civil society on coherence issues. Ad hoc working relations have been established on several issues with Dutch, European and international NGOs. This experience can be used to intensify and broaden the dialogue in a more systematic way.

At the international level, the most relevant policy area is the competence of the European Union. Increased coalition building and collaboration with stakeholders in other member states is one of the key challenges in achieving tangible results in concrete EU policies and EU negotiating positions in relevant multilateral negotiations such as the WTO. At the suggestion of the Netherlands an Informal Network on Policy Coherence for Development (PCD) has been established. This network aims to facilitate closer collaboration between the main stakeholders on policy coherence in the member states (i.e. the Development Cooperation departments and/or the EU Coordination Departments) and the Commission (DG Development). The challenge is to make the PCD network operational and effective.

The Millennium Development Goals in Dutch Development Cooperation

Figure 1 shows the average annual bilateral ODA committed by the Netherlands in 2001-2002 to the various Millennium Development Goals and Targets. The chart was produced by the DAC Secretariat on the basis of data annually provided by the Netherlands.

All bilateral ODA shown in the chart addresses poverty reduction (MDG target 1), while slightly more than one quarter of Dutch bilateral ODA – some USD 965 million – directly addresses MDG targets 2 to 18 in addition. More than one third – some USD 1,348 million – addresses poverty reduction through general programmes and budget support and through support to non-governmental organisations. Much of this may directly address specific MDG targets but cannot be specified with the available data in the DAC/CRS system.

Of the ODA directly addressing MDG targets 2 to 18, major shares (>5%) go to education (Target 3, and part of 4 and 16: total 9.2%), health (Targets 5 to 8: total 5.2%) and environment, water and sanitation (Targets 9 to 11: total 6.1%). This is in line with current Dutch development policy. Given its limited resources, the government has chosen to concentrate on education, reproductive health (much to the regret of the Netherlands not an MDG target), HIV/AIDS and environment & water. The first three will be discussed briefly. Environment & water has already been discussed in Section 2.4.

It would be difficult to overestimate the importance of high quality primary education for a country's development. Education gives children prospects for the future and contributes to a better and fairer distribution of opportunities for the poor and to their social, economic and political empowerment. The Dutch government intends to spend 15% of its development budget on education during its current term of office, concentrating on literacy, primary education and basic vocational training.

Although reproductive health is not itself an MDG target, the MDGs and the Cairo Agenda[32] are indissolubly linked. The Netherlands is convinced that poverty can only be reduced if the Cairo Agenda is implemented. There is no simple blueprint for improving reproductive health. Cultural factors, including religious beliefs, play an important role in defining strategies of change. There is no need for a new Cairo agenda, but a new political elan to keep reproductive health high on the political agenda, and additional resources to implement that strategy. The Netherlands is prepared to set aside extra funding for this purpose.

To underline this policy priority, the Dutch Minister for Development Cooperation took the initiative of organising an international conference, in cooperation with UNFPA, on the influence of culture on sexuality and reproduction, under the title "Cairo and beyond" .

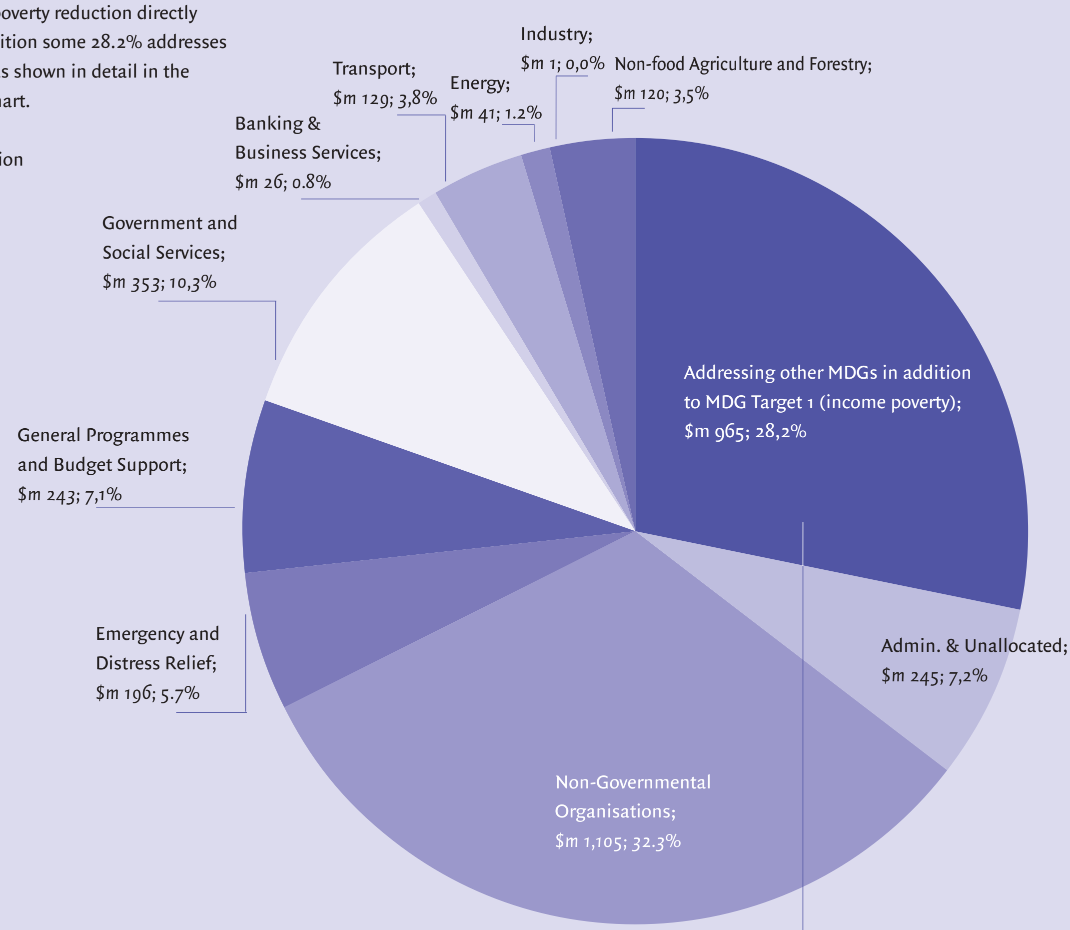
An estimated 42 million people are now infected with HIV, the virus that causes AIDS. Twenty million people have already died of the disease. HIV/AIDS affects a disproportionately large number of women and young people. Africa is hardest hit by the pandemic; as many as one in every five adults in the Southern African Development Community (SADC) region is HIV positive. If efforts to combat the disease are not stepped up, some 70 million people will be HIV infected in 2010. HIV/AIDS can no longer be regarded exclusively as a health problem. The AIDS pandemic slows down economic development and is threatening to undermine stability in those countries worst hit.

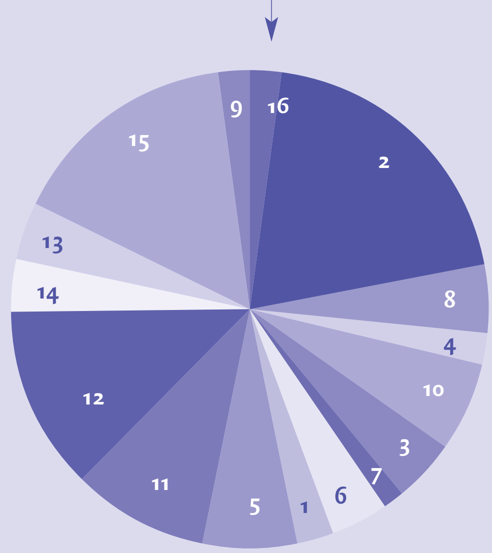
Given the severity of the problem and in response to calls from parliament, the Dutch government has prioritised the fight against HIV/AIDS. It intends to have doubled the 2002 level expenditures on AIDS, tuberculosis and malaria prevention strategies by 2007. At the same time it recognises that HIV/AIDS prevention is not merely a matter of money. It is also about awareness-raising, commitment and negotiations. The aim is to lift psychological, commercial and political barriers.

Figure 1. How ODA addresses the Millennium Development Goals and Targets
(Average annual bilateral ODA committed by the Netherlands to all countries in 2001-02)

All ODA addresses poverty reduction directly or indirectly. In addition some 28.2% addresses other MDG targets as shown in detail in the second pie of this chart.

Total USD 3424 million





MDG Goal & Target

1) MDG1 T2.
Hunger: Food Crops, Fishing & Development Food Aid; $m20; 0,6%

2) MDG2 T3.
Primary Education;
$m 192; 5,6%

3) MDG3 T4.
Gender Equality;
$m 46; 1,3%

4) MDG8 T16.
Youth Employment;
$m 20; 0,6%

5) T3.T4.T16.
Other Education (includes secondary and tertiary);
$m 57; 1.7%

6) MDG4 T5.
Child Mortality;
$m 43; 1.2%

7) MDG5 T6.
Maternal Health;
$m 15; 0.4%

8) MDG6 T7.
HIV/AIDS;
$m 38; 1.1%

9) MDG6 T8.
Malaria and Other Diseases;
$m 22; 0.7%

10) T5-T8.T17.
Other Health;
$m 61; 1.8%

11) MDG7 T9.
Environmental Sustainability;
$m 88; 2.6%

12) MDG7 T10.T11.
Water and Sanitation;
$m 120; 3.5%

13) MDG7 T11.
Housing & Slums;
$m 35; 1.0%

14) MDG8 T12.13.
Trade Capacity Building;
$m 38; 1.1%

15) MDG8 T15.
Debt Relief;
$m 150; 4.4%

16) MDG8 T18.
Communications;
$m 19; 0.6%

March 2003 Source: OECD - Creditor Reporting System

List of Acronyms

ACP	African, Caribbean & Pacific
AFDB	African Development Bank
AIDS	Acquired Immunodeficiency Syndrome
APRM	African Peer Review Mechanism
ARVs	Anti-RetroVirals
CAP	Common Agricultural Policy (EU)
CASE	Community Agency for Social Enquiry
CBD	Convention on Biological Diversity
CBF	Central Bureau for Fundraising
CBI	Centre for the Promotion of Imports from Developing Countries
CBS	Central Bureau of Statistics (Netherlands)
CDM	Clean Development Mechanism
CFP	Common Fisheries Policy (EU)
CITES	Convention on International Trade in Endangered Species
CoCo	Coordination Committee for European Affairs
CRS	Creditor Reporting System (OECD)
DAC	Development Assistance Committee (OECD)
DG Development	Directorate General for Development of the EU
DMFAS	Debt Management and Financial Analysis System
DNB	De Nederlandse Bank (Dutch Central Bank)
DSA	Debt Sustainability Analysis
EBA	Everything But Arms (EU)
EC	European Commission
ECA	Economic Commission for Africa
ECU	European Currency Unit
EDCTP	European and Developing Countries Clinical Trials Partnership
EHS	Environmental Health & Safety
EPR	Environmental Performance Review
EU	European Union
EUR	Euro
FAO	Food and Agriculture Organisation of the UN
FDI	Foreign Direct Investment
FMO	Netherlands Development Finance Company
GATS	General Agreement on Trade in Services
GDF	Global Development Finance
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GNI	Gross National Income
GSP	General System of Preferences
HIPC	Highly Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICT	Information and Communication Technologies
ICPD	International Conference on Population & Development

IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
IICD	International Institute for Communications and Development
IMF	International Monetary Fund
IPEC	International Programme on the Elimination of Child Labour
IUCN	World Conservation Union
JITAP	Joint Integrated Technical Assistance Programme
LDCs	Least Developed Countries
MDG	Millennium Development Goal
MEFMI	Macro-Economic Financial Management Institute of Eastern and Southern Africa
MFA	Multi Fibre Agreement
MFN	Most Favoured Nation
MoU	Memorandum of Understanding
MTN	Multilateral Trade Negotiations
NEPAD	New Partnership for Africa's Development
NEPP	National Environment Policy Planning
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation & Development
OECD/DAC	OECD Development Assistance Committee
PCD	Policy Coherence for Development
PPP	Purchasing Power Parities
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSI	Population Services International
PSOM	Emerging Markets Cooperation Programme
PUM	Netherlands Management Cooperation Programme
R&D	Research & Development
REACH	Registration, Evaluation and Authorisation of Chemicals
SADC	Southern African Development Community
SAICM	Strategic Approach to International Chemicals Management
SDT	Special and Differential Treatment
SPA	Strategic Partnership with Africa
SPS	Sanitary and Phytosanitary measures
SWAP	Sector Wide Approach
TB	Tuberculosis
TBT	Technical Barriers to Trade
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UN	United Nations

UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNCTAD-DMFAS	UNCTAD Debt Management Financial Analysis System programme
UNDP	UN Development Programme
UNEP	UN Environment Programme
UNFCC	United Nations Framework Convention on Climate Change
UNFPA	UN Population Fund
UNSD / UNSTAT	United Nations Statistics Division
USD	United States Dollar
WB	World Bank
WEHAB	Water, Energy, Health, Agriculture & Biodiversity
WHO	World Health Organisation
WSIS	World Summit on the Information Society
WSSD	World Summit on Sustainable Development
WTO	World Trade Organisation
YEN	Youth Employment Network (UN)

Annexes

Annex 1.

DAC Figures on Net ODA as Percentage of GNI in 2003.

Table: Net Official Development Assistance in 2003

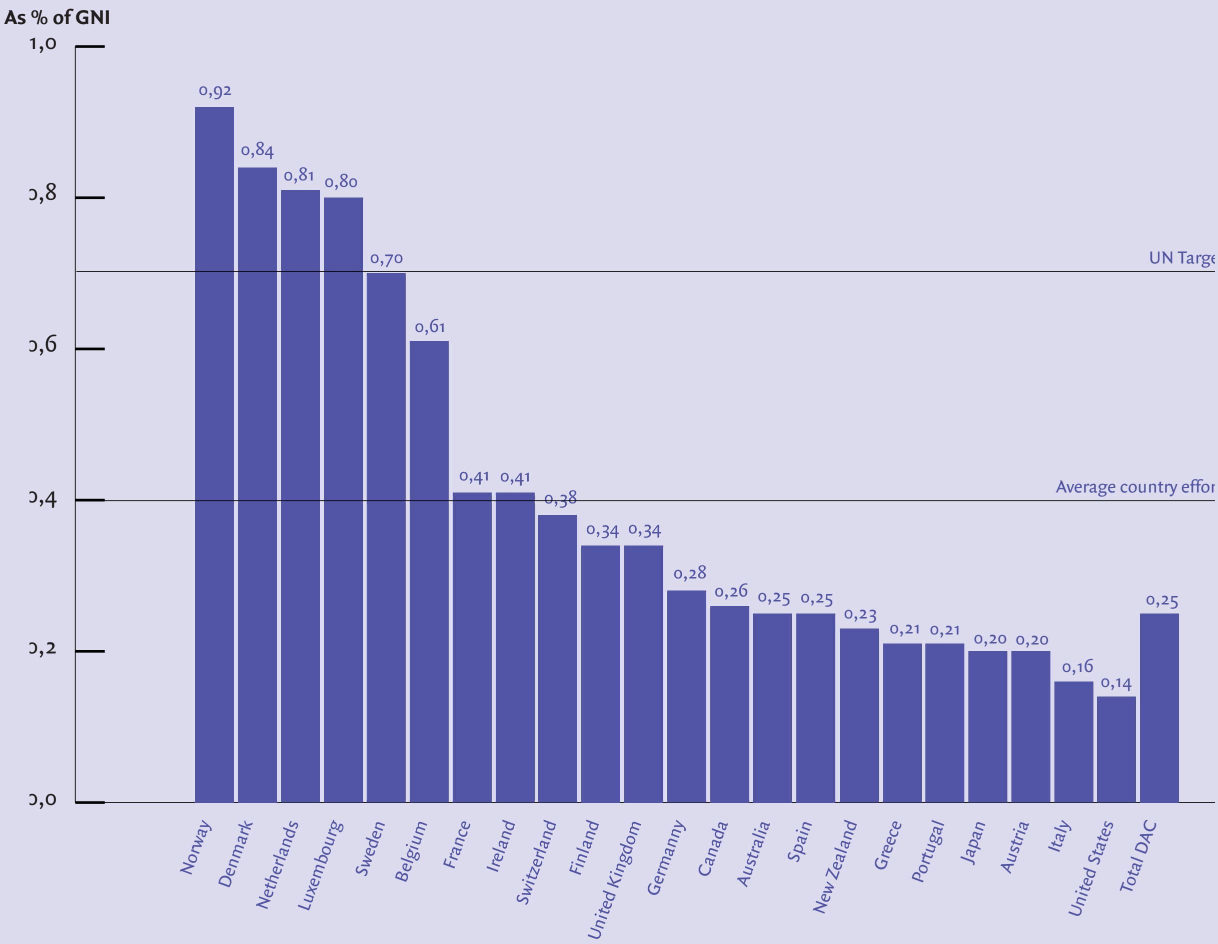
Preliminary data

	2003		2002		2003	
	ODA US$m current	ODA/GNI %	ODA US$m current	ODA/GNI %	ODA US$m (1) At 2002 prices and exchange rates	Percent change 2002 to 2003*
Australia	**1237**	**0.25**	989	0.26	1008	1.9
Austria	**503**	**0.20**	520	0.26	412	-20.7
Belgium	**1887**	**0.61**	1072	0.43	1535	43.2
Canada	**2209**	**0.26**	2006	0.28	1904	-5.1
Denmark	**1747**	**0.84**	1643	0.96	1433	-12.8
Finland	**556**	**0.34**	462	0.35	461	-0.2
France	**7337**	**0.41**	5486	0.38	6030	9.9
Germany	**6694**	**0.28**	5324	0.27	5530	3.9
Greece	**356**	**0.21**	276	0.21	287	4.0
Ireland	**510**	**0.41**	398	0.40	418	5.1
Italy	**2393**	**0.16**	2332	0.20	1943	-16.7
Japan	**8911**	**0.20**	9283	0.23	8459	-8.9
Luxembourg	**189**	**0.80**	147	0.77	155	5.6
Netherlands	**4059**	**0.81**	3338	0.81	3296	-1.3
New Zealand	**169**	**0.23**	122	0.22	133	9.3
Norway	**2043**	**0.92**	1696	0.89	1776	4.7
Portugal	**298**	**0.21**	323	0.27	243	-24.8
Spain	**2030**	**0.25**	1712	0.26	1633	-4.6
Sweden	**2100**	**0.70**	1991	0.83	1710	-14.1
Switzerland	**1297**	**0.38**	939	0.32	1122	19.5
United Kingdom	**6166**	**0.34**	4924	0.31	5512	11.9
United States	**15791**	**0.14**	13290	0.13	15541	16.9
Total DAC	**68483**	**0.25**	58274	0.23	60540	3.9
Average Country Effort		**0.41**		0.41		
EC	8147		6561		6666	1.6
EU countries combined	36825	0.35	29949	0.35	30599	2.2
G7 countries	49501	0.21	42646	0.20	44919	5.3
Non-G7 Countries	18982	0.46	15627	0.47	15622	-0.0
Non-DAC Countries:						
Czech Republic	87	0.10	45	0.07	73	61.8
Korea	334	0.06	279	0.06	314	12.5
Slovak Republic	15	0.05	7	0.02	12	74.1

* *Taking account of both inflation and exchange rate movements*

Source: DAC

Figure: Net ODA in 2003 - as a Percentage of GNI



Source: DAC

Duty Free Imports from Developing Countries (ex LDCs), excluding Arms

Excl. arms	1996	1997	1998	1999	2000	2001	2002
Australia	53,8%	53,4%	51,9%	55,5%	59,5%	59,7%	59,2%
Canada	55,7%	55,0%	67,1%	68,1%	68,4%	64,3%	70,6%
Japan	51,8%	66,4%	58,7%	74,2%	77,4%	72,4%	73,4%
Switzerland	53,4%	66,9%	47,9%	56,5%	66,3%	66,7%	68,2%
USA	43,2%	44,7%	46,7%	55,0%	57,0%	58,3%	56,9%
EU	44,1%	42,8%	35,3%	35,4%	60,9%	58,8%	50,9%
TOTAL	45,8%	48,1%	45,6%	53,0%	61,9%	61,0%	57,1%

Excl. arms (USD mln.)		1996	1997	1998	1999	2000	2001	2002
Australia	Total	19.657	20.875	20.832	24.446	27.647	24.907	29.076
	Free	10.582	11.147	10.804	13.565	16.439	14.867	17.220
Canada	Total	22.374	26.172	26.745	29.972	37.789	30.956	34.907
	Free	12.454	14.391	17.942	20.408	25.855	19.896	24.627
Japan	Total	175.278	139.126	135.910	160.069	215.030	198.575	193.175
	Free	90.797	92.350	79.756	118.705	166.354	143.845	141.752
Switzerland	Total	6.057	6.382	7.551	6.334	7.551	7.068	7.588
	Free	3.236	4.268	3.618	3.577	5.009	4.717	5.174
USA	Total	401.048	445.679	466.305	530.202	655.120	614.698	663.924
	Free	173.075	199.026	217.809	291.392	373.654	358.122	377.912
EU	Total	258.433	265.409	296.918	279.961	340.703	325.384	586.526
	Free	113.945	113.485	104.768	99.034	207.514	191.298	298.649
Total imports from LDC		882.846	903.643	954.261	1.030.985	1.283.840	1.201.588	1.515.196
Duty Free imports		404.089	434.667	434.697	546.681	794.825	732.746	865.333

Source: UNCTAD and WTO

Duty Free Imports from Developing Countries (ex LDCs), excluding Arms & Oil

Excl. arms & oil	1996	1997	1998	1999	2000	2001	2002
Australia	44,9%	45,4%	45,9%	48,2%	50,5%	50,8%	52,6%
Canada	51,6%	50,6%	65,0%	66,2%	65,6%	60,7%	67,7%
Japan	63,6%	66,4%	69,8%	69,2%	71,7%	66,0%	67,5%
Switzerland	61,4%	62,7%	44,0%	51,7%	61,3%	61,8%	63,9%
USA	47,5%	47,9%	48,6%	57,5%	61,0%	60,5%	59,9%
EU	33,6%	33,5%	28,2%	26,9%	53,4%	52,1%	47,0%
TOTAL	46,7%	47,2%	45,6%	51,2%	60,6%	59,0%	55,8%

Excl. arms & oil (USD mln.)		1996	1997	1998	1999	2000	2001	2002
Australia	Total	16.471	17.807	18.536	20.988	22.663	20.416	24.988
	Free	7.395	8.080	8.507	10.107	11.455	10.376	13.133
Canada	Total	20.481	23.843	25.161	28.260	34.652	28.166	31.864
	Free	10.561	12.062	16.359	18.695	22.718	17.105	21.584
Japan	Total	142.850	139.126	114.280	134.146	171.756	160.791	158.203
	Free	90.797	92.350	79.756	92.781	123.080	106.190	106.780
Switzerland	Total	5.271	5.671	7.022	5.706	6.565	6.149	6.685
	Free	3.236	3.557	3.089	2.949	4.023	3.798	4.272
USA	Total	364.122	415.261	447.739	506.457	612.356	575.491	619.327
	Free	173.075	199.026	217.809	291.392	373.654	348.448	371.266
EU	Total	217.589	228.582	267.655	247.635	285.857	280.075	543.119
	Free	73.101	76.658	75.505	66.708	152.668	145.990	255.242
Total imports from LDC		766.784	830.290	880.393	943.191	1.133.848	1.071.088	1.384.188
Duty Free imports		358.165	391.733	401.025	482.632	687.597	631.908	772.276

Source: UNCTAD and WTO

Duty Free Imports from Least Developed Countries, excluding Arms

Excl. arms	1996	1997	1998	1999	2000	2001	2002
Australia	98,3%	96,6%	95,6%	95,9%	95,6%	94,5%	96,1%
Canada	78,3%	65,9%	63,2%	46,0%	39,0%	47,8%	64,5%
Japan	57,0%	70,2%	63,1%	69,2%	78,8%	81,7%	85,7%
Switzerland	50,8%	72,8%	99,9%	99,9%	99,4%	93,3%	93,3%
USA	22,6%	22,5%	53,3%	50,1%	50,3%	45,8%	51,2%
EU	94,4%	97,2%	97,1%	97,5%	97,8%	99,8%	97,2%
TOTAL	67,9%	68,3%	79,6%	80,7%	76,9%	77,4%	81,1%

Excl. arms (USD mln.)		1996	1997	1998	1999	2000	2001	2002
Australia	Total	93	112	100	150	152	113	117
	Free	91	108	95	144	145	107	112
Canada	Total	335	282	281	230	288	346	400
	Free	262	186	178	106	112	166	258
Japan	Total	1.700	1.150	1.054	1.018	1.235	1.099	1.580
	Free	970	807	665	705	973	898	1.353
Switzerland	Total	138	76	117	104	100	87	96
	Free	70	55	117	104	100	82	90
USA	Total	5.219	6.081	5.838	6.411	8.572	8.365	9.174
	Free	1.179	1.368	3.113	3.214	4.310	3.835	4.694
EU	Total	9.487	9.477	9.832	12.633	11.102	11.904	16.948
	Free	8.957	9.207	9.544	12.314	10.856	11.882	16.467
Imports from LDC		16.971	17.177	17.222	20.546	21.449	21.915	28.314
Duty Free imports		11.529	11.731	13.713	16.587	16.495	16.969	22.974

Source: UNCTAD and WTO

Duty Free Imports from Least Developed Countries, excluding Arms and Oil

Excl. arms & oil	1996	1997	1998	1999	2000	2001	2002
Australia	98,3%	96,6%	95,2%	93,9%	94,1%	94,5%	96,1%
Canada	65,9%	64,0%	61,8%	46,0%	32,4%	27,6%	33,4%
Japan	72,4%	70,2%	70,0%	66,6%	71,8%	72,8%	71,7%
Switzerland	77,3%	72,8%	99,9%	99,9%	99,4%	93,3%	93,3%
USA	35,5%	33,0%	27,7%	24,6%	20,2%	16,7%	21,0%
EU	94,0%	97,0%	96,9%	97,4%	97,5%	99,8%	96,7%
TOTAL	77,4%	76,1%	76,4%	77,6%	69,8%	70,3%	75,2%

Excl. arms & oil		1996	1997	1998	1999	2000	2001	2002
Australia	Total	93	112	92	102	113	113	117
	Free	91	108	88	95	107	107	112
Canada	Total	213	268	270	230	259	250	213
	Free	141	171	167	106	84	69	71
Japan	Total	1.341	1.150	951	938	929	743	801
	Free	970	807	665	625	666	541	574
Switzerland	Total	90	76	117	104	97	87	96
	Free	70	55	117	104	97	82	90
USA	Total	3.325	4.143	3.770	4.241	5.340	5.438	5.673
	Free	1.179	1.368	1.045	1.045	1.077	908	1.193
EU	Total	8.844	8.922	9.261	12.075	9.660	10.031	14.612
	Free	8.314	8.653	8.973	11.757	9.414	10.009	14.131
Imports from LDC		13.906	14.670	14.462	17.690	16.399	16.662	21.512
Duty Free imports		10.765	11.162	11.055	13.731	11.445	11.716	16.172

Source: UNCTAD and WTO

Average Tariffs on Imports from Developing Countries (ex LDCs): Agriculture, Clothing and Textiles

	1996	1997	1998	1999	2000	2001	2002
Agriculture	**10,5%**	**9,7%**	**9,2%**	**10,2%**	**10,1%**	**10,0%**	**9,9%**
Clothing	12,2%	12,1%	11,9%	11,4%	11,5%	12,2%	11,5%
Textiles	8,1%	8,0%	7,7%	7,3%	7,2%	7,4%	6,7%
Agriculture	10,5%	9,7%	9,2%	10,2%	10,1%	10,0%	9,9%
Australia	0,8%	0,7%	0,7%	0,6%	0,6%	0,6%	0,6%
Canada	5,8%	5,5%	5,4%	5,2%	5,0%	4,9%	5,0%
EU	13,4%	12,9%	11,9%	11,9%	11,7%	11,7%	11,1%
Japan	13,6%	10,9%	10,6%	16,8%	16,8%	16,5%	17,7%
Switzerland	21,1%	18,4%	16,7%	19,7%	19,8%	18,6%	17,5%
USA	4,1%	4,1%	4,0%	3,8%	3,8%	3,8%	3,9%
Clothing	**12,2%**	**12,1%**	**11,9%**	**11,4%**	**11,5%**	**12,2%**	**11,5%**
Australia	34,8%	32,0%	29,2%	29,2%	26,4%	23,5%	23,6%
Canada	21,9%	21,2%	19,5%	18,6%	18,0%	17,4%	16,5%
EU	10,6%	10,6%	10,5%	10,5%	10,2%	10,2%	9,6%
Japan	5,9%	5,8%	5,7%	5,6%	5,6%	10,6%	10,1%
Switzerland	5,8%	5,7%	6,1%	5,9%	5,6%	5,3%	4,6%
USA	14,2%	14,2%	14,1%	13,2%	13,6%	13,5%	12,7%
Textile	**8,1%**	**8,0%**	**7,7%**	**7,3%**	**7,2%**	**7,4%**	**6,7%**
Australia	14,6%	13,3%	12,2%	12,2%	11,1%	10,1%	10,1%
Canada	13,1%	12,3%	9,8%	9,3%	9,1%	8,6%	8,4%
EU	6,9%	6,8%	6,7%	6,7%	6,2%	6,2%	5,4%
Japan	3,0%	2,9%	2,8%	2,6%	2,6%	4,7%	4,5%
Switzerland	4,8%	4,6%	5,0%	4,9%	4,5%	4,5%	3,9%
USA	10,3%	10,3%	10,0%	9,1%	9,5%	9,3%	8,5%

Source: UNCTAD and WTO

Average Tariffs on Imports from Least Developed Countries: Agriculture, Clothing and Textiles

	1996	1997	1998	1999	2000	2001	2002
Agriculture	**4,3%**	**3,9%**	**2,7%**	**3,3%**	**4,1%**	**3,3%**	**3,3%**
Australia	0,5%	0,2%	0,2%	0,2%	0,2%	0,2%	0,2%
Canada	3,5%	3,0%	3,0%	3,0%	2,9%	2,8%	2,9%
EU	3,3%	3,2%	1,9%	2,0%	3,0%	2,1%	2,2%
Japan	10,1%	7,1%	6,7%	12,4%	12,4%	12,0%	12,0%
Switzerland	8,5%	8,4%	3,2%	3,9%	6,6%	6,5%	5,8%
USA	5,3%	5,3%	4,7%	4,4%	4,5%	3,5%	3,1%
Clothing	**8,5%**	**8,5%**	**8,4%**	**7,8%**	**8,1%**	**8,0%**	**8,3%**
Australia	31,2%	28,3%	25,4%	25,4%	22,5%	19,6%	19,6%
Canada	22,4%	21,8%	20,5%	19,7%	19,2%	18,7%	17,9%
EU	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,9%
Japan	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Switzerland	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
USA	15,5%	15,5%	15,3%	14,4%	14,9%	14,7%	14,6%
Textiles	**4,2%**	**4,1%**	**4,0%**	**3,6%**	**3,8%**	**3,7%**	**3,6%**
Australia	10,0%	8,9%	8,0%	8,0%	7,1%	6,2%	6,2%
Canada	10,9%	10,6%	8,9%	8,6%	8,1%	7,6%	7,4%
EU	0,0%	0,0%	0,1%	0,1%	0,0%	0,0%	0,2%
Japan	1,7%	1,6%	1,0%	1,1%	1,1%	0,9%	0,7%
Switzerland	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
USA	7,2%	7,2%	7,1%	6,4%	6,8%	6,6%	6,3%

Source: UNCTAD and WTO

Annex 3.
Online Databases

CBS Netherlands: Statistics on line
http://statline.cbs.nl/StatWeb/Start.asp?lp=Search/Search&LA=EN&DM=SLEN

De Nederlandsche Bank (DNB) – Monetary and Financial Statistics for the Netherlands
http://www.statistics.dnb.nl/index.cgi?lang=uk

Doha Development Agenda Trade Capacity Building Data Base
http://tcbdb.wto.org/statanalysis.asp?lang=ENG

IMF International Financial Statistics on line
http://ifs.apdi.net/imf/logon.aspx

Joint BIS-IMF-OECD-World Bank Statistics on External Debt
http://www.oecd.org/document/30/0,2340,en_2825_495602_23469598_1_1_1_1,00.html

OECD Agricultural statistics
http://www.oecd.org/topicstatsportal/0,2647,en_2825_494504_1_1_1_1_1,00.html

OECD Aid Statistics
http://www.oecd.org/topicstatsportal/0,2647,en_2825_495602_1_1_1_1_1,00.html

OECD Environmental Statistics
http://www.oecd.org/topicstatsportal/0,2647,en_2825_495628_1_1_1_1_1,00.html

OECD Finance Statistics (including Balance of payment and foreign direct investment statistics)
http://www.oecd.org/topicstatsportal/0,2647,en_2825_495635_1_1_1_1_1,00.html

OECD International Development Statistics on line
http://www.oecd.org/dataoecd/50/17/5037721.htm

UNEP-World Conservation Monitoring Centre (WCMC) - United Nations Environment Network: Global Portal to environmental information
http://www.unep.net

UN Statistics Division (UNSTAT): Millennium Indicators Data Base
http://unstats.un.org/unsd/mi/mi_goals.asp

World Bank: Global Development Finance on line
http://publications.worldbank.org/GDF/

World Bank: World Development Indicators on line
http://publications.worldbank.org/WDI/

WTO Trade Statistics
http://www.wto.org/english/res_e/statis_e/statis_e.htm

Notes

1 The official Dutch target is 0.8% of GNP. In value terms there is, however, no difference between GNP and GNI.

2 The countries are Afghanistan, Albania, Armenia, Bangladesh, Benin,Bolivia, Bosnia-Herzegovina, Burkina Faso, Cape Verde, Colombia, Egypt, Eritrea, Ethiopia, Georgia, Ghana, Guatemala, Indonesia, Kenya, Macedonia, Mali, Moldova, Mongolia, Mozambique, Nicaragua, Pakistan, Palestinian Territories, Rwanda, Senegal, South Africa, Sri Lanka, Suriname, Tanzania, Uganda, Vietnam, Yemen and Zambia.

3 The IFIs provide bank loans worth some EUR 40 billion a year and concessional loans and grants worth some EUR 10 billion a year. Due to leverage effects, this is much more than the total capital replenishments of all member countries.

4 In 2002, the implementation of both programmes, with the Netherlands acronyms ORET and MILIEV, was contracted out to the Netherlands Development Finance Company (FMO). See section 3.3.2 on FMO.

5 Source: *European Commission, Translating the Monterrey Consensus into practice: the contribution by the European Union*, Communication from the Commission to the Council and the European Parliament, com(2004) 150 final, March 2004.

6 Source: UNCTAD, *The Post-Uruguay Round Tariff Environment for Developing Countries Exports: Tariff Peaks and Tariff Escalation*, TD/B/COM.1/14/Rev 1, 25 January 2000.

7 Source: WTO, *Industrial Tariff Liberalisation and the Doha Development Agenda*, M. Bacchetta & B. Bora, Development and Economic Research Division, 2003. The tariff escalation rate is the percentage-wise difference between the tariff rate for the fresh and the preserved product.

8 The budgetary outlays of subsidised exports by the EU totalled ECU 4,884.9 million in 1995/96 and ECU 2,573.1 million in 2001/02 (Source: Notifications by the EU to the WTO Committee on Agriculture, G/AG/N/EEC/5/rev 1 of 21 July 1997 and G/AG/N/WWC/44 of 11 June 2003).

9 Source: WTO, *Industrial Tariff Liberalisation and the Doha Development Agenda*. The figures refer to share of tariff lines above 15% by MTN category.

10 Source: WTO, *Industrial Tariff Liberalisation and the Doha Development Agenda*. Yarn falls under the 4-digit category 5109 and garments under 6210.

11 For non least developed countries, the EU offers tariff cuts for textiles and clothing under the General System of Preferences (GSP).

12 Memorandum on Coherence between Agricultural and Development Policy, December 2002.

13 Letter of Commissioners Lamy and Fischler to all WTO Members, Brussels, 9 May 2004, http://europa.eu.int/comm/trade

14 The amber box refers to subsidies that have a trade-distorting effect. The blue box refers to subsidies per hectare or per animal, which may distort trade but also include a production-limiting component, such as land set-aside or maximum quotas.

15 Most was for trade development (EUR 22.4 million), while EUR 2.6 million was committed to trade policy (EUR 2.3 million concerned both trade policy and trade development).

16 The CBI is an independent agency of the Ministry of Foreign Affairs. Its mission is to contribute to the economic development of developing countries by strengthening the competitiveness of companies from those countries on the EU market. It has a number of programmes to do so, including market information tools, company matching, export development programmes, training programmes and capacity building for business support organisations.

17 The countries in question were Mozambique, Tanzania, Uganda, Zambia, Jamaica, Nicaragua, Bolivia and Peru.

18 Source: *OECD, OECD Environmental Performance Review*, 2003.

19 Source: European Commission, *Green Paper on the Future of the Common Fisheries Policy*, COM/2001/0135 final, Brussels, 2001.

20 At present 188 countries are parties to the Kyoto Convention, which is well above the required 55 countries. However, the Kyoto Protocol will only enter into force when the parties to the convention accounted in total in 1990 for at least 55% of the global carbon dioxide emissions. This is not yet the case. On 11 March 2004 the Kyoto Protocol became legally binding in the EU.

21 Source: Commission of the European Communities, *Communication from the Commission on an Integrated Framework for Fisheries Partnership Agreements with Third Countries*, COM(2002) 637 final, Brussels, 23.12.2002.

22 *Sustainable Action: Sustainable Development Action Plan, The Netherlands*, January 2003.

23 Source: Community Agency for Social Enquiry (CASE), Situation of Youth in South Africa, Braamfontein, 2001. The online statistical database of the UN Statistics Division shows youth unemployment rates for South Africa of 45% in 1998 and 56% in 2000, confirming the alarming trend found by CASE.

24 The Netherlands cooperates with the ILO not only in the area of youth employment but also of child labour. The Netherlands supports the International Programme on the Elimination of Child Labour (IPEC), both through the ILO-Netherlands partnership programme and through various projects. IPEC focuses on child labour and education.

25 The definition of workers' remittances used in the GDF is broader than the data reported under the heading of workers' remittances in the Netherlands current account of the balance of payments.

26 Source: Central Bureau of Statistics (CBS) of the Netherlands. CBS defines non-western migrants as persons coming from Turkey, Africa, Latin America and Asia excluding Japan and Indonesia. The figures include respectively 0.4, 0.5 and 0.6 million of so-called second-generation migrants (i.e. they were born in the Netherlands).

27 In 2000 Dutch FDI to all developing countries together was more significant than total Dutch ODA, while the picture was completely reversed in 2002 (Netherlands net ODA in 2002 was EUR 3.5 billion). A similar trend has been observed by other donor countries.

28 Source: UNCTAD, *World Investment Report 2003: FDI Policies for Development, National and International Perspectives*.

29 Source: UNCTAD, *World Investment Report 2003: FDI Policies for Development, National and International Perspectives*

30 The countries that participated were Norway, Finland, Sweden, Denmark, the United Kingdom, Ireland and the Netherlands.

31 OECD, *Policy coherence: Vital for global development*, Policy Brief, July 2003.

32 International Conference on Population and Development, Cairo,1994.

Colophon

This report has been written by the Ministry of Foreign Affairs
in consultation with other relevant departments.

Published by: Ministry of Foreign Affairs, Development Cooperation

Policy Department: Directorate General for International Cooperation

Photography: Lineair, Arnhem | Reinout van den Bergh

Lay out: b.ont | Annelies Glandorf

Print: Opmeer/De Brink/TDS vof

Ordercode: OSDR0526/E

www.minbuza.nl/english

May 2004

Ministerie van Buitenlandse Zaken
Ontwikkelingssamenwerking

Ministerie van Buitenlandse Zaken
Ontwikkelingssamenwerking

OSDR0526/E