

**Letter of 17 May 2023 from Minister for Foreign Trade and Development Cooperation
Liesje Schreinemacher to the House of Representatives presenting the annual report on
the action plan on policy coherence for development**

This letter contains the annual report on the action plan on policy coherence for development for the period from April 2022 to March 2023. It is a transitional report, reporting on progress on the 2018 action plan and the new action plan which was launched at the end of 2022. The 2022 action plan includes new themes and goals, in response to recently developed policy agendas and national programmes. It is not yet possible to report on every new component, and some indicators have still to be fleshed out. Where relevant, this is explicitly indicated in the appendix.

On 25 November 2022, the revised action plan on policy coherence was submitted to the House of Representatives. The themes elaborated in this plan were announced in the foreign trade and development cooperation (BHOS) policy document 'Do What we Do Best' and form the priorities for policy coherence for development. This new action plan was drafted in collaboration with other ministries, and with input from civil society. Thanks to the input from consultations with civil society and discussion¹ this revised action plan focuses more sharply than its predecessor on various ministries' policy areas, making interministerial collaboration even more important.

The annual report with appendix sets out the progress made with the three overarching themes from the 2022 action plan: 1) reducing the Netherlands' climate, land and water footprint; 2) tackling illicit financial flows and tax avoidance; and 3) reducing vaccine and health inequalities. Topics from the 2018 action plan which were not included under these three themes are dealt with separately in this report. These are (1) development-friendly trade agreements and (2) a development-friendly investment regime. This letter also fulfils the commitment made during the meeting to discuss the BHOS annual report and Final Budget Act of 22 June 2020 to report more explicitly on the gender aspects of policy coherence.

For results achieved by Dutch development cooperation efforts in relation to the Sustainable Development Goals (SDGs), see <https://www.nlontwikkelingssamenwerking.nl/en/#/>. For information on progress with national implementation of the SDGs, we would refer you to Statistics Netherlands' annual Monitor of Wellbeing & SDGs and the national SDG report entitled 'The Netherlands Is Developing Sustainably'. These two reports, and the government's response to them, are being sent to the House of Representatives at the same time as this report.

Results

The House of Representatives is increasingly aware of the need for policy coherence for development, as witness for example the increasing number of questions posed by members on this issue. The Netherlands is still one of the few OECD countries with a separate action plan on this theme, and the latest version is regarded by civil society organisations as both positive and ambitious.

The annual report is also moderately positive. Progress has been made on various points and policy is more coherent with the interests of developing countries. New legislation has been adopted, specific measures have been taken and progress has also been made within the EU on various issues.

Progress has clearly been made in tackling illicit financial flows and tax avoidance; interest, royalty and dividend flows from the Netherlands to low-tax jurisdictions shrank substantially, by nearly 85%, from €38.5 billion in 2019 to € 6.0 billion in 2021. These flows are expected to shrink even further once conditional withholding tax on dividends in low-tax jurisdictions is introduced in 2024.

¹ [Beleidscoherentie: van 'boemeltreintje' tot 'intercity' - Vice Versa \(viceversaonline.nl\)](#)
(policy coherence; from stop train to intercity – Vice Versa) [in Dutch].

Progress has been made on several other fronts as well. On 6 December 2022, for example, the European Council, the European Parliament and the European Commission reached a political agreement on the EU Regulation on Deforestation-free Products. In the same month, a political agreement was also reached on the Carbon Border Adjustment Mechanism (CBAM), under which developing countries will receive support in the form of technical assistance. New climate and energy measures are expected to be approved in May 2023. The national Circular Economy programme was submitted to the House of Representatives on 3 February 2023. The international component of this programme, including the social and economic aspects of the circular transition in the Netherlands and abroad, is now being fleshed out. Efforts to green trade instruments may also be regarded as positive.

Worldwide access to medicines and health products is one of the six focus areas of the Dutch Global Health Strategy that was sent to the House of Representatives on 21 October 2022. For this reason, the Netherlands is actively involved in the Team Europe Initiative which focuses on boosting local production in Africa of fair, sustainable, safe, high-quality and affordable essential vaccines, medicines and health products. In the autumn of 2023, the Netherlands and the World Health Organization will organise the World Local Production Forum; here, too, attention will be devoted to matters such as sharing knowledge and technology to boost local production capacity in developing countries.

The specific results, actions and indicators of the 2018 and 2022 action plans are set out in the appendix. This letter describes the Netherlands' performance as presented in the various international progress reports. In addition to the Monitor of Wellbeing & the SDGs² these also include the Spillover Index³ and the Commitment to Development Index (CDI).⁴ These indexes look, with some overlaps, at different indicators, varying from development finance and trade tariffs to anti-corruption measures, fossil fuel production and antimicrobial resistance (AMR).

Commitment to Development Index

The CDI compares countries with each other, and does not directly examine spillover effects on other countries. A high or low score shows the differences between one country and another without necessarily indicating whether the country in question has made progress. The Netherlands ranks sixth in the CDI, just below the United Kingdom and Australia, but scores the best of all G7 and G20 countries for trade, and has high scores for health (because, among other things, of our low antimicrobial resistance) and development finance. However, the Netherlands has a low score for carbon emissions per head of the population. The new CDI monitor is expected in September 2023.

Wellbeing & SDGs Monitor

The Monitor of Wellbeing & the SDGs and the European SDG index do examine annual progress by indicator level, and are therefore more useful in measuring progress with the SDGs and, specifically for this report, progress on policy coherence for development. In this Monitor, which is being submitted to the House of Representatives at the same time as this report, the Netherlands' score for the dimension 'wellbeing elsewhere' is virtually identical to last year's. The Netherlands has thus once more made mixed progress in relation to the various SDG indicators that measure effects beyond our borders. Most trends related to the dimension 'wellbeing elsewhere' are green (higher than average) or grey (average). Statistics Netherlands indicates that inflation is partly responsible for the higher scores on trade and aid, because a number of indicators are recorded as absolute values, such as figures for trade recorded in euros. Generally speaking progress on environment-related SDGs lags behind. For more details, I would refer the House to the Monitor of Wellbeing & the SDGs and the National SDG Report, both submitted at the same time as this letter.

² Statistics Netherlands' Wellbeing & SDGs Monitor measures wellbeing in the widest sense of the word – economic, ecological and social – in the Netherlands and progress with achievement of the UN SDGs.

³ The Spillover Index is part of the European Sustainable Development Report. It measures the spillover effects of actions taken by the EU and its member states on opportunities for other countries to achieve the SDGs along three dimensions: the environmental and social impacts of trade, economy and finance, and security.

⁴ The Centre for Global Development's Commitment to Development Index (CDI) ranks the world's wealthiest countries on their commitment to policy that benefits the five billion people living in poorer countries.

We are aware that the Monitor of Wellbeing & the SDGs measures trends at impact level, and that changes are slow to become visible. Our commitment to reducing our footprint, for example, is not directly reflected in the Monitor. In the coming years, we will continue keeping close track of this Monitor in the light of policy coherence for development.

European Sustainable Development Report

The European Sustainable Development Report, with the Spillover Index,⁵ dates from December 2022. The report presents progress with the SDGs in the EU, with rankings and specific country profiles. The Netherlands' scores are mixed. In 2022, the Netherlands dropped from the 13th to the 16th place, due partly to a slight drop in its total score (71.6) and to the fact that some countries achieved better scores than before. Yet the Netherlands' scores in 2022 were mostly identical to its scores in 2021, with the lowest ranking on the Spillover Index for footprint, and a good sixth place on the Leaving No One Behind Rankings⁶ for reducing inequality. Compared to other continents, Europe scores highest for the SDGs, but, as is the case worldwide, progress on gender equality (SDG 5) is stagnating. Progress has even reversed in relation to some goals, for example poverty (SDG 1), health (SDG 3), work (SDG 8) and sustainability and circular economy (SDG 12). The immediate causes are the aftermath of the COVID-19 pandemic, the war in Ukraine with resulting geopolitical tensions, and concerns about supplies and the rising price of energy as well as the general rise in prices worldwide. The effects of climate change are also playing an increasingly greater role.

The greatest challenge for the EU is to bring about the transition to sustainable consumption and production (SDG 12) and to a sustainable agriculture and food production system (SDG 2), with sustainable international value chains and International Responsible Business Conduct (IRBC). European spillover effects on other countries and future generations remain stubbornly high. Here, the Netherlands is doing poorly, with scores calculated on the basis of the negative effects of trade and of direct emissions by the transport sector, as well as the economic effects of tax legislation and illicit financial flows. The negative effects of trade can also partly be attributed to the fact that the Netherlands acts as the port of entry to the rest of the EU. Many products are imported into the Netherlands for transshipment to our neighbouring countries.

The conclusion reached in these reports about the Netherlands' footprint gives cause for concern, and calls for our continuing attention. The Netherlands uses relatively large quantities of natural resources from abroad, including from developing countries, which partly accounts for the size of its footprint. In implementing the Global Climate Strategy, the action plan on policy coherence and its priority themes will therefore continue to be of great relevance as an instrument for addressing this issue in collaboration with other ministries.

We will keep needing to make some difficult choices. The Russian war of aggression in Ukraine shows for example that countries are prepared to use strategic dependencies for fossil fuels as a geopolitical weapon. This makes it even more urgent for the Netherlands to mitigate its high-risk strategic dependencies. A faster energy transition can help us achieve this. At the same time, in phasing out our dependency on Russian energy, we need to strive to limit future high-risk strategic dependencies, for example for the critical raw materials needed for the energy transition.

The growing demand for the critical raw materials and minerals needed to green our energy provision and to build more homes will lead in the short term to more imports and use of these raw materials and minerals, which may result in slower progress in reducing the footprint.⁷

The transition to a fully circular economy, which will also contribute to reducing our footprint, may also take a toll on employment in developing countries. With all these developments, the government will keep in mind and wherever possible take into account the interests of people in developing countries.

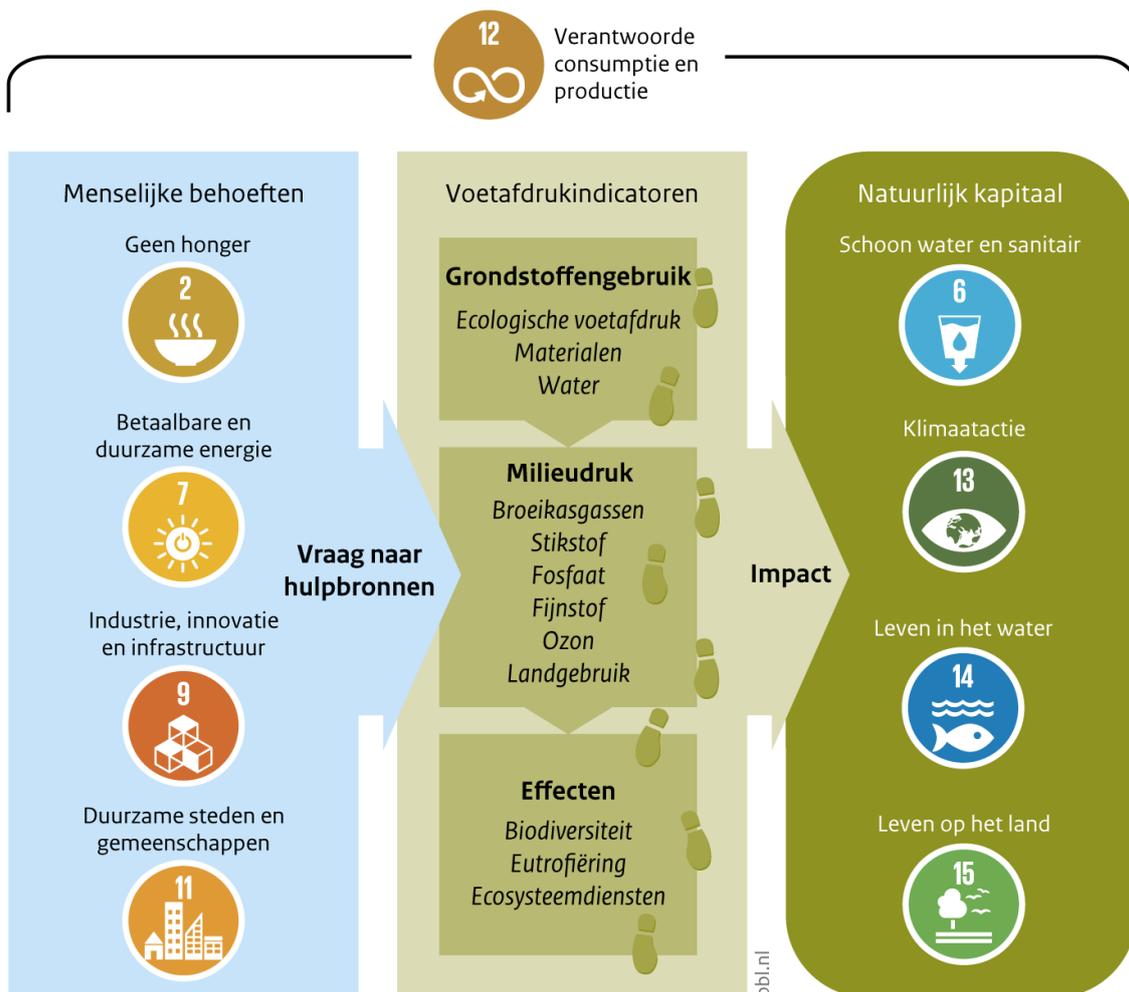
⁵ [Europe Sustainable Development Report 2022 \(sdgindex.org\)](https://sdgindex.org/).

⁶ [Europe Sustainable Development Report 2022 \(sdgindex.org\)](https://sdgindex.org/).

⁷ [Raw materials strategy for large transitions | Parliamentary paper | Rijksoverheid.nl](#).

The Netherlands' footprint: what we know

Samenhang tussen duurzame ontwikkelingsdoelen (SDG's) en voetafdrukindicatoren



Bron: JRC 2019; bewerking PBL

[Infographic:

The link between the SDGs and footprint indicators

Human needs:
No hunger (2)

Footprint indicators
Use of raw materials
Ecological footprint
Materials
Water

Natural capital
Clean water &
sanitation (6)

Affordable, sustainable
energy (7)

**Pressure on the
environment**
Greenhouse gases
Nitrogen
Phosphates
Particulates
Ozone
Land use

Climate action (13)

Industry, innovation and
infrastructure (9)

Life below water
(14)

Sustainable cities and communities (11)	Effects Biodiversity Eutrophication Ecosystem services	Life on land (15)
Demand for resources Impact		

Source: JRC 2019, adapted by the Netherlands Environment Assessment Agency (PBL)]

In its 2021 report on halving the Netherlands' footprint,⁸ the Netherlands Environment Assessment Agency (PBL) gives a clear description of the footprint and the dilemmas it can give rise to. From the above infographic we can see at a glance that a footprint is inevitable in meeting a population's basic needs. How large the footprint has to be depends on many different factors and choices, however. The urgency to reduce the Netherlands' footprint is widely felt (see for example the Interministerial Policy Review (IBO) of additional, more focused climate policy for the period between 2030 and 2050⁹). However, we have not yet clearly established how this can be achieved effectively for every aspect of the footprint. The government has instructed the PBL to carry out further research on issues including the energy transition and prevention of climate change, sustainable management of water systems, protection against water- and climate-related risks, sustainable land use and food production systems, availability of raw materials and circularising the economy.

The government has also entered into a partnership with Statistics Netherlands, in relation for example to possible trade-offs in Dutch trade policy. This partnership addresses a number of themes in more depth. These include growth of the volume of trade in goods, green provisions in trade agreements, various product groups' footprint, an analysis of trade in raw materials, an analysis of digital trade, digitalisation of the production process, internationalisation and robotisation, value chain behaviour and employment.¹⁰

Research by Statistics Netherlands on these themes can produce answers to a range of questions. These include the ecological impact of Dutch imports of goods and services on other countries and the extent to which this is caused by transshipment or re-export from the Netherlands; the Dutch sectors to which CO₂ emissions elsewhere in the world can be attributed wholly or in part; and which import products from which countries are related to relatively extensive land use. Answers to questions like these help us take the various interests at stake into consideration, and reduce the Netherlands' footprint.

SDG assessment tool

At the request of the House of Representatives,¹¹ the ministries referred to in the motion submitted by MP Don Ceder¹² have held regular consultations in the past few months. The Ministry of Infrastructure and Water Management is now also taking part. The purpose of these consultations at civil service level is to chart the policy and legislation to be expected in the near future, and decide whether an SDG assessment will be needed, with a view in particular to impact on developing countries. Participants also share best practices – for example, during internet consultations with stakeholders addressing possible impact on developing countries. The Policy Compass – the successor to the Regulatory Impact Assessment (RIA) – was launched on 29 March 2023.¹³ The Policy Compass will help in the preparation of policy, with a structured approach that sheds light on the possible impact of new policy and legislation on developing countries.

⁸ [Halveren van de Nederlandse voetafdruk \(pbl.nl\)](#) (Halving the Netherlands' footprint. Netherlands Environment Assessment Agency) [in Dutch].

⁹ [Letter to the House of Representatives presenting 'Scherpe doelen, scherpe keuzes: IBO aanvullend normerend en beprijzend nationaal klimaatbeleid voor 2030 en 2050' \('Focused Goals, Focused Choices: Interministerial Policy Review of Additional, Standard- and Price-Setting National Climate Policy for 2030 and 2050'\) | Parliamentary Paper | Rijksoverheid.nl](#) [in Dutch].

¹⁰ [Overview of multi-annual programmes and annual reports \(cbs.nl\)](#).

¹¹ Motion by MP Don Ceder et al., 25 November 2021, 35925 XVII-40 .

¹² The above motion refers to the ministries of: Foreign Affairs, Agriculture, Nature & Food Quality, Economic Affairs & Climate Policy and Finance.

¹³ [www.beleidskompas.nl](#) [in Dutch].

Evaluation of the action plan

In early April 2023, the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs completed a short evaluation of the action plan on policy coherence for development. The main question addressed by the evaluation was how and whether the action plan contributes to achieving more policy coherence for development. This evaluation will be sent to the House of Representatives with the annual report. The government's response to the evaluation is set out below.

The government welcomes the evaluation's conclusion that the revised action plan has increased the action plan's usefulness in prioritising policy coherence for development. The government endorses the evaluation's recommendations and its analysis that the action plan is one of the available instruments to promote policy coherence, but is not a panacea with solutions for every related issue. The IOB recommends strengthening both interministerial collaboration and reporting to the House of Representatives with a view to enabling the action plan to play a greater role in setting priorities and identifying lessons to be learned. The government adopts the recommendation to focus on the interests of developing countries, but within the broader framework of the Policy Coherence for Sustainable Development (PCSD) agenda.

The government recognises that an explicit intervention logic and more tangible indicators to measure progress will contribute to the action plan's role in prioritising policy coherence for development. It will therefore study these recommendations in greater depth in the coming year and where possible adopt them and flesh them out. To this end, it will make grateful use of the intervention logic included by the IOB in the evaluation. The revised action plan has now been translated into English.¹⁴ The annual report will also be translated.

The government recognises that policy coherence for development is a political issue, because it always calls for a consideration of interests that are often beyond the mandate of the Minister for Foreign Trade and Development Cooperation. For this reason, the revised action plan and its themes were put before the entire government for approval, as was the BHOS policy document 'Do What we Do Best'. Moreover, the Netherlands' political commitment extends beyond the government's commitment, since it is shared by the House of Representatives, as the evaluation points out.

Some of the IOB's recommendations relate to the need to focus the action plan indicators and reporting methods. Comparing results from year to year and explaining why changes have occurred makes the results more transparent. The government endorses this recommendation, and has applied it to the enclosed results wherever appropriate. The IOB also advises making indicators more measurable. Where possible, this recommendation has been adopted in the current report, but will be elaborated in more detail in the coming years. The government can also adopt in part the recommendation to make the selection of themes for the action plan more transparent. Some themes are chosen after broad consultation, which was also the case for the BHOS policy document 'Do What we Do Best', while others reflect political considerations.

In addition to interministerial collaboration at workfloor level, the IOB also advises senior civil servants to put policy coherence for development in general, and the action plan in particular, more regularly on the agenda. The government adopts this recommendation in part. Harmonisation of the annual report already takes place at senior civil servant level, and there are discussions for each theme of where it will be on the agenda.

The recommendations relating to enlarging capacity within the ministry have no direct relevance to the implementation of the action plan itself, but will be further studied nonetheless.

Gender in the action plan

Policy coherence for development is the field that focuses on equality, including gender equality. Although gender is not always explicitly referred to in each theme, successful, gender-sensitive

¹⁴ [Letter to Parliament on the action plan on policy coherence for development | Parliamentary Paper | Government.nl](#).

achievement of the envisaged results leads to greater gender equality in the widest sense of the word. For example, women and other vulnerable people in our society will ultimately gain from reducing the Netherlands' footprint, with resulting benefits to the climate and the environment, as long as these goals are pursued in a gender-sensitive way. Women and other vulnerable people will also benefit from reducing tax avoidance, thus ensuring that tax revenues remain in the country and that access increases to vaccines and health products. This is the case even when results are beyond the direct scope of this action plan. We will now take a closer look at those cases where there is clear evidence of a direct impact on gender equality.

A feminist foreign policy is currently being developed for all foreign policy, including BHOS policy. The priorities and working methods are being fleshed out in a practical guide that is expected to be available in mid-2023. Every ministry will thus share responsibility for the further integration of gender into all policy areas, with use of a gender lens.

We work closely with the Ministry of Education, Culture and Science, which, as the ministry responsible for coordinating gender mainstreaming, plays an independent role in central government. The 2022-2025 Policy Document on Equal Opportunities states: 'In the light of the increasingly worrying developments in a growing number of countries, outside but also and especially within the European Union, the current government – under the leadership of the Ministries of Foreign Affairs and of Education, Culture and Science – plans to step up this strategy and extend it to other relevant international forums. The government will also free up capacity for more coordinated implementation of this strategy.'¹⁵

Guide to results of 2018 and 2022 action plans

The results achieved in the past year are summarised in the appendix. Where relevant, the appendix also addresses the areas included in the 2018 action plan. Where these are also included in the revised action plan, under the three main themes footprint, illicit financial flows and health inequalities, no reference is made to the 2018 action plan. Two themes from the 2018 action plan are no longer explicitly included: development-friendly trade agreements and investment treaties. Of course, this does not mean that Dutch action on trade and investment agreements will no longer be development-friendly. Rather, they will be treated as an integral part of future annual reports on policy coherence for development and will not be dealt with separately. This and future annual reports will address specific trade policy goals that are relevant to reducing the Netherlands' climate, land and water footprint.

Generally speaking, progress has been made on every indicator, though we should point out that the revised action plan was only drafted recently. Some indicators will only be addressed later this year, for example the extra policy package on climate and energy. Some results have already been communicated to the House of Representatives, but will be shared again in this report, with a view to stressing the specific significance of the legislation in question for the interests of developing countries.

Close interministerial collaboration is indispensable and essential to the action plan. As mentioned above, the government has geopolitical challenges to contend with and difficult choices to make, including the urgency of speeding up the energy transition while limiting new high-risk strategic dependencies. Nevertheless, this action plan will ensure that we, as members of government, will continue to make progress on the themes footprint, financial flows and health inequalities. In doing so, we will take on board the interests of people who may live in faraway countries but still feel the consequences of our choices.

¹⁵ [Emancipatienota 2022-2025 \(2022-2025 Policy Document on Equal Opportunities\) | Parliamentary Paper | Rijksoverheid.nl](#) [in Dutch].