

Letter of 25 November 2022 from the Minister for Foreign Trade and Development Cooperation to the House of Representatives on the revised action plan on policy coherence for development

The foreign trade and development cooperation (BHOS) policy document entitled 'Do What we do Best' of June 2022 announced that the government would present a revised action plan on policy coherence for development, emphasising areas where the Netherlands can make a difference in helping developing countries achieve the Sustainable Development Goals (SDGs). At the request of the House of Representatives¹ the Netherlands has had an action plan on policy coherence for development since 2016, which was revised in 2018. This third action plan examines in more detail the importance of policy coherence for development and the achievement of the SDGs worldwide. For each issue an overview of the set goals is linked to the SDGs, actions and indicators which are to be used as a basis to measure progress and report annually to the House of Representatives.

Introduction

Dutch development cooperation policy is important for poverty reduction and sustainable growth in poor countries, but on its own it is not enough. Policy in other areas, such as international trade and taxation, must be coherent with development cooperation policy as well. The aim of policy coherence for development is to minimise potential negative cross-border effects of non-development cooperation policy wherever possible and to maximise the positive effects.

The BHOS policy document announced that the revised action plan on policy coherence for development would focus on three themes, bringing together various sub-goals: reducing the Netherlands' climate, land and water footprint, tackling illicit financial flows and tax avoidance, and reducing vaccine and health inequalities. These themes are important both for the Netherlands and for developing countries (particularly the Netherlands' development cooperation partners).

The BHOS policy document builds on the coalition agreement entitled 'Looking out for Each Other, Looking Ahead to the Future' in which the government agrees in general terms on how it means to tackle a number of key societal challenges. One of the greatest challenges is combating climate change and the loss of biodiversity: 'We intend to make every effort to keep our country and our planet a safe and pleasant place to live. We therefore aim to achieve the climate goal of no more than 1.5 degrees of warming set out in the Paris Agreement, and we will seek to enhance biodiversity.... In this way we can do justice to the planet, future generations and each other.'²

As also stated in the coalition agreement, the promotion of human and employment rights is of essential importance in our foreign policy. Combating climate change, loss of biodiversity, deforestation and other forms of environmental degradation goes hand in hand with tackling abuses relating to people and work, such as forced labour, child labour, unsafe and unhealthy working conditions, and the promotion of decent living wages and incomes (employment). 'Appalling abuses like child labour, environmental pollution and large-scale deforestation are not acceptable, wherever in the world they occur.'³

The government is working on these tasks in partnership with developing countries (combining aid and trade). The government 'is committed to ensuring that production countries benefit from European legislation to make marketing and supply chains more sustainable'. The transition to sustainable, digital and fair trade requires changes in developing countries that the Netherlands can support. 'To achieve this, the government encourages impact analyses in developing countries... The government will ensure that in shaping these measures, the voice of developing and middle income countries is heard.'

The government is also committed to combating 'organised and individual forms of corruption in an increasing number of countries, which represent an immediate threat to stability, prosperity and security. We are seeing that this issue is becoming increasingly significant, including in

¹ Motion by MP Roelof van Laar, 31 March 2016, 33 625, no. 209.

² <https://www.government.nl/documents/publications/2022/01/10/2021-2025-coalition-agreement>.

³ <https://www.government.nl/documents/policy-notes/2022/10/10/policy-document-for-foreign-trade-and-development-cooperation-do-what-we-do-best>.

discussions taking place within the EU. For that reason, the government seeks to work with like-minded partners to strengthen the international legal order.⁴

The COVID-19 pandemic exposed the vulnerability of public health, and its inextricable link with inequalities in access to healthcare. This was made particularly evident by the shortage of COVID-19 vaccines in development cooperation countries, while large portions of the population in Europe had already been vaccinated. The letter to parliament of 6 December 2021⁵ and the BHOS policy document discussed these vaccine, and therefore health, inequalities. A commitment to more and fairer knowledge sharing is part of this action plan, and health equity and broader Dutch efforts to promote global health are laid down in the Dutch Global Health Strategy 'Working Together for Health Worldwide', as presented to the House on 21 October.⁶

Lessons learned

The Netherlands has always been aware of the undesirable side effects of Dutch policy in developing countries, and has been politically committed since 1998 to mitigating these side effects, including since 2016 through an action plan. This government-wide action plan on policy coherence for development is still exceptional from an international perspective, and the annual report presented to the House has been assessed positively by organisations including the OECD.⁷ We have learned a great deal in recent years, partly thanks to various evaluations which have addressed the issue of policy coherence. The lessons learned and recommendations from the evaluations, in so far as they have been adopted by the government, have been taken into account in drafting this action plan. Civil society organisations have also called for improvements to the plan, such as more explicit consideration of synergy and trade-offs and more explicit discussion of conflicting policy choices.⁸ They also called for a broader narrative to determine what policy coherence for development contributes and how progress on those larger themes can be made more transparent.

The House of Representatives has also asked for more attention to be paid to the SDG assessment tool when introducing new policy and legislation.⁹ The Integrated Assessment Framework (IAK), particularly the component 'effects on developing countries' that is closely linked to SDG 17.4 ('strengthen policy coherence for sustainable development'), is the most appropriate instrument for this purpose. In cooperation with the main ministries involved, an assessment will be carried out in accordance with the motion by MP Don Ceder¹⁰ to consider how the SDG assessment tool can be used more systematically. To this end the most closely involved ministries will use the component 'effects on developing countries' every six months to identify the proposed policy and legislation on the agenda for the following year. They will also survey the knowledge and resources that ministries will need to assess policy coherence for development at an early stage.

The policy review of article 1 of the BHOS budget¹¹ examines among other things coherence for development within trade policy. The recommendations are partly reflected in this action plan. As stated in the government's response, 'The government agrees with the evaluators that the impact of trade flows on developing countries is potentially huge compared to aid flows. The focus on coherence in the fields referred to is logical and continues to be necessary in order to ensure policy has maximum effects.'¹² Consequently the Netherlands is focusing on, among other things, high standards in the field of climate and the environment when concluding and implementing EU trade agreements.

⁴ Policy letter from the Minister of Foreign Affairs, 8 March 2022 ([in Dutch](#)).

⁵ [Letter to parliament on progress with the global approach to COVID-19 | Parliamentary Paper | Rijksoverheid.nl](#) ([in Dutch](#)).

⁶ <https://www.government.nl/ministries/ministry-of-foreign-affairs/documents/publications/2022/10/21/dutch-global-health-strategy-2023-2030>.

⁷ [9789264278363-en.pdf](#) ([oecd-ilibrary.org](#)).

⁸ [Response by Building Change to 2021 annual report on policy coherence](#) ([in Dutch](#)).

⁹ Motion by MP Don Ceder et al., 25 November 2021, 35 925 XVII and motion by MP Don Ceder, 28 September 2022, 36 180 no. 5.

¹⁰ Ibid.

¹¹ ['Evaluation of the Policy Agenda for Aid, Trade and Investment Art 1'](#).

¹² Ibid., 'Beleidsreactie' ('Policy Response', in Dutch).

Specific recommendations have been adopted regarding Dutch efforts to reinforce tax systems, as made in the Policy and Operations Evaluation Department (IOB) evaluation *A Taxing Issue*¹³ and stated in the government's response of 29 October 2021.¹⁴ For example, the indicators for measuring progress have been updated for sub-goal 3, 'Structural capacity building for good tax policies and tax collection in developing countries'. In revising the indicators, an attempt has been made to link them to monitoring of the effects of the measures to combat tax avoidance which were initiated during the previous government's term of office.¹⁵ Monitoring will refer explicitly to the Addis Tax Initiative Monitoring Reports.

The evaluation entitled *Coherence or co-existence*,¹⁶ a study on the implementation of the Dutch aid, trade and investment agenda in Bangladesh, Ethiopia and Kenya, includes an assessment of policy coherence in the three partner countries. The IOB made the following two recommendations which are relevant for this action plan: 'Be more explicit about the potential synergies and trade-offs between policy goals'; and 'emphasise a comprehensive approach involving interventions aimed at greater policy coherence. These recommendations are followed up in this action plan and the annual reports.

Reducing the Netherlands' climate, land and water footprint¹⁷

As mentioned in the BHOS policy document and shown every year by the Monitor of Well-being and the SDGs, the Netherlands has a large climate, land and water footprint.¹⁸ The country uses too many natural resources in various forms. The footprint is the demand that a person (or a state's average inhabitant) makes on the earth's natural resources (land, food, water and the environment). It is an umbrella concept made up of various elements. In addition to the climate footprint, which relates to CO₂ emissions, the overall footprint can also be calculated on the basis of, for example, raw materials and land and water usage. As noted in the government's response of 18 July 2022 to the article 'National Responsibility for Ecological Breakdown: A Fair-Shares Assessment of Resource Use, 1970–2017', 'the government acknowledges the fact that the footprint that accompanies our lifestyle is far too large for the sustainable retention and recovery of biodiversity, a healthy living environment and our planet's resources. Our society needs to take up the challenge of substantially reducing that footprint.'¹⁹ Shrinking the footprint is important to address the various transitions and major challenges of our times: the circular economy, the energy transition, the increase in digitalisation and the pressure on planetary health. The Netherlands Environmental Assessment Agency and Statistics Netherlands are among the organisations carrying out further research in the coming years to gain a better understanding of the footprint's different components and their interrelation.²⁰

The annual SDG Index clearly shows that the Netherlands has a very high 'spillover score'.²¹ The Netherlands ranks at the bottom (31st) of the European Spillover Index, the negative counterpart of the SDG Index. In other words, we have the largest negative footprint of any European country. This is calculated on the basis of, among other things, the negative effects of trade and direct emissions from transport, as well as the economic effects of tax havens and illicit financial flows, another theme of this action plan.

This action plan is not the government's only activity aimed at reducing the footprint, but it is the one that focuses primarily on coherence issues in relation to the footprint. Shrinking the footprint will also be addressed in the Dutch National Biodiversity Strategy and Action Plan (NBSAP), which is expected to be issued next year. This action plan may be updated as a result if necessary.

¹³ [A Taxing Issue: Evaluation of the Dutch Government's Policy on Strengthening Developing Countries' Tax Systems.](#)

¹⁴ [kabinetsreactie-op-onderzoek-directie-iob-naar-ondersteuning-belastingheffing-in-os-landen.pdf \(overheid.nl\)](#) (in Dutch).

¹⁵ For an overview of these measures see: [Factsheet: Measures against Tax Avoidance and Tax Evasion.](#)

¹⁶ [Results — Evaluation of aid, trade and investment policy in three partner countries: Bangladesh, Ethiopia and Kenya | Results | Policy and Operations Evaluation Department \(IOB\) \(job-Evaluation.nl\).](#)

¹⁷ In accordance with the development minister's commitment to MP Marieke Koekkoek (VOLT party) in the debate on 28 September 2022 on the BHOS policy document.

¹⁸ [Monitor of Well-being and the SDGs 2021 \(cbs.nl\).](#)

¹⁹ Letter to parliament, 18 July 2022 (in Dutch).

²⁰ ['Duurzaam economisch beleid heeft meetbare voetafdrukken nodig' \('A Sustainable Economic Policy Needs Measurable Footprints'\) \(esb.nu\).](#)

²¹ [Sustainable Development Report 2022 \(sdgindex.org\).](#)

In efforts to reduce the footprint, it is important to be aware and apprehensive of any undesirable side effects. As stated in the Global Climate Strategy, 'The Netherlands is mindful of the impact that the sustainability transition can have on individuals and society and ensures that the load is distributed.'²² The greening of economies is creating new and green jobs, but this requires careful transitional pathways and a particular focus on education and training tailored to a sustainable economy and decent jobs.

The government has the following goals:

1. Dutch financial flows that are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development (Article 2.1.c of the Paris climate agreement).
2. Dutch emissions that are consistent with the 1.5°C target.
3. Dutch production, consumption and trade that are increasingly taking place within planetary boundaries, with a positive impact on combating poverty and inequality.
4. Entirely deforestation-free supply chains of agricultural raw materials and wood to the Netherlands which fall under the Regulation on deforestation-free products, by no later than 2025. Other supply chains of agricultural raw materials will follow suit in the period up to 2030, as part of the Netherlands' commitment to stop deforestation worldwide in 2030.
5. Use of natural capital accounts by the business community and financial sector, and transparency with regard to their impact and dependence on biodiversity and natural capital.
6. No potential negative impacts of Dutch policy on food production, access to water, forests and biodiversity in developing countries.

Tackling illicit financial flows and tax avoidance²³

The Netherlands is committed to combating illegal international money flows, including those related to tax evasion, corruption, money laundering, the funding of terrorism and organised crime. These money flows hamper the development of developing and other countries by reducing the amount of available public funds, contributing to global inequality and undermining the rule of law and security. The money flows linked to tax avoidance, which in itself is not unlawful, may also have a negative impact on developing countries. Illicit financial flows from and tax avoidance in African countries are estimated at \$88.6 billion annually.²⁴

The government has the following goals:

1. To take unilateral, bilateral and multilateral measures to tackle worldwide tax avoidance, including reducing the use of the Netherlands as a conduit country.
2. To tackle worldwide illicit financial flows, including corruption.
3. To ensure that developing countries have good tax policies and tax collection systems and are able to combat tax avoidance.
4. To ensure that developing countries are resilient to, and are able to combat, illicit financial flows.

Reducing vaccine and health inequalities²⁵

The issue of vaccine and global health inequalities has been raised in the past by the House of Representatives,²⁶ and is one of the coherence issues included in the BHOS policy document. The COVID-19 pandemic has exposed the huge inequality in access to vaccines, medicines and other health products. It has also become clear how important strong and resilient health systems are for fair access to health services worldwide. These issues are examined in more detail in the Dutch Global Health Strategy, which was drafted at the request of the House of Representatives. Policy coherence and an eye for the interests of developing countries, referred to explicitly by the

²² [The Netherlands' Global Climate Strategy](#).

²³ In accordance with the development minister's commitment to MP Marieke Koekkoek (VOLT party) in the debate on 28 September 2022 on the BHOS policy document.

²⁴ *Tackling Illicit Financial Flows for Sustainable Development in Africa*, September 2020.

²⁵ In accordance with the development minister's commitment to MP Marieke Koekkoek (VOLT party) in the debate on 28 September 2022 on the BHOS policy document.

²⁶ [Motion by MP Tom van der Lee et al. concerning agreements on facilitating the transfer of knowledge and technology in the event of a new pandemic, 2 June 2022](#).

Advisory Council on International Affairs (AIV),²⁷ are integral parts of the Dutch Global Health Strategy and will be points of departure for further interministerial cooperation on the basis of this strategy. The only aspect of this examined in more detail in this action plan is the promotion of equal access to knowledge on the production of vaccines and medicines.

The government has the following goal:

1. The Netherlands will help increase global access to vaccines and medicines by encouraging both knowledge sharing and local production.

Monitoring and evaluation

As in previous years, the House of Representatives will be informed every year on how this action plan is progressing. This will include reporting on the intended actions based on the indicators, and an assessment of progress on the above-mentioned themes based on the CBS's Monitor of Well-being and the SDG's and the various indexes of spillover and footprints. The progress made on policy coherence for development in the field of health will include an assessment of the implementation of the Global Health Strategy.

The reporting will not just cover specific results but also, where possible, the contribution made to long-term results. This action plan and related annual reports to be sent to the House of Representatives will therefore make more of a link than previous action plans to the Spillover Index and the Monitor of Well-being and the SDGs. It should be noted that the progress and the data measured in the Monitor of Well-being and the SDGs are not all measured annually, nor will it be possible to link progress (or setbacks) directly to the activities in the action plan. Long-term impact on policy coherence is determined by many factors and actors, not just by the specific central government actions set out in this plan.

In response to the motion by MP Lammert van Raan,²⁸ and at the government's request, Statistics Netherlands has assessed the possibility of adding an indicator to the Monitor of Well-being and the SDGs to provide greater insight into the money flows resulting from tax avoidance arrangements in developing countries via or to the Netherlands, in order to find out how much value the Netherlands extracts from other countries. This has turned out to be currently impossible due to technical limitations and the availability of data. Data is available for each country on Dutch international trade in goods and primary income flows from and to the Netherlands, such as interest and dividends. Although this data reveals the countries with which the Netherlands has economic relationships, no additional quantitative or qualitative information is available on what these relationships mean for those countries. For example, the extent to which Dutch companies pay tax locally is unknown. What is more, many relationships between the Netherlands and developing countries operate in practice via third countries, meaning that there is no data at all on the extent of these ties. The House will, however, receive information annually about flows of interest, royalties and dividends from developing countries to the Netherlands and from the Netherlands to low-tax jurisdictions, a letter to parliament on 'Monitoring the effects of tackling tax avoidance'.²⁹ The annual report on this action plan will also discuss this data.

At the request of the House, gender results have been a particular focus in the action plan in recent years. These will be addressed wherever relevant in this new action plan as well. More generally, the new Feminist Foreign Policy that is being developed as this action plan is being drafted will make gender a more integral part of foreign policy. The House will be informed separately about this issue.

The IOB will evaluate the action plan early in 2023 with the aim of better understanding its effect as an instrument for achieving policy coherence for development.

Appendix 1 sets out the plan's sub-goals, activities and indicators. These will be reported annually on Accountability Day in mid-May.

²⁷ [AIV advisory report no. 121, 6 April 2022](#), 'Foundation for a Dutch Global Health Strategy'.

²⁸ Motion by MP Lammert van Raan, 9 June 2021, 35 830, no. 20.

²⁹ Parliamentary Papers, House of Representatives, 2021-2022, 25087, no. 294.