Appendix

This appendix shows the main results achieved between July 2018 and June 2019 on each theme of the action plan for policy coherence for development, based on the qualitative and quantitative indicators in the plan. The plan's goals (linked to the corresponding SDGs) are given in brief for each theme (see Parliamentary Paper 33 625, no. 265).

Tackling tax avoidance/evasion

Overarching objective: raise tax revenue in developing countries, particularly low income countries and focus countries (SDG 17.1)

- The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument) was ratified in early 2019. This means that the anti-abuse provisions developed in the Base Erosion and Profit Shifting (BEPS) project can now be rapidly and efficiently included in bilateral tax treaties. The Netherlands has notified almost all its tax treaties, including those with developing countries, under the Multilateral Instrument. This offers ample opportunities to extend the number of tax treaties between the Netherlands and developing countries which include anti-abuse provisions. Since 2013 the Netherlands has reached bilateral agreements with seven developing countries. Recently the following six developing countries signed the Multilateral Instrument: Egypt, Georgia, India, Indonesia, Nigeria and Pakistan; the Netherlands has bilateral tax treaties with each of these countries. Other developing countries that joined the BEPS plan more recently also intend to sign the Multilateral Instrument. The BEPS anti-abuse provisions will be included in the bilateral tax treaties with these countries as soon as ratification is complete.
- The Netherlands supports the EU policy of drawing up a list of non-cooperative tax jurisdictions (blacklist): countries that do not cooperate or do not sufficiently cooperate in the fight against tax avoidance. The government is preparing sanctions against these countries, such as the withholding tax on interest and royalties that it plans to introduce on 1 January 2021. In 2017 the EU initiated an assessment of the steps taken by 92 non-EU countries to tackle tax avoidance. (Low income countries without financial centres will be disregarded for the time being.) This screening process has prompted several countries to adapt their tax systems to meet international tax standards, especially on the exchange of tax information. The elimination of harmful tax competition is a key screening criterion. Twelve countries are blacklisted and 36 countries are currently on a 'grey list'. The grey-listed countries are making good progress and have undertaken to fully implement the tax system changes that the EU has requested by the end of 2019. Other countries have received a positive assessment. This should not be seen as a guarantee for the future, since the EU aims to make the screening more stringent over time.
- National legislation to implement the first EU Anti-Tax Avoidance Directive came into effect on 1 January 2019. The legislation introduces more stringent regulation of controlled foreign companies. It tackles the use by Dutch multinationals of tax avoidance schemes to artificially shift profits to a lower-tax jurisdiction (i.e. countries which do not tax profits or which charge a statutory rate lower than 9%) or to countries that are on the EU list of non-cooperative tax jurisdictions. The legislation gives the Dutch Tax and Customs Administration powers to tax the profits of a corporate entity established in another country and taxed there at a low rate if they are not deemed to be taking part in activities in that country's real economy. The measure serves not only to safeguard the tax base in the Netherlands, but also to reduce tax avoidance at the expense of developing countries. It does this by discouraging artificial transfer of profits made by a subsidiary of a Dutch multinational in a developing country to a branch located in a low-tax regime or in a country that is on the EU list of non-cooperative tax jurisdictions.
- The Netherlands expanded its technical assistance (TA) to developing countries in line with the commitment made in the Addis Tax Initiative to double TA by 2020. The Netherlands provides bilateral TA to the following countries: Bangladesh, Ethiopia, Ghana, Indonesia, Kenya, Liberia, Malawi, the Palestinian Territories, Rwanda, Uganda and Zambia. TA is provided jointly by the Dutch Tax and Customs Administration and the International Bureau of Fiscal Documentation. In 2018 the Netherlands spent $8 million, compared to $3.2 million in 2015 (the base year).

The Netherlands also supports programmes of the African Tax Administration Forum (ATAF), IMF, OECD and UN. The UNDP 'Tax Inspectors Without Borders' initiative to which the Netherlands contributes has helped yield an extra $445 million in tax revenues. A recent partnership set up with the World Bank will help step up technical assistance in the focus regions of Dutch foreign trade and development cooperation policy.

Development-friendly trade agreements

Overarching objective: the greatest possible positive impact of trade agreements on developing countries (SDG 17.10, 17.11, 17.12)

- In the year under review progress has been made in agreeing and ratifying Economic Partnership Agreements (EPAs), as follows. The Comoros ratified and provisionally applied the EPA for East and Southern Africa (ESA) (7 February 2019). The EPA with the Southern African Development Community (SADC) was ratified by Spain (13 August 2018) and the UK (21 March 2019). Samoa joined the Pacific EPA (29 November 2018).
- Progress was also made on the institutional framework for monitoring the EPAs. On 17-18 February 2019 the fifth meeting of the Trade and Development Committee established under the EU-SADC EPA took place in Cape Town. Agenda topics included monitoring and civil society involvement, and trade disputes, specifically over imports of poultry and textiles from the EU. The SADC Joint Council held its first meeting on 18 February 2019 and dealt with ongoing institutional issues. The dispute settlement mechanism began work, offering new opportunities to discuss trade conflicts. On 22 January 2019 the seventh meeting of the EPA Committee under the Interim EPA with the ESA states launched an initiative to establish a monitoring and evaluation system. The second evaluation of the CARIFORUM EPA (held every five years) is currently being conducted and is expected to report its findings in March 2020. The parties are continuing to work on implementation of the plan for market access to goods and services and – in combination with technical assistance – on a joint monitoring system for the EPA.
- Through the WTO's Netherlands Trainee Programme 15 traineeships have been provided for civil servants from developing countries working on trade policy. The Advisory Centre on WTO Law has also helped 89 delegates from developing countries so as to strengthen their negotiating position on a range of trade issues, and provided training in WTO trade dispute settlement to four lawyers from Ethiopia, India, Mozambique and Thailand. It also issued some 200 opinions at the request of developing countries and gave them legal support in 15 trade dispute procedures.
- In the year under review no new negotiations were initiated by the EU, and therefore it did not conduct any research into the possible impacts of new bilateral trade agreements.
- In the negotiation of trade agreements with Mexico, Chile and Japan the Netherlands pressed for flexible rules of origin, which offer developing countries more cumulation possibilities.
- Within the EU, the Netherlands advocated on several occasions not including any provisions in trade agreements with developing countries that go beyond the TRIPS Agreement (TRIPS+ provisions). Instead the trade agreements should continue to offer the flexibility that suits each country's specific situation, particularly in safeguarding public health and promoting universal access to medicines.

Development-friendly investment regimes

Overarching objective: the greatest possible positive impact of investment treaties on developing countries (SDG 17.15)

- The government has updated the Dutch approach to investment agreements, making changes in four key areas: 1. ensuring clear safeguards for policy freedom for governments to regulate in the public interest; 2. modernising dispute resolution procedures (including increased transparency and improved selection of qualified and independent judges); 3. limiting improper use of arbitrage (including exclusion of shell companies); 4. demarcating and clarifying standards for investment protection.

- On 21 May 2019 the European Commission authorised the Netherlands to negotiate with 10 countries, including seven developing countries.
- The Netherlands has agreed to the signature of the investment agreement between the EU and Singapore, which includes the modernised approach to investment protection known as the Investment Court System (ICS). The ICS includes independently appointed judges and an appeal mechanism.
- The Netherlands' support for the European Commission's efforts to establish a Multilateral Investment Court includes active participation in negotiations with the UN Commission on International Trade Law (UNCITRAL) on multilateral investment protection reforms.
- The Netherlands is funding a scoping study into options for offering legal assistance to parties to investor-state dispute settlement (ISDS) procedures. The Columbia Center on Sustainable Investment, which is conducting the study, held an event at the Dutch Permanent Mission to the UN in New York on 4 April 2019.

Sustainable production and trade

Overarching objective: link more sustainable production, particularly in developing countries (with a focus on textiles, palm oil and other agro raw materials, metals and minerals), to responsible business practices (including due care) by Dutch businesses when sourcing and outsourcing in those countries (SDG 2, 8, 12, 17)

- In 2018 the Netherlands boosted its efforts to combat child labour. For instance in June 2018 the government launched the new Fund for Combating Child Labour (FBK), and at the end of 2018 signed a major partnership agreement with the International Labour Organization (ILO) on child labour. In summer 2019 the Netherlands is taking part in a large-scale programme run by an alliance to promote an area-based approach to combating child labour. Many of the 15 projects set up under the first FBK in 2017 have now been running for a full year. One of these projects, in the textile industry in India, succeeded in moving almost 1,500 children out of work and into education. Four projects have been started in 2019 under the auspices of the FBK that was launched in June 2018. The government expects to see the first results in 2020.
- The Netherlands is also working with the ILO to promote a living wage. In Ethiopia, India, Indonesia, Vietnam and Costa Rica the ILO is working with various stakeholders to develop a tool to calculate the cost of living, which can then be used for setting legal minimum wage levels. The Trade Union Confederation FNV and the National Federation of Christian Trade Unions (CNV) are helping to strengthen trade union capacity in developing countries. This has equipped unions to conclude hundreds of collective labour agreements, for instance in the textiles industries in Myanmar, Vietnam, Bangladesh, Cambodia, Indonesia and Ethiopia.
- In the garment and textile industry, the Bangladesh Accord on Fire and Building Safety came under severe pressure in 2018 and 2019. The government has made political interventions to keep the Accord's local office open in Bangladesh. In May 2019 the Accord and the trade association reached an agreement.
- In 2017 88% of the palm oil processed by the Dutch food industry was certified as sustainably produced, putting the sector at the forefront in sustainability. In January 2019 the Dutch government and its partners Solidaridad and the Sustainable Trade Initiative (IDH) set up a new palm oil programme to encourage small farmers in Indonesia, Malaysia, Ghana and Nigeria to adopt more sustainable production practices and stop deforestation.
- In May 2019 the government informed the House of its spending increase on efforts to make the cocoa industry more sustainable, and of its plans to tackle challenges related to living wages and deforestation. Statistics Netherlands (CBS) tracks data on the consumption of sustainable coffee and cocoa. In an update to the House (Parliamentary Paper 32 266, no. 10) in October 2018, the government reported the figures for sustainable cocoa (66%) and sustainable coffee (41%).
- The European Partnership for Responsible Minerals (EPRM, a multi-stakeholder initiative established in 2016) has funded seven projects to date. One of these projects, Chains of Peace (CAPAZ), has been completed. Its aim was to develop a standard for small mines to demonstrate responsible production practices. The standard was well received by the sector and will be rolled out in a follow-up project. Including the ongoing projects, there are now

around 20 small mines that export responsible gold. EPRM will fund four other new projects in 2019. All the ongoing and new EPRM projects relate to one or more of the 3TG minerals (tin, tantalum, tungsten and gold) and are operating in Colombia, the Democratic Republic of the Congo, Indonesia, Rwanda and other countries. The government will be able to report further on these projects' results once they are completed.

- To encourage responsible business conduct the government is working to create a level playing field at European level by encouraging European ICSR initiatives to join forces. An EU ICSR action plan will be key, and in the past year the Netherlands and other like-minded member states have repeatedly called on the EU to draw one up. As a result Council Conclusions were adopted in response to the Reflection Paper 'Towards a Sustainable Europe by 2030'. Efforts are also being made to facilitate the exchange of best practices. For instance, a delegation from the Dutch Ministry of Foreign Affairs attended a conference on sustainable value chains in Berlin. The Netherlands also organised an event in Paris for businesses and other stakeholders from the Netherlands and France to inform them about the Dutch multi-stakeholder approach and the ICSR law adopted in France, Act no. 2017-399 on the Duty of Vigilance of Parent Companies*.* The government also promoted the multi-stakeholder approach in other European states, such as Spain.
- In 2018 there were seven signatories to the Amsterdam Declarations Partnership (ADP), who called on the European Commission to draw up an action plan to combat deforestation. A Communication to this effect is expected before the summer. The ADP countries also presented an information note to the Agriculture and Fisheries Council proposing an ambitious European policy, which was submitted to the Commission by letter from Dutch Minister for Foreign Trade and Development Cooperation Sigrid Kaag. In June 2019 the Netherlands chaired an ADP multi-stakeholder event in Utrecht promoting innovation and closer cooperation between consumer and producer countries, businesses and other stakeholders, with the aim of achieving greater impact and helping the public and private sectors to set to work faster on their commitments to make marketing chains more sustainable and to stop deforestation. Another objective was closer cooperation between APD countries and the EU in producer countries such as Indonesia and Brazil.
- Through ICSR agreements the Netherlands is actively seeking collaboration with initiatives in other member states. Supplementing the existing partnership between the Dutch Agreement on Sustainable Garments and Textile and its German counterpart, in May 2019 the Netherlands and Flanders confirmed their partnership by signing an agreement on natural stone. Two European trade associations have also been involved from the beginning in developing the metals agreement that was signed in May.

<u>Tackling climate change</u>

Overarching objective: implementation of the Paris Climate Agreement in a way that benefits the poorest countries and population groups (SDG 13)

- In 2018 the Dutch government started intensive diplomatic efforts to urge both its European partners and third countries to step up their efforts on climate change. Besides aiming to raise the EU target for greenhouse gas reduction to 55% in 2030 and to achieve climate neutrality by 2050, the government seeks to persuade other countries to adopt more ambitious climate change targets as they review their Nationally Determined Contributions (NDCs) to the Paris Climate Agreement and their long-term strategies. Through these efforts the government aims to help realise the objectives of the Paris Climate Agreement to limit global warming and boost countries' resilience to climate change.
- At the Katowice Climate Change Conference in December 2018 Ms Kaag became co-chair of the NDC Partnership, which aims to accelerate climate action in developing countries and boost the integration of countries' NDCs into national development plans and strategies. Through the NDC Partnership the Netherlands supports in particular the work of facilitators in Uganda, Mali, Jordan and Ethiopia who are trying to ensure the quality of their countries' NDC implementation.
- The Dutch government is calling for climate change action to be financed in a way that benefits the poorest and most vulnerable. Sixty-six per cent of the adaptation funding provided by the Green Climate Fund goes to the least developed countries (LDCs), Small Island Developing

States (SIDS) and/or African countries. This is more than the minimum 50% allocation originally agreed. The Dutch Fund for Climate and Development will focus its efforts on projects which help the poorest groups and which have a positive impact on women, for instance by investing in projects which directly benefit the poorest people or which stress women's employment. The fund manager will be asked to explicitly promote the development of such projects and to analyse and monitor the projects' success in reaching the poorest groups and women.

- In 2020 the government will discontinue Trade and Development Cooperation finance facilities for coal mining projects and exploration and development of new supplies of oil and gas abroad, as detailed in the government's letter to parliament entitled *Internationaal financieren in perspectief: kansen pakken, resultaten boeken* ('International financing in perspective: seizing opportunities, getting results') (February 2019).
- The Netherlands believes that multilateral banks are well placed to play a leading role, in international forums as well as bilateral projects, in funding the energy transition and low carbon development paths. For this reason the government is pressing within these institutions to set the most ambitious possible climate finance goals and to phase out financing for fossil fuel projects.
- While there are no restrictions on generic export facilities (such as trade missions, embassy support and export credit insurance), the government is working with the business community to promote greening to enhance support for Dutch companies on international climate adaptation and energy transition projects.
- The government is taking measures to reduce any adverse impacts that the Netherlands' use of bio-energy may have on food, water, forests and biodiversity in developing countries. The coalition agreement states that no new grants will be awarded for the co-firing of biomass at coal-fired power stations. The sustainability of biomass in energy production, including biomass from developing countries, was a concern in the negotiations on the climate agreement. In the negotiations on the second EU Renewable Energy Directive (REDII), too, the Dutch government aimed at ensuring that additional demand for biomass would not be at the expense of land use in developing countries.