

Letter of 1 July 2019 from the Minister for Foreign Trade and Development Cooperation to the House of Representatives on the annual progress review on policy coherence for development

The government presented a revised action plan on policy coherence for development to the House of Representatives on 13 July 2018 (Parliamentary Paper 33 625, no. 265). The action plan systematically promotes coherence between the different policy areas that impact development. The revised action plan emphasises areas where the Netherlands can make a difference in helping developing countries achieve the SDGs. This letter includes the progress review for the period from July 2018 to June 2019. It discusses, in the following order: relevant developments in the national and international situation, a bird's-eye view of overall progress based on objective metrics, and an overview of the progress made on the action plan's five themes. The appendix gives a detailed account of the progress made on each theme.

National context: SDG assessment tool

In May 2018 the Dutch government announced that it would align the integrated assessment framework (IAK) with its SDG aspirations (Parliamentary Paper 26 485, no. 288). This alignment took effect in January 2019, for example adding the compulsory quality standard 'effects on developing countries'. This standard contains guidelines for policymakers and legislative drafters on what to look out for in introducing new policy or legislation and how to identify possible implications for developing countries' ability to achieve the SDGs. The IAK ensures that the interests of developing countries are considered at an early stage in the formulation of new policy and legislation, thus supporting the implementation of the action plan on policy coherence for development. As the amendments made to the IAK with reference to the SDGs are of interest to the EU and OECD, an English version has been published.¹ The government encourages further application of the revised IAK by policymakers and legislative drafters in the interests of SDG implementation in various policy areas.

International context: developments in the EU

The European Commission has evaluated the EU's policy coherence for development for the period 2009 to 2016. The independent evaluation report presented in July 2018 shows the undiminished importance of policy coherence in the EU for carrying out both the European Consensus on Development and the SDGs. However, there is room for improvement on implementation. The significance of policy coherence for development is also underlined in the Reflection Paper 'Towards a Sustainable Europe by 2030' (January 2019).² The paper stresses the importance of ensuring that policy does not entail negative impacts elsewhere which will, in turn, have a boomerang effect on our own economy and society, for example by exacerbating the root causes of migration. The progress report on policy coherence for development published by the EU in January 2019 shows that the Commission has integrated its approach to policy coherence for development into its work on the SDGs. Policy coherence for development is now a recurring agenda item of the Inter-Service Steering Group on the SDGs. In addition, all future policy proposals³ will be screened for potential impacts on developing countries to properly reflect the comprehensive scope of the SDG agenda. In future the Commission will issue a progress report every four years as an integral part of the SDG report to the High-level Political Forum in New York. The Netherlands welcomes the fact that the EU is tightening coherence policy and is making progress, but we will continue to call for

¹ The English translation is available at <https://www.kcwj.nl/kennisbank/integraal-afwegingskader-beleid-en-regelgeving/4-wat-het-doel/sustainable-development-goals-sdg%E2%80%99s>, at the bottom of the page under the heading 'meer informatie' (more information).

² An assessment of the Reflection Paper was sent to the House of Representatives on 15 March 2019 in the BNC file entitled 'Towards a Sustainable Europe by 2030' (Parliamentary Paper 22 112, no. 2784).

³ Beyond the five original priorities of trade and finance, climate change, food security, migration and security.

improvements in implementation. There are various ways to achieve this: for instance by setting targets in advance, measuring and monitoring progress, and enhancing the role of EU Delegations.

Summary of progress: what do objective metrics tell us?

Various organisations measure national policies' cross-border impact on developing countries. The Commitment to Development Index (CDI) from the Center for Global Development is a key international study. The CDI highlights the strengths and weaknesses of the 27 wealthiest countries with respect to how they help poorer countries develop. In 2018 the Netherlands was tied for fifth place in the CDI, moving up two places from 2017. Traditionally the Netherlands has performed well on aid and trade, and above average on five of the index's seven components. There is room for improvement on the finance indicator and the environment/climate indicators. For finance the concerns relate to bilateral investment treaties and financial secrecy, but it is thanks mainly to improvements on these points that the Netherlands' overall rating went up. For the environment/climate indicators, the main cause for concern is insufficient reductions in greenhouse gas emissions.

One key national report, the *Monitor Brede Welvaart* ('Monitor of Wellbeing') published by Statistics Netherlands (CBS) on 15 May 2019, also measures the Netherlands' progress on achieving the SDGs. It focuses on progress within the Netherlands, including the country's impact on other states (particularly the poorest countries), measured with overarching indicators which include aid, trade and our 'footprint' expressed in raw materials and greenhouse gas emissions. Again, the MBW shows that the Netherlands is performing well on aid and trade compared to other EU countries. In fact, the Netherlands increased its trade with the poorest countries in the past year, thus generating income and employment for these countries. The downside here is that increased trade may have a negative impact on raw materials, people and the environment in those regions through CO₂ emissions and depletion of scarce resources. The MBW shows that while the Netherlands had a bigger carbon footprint in the past year, it imported fewer raw materials from the poorest countries, thus doing less to exhaust their natural capital and undermine their future prosperity. The government shared its response to the MBW with the House (see Parliamentary Paper 34 298, no. 27).

Progress on the action plan themes

The Netherlands is making progress on the five themes of the action plan on policy coherence for development. Some highlights are given below. The appendix gives a detailed overview of progress on each theme.

- The Netherlands ratified the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument). This means that the Netherlands can now include anti-abuse provisions in its tax treaties with developing partner countries that have also approved the Multilateral Instrument.
- The Netherlands also made progress in implementing Economic Partnership Agreements (EPAs) between EU states and ACP states, and in providing training to help civil servants in developing countries working on trade policy improve their negotiating position on a range of trade and dispute settlement matters.
- The government has updated the Dutch approach to investment agreements, as a basis for reviewing those of its Investment Protection Agreements (IPAs) which will not be replaced by EU investment agreements. The updated approach makes changes in four areas: it ensures clear safeguards for policy freedom for governments to regulate in the public interest, modernises dispute resolution procedures, limits improper use of arbitration, and demarcates and clarifies standards for investment protection.
- Thanks to the Netherlands' efforts, social and environmental conditions in different value chains have improved. More forceful efforts to combat child labour are already showing initial results.
- The Dutch government started intensive diplomatic efforts to urge both its European partners and third countries to step up their efforts on climate change. In 2020 the government will discontinue trade and development cooperation finance facilities for coal mining projects and

for the exploration and development of new supplies of oil and gas abroad (see Parliamentary Paper 34 952, no. 44).

The fact that the 2030 Agenda for Sustainable Development devotes a specific target (SDG 17.14) to enhancing policy coherence underlines the pivotal role of policy coherence in the Agenda. A balance must be struck between the economic, social and environmental dimensions of sustainable development across all policy areas, taking account of the impacts of domestic policies elsewhere and particularly in developing countries. In 2020 the government will therefore consider whether the annual review on policy coherence for development could be presented to the House of Representatives as an appendix to the SDG report.