

# Evaluation of the Implementation of the Paris Declaration

## Update of Phase 1 Donor Studies

### THE NETHERLANDS

### Executive Summary

This summary provides an update of the findings of the report *Ahead of the Crowd? – The process of implementing the Paris Declaration, Case study the Netherlands*. This agency-level evaluation was conducted during the first phase of the joint evaluation of the implementation of the Paris Declaration. The update covers the period between the publication of *Ahead of the Crowd?* until mid-October 2010 when a new coalition Government assumed office in the Netherlands.<sup>1</sup> It is descriptive and should not be considered to be an evaluation. It draws on documentation, in particular *the Netherlands Action Plan Paris/Accra* and internal documents of the Ministry of Foreign Affairs produced by the Department for Effectiveness and Coherence.

In his policy reaction to Parliament on the report of the Phase 1 evaluation of the Paris Declaration, the Minister for Development pointed out the importance of the findings of the synthesis report as well as the Dutch case study. He reiterated that the Netherlands would continue to be fully committed to the implementation of the Paris Declaration. Whilst taking note of the fact the Netherlands had already a relatively good track record, the Minister pointed out that more should and can be done to achieve the Paris agenda in practice.

Stepping up the efforts to achieve the Paris agenda has taken place as a follow-up to the High Level Forum in Accra, where the Netherlands has played a very active role. The Netherlands

<sup>1</sup> The coalition Government instituted in mid-October 2010 has decided to cut the ODA budget of the Netherlands in the coming four years and to focus ODA on a limited number of thematic priorities. At the time of writing of the update note it is not clear how these general decisions will work out in the bilateral aid programme with the current set of partner countries.

Action Plan Paris/Accra entitled *Extra Efforts for Better Aid* was published in early 2009. It offers a broad framework, sets priorities for the Netherlands regarding its obligations under Paris and Accra, and advocates an approach in which development activities are tailored to the specific conditions in the respective partner countries taking into account opportunities and obstacles. More particularly, the following priority issues were to be addressed:

1. the use of country systems
2. predictability of aid and conditions
3. transparency and mutual accountability
4. a results-oriented approach
5. fragmentation and division of labour
6. harmonisation
7. the special challenges posed by post-conflict countries and fragile situations.

In a number of areas, such as registration of the Netherlands contribution in the budgets of partner countries, the use of country systems and predictability of aid, the Netherlands aims to improve its performance. In others (untying of aid, the use of programmatic approaches, avoiding parallel implementation structures and joint or coordinated implementation of missions), the Netherlands aims to maintain its overall performance whilst trying to improve its performance on these priority areas in specific countries if needed.

The Dutch response to the implementation of the Paris Declaration and the Accra Agenda for Action will continue to have a country-specific approach. It will vary depending on the

category of partner country outlined in the policy document *'Our Common Concern: Investing in development in a changing world'* (October 2007). A distinction is made between three groups of countries:

- *Profile 1 countries.* For these countries, which are fairly stable, relatively dependent on aid, and increasingly well governed, the emphasis is on meeting the MDGs as swiftly as possible. It is vital to minimise the transaction costs associated with the multitude of financial flows. In its support to these countries, the Netherlands is strongly committed to realising all the Paris objectives.
- *Profile 2 countries* are struggling with a dominant security problem, a weak government or major social tensions that have the potential to flare up into conflict. Here the support by the Netherlands is mainly focused on creating the conditions that will assist the country move closer to the MDGs. A key objective is to keep transaction costs associated with aid as low as possible.
- *Profile 3 countries* have reached the status of middle-income country or are considered to reach that status in the very near future. In these countries the Dutch development partnership will be scaled back, and succeeded by other types of bilateral relationship. The Dutch aid programme will focus on the particular MDGs on which the country is lagging behind and on broadening the bilateral relationship. In the context of the latter goal, agreements may be made with these countries that do not necessarily lead to better scores on the Paris targets.

By 'customizing' its approach taking into account the specific context of the different countries in each of the three categories of partner countries, the Netherlands aims 'to improve its own performance, fostering international dialogue, and where appropriate, directly approach donors at head-office level'. In addition the Netherlands is committed to realise specific objectives as set by the European Union.

Using **country systems** will be the first option in Netherlands bilateral development cooperation. Even where these systems are not perfect, the Netherlands will try to use them provided that they meet minimal requirements and the partner country has credible plans to improve its systems. The Netherlands will be a 'pioneer' in using country systems within acceptable risks and provided there is a 'relationship of trust' with the government of the partner country. The use of country systems is not an 'all or nothing proposition' implying gradations in the use of some systems and not or not yet using others. In the event the Netherlands considers it impossible to use country systems the reasons will be made clear to the partner country at issue. Where appropriate, the Netherlands will work towards strengthening locally rooted capacity building processes.

The Netherlands will aim for (greater) **predictability of aid**, which will take place in the context of a partnership of trust

between donor and partner country following a 'business-like approach'. If a partner country does not adhere to agreements or violates trust in some way, the amount of aid and the timetable for its disbursement can be affected. When the Netherlands is unable to honour the principle of multi-year commitments (or indicative commitments) for valid reasons, such reasons will be communicated to the partner country. These consultations will be harmonised to the extent possible with other donors with the aim to strengthen the political dialogue.

A multi-pronged approach will be followed to improve **transparency and accountability** as well as fostering those of its partner countries, other donors and multilateral institutions. In order to make Dutch aid more transparent, the Netherlands actively participates in the International Aid Transparency Initiative and information about bilateral aid allocations by country and sector will be published on the websites of the embassies and the Ministry of Foreign Affairs. Support will be provided to strategic partners in recipient countries involved in strengthening the relations between the government and the public with the dual objective to strengthen ownership and accountability. Mechanisms for mutual accountability with a preference for existing mechanisms will be supported in order to minimise the additional burden for the parties involved. In pursuing its sector-wide approach the need to involve civil society organisations and the emphasis on domestic accountability are to be stressed. Where general or sector budget support is not yet possible, the Netherlands will work towards gradual alignment with the partner country's procedures; it will also continue its efforts on harmonising donors' working methods. The Dutch parliament and the public will be regularly informed about the Dutch aid efforts *inter alia* by two yearly *Results in development* reports.

Efforts in the field of **management for development results** need be undertaken in a harmonised and aligned manner. Therefore Netherlands fully supports the activities undertaken by the Joint Venture on Management for Development Results whilst simultaneously providing support to partner countries trying to work in a more results-oriented manner. An important element of the latter support is strengthening statistical capacities in these countries, with the Netherlands continuing its support to international initiatives.

**Division of labour** between donors is a means to an end and should be organised and implemented with a view to increase the effectiveness and efficiency of aid. As of 2007, the Netherlands has been focussing its bilateral aid efforts on a limited number of partner countries. In each country bilateral aid is in principle focused on three sectors. Continued support will be provided to a further division of labour among donors at country level in order to minimise partner countries' workload as well as that of the donors. The Netherlands aims to contribute to more effective cooperation among the multilateral organisations. The European Commission will be supported in its efforts to streamline its activities. Effectiveness and efficiency

will be a central focus in the policy for and financial arrangements with Dutch development NGOs. Dutch organisations focusing on private sector development will be encouraged to collaborate and harmonise their policies and approaches amongst themselves as well with the Dutch embassies in the respective partner countries. If the international dialogue on cross-country division of labour results in a shift of Dutch (bilateral) financial flows, the Netherlands aims to channel its support where appropriate and possible through civil society organisations, the EU and international financial organisations. Dutch policy towards multilateral organisations strives for joint positions and a division of labour with like-minded donors as well as better cooperation and better division of labour among the multilateral organisations. Finally, the Netherlands will refrain from establishing new global or vertical funds whilst putting an emphasis to address the shortcomings of existing funds.

Where alignment with partner countries' policies and procedures may not (yet) be possible, the Netherlands considers it very important that donors **harmonise** their activities to avoid duplication and put excessive burdens on the recipient countries. The Netherlands will further reduce its parallel implementation structures whilst increasing its involvement in joint analytical work and the number of joint missions. It is aimed that at least half of all Dutch-funded technical support for capacity building in partner countries is to be provided through coordinated programmes. Joint financing arrangements will be used to a greater extent as will models for delegated cooperation. Financing multilateral organisations will mainly take place through non-earmarked and pooled multiyear funding. The Netherlands will contribute to the international Legal Harmonisation Initiative.

The strategy *Security and development in fragile states* (November 2008) points out that the principles of ownership and domestic accountability will be applied in fragile states. Where possible the Netherlands will act in harmonisation and jointly with other donors and international organisations bearing in mind possibilities and challenges for alignment. Under the auspices of the OECD DAC International Network on Conflict and Fragility, the Netherlands is leading the process of setting priorities for peacebuilding and state-building. In a more general sense, the Netherlands wishes to actively contribute to promote more effective international efforts in fragile states through targeted support to international organisations and engaging in a critical dialogue with these organisations focusing on improving cooperation among them.

Progress of the implementation of the Action Plan has been monitored. The monitoring results were used to discuss the 'state of the art' of this implementation and to point out which improvements are warranted.

In the 2008 the OECD DAC survey on the extent to which donors were implementing the agreements in the Paris Declaration, 29 partner countries filled in the questionnaire on Dutch aid. In general terms, the Netherlands scored relatively well. For five of the 10 indicators the targets have been achieved or nearly achieved: coordinated technical cooperation on capacity development, avoiding parallel project implementation units, untying aid, applying a programme-based approach, and conducting joint field missions (see Table 5.1). The Dutch score was well below the Paris target for 2010 on the following indicators: the extent to which aid is incorporated into the budget of the partner country, the use of country systems for public finance management, joint country analytical work and the predictability of aid. The report *Results in development*, which was provided to Parliament in 2009, points out that still much should be done to improve the use of country systems as well as predictability and transparency. The report provides an insight on whether the Netherlands will be able to reach the Paris Declaration targets for these indicators.

Finally with regard to aid modalities it can be noted that budget support has been a component of Dutch development cooperation policy for quite some time. However, the combined share of general budget support, sector budget support and sector basket funding in total ODA has remained relatively small. In addition, the levels of budget support have been fluctuating because of several reasons. In the first place, as a result of the changing political and governance contexts in a number of partner countries the Netherlands decided to review its position in terms of providing general budget support. Second, in a number of countries budget support has gradually been phased out. This applies for instance to some countries belonging to the *Profile 3* category which have reached or are about to reach the status of middle-income country. In these countries the Dutch development partnership will be scaled back, and succeeded by other types of bilateral relationship. General budget support, sector budget support and sector basket funding are applied in a very limited way in *Profile 2* countries. In these countries which are characterised by security problems, a weak government or major social tensions that have the potential to flare up into conflict, the conditions are not conducive to provide such support.