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DUTCH BILATERAL AID POLICIES IN THE PERIOD 1977-1993

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by

Jos Hilhorst and Sandro Sideri†

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INTRODUCTION

This paper is written as part of a larger research project that aims to assess the possibilities for effective co-ordination of development co-operation policies and activities within the framework of the European Union (EU). The basis for this co-ordination is found in the Treaty of Maastricht, more particularly in articles 130U and 130V.

The underlying assumption of this research project is that the problems of co-ordination of development policies and activities cannot be understood unless there is more clarity about the motivations of the member states when engaging in development co-operation; its history; the role that is played by the various decision makers; the procedures that are used in its administration; the sectoral and geographical priorities that have been adopted; and the attitudes that are shown with respect to multilateral organisations in this field. For directly operational purposes, the understanding that arises from any clarification on these aspects of development co-operation may be quite useful.

Basic to our understanding of the problems of co-ordination in the coming decades is, however, the need to have an insight into the reactions of the member states to the consequences of the important changes in Eastern Europe, to the current economic crisis and to the role of the emerging economies in the South. This paper looks at development co-operation as implemented in the Netherlands over the past 15 to 20 years, but goes further than merely listing a series of facts. Part I analyses general aspects of Dutch development co-operation also with respect to their meaning for co-ordination at the EU level, while part II follows with a discussion of the three sectors (education, health and food aid) and the general approach selected for initiating this co-ordination as decided by the Development Councils held on May 23, 1993 and December 2, 1993. In part III we present our conclusions with regard to the problems of co-ordination at the international level, at the level of the EU, at the national level and at the operational level, i.e., within the recipient countries.

I. AN OUTLINE OF AID POLICIES

1.1. Objectives of International Co-operation

Whereas in the past the Dutch government had as the basic objective of its development co-operation policy the "eradication of structural poverty"¹, its most recent report on this subject, entitled Een wereld in geschil (A World in Dispute) [DGIS, 1993a], places it in the context of a series of other objectives. This latest report constitutes, therefore, a rather important turning point in Dutch development policy, and has received rather harsh criticism from the country's development lobby. Until the appearance, in September 1993, of this new policy paper, the objective of poverty eradication in the Third World always received highest priority in Dutch international co-operation policy. This remained so, even if over the years it had been reformulated various times, and was sometimes accompanied by a secondary objective, such as economic self-reliance. These changes in emphasis reflected changes in the composition of the Dutch government, which was be either centre-left or centre-right.

However, while there was little change in the basic objective, there were relatively important changes in derived objectives, such as concentration on rural development, the inclusion of gender specific objectives, etc.; in the choice of the so-called target countries; in the allocation to the various channels of expenditure (multilateral, bilateral or non-governmental organizations (NGOs)); and in the organisation of the Directorate General charged with implementing the policy over the past 15 years. These latter changes reflect not only the introduction of additional secondary objectives, but also attempts at increasing efficiency and effectiveness.

By 1977 the financial means available to the Minister of Development Co-operation amounted to 1.5 per cent of Net National Income (NNI) at factor cost and they continued to be close to this percentage in the years after. The relative importance of this effort has only been paralleled by some of the Nordic countries, and it has given The Netherlands generally a position in international development discourse that is not quite commensurate with the absolute amount the country contributes.

1.2. Factors affecting bilateral aid policy

Bilateral aid policy of The Netherlands is based upon a mixture of four motivations. The most important one perhaps, is a strong sense of solidarity with poor people, a motivation that is also reflected in the system of social security that has been created in the country since World War II. In this regard the notion of "international solidarity" has played an important role in the pre-1977 campaigns to increase the Dutch contribution to 1.5 per cent NNI. The response to this notion is generally explained by the international orientation that has characterised the country's leadership over the last four centuries.

This international orientation of course partly rests on in the country's colonial history, when Indonesia, Surinam and the Netherlands Antilles were governed from the home country. Still today these countries are among the main target countries of Dutch aid policy -- Indonesia only abandoned this type of co-operation in March 1992. However, the country's colonial past is also sometimes used to explain a

¹ The word "structural" in this objective had a double meaning in that it referred to both sustainable growth of national income and to a more equal distribution of income within and among countries.

certain feeling of guilt that would constitute a second motivation for contributing to development co-operation. However, whereas this feeling may have played a role in the years preceding 1970, the younger generations will hardly mention this, unless it be in the context of a discussion of European countries' common past as colonizing powers and the related common guilt this created.

The third motivation is of a commercial character. It is found among a number of internationally operating entrepreneurs who consider that the attitude among Third World governments towards such issues as Dutch private investments, repatriation of profits, the labour relations they maintain or the sales they want to promote can more easily be discussed if access to these governments is facilitated by a bilateral aid relationship between these governments and the Dutch government through its embassies. However, if one compares the list of target countries with the list of countries where most overseas investments by Dutch enterprises have taken place it appears that there is only a very partial overlap among them. Another group of interested enterprises are consultancy firms who have specialised in solving problems encountered in developing countries (LDCs).

These motivations go towards explaining to some extent the factors that affect bilateral aid policies. Other motivations relate to the Cold War: thus, the choice of Angola, Cuba, Jamaica and North Yemen as target countries over a number of years is an example of this mixture of motivations. In the case of Cuba the decision can largely be explained by the desire to help a country in need of contact with other countries, since the USA had enforced its isolation from its nearest natural market. While at that time Cuba had a fighting army in Angola it had also sent massive technical assistance to Jamaica, where Manley was strongly promoting socialism. Perhaps because of his outspokenness, Jamaica acquired the then very important chair of the non-aligned nations and it became relevant for The Netherlands to have better access to Jamaican government circles. The choice of Angola and North Yemen, that had turned 'socialist' can be seen as an attempt to avoid their isolation from the West, since they might otherwise only have had contacts with the East bloc. Similarly, since the East-West tension here also played a role, the fact that Vietnam was not selected as a target country is explained by the US position in this regard, even if pressure groups within The Netherlands were in favour of helping Vietnam to overcome the problems of the protracted war.

In the years after 1977 development co-operation was affected more and more by the Dutch position on human rights, while aspects of foreign economic policy continued to play a role. For instance, until approximately 1987, it was necessary to check untying of aid with the Ministry of Economic Affairs. At the same time, continuous support was given to opposition groups in Chile and Indonesia for example and there was pressure to bring the observance of human rights into the successive Lomé Conventions and include related issues in bilateral discussions with recipient country governments. Thus, whereas the basic criterion used to select a country for bilateral development co-operation continued to be GNP per capita, an important condition added in the course of the late seventies is the position the recipient government takes with regard to human rights. This explains, for example, why Dutch bilateral aid to Chile was stopped, while that to Surinam was suspended, and the Indonesian government broke off its development co-operation relationship with The Netherlands.

The break-down of the Soviet Empire, the re-discovery of the importance of political democracy for economic democracy, the armed conflicts in many parts of the world, the new insights into the relationship between poverty and economic growth, and the growing conviction that the international trade policies of rich countries cannot be separated from their development co-operation policies, are among the main factors that have brought about the change in Dutch bilateral aid policy. Whereas until September 1993 the Minister of Development Co-operation had generally

been seen to represent the interests of the LDCs in The Netherlands, now bilateral aid policy is considered to be a part of foreign policy. In this recent paper, no less than 14 areas of concern and related objectives have been formulated. These are -- in a somewhat shortened form -- enumerated in points (1) to (8) below. The turn-around becomes clear in the six additional points. The objectives, both implicit and explicit, in the policy report Een wereld van verschil (A world of difference) [Tweede Kamer, 1990] published in 1990 are:

- (1) priority for freedom, democracy and human rights as conditions for a type of socio-economic development that benefits the entire population;
- (2) ecologically sustainable development;
- (3) strengthening and reforming the international economic order;
- (4) to relate development co-operation on the one hand and international trade policy and monetary policy on the other, with a view to creating economic self-reliance of all countries;
- (5) to stimulate poverty eradication from below, based on the concept of human development;
- (6) to stimulate the autonomy of women in a physical, economic, social and cultural sense;
- (7) to give priority within each sector for those activities that are of direct benefit to weak and marginalized groups; and
- (8) to adjust the structure of the national economies of the less developed countries so as to create a sustainable equilibrium in the various markets.

The additional objectives are:

- (9) to give priority to peace making and the avoidance, containment and resolution of armed conflicts, also of non-economic nature, not only among but also within countries;
- (10) to redistribute the limited environmental carrying capacity by changing production and consumption patterns in the rich countries in such a way that their use of this scarce resource is reduced;
- (11) to reduce the natural rate of population growth in the world;
- (12) to remove ecological, political and socio-economic reasons for migration and to provide a proper reception for migrants;
- (13) to promote a balanced transformation of the economic and political order of societies after a period of adjustment, emphasizing good governance;
- (14) to connect targeted poverty eradication with a reduction in economic inequality that often results from excluding people, mostly in economies with a dualistic character.

Implicit in the addition of these objectives is a redistribution of the development budget. The amount representing 1.5% of NNI will now partly be distributed between developing countries as Official Development Assistance (ODA)² while the rest will be used for international environmental policy, peace operations in developing countries, as well as the reception of political refugees and support to Central and Eastern Europe, apart from traditional non-ODA activities. The discussion in Parliament of this new policy led to re-affirming the highest priority of poverty alleviation.

² "ODA is defined as those resources to developing countries (and multilateral institutions) provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following criteria: (i) It is administered with the promotion of the economic development and welfare of developing countries as its main objective, and (ii) it is concessional in character and contains a grant element of at least 25 per cent. To calculate the grant element of an ODA transaction, a 10 per cent discount rate is used." [OECD 1988: 177].

1.3. Organisation and operation

1.3.1. General aspects of organisation

The Dutch Ministry of Foreign Affairs includes a Directorate General for International Co-operation (DGIS). This is the executive arm of the Minister of Development Co-operation. This Cabinet Minister is a Minister without Portfolio, a position that underlines the importance the country attaches to development co-operation and allows the Minister to sit in the front row in international fora.

In 1977 the DGIS had just undergone a reorganisation: project preparation and project implementation were no longer distributed over two desks for the same country. Thus from then on bilateral co-operation in the form of projects was administered by a number of country desks, grouped into continental directorates, whose directors were accountable to the director general (DG). Also accountable to the DG were the directors of divisions responsible for contacts with the family of the United Nations (UN), with the European Community (EC), with the Organisation for Economic Co-operation and Development (OECD) and the International Bank for Reconstruction and Development (World Bank). A Deputy DG was in charge of policy preparation and design. Under the DG was also the secretariat of the Netherlands Advisory Council for Development Co-operation (NAR), a body composed of persons considered experts in fields related to problems of development. The NAR provides advice to the Minister of Development Co-operation on important issues of development co-operation policy; it can do so upon its own initiative, but generally advice is given upon the Minister's request. The Council's reports are in general technically well founded but, in their recommendations contain an important element of consensus with regard to political priorities, in this way reflecting the nature of the Dutch political system. In fact, members of the Council, who presently number about 70, are also selected because of their expected political positions.

An Operations Review Unit (IOV) an independent unit, directly reporting to the Minister, was created in the seventies. Initially, the programme evaluations it made were confidential, but at present they are also used to report to Parliament and to the public at large. These reports are generally taken quite seriously and have started to influence policy implementation.

Until about 1983 there existed three main ways to implement projects of development co-operation through technical assistance. The first was to contract specialists as personnel of DGIS with a posting at a project. They might be accompanied by what are called 'junior experts', i.e. recently graduated academics with an interest in working in development co-operation. The purpose of this was to maintain and/or expand field knowledge in The Netherlands. The second way of implementing projects was through the Netherlands Volunteer Corps (SNV), and the third was through sub-contracting Dutch consultancy firms.

In 1982, when a centre-right government was the ruling coalition, it was decided that the first modus operandi would be eliminated, so as to enhance the efficiency of the DGIS. All projects, except those under SNV, would be sub-contracted to consultancy firms. This decision still stands today. The junior expert programme was maintained, however. Junior experts may now be employed at projects contracted out to consultancy firms or at projects carried out by the UN-family. A number of such posts can also be filled by foreigners.

The continued growth of the development co-operation budget in absolute terms caused considerable tension within the DGIS. Due to a change in legislation related to budgeting rules, it was no longer allowed to spend on the basis of commitments. If actual cash flow remained below that budgeted, the remaining monies had to be returned to the Ministry of Finance. The pressure to maintain or expand expenditure

flows which this caused on the country desks became especially visible towards the end of each year. Yet, the country desks were generally willing to spend, even if quality checks had not always been fully carried out. This had been observed internally before then, and it contributed to the creation of the IOV.

Towards the middle of the 1980s the conclusions of a report on the organisation of the Netherlands Foreign Service [Buitenlandse Zaken, 1976] were finally implemented. This report had been published about ten years earlier, but the group responsible for implementing it had worked at a slow pace due to the resistance of a number of officials who objected to its implications. The problem treated by the report was as follows. The DGIS had felt the necessity to post personnel to Dutch Embassies in target countries. Like other civil servants in the DGIS, they had been recruited on the basis of their knowledge of development problems, but this did not necessarily make them good diplomats. In addition, due to the flat organisational structure of DGIS, career possibilities for these civil servants were rather restricted. In general, the DG and Deputy DGs were recruited from among the Diplomatic Corps, a Corps that had its own rules of employment, including the rule that a posting abroad would generally last no more than three years and that this would be alternated with postings at the Ministry in The Hague or at another embassy. The report pleaded in favour of integrating the staff of the DGIS into the Foreign Service. This main conclusion was accepted and implemented.

Personnel in the DGIS were given the opportunity to accept a position in the new Foreign Service and the large majority took it. The consequence has been that since then a country desk is every two to three years occupied by a different person, who might or might not have specialist knowledge about that country or about development problems in general. Therefore, DGIS decided to expand an existing unit of sector specialists. The experts working there are recruited on a contract basis for a maximum period of four years, and don't form part of the Foreign Service.

For about twelve years, the DGIS has bi-annually held what are called policy dialogues, i.e. high level meetings with government authorities in target countries. One of the meetings is devoted to a discussion of four-year plans in the area of bilateral co-operation, while the second is devoted to reviewing progress on ongoing projects and programmes. Whereas the total amount may be fixed and an initial distribution between technical assistance, financial aid and other aid may be established, there is considerable flexibility in disbursements. This flexibility has been introduced on the insistence of a number of target countries in view of their mostly difficult financial position.

The Dutch input to these policy dialogues is based on country policy papers prepared by the DGIS, sometimes with the assistance of external specialists. These policy papers are sent to Parliament and may be the subject of discussion between the Minister of Development Co-operation and MPs. However, they do not require Parliament's approval.

Due to changes in emphasis and in an attempt to simplify decision making, bilateral development co-operation activities in the early eighties were basically divided into two main sector programmes: rural development and industrial development. In addition, there were some special programmes which were implemented through the country and region desks. Later, these programmes had their own directors who could take initiatives with regard to furthering implementation of their programmes, although the country desks remained the point of co-ordination.

With the arrival of the current government in 1990, a new structure has been introduced. The DGIS is now organized along the lines of six programmes: (i) spearhead and special programmes; (ii) country programmes; (iii) development funding via international organisations; (iv) development funding via NGOs and SNV;

(v) assistance to the Netherlands Antilles and Aruba and (vi) other activities. In 1992, some of the special programmes were reorganized. The way in which these programmes are administered becomes to some extent clear from the organogramme shown in Appendix 1. The contents of programmes (i) and (ii) will be discussed in section 1.8 on the main instruments of bilateral development co-operation.

The regular re-organisations of the DGIS that have been sketched above share the aims of promoting co-ordination, thereby increasing effectiveness and efficiency. While the geographic units are the points of co-ordination, the sector programmes are designed to watch over the implementation of Dutch policy priorities and to guarantee quality of assistance.

1.3.2. Project aid

As a corollary to the decisions to integrate the Foreign Service and to sub-contract projects of development co-operation, it was decided that all projects should be evaluated before a decision to extend their duration was made, and the monitoring of project activities was introduced. Until then, monitoring had taken place on the basis of quarterly reports filed by project staff to the embassy and to the relevant desk officer. From then on, however, a monitor who generally visits the project approximately twice a year in order to discuss progress and to find out whether activities are in line with the project document, is appointed for each project. Monitors are specialists in the field of the project, generally working in the Dutch university system and/or related institutes.

The decision to introduce monitoring was also related to a discussion in The Netherlands on the quality of development co-operation. It was for this same reason that towards the mid-eighties new procedures were devised. These follow the main steps in the project cycle, and involve three basic decisions: (i) the identification of a project, (ii) the acceptance of a project and (iii) the decision to end or extend a project.

- (i) The decision on project identification has been decentralized to the embassy and leads, if positively received in The Hague, to sending a formulation mission, which generally is composed of one or more Dutch experts and experts from the recipient country. This joint mission formulates a project document that has to be sent to the Dutch embassy by the recipient government. The idea behind this formal routing is that the recipient government can be fully aware of what is happening and is placed in the position of requesting co-operation in a particular project. It is of course also said that this procedure is adopted in order to perpetuate the idea that projects originate with the recipient.
- (ii) Upon receipt of the project document, the relevant desk officer prepares an appraisal memorandum in which the proposed project is tested on the general criteria of efficiency and effectiveness, and also as to whether it satisfies a series of other criteria, such as not creating environmental damage, taking account of the role of women, having the proper target group. All this is on top of the financial aspects, given the budgetary limitations. In addition, a risk analysis has to be performed. This appraisal memorandum is supplemented by a report from the relevant sector specialist. This appraisal memorandum is used as a basis upon which to decide whether to implement the project or not. Upon a positive decision, the project is tendered for implementation by a consultancy firm. The contract is generally awarded to a Dutch firm, although it has become policy to also invite firms from the recipient country. Once implementation has started, it is supervised by a secretary at the Dutch embassy in the recipient country, to

whom the monitor reports. In addition, upon return to The Netherlands, the monitor reports to the desk officer.

- (iii) The third step implies a mid-term review, which generally is carried out by a joint team of experts, both from the recipient country and from The Netherlands. The team reports to the recipient country authorities, the embassy and the desk at The Hague. This type of evaluation should be distinguished from the programme evaluations made by the IOV. While the latter are independent of the country desk and never refer to a single project, since their purpose is to improve policy design, the evaluations in the context of the project cycle are meant to improve operations. Therefore it is clear that the decision to extend a project is basically made at the country desk in the framework of the approved country policy paper, although a new appraisal memorandum will have to be written. The decision to end a project also lies with the desk, and it will depend upon the diplomatic skills of the desk officer and the embassy whether the authorities in the recipient country are consulted on this decision or not.

Projects of technical assistance -- the value of which always constitutes a grant against the DGIS budget -- for which the mode of implementation has been described above, are mostly accompanied by a combination of grants and loans meant for investment. If the investment(s) take place during the project, which is almost always the case, the Dutch project leader is responsible for supervising the contractors. He is accountable to the Dutch Eembassy, which in turn has to report to the desk officer.

1.3.3. Programme Aid

Programme aid does not take the form of projects, nor is it project-related. It is given either as part of the country and region programmes or as macro-economic emergency aid. Initially, this type of assistance was under a specialized unit in the DGIS. Now it too is one of the responsibilities of the country or region desks.

In as far as programme aid constitutes financial aid, it follows the so-called financial aid procedure. In this case, the recipient country is primarily responsible for implementation, that is to say, the recipient government plans implementation, invites tenders, awards contracts for the supply of goods and services and supervises implementation, etc. However, if financial aid is given in the form of a grant, it is generally managed in accordance with the procedure described in section 1.3.2, which is called technical assistance procedure. All other aspects of programme aid are dealt with according to the financial aid procedure.

1.4. The main actors in bilateral development co-operation

1.4.1. General

The main actors in the field of development co-operation in The Netherlands can be divided into two groups. In the first group are those that are actually involved in implementing development co-operation policy, while in the second there are those actors who influence this policy.

The main actors in the first group are the DGIS, the Netherlands Finance Company for Developing Countries (FMO), the Centre for the Promotion of Imports from Developing Countries (CBI), the NGOs, the Institutes of International Education (which will be discussed in section 2.4), a number of other Ministries, local authorities and the NCO, a commission financed by the DGIS responsible for informing the Dutch public on problems of development. Since the DGIS has been discussed

extensively in section 1.3, the focus here will be on the other main actors. Parliament, enterprises and banks should be placed in the second group.

1.4.2. Actors involved in implementing policy

1.4.2.1. The FMO

The FMO has been created with the purpose of stimulating trade and industry in the Third World. Its original charter says that this should be done bearing in mind the interests of economic and social progress in LDCs. Presently, 51 per cent of FMO's shares are owned by the Government. The FMO can borrow on the capital market with a state guaranty. Whenever loans are given at rates of interest below the market rate, the difference is subsidised from the non-ODA part of the Development Co-operation budget. The evaluation criteria used by the FMO include not only financial and economic ones, but also criteria derived from the Government's development policy. The majority of projects financed by the FMO are in the agricultural and small to medium sized industry sectors. In addition, the FMO makes available credit lines to recipient country development banks. Technical assistance provided through this channel is mainly concerned with trade.

1.4.2.2. The CBI

The CBI is a DGIS-financed unit at Rotterdam, set up to stimulate imports into Europe from LDCs, which co-operates with the MFO. It makes available a package of marketing instruments to exporters from LDCs and lends support to export promotion agencies in LDCs, if they want to set up a subsidiary in Rotterdam.

1.4.2.3. The NGOs

The NGOs that are of relevance for this discussion can be divided into three groups. The first is composed of the labour unions and employers' organisations; the second consists of four intermediating NGOs (the MFOs) which hold ideological views with respect to societal change and receive most of their resources from the development budget; while the third group contains other NGOs such as missionary organisations, the Netherlands Red Cross, the Netherlands chapter of Médecins sans Frontières, etc.

- (i) The two main labour unions (FNV and CNV) are involved in co-operation with their counterparts in Third World countries. Their contributions to this work are supplemented by Dutch Government grants under a programme called 'Trade Union Co-financing Programme' (TUCP). These grants are given for carrying out projects defined with their counterparts in the Third World. The DGIS makes available these grants without project appraisal. An ex-post evaluation is made every four years, however, and depending on the results the programme is continued or not. A recent evaluation of their work has concluded that:

"The FNV and the CNV have succeeded in implementing two different programmes that through a concentration of projects on 'organisation' and 'training, education and research' have been effective. This effectiveness has been underscored by figures on growing membership of trade union federations in the countries concerned and numerous positive statements on the functioning of the TUCP projects by those who were interviewed during field visits.... The broad objectives - strengthening of trade union organisations, addressing poverty problems, and improving human and labour rights - of the TUCP reflect the intentions of the FNV and CNV, of international trade union organisations, and often also of the national trade union organisations in the three continents" [ISSAS, 1993: 81].

- (ii) The main programme (PUM) carried out by the Netherlands Christian Employers' Union (NCW) consists of sending out retired managers to help improve the functioning of small to medium-sized enterprises in LDCs. Partly financed by the NCW, this programme receives a subsidy from the DGIS and became operational in 1979. A recent evaluation (1991) has come to the basic conclusion that the programme makes a positive contribution to employment creation and to the development of human resources as well as to the quality of management in the recipient countries [DGIS, 1991: 260].
- (iii) (a) The four MFOs are in contact with sister NGOs in LDCs, to which they will generally refer as partners. These partners propose projects for financial assistance by the four MFOs, which are expected to be developed with the target groups of these NGOs. If these are poor people and the projects are expected to contribute to their self reliance, the MFOs will generally support them financially. Prior to 1980, the MFOs had to submit all such projects to the DGIS. Since then, however, the Minister and these four MFOs have regularly signed four-year agreements according to which they receive grants. These will be renewed if ex-post evaluation shows that projects financed through this arrangement satisfy the agreed conditions. Whereas in 1975 the funds spent by the MFOs amounted to 4.1 per cent of the Minister of Development Co-operation's budget, by 1991 these had increased to 6.25 per cent.

The most recent evaluation of this programme took place in 1991 and has as one of its conclusions:

"This study shows that [partner] NGOs play a -- be it modest -- role in bringing about change, in structuring a more open and more democratic society and also in slowly improving access to knowledge, income and political influence of the poorest groups" (Translated from [GOM, 1991: 39]).

(b) The other NGOs work largely with their own funds but otherwise use a similar procedure in their contacts with Third World NGOs. Project proposals directed to them are sometimes financed in co-operation with one of the four MFOs, but mostly they have to be presented to the DGIS, where the Deputy DG who relates to these organisations has the final say.

The NGOs, including the MFOs, are members of various networks, both in Europe and elsewhere. Apart from mutual opportunities for learning, these networks also serve the purpose of co-ordination. This co-ordination concerns criteria for ex-ante project evaluation, and attempts at spatial concentration, while the networks of the donor organisations are also meant to exchange project information, in order to avoid double financing of the same project. The contacts between the NGOs in The Netherlands and other member states led in 1982 to the creation of an NGO window for development projects and for emergency aid at DG-VIII (Directorate General of Development Co-operation) in Brussels. It is found that the Commission is rather slow in its procedures for both approval and ex-post payments of project costs.

Whereas the MFOs in the sixties could be characterized mainly by their good motivations and intentions, they have since then not only expanded considerably -- their current combined expenditure stands at approximately \$ 210 million -- but also fully professionalised.

1.4.2.4. Development co-operation by other Ministries and government agencies

Within the framework of an operation to reduce the general government budget deficit, it was decided in 1986 to consider part of the budgets of a number of Ministries and other public agencies as part of ODA. This implied that various

items had to be paid from the development co-operation budget. This was a step in a long history of attempts, on the part of various Ministers of Development Co-operation, to create a certain measure of co-ordination between the Government's development co-operation policy and that of other Ministries. The Ministries and agencies that are most important in this respect are listed in Table 1. The figures make clear that the other Ministries are successful in obtaining a share of the development budget.

The Ministers involved in co-ordination in the field of development co-operation are those of Foreign Affairs and Development Co-operation; Finance; Housing, Physical Planning and Environment; Education and Science; and Agriculture, Nature Management and Fisheries, chaired by the Prime Minister. This co-ordination committee meets about twice a year, especially when matters pertaining to important multilateral negotiations -- such as IMF issues -- are to be prepared. For more mundane problems, there is a co-ordination committee, chaired by a civil servant of the Ministry of Foreign Affairs and Development Co-operation, whose counterparts from the various other ministries mentioned make up the membership.

Table 1. Main allocations of development co-operation funds by Ministries and other Public Agencies, ODA and Non-ODA, 1990 and 1992. Percentages.

	1990			1992		
	1*	2	3	1	2	3
Foreign Affairs/ Dev. Co-operation	83.8	68.6	15.2	78.9	64.4	14.5
Finance	6.9	6.9	0.0	9.5	8.3	1.2
Neth. Antil. Office	3.0	2.4	0.6	4.5	3.3	1.2
Education & Science	1.3	1.3	0.0	1.3	1.3	0.0
Municipalities	0.9	0.0	0.9	0.8	0.0	0.8
Agriculture	0.3	0.3	0.0	0.3	0.2	0.1
Other and rounding	3.8	2.7	1.1	4.7	2.5	1.2
TOTAL	100.0	82.2	17.8	100.0	81.0	19.0

* 1: % of total expenditure; 2: of which ODA; 3: Non-ODA.
Source: [DGIS, 1991 and 1994].

1.4.2.5. The NCO

The NCO is a commission appointed by the Minister of Development Co-operation and its "assignment is to carry out informative and educational projects and programmes in The Netherlands concerned with the principles, objectives, implementation and progress of the development process in the Third World and international development co-operation, while remaining closely in touch with development processes and development policy within Dutch society" [DGIS, 1979: 18]. The purpose of these activities is to create as much support as possible among the population for development assistance efforts. The budget of the NCO is considered as non-ODA.

1.4.2.6. Local authorities

Dutch local authorities are often actively engaged in development co-operation, sometimes deciding to "adopt" a local authority in an LDC in order to elaborate and implement together certain co-operation projects. Funds for this purpose will then be voted by the municipal council. They may also be allocated to a project proposed by an NGO in a Third World country. In general, these funds should be considered as matching funds, in the sense that the amounts allocated will supplement the funds collected from a town's citizenry. In addition, it is possible that the DGIS will

contribute funds to these types of projects. In such cases, the amount collected in the local authority will be doubled.

The Dutch Union of Local Authorities now informs local authorities about the purpose of the above mentioned programme and the conditions of financial contributions by the Government.

1.4.3. Actors influencing policy

1.4.3.1. Parliament

The Dutch Parliament -- composed of the First Chamber or Senate (Eerste Kamer) and the Second Chamber (Tweede Kamer) -- has always been a strong supporter of development co-operation. The agreement to spend 1.5 per cent of NNI on this policy was supported by all political parties, reflecting the broad support by the Dutch population. This agreement has held until the parliamentary session of 1992-93, when without mentioning a decline in the percentage -- the so-called 'norm' -- it was decided to reduce the budget for development co-operation, and furthermore, to use funds from this budget to house refugees from the war in former Yugoslavia and to accommodate people seeking political asylum in The Netherlands. This appears to have been the price for not allowing funds needed to help East European countries to be taken from the development co-operation budget. These funds now appear on the budget of the Ministry of Economic Affairs, but the DGIS has been charged with allocating the amounts available, in view of its experience with the procedures used in bilateral co-operation.

Parliament has played a major role in determining for instance the position of the Government *vis-à-vis* Surinam, Indonesia, Cuba and Colombia in as far as development co-operation is concerned. The position taken by Parliament in these four cases exemplifies the type of arguments used to include or exclude a country.

In the case of Surinam, Parliament requested the Minister of Development Co-operation to withhold all aid to that country after its military regime not only showed itself strongly influenced by leftist ideas, but also went as far as murdering a number of civil leaders. From then on, only Dutch NGOs could send a relatively small amount of aid to their partner organisations in that country. After elections in 1990, a resumption of the bilateral flow (with the exception of emergency aid) was made conditional upon a proper economic policy. Emergency aid was resumed, mainly in the form of balance of payments support.

In the case of Indonesia, Parliament has for years been rather critical of the human rights situation in that country. Virtually every year the Minister has been asked questions on this issue, especially after what happened in East Timor in 1990, when at least 25 people were killed by the army and about 70 disappeared. All parties supported the Minister, who was chairing the World Bank sponsored Inter-Governmental Group on Indonesia, in putting the issue of human rights on the agenda of the meetings of this Group. President Suharto decided that the criticism of the former colonial masters had been uttered once too often and broke off bilateral development co-operation in March 1992.

The case of Cuba is of a different nature. Whereas Cuba had been included in the list of target countries, perhaps partly in an effort to save it from its relative isolation, but certainly also because the Dutch left was enthusiastic about Castro's policies at home. Following a change in the composition of Parliament and Cuba's adventures in Angola, the Minister had to drop Cuba from the list.

For its relatively high GDP per capita, Colombia should not have remained long on the list of target countries. When in the early eighties it was proposed to drop

it, there were many in the Second Chamber who opposed this plan, the main argument being that the Dutch had a long-standing relationship with Colombia. Eventually, however, Colombia was eased out: it first became a 'sector country' and then only a 'region country', i.e. a country where some projects of a special nature might be undertaken and that forms part of an international region, in this case the Andean region.

1.4.3.2. Enterprises and banks

It is difficult to identify the influence of enterprises and banks on Dutch development policy, although it is experienced in an indirect way by the fact that a number of their representatives are members of the NAR. At certain times, however, their influence becomes more evident. One such occasion was when the PUM was accepted as being eligible for subsidies from the development budget. Another time was when the FMO was established. Dutch investors participated in the equity of this development bank, the idea being that in this way interest in investing in LDCs would be enhanced among Dutch enterprises. It was also felt that this would help to reduce the competition from other countries which were selling capital goods and equipment on the basis of soft loans, to which Dutch entrepreneurs had no access at the time.

This influence was also felt when a programme was established to restructure Dutch industry in favour of industrial development in LDCs. It was to provide financial support to Dutch enterprises which, finding themselves in difficulties, had decided to fold operations in The Netherlands and transfer their activities to a Third World country. This programme has been discontinued.

Some of the larger Dutch banks were involved in the lending boom of petro-dollars to Third World governments and after this market collapsed, some of these banks have become important partners in trading these debts. Although one could suspect that they might have been involved in discussions on debt relief and debt restructuring, no evidence of this is available. Similarly, it is not impossible that Dutch banks were involved in designing debt-for-nature swaps. On the other hand, Dutch bankers were influenced by public opinion on matters concerning human rights: while banks from the USA were active in Chile during the regime of Pinochet, Dutch banks had agreed among themselves not to be involved there.

1.4.3.3. The NGOs

The NGOs are not only engaged in implementing policy, but they also form an important pressure group for shaping policy. The four MFOs, as well as the labour unions, maintain regular and structured contact with the Minister for Development Co-operation. In addition, whenever his budget is up for discussion in Parliament, the standing committee on development co-operation will hold hearings with representatives from these MFOs and other NGOs. The influence these organizations have is furthered by their publications and is historically based in the missionary activities of both protestant and catholic churches, not only in Indonesia, but also in Africa and Latin America. Their effectiveness in influencing national policy can be measured also by considering their growing share in the budget for development co-operation. Whereas in 1978 it stood at 6.4 per cent, by 1992 it had reached 10.3 per cent.

Opinion among NGOs with regard to the delegation of activities to the European Commission is rather negative, not as a matter of principle, but as a reaction to the perceived ineffectiveness of co-operation projects implemented through the Commission. They stress in rather a strong way, that as long as evaluation and auditing do not become a normal part of DG VIII's activities, it remains undesir-

able to transfer more funds and competencies to the Commission, arguing that bilateral spending is bound to be more effective.

1.5. Evolution of ODA and Non-ODA funds

The evolution of the budget over the period 1977-1991 is shown in Table 2. It can be seen that, with the exception of the early eighties (when the Dutch economy was growing slowly and the new budgetary legislation was being introduced), total net flows have increased continuously over the 15 years under consideration. Whereas ODA has gone up virtually without interruption, private flows have fluctuated over this period. It is interesting to see that private flows to LDCs have increased considerably since 1989. A large part of this item consists of loans. Fluctuations in the private flows can largely be explained by the making of interest and redemption payments on private loans and debentures, the repayment of export credits and the cautious approach of Dutch industry towards investment in a large number of LDCs [Cf DGIS, 1989a: 6].

1.6. Nature of aids funds

The largest part of aid funding is provided in the form of grants. Over the years 1990-91, 89.9 per cent of bilateral ODA constituted grants, while for the total ODA this percentage was 92 [OECD, 1992: A-14]. In 1990, 50.7 per cent of bilateral ODA was untied, 43.4 per cent partially untied, while 5.4 per cent was tied [OECD, 1992: A-15]. In 1985-86 untied aid as a percentage of bilateral ODA stood at 58.5 on the average [OECD, 1988: 193]. Since then, especially the share of partially untied aid has increased at the expense of tied aid.

Table 2. Evolution of Dutch ODA and Non-ODA funds, 1977-91
\$ million at current prices*

	1977	1980	1983	1986	1989	1990	1991
Total net flow	2073	2366	2178	2812	2460	3588	4415
of which:							
ODA	900	1631	1195	1741	2094	2592	2517
Other Off. flows	2	30	28	6	0	51	45
Private flows at market terms	1129	627	848	926	169	705	1629
Grants by NGOs	43	79	107	140	198	240	225
DA as a % of GDP	0.85	1.03	0.91	1.01	0.94	0.94	0.88

* Exchange rates used for this table are for 1989, 1990 and 1991: 2.12, 1.82 and 1.87 guilders to the dollar, respectively.

Source: [DGIS, 1977a-1991a].

Current policy is that Dutch enterprise will only be involved in supplying goods or services, if this is indicated by demand in the recipient country as expressed by its government. Additional conditions are that this will be supportive of poverty alleviation, that deliveries are competitive in terms of price and will not hinder

standardisation as targeted in the recipient country. The DGIS actively promotes spending the development co-operation budget in the Third World. These views underlie the Dutch position in the EC Development Committee and it is considered that untying EC development funds will have to take place within the framework of the Single Market [Tweede Kamer, 1990: 324].

1.7. Relationship between bilateral and multilateral co-operation

The Dutch Government has, since 1945, had a policy of strongly supporting the functioning of the UN and its related organisations. This does not mean, however, that it shuns any criticism of their lack of efficiency or effectiveness in matters pertaining to development policy, or that it supports all policies implemented by the UN family. It will support especially those policies that also have priority in the development co-operation policy of The Netherlands, but it will scrutinize them as it does its own bilateral policies.

Support for the members of the UN family is shown by the relatively large contributions the Minister of Development Co-operation provides to the United Nations Development Programme (UNDP), by its policy of co-financing projects presented by the Food and Agriculture Organisation (FAO) or the World Bank, and by generally accepting the leadership of the World Bank in its efforts at donor co-ordination. The main reason the Dutch Government supports UN organisations in the area of development co-operation is that these organisations are the best available instrument to achieve a more secure and economically more-developed world. Another reason is that channelling assistance through a UN organisation will reduce the number of relationships to be maintained by recipient countries, which generally have a limited administrative capacity [Tweede Kamer, 1991: 6-7].

At regular intervals, the activities of multilateral agencies are being evaluated, the latest reports being dated 1984 and 1991. In their 1991 report to the Second Chamber of Parliament, the Minister of Finance and the Minister of Development Co-operation argued that the activities of UN organisations overlap. In their view this is partly caused by a lack of consensus among member states as to the role and function of each of the agencies, some of which even appear to be in counter productive competition. The meetings of the boards of these UN organisations appear to be meant for discussion and not for decision making on operations. The financial organisations especially have moved too forcibly into the area of technical assistance, thereby undercutting the position of UNDP [Cf Tweede Kamer, 1991: 150].

Regarding so-called multi-bi projects, The Netherlands maintains the position that only those projects that fit the specific task of the respective organisation will be supported. Hence, the Dutch government will only sub-contract a multilateral agency for a specific project if the technical expertise of that organisation is a prerequisite for the implementation of the project.

Over the years, Dutch contributions to multilateral organisations, including the EC and such organisations as the Fund for Agricultural Development (IFAD), have oscillated at around 25 per cent of its net ODA expenditure. Among the most favoured organisations are UNDP, IFAD, the International Development Association

(IDA), the United Nations Fund for Population Activities (UNFPA), the World Health Organization (WHO) and the United Nations High Commissioner for Refugees (UNHCR).

1.8. The main instruments of co-operation and their relative importance

1.8.1. General

The organisation of the DGIS now basically has the character of a matrix organisation, the geographical axis referring to the country and region desks, while the sectoral axis refers to the contents of programmes. The first axis allows for co-ordination with the foreign policy part of the Ministry. In other words, by having country desks at the DGIS, it is possible for the country desks of the DG within the Ministry of Foreign Affairs in charge of foreign policy to co-ordinate this directly with development policy. Some of the specifics of the spearhead programmes mentioned at the end of section 1.3.1. are outlined below, so that the various instruments that are being used can then be placed in their sectoral context.

1.8.2. The spearhead programmes and special programmes

The sectoral axis in the DGIS organisation has seven rows: (i) spearhead programmes; (ii) enterprises and development; (iii) international education; (iv) balance of payments support and loans; (v) emergency aid; (vi) expert programmes; and (vii) programme support and innovation. In this sub-section are presented the main aspects of programmes (i), (ii) and (iv), while (iii) and (v) will be discussed in Part II. Programmes (vi) and (vii) are designed to improve quality of personnel and procedures, and hence there is no need to discuss them here.

- (i) Spearhead programmes. The rural development and industrial programmes that had come into being in 1985 were disbanded by the 1st of January 1991 and the specialists available for these programmes were in part transferred to the sector specialist unit. While the industrial development programme is now almost wholly being implemented by the FMO, the rural development and special programmes, as well as the remainder of the industrial development programme, have been replaced by four spearhead programmes -- to which part of the advisory role of the sector specialists unit has been allocated -- and a number of special programmes. The country and region programmes have remained basically the same. The reorganization implied growth of the establishment. At present, most projects are considered not only by the specialist unit, but also by one or more spearhead units, as well as by the relevant country or region desks.

In their advisory work, the spearhead units and the specialist unit make use of a battery of tests. Every project in the phases of identification and appraisal is tested for negative effects upon poverty eradication, the position of women and the environment. The four spearhead units will develop their own check lists. The spearhead programmes cover (a) environmental policy in LDCs through which bilateral and multilateral activities are being financed; (b) research and technology; (c) women in development; and (d) urban poverty eradication.

(a) The first of these four programmes had a 1992 budget allocation of approximately \$ 110 million, an amount that is expected to grow to approximately \$ 190 million by 1994. This spearhead programme's mandate is to ensure that environmental concerns are integrated in all bilateral activities, as well as to provide assistance in solving global environmental problems. In connection with the first part of this mandate, all country and region policy papers now have to cover the environmental situation. The second part of the mandate requires participation in the financing of multilateral initiatives, such as the UN Conference on Environment and Development (UNCED), the UN Environmental Programme (UNEP) and the UNDP-sponsored Global Environmental Facility.

(b) The spearhead programme on research and technology has been created in view of the Government's policy to support the emergence of a counterweight to 'Northern scientific enterprise' [DGIS, 1992: 32] and in order to support research that is relevant for Dutch development policy. The unit is responsible for identifying the demand for research by questioning the country and region desks, as well as for finding research institutes in recipient countries that have the capacity to do research, either alone, or in co-operation with Dutch or other 'Northern' researchers or international organisations. Research in bio-technology is receiving high priority. The research programme is supported by an Advisory Council for Research on Problems of Development (RAWOO) and the policy design unit (SA) at the DGIS has been equipped with a Research Co-ordinator.

(c) The spearhead programme on women in development has as the objective of promoting the autonomy of women in the physical, economic, political, and socio-cultural spheres. As is the case with the other spearhead programmes, it should watch over the country and region programmes from its own particular point of view. The unit will prepare a manual for consultants that implement projects in the framework of Dutch bilateral technical assistance. Multilateral organisations supported by the funds of this programme are the World Bank and UNDP.

(d) The spearhead programme on urban poverty eradication emphasizes four aspects of urban poverty: unemployment, income generation, habitat issues, and urban environment. At the moment, this unit is in the process of preparing a policy note for Parliament.

The most important bilateral instruments in these four spearhead programmes are technical assistance and financial assistance, in the form of grants and where possible in co-ordination with other donors. Within the DGIS, the spearhead programmes are expected to inspire the country and region desks and to check on the quality of project and programme aid.

(ii) Enterprises and development. The aim of this programme is to promote the role of the private sector in the industrialisation process in LDCs, where possible in co-operation with Dutch industry. Whereas implementation of this programme was initially spread between the DGIS and the FMO, its implementation is since 1990 fully under the auspices of the latter organisation. A

new policy has been elaborated, in which priority is given to small enterprise development.

Due to, on the one hand, the large share of bonds needed to finance its operations and, on the other, the fairly large reserves that have to be made in connection to lossmaking investments, the FMO is now suffering losses. Restructuring of its capital should, according to the present Minister of Development Cooperation, lead by the year 2005, to a situation whereby the FMO can operate without having to rely on support from the development cooperation budget, while having about \$ 100 million per annum available to finance ventures in the Third World [Tweede Kamer, 1990: 313-314].

The most important instruments of relevance to the enterprise development programme as implemented by the FMO are (a) the Investment Reinsurance Act (WHI); (b) the FMO financial and technical assistance facilities; and (c) the Low-Concessional Loans Programme (LCL programme) that has been combined with the programme for development-relevant export transactions (ORET). Related to these activities are those of (d) the PUM programme mentioned in section 1.4.2.3 under (ii) and (e) the CBI discussed in section 1.4.2.2.

(a) The Investment Reinsurance Act allows private Dutch enterprises to reinsure their investments against political risks in LDCs, more particularly against war, refusals to transfer profits or capital and against nationalizations. The Netherlands Credit Insurance Company (Nederlandse Credietverzekering Maatschappij, NCM) is charged with implementing this Act. Decisions are made by the Minister of Finance, on the advice of the interdepartmental committee on investment reinsurance. Premiums are expected to cover total cost. Should the NCM suffer net losses, they will be covered by the budget for development co-operation.

The facilities under this Act are used mainly by small and intermediate Dutch enterprises. The Act was changed in 1990 in order to harmonize the investment reinsurance facility with those of the Multilateral Investment Guarantee Agency (MIGA).

(b) Financial and technical assistance facilities. The FMO technical assistance facilities include financial support in the preparation of feasibility studies and the implementation of pilot projects, investment promotion, making available temporary management, as well as technical assistance and training. The budget for these activities includes support to the International Trade Centre in Geneva. This latter aspect is implemented by the CBI. The financial facilities include venture capital by means of participation in equity capital and by making loans. Loans are provided to enterprises, but also to development banks and small enterprise-financing institutions in LDCs.

(c) The LCL/ORET programme. The LCL programme was meant to provide long term tied (two-thirds of Dutch origin) loans with subsidized interest to credit-worthy LDCs. These loans may be granted independently and serve to finance the hard currency component of a given transaction, or they may be part of a more complex deal. In such a more complex deal credit is provided

by commercial banks ('mixed credit') or a co-financing arrangement is made with multilateral banks such as the World Bank.

The LCL programme should be seen as a reaction to soft financing by other donors. Even if there is influence on the part of the supply side, the FMO argues that strict conditions are being used to ensure the relevance of the transaction to the recipient country's development [Tweede Kamer, 1990: 315]. The LCL programme aims especially at breaking bottle-necks in the availability of capital goods and of infrastructure. In this context, the use of LCLs is part of the annual policy dialogue in programme countries, where enterprises have the right to propose LCL projects. Acceptance of such a project is then co-determined by the priority the recipient country attaches to the proposals.

The LCL programme was interrupted in 1990 and became active again in 1991 under a new name and with somewhat different conditions. Whereas the general procedure has remained the same, the new programme (named LCL/ORET) consists of transactions in which 40 per cent of the amount provided constitutes a grant, whereas the remaining 60 per cent must be financed on commercial terms. The NCM reinsurance premium is paid by the MFO. Whereas the grant element goes against the budget of the Minister of Development Co-operation, the commercial loan element used to be financed by means drawn from the Dutch capital market. The commercial loan element has been stopped in 1993.

Internationally, the Netherlands Government supports the policy of avoiding using assistance funds to distort markets and disapproves of the attitude to initiate negotiations regarding a transaction by promising the provision of a soft loan. Therefore, in line with agreements made in the framework of the Development Advisory Committee (DAC) of the OECD, the so-called 'Helsinki Arrangement', concessionality has to be above at least 35 per cent -- a percentage that for the Least Developed Countries is 50 -- and countries having a GNP per capita above \$ 2,465 are excluded from participating.

Although supported by The Netherlands, the Arrangement is of relatively little significance for the country's development co-operation, since the annual allocation for mixed credit payments does not exceed Dfl 100 million -- and even less is actually used. Furthermore, in its internal checking system the criterion of what is "relevant for development" is crucial for allowing these operations. In any case, The Netherlands has presented about 40 proposals and, so far, none of them have met any serious objections from the other parties to the Arrangement. As for the complete removal of tied aid, even the Ministry of Economic Affairs agrees to this, on the condition that the principle is accepted by all other donor countries. In this matter the Ministry of Finance makes the rules, while the Ministry of Economic Affairs checks their implementation, particularly in dealings with developed countries and Eastern Europe. The responsibility falls on the Minister of Development Co-operation only when the application of these rules concerns LDCs.

(d) The management facility (PUM) is a programme implemented by the Netherlands Christian Employers' Union, see section 1.4.2.3, by which in 1991 218 managers were sent to 32 countries.

(e) The CBI enjoys considerable interest among potential exporters in LDCs. Among other things it organizes the participation of exporters from Third World countries to trade fairs in Europe and calls preparatory seminars to inform them about important marketing aspects. The CBI may conclude co-operation agreements with LDCs. However, three conditions need to be satisfied: the country should produce sufficient non-traditional (industrial) products; the country should have participated actively in the regular CBI programme (special promotions, product adaptation, seminars and fairs); and finally, it should have an efficient and effective trade promotion organisation that is well related to enterprises.

Although other European countries have similar organisations, the CBI observes that there is little interest among especially the EC member states to move towards closer co-operation. The Forum that had been established in 1986 to promote this type of co-operation does not function well.

- (iii) Balance of payments support. While balance of payments support has been offered since the 1970s, the criteria that are used to allocate the available funds for this programme have changed since the early 1980s. It is now recognized that balance of payments problems are generally not of a temporary nature, but have a structural character. The basic criterion for its allocation is now that the recipient country should be pursuing policies designed to bring about economic recovery or sustainable growth. Usually, funds available under this programme are allocated only to countries that pursue policies agreed on in consultations with the Bretton Woods institutions.

Balance of payments support always constitutes a grant and may take different forms: import support (i.e. as commodities e.g. fertilizer); debt relief or debt buy-outs; co-financing of Structural Adjustment Loans or Sectoral Adjustment Loans; reimbursement of debt payments; or even support for currency auctions. The idea is to help stimulate economic growth by means of increasing the use of productive capacity. This type of aid is partially untied.

1.9. Geographical priorities

Over the years since 1977 the number of countries receiving Dutch development assistance increased. In 1984, it was therefore decided to further raise effectiveness by concentrating efforts in fewer countries. Priority was given to low income countries, although continuity in aid relationships also constituted a factor in the new selection. The decision was made to maintain a stable relationship with no more than ten countries, all having an income per capita not above the IDA limit and a progressive socio-economic policy. In that year the choice was made in favour of Bangladesh, Egypt, India, Indonesia, Kenya, North Yemen, Pakistan, Sudan, Sri Lanka and Tanzania.

The new policy also included the selection of three regions as areas of special attention for Dutch development co-operation. The Sahel region, Southern Africa and Central America were chosen and countries within these regions are called 'region-countries'. While Upper Volta and Zambia dropped out of the list of target countries, they came back as elements of two of the three regional programmes. A certain inconsistency in the change of policy cannot be denied, the more so since the Sahel programme was from then on to include not only technical assistance, but also financial assistance. The selection of the Central American region followed EC policy, particularly with regard to Nicaragua, although the official explanation was in terms of the refugee problem that had become worse due to the various wars in the seven countries of the region. By 1985, and as a 'consequence' of abandoning the target country relationship with Colombia and Peru, these and some of the countries of the Andean region were included in an additional region programme.

In 1987 a further expansion of the number of countries took place, especially those that suffered from emergencies and/or were considered to be 'young democracies'. Among the latter was the Philippines. In such countries, the Dutch government wanted to be active in only one particular sector of its programme. These countries were called 'sector countries'. Some of the region countries, however, also had the status of sector country. Target countries were renamed and became 'programme countries'.

The policy report A Wereld in Geschil [DGIS, 1993a] creates four new categories: (a) regular co-operation countries; (b) treaty countries, i.e. those countries that conclude treaties with The Netherlands leading to relations not only with the DGIS, but also with other departments; (c) rehabilitation and conflict countries and (d) transition countries, i.e. countries in transition to a market oriented democratic society. It is therefore difficult to show the development of the number of countries by type over time, other than as is done in Table 3.

Table 3 shows how over the past 15 years the number of countries in which The Netherlands implements bilateral assistance activities has expanded rather than decreased. It was especially due to the introduction of the concept of 'region countries', that it became possible to lengthen the list.

	1977	1985	1989	1990	1992	1993
Target countries	16	11	11	4		
Region countries	0	40	26	49		
Sector countries	0	14	15	4		
New definition 1993						56
TOTAL	16	65	52	56	59	56

* Excluding those that have the status of region country
Sources: [DGIS, 1977] [DGIS, 1985], [DGIS, 1989], [DGIS, 1991] and [DGIS 1993].

The break down of the East-bloc has caused another increase in the number of countries to which the Netherlands extends assistance. In 1992, Albania, Kyrgyzis-

tan and Mongolia were included in the list. In the course of 1993, however, a rather basic revision was made, which resulted in 12 countries dropping from the list, but another 9 being included. To this should be added that The Netherlands will be supportive of projects in Kazakhstan, Uzbekistan, Tajikistan and Turkmenistan if the related activities are implemented by multilateral or international organizations, especially if those projects are of benefit to the group of Central Asian countries as a whole.

Table 4. Geographical distribution of Dutch ODA, 1990/1*

Countries	%
A. By level of GDP/capita	
Low Income Countries (LICs)	63
Low Middle Income Countries (LMICs)	3
Upper Middle Income Countries (UMICs)	3
B. By main region	
Sub-Saharan Africa	40
South Asia	20
Other Asia and Oceania	15
Middle East and North Africa	6
Latin America and Caribbean	19

* Total ODA includes geographically unallocated amounts, which is why the percentages do not add up to 100.

Source: [OECD, 1992: A-16 and A-53].

As from 1991, the new organisation of programmes makes it more difficult to describe the geographical distribution of Dutch aid by sector. The geographical distribution of ODA is shown in Table 4, which includes disbursements to the various countries via contributions to multilateral agencies.

1.10. Sectoral priorities

Table 5 shows a break down of commitments by sector as reported to the DAC by the DGIS. This table includes all bilateral ODA-commitments, including those by the four MFOs. These data are available only until 1987. From that year onwards, data are provided by the various programmes described in sections 1.8 and 1.9. However, Table 6 shows data from 1987 onwards that are taken from OECD publications. They have a slightly different break down, especially in that commitments through NGOs are not allocated by sector.

In view of what is to be discussed in Part II of this chapter, it is worth noting that the health sector has been receiving a declining share of total ODA. The same holds for food aid, although some of the decline might be attributed to increases in balance of payments support. Allocations to education, however, have been increasing over time.

Tables A.1 and A.2 in Appendix 2 provide some insight into the structure of Dutch development co-operation. One aspect of this structure is the type of organisation used to spend the budget. The percentage distribution reflects the importance given to multilateral organisations and to NGO's, as well as estimates of their absorp-

tive capacity. The data on Channels³ for the years 1978-1991 are shown in Table A.1. Funds that flow through Channel A are directly administered by the DGIS; thus item A in Table A.1 gives the data on disbursements in the sector programmes, the country and region programmes and on special and supporting programmes carried out under the direct responsibility of the DGIS, including those projects that are co-financed by multilateral organisations. Channel B includes contributions to such organisations as IFAD, FAO and UNFPA on the basis of standing agreements; here DGIS only has indirect responsibility. In Channel C flow amounts allocated to NGOs and Labour Unions as well as to the SNV, all of which work on the basis of agreements that require ex-post evaluation of their work. Funds used to subsidize the autonomous governments of Aruba and the Netherlands Antilles are on the budget of the responsible Minister. These subsidies are listed under Channel D, and they are disbursed on the basis of project proposals. Channel E includes items such as the costs of the DGIS and subsidies to international education activities in The

Table 5. Dutch bilateral ODA commitments by sector
1977-1987. Percentages

Sector	1977	1980	1983	1986	1987
Planning & Publ. Admin.	1.2	1.0	1.6	1.1	0.9
Public Utilities	22.5	27.5	19.6	15.9	21.0
Agriculture	23.1	19.2	18.5	22.2	23.0
Industr., Mining, Constr.	8.7	3.5	1.7	2.5	4.8
Trade, Banking, Toursim etc.	0.5	1.0	0.8	6.2	2.0
Education	9.8	8.8	11.9	9.9	10.5
Health and population	6.4	3.9	4.8	4.5	3.2
Housing, community dev.	10.0	10.0	8.5	9.5	7.3
Multisector	2.2	1.8	3.1	1.9	2.1
Unspecified	0.4	2.3	5.3	2.0	3.0
Non-allocatable by sector					
-Food aid	3.5	1.9	4.7	2.3	1.7
-Emergency aid, non-food	1.1	1.7	2.2	2.0	1.6
-Debt relief	5.9	5.5	3.3	0.8	1.8
-Other (incl. b.o.p. supp.)	4.8	11.9	13.9	19.0	16.6
TOTAL	100	100	100	100	100

Source: [DGIS, 1977a-1988a].

Netherlands. Data on priorities according to the 'old' sectoral break-down of the Dutch programme are given in Table A.2. It should be noted that the data in this table -- as in Table A.1 -- refer to disbursements, whereas those in Tables 5 and 6 reflect commitments. Table A.2 specifies the disbursements under the six sector programmes as these existed until the end of 1990, and gives an impression of the relative importance of each of the instruments of these sectors. It will be noted that the difference between the data in Table A.1 for Channel A and the totals in Table A.2 is due to the fact that the latter table only partially relates to Channel A.

³ In Dutch development co-operation jargon the various organizations that receive funds from the Development Co-operation budget are referred to as Channels.

Table 6. Dutch bilateral ODA commitments, 1987-91.
Percentages

DAC-category	1987	1988	1989	1990
Education	10.8		7.8	12.7
Health & Population	4.8		3.3	4.0
Planning & Public Adm.	1.2		0.8	0.9
Other Soc. Infrastr.	13.5		14.1	11.7
Transport & Communication	6.9		19.0	6.7
Energy	4.4		1.0	1.7
Other Econ. Infrastr.	0.4		0.2	0.2
Agriculture	22.2		19.1	12.1
Industry, Mining & Constr.	4.0		5.9	8.6
Trade, Banking, Tourism etc	1.1		0.2	0.6
Other production	0.0		-	-
Multisector	2.1		1.1	3.6
Programme assistance	3.6		13.8	12.6
Debt relief	1.6		2.2	5.9
Food aid	2.7		2.3	2.3
Emergency aid, non-food	2.4		3.2	2.9
Administrative expenses	4.8		3.9	4.0
Unspecified	13.6		2.1*	9.3*
TOTAL	100		100	100

* Includes support to Private Voluntary Agencies
Source: [OECD, 1988-1992].



II. SECTORAL IMPLEMENTATION OF THE BILATERAL PROGRAMME

2.1. Introduction

This part will introduce three of the sectoral programmes implemented through the budget of the Minister of Development Co-operation. The selection of these programmes is determined by the Development Council's decision of May 1993. It will become clear that in the implementation of these programmes various problems of co-ordination present themselves. These problems exist both internally -- that is to say, within the DGIS and within The Netherlands including other Ministries -- and externally. The external problems concern procedures in recipient countries or their different development objectives, as well as the activities of other donor countries and those of multilateral and international organisations including the EC, and banks. These will not be discussed in this part.

However, it is worth mentioning, that, as in other EC member states, a major internal problem of co-ordination facing the Minister of Development Co-operation consists in making compatible policies in the spheres of agriculture and of development co-operation and those of the latter type and other international trade policies. This is reflected in the Minister's list of the objectives of development co-operation policy given in section 1.2.

A number of the problems of co-ordination, internal to DGIS, are related to ensuring that sectoral criteria are satisfied in the operation of the country programmes and in the implementation of multi-bi projects. They are, however, also related to the relative newness of country desk officers to the problems and ways of the countries where the assigned budgets are to be spent. To an extent, then, these problems originate in the form of organisation that has been chosen for the Ministry of Foreign Affairs, of which the DGIS is a part. It is clear that with the change in policy, as reported to Parliament in September 1993, there will be a greater need to co-ordinate bilateral aid policy with foreign policy. Co-operation between the country desks in the Ministry dealing with aid administration and foreign policy for the same country will have to become more intense. For the same reasons there will have to be changes at the embassies.

2.2. Health Programmes

Health programmes have generally been implemented through agencies other than the DGIS, which would, however, make funds available to these organisations. Historically, the main implementing actors in the area of health have been the four MFOs, particularly in supporting the building of health facilities; the WHO, mainly with projects in primary health care; and the UNFPA, in the area of family planning. In addition, the Dutch government will make doctors available in the framework of rural development programmes, e.g. for primary health care. Over the years, expenditure through these various actors has declined from \$ 6.4 million, in 1977, to \$ 3.2 million, in 1988.

The absence of EC policy in the area of health has meant that until 1993 no contributions were made to the EC for this purpose. Due to the decision taken in May 1993 to initiate activities in this field, the situation may change.

2.3. Education programmes

2.3.1. General

The Dutch programme on education is composed of three elements: (i) direct support to teaching institutes in LDCs (DSO); (ii) support to co-operation in higher education (MHO); and (iii) support to co-operation with institutes of international education in The Netherlands (SIO). Before discussing these programmes in some detail, some of the main policy lines in Dutch development co-operation in the area of education will be presented.

General policy in this area is contained in the report to Parliament by the Minister of Development Co-operation on "Development Co-operation and Education in the 1990s" [Tweede Kamer, 1992]. The main guidelines elaborated in this report are: (a) higher priority for education by increasing assistance, especially for primary education; (b) improving access to education; (c) maintaining and improving the quality of assistance in this area; (d) strengthening capacity and educational systems in recipient countries; and (e) effective co-operation at local, national and international level.

The document also lists the instruments through which the Dutch government intends to reach these aims: project and programme aid; and financial and technical assistance. These instruments will be used in the bilateral Channel, but also through financing of NGOs and multilateral organisations, among which the UN International Children's Emergency Fund (UNICEF) especially will be supported. Bilateral assistance in the area of primary education will take place primarily through the country programmes, mostly in Sub-Sahara Africa, and in all likelihood in co-operation with Sweden, Germany and the World Bank.

Table 7. Disbursements on education by Channel, 1990 (Dfl million)

Bilateral (A)	382.5
International Org. (B)	53.1
NGOs and SNV (C)	115.6
Neth. Antilles & Aruba	7.8
Other	70.6
TOTAL	629.6

Source: [Tweede Kamer 1992: 59]

The importance that is given to education within the frame work of development co-operation can be read from Tables 5 and 6, in Part I on sectoral allocations. The afore mentioned report on Development Co-operation and Education specifies expenditures by Channel and by educational sub-sector. Both data sets are buried in rather inaccessible files and the ones available presented in Tables 7 and 8.

It is remarkable that no less than 18.4 per cent of the total is channelled via the NGOs and other voluntary organisations. The amount under "Other", in Table 7, includes expenditure on international education in the Netherlands.

Table 8. Approximate distribution of commitments by educational subsector, 1979-1989

Subsector	1979	1983	1986	1989
Primary education	11	19	6	5
Secondary education	41	37	56	22
Tertiary education	43	36	35	67
Other	5	8	3	6
TOTAL	100	100	100	100

Source: [Tweede Kamer, 1992: 57]

The data in Table 8 refer to all commitments in the area of education and include expenditures in The Netherlands. Note that tertiary education has been receiving a growing share over the past decade. The current plans, however, include a growing share for primary education.

The geographical distribution of educational expenditures and commitments shows that over the past decade Africa has received decreasing percentages. Meanwhile the share of Asian countries has increased, a consequence, among others, of the inclusion of China and Vietnam as sector countries. Of these two, the former has been dropped from the most recent list of countries.

The above mentioned report to Parliament contains some specific observations about the role of the EC in development co-operation in the area of education. It argues that due to the distribution of tasks with regard to the Asian and Latin American (ALA) countries and the African, Caribbean and Pacific (ACP) countries between DG-I and DG-VIII respectively, only two sector units could be established in Brussels, namely rural development and infrastructure. There does not, however, exist a policy with regard to education. With the adoption of a resolution in May 1991 to use countervalue funds as generated by import support and food aid primarily for supporting the educational and public health sectors in recipient countries, the necessary pressure was created for the EC to become active in these fields. The effect has also been that, both in the Lomé-IV agreement and in the new ALA framework instruction, a more prominent place has been given to education as a sector in which to undertake activities. The Dutch government intends to carefully monitor programming of means for the ACP countries in order to ensure that educational projects are being realised.

2.3.2. The three programmes

As to the three sub-programmes mentioned under 2.3.1. above, although they have existed since the early sixties, with some areas of activity going back to the early fifties, the present Minister has decided to once again reorganize their management by the DGIS. As from January 1993, the following break down of activities is in force.

(i) Direct support to educational institutions in LDCs (DSO)

Two objectives are to shape this programme: (a) to contribute to the development, improvement and strengthening of the overall functioning of educational and training institutes and of professional organisations in LDCs ("institution building") so as to realise sustainable strengthening of capacity; and (b) to supplement quantitative and qualitative shortages of qualified cadres.

Whereas these two objectives also hold for sub-programme (ii), the instruments for achieving these objectives differ. Here, the main characteristic is that direct support is given to strengthening institutional capacity of the above mentioned institutions from the level of secondary professional training to post-academic programmes, (the word "direct" here meaning that support is given without intermediation of a Dutch institution). Support by external expertise is possible, but the experts should preferably originate in the region where the recipient country is located.

Another characteristic of the programme is that, in principle, no funds will be made available for buildings. Instead, funds are available for refresher courses for academic and administrative staff, for computer programmes, for additions of books and journals to an institute's library. etc.

Funds from this programme may also be used to finance fellowships for students from countries in the relevant region.

Activities financed under this programme have to be formulated in project form. Their continuation at the end of the project period is expected to be guaranteed. It is another requirement that these activities should as much as possible link up with Dutch development co-operation activities in the country or region in question.

(ii) Co-operation in higher education (MHO)

Typical of this programme is that it involves at least one Dutch institution interested in co-operating with an institution in the Third World over 9 to 12 years, generally with the purpose of setting up or strengthening a department. This is broken down into project periods of three years. Extensions take place only if evaluations, made after about the first one and a half years of a project period, are positive.

This type of co-operation generally leads to curriculum development and research activities, and it may also imply setting up workshops or libraries. Counterpart staff may receive additional training in the region or abroad, including The Netherlands.

Priority setting for the implementation of projects in this programme is based upon what is known concerning various problems in the area of education as found in the so-called programme countries and regions. These will be used to identify the need for co-operation agreements between educational institutions in The Netherlands and in the recipient countries. In addition,

project proposals are discussed in the framework of bilateral policy dialogues. Table 9 specifies the number of these projects in 1990.

Region	Nr of Projects	Expenditure (Dfl million)
Central America	19	6.0
Andean Region	11	3.9
Sahel & Other West-Africa	15	4.6
Nile/Red Sea Region	2	0.8
East-Africa	14	5.9
Southern Africa	24	11.2
South-Asia	5	2.6
S.E.-Asia (excl. Indonesia)	17	6.9
Indonesia	31	18.9
Total	131	60.8

* These data include projects implemented also by Institutes of International Education, to be discussed under (iii).
Source: [Tweede Kamer, 1992: 165] .

With the change in organisation of the programme it was decided that the Netherlands University Foundation for International Co-operation (NUFFIC) would manage the funds destined to the MHO programme.

(iii) Support of co-operation with Institutes of International Education (SIO).

The Institutes of International Education can be divided into two groups: one group consisting of five institutes that have the status of post graduate institutes, while the second group, consisting of some 15 other centres and institutes, are of secondary or under graduate level. They are all characterized by their applied character and by the fact that the majority of their students originate in the Third World. Also, they will generally have an international staff, recruited very largely on the basis of their knowledge and experience in studying problems of development. Teaching is mostly in English. The number of alumni that remain in The Netherlands is less than one per cent. An international team of educational experts concluded in its 1991 evaluation of international education institutes that the curricula on offer are quite relevant to students interested in solving problems of development and that the general level of quality of the various courses is good [Cf Tweede Kamer, 1992: 182].

Whereas the first group of institutes is under the tutelage of the Ministry of Education, so as to guarantee quality of work and degrees, their budgets are returned from the budget for development co-operation. Virtually all institutes in the second group are directly financed by the latter. The DGIS makes fellowships available for both groups of institutes by which about half the student body is financed. The institutes' current expenditure that is subsidized by the government for this purpose is considered as ODA. Most of these institutes are involved in advisory work, while the first group is

also engaged in research. In addition, the first group of five has also been quite active over the past twenty years in helping to set up various departments in universities in the Third World.

The SIO programme consists of two elements: (a) projects of international education and (b) courses in The Netherlands. The nature of these programmes is described below.

(a) The first of these two has the same objectives mentioned in the DSO programme, and has the same characteristics as the MHO programme, the exception being that the co-operating partners on the Dutch side are institutes of international education in The Netherlands. Currently, the budget for this programme equals Dfl 21.6 million, or about \$ 12 million.

The Minister intends to stabilize this amount and intends to increase co-operation in Southern Africa, meaning that the number of projects in Asia and Latin America are expected to decrease.

Projects under this programme should contribute as much as possible to poverty eradication and to the improvement of the environment and of the position of women, and should in any case not score negatively on any of these points.

Under this programme, the Dutch government intends to take steps to better co-ordinate donor support of a number of educational institutions in Sub-Saharan Africa. The idea is that a number of donors would together support a limited number of such institutions in Africa.

(b) The second element of the SIO programme (Courses in The Netherlands) consists of two aspects: (1) the Netherlands fellowship programme (NFP), and (2) the financing of the basic costs of the five institutes of international education under the tutelage of the Ministry of Education and six other institutes.

(1) The NFP is open to participants from all over the world on the condition that the country of origin has a GDP per capita of less than \$ 3500. If demand is beyond the available number of fellowships and means per annum (approx. 1400 and Dfl 40.4 mln or \$ 22.4 mln respectively), priority will be given to persons from programme, region and sector countries.

For the majority of the 20 institutions that provide international education, the NFP finances about half the number of participants. The other fellowships come from other sources.

(2) Apart from the contribution through fellowships, the total amount provided by the Minister of Development Co-operation to finance activities of international education in The Netherlands, was Dfl 65 mln or approximately \$ 36 mln in 1990. Whereas some institutes have to base their budget entirely on fellowships, 11 received small to important subsidies that were taken from the ODA part of the development co-operation budget.

Since over the past ten years the growth of courses eligible for the NFP got slightly out of control, the Minister has decided to exclude five courses from the list.

2.4. Food production and food programmes⁴

Until the mid-seventies, the Dutch food aid policies emphasized the use of agricultural surpluses to assist LDCs in overcoming serious food shortages. In the late seventies, it became increasingly clear that malnutrition is as much caused by food shortages as by income inequality. Food aid policy then came to be seen as an element of poverty eradication policies and attempts were made to take into account demand and need for food. This explains why Dutch grain deliveries began to substitute powdered milk deliveries.

The perception of food aid changed again in the early eighties and since then the emphasis has rested on its developmental dimension. Food aid is more and more differentiated and it has become common practice to distinguish between emergency aid, project aid and programme aid. In this third period, policy followed the lead provided by multilateral and international organisations more and more: the government started to implement policies in line with those developed by the World Food Programme (WFP), the FAO and the World Bank, while sub-contracting an important part of its bilateral ODA to the WFP and the NGOs. It was expected that this would improve efficiency through better co-ordination, avoid the disturbance of local food markets and reach target groups more successfully.

While the concept of food strategy drew a great deal of attention in the early eighties, it was recognized that only the supply side was being considered. This recognition came at a time when serious food shortages occurred in a number of countries, causing large scale emergency food aid to be organized place. In this context, the design of food strategies changed to incorporate the search for food security, which aims to improve both the supply and the demand side of the hunger problem.

The period of structural adjustment programmes brought home with greater force the issues related to access to food for poorer groups especially, and Dutch policy began to support the social dimension of adjustment policies. With the advent of the new government in 1990, this policy was continued and at present it is Dutch policy to use food aid funds in a flexible manner, so that the advantages of food aid will be weighed against the advantages of other forms of aid. The latter will be preferred whenever the advantages of food aid cannot be demonstrated.

The insights gained had a certain effect upon organisation. Whereas initially food aid had a separate status, from 1985 onwards it became a part of the sector programme in rural development, where it had two aspects: (a) food aid and agricultural rehabilitation and (b) food production, food security and nutrition. In 1991 assistance for these two sub-programmes stood at \$ 110 million. Over the period 1980-89 almost two-thirds of the funds available for these two items were used to finance sub-contracts to the WFP. These sub-contracts were financed from

⁴ Largely based upon IOV [1990].

regular and ad-hoc contributions. Also now, regular contributions are based on annual negotiations with the WFP on the basis of the WFP basic document -- the 'Basic Understanding' -- and the annual proposal made by the WFP as to the composition of the food basket that will be financed by the Dutch contribution. Approximately two-thirds of this contribution is made in the form of products contained in the food basket while the rest is paid in cash, and used mainly to cover transport and administration costs.

Over the years, the share of the budget available for items (a) and (b) that is sub-contracted to the NGOs has grown to about 20 per cent. Only about 15 per cent is now directly spent by the DGIS.

In addition to these two sub-programmes, the DGIS, together with the NGOs, developed a third sub-programme: the food programme to support developmental activities of NGOs. This programme aims to support small-scale food and nutritional projects that focus on target groups, the latter being pregnant and lactating women and children till the age of 5. Currently, the amounts spent in this programme add up to about \$ 15 million and are funded against the budget available for NGOs -- see Channel C in Table A.1. Funds are allocated on the basis of project proposals which require previous approval by the DGIS only if they cost more than \$ 25,000.

Finally, there is the contribution the Dutch government makes to the EC budget for development co-operation. Approximately \$ 45 million of this is being used by the EC to finance its food aid programme. The Commission makes proposals to the Food Aid Committee on which The Netherlands is represented by the Ministry of Foreign Affairs through its Directorate European Integration, which falls organizationally outside the DGIS. The DGIS is involved, however, in preparing the instruction for the meetings of this Committee.

From 1991 onwards, the two bilateral food aid sub-programmes have been part of the emergency aid and the balance of payments support programmes; the contribution to the WFP has become part of the expenditure under Channel B in Table A.1.

Bilateral disbursements are covered by an agreement between the DGIS and the Ministry of Agriculture, Environmental Management and Fisheries (MAEMF), that was concluded in 1984 and adapted in 1989. Under the new agreement, contracts for deliveries to be made will be concluded by the DGIS. The MAEMF now has virtually nothing more than an advisory role, for instance on the composition of the food basket negotiated with the WFP. On the other hand, the MAEMF has first responsibility in dealings with the FAO.

The relative importance of the contribution to the WFP can be explained by the importance that is given to donor co-ordination and efficiency in aid management. Nevertheless, the Dutch government is somewhat critical of WFP's project policy. WFP should pay more consideration than it presently does to the conditions under which food aid is effective. It has certain advantages over other instruments of aid, but nevertheless, efficiency might be improved by increasing flexibility in available means and procedures [Tweede Kamer, 1992: 58]. Since a large share of Dutch food aid is in the form of project assistance via the WFP this criticism, especially on its food for work projects, is of a certain importance. The main criticism is that food provided through these projects does not agree with local

food habits, so that the food received is sold, or else a demand is created for products that cannot be grown locally. The IOV has suggested making the Dutch contributions to the WFP in the form of cash, on condition that the funds are used to buy food locally or through triangular arrangements, if in so doing this food would be more in line with local dietary habits [IOV, 1990: 37].

The Dutch government has even more problems with the contents of EC policy and the flexibility of its procedures. The main criticism is that EC food aid -- which is programme aid only, target group activities being left to NGOs and international organisations -- is mainly given in the form of European food surpluses, which makes flexibility virtually impossible. Complicated and often time-consuming preparations and the design of the programmes will often cause food aid, even emergency aid, to arrive considerably later than planned. The EC is similarly criticized by the EC Auditor, also because of the use of counter value funds generated through food aid. The NAR agrees with these views and adds that the effectiveness of the EC's food aid could increase considerably if decentralisation of responsibilities to the local EC delegates were to take place, since these generally have a better insight into local circumstances and into the possibility of co-operate with governmental and non-governmental organisations in the recipient country [NAR, 1989: 54].

The IOV also evaluated the performance of NGOs and found that they had reached important results, among others in their direct support of target groups. In general NGOs prefer food aid in the form of cash so as to be able to buy food locally or in neighbouring countries. Their effectiveness is partly due to the small scale of their operations. Very large scale food aid through this channel is not recommended by IOV [1990: 33-4].

2.5. Poverty eradication

Even though the recent report on Dutch development co-operation policy shows a shift in emphasis, the government has not abandoned the objective of the eradication of poverty. The shift has only meant a reduction of the means set aside for reaching this objective. It remains necessary, however, to check every project for its expected effect on the poor. If these effects are negative, the project will not be implemented. In a way, it is therefore difficult to specify what is being done in this regard, other than as has been done in the preceding sections. However, the policy document Een Wereld van Verschil [Tweede Kamer, 1990] devotes an important chapter to the issues related to solving the problems of poverty in the world, and what is said there is explicitly confirmed in the 1993 policy paper. After a survey of thinking and action as developed among donors, the 1990 document concludes that in development policy people will have to be the focus of attention. This implies, in the words of the document, "that more attention should be paid to food security, employment, social services, such as education and public health facilities, and an improvement of the standard of living for people at the bottom of society" [Cf Tweede Kamer, 1990: 162].

In terms of policy design, this focus entails (a) that the relationship between poverty in an economic sense and poverty in a socio-political sense should be explicitly considered, and (b) that macro-approaches should be connected with

micro-approaches. The latter means, according to the document, that the importance given to a sound macro-economic policy is being supported, but also, that attention should be paid to, for instance, small enterprises and to local participation in policy making. Hence, LDCs should have realistic exchange rates, a good fiscal policy, a controllable government budget deficit, price stability, a positive real interest rate, and a growth policy implying the creation of employment, that is based upon comparative advantages. The document adds the somewhat esoteric observation: "On the other hand, this means that more than in the past, attention should be devoted to local developments, dynamics in local cultures and endogenous processes used by people themselves in attempts to break through the circle of poverty from below" [Cf Tweede Kamer, 1990: 165].

The document also clarifies the Dutch position in the international debate on poverty eradication. The views expressed by the World Bank, the UNDP and the OECD in their reports entitled World Development Report 1990, the Human Development Report and Development Co-operation in the 1990s, respectively, are underwritten in general terms, although some criticism is aired of the World Bank's tendency to underestimate the importance of democratisation processes and participation from below. In the view of the Dutch Government, the main responsibility for development in the direction of poverty alleviation rests with the governments of the Third World. They should "devote more attention to broad based employment-generating development strategies; re-allocate the national means, including the public means; give more attention to the role of the market and the private sector, to the rural areas, to urban poverty, to the informal sector, to vocational training and general education rather than academic education for the elites, to housing for the poor, and also to targeted subsidies to help the weak income groups" [Cf Tweede Kamer, 1990: 167].

In accordance with a growing consensus among donor countries and agencies, recipient countries that follow these kinds of policies should be rewarded by being provided with more assistance, while countries that follow less acceptable policies should receive less aid.

The consequences of this view on the most pressing problems in the efforts towards poverty eradication is reflected in the series of special and spearhead programmes discussed in Part I. One element of Dutch policy that has not been mentioned there is of great importance. This is related to what has been called the programmatic approach, which implies the definition of a series of projects within a given sector or region in the recipient country on the basis of a declaration of intent to provide technical and financial assistance over approximately a ten-year period.

Generally, institutional development is among the objectives of the programmatic approach. The ten-year period is divided into a number of project periods, the first of these being defined after a team of experts has been in the field for about a year. In 1983 the Dutch Memorandum to the DAC reported that implementation of this approach has not proven easy, "as it requires lengthy preparations in the field, intensive consultations with the authorities in developing countries, adjustments to procedures and particularly careful selection of the experts who are to be sent out" [DGIS 1984a]. These latter problems have not yet been solved and probably will not be for a long time, since they are characteristic of the nature of the development problem. Nevertheless, the present policy is to continue this

approach, the bilateral policy dialogue being used to discuss the conditions that should lead to success. Also in this way, conditionality has come back into development co-operation.

In a number of countries, donors have agreed to focus their aid on a particular region. This presents a minimal degree of donor co-ordination and removes aside the problems for the recipient country that result from the introduction of different forms of standard operational procedures, norms for certain investments, etc., and which are due to the relative weakness of the civil service of the recipient country.

The question arises to what extent a development co-operation policy that differentiates on the basis of an evaluation of the policies of recipient countries can be implemented in the framework of the Lomé Conventions.

2.6. The Dutch position on co-ordination

The Dutch position on the co-ordination of development co-operation is a fairly complex one. In principle, the government is in favour of stimulating co-ordination, but it wants to tread very carefully. Its positive attitude follows from its direct involvement, during its EC chairmanship in the second half of 1991 in the decision to establish the European Community Humanitarian Office (ECHO), that started its operations on April 1, 1992. However, from the Development Co-operation budget document for 1994 [DGIS 1993b] it becomes clear that the government is quite unhappy with the way the office operates. The document says the definition of emergency aid by ECHO is rather narrow, co-operation with other similar UN organisations could be improved considerably, while co-operation with NGOs is rather cumbersome and disregards their long experience and expertise in this area [DGIS, 1993b:192].

In June 1992 the Minister for Development Co-operation and the Secretary for European Affairs informed Parliament of the government's view on the relevance of the Maastricht Treaty for development co-operation by what was then still called the European Community [Tweede Kamer 1992a]. The document traces the various positions taken by the member states on decision-making on matters of development co-operation policy and on co-ordination before the Treaty was signed, and it gives the Dutch Government position on these issues as well on procedures for implementation and on evaluation.

The main conclusions of this document are:

- (1) Even if the Treaty provides an adequate basis for a common development policy, characterized by a balanced relationship between Community policy and the policies of member states, its further development will require more co-ordination. Whether this will take place will depend on the ability of the Commission and the willingness of the member states to improve co-ordination. Active devolution of competence is not yet an issue.
- (2) Parliamentary control over EC development policy has been improved, but to the Dutch government's regret, this does not hold for co-operation in the framework of the Lomé Convention. Even if support

from other member states for such policy is still small, the integration of Lomé into the Community structure will continue to be pursued.

(3) The government is of the view that the Commission's Evaluation Unit is placed too low within the hierarchy of the Commission and that it is short of staff. In addition, it considers that the evaluations should be independent and a mechanism for an effective use of feed-back should be developed.

(4) While some of the units of the Commission are understaffed and show a lack of flexibility which is due to there being two Directorates General dealing with issues of development co-operation, at the delegations in the ACP countries staffing is generally considered adequate and of good quality. The Government considered some decentralization and more co-ordination necessary, especially in the ALA countries. The Government intended to plead for a single Directorate General for development co-operation.

The paper clearly makes reservations about the chances of a common development policy emerging in the near future. Although this is contained in the first conclusion mentioned above it is useful to quote the paper on this issue where, as translated, it says:

"However, it cannot be expected that member states with a strongly developed Development Co-operation policy would simply substitute this for a common policy. The reasons for this are not only of a national character, but also of a technical nature, in view of the limitations with regard to the operational capability of the Commission. It is therefore to be expected and desirable that the efforts will be directed towards the generation of common lines of policy in the area of development co-operation, while Commission and member states each keep responsibility for implementation. In this framework, the matter of subsidiarity is of relevance too. Apart from in article 130W, which specifically refers to subsidiarity in the field of development co-operation, there is article C of the Union Treaty which refers to subsidiarity in a general way." [Tweede Kamer, 1992a: 7].

Thus, whereas the Dutch government is in favour of co-ordination, it is not willing to devolve its competencies in the area of development co-operation to the Commission either quickly or easily. Content-wise and organisation-wise, Brussels would have to change considerably.

The position of the Dutch government on co-ordination should be seen in relation to its position on subsidiarity and its appreciation of the technical capabilities of the Commission. This also implies a view on co-ordination at the level of the Union delegates.

III CONCLUSIONS

3.1 Changes in organisation and shifts in priorities

Perhaps most striking about the form and contents of Dutch development co-operation, has been the broadness of support for this government policy, the institutional complexity it has acquired and the variety of social groups involved. The support that the government gave in return to the various actors, of course, led to an expansion of the administration capacity needed to supervise the use of these subsidies, but once proper procedures were developed, a great deal of red tape could be dispensed with. At the same time, new insights into the problems of development led to new targets being set, which in turn required the creation of additional watch-dog functions to check they were met. Last but not least, the growth of the budget available for development co-operation, the desire on the part of Parliament and national pressure groups to be supportive of democratization processes in a number of countries, and the close supervision of the effectiveness and efficiency of development co-operation activities by certain groups and newspapers in The Netherlands made it necessary to continuously re-organise the DGIS. So far the result has been the creation of a matrix organisation, and of an increasingly long list of criteria that have to be satisfied by project proposals before they can be financed. IOV has played an important role in this process of assessing and reformulating policies.

From the point of view of policy contents, the shift from the late 1980s till today is quite dramatic. Whereas in the early eighties ODA as a percentage of GNP stood at 1.03%, in 1993 it has gone down to .78%. From 1989 onwards, the government budget was regularly cut in order to reduce inflation and the overall tax burden, and an annual attack was instigated on the budget for Development Co-operation on the part of other Ministers. This led to an increase in the Non-ODA part, by allocating funds for refugees and asylum-seekers from this budget to Ministries such as those for Social Affairs and of Justice.

Sector-wise, priorities have remained the same over the last four years, so that the special programmes in Women in Development, Environment and West-East-South continue to receive the amounts planned in 1990, with only the programme in urban poverty eradication suffering a decline, but for different reasons. Financial support of the Dutch development lobby has remained as it was or increased. Bilateral aid therefore has had to decrease, the losers being the Asian and Latin American regions.

3.2 Problems of Co-ordination at home and abroad

In this section, a number of conclusions are drawn from the Dutch experience in aid administration. First we mention some of the co-ordination problems related to the sectors that were discussed in Part II. Then we present some of the general aspects of Dutch international co-ordination policy.

3.2.1. Co-ordination problems at home

Food aid

In the food aid sector, there is a large degree of convergence among Dutch donor organisations (including the DGIS) on what policies to follow and how to implement them. The main problems of co-ordination are external, more particularly in relation to the European Community policy, whose food aid programme has progressively increased and is now second only to that of the USA. Since the pattern of the member states' food aid tends to reflect national agricultural production patterns and is to some extent export surplus driven, co-ordination is necessary to avoid that food aid conflicts with the recipient countries' development objectives. Not less important is co-ordination at the recipient country level, since the effectiveness of aid is hampered by the donors' multiplicity [Lords, 1993: 91]. Dutch bilateral cereal food aid averaged 14 per cent of the EC's member states' national programmes for 1987/88-1989/90, The Netherlands being the fourth provider among them, and its contribution to the EC programme was slightly above 5 per cent during the same period. This aid remains concentrated on Sub-Saharan Africa -- 45 and 43 per cent for 1980-84 and 1985-89, respectively [IOV, 1990: Table 6.4, 104] -- and is clearly shifting towards programme aid [IOV, 1990: Table 6.5, 105].

Education

Co-ordination problems in the education sector have never been very great since the funding of most programmes depends on criteria set by the DGIS. The Minister of Development Co-operation is in direct control of the DSO and MHO programmes, even if the implementation of the latter has been sub-contracted to the NUFFIC. The Minister also has direct influence over the project and NFP components of the SIO programme. However, with regard to subsidies for financing the basic costs of a number of institutes, responsibility is shared with the Ministry of Education and the Ministry of Agriculture. The reasons for having to co-ordinate with the Ministry of Education have been explained above, while co-ordination with the other Ministry is necessary because some of the courses on agricultural development are taught in Wageningen University, which operates under the supervision of this Ministry.

Problems of co-ordination are complicated by the various levels and specialisations that have to be considered. An additional factor is the large number of actors in this field, many of whom have developed vested interests over the years. Apart from this there are the differing time horizons taken into account by educationists and aid administrators (the latter are more in a hurry, because they want to see effects) and consequently their very different educational philosophies. Whereas the aid administrator often has an instrumentalist view of education, the educationist considers knowledge as a good in its own right, that will be of importance in more than one situation. These differences have led to problems in defining educational programmes, but they are of minor importance if compared to other issues of co-ordination.

Internationally, co-ordination problems are actually created by the Minister's intention to make the DSO programme a multi-donor activity. The decision of May 1993 taken by the Development Council in Brussels, to increase co-ordination in the sector of education may, for the Dutch, mean that this aspect will receive more attention. It is likely that new activities will be more easily co-ordinated than

existing ones, since no differing procedures and vested interests can have developed in these. For the DGIS, it will in any case be less complex to do so, since it will not have to reckon with the interests of Dutch institutions.

Health

Co-ordination problems are largely absent in the health sector, because there great deal of agreement among donors and Dutch NGO's in this field has developed. Some recipient country governments may still insist on hospitals being the best instruments for improving health, but generally most governments now agree that primary health care, or the avoidance of disease, constitutes a better health policy than having the means with which to cure.

3.2.2. Co-ordination problems abroad

The more general problem faced by Dutch policy on co-ordination of development co-operation can begin with the observation that many projects and programmes have failed due to poor co-ordination among ministries in recipient countries. Nonetheless, co-ordination among donors is considered necessary, if only to make available means more effective, particularly as development assistance funds cannot be expected to increase. This policy therefore implies that institutional development will be supported in those countries where government management capacity is relatively weak. The Dutch preference in this regard is to support multilateral initiatives. The creation of co-ordination capability has therefore acquired an even higher priority.

However, Dutch international co-ordination policy goes beyond this. The government intends to support initiatives which aim to have the views of LDCs heard in international co-ordination mechanisms, such as consortia and consultative groups of the World Bank and the Round Tables of UNDP. In addition, the government is of the opinion that the EC could contribute to improvements in aid co-ordination and policy. In the same vein, it supports similar efforts by the DAC.

It is obvious from what has been said that there is considerable tension between the principles of policy on issues related to co-ordination and the practices in this field. What, for instance, should the position be vis-à-vis certain multilateral organisations known for their ineffectiveness and inefficiency? What is to be made the possibilities of implementing a poverty eradication policy under the Lomé Conventions, when hardly any of the ACP countries' governments have a policy that has this objective? Similarly, how can co-ordination become effective if the EC still shows remnants of self-interest and will accept to finance projects that would barely or not at all pass Dutch country desks?

Improving co-ordination in the field of development assistance would imply reconsidering (see also the ODI memorandum to Lords [1993: 86-92]) some aspects of the national bilateral programme.

- (i) Selection of LDCs. Although the fight against poverty is a generally accepted aim of all EC countries, the other criteria guiding Dutch co-operation may be given different and varying importance by other donors. It is vital to keep in mind the relevance that historical reasons have had in shaping the geographical pattern of the distribution of donors' aid, and

these reasons still play a central role. Given the strength of Dutch aid bureaucracy and of the Dutch aid lobbies, it is not unlikely that the necessary compromise demanded by co-ordination may be not very easily reached. Furthermore, the choice of countries on which to concentrate aid tends also to determine, see (ii) following, the returns accruing to donors: the general rule being that the more economically advanced the recipient country the larger the returns to the donor.

- (ii) Sector or area allocation of aid within each receiving country. Economic and, particularly, social criteria tend to vary among donors, and their capacity to identify, design and appraise projects differs widely. Since each donor's expertise has been shaped by the sectors or areas in which its aid has so far concentrated, the introduction of different sectors, or areas of intervention, may create serious disadvantages for some of the donor countries.
- (iii) Allocation of aid between financing projects or imports -- which may also generate counterpart funds for the recipient government. This requires flexibility but also agreed procedures among the donors for effectively accommodating the receiving countries' varying needs.
- (iv) Policy conditions attached to provision of aid to each country. Although most development assistance is tied to a greater or lesser degree, additional policy conditions are to be satisfied by recipient countries. Co-ordination on the contents of these conditions with other donor countries, and with the World Bank, is necessary to assure the effectiveness.
- (v) Aid delivery. The untying of aid procurement -- globally or relative to the Single Market, for bilateral and/or multilateral aid -- and competitive bidding require co-ordination to avoid trade distortions and retaliations. At present, although Dutch policy is to diminish aid-tying and favours untying at the European level, the government opposes unilateral untying.
- (vi) Conflicts between development co-operation objectives and those pursued by other national policies. Since many financial and economic relations with the Third World fall outside the responsibility of the ministry or agency charged with development co-operation, economic and trade policies, such as NTBs and dumping, financial policies and other practices and initiatives, do disrupt and reduce the effectiveness of aid, hence hampering the development process in some LDCs. Such a conflicting result cannot be excluded, even in a country like The Netherlands, where the Minister of Co-operation formally has the same status as the Minister of Foreign Affairs. To mould all different policies into a coherent development policy is highly advisable, but rather unlikely to occur under the present circumstances. The best that one can expect -- and some NGOs have proved to be very apt at doing this -- is to monitor the DCs' activities, ready to denounce any clashes with the stated objectives of development co-operation.
- (vii) Export credit policy. Since the concession of terms softer than the commercial ones, often partly or wholly subsidised from aid programmes, does help a donor country's exports, but may conflict with both its and the EC's aid

objectives, co-ordination within the country and with other EC member states is needed. The Dutch special mixed-credit programme ORET, which in 1991 received Dfl. 150 million, is being replaced by grants in combination with commercial credit under certain special conditions [ICVA et al., 1993: 36]. The domestic co-ordination of this activity is in the hands of FMO and DGIS, while the highly sought after Community-wide co-ordination takes place within the framework of the Helsinki Arrangement.

This would seem to be the reason why Dutch policy, within the context of the EC, aims first of all to attain agreement on the criteria and conditions that have to be satisfied before programme or project aid proposals are accepted. Further transfers of funds to the EC budget would appear unlikely until the Commission used criteria very similar to those used by the Dutch Government and had a creditable evaluation unit. The need for the latter has also been expressed in strong statements by various members of the European Parliament.

Among the donor countries and the EC Commission, however, the current interest for the co-ordination of development co-operation policies might represent an attempt to divert attention among aid lobbies from the stagnation, and even the reduction of, the funds devoted to foreign aid, while at the same time compensating with a more efficient utilisation of the fewer resources available.

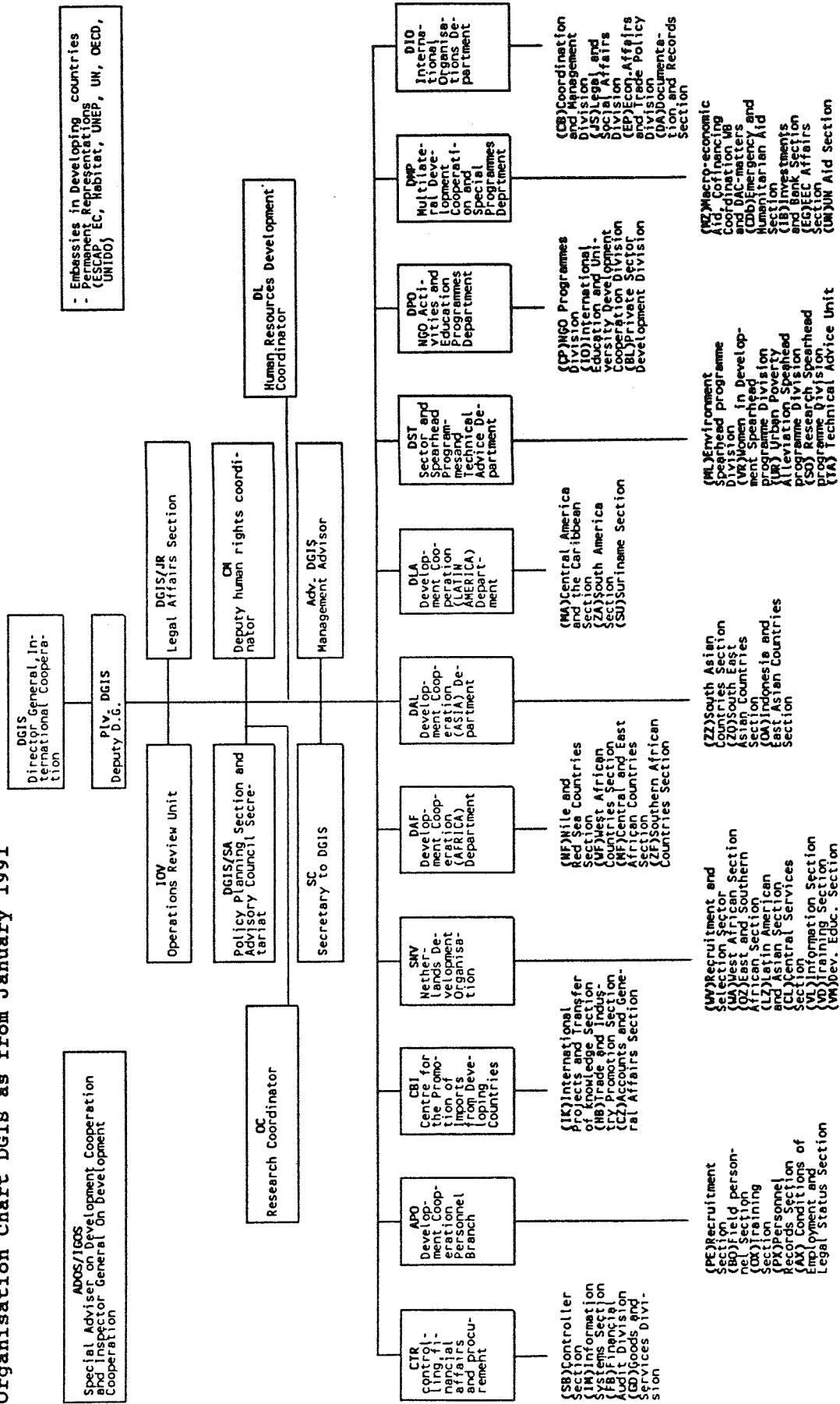
Whereas "long-term foreign assistance intended to alleviate poverty by promoting economic development ... has failed and ... urgently needs to be reconsidered" [Griffin, 1991: 680], the topic of its co-ordination is not new, although precious little has been achieved in this regard in the past. It is equally likely that not much will come out of the present burst of initiatives for co-ordinating, or rather for discussing the co-ordination of, development policies.

As for the recipient countries, many no longer need foreign aid while others have lost faith in its contribution to their development process. Those that really needed it, the smaller, poorer and more dependent either are not receiving much or most of what they receive does not reach down to the designated target groups or activities. As a result the interest for development assistance has gradually concentrated in the vocal aid lobbies entrenched in the DCs and in the governing elites of the recipient countries appropriating most of it⁵.

The spreading of 'aid fatigue' in the donor countries and 'aid disillusionment' in the recipient countries might be stopped by realistically reconsidering the objectives of development co-operation.

⁵ Since most aid has moved from donor governments to recipient governments, the consequence has been "strong development and aid emphasis on central government with only meagre resources for subnational and local levels: only small amounts of aid having directly benefitted people" [Kaul, 1993: 18]. Actually, "many aid-financed projects have helped governments whose policies plainly run counter to the proclaimed objectives of aid in terms of development, or improvement of the lot of the poorest. This rather anomalous situation" renders expressions such as 'aid-recipient countries' or 'aims of developing countries' "obscure such repercussions by identifying the government with the population at large" [Bauer, 1988:186].

Organisation Chart DGIS as from January 1991



APPENDIX 2. ADDITIONAL TABLES

Table A.1. Dutch ODA disbursements by channel, 1978-92
(\$ million)

Channel	1978	1987	1988	1989	1990	1991	1992
A. Bilateral and Multi-bi	645	1273	1363	1266	1607	1454	1398
B. Funding via International Organisations	283	517	441	479	582	698	771
C. Funding via Private Organisations and SNV	78	190	207	208	259	273	294
D. Assistance to Neth. Antilles and Aruba	44	97	85	96	78	111	112
E. Other	167	0	136	130	178	164	290
TOTAL	1217	2077	2232	2179	2704	2700	2865

Sources: DGIS, 1979, and 1988-1993.

Table A.2. Bilateral ODA disbursements by sector
programme 1987-90 (\$ million)

Programme	1987	1988	1989	1990
I. Rural Development				
infrastructure	3	72	62	63
food production & security and food aid	61	127	98	129
environmental policy support	-	-	-	27
II. Industrial Development				
FMO-loans	2	2	1	-
grants (incl. techn. ass.)	13	20	34	5
reservations	-	-	1	5
WHI				
restructuring programme	2	2	-	-
promotion industr. projects	10	12	11	14
Promotion export transactions	51	118	123	157
Technical Assistance	5	9	14	14
CBI	3	6	6	6
III. Training, Research and Education				
Projects of Co-operation	18	24	26	34
Support to 3rd World instit.	11	11	11	14
Support to 3rd World students in The Netherlands	16	19	18	22
Research and Technology	21	21	22	26
Subsidies to IO institutes	46			
IV. Macroeconomic Emergency Aid				
Balance of payments support				
grants	90	171	116	189
loans/debt restructuring	12	4	11	10
Emergency situations	0	0	0	5
V. Other Emergency Aid				
Humanitarian emergencies	25	35	27	51
Legal assistance	3	4	5	2
VI. Programme Support and Innovation				
Preparation of experts	4	5	4	4
Technical assistance	40	43	44	50
Prep. & monitoring of projects & programmes	1	1	2	2
Special activities and small projects	28	17	13	17
TOTAL I-VI	517	723	649	846

Source: [DGIS, 1987-1991].

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