

Working Paper 115

**NETHERLANDS AID POLICIES FOR POVERTY
REDUCTION**

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Preface

This paper on the Netherlands is one of a series on the poverty reduction policies and experience of European development co-operation agencies. It is the product of a major research programme involving ten European development research institutes. This programme breaks new ground in its intention to compare and learn from the collective and comparative experience of European aid agencies. Each Institute is funding its own participation in the collaborative programme with the ODI playing a coordinating role. The institutes involved are:

Asociación de Investigación y Especialización sobre Temas Ibero Americanos (AIETI), (Madrid);

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement des Investigations sur l'Adjustment à Long terme (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordic Africa Institute (NAI), Uppsala;

Overseas Development Institute (ODI), London;

Third World Centre, Catholic University of Nijmegen.

The objective of the first stage of this research programme is to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies covered are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. Most of these ten donor reports have now been published as joint working papers by ODI in this series. This report on the poverty reduction policies and practices of the Netherlands by Paul Hoebink and Lau Schulpen forms part of this series.

The second stage of the research consists of a series of seven in-country studies to examine the operations of the European donors in pursuit of poverty reduction; Burkina Faso, Bolivia, India, Nepal, Tanzania, Mozambique, Zambia and Zimbabwe. Special attention has been paid to the nature of the country approach, policy dialogue and processes involved. An important part of this work has been to evaluate the effectiveness of their interventions, including any 'best practices' and the main determinants of effectiveness have been examined. These studies are also being published as joint ODI working papers. A paper on Zimbabwe has already been published and one on Tanzania will follow soon.

I am most grateful for the co-operation of each Institute in this endeavour and for the help of all those officials and advisers in the development agencies and in the partner country governments as well as the field personnel and intended beneficiaries in the partner countries who have responded to enquiries and interviews by the collaborating researchers.

I would particularly like to acknowledge the generous support of the Dutch Ministry of Foreign Affairs for the research on the Netherlands study and for country studies of Tanzania and India. I would like to acknowledge the financial support provided by the Department for International Development in London, which has made possible ODI's contribution to the programme. However, neither the financiers nor any others who have assisted in this programme necessarily agree with the facts presented and the inferences drawn.

John Healey
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Acronyms

ARP	Anti Revolutionary Party (<i>Anti Revolutionaire Partij</i>)
CDA	Christian Democratic Appeal (<i>Christen Democratisch Appel</i>)
CHU	Christian Historical Union (<i>Christelijk Historische Unie</i>)
D66	Democrats (19)66 (<i>Democraten 66</i>)
DAC	Development Assistance Committee (of the <i>OECD</i>)
DGIS	Directorate General for International Co-operation (<i>Directoraat-Generaal Internationale Samenwerking</i>)
DGRB	Directorate General for Bilateral Relations
GNP	Gross National Product
HDI	Human Development Index
HGIS	Homogeneous Group for International Co-operation (<i>Homogene Groep Internationale Samenwerking</i>)
ICCO	Inter Church Organisation for Development Co-operation (<i>Interkerkelijke Organisatie voor Ontwikkelingssamenwerking</i>)
ILO	International Labour Organisation
IOB	Policy and Operations Evaluation Department of DGIS (<i>Inspectie Ontwikkelingssamenwerking en Beleid</i>) (new abbreviation – also see <i>IOV</i>)
IOV	Evaluation Department of DGIS (<i>Inspectie Ontwikkelingssamenwerking te Velde</i>) (old abbreviation – also see <i>IOB</i>)
KVP	Catholic People's Party (<i>Katholieke Volkspartij</i>)
LICs	Low Income Countries
LLDCs	Least Developed Countries
MFO	Co-financing organisation (<i>Medefinancieringsorganisatie</i>)
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PvdA	Labour Party (<i>Partij van de Arbeid</i>)
UNCED	United Nations Conference on Environment and Development
UNDP	United Nations Development Programme
VVD	People's Party for Liberty and Democracy (<i>Volkspartij voor Vrijheid en Democratie</i>)

Summary

Since the late 1980s, the central objective of Dutch bilateral aid has been referred to as ‘sustainable poverty alleviation’. Despite this, ever since the early 1970s Dutch aid has been directed at two objectives: economic self-reliance and poverty reduction. In effect, one can say that Netherlands policy in the field of development co-operation has always (at least from the first ministerial period of Jan Pronk in the early 1970s) revealed a ‘battle’ between a strategy aimed at direct poverty reduction and one aimed at the economic self-reliance of developing countries. Interestingly, it is also claimed that the latter strategy contributes to poverty reduction, be it in a more indirect way. In the first part of this paper the history of this ‘battle’ is presented, showing that a period in which the focus was on direct poverty reduction (i.e., the 1970s) is followed by a period with a broader focus on indirect poverty reduction or the achievement of economic self-reliance (i.e., the 1980s) and then succeeded by a period when, on the one hand, more attention is given to direct poverty reduction strategies but in which a synthesis is also sought between the two objectives of Dutch aid (i.e., the 1990s).

This historical description of the attention paid to poverty reduction in Dutch policy in the field of development co-operation is more or less in accordance with general thinking on these issues, as expressed by, for instance, the World Bank and the UN organisations. As such, the Netherlands has followed suit in the changes in international thinking on development and poverty reduction and does not deserve to be called a front-runner. This is not to say that specific developments in Dutch policy do not show a certain degree of originality when it comes to poverty reduction. At the end of part 1, new initiatives are described, including the re-verification of Dutch foreign policy and its consequences for development co-operation.

The long tradition of attention to poverty reduction in Dutch policy did not lead to a consistent analysis of who the poor are (in general or at country level) or of what constitutes poverty. In general, it was assumed that the activities financed by Dutch aid contributed to poverty reduction, either directly or indirectly. It was only in the 1990s that a start was made in this, following studies by the World Bank and the UNDP. The second part of this paper provides an overview of the main concepts of poverty as they emerged from this first analysis. This is followed by a description of some major implementation problems concerning poverty-related activities.

The final part of the paper provides an overview of aid commitments per sector for the period 1974-94 and of net aid disbursements to groups of countries for the period 1969-96, as a first way of linking changes in development thinking to changes in aid distribution. This overview shows not only that certain developments in Dutch policy

(e.g., attention to social sector development) can be seen in the aid commitments, but also that over the years Dutch aid has been geared to those countries in the Third World that are regarded as the more deprived nations.

1. Introduction

Internationally, the Netherlands is seen as a very generous donor and one whose aid programmes clearly contain an element of humanitarianism. As aid donor, it is normally classed in the same category as the Scandinavian countries. A high volume of aid, with an important part of it going to the least developed countries and a large portion dedicated to poverty reduction, should be other indicators identifying the Dutch position. Nevertheless, for a long period commercial interests dominated the aid programme of the Netherlands and in recent years a number of budget cuts brought Dutch aid down from 1.0% to 0.8% of GNP. Is the Netherlands a humanitarian donor or, more specifically, what is the place of poverty alleviation in the Dutch aid programme? What views can be distilled from official documents on poverty and poverty alleviation? What experiences does the Netherlands have with respect to poverty alleviation projects and programmes? These are some of the central questions to be answered here.

This paper begins with a historical outline of the Dutch aid programme with regard to poverty alleviation, including some of the more recent initiatives in the field of development aid in general and poverty reduction in particular. The second part describes the central concepts surrounding poverty and poverty reduction as they appear from Dutch aid documents. Part three sketches some implementation problems and the major conclusions of recent evaluation studies by, among others, the Evaluation Department of the Ministry for Development Co-operation. The fourth part looks into the country and sector distribution of Dutch (bilateral) aid. The paper ends with the major conclusions to be drawn from the Netherlands aid policies for poverty reduction.

2. Changing Approaches to Poverty Reduction: A Historical Background

For more than 25 years now, Dutch development aid has been aimed principally at two objectives: economic self-reliance and poverty reduction. Over the years, different Ministers for Development Co-operation have labelled this ‘two-track policy’ in different ways, but the two objectives still stand today. We present here a brief historical outline of the importance of poverty reduction in Dutch aid policy since soon after the end of the Second World War. Five periods can be distinguished.

2.1 Period 1: 1949-73

Dutch aid in this period was principally focused on the transfer of knowhow and, later, financial assistance. Following ideas on modernisation and ‘trickle-down’, Dutch aid mainly aimed at the economic development of the poorer nations. Poverty reduction as such was at best only an implicit objective. This period up to the mid-1960s is further characterised by a focus on multilateral aid and aid to the Dutch colonies (i.e., Surinam, Dutch Antilles and New Guinea). Multilateral aid took up 23% of the total aid-allocations between 1950 and 1962,¹ and was preferred because the Netherlands as a small country had insufficient financial means at its disposal to provide bilateral aid on a large scale.

Table 1
Netherlands Ministers for Development Co-operation

Minister	Cabinet	Period
Th. Bot (KVP)	Cals	14.04.1965 to 22.11.1966
Th. Bot (KVP)	Zijlstra	22.11.1966 to 05.04.1967
B.J. Udink (CHU)	De Jong	05.04.1967 to 06.07.1971
C. Boertien (ARP)	Biesheuvel	06.07.1971 to 11.05.1973
J. Pronk (PvdA)	Den Uyl	11.05.1973 to 19.12.1977
J. de Koning (CDA/ARP)	Van Agt I	19.12.1977 to 11.09.1981
C. van Dijk (CDA/CHU)	Van Agt II	11.09.1981 to 04.11.1982
E.M. Schoo (VVD)	Lubbers I	04.11.1982 to 14.07.1986
P. Bukman (CDA/ARP)	Lubbers II	14.07.1986 to 07.11.1989
J. Pronk (PvdA)	Lubbers III	07.11.1989 to 19.08.1994
J. Pronk (PvdA)	Kok I	19.08.1994 to 03.08.1998
E. Herfkens (PvdA)	Kok II	03.08.1998 to ?

Note: KVP = Catholic People's Party; CHU = Christian Historical Union, Dutch reformed; ARP = Anti Revolutionary Party, Calvinist. These three parties formed the CDA (Christian Democratic Appeal) in 1977; VVD = People's Party for Liberty and Democracy, liberals; PvdA = Labour Party

From 1965 onwards, bilateral aid became increasingly important following pressure from Dutch employers' organisations. The policy paper, published by the first Minister for Development Co-operation in 1966, was not only the first extensive report on aid policy and a sort of amalgam of ideas taken from internal documents, but also made it clear that Dutch business interests had their way on almost all the points they raised. The bilateral aid budget was increased considerably; in 1968, expenditures under bilateral aid for the first time surpassed those under multilateral aid. This has remained the situation up to the present. At the same time, the sorts of projects the employers' organisations wanted incorporated in the aid programme, were indeed integrated into it. Furthermore, the Ministry of Economic Affairs, a major ally of Dutch business, was the prime executor of the aid programme. The shift from multilateral to bilateral aid thus also meant a shift from a mainly humanitarian and partly colonial aid programme to one that was primarily inspired by commercial interests.

2.2 Period 2: 1973-7

The second period started in 1973 with Jan Pronk, a pupil of Jan Tinbergen and a representative of the 'New Left' in the Labour Party, becoming Minister for Development Co-operation. A few issues characterise this first ministerial period for Pronk. A number of conflicts over competence, for instance, were resolved, making Pronk solely responsible for the consortia (which aims to coordinate aid activities and policy in specific developing countries) as well as for financial aid, which was moved from the Economic Affairs budget to that of Development Co-operation. Bilateral aid increased even more rapidly in these years (making the Netherlands one of the first donors to achieve the UN target of 0.7% of the Gross National Product (GNP) for development aid) and led to a growing 'reservoir' of allocated but as yet undisbursed funds and to organisational problems. New criteria for the selection of concentration countries (ie. those on which Dutch aid is intended to predominantly focus) were also introduced. These did not lead to the removal of any countries from the list, however. Although these new selection criteria already showed the change in policy, it was only in the White Paper on Bilateral Development Aid, appended to the 1977 Budget, that the new goals and framework for development co-operation policy came to the fore (Policy Paper, 1976).

Central to this Policy Paper was the term 'self-reliance' which referred to 'economic, political, and social emancipation' at the macro- or national level as well as at the micro- or target group level in developing countries. Aid should be focused as much as possible on the poor in the Third World. Development projects should focus on 'fighting welfare inequality, on direct alleviation of the present needs of the poor, and on activities aimed at strengthening the economic position of the poor'. The new goal of development co-operation became the redistribution of power and wealth in the world. Towards this end, the poor nations should strengthen their negotiating positions and try to achieve national and collective self-reliance. Dutch aid policy would be directed at the strengthening of the position of the poor vis-à-vis to the wealthy through a target group approach.² With development aid aimed at 'the poor, as much and as directly as possible', poverty reduction became an explicit goal of Dutch aid policy for the first time.

'A number of assumptions' (Bol, 1976) accompanied the new policy, however. First of all, its formulation leaned heavily on the redistribution strategies announced by the World Bank in the early 1970s and the ideas of the ILO with regard to basic needs. In fact, the Directorate General for International Co-operation (DGIS) itself stated that the 1976 Policy Paper was in the same vein as the basic needs strategy of the ILO (Policy Paper 1990: 161). Moreover, the international donor community had already discovered the tensions arising from the internal inequality in developing countries and had consequently adapted its policy to this situation. Secondly, although stressing 'the

need for a radical reorientation of aid policy at both the national and the international levels', the report was in no way a radical break with the past. Despite its subtitle, there was too much emphasis on quantity and too little on quality. It omitted both an evaluation of the aid provided previously and 'translation of the broad aims into practical policy proposals', as one critic stated (Bol, 1976).

2.3 Period 3: 1977-82

The third period covered the Ministries of De Koning (1977-81) and Van Dijk (1981-2). This period was largely characterised by a continuation of the policy set out under Pronk. One change concerned the objective of Dutch aid. De Koning retained the principal objective of poverty alleviation using a target-group approach but added the 'promotion of political and economic emancipation' of nations. This led to the so-called two-track policy in which an improvement in the position of the poor was coupled with the economic self-reliance of Third World countries. Although, in comparison with Pronk's policy, this widening of the policy goals could be termed 'realistic' and more in accordance with the policy actually implemented, it also marked a decline in 'idealism'. More important, however, is the question of whether the two-track policy, which became the central guideline for policy (Ministry of Foreign Affairs, 1978), was something new or not, since such a policy could also be distilled from the macro- and micro- levels of the self-reliance policy formulated by Pronk.

The Report on the Improvement of the Quality of Bilateral Aid (Policy Paper, 1979b) which was added to the budget paper of 1979, had quite an influence on aid policy. It announced a number of organisational changes, some of which were implemented immediately. Thus the existing organisational structure, which consisted of a division into a department for technical aid and a department for financial aid, was replaced by regional directorates with country offices and a department for sectoral specialisation. The new country offices began to produce country documents, which enhanced the quality of policy planning. In other fields, Ministers De Koning and later also Van Dijk were less successful. The 1977 Christian Democrat/Liberals Government declaration announced that 'in the area of development co-operation, there will be more collaboration with private organisations and the private sector than was the case previously'. In line with this, De Koning launched a mixed-credit programme to provide Dutch business with an instrument to compete with concessional finance, particularly in the Asian markets. Two years later he indicated his extreme disappointment at the lack of reaction from the private sector. Van Dijk, whose Ministry lasted only 14 months, focused even more fervently on the relationship with Dutch business than his predecessor, but like De Koning, he too was left mainly with criticism of the business community for not taking a more active role in relations with the Third World.³

2.4 Period 4: 1982-9

The fourth period and covered the ministries of Schoo and Bukman.⁴ The 1982 Christian Democrats/Liberal Government emphatically stated that Dutch development cooperation will have to respond to the possibilities and capacities contained within the Netherlands' economy and society. The result of this change in tone was that Dutch economic and commercial interests were emphasised more than ever before in official documents; humanitarian issues and motives were played down; in visits to developing countries and speeches in parliament the Minister showed great interest in infrastructural projects as the Maritime Plan in Indonesia and the Ganges Project, in which Dutch firms were heavily involved. The question remained, however, as to whether this was mainstream policy in the official documents as well as in the implementation of the aid programme. More important for our present discussion, however, is the fact that Minister Schoo also made it clear that direct poverty reduction was basically more an issue for private organisations in the field of development co-operation than for bilateral aid.

When the Lubbers Cabinet made its first appearance in Parliament in November 1982, it promised a report on the revision and re-verification of bilateral aid policy, based on past experiences in providing aid. This was finally presented at the end of April 1984 (Policy Paper, 1984). It stated that the goals of development policy should be pursued 'in a balanced synthesis of both policy tracks, those of poverty alleviation and the promotion of self-reliance', and that this was to take the form of 'structural poverty alleviation'. This meant that development policy now had not two tracks, but only one: structural poverty alleviation, or a 'permanent improvement of the living conditions of the majority of the population in developing countries'. Based on the assumption that poverty could only be successfully reduced in a growing economy, the report considered 'the possibilities for an external donor to alleviate poverty effectively in developing countries' to be limited (IOB 1998: 53). Poverty reduction, in effect, was pushed into second place, following international thinking on development in the 1980s in which the role of central government was reduced, and, the free market and structural adjustment became the dominant features (see also: Schulpen and Hoebink, 1998).

For the second time in the history of Dutch development co-operation, an 'artificial contradiction' had been identified by a minister. In the 1960's it had been the artificial contradiction between multilateral and bilateral aid, and now it was the contradiction between economic self-reliance and poverty alleviation. It was an 'artificial contradiction' because, according to the Policy Paper, strengthening the economy was a pre-condition for the improvement of economic and social conditions. This conclusion is remarkable, if only because the report also notes that in developing countries it is often observed that there is 'a growth in inequality' and 'in many cases...

it is only a small elite in society who benefit from economic growth'. The aspect of distribution, which, according to a report by the Inspection Unit prepared for this White Paper, appeared to be marginal in the implementation of the aid programme, had disappeared entirely from this report.

2.5 Period 5: 1989 to the present

In November 1989 the third Lubbers Government took office, a coalition of CDA and PvdA, for the second time with Jan Pronk as Minister for Development Co-operation. In 1994, Pronk again became minister in the first Kok Government (also known as the Purple Coalition, of the PvdA, VVD and D66). Several events have made this a dynamic fifth period in Netherlands' development co-operation. For one thing, this is the period of continuing attempts to reduce the Development Co-operation budget. In absolute figures Dutch aid continued to increase annually (although only marginally at times), but aid levels fell sharply as a percentage of GNP. In fact, there was a constant decline over the period 1989 to 1994. In the latter year, Dutch aid reached its lowest level (0.76% of GNP) since 1976. From 1995 onwards, it slowly recovered to reach 0.83% in 1996. Also the cancellation of Netherlands aid by Indonesia can be regarded as an important event, although recent political and economic changes are likely to reverse the Indonesian position. More important for our discussion, however, are the publication of the White Paper *A World of Difference* in 1990 and the reverification exercise in the second half of the 1990s.

September 1990 saw the publication of the lengthy report entitled *A World of Difference*. Under Pronk's leadership, a team of civil servants had worked for months on the 385 pages, which quite rightly bear the subtitle 'New Contours for Development Co-operation in the 1990s'. The report attempted to analyse the role of development co-operation in a decade distinguished by the end of the Cold War. It stated that 'sustainable poverty alleviation' should be the central goal of Netherlands development policy. As far as the alleviation of poverty is concerned, this meant that three factors were to be of central importance in determining policy. The first of these was the investment in people, in their productive potential; the second was the provision of basic needs; and the third was the broadening of poor people's participation in political decision-making (see also) under Concepts below and Annex 1). Sustainable development also consisted of three elements: growth of production, equitable distribution and maintenance of the 'environmental utilisation space' or ecoscope. Poverty reduction in the 1990s, according to the report, would be different from that of previous periods. First, because the economic aspect has to be linked explicitly to the social and political aspects, thereby making social conditionality an important aspect of donors' policy. Secondly, because a macro approach has to be linked to a micro approach, meaning that a healthy macro-economic policy with realistic

exchange rates, a sound fiscal policy, and price stability are absolute prerequisites for the success of sustainable poverty reduction.

The assurance expressed in *A World of Difference* with regard to the possibilities for tackling poverty in the era following the fall of the Berlin Wall was comparable to that expressed by such institutions as the World Bank and the UNDP - a certainty that only a few years later seemed to have disappeared from the new White Paper *A World in Dispute* (Policy Paper, 1993). Despite the fact that increased tensions between and within states formed the central theme of this second paper, poverty reduction received considerable attention. However, the paper mainly reiterated what had already been said in *A World of Difference*, and came to the final conclusion that poverty reduction 'is an absolute prerequisite for achieving sustainable development and combating environmental degradation and conflict' (Policy Paper, 1993: 139).

The policy implication of the renewed attention to poverty reduction in *A World of Difference* was seen as meaning: a focus on the poorest countries, support for grassroots processes and NGOs, an increase in the effectiveness of poverty projects, greater attention to urban poverty, a more gender-specific aid focus, and less regulation and more decentralisation (Policy Paper, 1990). However, the translation into concrete proposals for action is perhaps the weakest part of the Paper. In the final two chapters on the implementation of the new policies, aid instruments and the execution of the programme, the Minister was hindered by the lack of evaluations on a number of aid instruments, and the lack of integration of existing evaluations by other donors, and his own naiveté about the workings of aid in practice. However, this does not detract from the fact that, for the first time in years, a White Paper had been produced which was of sufficiently high quality to provoke a serious discussion on development co-operation policy. Moreover, the lack of evaluations of several aid instruments has (at least partly) been overcome in (recent) IOV/IOB studies and in a few studies written specifically for the 1996 Budget (e.g., Hoebink, 1995; IOV, 1992; IOV, 1994; and Jepma, 1995). In this budget attention was paid to the implications of the *Reverification Exercise* for Dutch development co-operation.

2.6 Reverification of Dutch foreign policy

The reverification of Dutch foreign policy was the direct result of the failure of the three coalition partners (PvdA, D66 and VVD) at the onset of the Kok Government in 1994 to reach agreement regarding the budget for development co-operation. This reverification was a political as well as an organisational exercise. Given the changing international situation following the fall of the Berlin Wall it was felt that development co-operation was no longer the stepchild of foreign relations but instead should be viewed as an integral part of it. Already in *A World in Dispute* (Policy Paper, 1993), alongside the many aspects directly related to poverty reduction and economic self-reliance, there was increased attention to such issues as emergency aid in conflict situations, stability and peace, ecological sustainability, democracy, human rights and good governance. As such, development co-operation touches more and more on other policy fields (and vice versa) (Policy Paper, 1996: 69). This called for 'decompartmentalisation' between ministries and departments such as those for development co-operation, foreign affairs and economic affairs, aimed at 'improving policy coherence, better co-ordination between the Ministries involved in foreign policy matters, and improving working links with Dutch society at large' (OECD, 1998: 13).

From September 1996, a new matrix structure was introduced with the regional directorates as central elements in which the regional tasks of the three departments/ministries were brought together. As one of the four Directorates General, in the Ministry of Foreign Affairs, that for International Co-operation (DGIS) is 'responsible for developing policies for various themes of Dutch co-operation and assisting DGRB [Directorate General for Bilateral Relations] to draw up the medium-term regional programmes on the basis of the thematic policies' (OECD 1998: 19). An important element of the reorganisation is the shift of the main responsibility for the bilateral aid programme from The Hague to the embassies. From January 1997 onwards it is these embassies which are the main entities responsible for the selection, assessment, monitoring, and evaluation of development projects and programmes, with only general policy guidelines from The Hague. This reorganisation was intended not only to make the preparation and implementation of development co-operation more efficient by shortening the decision-making lines, but also to work towards a greater sense of 'ownership' on the part of the recipient countries themselves through more direct interaction between the different implementing departments and line ministries and the embassies.

As part of the reverification exercise, from 1997 onwards one expenditure group for foreign policy was set up, known as the Homogeneous Group for International Co-operation (HGIS) with a total budget of 1.1% of GNP, covering among other things, all ODA (around 0.8% of GNP), peace-keeping operations, programmes for Central

and Eastern Europe, the export instruments of the Ministry of Economic Affairs, all embassies and consulates, and contributions to international organisations such as NATO and the OECD. With regard to the ODA part, the call for more effective aid led to a restructuring of the budget. Country programming is replaced by thematic programming, thereby aiming at a more flexible approach. In the 1997 budget, 12 so-called thematic categories or themes were distinguished. In the 1998 budget these were reduced to 11, including one non-ODA category: (i) economy, employment and regional development; (ii) environment; (iii) social development; (iv) education, research and culture; (v) human rights, conflict prevention and good governance; (vi) humanitarian aid; (vii) macroeconomic support and debt relief; (viii) Surinam, Netherlands Antilles and Aruba; (ix) multilateral programmes; (x) other programmes (e.g., assignment of experts, costs of refugees and administrative expenses); and (xi) non-ODA expenditures. Themes i-vii are the main themes and, although not new in Dutch co-operation, are regarded as constituting 'a clearer picture of priorities than previously' (OECD, 1998: 15). Within a few weeks of becoming the new Minister for Development Cooperation in August 1998, Eveline Herfkens made it clear that she regarded the number of themes (and countries) as unworkable. Nothing could be changed, however, in the budget for 1999 which was presented in September 1998.

2.7 New initiatives

Together with the re-verification exercise, the Ministry for Development Co-operation also carried out its own review known as the 'small re-verification'. Alongside a call for more ownership, a simplification of procedures, better monitoring and a systematic restoration of evaluations, this led to a call for fewer projects. In order to improve the quality of Dutch aid, programme aid was increasingly to replace these projects, which were categorised in the 1996 Policy Paper as continuing to be activities of the donor and not of the target group. Programme aid includes such aid as balance-of-payment support, sectoral budget support and debt relief, but also programmes to reinforce the institutional capacity of the recipient country to set up policy on its own and to implement projects. Finally, the call for fewer projects also reflected a re-thinking on technical assistance. The 1996 budget even went so far as to state that projects would remain important but only after it has been made clear that more general support, institutional support and technical assistance were not leading to the desired results.

Sectoral budget support is one of the 'new' instruments with which it is hoped to overcome some of the problems inherent in too great an emphasis on the project approach. Sectoral budget support is the provision of foreign exchange, the counter-value of which in local currency is used to finance specific sectoral or sub-sectoral programmes (Ministry of Foreign Affairs, 1996a). In contrast to general programme aid (aimed at general economic adjustment), sectoral budget support has a specific

poverty alleviation focus. Normally a policy agreement concerned with the implementation of the programme and with performance indicators forms part of the aid package. The recipient is supposed to have sufficient implementation capacity and to be able in the course of the programme gradually to generate enough financial means ultimately to finance it from its own resources. A considerable convergence between the donor's priorities and the recipient's goals is suggested. In the Dutch case poverty alleviation, gender sensitivity and ecological soundness are the preconditions. One of the successful programmes cited by the Dutch aid authorities in this respect, is the Mahila Samakhya Programme in India. This is an educational programme of the Government of India aimed at enhancing the educational opportunities of women. It was launched in 1989 and has been supported by the Netherlands since 1994 and claims to be very successful (see Cox et al., 1997: 106-16).

A second 'new' form of financing is programme financing. This type of financing is more at the project level. What in the past might have been a cluster of projects, is transformed into a support programme for a specific organisation, with the finance secured for a longer period, five to seven years, on the basis of a Five or Seven Year Plan. All responsibilities, including the hiring of experts or foreign consultants, is delegated to the implementing agency. From one point of view, the donor is therefore more at a distance. On the other hand, there is a more or less continuous policy dialogue and discussion on progress. This instrument is to be introduced only gradually. For example, in the Sahel countries there is only one institution which has programme financing under Dutch aid. There are discussions with three more projects (Interview, Sahel desk DGIS, 24 June 1998).

In the case of projects and programmes, the budget also calls for more attention to a process approach. Although such a process or programmatic approach was already part of the discussion in the Netherlands on the quality of Dutch aid in the late 1970s, the 1996 budget presented it as something new. The core issue here is that it is not made clear beforehand what exactly is the objective of a specific activity, nor how much aid is needed or when the activity will come to an end. In such an approach, participation is deemed important, as a process approach requires a constant adaptation of policy and implementation practices in a constantly changing environment. In this way a more flexible instrument is sought, whereby more attention can really be paid to the ownership and participation of all 'stakeholders' in identification, planning, implementation and control. The approach was introduced in the 1970s in some projects aimed at so-called 'small farmers'. It was mentioned in the 1979 White Paper on improving the effectiveness of foreign aid and was also gradually introduced in rural integrated development programmes. Thinking within the ministry on this subject seems to be at a standstill. Sometimes, and certainly by Pronk himself, the process of programmatic approach is presented as a third, more innovative and flexible approach after project and programme aid. In effect, a programmatic approach could be used as

well in project as in programme aid in contrast to a blueprint approach.

One of the ways in which the renewed attention to poverty reduction in Dutch development co-operation policy has been put into practice was by the introduction of the so-called 'development test' (*O-toets*). In this test specific attention is paid to the impact of all development activities on poverty, women and the environment. In the meantime, a small 'poverty analysis and policy' desk has been created within the Ministry with the main task of integrating (attention to) poverty reduction into all the activities of Dutch aid. In the field of aid implementation there is an effort to make Dutch aid more 'demand-driven'. This can be seen in specific projects (such as drinking water supply projects in India - see Cox et al., 1997) and in the technical aid programme, but it is most spectacular in the research programme. Against the vested interests of some major research institutes with a long history of tropical research (the Royal Tropical Institute, some medical faculties, the International Agricultural Centre, the Agricultural University) it was decided in June 1992 to bring more 'ownership' and more 'participation' into the research programme (Ministry of Foreign Affairs, 1992). With a budget of Dfl. 45 million. (out of which some major international research programmes are also financed) the programme was to finance and stimulate research which would emerge from discussions in the recipient countries between research institutes, the government and civil society. Poverty alleviation, gender and ecology issues were to be built into the programme, together with participatory processes and a multi-disciplinary approach. In seven countries programmes are more or less under way; in two others new programmes are to be started. Because the programme is not kept to very strict cash ceilings it has considerably more flexibility. This risky undertaking still has to prove itself in its results of high quality research that is policy-oriented and of use to the participants.

Another 'new initiative' which should be mentioned here concerns the so-called 'Sustainable Development Treaties' which were signed between the Netherlands and Costa Rica, Benin and Bhutan already in 1994 with the main objective of promoting sustainable development in the Netherlands, the partner countries and globally. The pre-agreements were signed at the UNCED in Rio in 1992, as an extra supplement in case of the total failure of the conference. The three main pillars of the treaties are equality, reciprocity and civic participation. From the outset the treaties have come under severe criticism. The selection of the three small countries has been called a random one. The concepts of 'equality' and 'reciprocity' were not well worked out and are seen as more or less impossible in a donor-recipient relationship. Because they address only minor environmental problems, the treaties are seen as highly symbolic.

2.8 Quantitative targets in the field of poverty reduction

In the 1997 budget paper, published in September 1996, Jan Pronk announced that the Netherlands would be the first donor to adhere to the Declaration of the World Social Summit held in Copenhagen in 1995. This referred to the 20/20 initiative whereby an expenditure of 20% of the national budget for basic social services in developing countries would be matched by 20% of the budget for development co-operation of donor countries being used for the same services. These 'basic social services' include expenditures on basic health, basic education, water and sanitation, nutrition, and reproductive health and population. In 1995, the Netherlands was already spending 18.4% of its total ODA on these social services and in 1996 this was increased to 19.4% (Ministry of Foreign Affairs, 1996b: 127). During 1997, expenditures in the field of the 20/20 initiative came to 20.5% of ODA. Although the calculation of these percentages poses some questions (see Wildeman, 1997: 98-9), the DGIS thereby achieved this quantitative target of Dutch aid. For 1998, expenditures on social services are expected to remain at about the same percentage level (Ministry of Foreign Affairs, 1997: 70).

Together with the quantitative target with regard to the 20/20 initiative, and following Dutch recognition of the targets in the OECD document *Shaping the 21st Century* (OECD, 1996), four other measurable sub-targets were set. The first refers specifically to reproductive health (e.g., women and child care, family planning, sex education), for which in total 4% of the budget was to be set aside. The whole of this sub-target is included in the 20% target for social services discussed above. Two other quantitative sub-targets refer to the environment and include a target of 0.1% of GNP to improve the environment in developing countries (following UNCED in Rio de Janeiro) and Dfl. 50 million for the preservation of the tropical rainforest. Whereas the tropical rainforest target was achieved in 1997, the 0.1% target stuck at 0.09%, but it is envisaged that it will be reached in 1998. The final target refers to the agreement to spend at least 0.25% of GNP on aid to the least developed countries (against an internationally agreed target of 0.15%), which was indeed reached in 1997 (Ministry of Foreign Affairs, 1997: 73).

3. Poverty Concepts

As already mentioned, it was only after the publication of *A World of Difference* in 1990 that a clear idea of poverty and the fight against poverty was worked out. The White Paper stressed that there are three dimensions to poverty: economic, social and political. The economic dimension was seen as arising from the unequal distribution of resources such as land and capital; the social component was seen as connected to inadequate access to basic amenities; while the political dimension was formed by the lack of access to the decision-making process (Policy Paper, 1990: 145). These three dimensions or components were said to be inter-related and mutually reinforcing. This meant that strategies to tackle poverty should be aimed at several fronts at the same time. It was stressed that poverty was a dynamic concept, in the sense that it changed over time and from place to place. Reference was made to the *Human Development Report* and the *World Development Report* of 1990 to illustrate the link between the three dimensions. Following the three-dimensional interpretation of poverty, the choices for actions to alleviate poverty were clear: (i) investing in people, in their productive potential; (ii) improving the provision of basic needs; and (iii) broadening poor people's participation in political decision-making, for instance by strengthening local social organisations. The last led to a call for support for NGOs in bilateral aid, as it was expected that within these organisations for the poor would be participants rather than 'suffering objects' (Policy Paper, 1990: 169).

Who are the poor in Dutch development co-operation and what ought to be the strategy to reach them? In the 1976 Budget Paper, when for the first time poverty alleviation was seen as a major goal of Dutch development co-operation, they were defined as: small farmer, subsistence peasants, day-labourers, and the urban poor. As far as the choice of projects was concerned, this was to involve: 'Support for the struggle against welfare inequalities, direct relief for the current needs of the poorest groups, and support for projects aimed at the improvement of the economic position of the poorest' (Policy Paper, 1976). The choice of projects of this nature was less important in a country which placed a high priority on the 'distribution of welfare', and in these cases there was less need for Dutch activities to aim as explicitly at these goals as elsewhere. The choice of particular projects was not an issue of the choice of a particular sector; it meant prioritising the target groups in all sectors.

In general, of course, and following the three dimensions of poverty identified, *A World of Difference* regarded the poor as those who have 'no access to basic requirements (such as food, work, health care, education and shelter) and who are excluded from participating in the political process in which the allocation of these requirements is decided' (Policy Paper, 1990:162). More concretely, the 1 billion people living below a specified physical poverty line were identified as the poor. The

paper stated that poverty was mainly a rural problem. Lack of access to land, environmental degradation and a shortage of employment opportunities were mentioned as important causes of vulnerability to impoverishment. At the same time it was stressed that the exodus to the cities made poverty more and more of an urban problem. Aggregated figures, however, were not seen as shedding much light on the precise identification and position of the poor. Gender, time and place would be distinguishing factors when identifying the poor. So in Asia the landless, in Africa the small peasants and in Latin America the urban unemployed were identified as poor.

The feminisation of poverty was also a major issue in this identification. While in earlier reports and White Papers note was taken of the position of women in development, *A World of Difference* for the first time drew attention to the fact that in all three regions women made up the majority of the poor. The division of labour, the lack of access to assets and the distribution of income all made women more vulnerable. This meant that development policy 'should be geared to the interests and needs of the poorest women in particular' (Policy Paper, 1990: 153). The 'autonomy concept' was placed at the centre of policies in this regard. Autonomy was defined as control over one's own life and body, as well as physical, economic, political and socio-cultural autonomy. It remained unclear, however, whether this autonomy was to be considered as an analytical concept, a policy goal or an instrument of policy.

Children came into focus in 1994 with the report *Policy in Children's Shoes* (Policy Paper, 1994). The Declaration of the World Summit for Children in New York in 1990 was taken as the starting point for Dutch policy on this issue. The right to education and health, but also the right to protection from abuse and violence, were underlined. The report in particular a range of issues (nutrition, health, education, sexual abuse, child labour) that 'should be incorporated in programmes and projects for children in developing countries'. It did not present budgets, targets or strategies, only some policy recommendations and vague plans.

In *A World of Difference* 'development by, for and of the people' was seen as the principal element of a policy to combat poverty, a policy that had to contain at the same time 'sustainable economic growth, equitable income distribution, the satisfaction of basic needs and involvement in the life of society for as many people as possible' (Policy Paper, 1990: 159). All this meant a more flexible approach in project aid, in which *participation* had to play an important role. In the Reverification Report on development co-operation, published in the budget report for 1996 as well as separately under the title *Aid in Execution*, the paragraph on the increase in aid effectiveness dealt with participation in more detail and introduced *ownership* as a central concept. 'Ownership' as was already stated in 1990, requires good governance, a transparent decision-making process, and thus a democratic setting with 'freedom of the press, right of assembly, and freedom of organisation' (Policy Paper, 1990:

166). To foster 'ownership', it was stated, 'those directly involved should take the initiative in formulating and executing the programme'. The report gives 'an area development project in which the inhabitants themselves manage the project' as an example of this 'ownership'. This goes a lot further than previous White Papers, e.g. that on aid quality of 1979 (Policy Paper, 1979b), in which participation in formulation and implementation was put at the centre. On the other hand, the report lacked any reference to experiences in this area and also to the 'process approach' for development projects which was also seen as an important condition for enhancing aid quality.

4. Implementation Problems

In general, the Netherlands has had problems in translating its major policy goals into strategies for action. It turned out to be quite difficult to put into operation both aid 'for self-reliance' and aid 'for the poorest of the poor' in policy guidelines and instructions. Furthermore, more and more sub-goals or sub-sets of goals were gradually added which were not very well integrated into operational policies. Only recently were they boiled down to three overall goals: poverty alleviation, gender equality, and ecological sustainability. Evaluation studies by the IOV/IOB showed that the relationship between existing and new and between general and specific policies was seldom to be explained. Moreover, in many cases exceptions to a general policy turned out to become its main features (IOV, 1995: 16-8).

Among the urgent problems in the implementation of poverty alleviation policies country programming could be seen as the most urgent. These country programmes ought to be the place where central policy goals should find their first expression. From the end of the 1970s the Netherlands tried to design country programmes and to make a choice of sector concentration within them. In some countries, like India and Bangladesh, it appeared to be quite difficult to focus aid on poverty alleviation and particular sectors. The Indian Government, for instance, had a clear preference for programme aid and several times aid allocated to projects was reallocated to programme aid. This was because of pressures on expenditure within the budget year in the Netherlands (Schulpen, 1997). In other cases, such as Sri Lanka, it appeared to be difficult to respond to pressures from private companies and other ministries and later to political pressure, and to come to a consistent sectoral choice. The evaluation service of the DGIS (previously known under the abbreviation IOV and currently as IOB) concluded, from a recent overview of its evaluations, that country and thematic information and general information on development issues was limited (IOV, 1995).

Organisational problems exacerbated these problems of policy content. Decisions were highly centralised in the Ministry in The Hague. Personnel policy caused professional competence to be spread thinly. Changes in staff were frequent, thus hampering institutional memory. There was great emphasis on procedures and particularly on financial procedures, with little time or attention for reflection. Some of these problems were addressed by the re-verification-process, the re-organisation of the Ministry and the delegation of responsibilities to the embassies (see above).

Negotiations with recipients about focusing aid on poverty alleviations were generally rather difficult. They did not go much further than an exchange of information on projects till halfway through the 1980s. Later, the situation improved as a result of

structural adjustment programmes and programme aid, so that macroeconomic, socio-economic and sectoral policies were much more on the agenda. However, the IOV/IOB came to the conclusion that most of the time the negotiations were little more than an exchange of opinions rather than a real dialogue. The IOB's Bangladesh study, for instance, clearly states that 'no evidence has been found of discussions about policy issues, sector choices and development approaches between Bangladesh and the Netherlands' (IOB, 1998:5). In general, representatives from developing countries are hardly involved in setting and elaborating Dutch policy - as is very clear from the country policy plans, which are written only in the Dutch language and discussion on which is also an entirely Dutch exercise (IOV, 1995: 16).

Looking at the project aid for poverty reduction, one could say that the results were quite mixed, but generally disappointing (IOV, 1995; IOB, 1998; Hoebink, 1995). Until quite a long way into the 1980s a rather limited part of the aid was in fact focused on poverty objectives, with the major part on economic self-reliance. In Sri Lanka it was estimated at between 6 and 10%, in Tanzania even less (Hoebink, 1988). For India, however, it was calculated at 28% of total Dutch bilateral aid over the period 1974-92 (Schulpen, 1997a: 68). In general, the focus on poverty reduction has changed somewhat in more recent years, but because of the increase in programme aid it is not much higher for most countries than it was in the 1980s for Tanzania and Sri Lanka. According to the IOV (1995: 17), the preference for activities aimed at economic self-reliance is in general due to (a mixture of) (i) pressure from Dutch business; (ii) the extent to which a recipient country is able to push its own priorities (e.g., India); and/or (iii) management considerations (such as pressure on expenditure).

Drinking water supply and health care are the most important sectors in the case of projects directed at basic needs. In more recent years these types of projects have shown better results. In regard to drinking water supply this was due to a shift from a very technical approach to a more people-centred approach (e.g., an integrated and process approach with attention paid to the participation of the target group in the project's preparation and implementation). In health projects it was due to a change from projects dominated by tied aid to projects oriented more to local needs. Problems remained, however, in the lack of capacity (or: willingness) on the part of the local population to pay for drinking water or a persistent stress on curative health and not on prevention. With regard to drinking water supply, the IOB (1998: 43-4) came to the conclusion that the institutional sustainability as well as financial sustainability was limited.

Income-generating activities were only successful if they had a single-sector base on not too large a scale, and were aimed at a well defined target group. The import of Dutch cattle in livestock projects was generally a disaster and project funds were mostly directed at large farms. Only when the focus was more on small peasants did

the results improve, although, for example, competition from imported milk powder and limited buying power could make these projects difficult (IOV, 1987; Hoebink, 1995). In rural development projects, those with a clear identification of target groups resulted in a definite improvement in the position of these groups (IOV, 1991). A good technological focus also appeared to be important, e.g. in irrigation, agriculture (IOV, 1992, 1994). But, in general, the results of integrated rural and area development projects were disappointing. External factors of importance for these results were a bad macroeconomic environment and execution of programmes in regions with low developmental potential. Internal factors were insufficient base-line data, lack of a clear strategy for poverty alleviation, and a broad range of activities involving a large number of government institutions which made organisation and management difficult (Hoebink, 1988; IOV, 1991; IOB, 1998).

Up to now, budget support for poverty alleviation has hardly been used by the Netherlands. This instrument was only used on a larger scale in India. Agricultural credits, energy supply and informal education for women have been supported in this way, but only the educational projects turned out to be successful; the other were seen as less positive because of inadequate management in implementation and inadequate monitoring (IOV, 1994). The lack of experience with budget support, however, did not restrain the Netherlands from bringing this type of financing forward as one of the alternatives for project aid (see above).

Finally, some attention has to be paid to non-governmental organisations (NGOs). In the 1990s, direct funding of NGOs through Dutch bilateral aid (in line with *A World of Difference* - see above) has increased substantially. One of the main reasons for this development is that NGOs are regarded as being closer to the target groups of the poor and as following a more participatory approach, thereby forming an important channel in the field of poverty reduction. A recent IOB study on Dutch aid to Bangladesh showed that, quantity-wise, direct funding of NGOs has even surpassed the aid channelled through the Dutch co-financing organisations (MFOs - *Medefinancieringsorganisaties*). These MFOs to a large extent use funds from the budget for development co-operation. The IOB study came to the conclusion that the effectiveness of the two major NGO programmes (i.e., on credit and training) in the field of poverty reduction varied substantially. Credit, for instance, has a noticeable impact when it is 'both regular and in reasonably high amounts'. It was further concluded that 'programmes that concentrate on a small range of activities are easier to run efficiently than holistic programmes (which try to tackle a broad range of dimensions of poverty)' (IOB, 1998: 46). Another study, making a comparison between drinking water supply and irrigation projects financed in India through Dutch bilateral aid and through MFOs (namely, the co-financing organisation ICCO) to Indian NGOs, noted that both donors have been shown to finance activities which can be criticised for lack of attention to such aspects as participation, education and

organisation. Both channels have also been shown to finance projects in which these aspects were taken up, so that greater effectiveness was achieved. For the poor in India, it was therefore concluded, the distinction between bilateral and MFO aid is a question of the same difference (Schulpen, 1997a: 271).

5. Sectors and Countries⁵

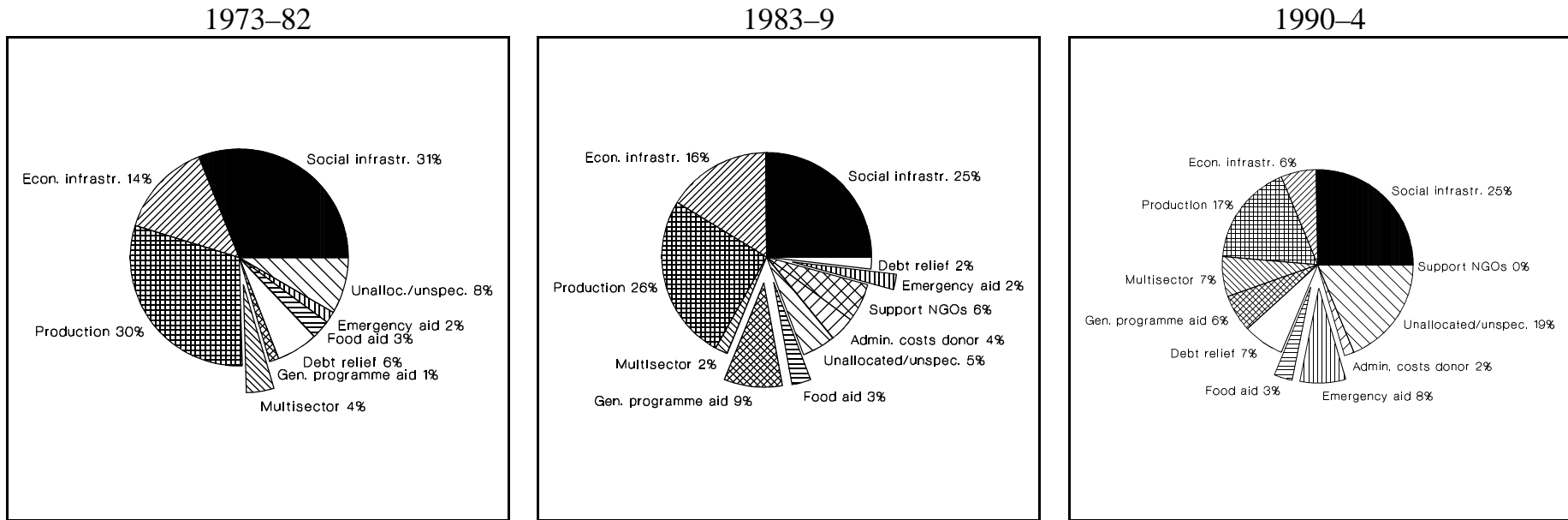
This section sets out to provide a first quantitative assessment of the link between changes in development thinking and aid. The central question to be answered here is whether the changes in development thinking which became manifest in the various policy papers described in the first part of this paper can be traced in the commitments and disbursements of Netherlands aid. The first part of the section presents bilateral aid commitments per 'sector' for the period 1974–94. The second part presents net disbursements of aid to groups of countries over the period 1969–96.

5.1 Dutch aid commitments per sector

In the historical background outlined above, five periods were distinguished according to the attention paid to poverty reduction in the policies of the respective Ministers. Aid commitments discussed below will, however, be presented for only three periods: 1973–82, 1983–9 and 1990–4 (for the years 1995 and 1996 reference is made to Annex 2). In effect, this means that the entire period before 1973 is left out because of non-availability of data, whereas the periods of Pronk (1973–7) and De Koning/Van Dijk (1977–82) have been merged mainly because of a continuation of policy. The question was already posed above of whether all these different periods indeed meant a fundamental change in the implementation of Dutch aid. Aid commitments per period can perhaps provide part of the answer to this question. Figure 1 provides an overview of the division of Dutch aid commitments per sector and non-sector for the three periods (see also Annex 2).⁶

The data provided in the three circle-diagrams in Figure 1 clearly show substantial changes in Dutch aid commitments (see also Annexes 3, 4 and 5 which give the changes in commitments per sub-sector). The sector 'economic infrastructure and services' (for the Netherlands mainly covering transport and energy) came down from 14% in the 1970s to 6% in the 1990s. India forms a prime example of this with expenditure for the sector 'water transport' decreasing by 82% over 1993–6 as compared with the previous four-year period (Schulpen, 1997b: 3). Also the 'production sectors' declined (from 30% in the 1970s to 17% in the 1990s). Comparing the period 1990–4 with 1980–4, the sub-sector 'agriculture', for instance, decreased by 18.7%, the sub-sector 'industry, mining and construction' by 10.6%, the sub-sector 'trade, banking and tourism' by 41.6%, while the sub-sector 'other production sectors' disappeared completely. Bad experiences with industrial projects, such as in cement and food processing, as well as fewer fertiliser exports all contributed to the decline of the production sectors in Dutch aid commitments.

Figure 1
 Dutch aid commitments (in %) per sector and non-sectoral for the period:



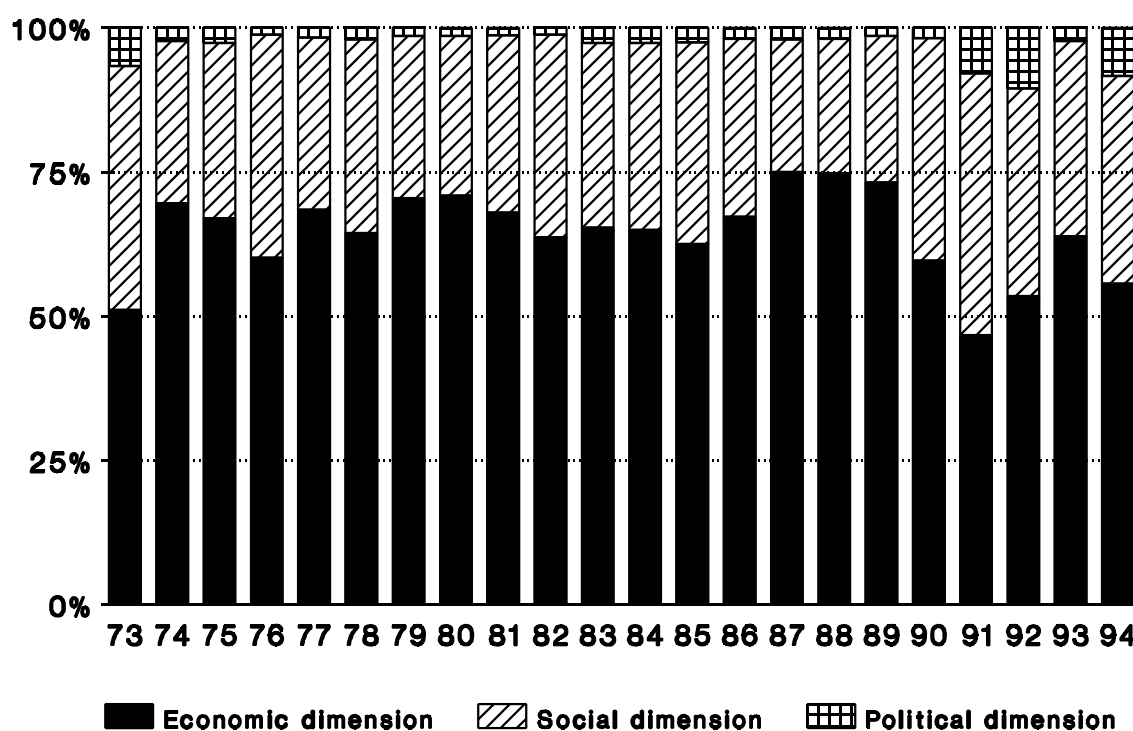
Source: Own calculations on the basis of OECD, personal communications.

In contrast, the ‘social infrastructure’ sector (encompassing such sub-sectors as education, health and water supply) declined less sharply and actually remained at the same level from the early 1980s onwards. This shows the importance the Netherlands attaches to what could be called the social dimension of aid (see also Annex 1, which describes the sectors in more detail and the relationship with the three dimensions of poverty alleviation). Within the sector ‘social infrastructure’, however, some interesting fluctuations occurred over the years. The share of the sub-sector ‘health’ decreased in the 1980s following the decline in large hospital projects and the shift towards small-scale Primary Health Centres activities. The share of the sub-sector ‘drinking water’ increased slightly in the 1980s following the International Drinking Water and Sanitation Decade activities and returned to the same percentage in the 1990s. The sub-sector ‘education’ has remained at approximately the same level over the years (i.e., at slightly over 30% of total commitments under the social infrastructure sector). The increase in commitments for ‘public administration’ and ‘development and planning’ in the 1990s clearly reflects the growing attention to ‘good governance’. Finally, the multi-sector (covering those projects which straddle several sectors, with a concentration on production facilities), after an initial decline in the 1980s, increased again in the 1990s to 7% of all commitments. All in all, sectoral aid over the period 1973–82 constituted 79% of all commitments. Over 1983–9, this percentage was down to 69% and further to 55% over 1990–4.

Also within the non-sectoral group (general programme aid, debt relief, food aid, emergency aid, support to NGOs, administrative costs of donors, and ‘unallocated/unspecified’), the changes in aid commitments over the periods are clear. One of the most significant changes refers to emergency aid, which increased from 2% of total commitments in the 1970s to 8% in the 1990s due to increasing tensions, civil wars and/or famines in such countries as Rwanda, Sudan, Somalia and Yugoslavia (compare with the central theme of the White Paper *A World in Dispute* discussed above). General programme aid (i.e., funds made available for general development purposes without any sectoral allocation), which was still insignificant in the 1970s and early 1980s, increased to 9% in the 1980s and decreased to 6% in the 1990s. Debt relief showed (strangely) the opposite: it declined in the 1980s and increased in the 1990s. Following the outbreak of the debt crisis in the early 1980s, the Netherlands thus reacted by increasing its commitments for general programme aid (which can be more easily tied aid) and decreasing its commitments for debt relief. In the 1990s, Pronk attached a greater value to debt relief and basically used it as a kind of ‘budget support’, as in the case of India. Finally, whereas food aid remained at the same level throughout the four periods distinguished here, it is particularly in the ‘unallocated/unspecified’ category that major changes occur. Over the period 1990–4, nearly one-fifth of all commitments of Dutch aid falls within this category, whereas it was between 5% and 8% in the preceding periods. Although the Netherlands was supposed

to explain entries in this non-sector this was certainly not always done (Interview, DAC, 13 May 1998).

Figure 2
Dutch aid commitments per dimension
1973–94 (%)



- Note: (a) Own calculations on the basis of OECD, personal communication. For an overview of the sectors and sub-sectors placed under the three dimensions see Annex 1.
- (b) The figure covers 81.7% of total sectoral commitments and 55.0% of total commitments (i.e., sectoral and non-sectoral).

Figure 2 links the sectoral division of Dutch aid commitments to the three dimensions of poverty alleviation distinguished in the White Paper *A World of Difference*, namely, the economic, social and political dimensions. The economic dimension, as is obvious from the figure, has been the most important dimension for Dutch aid. On average, 65.3% of sectoral commitments went to the economic dimension, 31.8% to the social dimension and 2.9% to the political dimension over the period 1974–94. Over the years some fluctuations occurred, however. Most strikingly, commitments falling under the economic dimension reached their peak (75%) in the second half of the 1980s under Minister Bukman. These commitments sharply decreased when Pronk became Minister for the second time. The social dimension (i.e., commitments for

basic needs) were generally below 30% during the 1970s, increased slightly in the first half of the 1980s, decreased in the second half due to the increase in commitments under the economic dimension and increased again from 1990 onwards. This shows the Netherlands following suit with the renewed international attention to the social dimension at the end of the 1980s/beginning of the 1990s. The same basically holds for the political dimension, which shows a sharp increase in 1991.

5.2 Dutch aid disbursements per group of countries

The major recipient of Dutch bilateral aid has been India. Except for the early 1990s, India has always been in the top three, over the period 1969–93, with Indonesia and Tanzania as numbers two and three. Table 2 shows the top ten recipients of Dutch aid for selected years over the period 1969–96. From the table it becomes clear that there have been substantial changes in this list. In 1972, for instance, Cameroon was the tenth largest recipient of Dutch aid. In later years, it was no longer on this list. The same accounts, among other countries, for Jamaica (mentioned only in 1978), Vietnam (1975), Greece (1969), Egypt (1981 and 1990), Uruguay (1969) and Burkina Faso (1978 and 1990). The table also indicates that the number of countries receiving aid from the Netherlands has increased substantially from 1969 onwards. In 1969, the ten countries mentioned took in more than 98% of all Dutch aid. In 1996, total aid to the ten ‘favourite’ countries only amounted to 35.6% of total aid.

The latter figure shows that, from the early 1970s onwards, Dutch bilateral aid spread out over the Third World. Whereas in 1969 only some 13 countries received practically all Dutch aid, in 1972 already more than 60 countries were on the receiving end. This number was to increase further over the years. It should be mentioned that a relatively large number of these recipient countries got (and still get) only between 0.1 and 0.3 million Dutch guilders annually. Of the 135 countries (including the so-called ‘countries in transition’) which received Dutch aid during 1996, a total of 40 (nearly 30%) received US\$ 1 million or less. Over the period 1969–96 nearly 61% of all Dutch bilateral aid went to 18 countries, all of which (with the exception of the former colony Surinam) had been so-called concentration or programme countries of Dutch bilateral aid. In turn, these 18 countries for the most part belong to the long list of developing countries grouped as low-income countries and low Human Development Index countries.

Table 2
Top 10 recipients, 1969–96 – total ODA (in cumulative percentages)

	1969	%	1972	%	1975	%	1978	%	1981	%
1	Indonesia	32.4	Indonesia	36.1	India	18.1	India	11.9	India	16.1
2	Surinam	62.8	Surinam	56.4	Surinam	33.6	Bangladesh	21.5	Surinam	26.0
3	India	80.5	India	65.0	Indonesia	48.0	Surinam	30.8	Tanzania	33.4
4	Nigeria	86.2	Nigeria	72.3	Bangladesh	56.7	Tanzania	38.5	Indonesia	40.6
5	Pakistan	89.9	Kenya	76.1	Tanzania	62.9	Indonesia	45.0	Bangladesh	46.4
6	Uruguay	93.4	Bangladesh	79.9	Pakistan	66.5	Pakistan	50.6	Sri Lanka	51.6
7	Greece	95.2	Tanzania	82.4	Kenya	70.0	Sri Lanka	55.4	Kenya	55.6
8	Chile	96.6	Peru	84.0	Peru	73.3	Kenya	59.1	Sudan	59.3
9	Tunisia	98.0	Tunisia	85.5	Vietnam	76.4	Jamaica	62.4	Egypt	61.6
10	Kenya	98.4	Cameroon	86.7	Colombia	78.9	Burkina Faso	65.2	Pakistan	63.8

...\ Table 2

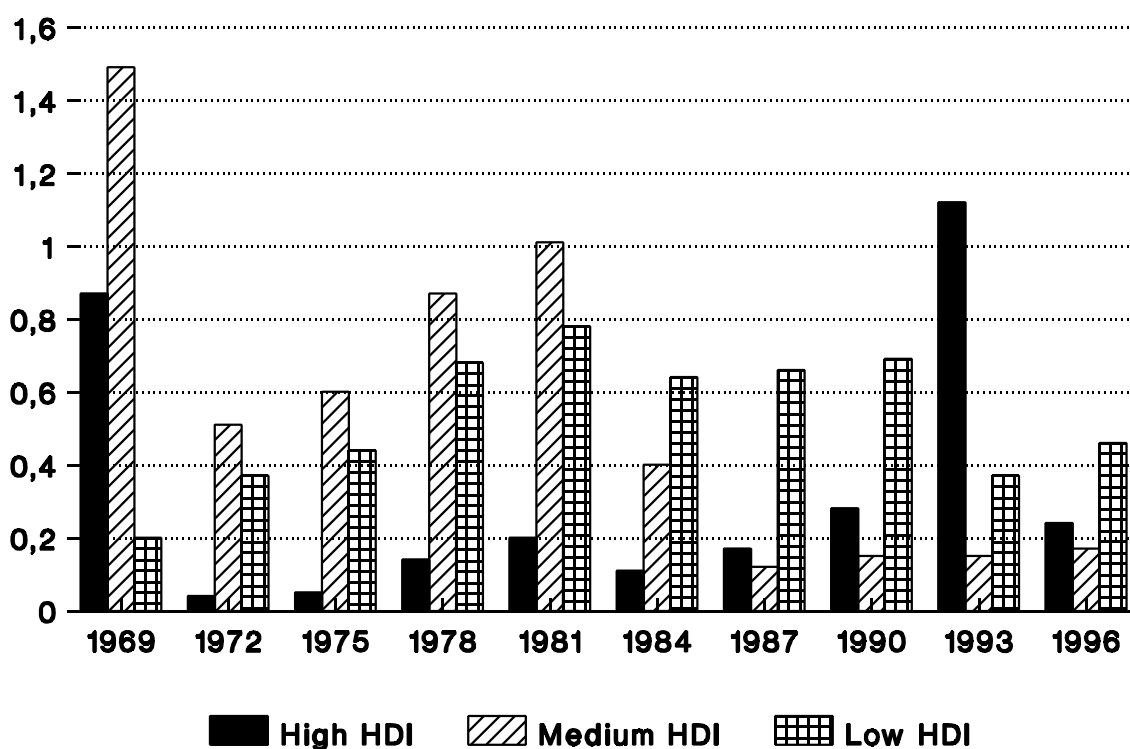
	1984	%	1987	%	1990	%	1993	%	1996	%
1	Indonesia	11.4	Indonesia	12.6	Indonesia	12.6	Yugoslavia	14.7	Tanzania	5.0
2	Bangladesh	20.3	India	21.9	India	22.5	Surinam	20.3	Bangladesh	9.6
3	India	29.2	Tanzania	28.6	Tanzania	28.8	Tanzania	24.9	Ethiopia	13.6
4	Tanzania	35.1	Bangladesh	34.6	Bangladesh	33.5	Bangladesh	29.4	India	17.6
5	Peru	39.4	Sudan	39.9	Kenya	37.9	Kenya	33.4	Bolivia	21.4
6	Mozambique	43.7	Kenya	45.0	Sudan	42.0	Mozambique	37.0	Mozambique	24.5
7	Sudan	47.8	Mozambique	49.5	Egypt	44.9	India	40.6	Mali	27.2
8	Kenya	51.5	Zimbabwe	52.7	Mozambique	47.6	Sudan	43.6	Yemen	30.1
9	Zimbabwe	54.8	Peru	55.5	Mali	50.0	Bolivia	46.5	Rwanda	32.9
10	Nicaragua	57.9	Yemen	58.1	Burkina Faso	52.3	Ethiopia	49.4	Kenya	35.6

Source: own calculations on the basis of OECD, 1977, 1978, 1982, 1986, 1987, 1990, 1992, 1995, 1997

This last point already indicates that the majority of Dutch aid over the period 1969–93 has been used to finance development activities in the poorest countries in the world. Net disbursements of Dutch ODA to a total of 121 recipient countries over the period 1969–96 show that 71.6% of bilateral ODA went to those countries classed as Low-Income Countries (LICs).⁷ If the Human Development Index (HDI) is taken as the ‘dividing line’, this percentage is 77.1% for countries grouped under the heading of Low HDI. Countries under High HDI received over the same period 5.2% of Dutch aid, whereas the remaining 17.7% went to the Medium HDI countries. In the case of the GNP index, high-income countries received less than 1%, upper middle-income countries some 9%, and lower-middle income countries 19%.

Table 3

Dutch aid per capita per HDI category 1969–96 in 1994 dollars, million



Source: Own calculations on the basis of OECD, 1977, 1978, 1982, 1986, 1987, 1990, 1992, 1995; World Bank, 1978, 1982, 1986, 1990, 1992, 1994; UNDP, 1992; Keyfitz and Flieger, 1990.

The special position of the poorest countries within Dutch aid is also clear if ODA per capita is taken. Table 3 shows the aid disbursements per capita per HDI category of countries for selected years over the period 1969–96. It clearly shows that medium-

HDI countries received substantially higher aid per capita up to the early 1980s. From then onwards the low-HDI countries received a higher per capita amount of Dutch aid. The only exception is the year 1993, when the Netherlands provided substantial sums to (ex)-Yugoslavia. It is also interesting that high-HDI countries took over the second place in the mid-1980s. There is a simple explanation for this phenomenon: in the second half of the 1980s China joined the ranks of the medium-HDI group of countries as recipients of Dutch aid, thereby sharply reducing the per capita aid for this group. This indicates that there are some countries which upset the picture emerging from Table 3. China, with a population of 1 billion people, greatly reduces the aid per capita for the medium-HDI countries from the mid-1980s onwards. In 1987, for instance, per capita aid for this group of countries was US\$ 0.12 including China and US\$ 0.37 excluding China. The same is true for India, which is in the low-HDI group of countries. Including India per capita Dutch aid to the low-HDI group was US\$ 0.66 in 1987, while it would have been US\$ 1.13 without it.

From the above it is clear that Dutch aid over the years has been geared at those countries in the Third World that are regarded as the more deprived nations. With a total of 71.6% for Low-Income Countries over the period 1969–96, the Netherlands scored higher than the 60% of all net ODA from all sources that went to this group of countries over the same period (For figures on net ODA from all sources, see Schulpen and Hoebink, 1998).

6. Concluding reflections

Although the Netherlands is known as a generous donor and is seen by certain groups within the country itself as a 'front-runner' in the field of development co-operation, the above short historical outline has shown Dutch policy in the field of poverty reduction to be not excessively original. In fact, the Netherlands adhered closely to international thinking on development and poverty as expressed primarily by the World Bank and the UN organisations. This holds for the 1970s when attention to direct poverty reduction in Dutch policy closely followed the basic needs strategy of the ILO, for the 1980s when poverty reduction was moved to second place both internationally and in the Netherlands, and for the 1990s when renewed attention to poverty reduction was introduced by the World Bank and the UNDP and taken over in Dutch policy. It also holds for the central issues in the poverty reduction policy: from basic needs in the 1970s to participation, ownership, democratisation and the setting of quantitative targets in the 1990s. Finally, it holds for some of the new initiatives which have been brought forward in recent years (e.g., programme financing, demand-driven activities, the process approach). In effect, one can say that the linking of economic growth with poverty reduction, which forms an important point of departure for the present thinking in development aid, has always been the point of departure for the Netherlands. As such, it is indeed correct to say that the two-track policy (combining economic self-reliance and poverty reduction) has always been central to Dutch aid, although, as shown, both objectives have not always been sought with the same passion. For the 1980s, the IOV (1995) remarks in this regard that 'both objectives [were] employed next, or even in a dialectical relationship, to each other'.

Is there, then, anything (slightly) original in the way the Netherlands has pursued its development policy in general and poverty reduction in particular? The answer has to be a cautious yes. The re-evaluation exercise of the 1990s is a case in point here, although the outcome of this exercise for development co-operation shows substantial overlap with the developments of other donors. The Sustainable Development Treaties with Benin, Costa Rica and Bhutan also have to be mentioned in this regard, plus the introduction of a specific poverty desk at the Ministry in The Hague. In trying to involve Dutch industry more closely in the aid programme, the Netherlands has not been very different from other donors, although, it has been less successful. The growing importance of local costs financing (with the economic recession in developing countries, donors have increasingly had to pay for the local costs of projects as well, which meant that they could only spend a smaller amount on the delivery of their own goods and services) and the 'normal' weaknesses of Dutch

business in relation to exports to developing countries made the efforts of Ministers De Koning, Van Dijk, Schoo and Bukman an impossible mission from the start.

For a donor believed to be dedicated to the eradication of poverty, it is remarkable that Dutch policy shows a lack of conceptualisation of poverty and poverty reduction. Obviously, the Ministry is unable to mobilise internal knowhow and capabilities in this field. Only recently, a more genuine attempt was made to get to an understanding of the many faces of poverty and the different ways of tackling it. In doing so, however, the Ministry did not get much further than what had already been set in motion internationally. Moreover, in general, the Policy Papers in the field of development co-operation have shown a lack of attention to implementation aspects, and particularly with regard to poverty reduction activities. In effect, the most important weakness of the central Policy Papers has been this insufficient attention to implementation. Presumably, it was thought for a long time that all activities would contribute to poverty reduction. At individual country level, attention to the implementation aspects seems to be higher, but here the institutional memory is (even) less than at the central level, if only because of frequent shifts in personnel. Finally, the poverty desk established at the Ministry in recent years could be regarded as a way of institutionalising attention to poverty reduction. In view of the small size of this desk, its position within the Ministry and the fact that it has hardly any authority to impose anything on other departments, the genuineness of this move can be questioned, however.

Notes

1. This is excluding the development loan of Dfl. 280 million extended to Indonesia in 1950 as part of the 'Dutch-Indonesian Union' (Kuitenbrouwer, 1994: 134).
2. See, for example, Voorhoeve (1979: 258 and 268). Jan Pronk made a direct connection between meeting the basic needs of the poor and basic human rights, which became one of the criteria for the selection of concentration countries.
3. '[Van Dijk] also underscored that Dutch exports to developing countries lagged behind and that Dutch investments in developing countries, even in Indonesia, could not compete with those of other countries like Japan' (Hoebink, 1988: 65). The following remark of Minister Van Dijk in a current affairs TV programme in February 1982 clearly showed his purpose: 'the line of policy is to look for ways that lead to a better involvement of the Dutch private sector,' (quoted in Melkert 1986: back cover).
4. The Bukman period (1986-9) has been described as the blandest period in the history of Dutch development co-operation (Hoebink, 1992). Neither in the budgets, nor in his speeches and interviews, did Bukman show any sign of originality. The 1987 budget announced four areas (over) population, food, the private sector in developing countries and technological innovation) which would receive special attention in the coming years. In the second year, three of these had already been replaced: only the issue of overpopulation was to remain.
5. Unless otherwise stated, all figures in this section are in 1994 US\$.
6. Data for the years prior to 1973 are, unfortunately, not available. Data for the years 1995 and 1996 recently became available. These data are according to new codes which are for the most part comparable to those used for the period 1974-94 but not entirely. In order to avoid any mistakes it was decided to restrict the data presented in the main text to the years 1974-94. The data for the years 1995-1996 are presented in Annex 2.
7. Over the period 1969-93 these 121 countries received 77.5% of total Dutch net aid disbursements.
8. The main items of the political dimension of development, like 'empowerment' and aid for democratisation processes, are not part of the OECD categorisation. Even for those 'items' in this categorisation which can be linked to this dimension, the developments in aid commitments can not be traced as they form an integral part of a larger (sub-) sector.

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Annex 1

Sectors and Dimensions

Sustainable poverty alleviation, as the central goal of Dutch development co-operation policy, means attention to what can be called the three dimensions of poverty and poverty alleviation. The first of these is the economic dimension, which refers to ‘investment in people’, that is, investment in their productive potential. The second is the social dimension, which refers to basic needs such as health and education. The third is the political dimension which refers to participation in (political) decision-making. Summarising, the White Paper *A World of Difference*, calls this ‘of, for and by the people’.

Linking the sectoral division of aid commitments to these dimensions leads to, the following conclusions. The ‘social infrastructure and services’ sector clearly covers those ‘items’ that are connected with basic needs: education, health, water supply and sanitation, family planning, housing, and environmental protection, but also some ‘items’ which fall more under the political dimension of development (community development, trade unions, cultural activities).¹ At the same time, this sector covers what could be grouped under administrative and bureaucratic assistance (good governance): namely, public administration and development, and planning services. The ‘economic infrastructure and services’ and ‘production’ sectors are linked to activities in the field of economic development, whether at a macro or micro level (e.g., transport, communications, energy, agriculture (including irrigation), industry, and trade). Table A1 provides a division of sub-sectors per dimension.

SECTOR	SUB-SECTOR	COVERING:
ECONOMIC DIMENSION		
Economic infrastructure and services	Transport	equipment or infrastructure for road, rail, water and air transport
	Communications	communications and telecommunications, including radio and television, and meteorology
	River development	combined hydroelectric/irrigation/flood control projects
	Energy	production and distribution of energy, except for natural gas and petroleum production and including peaceful use of nuclear energy
	Other	e.g., management, automation, accountancy, business finance and investment
Production sectors	Agriculture	agricultural production (e.g., fertilisers, irrigation, pest control); services (e.g., co-operatives, marketing, research); forestry; fishing and hunting; conservation and extension; storage; transport facilities; home economics and nutrition; land and soil surveys; agricultural development banks
	Industry, mining and construction	manufacturing industries; cottage industries and handicrafts; non-agricultural storage and warehousing / extractive industries (e.g., geology, prospecting, geological surveys, petroleum and natural gas) / construction <i>per se</i>
	Trade, banking and tourism	export promotion, design and packaging, infrastructural facilities, co-operatives, publishing, journalism, cinema, and photography / industrial development banks and insurance / hotels and tourist facilities
	Other	-*

SOCIAL DIMENSION		
Social infrastructure and services	Education	teaching in all fields, training
	Health	hospitals and clinics, maternal and child care, other medical and dental services, public health administration, medical insurance programmes
	Water supply and sanitation	ibid
	Population programme	family planning, research into population problems

POLITICAL DIMENSION **		
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Social infrastructure and services	Public administration	administrative buildings, aid for normal operations of government, police and fire protection
	Development and planning services	economic planning and policy preparation of development programmes, central banking, monetary and fiscal policy, collection and publication of statistics of all kinds, information and documentation, economic surveys, feasibility studies, pre-investment studies, cartography, mapping, serial photography, etc., demography and manpower studies.

* The category 'other production sectors' is, as such, not defined by the OECD, although funds are written against it.

** The political dimension is represented here by those items (or: sub-sectors) falling under 'administration'. 'Items' related to empowerment, in the sense of enabling people to take part in the decision-making processes that have an impact on their lives, are not distinguished as such within the categorisation of the OECD.

Note: The 'other social infrastructure and services' sub-sector is not taken up here as it includes items that fall under different dimensions distinguished in the table (e.g., housing which falls under the social dimension and trade unions which could be counted under the political dimension). A split-up in funds according to the different items of this sub-sector is not available.

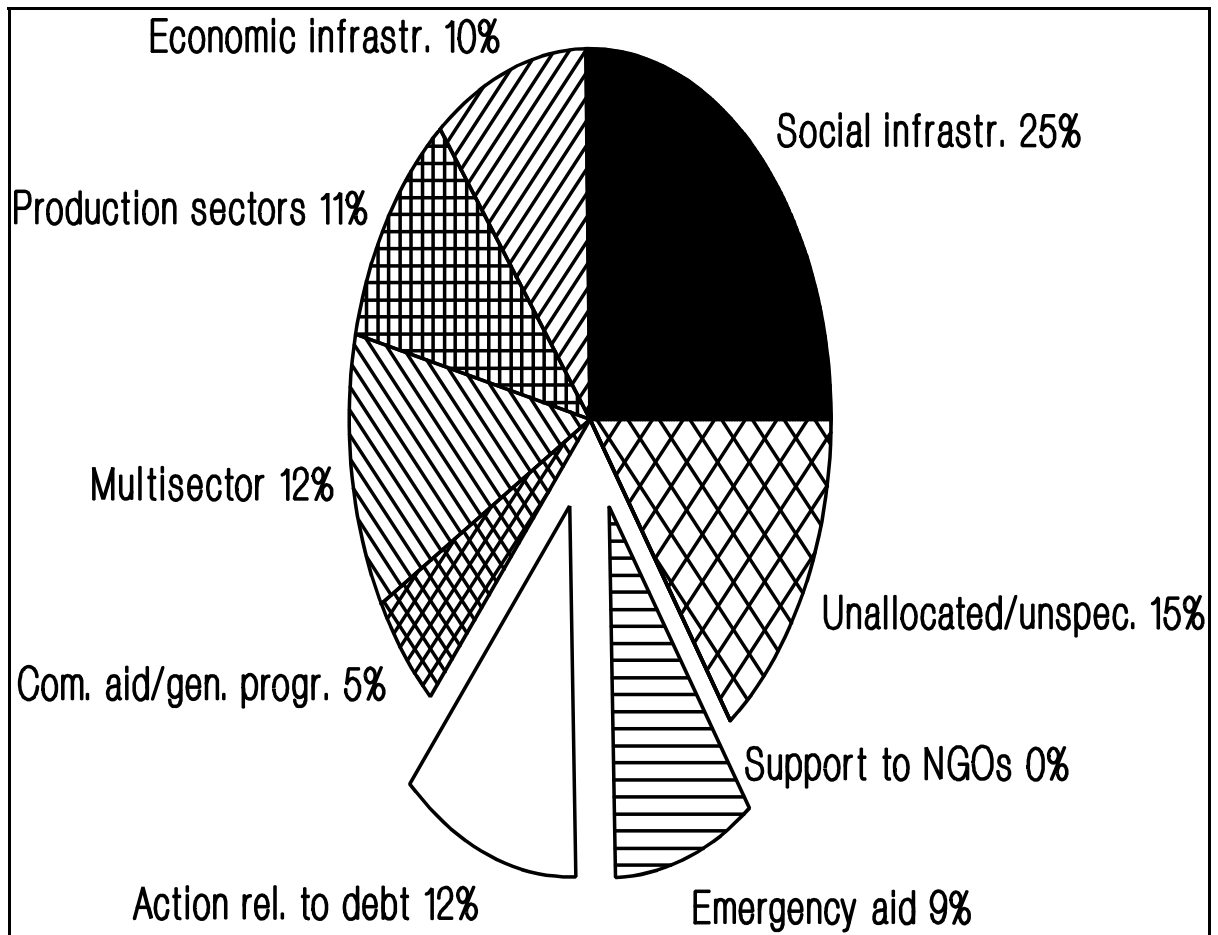
Annex 2

Aid commitments per category for the years 1995 and 1996

In view of the fact that the data for the years 1995 and 1996 are presented by the OECD/DAC following a new coding system, it was decided not to include these two years in the main text in order to avoid mistakes and misunderstandings. Although most of the categories used in the 'old' coding system for the years 1974-94 return in the new system, the two systems are not entirely comparable. To give some examples: Within the 'Social infrastructure and services' sector a new sub-sector is introduced under the heading of 'government and civil society'. The items which fall into this new sub-sector do not entirely match the items under the old sub-sectors 'Public administration' and 'development and planning services' which are no longer distinguished. Also the sub-sector 'river development' has disappeared in the new system and is now part of the sub-sector 'water supply and sanitation'. The main data with regard to Dutch bilateral aid commitments for 1995 and 1996 are presented below according to the new categorisation.

Figure A1

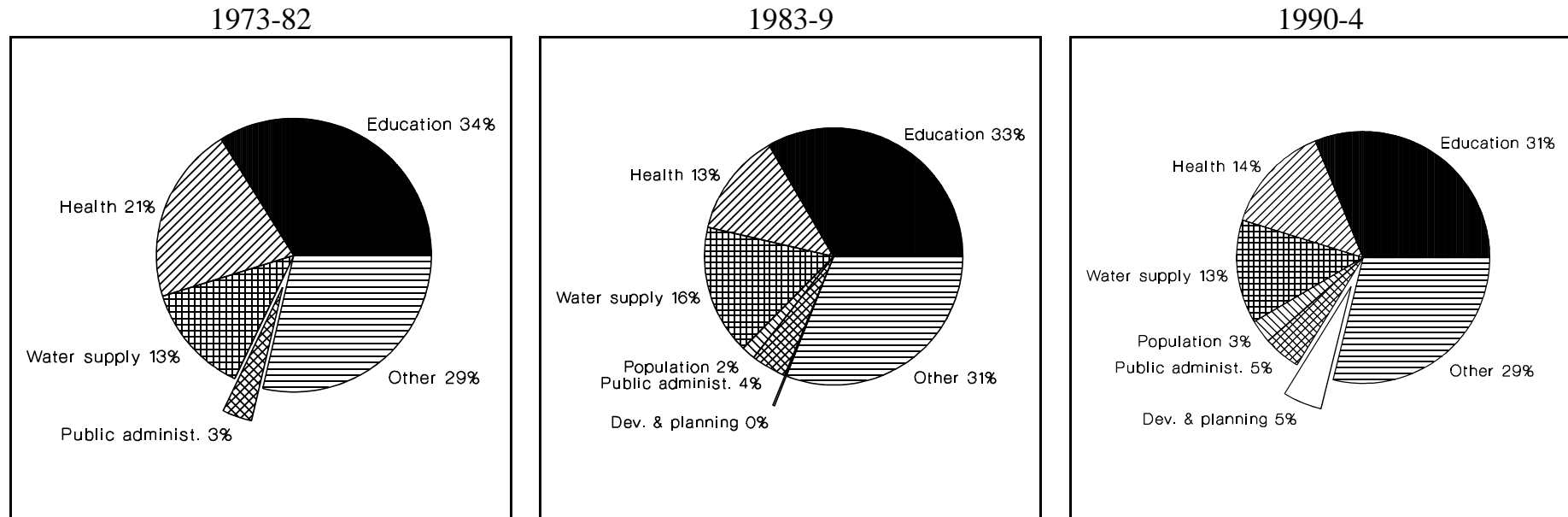
Dutch aid commitments per sectoral and non-sector for 1995-6 (%)



Annex 3

Figure A2

Social infrastructure – Dutch aid commitments per sub-sector for the period (%):

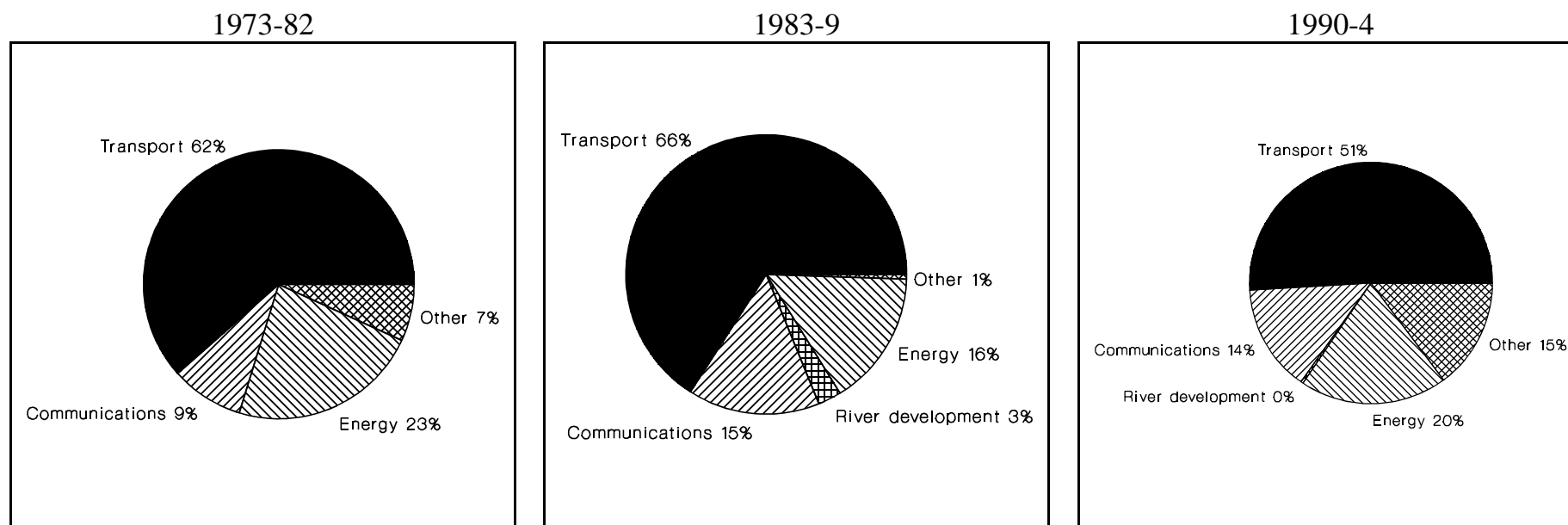


Source: Own calculations on the basis of OECD, personal communications.

Annex 4

Figure A3

Economic infrastructure – Dutch aid commitments per sub-sector for the period (%):

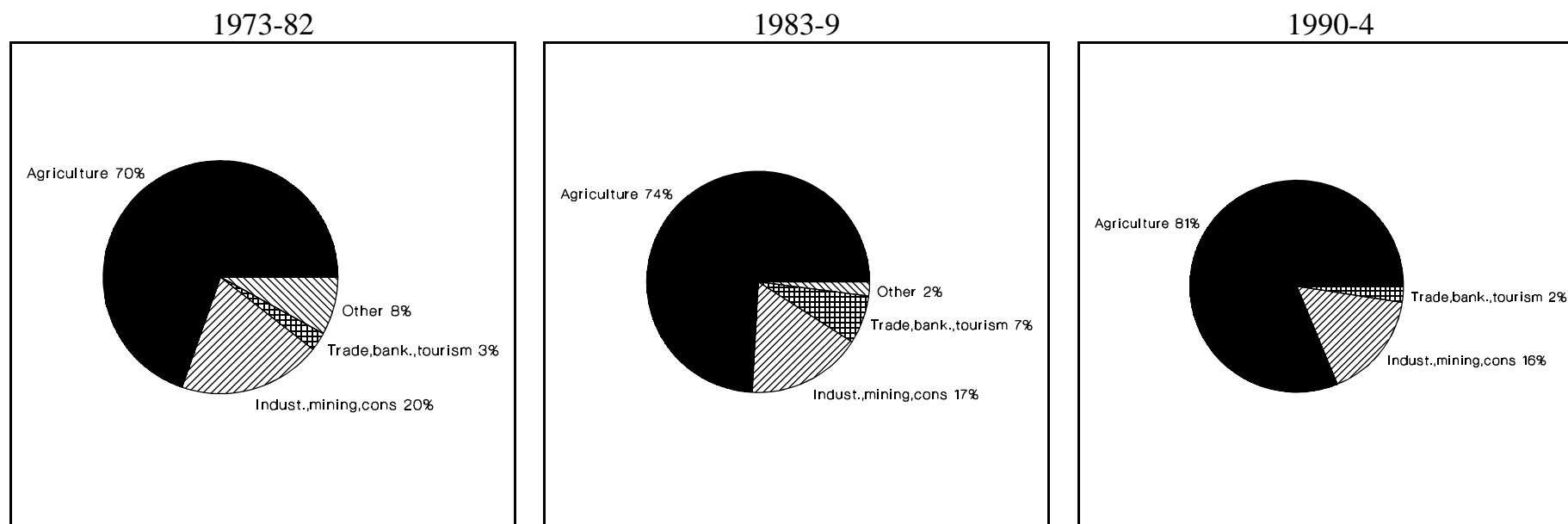


Source: Own calculations on the basis of OECD, personal communications.

Annex 5

Figure A4

Production – Dutch aid commitments per sub-sector for the period (%):



Source: Own calculations on the basis of OECD, personal communications.

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