Ministerie van Buitenlandse Zaken

IOB evaluation

Coherence or co-existence?

A study on the implementation of the aid, trade and investment agenda in three partner countries: Bangladesh, Ethiopia and Kenya

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Preface

Trade and investment have always been part of Dutch development policy. However, over time Dutch development policy has gained an increased focus on trade and investment for development. Simultaneously, Dutch export and investment promotion has been given a more prominent role. Under the Rutte I-III cabinets, Dutch development policy underwent a fundamental revision, including a reduction in the number of partner countries and a change in the focus of development cooperation to four spearheads: food security; water; sexual and reproductive health and rights; and security and rule of law. Additionally, under the Rutte II cabinet, eight so-called 'transition countries' were selected. The intention was to change the relationship with these transition countries from an aid relationship to a trade and investment relationship, with the aim to enhance their self-reliance in a more mutually beneficial relationship. Later, under the Rutte III cabinet, the categorisation of transition countries was dropped and development cooperation focused on partner countries and 'focus regions'.

In 2013, development cooperation, trade and investment policies were also combined into one policy agenda under one Minister for Foreign Trade and Development Cooperation: 'the new agenda for aid, trade and investment'. Combining these policies was expected to generate synergy and benefit both the Netherlands and developing countries.

This evaluation reviews the implementation of the Dutch government's policy on aid, trade and investment in three countries selected in 2013 to transition: Bangladesh, Ethiopia and Kenya, over the period 2013 to 2018, complemented by noteworthy developments that have taken place since 2018. It reviews how the integration of the Dutch policy on aid, trade and investment has taken shape in practice, and to what extent coherence of the three components of the overall policy has been achieved.

The report builds on a reconstruction of the policy and an assessment of the policy processes for these three countries and has been conducted by means of extensive desk and literature research, interviews with more than 100 (internal and external) policymakers and stakeholders in the Netherlands and abroad, as well as field visits in Bangladesh, Ethiopia and Kenya.

This evaluation is a building block of IOB's larger policy review of the sustainable trade and investment policy under article 1 of the budget for Foreign Trade and Development Cooperation (BHOS), which is due later this year. The evaluation complements other IOB evaluations that will feed into this large policy review. This evaluation was conducted by Martine de Groot and Bart van Rijsbergen (IOB). Edith van Ewijk provided contributions to the report by supporting the editing and analysis. Internal quality support was provided by Otto Genee and Peter Henk Eshuis. An external reference group advised on the report. Members of this group were Jos Weijland, senior adviser of BIS, Robert van der Hum, coordinating policy officer of DDE, and Pieter Blussé, coordinating policy officer of DIO.

The staffs of the Embassies of the Kingdom of the Netherlands in Dhaka, Addis Ababa and Nairobi have provided valuable input as well.

The final responsibility for this report remains with IOB.

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List of acronyms and abbreviations

ABSF	Agribusiness Support Facility
AEF	Access to Energy Fund
AGP	Agricultural Growth Programme
ASPIRE	Apiculture Scale-up Programme for Income and Rural Employment
ATA	Agricultural Transformation Agency
AU	African Union
BB	Central Bank of Bangladesh
BD	Business Development (Coach)
BENEFIT	Bilateral Ethiopian-Netherlands Effort for Food, Income and Trade
BHOS	*Buitenlandse Handel en Ontwikkelingssamenwerking* – Foreign Trade and Development Cooperation
BIS	*Bureau Internationale Samenwerking* – Office for International Cooperation
BIT	Bilateral Investment Treaty
CASCAPE	Capacity building for Scaling-up of evidence-based best practices in Agricultural Production in Ethiopia
CBI	*Centrum ter Bevordering van de Import uit ontwikkelingslanden* – Centre for the Promotion of Imports from developing countries
CBS	*Centraal Bureau voor de Statistiek* – Statistics Netherlands
CDA	*Christen-Democratisch Appèl* – Christian Democrats
CSR	Corporate Social Responsibility, also known as Responsible Business Conduct (RBC)
DAF	*Directie Afrika* – Sub-Saharan Africa Department
DAM	*Directie Noord-Afrika en Midden-Oosten* – North Africa and Middle East Department
DAO	*Directie Azië en Oceanië* – Asia and Oceania Department
DCM	*Directie Consulaire zaken en Migratiebeleid* – Consular Affairs and Migration Policy Department, in 2015 renamed *Directie Consulaire zaken en Visumbeleid* (DCV)
DCV	*Directie Consulaire zaken en Visumbeleid* – Consular Affairs and Visa Policy Department
DDE	*Directie Duurzame Economische Ontwikkeling* – Sustainable Economic Development Department
DEU	*Directie Europa* – Europe Department
DFID	Department for International Development of the United Kingdom
DGBEB	*Directoraat-Generaal Buitenlandse Economische Betrekkingen* – Directorate-General for Foreign Economic Relations
DGGF	Dutch Good Growth Fund
DGIS	*Directoraat-Generaal Internationale Samenwerking* – Directorate-General for International Cooperation
DIO	*Directie Internationaal Ondernemen* – International Enterprise Department
DME	*Directie Klimaat, Milieu, Energie en Water* – Climate, Environment, Energy and Water Department, renamed to IGG
DNB	*De Nederlandse Bank* – Central Bank of the Netherlands
DRIVE	Development Related Infrastructure Investment Vehicle

DSH	*Directie Stabiliteit en Humanitaire Hulp* – Department for Stabilisation and Humanitarian Aid
DSO	*Directie Sociale Ontwikkeling* – Social Development Department
DWH	*Directie Westerlijk Halfrond* – Western Hemisphere Department
EAC	East African Community
EBA	Everything but Arms
EDGET	Enhancing Dairy Sector Growth in Ethiopia
EKN	Embassy of the Kingdom of the Netherlands
ENLBA	Ethiopian-Netherlands Business Association
ENTAG	Ethiopia-Netherlands Trade for Agricultural Growth programme
EPA	Economic Partnership Agreement
EPHEA	Ethiopian Horticulture Producer Exporters Association
ESA	East and Southern Africa
EU	European Union
F&BKP	Food & Business Knowledge Platform
FAO	Food and Agriculture Organization of the United Nations
FBK	*Fonds Bestrijding Kinderarbeid* – Fund against Child Labour
FDI	Foreign Direct Investment
FDOV	*Faciliteit Duurzaam Ondernemen en Voedselzekerheid* – Facility for Sustainable Entrepreneurship and Food Security
FDW	*Fonds Duurzaam Water* – Sustainable Water Fund
FGAE	Family Guidance Association Ethiopia
FMO	*Nederlandse Financierings-maatschappij voor Ontwikkelingslanden* – Dutch Entrepreneurial Development Bank
FTE	Full-time equivalent
G4AW	Geodata for Agriculture and Water
GDP	Gross Domestic Product
GoB	Government of Bangladesh
GSP	Generalized System of Preferences
GTP	Growth and Transformation Plan
HDI	Human Development Index
HDPO	*Hoofd Directie Personeel and Organisatie* – Personnel and Organisation Department
IATI	International Aid Transparency Initiative
ICRH	International Centre for Reproductive Health
ICSR	International Corporate Social Responsibility, also known as International Responsible Business Conduct (IRBC)
IFC	International Finance Corporation
IFI	International financial institution
IGAD	Inter-governmental Authority on Development
IGG	*Directie Inclusieve Groene Groei* – Inclusive Green Growth Department, since 2014 successor of *Directie Klimaat, Milieu en Energie en Water* (DME) – Climate, Environment, and Energy and Water Department
ILO	International Labour Organization
IMH	*Directie Internationale Marktordening en Handelspolitiek* – Department of International Trade Policy and Economic Governance

IOB	*Directie Internationaal Onderzoek en Beleidsevaluatie* – Policy and Operations Evaluation Department
IPA	Investment Protection Agreement
IRBC	International Responsible Business Conduct, also known as ICSR
ISB	*Directie Inspectie, Signalering, Begeleiding* – Inspection, Risk Analysis and Advisory Unit
ITC	International Trade Centre
IWRAP	Integrated Water Resource Action Plan
KEPSA	Kenyan Private Sector Alliance
KICP	Kenya Investment Climate Programme
KIFFWA	Kenya Innovative Finance Facility for Water (previously known as: *Stichting Nederlandse Vrijwilligers* – Foundation of Dutch Volunteers)
KIT	*Koninklijk Instituut voor de Tropen* – Royal Tropical Institute
KMDP	Kenya Market-led Development Programme
KNBS	Kenya National Bureau of Statistics
KPWF	Kenya Pooled Water Fund
LCG	Local Consultative Group
LIC	Low income country
LMIC	lower middle-income country
MACS	Multi-Annual Country Strategy
MAMASE	Mau Mara Serengeti Sustainable Water Initiative
MASP	Multi Annual Strategic Plan
MDG	Millennium Development Goal
MEA	Ministry of Economic Affairs
MEL	Monitoring, Evaluation and Learning
MENA	Middle East and North Africa
MFA	Ministry of Foreign Affairs
MFS	*Medefinancieringsstelsel* – Co-Financing System
MI OS	*Management Informatie Ontwikkelingssamenwerking* – Management Information Development Cooperation
MI BZ	*Management Informatie Buitenlandse Zaken* – Management Information Foreign Affairs
MoU	Memorandum of Understanding
NABC	Netherlands-African Business Council
NBSO	Netherlands Business Support Offices
NBU	Nyenrode Business University
NGO	Non-Governmental Organisation
NWO	*Organisatie voor Wetenschappelijk Onderzoek* – Dutch Research Council
NWP	Netherlands Water Partnership
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OHS	Occupational health and safety
ORIO	*Ontwikkelingsrelevante Infrastructuurontwikkeling* – Facility for Infrastructure Development
PaCT	Partnership for Cleaner Textile

PDP	Product Development Partnerships
PPP	Public-Private Partnership
PSD	Private Sector Development
PSI	Private Sector Investment Programme
PSNP	Productive Safety Net Programme
PSOM	*Programma Samenwerking Opkomende Markten* – Programme for Cooperation with Emerging Markets
PvdA	*Partij van de Arbeid* – Social democratic political party
PVV	*Partij voor de Vrijheid* – Party for Freedom
PvW	*Partners voor Water* – Partners for Water
RBC	Responsible Business Conduct
RESET	EU Resilience building programme Ethiopia
RMG	Readymade garments
RMT	*Regiopool Management Team* - Regions Pool Management Team
RVO	*Rijksdienst voor Ondernemend Nederland* – Netherlands Enterprise Agency
SDG	Sustainable Development Goal
SIB	Starters International Business
SIDA	Swedish International Development Agency
SME	Small and Medium-sized Enterprise
SMIS	Small scale and Micro Irrigation Support programme
SNV	Netherlands Development Organisation (previously known as: *Stichting Nederlandse Vrijwilligers* – Foundation of Dutch Volunteers)
SPV	Special Purpose Vehicle
SRHR	Sexual and Reproductive Health and Rights
SRoL	Security and Rule of Law
SWA	Smart Water for Agriculture
TF	Transition Facility
TMEA	TradeMark East Africa
TNO	*Nederlandse Organisatie voor toegepast-natuurwetenschappelijk onderzoek* - The Netherlands Organisation for Applied Scientific Research
ToC	Theory of Change
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund (originally the United Nations International Children's Emergency Fund)
UK	United Kingdom
USD	United States Dollar
VVD	*Volkspartij voor Vrijheid en Democratie* – Conservative liberal political party
WOP	Water Operation Partnership
WRR	*Wetenschappelijke Raad voor het Regeringsbeleid* – The Netherlands Scientific Council for Government Policy
WTO	World Trade Organization
WUR	Wageningen University and Research
WwW	Working with Women (SNV project)

Executive summary

This report presents a study on the implementation of Dutch policy on aid, trade and investment in three partner countries: Bangladesh, Ethiopia and Kenya, between 2013 and 2018, complemented by noteworthy developments that have taken place since 2018. It serves as a building block for the policy review of the sustainable trade and investment policy – article 1 of the budget for Foreign Trade and Development Cooperation (BHOS) – scheduled to be completed in 2021. The evaluation answers the research question: "How did the integration of the Dutch policy on aid, trade and investment take shape in practice and to what extent has coherence of the three components of the overall policy been achieved?". It provides an overview of results achieved so far and the lessons that can be learned, and offers recommendations to improve the transition process.

Background to the evaluation

Combining aid, trade and investment into one agenda
Trade and investment have always been part of Dutch government policy for development. However, over time, Dutch development cooperation policy has increased its emphasis on trade and investment for development. Concomitantly, Dutch export and investment promotion has been given a more prominent role in development cooperation.

Under the Rutte I cabinet (2010–2012), Dutch development policy underwent a fundamental revision, including a substantial cutback in aid funds: EUR 3.6 billion over five years. The aim was to reduce the number of partner countries from 33 to 15, and to focus development cooperation on four spearheads: food security, water, sexual and reproductive health and rights (SRHR) and security and rule of law (SRoL). Additionally, development cooperation was to move from an aid relationship to a trade and investment relationship, with the aim to enhance self-reliance in developing countries. Delegated aid funds for three partner countries (Colombia, South Africa and Vietnam) were terminated and replaced by a temporary Transition Facility.

The Rutte II cabinet (2012–2017) went a step further and selected another eight partner countries, 'transition countries', in which a transition was to be initiated. Among them are the three countries studied for this report: Bangladesh, Ethiopia and Kenya. Only for Kenya, however, was a clear-cut phase-out date for delegated aid funds set by the end of 2020. This cabinet also created a new ministerial post end of 2012: the Minister for Foreign Trade and Development Cooperation. As a result, development cooperation, trade and investment policies were combined for the first time into one policy agenda, 'the new agenda for aid, trade and investment'. The new ministerial post and accompanying policy agenda merged policies on trade and investment that were previously the responsibility of the Ministry of Economic Affairs (MEA) with the policies on development cooperation and private sector development (PSD) in developing countries, the responsibility of the Ministry of Foreign Affairs (MFA).

Combining aid, trade and investment policies was expected to generate synergy and be mutually beneficial for the Netherlands and the recipient developing countries.

Three overarching objectives were defined in the new agenda: 1. eradicate extreme poverty ('getting to zero') in a single generation; 2. Sustainable, inclusive growth all over the world; and 3. Success for Dutch companies abroad (MFA, 2013a).

The Rutte III cabinet (2017–2021) built on the aid, trade and investment agenda of the previous cabinet but added some distinctions and priorities. Policy developments included targeting the root causes of poverty, migration and terrorism, and also climate change and gender, as well as focusing on three regions characterised by instability, extreme poverty, displaced persons and irregular migration: the Sahel, the Horn of Africa and the Middle East and North Africa (MENA) region.

Translating the aid, trade and investment agenda into operations at country level has largely been guided by the multi-annual strategic plans (MASPs) of the various countries and followed up by annual plans. Since 2018, bilateral policies are being developed in the context of broader multi-annual country strategies (MACS) that aim to commit all Dutch governmental actors.

Main findings

1 Different approaches to implement the new agenda in the three partner countries

The implementation of the new policy has been shaped differently in the three selected countries. There are several underlying reasons for the different approaches chosen.

Country contexts
Unique contexts exist in the three individual partner countries, though all three countries have been confronted with political tension, regional insecurity, terrorist attacks, natural disasters and climate change, albeit in varying degrees. What varies between the countries is the presence of natural resources, the size of their domestic markets, other locational advantages, linkages to global supply chains, the governance and competence of the recipient government, and the risk of corruption. These factors have affected the presence and willingness of Dutch businesses' to trade with or invest in these countries.

The risks in the three countries not only influence businesses' presence and willingness to do business or invest in these countries but they also provide the canvas on which Dutch policy has had to be implemented, and therefore explain the varying approaches and interventions chosen with the embassies at the wheel.

Bilateral relations and alignment to recipient governments' policies
Although the Netherlands has good diplomatic relations with all three partner countries, the level of cooperation with the recipient governments has varied. Despite different political and institutional settings in the partner countries, which has resulted in different channels being chosen for disbursing official development assistance (ODA) and in different levels of

cooperation, Dutch policy interventions have overall been aligned with partner countries' policies and priorities. For Kenya, Dutch ODA has not been spent through the Kenyan government, due to concerns about accountability. Nevertheless, Dutch policy objectives did align with Kenyan priorities in the areas of food security and water. In Ethiopia and Bangladesh to a certain extent, the intensity of collaboration with the government has been almost the opposite of that in Kenya, with bilateral budgets channelled through large government programmes and/or multi-donor basket funds. In these countries, policies were well aligned with the partner countries' national priorities and policies, particularly in terms of poverty alleviation and water management (Bangladesh) and 'pro-poor' agendas and food security (Ethiopia).

Lack of a clear-cut policy and guidance from The Hague
With the introduction of the new policy, neither a well-defined framework on the transition, nor an underlying Theory of Change (ToC) for the aid, trade and investment agenda were provided. Embassies were expected to serve as the lynch pin between the Dutch government and the recipient government, the business community and non-governmental actors, as well as to catalyse Dutch trade and private sector investment in the recipient countries. Consequently, leaving it primarily up to the embassies to take the initiative in translating policy into concrete action resulted in different approaches.

Available resources to implement the new agenda and transition
Different approaches also emerged from the differences in available resources: ODA funds, staff capacity, and time given to implement the new agenda and transition.

Between 2013 and 2018, delegated ODA expenditure declined for all three embassies, but to a different extent. Of the three countries, the country with the highest delegated ODA expenditure was Ethiopia (EUR 354 million, compared to EUR 277 million of central ODA expenditure) and the amount decreased by only seven percent between 2013 and 2018. Delegated ODA expenditure for Bangladesh (EUR 263 million, compared to EUR 157 million of central ODA expenditure) decreased by 25 percent. In line with the anticipated phase-out by 2020/2021, delegated ODA expenditure in Kenya (EUR 115 million compared to EUR 276 million of central ODA expenditure) witnessed the most extensive and continuous decline (56 percent).

The declining delegated ODA budgets should be considered against the changing patterns in central ODA expenditure. For Ethiopia and Kenya, the delegated budgets declined as a share of total bilateral Dutch ODA. In these countries, central budgets increased whereas delegated budgets declined, causing decision making on programmes to shift more to the central level and making it more difficult for embassies to determine and coordinate the implementation of policy at country level. Only in the case of Bangladesh did both delegated and central ODA expenditure decline, and at similar rates. For all three partner countries it was found that embassy influence on the allocation of centrally financed activities has been restrained.

There were also noticeable differences in embassy staff capacity (varying size and composition) for the three countries. Particularly noteworthy is the overall absence of a pronounced change towards more economic-oriented staff to support the transition.

This was especially the case for Bangladesh, and to some extent also for Ethiopia. Although the findings were somewhat different for Kenya, they nonetheless highlighted that the increase in economic staff remained (too) small to support the transition.

2 Strategising the transition from aid to trade and investment

In the three partner countries, trade and investment promotion was implemented on a dual track: providing direct support to individual Dutch companies and engaging in activities to strengthen the overall enabling environment.

Strengthening the enabling environment has been difficult to achieve because of limited engagement with bilateral funds, or no channelling of these funds through the recipient government. However, funds were also channelled through multilateral institutions, such as programmes of the World Bank, the International Finance Corporation (IFC), regional development banks and TradeMark East Africa (TMEA), creating more leverage. Additionally, the Netherlands was still able find some niches directly related to Dutch commercial interests, such as strengthening standards bodies in sanitary and phytosanitary standards.

Given the different country contexts, available resources and absence of clear-cut guidance on the new agenda, each of the three embassies strategised its own distinctive approach in terms of selected priority sectors and beneficiaries, spearheads and themes to guide the transition. For Bangladesh, two specific entry points were identified: agriculture (especially horticulture, livestock and fisheries) and international responsible business conduct (IRBC), with an emphasis on readymade garments (RMG) – which was redoubled after the Tazreen Fire in 2012 and the Rana Plaza disaster in 2013.

In Ethiopia, food security and agricultural development formed the entry points to the transition process, with the focus on the export-oriented agricultural sector (mainly horticulture and floriculture). Acknowledging the context and level of development in Ethiopia, the approach involved continued development cooperation in the long run, whilst gradually intensifying bilateral economic activities. Dutch trade and investment promotion remained more limited and continued on a separate, largely parallel path with development cooperation.

The strategy for Kenya focused on the second and third goals of the Dutch policy: inclusive sustainable economic growth and success for Dutch businesses abroad. Water and agriculture formed the entry points to the transition, though other commercial sectors were also selected. Furthermore, the Netherlands aimed to shift its role from donor to public investor, to leverage additional funds.

3 Implementing the new agenda

A central role for embassies

To implement the transition, all three embassies developed country-tailored approaches while making use of strategic diplomatic efforts and their networks. The Netherlands has been commended by various stakeholders (e.g. the recipient government, other donor countries and the business community) for its added value, being visible as donor (especially in terms of personally committed, vocal and experienced staff) and contributing to the coordination of donor support.

Integrating trade and investment into development cooperation has remained a difficult task

In the delegated development cooperation programmes, increased spending on PSD activities has been most visible for Kenya (in line with the anticipated end-date). For Bangladesh delegated ODA expenditure on PSD activities revealed a slight increase under the new agenda compared with the years prior to 2013, but delegated ODA spent on PSD activities remained only a marginal share of the total delegated ODA budget between 2013 and 2018, and declined in these years as well. Enhanced focus on PSD was not visible in the delegated ODA expenditure for Ethiopia. In contrast, ODA expenditure on PSD even declined under the new agenda compared with delegated ODA expenditure on PSD activities under the cabinet of Rutte I. In addition, it remained a small share of the total delegated ODA expenditure and also decreased further between 2013 and 2018.

For central ODA expenditure, a shift towards PSD (including via instruments of the Netherlands Enterprise Agency (RVO)) can be seen for all three countries. However, spending on social development remained an important share of centrally financed interventions for all three partner countries, especially in the early years of Rutte II.

The embassies' development cooperation interventions have led to enhanced integration of aid policy, linking spearheads and focusing on nexus themes (such as water, agriculture and SRHR). Nevertheless, the integration of Dutch trade and investment promotion into development cooperation has turned out to be less successful. In all three partner countries, integrating aid, trade and investment objectives within the development cooperation portfolio has been a daunting – and at times impossible – task. For example, in Bangladesh, the geographical focus of several aid programmes in poor areas was well justified from a poverty perspective, but these areas were not the most promising from a business perspective. Alternatively, in Kenya, the embassy funded food security programmes that were carried out in economically more advanced areas and focused on entrepreneurial farmers, linking them to supply chains of foreign companies and investors. This logical choice enhanced the probability of sustainable results and commercial opportunities for Dutch suppliers in the long run and was understandable in light of the anticipated clear phase-out date for delegated ODA. However, it excluded subsistence farmers and those farmers located in poorer, drier and more remote areas.

The evidence for Ethiopia leads to similar conclusions: integrating aid, trade and investment objectives, although well intentioned, proved challenging, especially when related to land rights issues, and at times created trade-offs in policy objectives. Given the unfavourable business climate and commercial risks at stake, embassies have, at times, had difficulty coping with their role to stimulate newcomer Dutch companies to do business or invest in the partner countries.

Some positive results have, however, been found for IRBC-related interventions. For example, in Bangladesh, where evidence indicates that IRBC-related aid in the RMG sector has positively contributed to linking aid, trade and investment opportunities.

4 Assessing results: Dutch trade with and direct investment in the three countries

Trade increased but no clear conclusions on the effects of policy interventions
At macroeconomic level, overall findings show increased bilateral trade of the Netherlands with all three countries over time. However, a gravity model based regression analysis has indicated that there has been only a marginal improvement in bilateral trade performance (defined as actual versus expected trade) for Ethiopia, no real change for Bangladesh, and even a worsening trend for Kenya. The analysis does not allow for solid conclusions on the contribution of Dutch interventions at macroeconomic level. For foreign direct investment (FDI), there is an additional problem. Given the lack of consistent and reliable data on Dutch FDI (differences in data coverage, poor quality data, data pollution due to investment of special purpose vehicles), no hard conclusions could be drawn on the effectiveness of Dutch investment promotion in the three partner countries.

At microeconomic level, findings from qualitative research (obtained through interviews and desk study) show positive effects of embassy interventions, most strongly identified in the case studies of Bangladesh and Ethiopia. These findings suggest that the interventions contributed positively.

5 Limited coherence, coordination and alignment in interventions and policies

Overall, the review identified that the implementation of the new agenda and transition was marked by limited policy coherence and coordination, which was primarily caused by: the absence of clear overarching policy guidelines on how to effectuate the transition, the challenges encountered in integrating policy fields, and the failure to coordinate central and delegated interventions. More positive were the findings on coherence in the use of instruments and interventions at local level and under control of the embassies.

Coherence of instruments and diplomatic efforts

Overall, coherence was found in the use of instruments and diplomatic efforts. This was most evident in Bangladesh and Ethiopia. For Bangladesh, different types of activities (instruments, projects, events and diplomatic efforts) were strategically used to leverage resources and achieve results. The cross-cutting theme of IRBC offered focus for an integrated approach across domains. For Ethiopia too, overall consistency was found in the implementation of the new agenda. This was supported by the alignment to Ethiopia's overall pro-poor policy and Dutch FDI in the horticultural sector, which the recipient government welcomed. Nevertheless, it proved challenging to create coherence among different objectives and sub-objectives within and across spearheads, and across policy fields.
In Kenya, the use of instruments and interventions was less consistent. The inconsistency was related to several aspects, including: the tilted approach in steering on development cooperation themes (which made it more difficult to apply a country-tailored and coherent approach); the broad selection of economic priority sectors; and less integration between clusters at the embassy.

Limited coordination between central and delegated aid interventions

It proved to be difficult to coordinate delegated and central portfolios, which may have undermined the effectiveness of efforts. In Bangladesh, delegated and central ODA programmes were not always properly coordinated and aligned, and information was insufficiently available or exchanged. In Ethiopia, some activities were executed without involving the embassy, especially in the preparation and evaluation phases. In Kenya, the embassy had little influence on the allocation of centrally funded activities, resulting in a lack of focus and coherence in central programmes there.

Policy coherence for development: the challenges faced to achieve aid, trade and investment objectives simultaneously

Coherence between all policy fields under the new agenda was a challenging task from the outset. The evidence revealed that it was not always possible to create commercial opportunities for Dutch business in aid programmes focused on poverty alleviation, or to integrate aid objectives in trade and investment activities. Aid objectives and trade and investment objectives may lie far apart, and require trade-offs in setting priorities and allocating scarce funds and staff resources. Linking the different policy fields was more successful in the sphere of cross-cutting themes, specifically in IRBC in Bangladesh in the RMG sector and in Ethiopia after the attacks on Dutch investors between 2015 and 2017 and criticism of negative externalities provided a wake-up call. For example, in Bangladesh encouraging results were found in the use of IRBC as entry point for the transition, identifying linkages between the RMG sector and development cooperation programmes (in SRHR and water management) and serving both aid and trade objectives. The introduction of the multi-annual country strategy (MACS) in 2018 in all three countries can be seen as a good start. It has the potential to improve information exchange and enhance coordination and integration of central and delegated programmes in all policy areas, provided it is maintained and enhanced where possible.

Recommendations

From the evaluation several recommendations have been formulated, which apply specifically to the three countries studied and can be of help when a development partner country is selected to transition to a more trade and investment oriented relationship in the future.

1. Clarify the main objectives of the agenda for aid, trade and investment and set realistic timeframes.
Designing an aid, trade and investment policy-specific Theory of Change for a partner country expected to transition is essential, to identify the intervention logic and uncover potential contradictions. Make explicit the assumptions about what the interventions are expected to accomplish and how they are expected to do so. Set realistic goals and timeframes for a transition process and acknowledge any inherent limitations that depend on the country context. Stimulating commercial trade and direct investment of Dutch business is especially challenging in countries with a very tough business climate if there is no inherent interest and only limited staff capacity is available. Monitor and evaluate interventions, using reliable performance indicators beyond output level.

2. Be more explicit about potential synergies and trade-offs between the policy goals.
The three policy goals of the new agenda are very different and were often found difficult to connect in practice in the three studied countries; sometimes they were even contradictory. When negative trade-offs between different policies (or policy goals) exist, they should be: 1. identified early on and weighed in a transparent decision-making process before implementing interventions; 2. monitored during the implementation of interventions; and 3. documented to stimulate feedback and learning.

3. Safeguard the relevance of Dutch policy in terms of alignment to partner countries' national policies.
Dutch policy alignment to policies of the partner country enhances the likelihood of success. However, recognise what level of policy alignment is achievable, in terms of success for sustainable Dutch trade and investment. Use a political economy analysis to identify potential obstacles and determine the willingness of recipient governments to reform. Take account of other donor interventions, find your niches and harmonise and leverage efforts where possible. Also make use of the policy dialogue opportunities offered in the country and use them to promote Dutch investments and to discuss obstacles in the overall business climate, but leverage improvements in the enabling environment (preferably in EU context) and align this with structural transformation programmes of the World Bank, the IFC, International Trade Centre (ITC) and regional development banks.

4. Promote and incentivise coordination of efforts and policy coherence for development in a country strategy, both in substance and approach.
Build on the first-generation MACS and enhance the level of commitments (financial and other) from thematic departments of the MFA and other ministries to the MACS, to ensure that the MACS goes beyond the previous MASP. Promote the one-team concept at the embassy and ensure that if thematic attachés are present, they are fully integrated into economic and development cooperation teams, including their economic work plans, and the country strategy.

5. Build on IRBC accomplishments to create the connecting bridge in a transition process.
Overall, embassy efforts directed at IRBC activities of Dutch companies and supporting stronger due diligence of their value chains can be deepened. Topics in which embassies can enhance their support of Dutch companies and monitor activities of the private sector more closely (efforts that have in the past sometimes been started out of sheer necessity in response to security threats or industrial tragedies) are living wages, fair trade standards, assessing beforehand and monitoring the environmental and social impact of doing business and of land rights issues.

6. Critically review whether stimulating Dutch FDI is realistic and/or desirable in specific countries or sectors.
Combine available knowledge of the embassy and the Dutch Entrepreneurial Development Bank (FMO) on country specific opportunities with the network and knowledge of RVO, relating to Dutch business interests, to promote and support direct investments of Dutch companies. Acknowledge the limitations of policy making and financial incentives in attracting Dutch companies if they have options to invest in other countries with a more favourable business climate. Allow embassies to give more priority to providing support to Dutch private investors based on expressed demand and opportunities in the partner countries, rather than export promotion, in view of the additionality of embassy efforts in this area and continued spin-off of sustainable investments.

In addition, the MFA could give more priority to establishing a fuller picture of incumbent Dutch investors (and expressed FDI demand) in the partner countries, by enhancing the completeness and reliability of Dutch FDI data and the information base relating to the use of and need for supporting policy instruments. Enhance cooperation and knowledge sharing between the parties involved, including DNB, CBS, Ministry of Finance, FMO, RVO, Atradius Dutch State Business (AtradiusDSB), regional business developers and national business support offices (NBSOs), if present, and the MFA.

7. Critically review the required staff capacity of embassies and thematic departments if a partner country is selected to transition to a more trade and investment oriented partnership.
In general, the workload for all three embassies increased in the foreseen transition period. The increased workload has not been met with a proportional increase in capacity, tailored to the tasks and challenges of the transition. If the transition of a partner country is to be a genuine process towards a more balanced partnership rather than a disguised exit from an aid relationship, then critically review whether implementation of a transition requires new expertise and additional personnel.

Provide the support needed at embassies and where possible, provide extra support and expertise from MFA departments, Business Development (BD) coaches and the PSD coaches of RVO through frequent and extensive communication.

8. Strengthen collaboration of the embassy with RVO and FMO.
RVO could be a more proactive in supporting eligible and interested Dutch companies, stimulating RBC and establishing linkages with the embassy. PSD coaches and BD coaches could play a valuable role, especially in terms of support services such as providing advice and information and linking to interested Dutch companies. Cooperation with FMO should also be improved as their investments may provide interesting follow-up commercial opportunities (as has already begun in Bangladesh with the temporary secondment of an FMO officer to the embassy).

9. Learn systematically from experience gained and available research.
Monitoring, Evaluation and Learning are important to improve the success of programmes and the coherence of policies. The systematic documentation and exchange of lessons learned in different partner countries could also improve future programmes at country level. Identify and use relevant scientific research, including the 3R research (Wageningen University), the Global Challenges Programme (NWO-WOTRO Science for Global Development), the Follow the Food project (Utrecht University and partners), and the ongoing Nuffic-NICHE programme.

1

Introduction

This report presents a study on the implementation in practice of Dutch policy on aid, trade and investment in three partner countries, Bangladesh, Ethiopia and Kenya in the period 2013 to 2018, complemented by noteworthy developments that have taken place since 2018. It serves as a building block for the policy review of the sustainable trade and investment policy – article 1 of the budget for Foreign Trade and Development Cooperation (BHOS) – scheduled to be completed in 2021. The study reviews how the integration of aid, trade and investment policies has taken shape in practice in the three partner countries. In so doing, the evaluation will provide an overview of results achieved so far and the lessons that can be learned, and offers recommendations to improve the transition process and effectiveness of interventions.

Dutch aid, trade and investment policy has its roots in a coalition agreement, concluded in September 2010 by a new cabinet. The Rutte I cabinet decided to fundamentally revise development policy, including a substantial financial cutback. Point of departure for development cooperation was to reduce the number of partner countries from 33 to 15, and change the focus of development cooperation to four spearheads: food security; water; sexual and reproductive health and rights (SRHR); and security and rule of law (SRoL). Additionally, development cooperation should develop from an aid relationship to a trade and investment relationship, with the aim to enhance self-reliance in developing countries. Delegated aid funds for three partner countries (Colombia, South Africa and Vietnam) were terminated and replaced by a temporary Transition Facility.

As a result, in 2013, the Rutte II cabinet introduced a new policy for aid, trade and investment, combining in one portfolio policies that had previously fallen under the responsibility of two ministries; private sector development (PSD) in developing countries of the Ministry of Foreign Affairs (MFA) and trade and investment of the Ministry of Economic Affairs (MEA). At organisational level, this portfolio integration led to the transfer of the directorate general dealing with trade policy, the Directorate General for Foreign Economic Relations (DGBEB), from MEA to MFA. The new agenda for aid, trade and investment defined three central objectives: 1. Eradicate extreme poverty ('getting to zero') in a single generation; 2. Sustainable, inclusive growth all over the world; and 3. Success for Dutch companies abroad.

Furthermore, the Dutch government identified eight 'transition countries' in which the transition from an aid relationship to a trade and investment relationship was to be initiated. The underlying rationale was to strengthen trade and investment relationships with these countries based on ties that were forged through an aid relationship. At the interface of aid and trade and investment, opportunities were expected for achieving mutual benefits for the Netherlands and developing countries.

The Rutte III cabinet (2017–2021) built on the aid, trade and investment agenda of the previous cabinet but added some distinctions and priorities. Policy developments included targeting the root causes of poverty, migration and terrorism, and also climate change and gender, as well as focusing on three regions characterised by instability, extreme poverty, displaced persons and irregular migration: the Sahel, the Horn of Africa and the Middle East and North Africa (MENA) region.

The new agenda also required different roles of the embassies and other government agencies. The key role of embassies was to shift from mainly a financer role towards a stronger network brokering role; acting as a linking pin between the Dutch and partner government, and non-governmental actors. For the bilateral part, agencies like the Netherlands Enterprise Agency (RVO), the Centre for the Promotion of Imports from developing countries (CBI) and the Dutch Entrepreneurial Development Bank (FMO) are responsible for the implementation of Dutch PSD policy. Since 2014, RVO functions as a one window shop for various policy instruments for trade promotion and development cooperation. Bilateral development policies at partner country level have essentially been developed in the context of (revised) multi-annual strategic plans (MASPs) (IOB, 2014). Those strategies were formerly an embassy instrument with inputs from The Hague. Since 2018, bilateral policies are being developed in the context of broader multi-annual country strategies (MACS), which aim to commit all Dutch governmental actors. This evaluation reviews the implementation of the aid, trade and investment policy in practice, at recipient country level, including the roles of implementing bodies.

The remainder of the report is structured as follows. Chapter 2 discusses the evaluation scope, including the main research question and underlying sub-questions. Chapter 3 presents a policy reconstruction of the overall Dutch policy on aid, trade and investment. Chapter 4, 5 and 6 review the aid, trade and investment activities in the three partner countries. Chapter 7 provides cross-country findings, conclusions and policy recommendations.

2 Objectives and delineation

The ch[papter provides the rationale for the evaluation's time frame and case study selection and defines the research questions and methodology.

2.1 Time frame and country selection

The research period for this study encompasses the years 2013 up to and including 2018, thereby covering the introduction and implementation of the new aid, trade and investment policy, under the cabinets Rutte II and the beginning of Rutte III. Where relevant, the cabinet period Rutte I (2010–2012) will also be covered, as it contained important developments and building blocks to the development of the aid, trade and investment policy.
Although the evaluation period ends after 2018, noteworthy developments that have taken place since then, will be discussed as well.

As part of the revised development policy under Rutte I, the Dutch government identified eight 'transition countries': Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda (see chapter 3). For these countries, the previously one-sided aid relationship was to shift towards a more balanced trade and investment relationship. Focusing on the implementation of the aid, trade and investment agenda, the eight countries were considered as candidates for evaluation, based on indicators such as financial flows, the presence of Dutch companies and income level (see Table 2.1). But also on other aspects, such as the countries' geographical distribution were taken into account. Partner countries with relatively high volumes of Dutch Official Development Assistance (ODA), imports, exports, foreign direct investment (FDI) and Dutch business presence were perceived as good candidates for evaluation, as it was expected effects of the shift in policy could be observed more easily. Ethiopia, Kenya and Bangladesh met these criteria.[1]

[1] See the Terms of Reference of this study (IOB, 2018a) for a more detailed description of the case study selection.

Table 2.1 Key statistics on the eight 'transition countries'[2]

Country	ODA[a]	Bilateral import[b]	Bilateral export[b]	# Dutch Companies[c]	FDI[d]	Group[e]
Kenya	$23	€425	€256	125	€1.538	LIC
Bangladesh	$54	€1.021	€211	58	€41	LIC
Ethiopia	$80	€176	€131	130	€224	LIC
Uganda	$23	€82	€56	50	€1.136	LIC
Mozambique	$43	€101	€48	3	€442	LIC
Benin	$31	€4	€106	10	€106	LIC
Indonesia	$-12	€2.657	€801	175	€15.613	LMIC
Ghana	$26	€719	€798	100	€4.603	LMIC

2.2 The absence of a Theory of Change

The policy paper 'A World to Gain: A new Agenda for Aid, Trade and Investment'[3] (MFA, 2013a), which defined the course of Dutch international trade and development cooperation under the new agenda, argued that aid, trade and investment can be mutually reinforcing. However, it did not elaborate on how the integration of aid, trade and investment should take shape and how it should lead to synergy between policies and instruments. Whereas Theories of Change (ToCs) for PSD policy under article 1.3 and all spearheads under development cooperation are available (MFA, 2015), the MFA has not worked out an overall ToC for the aid, trade and investment agenda, including an elaboration of assumptions. This absence of an overall ToC, and of clear guidelines to combine aid, trade and investment policies creates important limitations for this evaluation. The open approach of the policy requires an open set of research questions. The overall policy was based on historic foundations and political considerations, and lacks a solid evidence base. In its latest peer-review of the Netherlands, the Organisation for Economic Cooperation and Development (OECD) wrote: "The Netherlands has invested heavily in evaluation, knowledge and learning but it is not clear that the resulting evidence is driving decisions on budget allocations and partnerships. Budget holders in the ministry do not use standard funding criteria and there is no clear guidance on how resources should be shared across the three objectives of 'A World to Gain'" (OECD, 2017, p. 16).

2 Sources: (a) OECD (2020), Average annual net ODA from the Netherlands per recipient country for the period 2013 to 2018 (in millions); (b) CBS Statline (2020a), Average bilateral imported and exported goods from partner country with the Netherlands, 2013–2018 (in millions); (c) MFA Koningsfiches, Number of Dutch companies active (trade and/or investment) and known by embassy; (d) DNB (2017), Average Dutch FDI (stocks end of year) 2012–2016, excluding SPV's (in millions); and (e) World Bank (2013, FY 2015). The World Bank's country classification defines countries according to income (GNI per capita): low-income countries (LICs); lower-middle income countries (LMICs); upper-middle income countries (UMICs); and high-income countries (HICs). As of 2014 (FY 2016), Bangladesh and Kenya have moved from LIC to LMIC status. As of 2019 (FY 2021), Benin has moved from LIC to LMIC status. As of 2019 (FY 2021), Indonesia has moved from the LMIC to the UMIC status.

3 The policy paper, from here on referred to as 'A World to Gain', will be further discussed in chapter 3.

2.3 Research questions

The objective of this evaluation, to review the implementation of Dutch aid, trade and investment policy in Bangladesh, Ethiopia and Kenya, translates into the following main research question:

How did the integration of the Dutch policy on aid, trade and investment take shape in practice and to what extent has coherence of the three components of the overall policy been achieved?

To answer the main research question, various sub-questions guide the evaluation:[4]

1. How did the implementation of the Dutch aid, trade and investment policy take shape in the three countries under study, in terms of strategy, organisation, interventions and instruments:
   a. What strategy was developed to determine priorities, actions and goals?
   b. What (structural) changes in personnel, programme portfolio, expertise and economic-diplomatic efforts have been made to support the policy?
   c. To what extent did the integration of DGBEB into MFA lead to additional efforts for the three countries? Which non-ODA instruments were mobilised?
   d. What role was assigned to the implementing organisation RVO and to what extent was this role conducive to the implementation of the aid, trade and investment policy?
   e. How much ODA was available to implement the new policy and through which instruments did this occur?
2. Have Dutch policy priorities on aid, trade and investment been aligned with partner country priorities?
3. Did the policy instruments and the economic-diplomatic efforts form a logical, consistent and coherent approach?
4. How have trade and investment patterns evolved for the period under evaluation, and since 2010 and can it be concluded that Dutch interventions under the integrated agenda have influenced these patterns?
5. Have the three main objectives of the integrated agenda been served coherently and concomitantly?

2.4 Research methods

Two main research methods have been applied: 1. Semi-structured interviews combined with field visits, and 2. Document analysis. To describe the setting in which the policy has been implemented, qualitative explorative research was done in the form of country visits and interviews in the three partner countries.

4 See also Annex 1 for an overview of the research questions and the respective sources used in the analysis to answer the questions.

The research team was able to join a visit of an ISB inspection[5] to the embassies in Ethiopia and Kenya in 2017. Additionally, a field visit to Bangladesh took place in 2017. Overall, more than 110 stakeholders were interviewed abroad. Several additional interviews were held in the Netherlands. Additionally, the study included a document analysis of policy documents and prior evaluation reports. An elaborate overview of the different information sources used can be found in the evaluation matrix in annex I. Annex II includes a list of interviewees.

2.5 Limitations

During the research, IOB encountered a number of limitations related to financial data indication, which need to be taken into consideration before reading this evaluation report:

1. At several points of analysis, Dutch data obtained from different data systems showed some discrepancies. This was for instance the case for some of the data obtained from the MI OS[6] and MI BZ[7] data systems.
2. Data for delegated ODA expenditure per spearhead do not match one-to-one with total delegate ODA expenditure. This is explained by, amongst others, 'double counting' of funding of activities in the disaggregated data. For example, funded projects may serve food security – as well as water objectives, and may hence be counted under both spearheads.
3. The data indication of several instruments, such as some programmes implemented by RVO and FMO include revolving funds or present stock data, for which disbursements cannot be (fully) considered as programme expenditures. Revolving funds include, for instance the Dutch Good Growth Fund (DGGF), Access to Energy Fund (AEF) and MASSIF.

Where limitations in financial data sets exist, these have been identified in the report. Inaccurate data have either been omitted from the data set as much as possible. When included, it is explained why the data still suffice for use in this analysis.

5 ISB "inspects and evaluates the Ministry's organisational structure, the implementation of its policy, and operational management at its missions abroad and the units at its headquarters in The Hague. ISB's evaluations aim to determine whether a mission or unit is performing effectively and being run efficiently enough to achieve its policy and management objectives" (government.nl, undated).

6 *Management Informatie Ontwikkelingssamenwerking* – Management Information Development Cooperation.

7 *Management Informatie Buitenlandse Zaken* – Management Information Foreign Affairs.

3

Policy context

This chapter provides a policy reconstruction of Dutch aid, trade and investment policy. It identifies a clear shift from previous policies. Although it can be argued that while 'the merchant and the clergyman' have always been present in Dutch development cooperation policies, previous policies focused primarily on providing aid. The Dutch policy on aid, trade and investment, introduced in 2013 gave more room to the merchant's side of policy: more emphasis was given to private sector development and foreign direct investment.

3.1 Rutte I: Freedom and responsibility

Development of the new policy on aid, trade and investment started already under the cabinet of Rutte I. In September 2010, a coalition agreement was concluded by the minority-coalition of the Conservative Liberals (VVD) and Christian Democrats (CDA) (Rutte and Verhagen, 2010), and supported in parliament by the Party for Freedom (PVV) (Rutte, Verhagen, and Wilders, 2010). The new cabinet decided to fundamentally revise development policy, combined with a cutback of the budget for development cooperation of EUR 3.6 billion in five years. By comparison: the budget for 2011 was EUR 4.7 billion.

Point of departure for development cooperation was to move from aid to trade and investment, aiming to enhance self-reliance in developing countries (Rutte and Verhagen, 2010). The coalition committed itself to policy coherence, economic growth and trade promotion. In line with the recommendations of the Netherlands Scientific Council for Government Policy (WRR), it announced a focus on fewer partner countries and fewer sectors, to promote effectiveness (WRR, 2010). Opportunities for business within the budget for development cooperation would be strongly increased. Development cooperation policy was elaborated in a letter to parliament, the so-called '*Basisbrief*', in November of the same year (KST 32500-V-15, 2010).

Building on the '*Basisbrief*', a '*Focusbrief*' was written (KST 32605-2, 2011), presenting choices, especially in bilateral activities. First, four 'spearheads' were introduced which were identified based on their good connection between worldwide challenges and 'Dutch knowledge': 1. Security and rule of law (SRoL); 2. Food security; 3. Water; and 4. Sexual and reproductive health and rights (SRHR). Points of departure are selectivity, coherence between the spearheads, effectiveness and added value of these spearheads. Environmental sustainability, gender and good governance were identified as important cross-cutting issues. Furthermore, the number of partner countries was reduced from 33 to 15, with the aim to be able to build up more country-specific knowledge, encourage alignment with recipient government policies and increase coordination with other donors. Countries were classified in three categories (see Table 3.1): low-income countries (profile I), where aid formed an important role; fragile states (profile II); and countries with healthy economic growth (profile III) (KST 32605-2, 2011).

Table 3.1 Partner countries Rutte I		
Profile I: Low income, dependent on aid	**Profile II: Fragile states**	**Profile III: 'Healthy' economic growth**
1. Benin	7. Afghanistan	**12. Bangladesh**
2. Ethiopia	8. Burundi	13. Ghana
3. Mali	9. Yemen	14. Indonesia
4. Mozambique	10. Palestine	**15. Kenya**
5. Uganda	11. Sudan	
6. Rwanda		

3.2 Rutte II: Building bridges

In November 2012, a new coalition government ('Rutte II') was formed by the Conservative Liberals (VVD) and the Labour Party (PvdA). The coalition agreement, 'Building Bridges' (Rutte and Samsom, 2012), paved the way for building bridges between the Ministry of Foreign Affairs and the Ministry of Economic Affairs. A new ministerial post was created, Foreign Trade and Development Cooperation, and installed at the Ministry of Foreign Affairs. As part of this change, the directorate general dealing with trade policy, the Directorate–General for Foreign Economic Relations, was moved from the Ministry of Economic Affairs to the Ministry of Foreign Affairs.

Combining trade and development cooperation endorsed the importance of policy coherence. The policy paper 'A World to Gain' (MFA, 2013a) elaborated on the benefits of a more coherent policy on aid, trade and investment, stressing opportunities to generate synergy. The policy paper emphasised worldwide economic developments such as economic growth patterns, changing poverty patterns, changes in worldwide financial flows and changes in ODA dependence. The witnessed developments worldwide required new forms of cooperation with partner countries and a new agenda to address this. The new agenda for aid, trade and investment defined three central objectives:

1. To eradicate extreme poverty ('getting to zero') in a single generation;
2. Sustainable, inclusive growth all over the world; and
3. Success for Dutch companies abroad.

More emphasis was given to the role of the private sector and the importance of FDI for inclusive growth and poverty reduction, while concomitantly promoting and supporting Dutch export and investments.
It was further stated that fighting extreme poverty is done out of solidarity, while promoting trade and investment is done mainly out of self-interest. Where aid and trade meet, both solidarity and enlightened self-interest will play a role (MFA, 2013a).

'A World to Gain' categorised bilateral relationships in three types of relations (see Table 3.2). The first category comprised aid relationships with conflict-affected and post-conflict countries, fragile states, and countries with insufficient capacity to reduce poverty without assistance. Other criteria for these countries were the degree of poverty, institutional capacity, fragility, the need for support in one of the four spearheads and, in line with the third aim of the policy, Dutch benefits (KST 33 625-5, 2013).

Table 3.2 Partner and focus countries Rutte II

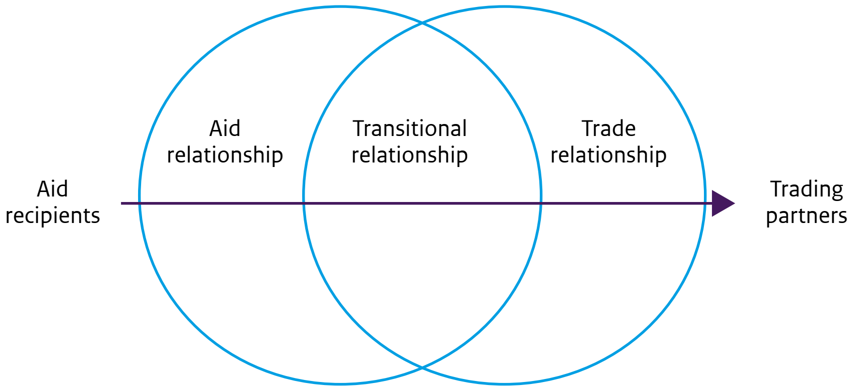
Partner countries		Focus countries		
Aid	**Transitional**	**Trade**		
Afghanistan	**Bangladesh**	*Australia*	*India*	*Singapore*
Burundi	Benin	*Belgium*	*Iraq*	*South Africa*
Mali	**Ethiopia**	*Brazil*	*Japan*	*South Korea*
Rwanda	Ghana	*Canada*	*Malaysia*	*Turkey*
Palestine	Indonesia	*China*	*Mexico*	*UK*
South Sudan	**Kenya**	*Colombia*	*Nigeria*	*Ukraine*
Yemen	Mozambique	*France*	*Poland*	*US*
	Uganda	*Germany*	*Romania*	*Vietnam*
		Gulf States	*Russia*	

The second category, 'transitional relationships', included eight low and middle income countries with a strong performance in terms of economic growth. Other selection criteria for these countries were income per capita, opportunities for results on the four spearheads and for an improvement of market access and business climate, opportunities for the Dutch business community and use of Dutch knowledge and skills (KST 33 625-5, 2013). The underlying rationale was to strengthen trade and investment relationships with these countries based on ties that were forged through an aid relationship. At the interface of aid and trade and investment, opportunities were expected for achieving mutual benefits of the Netherlands and developing countries. These opportunities included increasing the potential of Dutch small and medium-sized enterprises (SMEs) to trade with and invest in developing countries, and establishing new partnerships between companies, non-governmental organisations (NGOs), scientific institutes and government (this later became known as the 'Dutch Diamond Approach'). Countries that were categorised under both aid and transitional relationships were labelled 'partner countries'. This entailed a multi-year, bilateral aid relationship with a relatively large delegated budget.[8] Relationships with countries could change in the wake of economic and political developments. Low-income countries (LICs) could develop, reducing the need for aid and increasing reciprocal trade-related interests, moving from an aid relationship, via a transitional relationship, to a trade relationship (see Figure 3.1).

8 This does not imply that Dutch development funds are not available in other countries. Many centrally managed funds are open to various other countries as well.

“Our aim in the longer term is to build a trade relationship with as many countries as possible” (MFA, 2013a, p. 7).

Figure 3.1 *Changing relationships with countries*



Source: constructed from MFA (2013a, p. 28)

Following ‘A World to Gain’, the report ‘Entrepreneurship for Development: Investing in Sustainable and Inclusive Growth’ set out the government’s ambitions in the area of private sector development and trade and investment promotion in low and middle income countries (MFA, 2013b). Successful aid is believed to be able to pave the way for trade and investment by removing obstacles for a strong private sector and stimulating a good business climate as identified by the World Bank and the World Trade Organization (WTO). The report presents the range of instruments available to this end, with special attention for the Dutch Good Growth Fund, designed to address this agenda.

In addition, with a continued focus on a limited number of sectors, the government identified to concentrate assistance in areas where the Netherlands held a comparative advantage, with focus on the four spearheads.

Against the background of budget cuts, including cuts at the embassies, whilst requiring the enhanced work on economic diplomacy under the new agenda, a resolution (*Motie Sjoerdsma C.S*) was adopted April 2014, to reduce budget cuts at embassies by EUR 20 million. As part of the resolution, efforts to promote economic diplomacy at embassies in emerging economies, including the transition countries, would be maintained and enhanced (KST 32734-23, 2014). Capacity and expertise to transition would be better embedded at these posts (Ibid.).

3.3 Rutte III: building on

Rutte III built on the policy developments of the previous two cabinets, further establishing the integration of trade and investment objectives with development objectives. The government's policy, outlined in the policy note 'Investing in Global Prospects: For the World, for the Netherlands' (MFA, 2018a) targets root causes of poverty, migration, terrorism and climate change. In addition, it identifies the government's approach to maintain the Netherlands' position as one of the top-five most competitive economies in the world. The policy note is aligned with other policies, such as the Integrated International Security Strategy, the Defence White Paper and the Integrated Migration Agenda. The 17 Sustainable Development Goals (SDGs) for 2030, as agreed by the United Nations, are the international guiding principles for Foreign Trade and Development Cooperation policy.

'Investing in Global Prospects' presented four closely connected objectives: 1. Preventing conflict and instability; 2. Reducing poverty and social inequality; 3. Promoting sustainable and inclusive growth and climate action worldwide; and 4. Enhancing the Netherlands' international earning capacity. Frameworks were established and budgets were earmarked to put these objectives in practice. Although in line with policy objectives of sustainable trade and development of the two previous cabinets, some distinctions from previous aid, trade and investment policy were visible as well. Key distinctions included:

- Emphasis on unstable regions: the West African Sahel, the Horn of Africa, the Middle East and North Africa.
- An applied policy lens to gender and youth.
- A policy approach in line with world developments, such as digitalisation and climate change.
- More support of and a larger role for the private sector and knowledge institutes, including the Dutch 'top sectors' approach[9], support to SMEs and start-ups, and top-level services to the Dutch business community.
- More emphasis on the role of SMEs and start-ups, including in the field of innovation and the SDGs.
- Expanding international presence in promising markets.

With the shifted focus in 'Investing in Global Prospects' to unstable regions, Kenyan development cooperation became part of the focus region of the Horn of Africa. Consequently, the phasing out of the delegated bilateral budget has been adapted. The budgetary effects of these changes for Kenya are further discussed in chapter six. Additionally, with the focus regions identified in late 2018, to which Bangladesh did not belong, the bilateral aid relation with Bangladesh also changed, declining bilateral delegated ODA for sectors outside the productive sectors (see e.g. MFA, 2018b).

9 The 'top sectors' approach aims to stimulate the Dutch 'top sectors'; sectors in which Dutch companies and knowledge institutes excel worldwide. Within the 'top sector', business, universities, research centres and the Dutch government work together on knowledge and innovation, to strengthen the Dutch position (RVO, undated).

3.4 Bilateral development policies: the role of multi-annual strategic plans

Bilateral development policies at partner country level have been primarily developed in the context of multi-annual strategic plans (IOB, 2014). In 2011, State Secretary Knapen wrote in a letter to parliament: "Synergy is promoted through embassy programmes in the 15 partner countries. [...] the MASPs form the framework for all Dutch efforts at the level of the embassies. The consistency of the central and embassy programmes will [...] especially be established at country level" (KST 32605–56, 2011, p. 8). MASPs usually focused on the delegated budgets only, and do not usually include centrally managed and financed instruments. For the MASPs developed for the period 2014–2017, embassies were required to include the aid, trade and investment approach in their bilateral programmes. With limited policy guidance from The Hague and, for most partner countries, including Bangladesh and Ethiopia, no hard indication of the length of the transition period, embassies were free to emphasise specific programmes of choice in their updated MASP. Consequently the approach chosen by embassies in the three countries has varied.
This was, for instance, evident in the time frame chosen on ending development cooperation activities funded through delegated budgets. The embassy in Ethiopia recognised that Ethiopia would remain a very poor country for years to come and assumed that development cooperation would still be needed for the coming 10–15 years. Contrarily, the embassy in Kenya started phasing out development cooperation because of the foreseen end-date for the bilateral delegated budget for 2020, which was later adjusted to 2021.[10]

In 2018, the MFA introduced a new approach to policy development on the bilateral relationship between the Netherlands and partner countries: the multi-annual country strategy. The new strategy format explicitly addressed taking account of the local context, e.g. conflict sensitivity and political power relations, in PSD and trade and investment promotion. The MACS further encompasses centrally managed and financed instruments, additional to delegated budgets, and the coordination and coherence of central and delegated activities. A more thorough review on the substance and implementation of the three countries' MASPs and MACS is provided in chapter 4, 5 and 6.

[10] The bilateral delegated budget of development cooperation was set to end by 2020, and later adjusted to 2021. Over time, the phase-out has been prolonged and made more flexible for political reasons. Chapter 6 provides more details.

4

Bangladesh

4.1 Introduction

This chapter reviews the implementation of the Dutch aid, trade and investment policy in Bangladesh. Trade and investment promotion was already part of the embassy's strategy, but it evolved into a more elaborate approach with the introduction of the new agenda. The approach in Bangladesh stands out for the role given to the theme of international responsible business conduct (IRBC) to facilitate the transition. Particularly the readymade garments (RMG) sector provided an entry point, with even greater priority given to this theme following the Tazreen fire in 2012 and the Rana Plaza industrial disaster in 2013. However, also in other sectors, such as water and food security, IRBC provided an opportunity to implement the transition. Implementing the new policy has been a challenging task. It required increased efforts and another kind of expertise. Yet, available resources have declined over time, and no clear guidance has been given on how to make the transition. Additionally, restraining factors such as an unfavourable business climate and limitations in the coordination with, and support from the MFA department and other government institutions have affected the implementation.

The results reveal the commitment and added value of Dutch interventions and specifically of its embassy. Additionally, projects and interventions were strategically chosen and formed a holistic approach with thematic focus and linkages within the development cooperation portfolio. Although interventions successfully linked aid programmes and spearheads, finding opportunities to serve both aid objectives and trade and investment objectives has proven difficult. Some positive results have been found, especially in IRBC interventions in the RMG sector, where aid assistance provided trade and investment opportunities. Although positive effects of Dutch interventions are found from qualitative research, results show that the presence of Dutch businesses in Bangladesh has been limited.

The remainder of this chapter is structured as follows. The contextual setting within which Dutch policy has been implemented is discussed in 4.2, followed by a discussion on the bilateral relationship between Bangladesh and the Netherlands in 4.3. Doing so allows to gain perspective on the achieved results and experienced bottlenecks. Next, inputs and interventions of the transition process are reviewed on: the strategic planning of the transition (4.4); the capacity to implement the new policy (4.5); delegated and central activities undertaken to integrate trade and investment objectives with development cooperation objectives (4.6 and 4.7); coordination of central and delegated activities (4.8); and interventions and instruments to support the transition (4.9). Subsequently, the success of the transition process is reviewed on results achieved (4.10) and the coherence within and between the policy fields (4.11).

4.2 Country context

Although Bangladesh has provided opportunities for trade and investment, the country has also been subject to various risks, including political unrest and poor human and labour rights.

Key indicators of Bangladesh's country context
Table 4.1 present several important indicators for Bangladesh on (human) development and business climate for 2013[11], as compared to the Netherlands.

Table 4.1 Key indicators[12] on Bangladesh's country context

Indices (2013)	Bangladesh	Netherlands
Corruption Perceptions Index[a]	136	8
Human Development Index[b]	142	4
Ease of Doing Business Index[c]	129	31
Global Competitiveness Index[d]	110	8
World Risk index[e]	5	46

Opportunities for inclusive and sustainable trade and development
The macroeconomic situation of Bangladesh is stable and the economy has been growing for more than a decade. The RMG sector and RMG exports form a major driving force behind this growth. RMG exports account for over 80 percent of Bangladesh's export revenues and employment opportunities, especially for women (EC, 2017). Economic growth has led to income growth and reduced poverty rates: poverty has reduced by nearly one third in the last three decades, to 14 per cent in 2016/17 (World Bank, 2018). In 2014 (FY 2016), Bangladesh achieved the World Bank's threshold of a lower middle income country (LMIC). Policy priorities of the government of Bangladesh (GoB) are alleviating poverty, expanding power-generating capacity and improving price stability. The government recognises that assistance from bilateral and multilateral donors will remain important to achieve these objectives in the medium term.

[11] The year that cabinet Rutte II identified the transitional countries.

[12] (a) Transparency International (2020): Corruption perceptions index 2013, ranking 175 countries by perceived level of public sector corruption (low rank = high corruption); (b) UNDP (2014): Human development index 2013, ranking of 187 countries on level of human development (low rank=lower level of development); (c) World Bank (2013) Ease of doing business index 2013, ranking 185 countries on regulatory environment for business (low rank = poor environment); (d) World Economic Forum (2013): Global competitiveness index 2013–2014, ranking the national competitiveness of 148 countries (low rank=low competitiveness); and (e) Alliance Development Works (2013): World risk index 2013, ranking 173 countries by their natural disaster risk (high rank=high risk).

Risks for inclusive and sustainable trade and development
Bangladesh has also faced challenges that hindered economic growth and development, and which have led to a reluctance to trade with or invest in the country. Examples include political tensions,[13] terrorist attacks[14] and corruption. Furthermore, poor labour rights, including weak occupational health and safety (OHS) standards, continue to exist. The Tazreen fire in 2012 and even more so the Rana Plaza tragedy of 2013 put Bangladesh's poor OHS standards in the spotlight and triggered an international push by donors, textiles companies, labour unions and NGOs for labour rights reforms, increased OHS standards and overall more responsible business conduct in the RMG sector.

4.3 Bilateral relationship between the Netherlands and Bangladesh

The Netherlands holds a long-term relationship with Bangladesh, where cooperation has mainly occurred in the realm of traditional development assistance, particularly in the water and agricultural sector.

Long-term presence and commitment
Already from the moment of Bangladesh's independence from Pakistan in 1972, the Netherlands and Bangladesh have maintained good diplomatic relations. Since 2015, there are yearly bilateral consultations and frequent visits of ministers. Cooperation between the Dutch and Bangladeshi governments has mainly occurred in the realm of traditional development assistance, and particularly in the water and agricultural sector. The Netherlands has a good reputation in these sectors, mostly due to its commitment and expertise.
The Dutch Entrepreneurial Development Bank (FMO) has also held a long-standing relation with Bangladesh. By 2018, Bangladesh was FMO's second largest country exposure in Asia, following India (FMO, 2018), with disbursements at EUR 179 million (FMO, 2021). Disbursements have however declined from EUR 217 million in 2016 to EUR 111 million in 2020 (Ibid.).

(Bilateral) trade and investment treaties
The Netherlands and Bangladesh are engaged in several bilateral and multilateral treaties to enhance trade and investment. Bilateral agreements include a bilateral treaty on the avoidance of double taxation (in force since 1995) and the bilateral investment protection (BIT) treaty (in force since 1996).

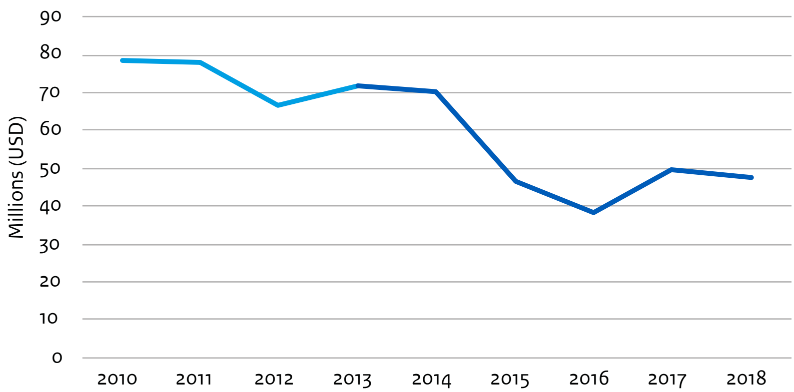
[13] Bangladesh is ruled by the secular 'Awami League'. Rivalry with the other big political party, the 'Bangladesh Nationalist Party' is strong. This has led to great tensions in the parliamentary elections in 2014 and 2018.

[14] Since 2015, the country has suffered from several terrorist attacks. Initially, atheist bloggers were the target. Later, attacks were also committed on foreigners, representatives of religious minority groups, LGBTI-activists, professors and police officers.

Additionally, at EU level, Bangladesh benefits from the 'Everything But Arms' (EBA) preference scheme under the EU's Generalized System of Preferences (GSP).[15] The unilateral EBA scheme grants Bangladesh free access for all products (except armament) to the EU market.

Development cooperation: policy focus and decreased disbursements
Dutch development policy in Bangladesh has focused on the spearheads water, food security and sexual and reproductive health and rights (SRHR). Additionally, priority was given to the cross-cutting theme of international responsible business conduct[16]. Figure 4.1 depicts the Netherlands' development cooperation budget from 2010 to 2018, distinguishing ODA disbursements prior and since the implementation of the new agenda. Between 2013 and 2018, Dutch ODA disbursements totalled USD 324 million (averaging USD 54 million annually). Evident is the effect of the implementation of the new agenda. Dutch development cooperation decreased; with, in 2018, only 66 percent of ODA disbursed in 2013. The decreasing trend is even more evident when comparing the data to ODA disbursements under Rutte I, and even more so when comparing the data to data prior to the cabinets Rutte I-III. From 2003 to 2012, ODA disbursements averaged USD 73 million annually.

Figure 4.1 *ODA disbursements from the Netherlands to Bangladesh*



Source: OECD.stat, 2020 – ODA disbursements (current prices).

[15] The EU's unilateral EBA scheme applies to countries listed as a Least Developed Country (LDC) by the UN Committee for Development Policy. The UN classification system defines a country as LDC based on several criteria, including: GNI; level of human capacity; and level of economic and environmental vulnerability. A somewhat alternative classification is provided by the World Bank's country classification, which defines countries according to income (gross national income per capita) into the categories: low-income countries (LICs); lower-middle income countries (LMIC); upper-middle income countries (UMIC); and high-income countries (HICs).

[16] The Dutch term *maatschappelijk verantwoord ondernemen* (MVO) was initially translated as 'corporate social responsibility' (CSR) but this has been gradually replaced by the term 'responsible business conduct' (RBC). Furthermore, in this report, the abbreviation of *international* responsible business conduct (IRBC) is only used in relation to Dutch government policy. In other cases, the term 'responsible business conduct' (RBC) prevails.

Whereas Bangladesh is an important beneficiary of Dutch ODA, comparing Dutch ODA to total[17] ODA disbursements to Bangladesh reveals the moderate role that the Netherlands holds as a donor. Between 2013 and 2018, total net ODA disbursements to Bangladesh amounted to more than USD 17 billion (current prices) (OECD.stat, 2020). The Netherlands accounted for approximately 1.5 percent of this amount. Much larger donors for the same period included the World Bank, Japan and the United Kingdom (UK) (Ibid.). This moderate role of the Netherlands must be considered in terms of the effect Dutch resources can have in influencing the Bangladeshi context.

Alignment of Dutch development cooperation with Bangladesh's priorities and other donors' assistance
Dutch development cooperation in Bangladesh has generally been aligned with Bangladeshi policies. Dutch interventions have mainly contributed to alleviating poverty. The Dutch food security programme plays a prominent role to this objective. The programme is well aligned with the Bangladesh National Food Policy and the Perspective Plan 2010–2021, which both contribute to the government's objective of alleviating poverty. Also in the domain of water management, policy alignment has existed. However, projects funded through the embassy have also shown the intention to address new frontiers and strategic issues, which are not featured in the Bangladesh food security policy (Kessler et al., 2017), and are more geared towards showing the added value of the Netherlands.
The Dutch embassy in Bangladesh has played an active role to coordinate and strengthen donor assistance. For instance, the embassy has actively engaged in several thematic Local Consultative Groups (LCGs), to align donor activities with national priorities. The Dutch embassy chaired, amongst others, the LCG on Food Security and played an active role in coordinating the interventions of development partners (Kessler et al., 2017).[18]

Cooperation at EU level has also been an important part of the work of the Netherlands in terms of achieving effectiveness of donor coordination, as well as in the implementation of the transition agenda. Cooperation is particularly important in regards to trade facilitation, for instance in the EBA/GSP+ framework.[19]

4.4 Strategising the transition from aid to trade and investment

Whereas trade and investment promotion played a role in the strategic planning for Bangladesh prior to the cabinets Rutte I-III, it evolved to a more elaborate and integrated approach since 2010, and especially with the introduction of the new agenda in 2013.

17 Total official donors.
18 Discussed in more detail in section 4.6, under the spearhead food security.
19 Given that trade policy is the exclusive competence of the EU, international trade agreements and schemes are concluded at the EU level. Consequently, an important part of trade promoting and facilitating interventions are concluded within the agreements established at EU level.

Identifying sectors and activities to implement the new agenda

The Dutch embassy in Bangladesh included an enhanced focus on trade and investment promotion already in the MASP of 2005–2008, yet, it recognised in the subsequent MASP (2008–2011), that it had achieved limited success in enhancing PSD and stimulating Dutch business and private investments in Bangladesh. Bangladesh was barely visible by the Dutch business community, or at NL Agency[20]. Additionally, vacancies in the economic staff had contributed to the lack of success.

In the subsequent MASPs of 2010–2011[21] and 2012–2015, the focus on trade and investment evolved. The MASP of 2012–2015 identified a move into a new direction, to find commercial opportunities in the focus areas of Dutch development assistance, "enhancing productivity, and increasing investment and trade in a responsible manner" (Embassy of the Kingdom of the Netherlands (EKN) in Dhaka, 2011, p.4).
The strategy to transition to responsible trade (and investment) was carried forward and elaborated in the MASP of 2014–2017. To move from productive aid to responsible trade, development cooperation activities would need to be linked with efforts and investments of the Dutch private sector (EKN in Dhaka, 2013). Agriculture was prioritised in the approach, and more specifically, horticulture, livestock and fisheries. Opportunities were seen for the involvement of the Dutch private sector and enhanced business-to-business collaboration. A new priority emerged on the agenda as well. In 2012, the cross-cutting theme of IRBC was also identified as a starting point to shape the implementation of new agenda, with an emphasis on the RMG sector. Efforts were redoubled following disasters in the RMG sector (the Tazreen fire in 2012 and the Rana Plaza collapse in 2013), further emphasising the issues of occupational safety and health in the sector. Opportunities to deploy IRBC as a hook to implement the transition were also identified for the agricultural and maritime sector.

Economic diplomacy and PSD funding for excellent services and IRBC promotion

In the outlined approach: 1. providing excellent services to the Dutch business community, and 2. IRBC promotion would support the transition. In 2012, the embassy developed its own economic diplomacy programme in partnership with Nyenrode Business University (NBU), funded from a delegated PSD support fund. A trade expert from NBU was stationed at the embassy. The partnership aimed to promote sustainable bilateral business-to-business cooperation in water, food processing/safety, IT and logistics. The initiative aimed to link the embassy's development cooperation activities, and broader initiatives such as the Dutch 'top sectors' Water and Logistics (see section 3.3.) to private sector partnerships. The programme further aimed to make Bangladesh more known in the Netherlands and to stimulate companies to participate in trade missions to Bangladesh. Simultaneously, NBU supported efforts in the Netherlands, to interest the Dutch business community in trading with Bangladesh.

20 The predecessor of RVO and the embassy.
21 Following the MASP developed for 2008–2001, substantive political developments required a renewed MASP for 2010–2011.

Lack of guidance, ambiguity on the definition of the new agenda and confusion on country selection have affected strategic planning
Interviews revealed the initial confusion within the embassy, affecting the formulation of a(n) (explicit) country strategy. Interviewees emphasised for instance the confusion that existed early on, on the definition of the integrated approach of the new agenda and its objectives. Was it meant as 'trade for aid', 'aid for trade', 'aid to trade', or 'aid, trade and investment'? This ambiguity created difficulties to the embassy, which was responsible for implementing the new policy. It was also questioned why Bangladesh was selected as a transition country, arguing this choice seemed to be more politically motivated than built on substantive arguments. The lack of a well-defined direction and absence of a ToC[22] as part of the developed policy were identified in interviews as the most important bottlenecks in the process to strategise the transition.

4.5 Staff capacity to implement aid, trade and investment policy

Between 2013 and 2018, embassy staff in Bangladesh decreased, although the development and economic departments experienced a slight increase. Noteworthy is the small absolute size of economic staff and the absence of a distinctive change in composition of staff (from development cooperation-oriented staff towards more economic-oriented staff) despite the required increased focus on trade and investment under the new policy.

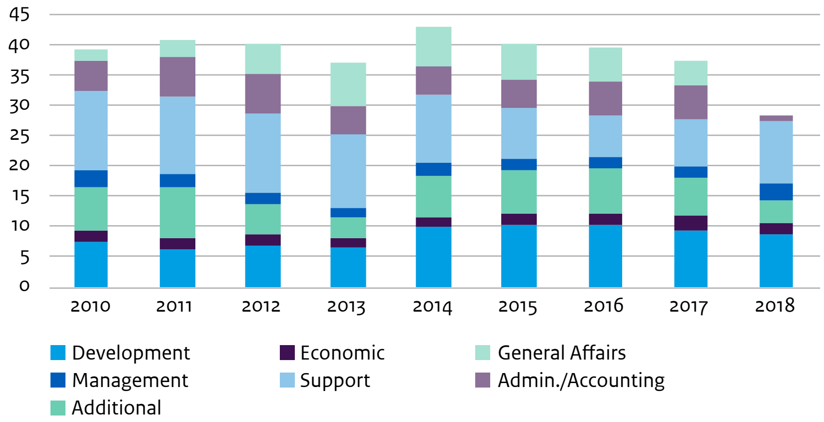
Results show that despite the decrease of total staff, the small size of economic staff and no pronounced change in staff composition towards more economic staff, the embassy has successfully used its capacity to implement the new agenda. In doing so, it has been lauded for its effective use of capacity, particularly in terms of achieving visibility, taking a professional approach and making strategic use of its network of (local) stakeholders to leverage capacity. Room for improvement can be found in the support provided to the embassy and the cooperation of the embassy with MFA departments and other Dutch government institutes.

Embassy staff: small share and no pronounced increase of economic staff
Figure 4.2 depicts embassy staff (in FTE)[23] per division between 2010 and 2018. Evident from the data for 2013 to 2018 is the (small) increase of the development and economic divisions. Between 2013 and 2018, the development division increased from 6.4 FTE to 8.8 FTE (an increase of 38 percent).[24] The economic division increased somewhat as well, from 1.6 FTE in 2013 to 1.9 FTE in 2018 (an increase of 19 percent).[25] The economic division has, however, remained much smaller than the development division, and does not clearly reflect the

[22] It should be noted, however, that at the time, the use of ToCs in development cooperation was not yet widespread, with some exceptions like the ToC of the Great Lakes region (MASP 2014–2017).
[23] 'General Affairs' includes, amongst others, political division staff, staff with regional positions, general affairs, and staff and press and cultural affairs staff.
[24] A small reduction occurred for the development team in 2019, to 7.8 FTE, still far above the 2013 level.
[25] In 2019, the economic team was 2.0 FTE, still far below the development team.

ambition to transition to an increased focus on trade and investment (nor the ambition expressed in the *Motie Sjoerdsma C.S.*[26] to promote economic diplomacy at embassies). By 2018, economic staff still comprised less than a fourth of development staff. The small size of the economic division was underscored by the embassy, noting that the economic team operated with understaffed capacity.

Figure 4.2 *Staff capacity embassy in Bangladesh (in FTE)*



Source: MFA, human resources department (HDPO), 2020

These developments have, furthermore, taken place in the context of an overall decrease in total staff capacity since 2013; from 36.9 FTE in 2013 to 28.2 FTE in 2018 (a decline of 24 percent).[27] The decline is even more pronounced compared to earlier years. In 2010, staff capacity totalled 39.1 FTE.

The absence of a pronounced change in embassy staff composition to support the transition may be partly explained by the fact that decisions about the allocation of diplomatic embassy staff are taken at the central level by the 'Regions Pool Management Team' (RMT). The RMT comprises the regional directors of DAF[28], DAM[29], DAO[30], DEU[31] and DWH[32]. The directors of DIO[33] (part of DGBEB) and BIS[34] (part of DGIS[35]) only participate in 'RMT+ meetings' (more elaborate meetings) and do not have (significant) influence on the allocation of staff. Decisions of the RMT may hence not always support policy goals of the aid, trade and

[26] See section 3.2.
[27] Also in 2019, total staff capacity declined further, to 25.5 FTE in total.
[28] *Directie Afrika* – Sub-Saharan Africa Department.
[29] *Directie Noord-Afrika en Midden-Oosten* – North Africa and Middle East Department.
[30] *Directie Azië en Oceanië* – Asia and Oceania Department.
[31] *Directie Europa* – Europe Department.
[32] *Directie Westerlijk Halfrond* – Western Hemisphere Department.
[33] *Directie Internationaal Ondernemen* – International Enterprise Department.
[34] *Bureau Internationale Samenwerking* – Office for International Cooperation.
[35] *Directoraat-Generaal Internationale Samenwerking* – Directorate-General for International Cooperation.

investment policy nor match one-to-one with the ambitions of DGIS or DGBEB for this policy. Therefore, allocation of embassy staff may not align with the staff needed to implement the transition.

The ability to extent the economic capacity through an integrated approach with the agricultural attaché (as was the case in Ethiopia) could not occur. Bangladesh does not have an agricultural attaché, sharing a co-accredited attaché based in Myanmar, notwithstanding the importance of food security as a development cooperation spearhead and potential springboard for the transition from aid to trade and investment.

Embassy efforts: a holistic approach and strategic use of its network
Efforts by the embassy to stimulate the new agenda received wide recognition. Various stakeholders (GoB, other donors, labour unions and Dutch businesses) commended the embassy's profession and dedication, strategically using its resources to achieve success. The embassy has developed a strong network of different stakeholders, including within the GoB, the private sector, NGOs and labour unions. The bilateral and multilateral contacts it holds with these different stakeholders have been used as source of information (enhancing the embassy's institutional capacity), to enhance stakeholder collaboration and to leverage Dutch efforts through different channels. The embassy has strategically used its network, engaging stakeholders other than the Bangladeshi government and RMG employers to address labour conditions and wages in the RMG sector. The smart use of its available resources and network has also been highlighted for example by the Royal Tropical Institute (KIT), which carried out an evaluation for IOB in 2018 on the Dutch IRBC policy. KIT concluded that the embassy had been able to strategically invest in relevant RMG IRBC projects, whilst 'softly influencing' behind the scenes, making the embassy efforts relevant and coherent with other Dutch IRBC interventions, international actors working in the sector, and with Bangladeshi law (Newton et al., 2019).

Limited opportunity to leverage embassy capacity through support from MFA department and other government institutions
The new policy implied a more challenging portfolio for the embassy, requiring specific expertise. Essential herein was the knowledge and expertise from the MFA department (e.g. from regional departments, thematic departments and designated Business Development (BD) coaches) and RVO (e.g. from PSD coaches). Support from and cooperation with government institutions would enable the embassy to leverage its efforts. From interviews it was found that support provided showed room for improvement. Respondents stated, for instance, that they perceived limited attention for Bangladesh at DIO, which were said to follow developments only at distance. In their view, DIO could be more supportive to the economic work of the embassy. It must be noted, however, that in line with their mandate, DIO chooses to deploy its resources to foreign markets that show most promising returns for Dutch trade and investment. Therefore, from DIO's perspective, it is understandable that Bangladesh was given no priority, even though it was selected as transition country, as the country has provided little commercial opportunity (compared to other countries). The selection of countries to focus on by DIO may hence not be aligned with countries that are chosen by departments responsible for development cooperation policy (those part of DGIS), or those receiving political attention.

Moreover, it was stated that the expertise in development cooperation available at the Asia and Oceania Department was too limited.

Limited opportunity to leverage embassy capacity for trade and investment promotion specifically
Whereas capacity of the economic team somewhat increased between 2013 and 2018, absolute capacity to intensify trade and investment promotion remained small. Leveraging embassy capacity through support from, and cooperation with the MFA department and other government institutes was not fully achieved. The main issues identified in this respect are the absence of prioritisation of Bangladesh for trade and investment opportunities (see above), constrained cooperation and coordination of the embassy with the MFA department and implementing agencies, and weak coordination of central and delegated ODA programmes (see section 4.8).

Initially, Bangladesh was not clearly on the radar of RVO and for most of the period under study, RVO played a small role in Bangladesh. But this has gradually changed over time, with more cooperation occurring since the end of the evaluation period. For example, since the end of 2017, RVO has become a participant to the country team in Bangladesh, assisting in the drafting of the MACS in 2017 and annual plan drafting since 2018.
Cooperation of processes has not always run efficiently. At times, the embassy directed companies to RVO, which in turn were not able to assist them, so that companies returned to the embassy.

Bangladesh was also not prioritised in the Dutch 'top sectors' approach (see section 3.3). The top sectors Water and Logistics were stated to have no interests in the country (IOB, 2018b).[36] Additionally, the interviewees and documents reviewed, made little reference to knowledge platforms like the Food & Business Knowledge Platform and the SRHR platform Share-net. Share-net even has a country hub in Bangladesh, although it proved hard to link SRHR to stimulating trade (Kaleidos Research and ICRH[37], 2017), for instance to connect the private sector and Dutch businesses in these platforms.

Occasionally, FMO leveraged the embassy's capacity, e.g. acting as broker, next to their core task of giving out loans to domestic companies and banks. For example, FMO directed a packaging enterprise to the Private Sector Investment (PSI) Programme.[38] The firm, a merge of Bangladeshi Sinobangla packaging and the Dutch LC packaging, was already producing, when a lining machine was purchased with assistance from the PSI budget.

[36] IOB-annex to the ISB report on the embassy in Dhaka (ISB, 2018a).
[37] International Centre for Reproductive Health.
[38] The Private Sector Investment Programme was launched in 2009, and succeeded the similar programme, the Programme for Cooperation with Emerging Markets (PSOM), established by MFA in 1998. PSI was a subsidy programme aiming to stimulate innovative investments in selected developing countries. PSI has been permanently ended in 2015.

4.6 Development cooperation portfolio

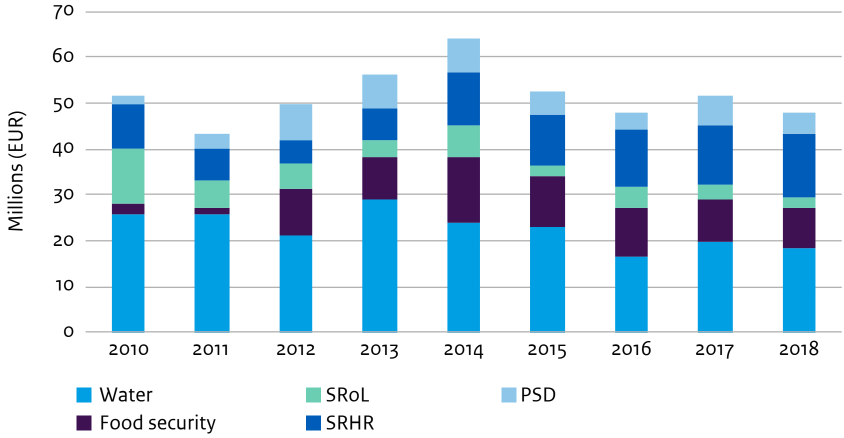
To implement the new policy, several adjustments were made in the embassy's approach, portfolio and interventions. Results show the holistic approach, with linkages created between spearheads and IRBC as a cross-cutting theme. Additionally, Dutch efforts have been commended for their added value and complementarity with other donors. The Netherlands has been recognised for its multi-stakeholder approach, its visibility as donor (especially in terms of personally committed, vocal, and experienced staff) and its contribution to the coordination of donor support.
However, a substantial increase to activities categorised as PSD activities is not visible in the data. Additionally, it was found that successfully linking development objectives to trade and investment objectives has been challenging, with several promising business opportunities not (yet) materialising. For example, whereas evidence was found on IRBC interventions that have successfully linked aid with trade promotion in the RMG sector, private sector investment has thus far remained small.

Changing portfolio patterns: focus on water and food security
The spearheads for Bangladesh have been food security, water and SRHR. Between 2013 and 2018, total delegated ODA expenditure for Bangladesh amounted to EUR 263 million (averaging EUR 44 million annually), and funding, on average, 50 activities per year.[39] Figure 4.3 below presents delegated ODA expenditure, between 2010 and 2018, categorised per spearhead and for PSD. Important to note is that the sum of the five disaggregated categories of delegated expenditure for the period 2013 to 2018 does not match one on one with total delegated expenditure (EUR 263 million). This is mainly explained by 'double counting' of funding of activities in the disaggregated data. For example, funded projects may serve food security as well as water objectives, and may hence be counted under both spearheads. Additionally, this is caused by inclusion of markers (based on the activity's relevance/applicability under the designated spearhead). Nevertheless, reviewing disaggregated delegated ODA expenditure allows to examine how the transition strategy and plans identified in the MASPs have been implemented within the thematic portfolios.

Evident from the figure is the development of delegated ODA expenditure, in line with the new agenda. Delegated ODA expenditure declined since 2014. The small increase in expenditure 2017 can be explained by regional events such as the crisis of Rohingya refugees from Myanmar and some major floods. Dutch action to these crises placed a big claim on the embassy's funds and staff. Also current data (2019 and 2020) show a further decrease of funds in line with the new agenda, especially for SRHR activities.[40] In line with the focus of the cabinet Rutte III on three focus regions, to which Bangladesh did not belong, the continuation of the transition in development cooperation would occur within the productive sectors, with a decline of spending in non-productive sectors (MFA, 2018b). Interviews in Bangladesh identified their concern on the general decline of funds for their ability to support the transition.

39 An overview of delegated ODA expenditure per year and the corresponding number of activities is presented in Table A3.1 of annex 3.
40 In 2018, delegated ODA expenditure on SRHR activities totalled EUR 14 million. In 2020, this had fallen to below EUR 4 million.

Figure 4.3 *Delegated ODA expenditure per spearhead and PSD*



Source: MI OS, 2020

Figure 4.3 further shows the slight increase of delegated ODA expenditure on PSD activities under the new agenda; from an annual average of EUR 4.3 million between 2010 and 2012 to an annual average of EUR 5.7 million between 2013 and 2018. Nevertheless, between 2013 and 2018, delegated ODA expenditure on PSD decreased (also after 2018[41]), and remained only a marginal share of total delegated ODA expenditure (13 percent for the period 2013–2018). Therefore, the financial data on PSD do not fully identify the enhanced focus on trade and investment promotion within development cooperation programmes, as emphasised in the MASPs.[42]

Cooperation at EU level to leverage efforts

Efforts of the Netherlands are marked for their cooperation with and alignment to EU efforts. Main objectives are to coordinate Dutch efforts in different fields, and to strengthen Dutch efforts (e.g. in terms of human rights, advocacy, business climate, and donor coordination on development cooperation). This is, for example, evident in general cooperation (like knowledge sharing) with the EU (e.g. on SRHR and Water), and in consultations with the EU or its other Member States (e.g. on the EU food security programme and in WASH projects, in which various EU Member States are involved). Furthermore, the Netherlands played a supportive role in the EU's Bangladesh Sustainability Compact for the RMG sector. Since the end of the evaluation period, cooperation has continued as well. Currently, the Netherlands co-chairs the 'Team Europe Initiative' on Decent Work, together with Denmark and the EU.

41 From EUR 3.2 million in 2019 and EUR 2.1 million in 2020, and in line with the phase-out of the SRHR programme under the MACS 2018–2020.

42 This incoherence in strategy and spending on PSD is also true for the MACS 2018–2022, which also emphasises the focus on PSD in development cooperation (MFA, 2019a).

Cooperation with the EU and other EU Member States is valuable, for instance when addressing sensitive issues in the context of RBC, where dialogue and/or cooperation with the government of Bangladesh via the EU can be more effective, because the EU is better able to exert pressure.

4.6.1 Water

Bangladesh and the Netherlands, both delta countries, have a long-standing collaboration in the water sector. Due to these historical ties, the Dutch government has good access to the Bangladeshi line ministries, while stakeholders in Bangladesh respect Dutch water management capacity and commitment (Turner, 2017).
Under the new agenda, a more coherent approach has been developed. It has shifted focus from strengthening Bangladesh's resistance to water-related disasters to assistance for institutional capacity building and establishing linkages with other sectors and spearheads.

Despite the benefits of this integrated approach, successfully linking development objectives to trade and investment objectives has remained challenging, where several promising business opportunities did not materialise ultimately due to a lack of interest of companies to invest. Furthermore, involvement of the private sector is still at a relatively infant stage. Commercial opportunities may need more time to materialise.

Funding and implementation framework: collaboration through 'Water Mondiaal'
Between 2013 and 2018, delegated ODA expenditure on the spearhead water totalled EUR 130 million (averaging EUR 22 million annually). Spending on water has remained a pronounced share (almost 50 percent) of total delegated ODA expenditure.[43] The delegated water portfolio covers delta planning, polder development, and drinking water and sanitation.
The programme, with a focus on the south-west of Bangladesh and around the capital Dhaka, is by far the largest bilateral partner country programme on water of the Netherlands (IOB, 2018b).

The Netherlands collaborates amongst others through the interdepartmental 'Water Mondiaal' Programme, with a focus on the development of the Bangladesh Delta Plan 2100. The plan aims to integrate water management, crisis management and climate adaptation. In 2015, the Netherlands, Bangladesh and the World Bank signed a memorandum of understanding (MoU) on cooperation in the Delta Plan of Bangladesh. Besides providing expertise and financial support,[44] Dutch interests has been related to engaging the Dutch private sector in related spin-off activities on a commercial basis.

[43] Water continues to dominate delegated ODA expenditure, also after 2018, and in line with the MACS 2018–2022, which identifies integrated water management as a focus area of Dutch development cooperation with Bangladesh (MFA, 2019a).

[44] Between 2013 and 2018, EUR 9.2 million was spent on the formulation and implementation of the Bangladesh Delta Plan 2100.

More policy focus on institutional capacity development and establishing linkages within development cooperation
Initially, Dutch activities focused on strengthening resilience to water-related disasters, providing primarily technical assistance and aid for infrastructural capacity. In the last decade, the focus has shifted to developing institutional capacity and leveraging results through establishing links with other sectors (e.g. agriculture and RMG), spearheads (e.g. food security) and focus areas (e.g. IRBC). The more integrated approach taken is, for example, well-illustrated by the Blue Gold programme, launched in 2013, to enhance water management and strengthen farmer entrepreneurship in south-west Bangladesh.[45] Also the, in 2013 launched, Partnership for Cleaner Textile (PaCT I and II) illustrates the integration of sector and theme objectives (water, RMG and IRBC). PaCT's overarching goal has been to reduce the environmental impacts from unsustainable practices in 200 textile wet processing factories (including washing, dyeing and finishing units), particularly in terms of excessive groundwater extraction and surface water pollution (Newton et al., 2019).

Potential leads to integrate aid policy and trade and investment policy did not fully materialise
Efforts have been made to introduce trade components into the current Water Programme, but results have been constrained as serving aid objectives, whilst simultaneously establishing a profitable business case is challenging, and where possible, takes time. The difficulty of finding businesses cases in the development cooperation domain was, for instance, highlighted by in the IOB commissioned review of the Water Programme in Bangladesh (Turner, 2017). The report noted: "concern for the plight of the poor appeared as the core rationale for support to water management" (Turner, 2018, p. 40). It has been hard to find synergies in serving the poor and connecting this to business opportunities. For example, a number of interventions supported by Partners for Water (PvW) introduced potentially important innovations for the sector – such as the flood early warning system piloted by Deltares, funded on ODA. However, not all proved viable or attractive to local stakeholders, and some promising pilots have not yet been followed up (Turner, 2017). This is not to say additional effects of the company's presence in Bangladesh may result in commercial opportunities over time, but it shows that creating commercial opportunities in the sphere of development cooperation has been difficult and limited thus far.

Similarly, in the establishment of Public-Private Partnership (PPP)-like constructions for land reclamation, the evidence has shown a mismatch in the focus on reclaiming agricultural land for the poor, on the one hand, and the ability to present a profitable business case on the other hand. Furthermore, the embassy noted that involvement of the private sector is still at a relatively infant stage, meaning opportunities are still being sought for.

Additionally, the nature of the sector (being highly dominated by the presence of the public sector and business risks that exist for Bangladesh in general) does not make the business climate attractive for investments.

45 See Box A3.2 in annex 3 for more detail.

Clear examples of the difficulties encountered have been described for the Payra Port and the Blue Gold Programme.[46] Notwithstanding considerable efforts of the embassy and implementing agencies, both cases exemplify the difficulties Dutch companies and potential investors have faced, resulting ultimately in a lack of interest from Dutch companies to do business in Bangladesh, which again comes back to the difficult business climate.[47] Furthermore, and explained already by some of the challenges discussed above, the embassy has noted that the transition from aid to trade and investment in the water sector requires substantial time, which might not be ensured within the tenure of the MASP and existing MACS.

4.6.2 Food security

Food security, and agriculture in general, were identified to provide an entry point to facilitate the transition process. Agriculture and food security formed an integral part of development cooperation since the 1970s. The Dutch food security approach focused on establishing links with other Dutch spearheads, particularly water. Positive results were found from Dutch interventions, including from Dutch efforts to harmonise donor assistance, results of funded programmes, and the embassy's added value in niche areas. However, similar to the findings on water, examples of successful business cases related to food security have been difficult to find.

Funding and implementation: continued spending and policy alignment to national priorities
Between 2013 and 2018, delegated ODA expenditure categorised under the spearhead food security totalled EUR 63 million (averaging almost EUR 11 million annually). Between 2013 and 2018, ODA expenditure on food security remained a substantial share (24 percent) of total delegated ODA expenditure (and remained important also in the years after 2018[48]).

A new Food Security Programme started in 2012, and presented a clear geographical and thematic focus (Kessler et al., 2017). However, according to several interviewees, it did not present an overarching plan. Interventions aimed to strengthen value chains, food security and nutritional value and they focused on enhanced nutrition and support to small-scale farmers, to increase their employment opportunities and economic independency (IOB, 2017a). Embassy activities on food security have been aligned with national Bangladeshi policy objectives, especially in terms of poverty alleviation.

[46] See boxes A3.1 and A3.2 of annex 3.

[47] Other limitations that affected the success of the interventions are that water management is primarily a public task, and in terms of foreign engagement, it has been mainly dependent on ODA support (IOB, 2018b). Moreover the Bangladesh Water Development Board is weak, with limited capacity to create an enabling environment for smallholder production (Kessler et al. 2017).

[48] Delegated ODA expenditure on the Food Security Programme totalled EUR 10 million in 2019, and EUR 6 million in 2020. Funding patterns are in line with the MACS 2018–2022, which identifies agriculture as a focus area of Dutch development cooperation with Bangladesh (MFA, 2019a).

Value added in achieving donor coordination and Bangladeshi objectives
Previous evaluations documented positive results of Dutch interventions, including the value of Dutch efforts to harmonise donor interventions, the obtained results on funded programmes and the embassy's value of being able to find ways to be complementary to other donor efforts (Kessler et al., 2017; IOB, 2017a). Efforts for better donor harmonisation are, for instance, presented in the context of the Local Consultative Group on Food Security, where the Netherlands acted as chair and took an active role in coordinating donor interventions (Kessler et al., 2017). IOB (2017a) concluded that the embassy has been able to find a good balance between seeking for collaboration with other like-minded donors and looking for niches where other donors are not active. This is underscored by Kessler et al. (2017) reporting that the Food Security Programme has added value to programmes of other development partners. Additionally, an IOB impact study on the SAFAL project, a project on integrated value chain development implemented by Solidaridad, showed that, as a result of the project, farm production, income, food security and dietary intake for farmers increased by using an integrated approach (IOB, 2017a). Furthermore, as discussed in section 4.3, The Dutch Food Security Programme plays a prominent role in Bangladesh's objective to alleviate poverty, as identified in the Bangladesh National Food Policy and the Perspective Plan 2010–2021.

Interventions linked to other spearheads and sectors, yet few commercial opportunities found.
Activities in the field of water and food security are often intertwined. This is evident from the Blue Gold project and the Char Development and Settlement Project IV[49]. SRHR projects have also been linked with food security projects in Bangladesh (IOB, 2017a). However, making these connections to other spearheads has not always been easy, and was sometimes found to be rather artificial, too far-fetched or too ambitious (Ibid.). Attention has also been given to involve the Dutch private sector, and to create trade and investment opportunities. Similar to the findings on water, examples of successful business cases related to food security have been difficult to find.

4.6.3 Sexual and reproductive health and rights

The Netherlands has been an active and long-standing partner of Bangladesh in the area of SRHR. Unlike the recent trend, SRHR initially continued to be a focus under the new agenda. Results found identify the links established with other spearheads, such as water, RMG and food security. Similar to findings for water and food security, finding opportunities for trade and investment has been challenging. With the phasing out of the SRHR programme under the MACS 2018–2020, efforts to implement the new agenda in the area of SRHR have reduced.

[49] The fourth phase of the Char Development and Settlement Project was launched in 2011. The project, jointly financed by the Bangladeshi government, the Netherlands and IFAD, focused on land reclamation and water management, and aimed to increase agricultural productivity and food security for people living on chars.

Funding and implementation: increased spending under the new agenda and focus on gender and integration of SRHR in sector activities

Between 2013 and 2018, delegated ODA expenditure on SRHR totalled EUR 69 million (averaging almost EUR 12 million annually). When comparing annual SRHR spending for the period 2010–2012 to the period 2013–2018, SRHR spending increased under the new agenda, especially in 2017/2018. However, following the evaluation period (after 2018), SRHR is being phased out, in line with the policy under the cabinet Rutte III and the MACS 2018–2020 for Bangladesh (MFA, 2019b). The Netherlands' policy agenda on SRHR will continue to be pursued through advocacy efforts (Ibid.)

The SRHR Programme started in 2011, as a continuation of the health sector programme (EKN in Dhaka, 2013). SRHR activities covered a variety of target areas (e.g. sexual education, women empowerment, reduction of violence against women, child marriage and men's participation in family planning) and target groups (e.g. children, adolescents, women, men and policy makers). Important programmes under the SRHR Programme have included the World Bank 'Health, Population and Nutrition Sector Development Programme', the 'UN Populations Fund' and 'Generation Breakthrough'.

Links established for SRHR with other thematic clusters, yet limited success in finding opportunities to link SRHR to trade and investment promotion

Delegated programmes have been selected to facilitate establishing linkages, between spearheads and themes (e.g. RMG, water, and food security), and in terms of finding opportunities for PSD and Dutch trade and investment promotion. Despite efforts to link SRHR to trade and investment promotion, few opportunities were found to do so. Attempts to involve the private sector and to work with PPP constructions have not been successful, for the period under evaluation. Exceptions are some small projects, like a project implemented with TNO[50] on the development and marketing of a locally produced biodegradable sanitary napkin. Efforts to integrate SRHR into other thematic clusters such as the water, food and RMG clusters were more successful. To create more synergy with water and food security, new initiatives were launched in the south of Bangladesh (EKN in Dhaka, 2013). To integrate SRHR into the RMG sector, efforts aimed to raise awareness of employers on the commercial benefits of better health and human rights, in terms of addressing problems of their (female) employees. An example is the SNV[51] 'Working with Women' (WwW) programme. As part of the WwW pilot programme (2014–2017), 15,000 employees came to work under a health insurance model, with employers (the factories) paying the women's premium contribution. Also other SRHR services and products were provided by (some of) the factories including for instance a Hepatitis vaccination program and free sanitary pad provision.[52]

[50] *Nederlandse Organisatie voor toegepast-natuurwetenschappelijk onderzoek* – The Netherlands Organisation for Applied Scientific Research.

[51] Netherlands Development Organisation (previously known as: *Stichting Nederlandse Vrijwilligers* – Foundation of Dutch Volunteers).

[52] The pilot programme has continued under WwW II (2017–2021).

The programme targets employers in the RMG sector, arguing that providing access to affordable and good SRHR services for women can, in addition to safeguarding women's rights and well-being, provide economic benefits because of reduced absence and higher productivity. To date, however, the programme lacks a clear exit strategy.

With the phasing out of the SRHR programme under the MACS 2018–2020, priority for finding opportunities for commercial success have been replaced by maintaining obtained results and advocacy efforts.

4.6.4 International responsible business conduct

In 2012, IRBC was identified as a starting point to shape the implementation of new agenda, with an emphasis on the RMG sector and particularly on labour rights and workplace conditions: efforts were redoubled after the Tazreen fire in 2012 and the Rana Plaza disaster in 2013. Also other sectors, such as the agricultural sector and maritime sector provided opportunities for IRBC to facilitate the transition.

IRBC interventions have included strategically chosen capacity building projects, agenda-setting events, coordination of efforts of various stakeholders, and diplomatic lobby efforts. Additionally, efforts have aimed to use IRBC across sectors and link spearheads.
Results show a holistic approach, booking results of overall coherence and contributing to a broader enabling environment, especially on strengthening due diligence efforts of companies in their value chains. Nevertheless, attention must be paid to guarantee the sustainability of these results against future reductions in development cooperation and declining interest of Bangladeshi authorities. Whereas evidence is found on interventions that have successfully linked aid with trade promotion in the RMG sector, private sector investment has thus far remained small, where foreign investors are opposed by Bangladesh's dominant employer's associations.[53]

Funding and implementation: dedicated staff to shape the implementation of the new policy
Dutch interventions have been undertaken against the backdrop of the growing global momentum to address RBC issues following several events worldwide. Given the tragic events in the RMG sector in earlier years, and the momentum for change found in the aftermath, the RMG sector was given a priority role to shape the implementation of the new IRBC policy. Also the water sector, agricultural sector, and SRHR were explored to find and support IRBC projects, specifically those that facilitated the development of business cases within these programmes.

[53] For almost all sectors 100 percent of FDI is permitted. However, foreign investors face challenges to invest in the RMG sector, being opposed by Bengali business associations. Investments in joint ventures, with minority shares for foreign investors, are less of a problem.

A dedicated sum (approximately EUR 3 million annually) was budgeted and dedicated embassy officers were appointed to implement the new policy, at least until 2018. A core number of IRBC-related interventions (strategically selected projects, agenda-setting events and diplomacy) were deployed, to directly address the safety crisis in the [RMG] sector, and more indirectly, to make IRBC an overall cross-cutting issue (Newton et al., 2019).

Strategic projects and initiatives: leveraging knowledge and capacity of partners and linking IRBC to other spearheads for a more coherent approach

After the Rana Plaza disaster, the number of donor initiatives in the RMG sector exploded. Some factories were even involved in fifteen different donor projects. In the selection of funded projects and activities, the embassy paid special attention to select interventions to raise awareness and business behaviour on RBC.[54] Funded interventions have been marked by the Dutch approach of establishing multi-stakeholder partnerships as well as leveraging knowledge and capacity of key stakeholders. It has found an important partner in (multi-stakeholder initiatives of) the International Labour Organization (ILO) and the International Finance Corporation (IFC), including the ILO/IFC Better Work Programme, to improve working conditions and make the RMG sector more competitive.

Additionally, several projects linked IRBC and the RMG sector to other Dutch spearheads. For example, PaCT I and II (see section 4.6.1) linked IRBC and PSD objectives for the RMG and water sector. PaCT's overarching goal has been to reduce the environmental impact of unsustainable practices in 200 textile wet processing factories (including washing, dyeing and finishing units), particularly related to excessive groundwater extraction and surface water pollution (Newton et al., 2019). Another example is the contribution to the Working with Women) project (see above).

Agenda-setting events: raising awareness and enhanced donor coordination

Various donors, including the Netherlands, coordinate their efforts through the Local Consultative Group Bangladesh (LCG). An important working group herein is the working group on PSD (LCG-PSD): a donor coordinating forum for PSD discussions, which included a platform for RMG as well.[55] From 2013 to 2016 the embassy co-chaired, together with Bangladesh's Secretary of Commerce, the LCG-PSD, after which it handed over its co-chairmanship to the United Kingdom. Initially, the PSD group's main task was to coordinate RMG-related development projects, yet, gradually discussions have become more politically-oriented.

54 An overview of several important RBC initiatives, which the Netherlands contributed to can be found in Table A3.2 of Annex 3.

55 After the Netherlands handed over co-chairmanship of the PSD working group to the UK in 2016, a separate RMG subgroup was established, chaired by the German embassy.

From 2013 to 2016, the Netherlands additionally co-chaired the '3+5+1 Group' consultations,[56] together with the UK. The Netherlands gave up its permanent seat when it handed over chairmanship of the LCD PSD working group. Currently, the embassy holds a seat on a rotational basis. When not in the seat, it participates as observant. The Dutch embassy generally plays a very active role in these discussions.

Furthermore, the Netherlands has organised and participated in various multi-stakeholder events, to raise awareness on RBC. For example, to raise attention for fair pricing and the distribution of added value along the global value chains in the RMG sector, the Netherlands organised a conference on sustainable sourcing in the garment industry (2016), in Dhaka. A total of 380 (high-profile) participants attended the conference. Amongst the representatives were officials from the government of Bangladesh, diplomats, NGO's, international organisations, academics, international buyers/brands, and suppliers (EKN in Dhaka, 2016). Also a roundtable discussion, to discuss the politically sensitive issue of living wages was held in 2017. Also other, cross-sector events have been organised, including roundtable discussions and RBC events as part of incoming trade missions.

International diplomacy: tackling politically sensitive topics through Dutch commitment at different levels
At several occasions, the Netherlands intervened at high level and made use of its relations to lobby for and prioritise IRBC, and to stimulate the engagement and contribution of other stakeholders. Several interviewed stakeholders indicated the importance of personal engagement shown by former Minister for Foreign Trade and Development Cooperation, Ms. Ploumen, to put the topic on the international agenda, to book progress in implementing activities and to engage the private sector into development cooperation activities. This was, for example, evident during the mission to Bangladesh in 2013, where Ms. Ploumen personally co-chaired the LCG-PSD, to identify the urgency for progress. Additionally, on several occasions, she called upon the (Dutch) business community to get engaged in development cooperation activities.[57] Also the embassy has made substantial efforts to use its diplomatic capacity. Formal policy dialogues (e.g. the 3+5+1 local governance structure of the Bangladesh Sustainability Compact and the LCG-PSD) were attended and chaired by the ambassador, whom was provided strong support (e.g. feeding information) from the IRBC team.
The embassy lobbied extensively for remedial action and brought together multiple stakeholders.

[56] The 3+5+1 Group is a high-level group, comprising of the Secretaries of GoB (Labour, Commerce and Foreign Affairs) (the 3), the ambassadors of the EU, the US, Canada, the UK, and one other EU Member State on a rotating basis (the 5), together with the ILO (the 1). The 3+5+1 Group regularly comes together for consultations, to review the progress in the implementation of the Bangladesh Sustainability Compact (see Table A3.2).

[57] This occurred, for example, in the context of the Rana Plaza Donor Trust Fund to compensate victims, where she signed a statement in 2014, together with ministers from Denmark, France, Germany and Italy, calling upon the companies that sourced from Rana Plaza to donate generously.

A holistic approach with results of overall coherence and contribution to a broader enabling environment for due diligence

In the country study on the IRBC policy in Bangladesh, KIT concluded that in its overall achievement, the embassy is regarded as a formidable player in the RBC scene, with highly relevant activities (Newton et al., 2019). KIT further highlighted the embassy's success in applying an integrated approach, combining development, economic, and political considerations. The integrated approach is also evident from the various interventions selected to address IRBC across sectors (such as PaCT for water and RMG). KIT further defines its observations of the integrated approach, stating for the RMG sector that "the combination of strategic investments in relevant RMG RBC projects, together with 'soft influencing' behind the scenes is critical to making the embassy relevant and coherent with other Dutch IRBC interventions and international actors working in the sector and with Bangladesh law... clearly contributing toward a broader enabling environment for due diligence through institutional capacity building and international diplomacy efforts within Bangladesh" (Newton et al., 2019, p.5). Despite these achievements, certain interventions were found less relevant or less successful. For instance, private sector instruments were assessed less relevant in addressing key RBC issues (Newton et al., 2019).

Although it is well recognised that the Netherlands has positioned itself as frontrunner in RBC in Bangladesh, especially in the RMG sector, fears were also expressed that the RBC activities may be diluted once ODA resources dry up and dedicated staff decline. This concern was especially expressed for the RMG sector, as Bangladesh authorities seem to lose interest in pushing for lasting change, feeling singled out as RMG exporter, and with RMG-importers cancelling export orders in response to the Covid[58] crisis.[59] The phasing out of the spearhead on SRHR since 2018 is another example thereof, where the embassy's focus has now shifted to guaranteeing the sustainability of achieved results.

Whereas evidence is found on interventions that have successfully linked aid with trade promotion in the RMG sector, private sector investment has thus far remained small, particularly related to the challenges faced by foreign investors to invest in the Bangladeshi RMG sector.

[58] The COVID-19 crisis has hit the garment sector in Asia and the Pacific particularly hard. Cancellations of buyers' orders were common at the onset of the crisis (ILO, 2020).

[59] A large part of the problems is caused or reinforced by purchasing practices of companies in consuming countries. To improve the RMG industry in Bangladesh, Dutch companies must also contribute and integrate RBC into the core of their business model. There appears a contradiction in the combination of European companies fighting for the best bargains on the one hand, and the extensive focus on RBC in Europe on the other. See annex 3, Box A3.4 for more detail.

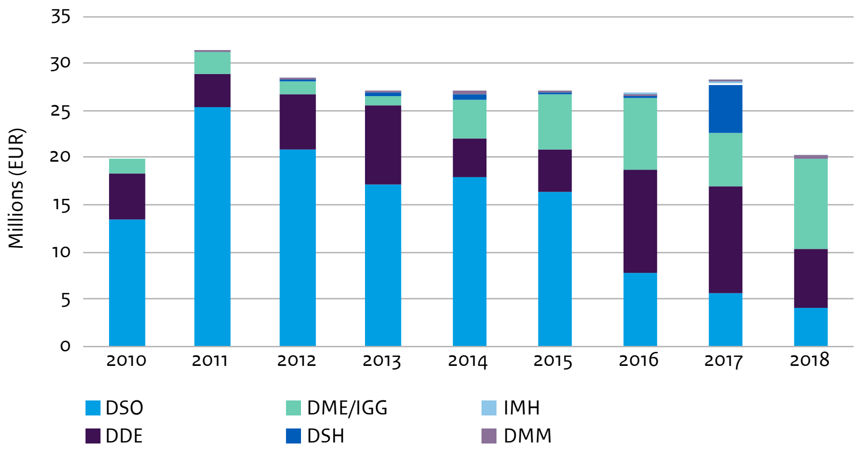
4.7 Central ODA activities

For Bangladesh, social development programmes have dominated total central ODA expenditure between 2013 and 2018. Yet, spending on social programmes[60] declined over time. Simultaneously, central ODA expenditure on PSD (particularly on agriculture and water) and on activities to facilitate trade and investment increased. Although the trends highlight a slow transition, central ODA expenditure has generally remained within the development cooperation sphere.
Furthermore, central ODA has been channelled via various MFA departments and through several implementation agencies. RVO has played an essential role as implementing organisation. Nevertheless, use of RVO instruments for Bangladesh has remained fairly limited, especially when compared to Ethiopia and Kenya.

A slow transition from social development programmes towards PSD and, more moderately, trade and investment promotion
Between 2013 and 2018, central ODA expenditure for Bangladesh totalled EUR 157 million (averaging 26 million annually).[61] Central ODA expenditure declined over time, from EUR 27 million in 2013 to EUR 20 million in 2018 (a decrease of 26 percent). Figure 4.4 presents central ODA expenditure (above a 2010–2018 total of EUR 0.5 million[62]), categorised by MFA department. Central programmes have included national programmes and regional/global programmes[63] in which Bangladesh has been a recipient. For regional/global programmes, spending for Bangladesh is an average of total recipient countries. Although this may cause some discrepancy from real values, analysing the data does provide insight on the patterns of central spending over time.[64] Between 2013 and 2018, a substantial share of all central ODA expenditure was channelled via DSO[65] (44 percent), DDE[66] (29 percent) and IGG[67] (21 percent).

[60] Including themes such as: women rights, gender equality, civil society participation, health and education.
[61] Central ODA expenditure since 2018 has remained fairly stable, from EUR 20 million in 2018, to EUR 18 million in 2019 and EUR 24 million in 2020.
[62] Figure 4.4 also includes data for the department of International Trade Policy and Economic Governance (IMH), despite a budget below EUR 0.5 million (EUR 462,000), given its relevance in the implementation of aid, trade and investment policy.
[63] For regional/global programmes, spending for Bangladesh is an average of total recipient countries. Although this may cause some discrepancy, analysing the data does provide insight on the patterns of central spending over time.
[64] Since 2017, the MI BZ system has started using percentages per project, per country, rather than averages. Although this method is still prognosis-based, it increases the accuracy of data. Because this method is only recently available, for data since 2017, the MI OS (averaged) data is used in this evaluation.
[65] *Directie Sociale Ontwikkeling* – Social Development Department.
[66] *Directie Duurzame Economische Ontwikkeling* – Sustainable Economic Development Department
[67] *Directie Inclusieve Groene Groei* – Inclusive Green Growth Department. IGG here also includes its predecessor, DME.

Figure 4.4 *Central ODA expenditure*



Source: MI OS, 2020

Evident is the prominent, but declining share of central ODA spent on social development programmes (channelled through DSO). Central ODA spending on social development declined over time, both in absolute terms and as a share of total central ODA expenditure; from 64 percent in 2013 to 21 percent in 2018.[68] It also declined when compared to spending patterns prior to 2013. Under Rutte I, central ODA expenditure by DSO averaged EUR 20 million annually, compared to an annual average of less than EUR 12 million for the period under evaluation. The decline in social spending is largely found in the closure of the Co-Financing System, MFS II[69] (2011–2015). The succeeding Strategic Partnerships Programme, Dialogue and Descent, held a much smaller budget.

The figure simultaneously highlights increased central ODA spending through IGG, in absolute terms and as a share of total central ODA expenditure; from a share of four percent in 2013, to 47 percent in 2018.[70] Spending increased also compared to spending prior to 2013. Under Rutte I, annual central ODA expenditure by DME[71] (the predecessor of IGG) averaged EUR 2 million, compared to an annual average of EUR 6 million of DME/IGG between 2013 and 2018. DME/IGG spending includes agricultural, water, climate and energy programmes that address aid objectives (e.g. food security, but also PSD) and opportunities to use Dutch expertise. Central ODA expenditure through DDE (addressing PSD and sustainable trade and investment) increased under the new agenda as well, with an annual average of EUR 5 million under Rutte I, EUR 8 million under Rutte II, and EUR 7 million since Rutte III (including 2019 and 2020 data as well).

[68] In the years after 2018, this pattern remained, with expenditure at similar levels as the second half of the evaluation period.
[69] In Dutch: *Medefinancieringsstelsel II*.
[70] Also in the years after 2018, IGG's expenditure remained a dominant share of the total budget.
[71] *Directie Klimaat, Milieu, Energie en Water* – Climate, Environment, Energy and Water Department.

Although still a marginal share of total ODA expenditure, central ODA expenditure has also been channelled through IMH[72] (addressing sustainable trade and investment and RBC issues) since 2016, and continues to occur in the years following 2018.

Central role for RVO

RVO has played a central role, implementing various ODA programmes. Programmes open to Bangladesh included, amongst others PSI, ORIO, and FBK.[73] Between 2013 and 2018, RVO-implemented programmes totalled EUR 4 million, channelled via ten different programmes (IATI[74], 2020). Funding of activities occurred throughout all the years under evaluation, with no substantial increase. In 2013, RVO instruments totalled approximately EUR 605,000, compared to approximately EUR 764,000 by 2018, and fluctuating in the years between (Ibid.). Most spending between 2013 and 2018 was channelled via ORIO, PSD Apps and PSI (Ibid.).
The number of instruments deployed and the sum of central ODA channelled through RVO reveal that the use of RVO interventions in Bangladesh has been rather moderate, compared to Ethiopia and Kenya.[75] Explanations for this include the limited match of instruments to country context[76] and the lack of interest of Dutch companies to do business or invest in Bangladesh.

Furthermore, the embassy stated that the use of RVO tools could be further optimised by enhanced cooperation between the embassy and RVO, to inform the country team on the availability of different instruments for Bangladesh as well as its operational procedures.

4.8 Coordination of central and delegated ODA activities

To enhance the coherence and effectiveness of Dutch efforts and minimise trade-offs, coordination and careful fine-tuning of the delegated and central portfolios is key. Reviewing the coordination of central and delegated activities shows the need for enhanced knowledge sharing, embassy inclusion in the development and implementation of policy and central programming, as well as better coordination of central and delegated programmes.

Reduced share of delegated expenditure in overall Dutch ODA expenditure

Figure 4.5 depicts the relation of delegated ODA expenditure to central spending through the MFA department for Bangladesh between 2010 and 2018. As mentioned in section 4.7, central ODA expenditure declined over time. Delegated ODA has been higher than central ODA expenditure, but it also declined over time (by 25 percent), but with a higher absolute

72 *Directie Internationale Marktordening en Handelspolitiek* – Department of International Trade Policy and Economic Governance

73 PSI: Private Sector Investment Programme, ORIO: *Ontwikkelingsrelevante Infrastructuurontwikkeling* (Facility for Infrastructure Development), FBK: *Fonds Bestrijding Kinderarbeid* (Fund against Child Labour).

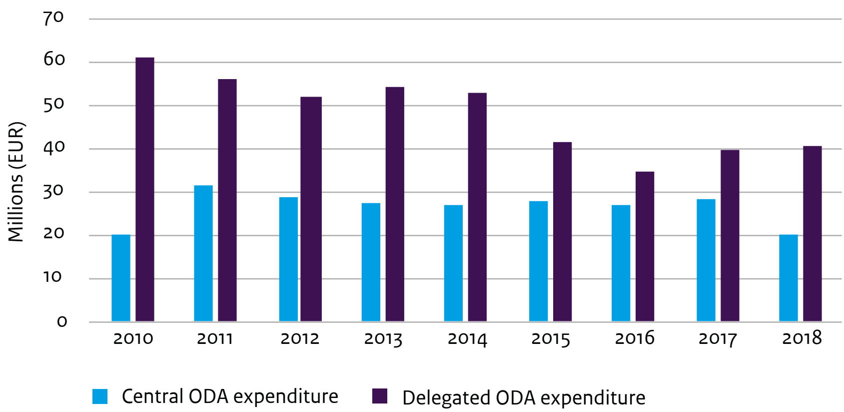
74 The International Aid Transparency Initiative (IATI) registry system is a global system that documents how ODA is spent.

75 See section 5.7 and 6.7 for the analysis of RVO instruments for the two respective countries.

76 Instruments are not tailored to country context. The terms and conditions of utilising those tools are complicated and less flexible in terms of accommodating the dynamic nature of water management aspect of Bangladesh.

amount; from EUR 54 million in 2013 to EUR 40 million in 2018.[77] Disaggregating delegated ODA expenditure for the spearheads and PSD reveal this is especially true for PSD (article 1 of the BHOS budget); delegated ODA expenditure on PSD as a share of total Dutch ODA expenditure declined since 2013, and continued to do so in 2019 and 2020. Contrarily, this is not the case for delegated expenditure on water[78] and food security[79] (article 2 of the BHOS budget).

Figure 4.5 *Central versus delegated ODA expenditure*



Source: MI OS, 2020

Coordination of delegated and central interventions leave room for improvement (see also the discussion below). Consequently, the decline in overall delegated ODA expenditure, especially for PSD, and the lack of coordination between delegated and central interventions highlight the reduced influence in and oversight of the embassy in the overall Dutch ODA portfolio.

Limited information available and little coordination between central and delegated aid interventions

In Bangladesh, information and data has been insufficiently available or exchanged between the embassy and the MFA department. For example, a comprehensive and correct overview of all delegated and centrally funded activities of the Dutch government in Bangladesh has not always been available.[80] Additionally, information on the exact amount of spending of the regional and global programmes for Bangladesh specifically is not available; only averages for all countries (and since 2017, data based on percentage).[81]

77 In the years following 2018, the levels of central and delegated ODA expenditure have come even closer together, with in 2020 EUR 28 million delegated ODA and EUR 24 million central ODA expenditure.

78 Fluctuating around the same share between 2013 and 2018 and increasing some by 2020.

79 Increasing in share between 2013 and 2018, and remaining higher in recent years than just after 2013.

80 Since 2010, MI OS provides an overview of all funded ODA programmes (central and delegated) per partner country, but it does not provide correct information regarding regional/global programmes (for multiple countries), as discussed in section 4.7.

81 See section 4.7.

This is a problem that is not new, and has continued to exist for many years, only receiving adequate attention in recent years. Moreover, the use of the embassy's expertise in strategic planning has not always been optimised. For instance, interviews revealed that the embassy's expertise on India – China relations and the embassy's advice to explore the strategic possibilities of the geographical location of Bangladesh (between India and China) were disregarded.

Additionally, delegated programming is not (always) properly coordinated and aligned with central programming, and may have hence undermined the effectiveness of efforts. For instance, where the embassy was instructed to start the reduction of programmes in Bangladesh, IGG increased ODA expenditure under the new agenda, especially in 2016/2017, disbursing EUR 22 million central programmes (large programmes targeting food security and water). Several interviewees indicated that there is a tension in executing central and delegated activities and that a good coordination of funds is therefore important. The issue was identified to continue to exist today, despite the efforts of the MACS to better align and coordinate all Dutch efforts. Better coordination, whether through the effective use of a MACS, a strategic PSD/Economic Division plan or with the help of the PSD coach is required and must be prioritised for the future.

Also the coordination of embassy efforts with FMO leave room for improvement. For example, during the portfolio review in 2017, it was stated that the connection of the FMO portfolio to the activities of the embassy could be improved. Several improvements have already occurred, however. In the time following the evaluation, an FMO officer has been seconded to the embassy, which was stated to have already led to better interaction and the enhanced coordination of the embassy's and FMO's portfolios.

Coordination a transition requires a smooth and coordinated 'hand-over' at central level as well

Not only is bilateral (central-delegated) coordination essential to enhance an effective transition, it also requires getting different central players involved. The transition requires more coordination with and more focus and involvement of different MFA departments, such as DDE, DIO and DAO. This includes enhanced country-coordination of these departments, which may be challenging, but not impossible.

4.9 Interventions and instruments to support the transition

In addition to the changes in the development cooperation portfolios, several other instruments have been deployed to facilitate the transition in Bangladesh. Important instruments include transition tools, trade missions and diplomatic efforts. The embassy has paid special attention to direct support to companies, particularly supporting start-ups. Results show that, whereas interventions have generally been valued on their quality, trade and investment opportunities have been constrained. The country's context has played a role to these constraints, hampering results and maintaining a reluctance amongst the Dutch business community to do business in Bangladesh.

Embassy efforts are positively reviewed, yet the business climate hampered results
Several tools have been deployed to give more effect to the transition. The embassy played a central role in the process, deploying PSD instruments to create commercial opportunities that support the transition to trade and investment. Whereas interventions have taken a dual approach: supporting businesses directly and strengthening the enabling environment, the embassy has paid especially attention to the former, and particularly supporting start-ups.

An important part of the embassy's efforts occurred within the context of the 2012–2015 embassy–NBU partnership project. Within the context of this partnership, five trade missions were organised. The trade missions offered tailor-made programmes to individual companies. These included providing Dutch companies with information and advice on RBC issues and matching them with local companies. No trade missions have taken place outside the context of the embassy–NBU partnership (2012–2015). An agricultural mission was planned for 2017, but cancelled due to a lack of interest.

Other events, also outside of trade missions have been organised, including roundtables, dialogues and conferences, for instance in the context of RBC (addressing topics such as violations of labour rights and fair pricing). Audiences to these events have included sectoral employers' associations, labour unions, development partners, international/multilateral organisations, think thanks, academia and government. The events were stated to contribute to enhanced awareness, knowledge exchange, network building and increased attention at the level of the partner country's government.

Embassy support to companies has been positively reviewed. In January 2015, the embassy was rewarded for its proactive efforts with the Fenedex/VNO–NCW[82] prize for best support to Dutch exporters. Also the KIT evaluation (2018) underscored the value of the embassy for the support to Dutch companies (Newton et al., 2019).

[82] Every other year, an embassy or consulate is elected as winner by Fenedex (Dutch Export Association), MKB Nederland (Dutch entrepreneurs' organisation) and VNO–NCW (Dutch Employers' Federation). Based on results of a survey among the Dutch business community, the winner is elected as the Dutch diplomatic representation that has been appreciated the most by the Dutch business community for services rendered in the economic field.

Use of PSD instruments to enhance the enabling environment has been more limited, and was focused primarily on RBC, better work issues and strengthening local inspection capacity on safety standards. Economic diplomacy efforts were more often geared towards market entry for Dutch companies and troubleshooting, also at EU level, where investments in strategic aid projects (e.g. through international organisations such as World Bank, IFC, ILO) enhanced the Netherlands' lobby power with the government of Bangladesh.

Despite these efforts and the increased private sector instruments available to support trade and investment, there has been limited interest for Bangladesh by the Dutch private sector. Both the embassy and RVO indicated that they face a dilemma. On the one hand they want to stimulate Dutch companies to do business in Bangladesh. On the other hand they question whether it is wise to advise companies to do so, given the various business risks present (see section 4.2). The embassy has facilitated Dutch business in reducing these risks as much as possible, by advising Dutch businesses on how to prepare for and deal with business risks prone to Bangladesh, including (risks of) red tape, extortion and unreliable business behaviour. Additionally, uncertainty has a negative effect on trade and investment decision making. For example, it was noted in interviews that the decision to invest in a country is strongly influenced by the investor's perception and gut-feeling of the country context. "If you don't want to go there on holiday, why would you trust your money to be safe there?" (Anonymous, 2017). The embassy and RVO hence play a crucial role, to inform Dutch businesses on the real (extent of) risks and on how to prepare best to deal with these risks.

PSD Apps to contribute to a more favourable business climate: increased use of PSD Apps

In 2014, the PSD Apps programme ('PSD Apps') was launched through which ODA and non-ODA funds were used to finance various flexible tools that embassies could use to promote trade and investment. Commissioned by DGIS, the programme was initiated to contribute to a more favourable business climate and enhance business opportunities for both local and Dutch businesses (Technopolis, 2018). As part of the programme, designated PSD coaches with country-specific knowledge have been installed at RVO. These coaches work in close cooperation with the embassies, to advise them on how best to use and combine the available instruments, to enhance the coordination between embassies and government institutions in The Hague and to liaise with Dutch companies (Technopolis, 2018). Between 2014 and 2018, approximately EUR 890,000 was used from the PSD Apps budget for Bangladesh, funding 46 activities. Use of the PSD Apps intensified over time. Most of the budget was spent on productive sector projects and social infrastructure activities.[83] Activities organised in Bangladesh with PSD Apps funds included a feasibility study on a Dutch Business Platform, a workshop on sustainable sourcing in the garment sector and a roundtable on living wages (see also section 4.6.4).

[83] Activities funded were in the domains of 'social infrastructure', 'productive sectors', 'multi-sector' and 'other' activities.

Transition Countries Apps: overambitious goals and lack of evidence of success
Complementary to the PSD Apps, a DDE/DIO funded initiative, known as the 'Transition Countries Apps' programme was launched in 2014. The programme was, despite its very similar name, not related to the PSD Apps, nor to the Transition Facility[84]. Under the Transition Countries Apps, the eight transition countries could apply for funding (maximum of EUR 500,000 per year). It aimed to enhance the business climate and facilitate the success of Dutch businesses in these countries, involving the Dutch private sector and knowledge institutes in the process. The programme identified four anticipated results: 1. enhanced scoring of indicators of the World Bank Ease of Doing Business Index; 2. enhanced impact of other Dutch PSD instruments; 3. at least 100 local companies actively trading with the Netherlands; and 4. job and income growth (MFA, 2014).

The programme is viewed as overambitious compared with the anticipated results one, two and four. Not only is the attribution or contribution effect to these goals difficult to determine, it is not realistic to conclude that the very modest funds would lead to such observable effects – especially given the presence of other (often larger) donors in the country and the large array of other external and domestic factors influencing the results in the business environment. As for results on the World Bank Ease of Doing Business Index, Bangladesh ranked 130th in 2014 and 177th in 2018; a decreased rather than increased ranking.

4.10 Assessing results: Dutch trade with and direct investment in Bangladesh

To assess the implementation of the aid, trade and investment policy in Bangladesh, trade and investment patterns have been reviewed. The analysis centred on two questions: 1. How have trade and investment patterns evolved, and 2. Can it be concluded that Dutch interventions under the new agenda contributed to these patterns?

Trade data shows that bilateral trade between the Netherlands and Bangladesh, and particularly imports from Bangladesh, have increased over time. Furthermore, a gravity model based regression analysis was executed. Findings on the development of Bangladesh's bilateral trade performance show similar values over time, and can therefore not be used to conclude that Dutch interventions were able to improve trade flows.
For Dutch direct investments, it has proven difficult to draw data-substantiated conclusions on the exact pattern of investments over time, and therefore the effect of Dutch interventions, due to the lack of reliable and complete FDI data.

More positive results were found at microeconomic level, from qualitative data and interviews, but given that the business climate in Bangladesh has presented several obstacles, it is likely that the effects of Dutch interventions have been overshadowed.

[84] The Transition Facility (TF) was launched in 2011, following recommendations by the WRR to involve the Dutch private sector in development cooperation (WRR, 2010). The TF aimed to stimulate Dutch businesses in Colombia, Vietnam and South Africa to improve the business climate and to enable the transition from aid to trade in these countries.

Dutch presence in Bangladesh affected by poor business climate

Despite the identification of Bangladesh as high potential market, Bangladesh's business climate has presented several obstacles in doing business (see section 4.2), including poor governance, high corruption risk, lack of security and RBC risks. Consequently, the interest to do business and the actual presence of Dutch companies has remained limited. Approximately 100 Dutch companies were present in Bangladesh in 2017 (as known by the embassy). The embassy also noted that the businesses that manage to stay, slowly build up their network, creating more opportunities in the long run. The number of Dutch companies active in Bangladesh are aggregated by sector as follows: 27 in RMG; 23 in agriculture; 19 in water, 9 in logistics; 7 in ICT; and 17 in other sectors (based on embassy data of 2017). Of these 100 companies, 54 have their own offices in Bangladesh, 18 are represented by a local agent and 30 work without local representation.

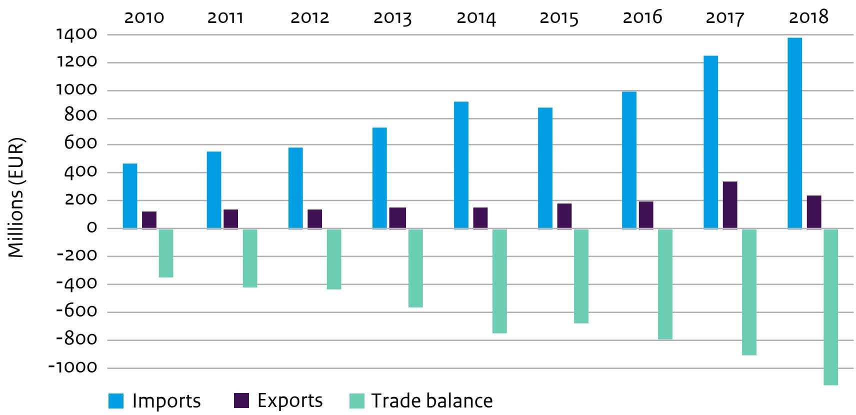
Increased bilateral trade over time

Figure 4.6 presents bilateral trade (in value) between the Netherlands and Bangladesh for 2010 to 2018. The figure shows an increase of trade over time, and since the implementation of the new agenda (with, in 2018, almost double the value of 2013). Especially imports from Bangladesh increased, by 90 percent since 2013. Articles of apparel and clothing[85] have by far been the top imported products from Bangladesh, at a share of almost 90 percent of total import value (ITC Trade Map, undated-a). Exports from the Netherlands to Bangladesh have been more modest, yet still show an increase by 60 percent since 2013. Top exported products to Bangladesh have been machinery and other appliances (Ibid.).[86]

[85] HS code 61: Articles of apparel and clothing accessories, knitted or crocheted at import value of EUR 5.3 billion (2013–2018) and HS code 62: Articles of apparel and clothing accessories, not knitted or crocheted, at an import value of EUR 3.9 billion (2013–2018) (ITC Trade Map, undated-a).

[86] HS code 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof, at an export value of EUR 336 million (2013–2018) (ITC Trade Map, undated-a).

Figure 4.6 *Bilateral trade (in value) between the Netherlands and Bangladesh*



Source: CBS Statline, 2020b. Figures presented from the Dutch perspective.

Modelling bilateral trade: earlier identified positive effects of Dutch interventions are not visible in the computed model

To further review the development of the bilateral trade relation and whether Dutch interventions may have had an effect, a gravity model based regression analysis was executed.[87] As part of the exercise, Bangladesh's trade intensity ratio (identifying actual versus expected trade) was computed, and subsequently ranked for each year (compared to 144 other Dutch trade partners).

The modelled data show that developments of Bangladesh's bilateral trade performance are marginal, with no significant change over time. The data can therefore not be used to conclude that Dutch interventions were able to improve trade flows.
Bangladesh's trade intensity ratio remained fairly constant: at 0.7 (actual trade levels were 70 percent of expected trade levels) from 2013 to 2016, and at 0.8 in 2017/2018 (and in 2019). The rather balanced value of the trade intensity ratio since the implementation of the new agenda suggests that Dutch interventions were unable to significantly improve trade; with bilateral trade determined mainly by RMG imports from Bangladesh and Dutch exports showing only a modest increase. Bangladesh's trade ranking also remained rather constant: in 77th place (but fell somewhat, to place 81 in 2019) indicating a stable market share.[88]

[87] See annex 3, Box A3.5 for a descriptive overview of the analysis.

[88] See annex 3, Box A3.5 for an annual overview of ratios and rankings for Bangladesh.

Use of RVO and embassy services underscore limited interest of Dutch business community to do business in Bangladesh

Several programmes and instruments have been deployed by RVO, aiming to increase the presence of the Dutch business community in Bangladesh. However, Dutch companies have made limited use of the support. As discussed, the number of instruments used and sum of funding through RVO's ODA instruments was more limited than for Ethiopia and Kenya. Additionally, in Achilles[89], only 42 requests from companies for information and mediation were registered in 2016, 22 in 2017, 30 in 2018 and 44 in 2019.[90] Similar to other observations, RVO and the embassy have identified these low numbers to be due to a general absence of interest to do business in Bangladesh.

Lack of reliable data: room for error and inconclusiveness on results of Dutch direct investment

It is generally understood that the Netherlands has been an important foreign investor in Bangladesh. Nevertheless, the available data suggest that Dutch direct investment has been modest in light of the growth potential for investment, particularly in logistics and port development.

However, the evidence on which this conclusion is drawn is constrained. Data collection has been affected by a lack of reliable and unambiguous data, making it extremely difficult, if not impossible to assess the exact role of and change in Dutch direct investment for the period under study. According to the 2017 portfolio review, the Netherlands would be the fifth direct investor in Bangladesh. But the data are unclear and FMO is not included in the figures of the central bank of the Netherlands (DNB). The size of FMO's equity portfolio in 2016 was over EUR 37.5 million, with approximately 22 clients (FMO, 2021). Clients were found in the finance, textile, infrastructure (port and telecom), energy (solar and gas) and agriculture. DNB and the central bank of Bangladesh (BB) also report very different FDI figures: whereas DNB estimated a stock of Dutch direct investment at EUR 72 million by the end of 2016, estimations of BB amounted to USD 743 million (EUR 669 million[91]), already at the end of June 2016.

According to the embassy, the largest share of Dutch investments is in the maritime sector and the RMG sector (although the factories in RMG are almost fully owned by Bangladeshi entrepreneurs).

Furthermore, Dutch direct investment is not separated from direct investment of other foreign investors, which channel their investment via the Netherlands, by means of special purpose vehicles (SPVs).[92] This causes data on actual Dutch investments to be distorted.

RVO indicated that Dutch direct investment is mainly focused on using Bangladesh as a regional export platform, producing and distributing goods to the region. A large company like Unilever has a large sales network in Bangladesh, but has relatively few direct investments in agriculture and the food industry. Like many other countries, the necessary bilateral legal frameworks are in place but they seem to have little effect on promoting new direct investment.

89 Achilles is the trade and investment registration system used by RVO, attachés and embassies. Real figures might differ slightly as there is some delay in the system.

90 The embassy indicated that they registered more than showed up in Achilles.

91 Calculated using the exchange rate on 30 June 2016.

92 These special purpose vehicles transfer money via the Netherlands, to make use of the bilateral tax treaties that the Netherlands holds with these countries.

Given the lack of reliable and complete data on FDI, conclusions cannot be drawn based on the presented quantitative data.

However, it is not concluded that Dutch interventions lacked value or effect in terms of facilitating trade and investment. The findings at microeconomic level, obtained for instance from interviews identified the value added of Dutch interventions (as discussed earlier in this chapter) but also identified the reluctance amongst the Dutch business community to do business or invest in Bangladesh. Positive results are therefore likely to have been overshadowed.

4.11 Coherence

Implementation of the new agenda requires a holistic approach, with attention for policy coherence, to avoid conflict of interest within and between aid policy and trade and investment policy.
Implementation of the new aid, trade and investment policy in Bangladesh shows that coherence has generally existed within the aid policy field. Across development cooperation activities, links have been created across themes and coherence has been established in policy instruments and economic-diplomatic efforts. Attaining both aid objectives and trade and investment objectives has proven difficult, however, causing interventions of traditional development cooperation to dominate.

Dutch IRBC interventions in the RMG sector give room for more optimism. Evidence is found on interventions that have successfully linked aid with trade promotion, although, also for the RMG sector, private sector investment has thus far remained small. The cross-cutting theme of IRBC has, however, offered a starting point and guidance into one coherent policy on aid, trade and investment, thereby contributing to the coherence of Dutch policy.

Positive findings on mix of activities and thematic coherence
Thematic coherence in development policy has generally been successful in Bangladesh. Different types of activities (instruments, projects, events and diplomatic efforts), have been strategically used to leverage resources and achieve success. Additionally, several aid programmes on water, food security and SRHR have been successfully intertwined. The cross-cutting theme of IRBC has, furthermore, offered a starting point and guidance to an integrated approach.

Achieving coherence across policy fields as proven more difficult, but room for optimism exists
Achieving coherence across development policy and trade and investment policy has been far more difficult. For several thematic programmes, commercial opportunities could not be found or taken advantage of. The focus of the aid programmes on poor areas is well justified, but from a business perspective, these are not the most promising areas to target. This underscores the difficulties and sometimes insuperable problems encountered in serving both policy areas.

Linking aid to trade and investment has shown more promising results in the sphere of IRBC in the RMG sector, although, so far, private sector investment has remained limited. The KIT evaluation (2018) identified, several interventions were aid policy has been linked with trade and investment policy. This has occurred, for instance, in CBI interventions (serving Bangladeshi suppliers and Dutch trade promotion) and the integrated embassy approach (activities combining development, economic, and political considerations; see section 4.6.4.). However, attained results have been countered by other commercial forces; particularly pricing strategies and purchasing practices of EU businesses. Whilst RBC is widely stimulated, EU companies are also driving hard bargains for the cheapest possible prices for RMG (Anner, 2017). For Bangladeshi companies, integrating RBC in their business practices, and particularly providing living wages, is perceived to be highly controversial if this is not combined with fair export prices and decent order practices by international brands and importers (IOB, 2019). This effect counters the progress that can be achieved at outcome and impact level, limiting a systematic change in the RMG sector.

The promising first results in the sphere of IRBC do, however, provide evidence on the value of using IRBC, and potentially other cross-cutting themes, tailored at country level to link and integrate strategies, programmes and objectives into one coherent policy on aid, trade and investment, thereby contributing to the coherence of Dutch policy.

5

Ethiopia

5.1 Introduction

The transition process in Ethiopia stands out for its early start to combine aid, trade and investment activities, by continuing development cooperation in the long run, whilst intensifying bilateral economic activities gradually. Thereby, the approach is characterised as a combination of aid, trade and investment. The spearhead of food security has formed the entry point to implement the new agenda. Trade and investment promotion remained a much smaller share of efforts, and continued very much on a parallel path from development cooperation.

The results reveal that Dutch interventions have been valued in terms of applied focus and the active engagement of the Netherlands in donor groups and government-to-government dialogue. However, results on the integration of aid, trade and investment policy also reveal that, although conscious efforts were made to reach coherence and create synergies within and across aid, trade and investment policies, interventions did not always form a logical, consistent and integrated approach, and at times even showed trade-offs in policy goals. It is concluded that although some positive effects of Dutch interventions are found from qualitative research, overall, the implementation of the new agenda will need more time and must be supported by practices that illustrate that profitable business cases and serving aid objectives can go hand in hand.

The remainder of this chapter is structured as follows. The contextual setting within which Dutch policy has been implemented is discussed in 5.2, followed by a discussion on the bilateral relation between Ethiopia and the Netherlands in 5.3. Doing so allows to gain perspective on the achieved results and experienced bottlenecks. Next, inputs and interventions of the transition process are reviewed on: the strategic planning of the transition (5.4); the capacity to implement the new policy (5.5); delegated and central activities undertaken to integrate trade and investment objectives with development cooperation objectives (5.6 and 5.7); coordination of central and delegated activities (5.8); and interventions and instruments to support the transition (5.9). Subsequently, the success of the transition process is reviewed on results achieved (5.10) and the coherence within and between the policy fields (5.11).

5.2 Country context

Ethiopia has provided ample opportunities for inclusive and sustainable development as well as for trade and investment promotion. Nevertheless, the country has also been subject to various challenges, including poverty, poor working conditions (especially in the informal industry) and social and political tensions related to the federalised structure of Ethiopia.

Key indicators of Ethiopia's country context

Table 5.1 present several important indicators for Ethiopia on (human) development and business climate for 2013[93], as compared to the Netherlands.

Table 5.1 Key indicators[94] of Ethiopia's country context

Indices (2013)	Ethiopia	Netherlands
Corruption Perceptions Index	111	8
Human Development Index	173	4
Ease of Doing Business Index	127	31
Global Competitiveness Index	127	8
World Risk Index	70	46

Opportunities for inclusive and sustainable trade and development

Ethiopia has seen remarkable economic growth, registering annual average gross domestic product (GDP) growth rates of almost 10 percent in the last decade (IMF, 2018). Agriculture has played a key role to the economy, and continues to generate the bigger share of employment. Public investments in extension services and infrastructure have produced a significant increase in agricultural productivity and incomes (UNDP, 2018). In 2016, the Ethiopian government formulated an ambitious economic agenda in the second Growth and Transformation Plan (GTP-II), where agriculture was prioritised as driver of development, particularly agricultural based industrial development.

Economic growth of the last decade has, however, been primarily driven by industry and services, indicating changing patterns. Ethiopian development policy has focused on inclusive growth.[95] Consequently, economic growth has facilitated human development as well. For example, in the period 2010/2011 to 2015/2016,[96] poverty rates fell from 30 percent to 24 percent (UNDP, 2018). Human development was also visible on the Human Development Index (HDI); increasing its value on the HDI by 14 percent between 2010 and 2018 (UNDP, undated).

Risks to inclusive and sustainable trade and development

Despite the progress made, Ethiopia has remained a low income country (LIC) in the World Bank classification.[97] Various social, environmental and economic risks have persisted, including low schooling rates, high (youth) unemployment, natural disasters, bureaucracy[98] and corruption.

93 The year that cabinet Rutte II identified the transitional countries.

94 See footnote 12 for more detail on the indices.

95 As demonstrated by the increase in pro-poor spending and the relatively large shares of the education and public health sectors in the government budget.

96 Latest available data.

97 In 2012 (FY2013) and 2019 (FY2020), Ethiopia was classified as LIC. See Footnote 15 for detail on the World Bank classification.

98 Including laborious and annually recurring procedures to obtain a business license and changing regulations.

Also political unrest (also leading to attacks on foreign businesses perceived to be associated with the federal government[99]) continues to play a role. Many donors, international organisations, and civil society organisations are active in Ethiopia. The Ethiopian government has recognised its continued need for donor assistance.

5.3 Bilateral relationship between the Netherlands and Ethiopia

The Netherlands holds a long-standing relationship with Ethiopia, built on diplomatic relations, various agreements and development assistance.

Diplomatic relations: long run and wide reaching partnership
Ethiopia continues to be an important partner country, with the largest delegated ODA budget. As part of the bilateral relationship, the Netherlands has contributed its expertise and innovations (especially in agriculture), engaged in enhanced political dialogue and assisted Ethiopia in hosting refugees from the region. In 2015, a Memorandum of Understanding was signed for 2015 to 2020. The MoU endorsed the ambition to contribute to Ethiopia's economic transformation, poverty alleviation, peace and security, and the rule of law, as well as to stimulate economic cooperation. It explicitly assigned the Netherlands the responsibility to promote (Dutch) companies to respect the principles of corporate social responsibility.
Bilateral relations with Ethiopia have also been addressed within the regional context, as part of the 2014–2017 MASP for the Horn of Africa. The importance of the bilateral relation with Ethiopia has subsequently been defined in the coalition agreement of the current Dutch government, in which the Horn of Africa has been singled out as one of three focus regions for development cooperation (MFA, 2018a).

FMO has also been present in Ethiopia for many years, although it has seen some decline in recent years. In 2016, FMO's disbursed portfolio totalled EUR 20 million, compared to EUR 15 million by 2018, and EUR 10 million by 2020 (FMO, 2021).

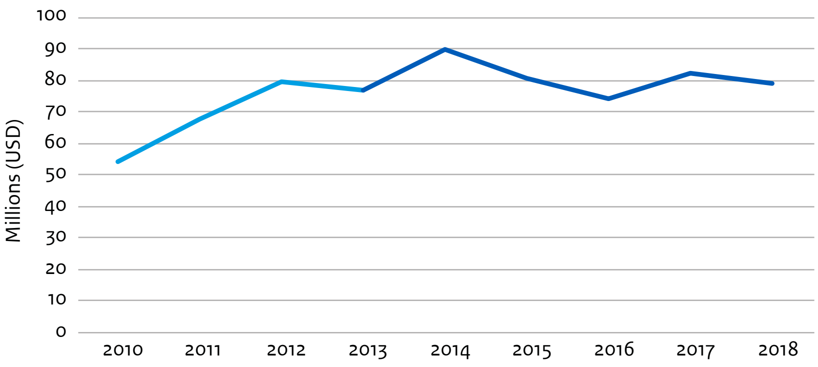
(Bilateral) trade and investment treaties
The bilateral relationship is further built on trade and investment relations, facilitated by several bilateral and multilateral treaties. A bilateral investment treaty entered into force in 2005[100] and a bilateral tax treaty was concluded in 2012 (entering into force in 2014) to avoid double taxation.
Furthermore, Ethiopia benefits from the EU's EBA preference scheme, under the EU's GSP. The preferential scheme has provided for tariff-free exports, including agricultural products such as cut flowers and horticulture products, in addition to manufactures.

[99] For example, in the period 2015 to 2017 six Dutch companies at eight locations were attacked and in February 2018, Dutch and other companies were attacked again, this time in Kobo, in the North-West of Ethiopia.
[100] Focusing solely on the protection of existing direct investments.

The bilateral economic relationship has further developed under the multilateral negotiations of the EU–East and Southern African (ESA) Economic Partnership Agreement (EPA). Although Ethiopia is not included in this agreement itself, it has been involved in negotiations as ESA region-member.[101]

Development cooperation: policy focus and moderate ODA decline under the new agenda
Figure 5.1 depicts the Netherlands' ODA disbursements to Ethiopia from 2010 to 2018, distinguishing ODA disbursements since 2013. Between 2013 and 2018, Dutch ODA disbursements to Ethiopia totalled USD 482 million (averaging USD 80 million annually). The figure identifies changing patterns since 2013. Whereas ODA disbursements increased prior to implementation of the new agenda, disbursements have become more stable shortly after the implementation of the new agenda, with a small decline over time (as of 2014).[102]

Figure 5.1 *ODA disbursements from the Netherlands to Ethiopia*



Source: OECD.stat, 2020 – ODA disbursements, (current prices).

Although Ethiopia is an important beneficiary of Dutch ODA, comparing Dutch to total[103] ODA disbursements to Ethiopia reveals the moderate role that the Netherlands holds as donor. From 2013 to 2018, total net ODA disbursements to Ethiopia amounted to almost USD 24 billion (current prices) (OECD.stat, 2020). The Netherlands accounted for less than two percent. Much larger donors for the same period include the US, the World Bank and EU institutions. The moderate role of the Netherlands as donor must be considered in terms of the effects Dutch resources can have in influencing the Ethiopian context.

[101] Qualifying for the EU's EBA scheme as LDC, Ethiopia does not require an EPA to maintain its preferential market access. The EU–ESA EPA is currently ongoing in discussions for deepening of the agreement.
[102] The delayed decline can be explained by, for instance, earlier made commitments and delays in payments.
[103] Total official donors.

Alignment of Dutch aid, trade and investment policy with Ethiopia's priorities

Dutch policy is well aligned with Ethiopia's 'pro-poor' government policy. The Netherlands has provided long-term support to several (multi-donor supported) large-scale government programmes, including programmes on agricultural transformation and food security[104] and health[105]. For example, in agriculture and food security, connections between the Dutch and Ethiopian government policies are made through, on the one hand a strong focus on food security in ODA-programmes, while, on the other hand, attracting Dutch investors in the agricultural export sector (especially in the foreign currency earning horticulture).
The embassy also supported programmes to strengthen livelihood strategies and job creation, particularly for youth, in agricultural service provision, marketing and processing.

The long-term multilateral contributions are supported by coherent and continued bilateral activities, in the form of innovative, evidence-based bilateral programmes. The embassy has furthermore been involved in policy dialogue with the Ethiopian line ministries.

Due to the volume of the activities and the good connections with the Ethiopian government, the Dutch government is in a position to serve the interests of Dutch businesses, promote IRBC and address sensitive issues to the Ethiopian government (e.g. related to gender and SRHR). Yet this is always a challenging task, where addressing IRBC issues must be carefully balanced with strengthening a bilateral relationship that facilitates trade and investment.

Active role of the Netherlands in aligning Dutch assistance with other donors

With many donors operating in Ethiopia, bilateral support from the Netherlands has been closely coordinated with other donors and international organisations. This occurred, for example, through the institutional framework from the World Bank, the UN and the EU. Funding of development programmes occurred regularly in government/donor funding mechanisms (see for example section 5.6.1). Additionally, the Netherlands has contributed to the setup of and participated in several donor coordination groups. For example, the embassy played a key role in the set-up of the Rural Economic Development and Food Security joint donor Sector Working Group, with its flagship Agricultural Growth Project (AGP) (see the 2014–2017 MASP).

[104] For instance, support provided to the Productive Safety Net Programme (PSNP), the Agricultural Growth Programme (AGP) and the Agricultural Transformation Agency (ATA).

[105] For example, support provided to the Millennium Development Goal (MDG)-performance fund and SDG-performance fund.

5.4 Strategising the transition from aid to trade and investment

The implementation of the new policy was strategised under the guidance of a dedicated policy officer and aimed particularly at the export-oriented agricultural sector. The embassy identified specifically the time-span of the transition, continuing delegated development cooperation in the long run, while intensifying activities in the economic domain only gradually. It was envisioned that development objectives and trade and investment promotion could go hand in hand.

Defining a strategy on five basic principles

The MASPs and embassy activities undertaken prior to 2013 already addressed Dutch trade and investment promotion, particularly in the horticulture and floriculture sector. Activities included building a network[106], obtaining information on investments and stimulating IRBC. Gradually, an approach emerged that linked the aid agenda with the economic agenda.

Under the new agenda, the approach was further developed. The approach has been characterised on five different aspects: 1. Sector choice; 2. Instrument mix; 3. Improvement of the business climate; 4. Informal networks; and 5. Modesty. First, the agricultural sector was explicitly chosen to guide the transition. It provided the opportunity to deploy the Dutch experience and networks developed under the food security spearhead, to serve aid objectives, and over time, create opportunities for Dutch trade and investment. It provided opportunities to align with Ethiopian priorities of poverty reduction, whilst simultaneously targeting a sector in which the Netherlands has long held a comparative advantage. Second, a mix of different interventions would be deployed to facilitate the transition. Interventions would include engaging in dialogue, funding of on-the-ground projects and providing assistance to Dutch businesses. Third, to the approach would not only focus on facilitating Dutch companies directly, through tailored support, but also emphasise efforts to enhance the business climate (e.g. efforts to influence national policy design). Fourth, building and maintaining networks was key in the approach, including efforts to coordinate donor assistance and building multi-stakeholder networks for collaboration and information exchange. Fifth, the embassy applied a sense of modesty, recognising the small share of Dutch assistance and Dutch trade and investments compared to other donors, e.g. China and the US, thereby being modest in setting goals.

A dedicated policy officer and long-term approach to transition

A dedicated policy officer was appointed for the transition process. Transitioning only very gradually implied for agriculture specifically a shift of focus from food security to agricultural growth; from agricultural growth to aid for agribusiness; and finally an agribusiness-based transition to trade (EKN in Addis Ababa, 2013). Anticipating that Ethiopia would likely remain to hold the status of LIC for many years to come, the embassy committed to continue its development cooperation in the long run.

[106] The political unrest and threats of attacks between 2015 and 2017 further strengthened the network with Dutch investors.

Over time, economic activities would gradually be intensified parallel to the development cooperation (EKN in Addis Ababa, 2013). Therefore, implementation of the new agenda was designed much more as a combination of aid, trade and investment rather than a clear-cut transition from one to the other. This was assisted by the fact that the embassy in Ethiopia did not receive a clear cut-off date for its delegated ODA budget.

5.5 Staff capacity to implement aid, trade and investment policy

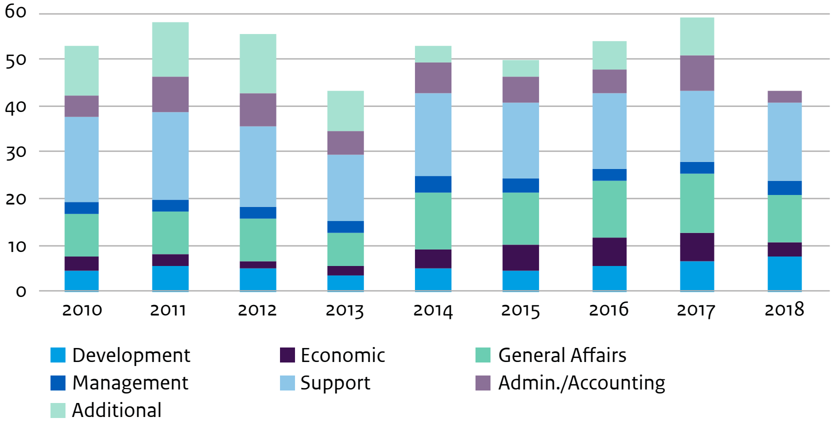
Embassy staff in Ethiopia has seen a negligible change between 2013 and 2018, despite the much needed capacity to implement the new policy. Noteworthy is the absence of a distinctive change in composition of embassy staff over time, and in particular the small share staff with economic expertise and tasks (even today), despite the strategised gradual increase in trade and investment activities.

Findings on the execution of tasks show a professionalism and dedication in the embassy's efforts, where different embassy divisions have acted in an integrated manner. Room for improvement can be found in the support and coordination with DGBEB and thematic departments in The Hague.

Marginal change in staff capacity and a continued small share of economic capacity.
Figure 5.2 depicts total embassy staff (measured in FTEs),[107] and the categorisation of staff from 2010 to 2018. Between 2013 and 2018, no substantial change in total capacity is witnessed to support the transition, with a total capacity of 43.2 FTE in 2013 to 43.4 FTE in 2018.[108]

[107] The agricultural attaché is part of the 'Economic' data. 'General Affairs' includes, amongst others, political division staff, staff with regional positions, general affairs, and staff and press and cultural affairs staff.
[108] In 2019, total staff capacity slightly increased, to 46.5 FTE.

Figure 5.2 *Staff capacity embassy in Ethiopia (in FTE)*



Source: MFA, Human resources department (HDPO), 2020.

Moreover, developments in staff composition do not match the expected developments of the new agenda, nor of the specific translation of the new agenda in the strategised transition. A change from development staff towards more economic-oriented staff did not occur. Even when accounting for the strategised approach, where a transition was to occur only gradually, staff developments do not reflect such a change. Economic staff increased somewhat over time, from 1.7 FTE in 2013 to 3.0 FTE in 2018 (but fell to a level of 1.0 FTE in 2020). However, development staff increased much more, from 3.6 FTE in 2013 to 7.4 FTE in 2018. The (temporary) small increase and continued small share of economic expertise and tasks are noteworthy, given the intended (although slow) transition towards an increased focus on trade and investment activities. They are also noteworthy against the background of the ambitions expressed in the *Motie Sjoerdsma C.S.*[109] to promote economic diplomacy at embassies.

The absence of a pronounced change in embassy staff composition to support the transition may be partly explained by the fact that decisions about the allocation of diplomatic embassy staff are taken at the central level by the 'Regions Pool Management Team'. The RMT comprises the regional directors of DAF, DAM, DAO, DEU and DWH. The directors of DIO (part of DGBEB) and BIS (part of DGIS) only participate in 'RMT+ meetings' (more elaborate meetings), but do not have (significant) influence on the allocation of staff. Hence, decisions of the RMT may not always support policy goals of the aid, trade and investment policy nor match one-to-one with the ambitions of DGIS or DGBEB for this policy. Therefore, the allocation of embassy staff may not align with the staff needed to implement the transition.

[109] See section 3.2.

Embassy efforts: an integrated team and approach, marked by dedication and hands-on support
Findings on the execution of tasks show a professionalism and dedication in the embassy's efforts to implement the new agenda. Different embassy departments cooperated well with one another, acting in an integrated manner. This has, for example, been the case with the full integration of the agricultural attaché into the embassy development and economic team and the annual economic work plan of the agricultural attaché fully integrated into the embassy's annual plan.

The embassy's dedication was also found in its hands-on support to Dutch businesses. Following the tensions and attacks between 2015 and 2017, which also affected six Dutch companies,[110] the embassy responded adequately, communicating with Dutch investors and addressing safety issues and financial compensation with Ethiopian authorities. The value added of the embassy in its support to companies is also underscored in the KIT evaluation on Dutch IRBC policy (2019). Interviewed companies acknowledged the valuable role of the embassy as contact point for business-related questions (Bitzer, 2019).

Varying success in leveraging embassy capacity with support from MFA and other government institutions
Implementing the new policy required embassies to deploy specific expertise and support from policy departments and implementing agencies in The Hague. Embassies could leverage their knowledge and expertise, for instance, through the knowledge expertise available at the MFA department (e.g. from regional departments, thematic departments and Business Development (BD) coaches) and through RVO (e.g. from PSD coaches and PSD Apps). Support from and collaboration with the different government institutions has varied. The embassy perceived limited support from DGBEB and policy theme departments to implement the new agenda. Whereas this can, to a certain extent be explained by the limited focus of DGBEB on Ethiopia in the 'top sectors' approach (see section 3.3), with only one 'top sector', MFA departments (also others than DGBEB departments) could have been more supportive in different ways, for example providing expertise, including on cross-cutting issues, as well as documenting best practices of other embassies and making them more accessible. Since 2018/2019, DIO has structurally increased its capacity for Sub-Saharan Africa. However, also today, the embassy noted there is still room for improvement in the support from and coordination with DGBEB and thematic departments. Results were different for the regional department DAF, which was identified to have been of added value to the embassy in terms of its support and expertise.

Contrarily, substantial support to the embassy was provided by RVO. A designated PSD coach formed a focal point at RVO, as part of the PSD Apps programme (see section 4.9). The coach was found to support the embassy on a frequent basis, with in-depth knowledge and coordination of activities and strategies. It also supported the embassy in overall government coordination, between RVO, the embassy, the MFA department and Dutch companies and business associations.

[110] Between 2015 and 2017, anti-government protests over disputed land rights and alleged human rights violations spread across Ethiopia. In the process, several flower farms, including six Dutch-owned farms at eight locations, were attacked due to the (alleged) association with the regime and land governance issues.

5.6 Development cooperation portfolio

In Ethiopia, the Food Security Programme has provided the embassy with the most opportunity to implement the new agenda. Development cooperation has been provided in a 'tankers and speedboats' approach (see Box 5.1), especially visible in the Food Security Programme. In the Programme, large multi-donor/government initiatives, the tankers, have been funded to provide leverage to Dutch funds and a point of entry for dialogue with the Ethiopian government. Additionally, innovative, evidence-based, bilateral programmes (the speedboats) have been funded to influence the direction of the tankers.

The embassy's development cooperation portfolio is characterised for its solid and well-designed approach, with focus and connection to the objectives of the new agenda. Yet also challenges were defined, for example, in the 'tankers and speedboats approach'. For a number of projects funded under the Food Security Programme, achieving impact on a large scale in a relatively short project period was found unrealistic with the risk that unproven technologies and approaches are scaled up.

Development cooperation remained to serve primarily aid objectives. This is evident from the continued (and even increased) focus on the objective of reduced food insecurity in funded projects and programmes and the limited delegated ODA expenditure on PSD activities. Results do not indicate evidence of a strong transition or the effective integration of trade and investment policy in the development cooperation portfolio. There is also no proof of strong coherence so far between the spearheads and between aid, trade and investment activities.

Funding and portfolio patterns: continued aid and enhanced focus on food security, in line with the strategised implementation of the new agenda

The embassy described Dutch development policy objectives for Ethiopia in the 2014–2017 MASP, and adjustments thereto in the Annual Plan 2017. The spearheads for Ethiopia have been food security, sexual and reproductive health and rights, and security and rule of law. Cross-cutting themes of IRBC, democratic structures, land rights, gender and youth were also identified.

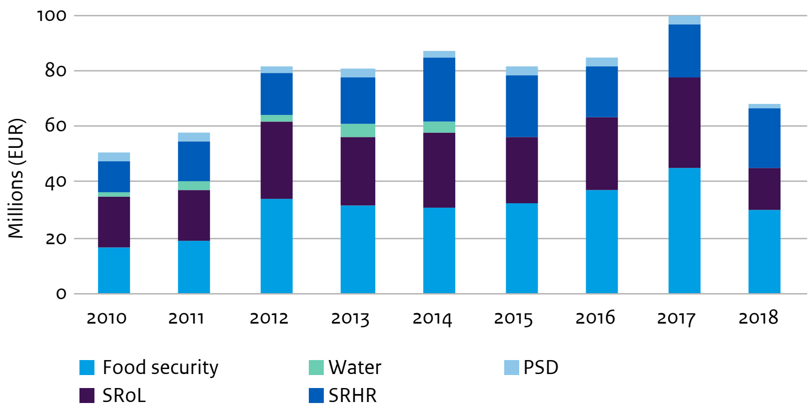
Between 2013 and 2018, delegated ODA expenditure for Ethiopia totalled EUR 354 million (averaging EUR 59 million annually), and funded, on average, 45 activities per year.[111] Among the delegated programmes are programmes for Ethiopia specifically, but also regional programmes for Ethiopia. This includes for example funding for Ethiopia of the Intergovernmental Authority on Development (IGAD) and the African Union (AU), for which the EKN in Addis Ababa is also the budget holder.[112]

[111] An overview of delegated ODA expenditure per year and the corresponding number of activities is presented in Table A4.1 of Annex 4.

[112] Delegated ODA expenditure for Ethiopia on these regional programmes included approximately EUR 606,000 on IGAD (2012 and 2014–2017) and EUR 3 million on AU (2012–2014).

Figure 5.3 below presents delegated ODA expenditure for 2010 to 2018, categorised per spearhead and for PSD. Delegated ODA expenditure remained fairly stable, especially since the introduction of the new agenda, with only a small reduction since 2013 (seven percent).[113] Important to note is that the sum of the five disaggregated categories of delegated expenditure for the period 2013–2018 in Figure 5.3 do not match one-on-one with total delegated expenditure (EUR 354 million) for the period under study. This is explained by, amongst others, 'double counting' of funding of activities in the disaggregated data. For example, funded projects may serve food security – as well as SRHR objectives, and may hence be counted under both spearheads. Additionally, this is caused by inclusion of weighted values (based on the activity's relevance/applicability under the designated spearhead). Nevertheless, using disaggregated delegated ODA expenditure in the analysis allows to review how the transition strategy and plans identified in the MASPs have been implemented (from aid to trade within the thematic portfolios).

Figure 5.3 *Delegated ODA expenditure per spearhead and PSD*



Source: MI OS, 2020.

Figure 5.3 shows that implementation of the new policy has been shaped by sustained spending on development cooperation, with enhanced emphasis on food security. Delegated ODA spending on food security increased over time (both in absolute terms and as share of total delegated expenditures). Whereas it did see a small decrease in 2018, it picked up again in 2019 and 2020.[114] Delegated ODA spending on PSD activities declined, both compared to the annual average under Rutte I,[115] as well as between 2013 to 2018. Additionally, delegated spending on PSD remained only a marginal share (also after 2018), at a total of four percent (EUR 16 million) of total delegated ODA.

[113] In recent years, delegated ODA expenditure has increased a little, at EUR 83 million in 2019 (including EUR 213,000 from regional funds) and EUR 90 million in 2020 (including EUR 1.4 million from regional funds).

[114] Delegated ODA expenditure categorised under food security totalled EUR 52 million in 2019, and EUR 58 million in 2020.

[115] Annual average delegated ODA expenditure on PSD totaled EUR 3.1 million between 2010 and 2012 compared with EUR 2.6 million between 2013 and 2018.

Portfolio patterns: the tankers and speedboats approach
The embassy's portfolio of development cooperation has been a mixed approach of 'tankers and speedboats' (see box 5.1). The approach has been designed to create real impact (long-term assistance to substantial, demand-driven tanker projects), whilst aiming to influence and adjust the course of the tankers with promising results from the innovative, light-weight bilateral speedboat projects. Application of this approach is specifically evident in the selection of programmes in the Food Security Programme.

Box 5.1 *Tankers and speedboats*

The 'tankers and speedboats' approach was identified in interviews with the embassy in Ethiopia. The approach is developed to be mutually enhancing. Demand-driven assistance has been provided to several large multi-donor trust funds that support government policy: the 'tankers'. There are several examples of this in the Food Security Programme, such as the multi-donor/government initiative, the Productive Safety Net Programme (PNSP) and the Agricultural Growth Programme (AGP) (see section 5.6). In parallel, the embassy has supported innovative, evidence based, bilateral programmes: the 'speedboats'. Ideally, successful bilateral programmes can be embedded and up-scaled to support the effectiveness of tanker programmes. The 'capacity building for scaling up of evidence-based best practices in agricultural production programme' (CASCAPE) is an example of a speedboat practice.

The tankers and speedboats approach is supported by policy dialogue with other donors and with respective Ethiopian ministries and departments.

Seeking enhanced coherence of development cooperation
The 2014–2017 MASP noted the need for greater coherence, in particular within the food security portfolio, but also between the three spearheads in general. The embassy would aim to enhance: synergy within the food security programme; linkages amongst priority themes; and coherence between centrally and embassy-funded activities. Ambitions to create opportunities for trade and investment within development cooperation activities were not explicitly defined in this vision. Instead, the embassy aimed to continue serving aid objectives primarily with economic activities that were only gradually being intensified, and in parallel to development cooperation.

Focus and links to the new agenda, yet challenges in the practical translation of the tankers and speedboats approach
The embassy's development cooperation portfolio is characterised for its solid and well-thought out design, with focus and connection to the objectives of the new agenda (ISB, 2018b). Furthermore, it has been developed in a demand-based manner, to answer to the pro-poor emphasis in Ethiopian policy. As regards the tankers and speedboats approach, results have also shown the challenges faced in the practical translation and upscaling of projects (see section 5.6.1)

5.6.1 Food security

Food security, and more in general, the development of the export-oriented agricultural sector, provided the main hook for the implementation of the new agenda. This would occur only gradually, and without compromise to serve aid objectives. The food security policy has been designed as a three pillar approach: 1. reduced food insecurity, especially of households in vulnerable areas; 2. private sector development, aiming particularly to enhance productivity and market access; and 3. enhanced competitiveness of the agribusiness sector. This approach has been in line with Ethiopia's national policy. In the three pillar approach, a gradual transition was envisioned, from development cooperation for pillar 1 towards pillars 2 and 3. The idea was that especially pillar 3 would provide leads for Dutch trade and investment promotion.

Results identify the well-defined approach of the embassy, where activities have been selected to apply focus and consistency. Food security interventions have been coordinated with the central programme, contributing to the coherence of the overall Dutch approach. However, synergies within the pillars, across the overall Food Security Programme and between other policy fields have been limited, with some trade-offs seen in activity objectives. Furthermore, results show the continued dominance of activities to reduced food insecurity (pillar 1). Pillar 2 and pillar 3 activities remained moderate as a share of the total Food Security Programme.

The continued focus on food security (pillar 1) is in line with the strategised approach, but also highlights constrained possibilities for trade and investment, thereby delaying integration of aid, trade and investment policy. Additionally, implementing the agenda identified the challenges of integrating the different goals of the new agenda, at times creating incoherencies or even conflicting one another where trade-offs were made either explicitly or implicitly.

Policy focus: food security and PSD, within a more competitive business climate

The (maintained) focus on food security (with objectives of food security and agricultural growth) provided opportunity to address aid objectives (reducing food insecurity), whilst also connecting to and building on existing Dutch activities, specifically focusing on areas where the Netherlands has held it expertise. The food security approach was envisioned to gradually shift. It assumed a (long-term) development of aid for agriculture, so that Dutch assistance could gradually shift focus (both in activities and resources) with the maturing of agricultural value chains: from aid for food security; to aid for agricultural growth; to agribusiness aid to transition; and, finally, to aid for trade and investment (export growth). The envisioned approach has aligned with Ethiopian policy. Ethiopia's priorities, outlined in the GTP-II, encompassed the transformation of the agricultural sector and industrialisation (agro-processing). The focus was on supporting smallholders and attracting export-oriented direct investments to generate foreign currency. These focus areas aligned specifically to pillar 2 and 3 of the Dutch approach.

Policy focus: identifying opportunities for trade and investment
With around 80 percent of Dutch companies present in the agricultural sector (EKN in Addis Ababa, 2013), the embassy identified agriculture as the sector to explore opportunities for trade and investment, specifically in horticulture, dairy, seeds and sesame. Opportunities for trade and investment could be created from the benefits of more developed value chains (pillar 2) and a more competitive business environment (pillar 3). As such, economic opportunities were not directly created as part of development assistance, but could result from the effect of aid.

Policy focus: integration of IRBC into the food security programme
IRBC has increasingly been integrated into embassy activities, including in the food security programme, although no explicit IRBC strategy has been developed yet. Activities have mainly focused on awareness raising, advising Dutch businesses (specifically on conflict sensitivity), support for fair trade standards and advising implementing agencies, if Dutch companies relied on supportive financing schemes. Whereas the previous MASP did not pay ample attention to IRBC yet, the new MACS explicitly does so, which could increase coherence and create synergy. Additionally an explicit IRBC strategy is planned to be developed in 2021, which could allow for better planning and identifying where opportunities exist, in the Food Security Programme, as well as in the development cooperation portfolio as a whole.

Funding and implementation of activities: effectively selected activities, with focus to achieve pillar objectives
From 2013 to 2018, delegated expenditure on food security totalled EUR 207 million (averaging over EUR 34 million annually). Between 2013 and 2018, delegated ODA expenditure on food security has shown a fairly stable trend and remained a substantial share (58 percent) of total delegated ODA expenditure.

Activities were selected on their focus to serve pillar objectives. For example, multi-donor/government initiative, the Productive Safety Net Programme[116] (PSNP), served as the most important programme under pillar 1 (30 percent of total 2013–2018 delegated ODA on food security). PSNP aimed to contribute to solving structural and chronic food insecurity in rural Ethiopia. Furthermore, the Agricultural Growth Programme[117] (AGP) and the capacity building for scaling up of evidence-based best practices in agricultural production programme (CASCAPE) have served pillar 2 objectives: to increase productivity and market access in surplus producing areas, particularly of smallholders with a commercial potential. Finally, the Ethiopian Horticulture Producer Exporters Association (EHPEA), the Agribusiness Support Facility[118] (ABSF), and the dairy sector programme (DairyBISS)[119] were funded to serve pillar 3 objectives of enhanced competitiveness of the agribusiness sector.

[116] PSNP was launched in 2005. Phase 3 ran from 2010 to 2015.
[117] The AGP (2011–2015) was implemented by the Ethiopian Ministry of Agriculture and aimed to increase agricultural productivity and market access for key crop and livestock products in targeted areas. Other donors included, amongst others, the World Bank, UNDP, the United States, Canada and Finland.
[118] Further discussed under section 5.9.
[119] DairyBISS, is an example of a speedboat programme.

The activities aim to strengthen value chains (through created added value and quality improvement) and enhance the enabling environment.[120]
Next to funding projects and programmes, the embassy participated in various (multi-donor) sector working groups, for policy dialogue and increased aid effectiveness.

A well-designed approach with added value to the sector
The Food Security Programme has been well-designed and, especially for pillar 2 and 3, in line with aid, trade and investment policy. Despite the large number of different food security activities funded, individual activities have a high degree of focus and logical consistency. Furthermore, the embassy has been appreciated for its strong role in contributing to the development of specific agro-sectors (sectors in which the Dutch companies have held a comparative advantage), particularly horticulture, input seeds, oilseeds and dairy (Bitzer, 2019). The impact study of Ecorys (2017), furthermore, showed positive results under pillar 1, with projects under pillar 1 found to contribute to reduced food insecurity. In the case of the projects under sub-objective 2 and 3, no evidence in the form of monitoring data could be found to substantiate conclusions of a contribution effect to food security, thus no clear conclusions could be drawn on the results of these projects (Ecorys, 2017).

The tankers and speedboats approach: practical translation and upscaling has overall remained a challenge
Despite the overall well-designed approach on food security, also problems were identified, particularly in regards to the balance of innovation versus opportunities to scale up under the tankers and speedboats approach. IOB (2017a) identified that problems arise when objectives of innovation and scaling up are combined in a single short-term (3–5 years) project. Scaling up can be expensive, and for a number of projects funded, achieving impact on a large scale in a relatively short project period has been "unrealistic and carries the risk that unproven technologies and approaches are scaled up" (IOB, 2017a, p. 158). An example is the Geodata for Agriculture and Water (G4AW) programme, where projects have developed innovative products and services, which are certainly worth testing. "Some of these projects, however, have very ambitious, short-term scaling-up targets, which may compromise thorough innovation development" (Ibid.).

Limited coherence and synergy within the Food Security Programme and with other spearheads
Little synergy has been achieved within and across the three pillars (Ecorys, 2017). These findings were most pronounced for pillar 3 projects, with no signs of real synergies found (Ibid.). Furthermore, some trade-offs between the three pillars were found. For example, strengthening the competitiveness of the agri-business sector (pillar 3) can have a negative impact on the position of smallholder farmers (pillar 1). Lack of coherence and synergies were also identified for the Food Security Programme with other spearheads (Ecorys, 2017). For example, selection of projects at the nexus of food security and water was limited, as the delegated ODA budget for water was small, and reduced further over time.

[120] In the MASP 2014–2017, the objective 'improved business climate' was removed (Ecorys, 2017).

Although some programmes did show links to other spearheads (e.g. targeting also objectives of other spearheads[121]), coherence was weak at output and outcome level, with lack of collaboration and information sharing as underlying problems (Ibid.). Moreover, some programmes serving food security objectives did not serve environmental objectives, where several programmes lacked environmental focus or even could cause negative environmental effects (Ibid.).

Lack of coherence and synergy between policy fields

Trade-offs were further identified between other policy fields. For example, stimulating trade of flowers of Dutch businesses in Ethiopia can adversely affect food security. This applies especially if cash crops compete for land and there is a risk of pushing out land for food cultivation of small holder farmers. Research of Utrecht University underscored these findings. First findings of the 'Follow the Food' project showed that "the effects of an inclusive business reached beyond direct impact", and that "a good understanding of the potential side effects – such as increased farmer dependency on the buyer, decreasing crop diversity or reproducing gender relations is absent in most business interventions. These side effects influence food security in the longer term." (F&BKP[122] and NWO[123], 2019, p.1). An important conclusion for Monitoring, Evaluation and Learning (MEL) is that the assumptions behind the project call for an ongoing critical reflection and clear explication of potential trade-offs and side effects; identifying them early on (before project implementation) and monitoring and documenting them to allow for adjustment and learning.

Additionally, disregarding side effects, findings from the 'Follow the Food' project identified that "increase in agricultural productivity and quality might contribute to improved farmer income, but [this] does not automatically translate to improved local food security" (F&BKP and NWO, 2019, p.2). This further underscores the necessity for MEL at different moment in time and at different stages of the intervention logic.

Reduced food insecurity remained main focus of the food security portfolio

When reviewing delegated expenditure per pillar, results show that the focus remained on reducing food insecurity (pillar 1). For the time under study, pillar 1 programmes continued to play a dominant role in the Food Security Programme. Pillar 1 programmes comprised a grand share of food security spending, at 43 percent of total food security expenditure. Additionally, pillar 1 programmes increased in share over time; at approximately 20 percent of total delegated expenditure on food security programmes in 2013, compared to 60 percent by 2018. Pillar 2 programmes comprised a similar share in the portfolio, but their share declined over time; from 60 percent in 2013 to 30 percent in 2018. Delegated ODA spending on pillar 3 programmes has been the smallest, and substantially decreased over time; from 20 percent in 2013 to five percent in 2018.

[121] For example, support to Mary Stopes International Ethiopia (provider of contraceptives and safe abortion services) was identified as potential link to the horticulture sector (with a high presence of women working in the sector).

[122] Food & Business Knowledge Platform.

[123] *Nederlandse Organisatie voor Wetenschappelijk Onderzoek* – Dutch Research Council.

The main focus on pillar 1 programmes for the period under study is in line with the approach strategised (continued focus on reducing food insecurity), but shows a trend opposite to that of a (slow) transition towards funding to promote trade and investment.

Some potentially promising results may, however, be witnessed in the future. For example, the embassy has been working on a potentially promising integrated approach to regional development (Hawassa) and strengthening of export-oriented agro-logistics (Flying Swans initiative for an export-oriented cold chain between Addis and Djibouti), coupled with local production.

5.6.2 Sexual and reproductive health and rights

The embassy's approach on SRHR focused specifically on access to and strengthening health services, sexuality education and the coordination of assistance within the sector. Results shows that, unlike the Food Security Programme, the SRHR Programme provided few leads to effectuate the transition. Consequently, results show no evidence of the integration of trade and investment policy into the SRHR Programme.

Approach: clear policy focus and searching for trade and investment opportunities
The focus of the SRHR Programme was identified in the MASP of 2014–2017. It has contained four sub-objectives: 1. a strengthened overall health system; 2. increased access to sexual and reproductive health care; 3. sexual education; and 4. coordination of different actors in the field. SRHR interventions have included added focus on women empowerment and gender equality,[124] and have aligned well with the Dutch policy focus on gender in the new agenda. Furthermore, the embassy's efforts were identified to seek ways to implement the new agenda, e.g. finding opportunities for private investments and deploying private sector instruments.

Funding and implementation: funding mixture of cornerstone programmes and various diverse interventions.
Between 2013 and 2018, delegated ODA expenditure on SRHR totalled EUR 123 million (averaging EUR 20 million). The SRHR Programme comprised a share of one third of total delegated ODA expenditure, and somewhat increased in share between 2013 and 2018.[125] Large contributions include funding of the MDG-Performance Fund and SDG-Performance Fund[126] and support to the American NGO DKT/Ethiopia[127] and the Family Guidance Association

[124] Additionally, there is an earmarked delegated budget for women rights and gender equality (for the coming years, EUR 1.5 million annually). Note that SRHR, women rights and gender equality are different themes and do not necessarily match one to one in the MI OS database.

[125] Delegated ODA expenditure on SRHR has remained at a similar share of the total budget since 2018; around a third of total delegated ODA expenditure.

[126] The MDG-Performance Fund has been a multi-donor trust funds, supported by various international donors (e.g. the UK, World Bank and Australia). It has been managed by the Ethiopian Ministry of Health and aimed to secure additional finance to the Health Sector Transformation Plan. The SDG Performance Fund is its successor.

[127] DKT/E is the second largest supplier (first being Ethiopian government) of family planning and contraception products to the private sector in Ethiopia.

of Ethiopia (FGAE)[128]. Smaller contributions were also made, including funding regional initiatives (e.g. support of regional health associations), international initiatives (e.g. support to the United Nations Children's Fund (UNICEF)), Dutch NGOs and research and national surveys. Additional to funding activities, the embassy has facilitated coordination of different actors and exchange of best practices, for example by support to the Consortium of Reproductive Health Associations.

Limited results of coherence and synergies between spearheads and policy fields
Unlike the Food Security Programme, the SRHR Programme provided little opportunity to link aid with trade and investment. Also results of established linkages between the spearheads lack. Although some of the selected programmes under the SRHR Programme served objectives of other spearheads as well,[129] real coherence between the spearheads at outcome level has not been found.

5.6.3 Security and rule of law

The embassy's SRoL Programme aimed to enhance good governance and improve the business climate. The SRoL Programme was mainly used strategically, to allow for an opening for (more equal) engagement with the Ethiopian government. Engaging with the Ethiopian government on a more equal footing has been in line with the new agenda, transitioning to a more mature trade and investment relation. Yet it also limited the possibility to critically address the government on sensitive subjects, such as human right violations, consequently creating incoherence in different policy objectives.

Results show the limited role of the SRoL Programme in the transition process. Potential opportunities for Dutch companies have not been found in the implementation of aid activities. They might, however, be expected (in the long run) from interventions to enhance the business climate.

Approach: enhanced good governance and an improved business climate
The SRoL Programme has allowed the embassy to strengthen its network, obtain relevant context information and provide an opening for dialogue with the Ethiopian government (ISB, 2018b). In the MASP of 2014–2017, the embassy identified a two-track approach with two objectives: 1. Contribute to good governance, and 2. Contribute to an improved business climate (EKN in Addis Ababa, 2013). The SRoL Programme stands out for the overarching ToC that has been developed, based on the assumption that good governance and socioeconomic development are mutually reinforcing. Furthermore, five sub-objectives were identified: 1. Increased human security; 2. Effective rule of law; 3. Inclusive democratic processes; 4. Legitimate and capable government; and 5. Employment and basic social services (Ibid.).

[128] FGAE provides poor and marginalised populations with family planning, abortion care, maternal and child health care and prevention and treatment of STDs.

[129] E.g., support to Mary Stopes International Ethiopia, providing contraceptives and safe abortion services, was identified by the embassy as potential link to simultaneously serve objectives of food security (in horticulture, were many women work).

Funding and implementation: mutual enforcement of good governance and improved socioeconomic conditions

Between 2013 and 2018, delegated ODA expenditure on SRoL totalled EUR 150 million[130] (averaging EUR 25 million), but it almost halved over time.[131] Activities were selected on their focus to serve (one of) the five pillars of the ToC. Important delegated contributions, both from the embassy's own budget and from the regional budget of the Horn of Africa, spent in Ethiopia were dedicated to IGAD and AU, to implement regional peace and security programmes. Other, smaller contributions, primarily from the embassy's own budget, were made to fund activities to build capacity of important (government) institutions (such as the Ethiopian revenue and customs authority), human rights activities, and activities to strengthen civil society.

A balancing act: engaging with the Ethiopian government on a more equal footing, at the risk of other policy objectives of SRoL policy

The strategic set of SRoL activities enabled the embassy to engage in a more balanced relationship of collaboration and dialogue with the Ethiopian government (ISB, 2018b). The approach has therefore fit well with the new agenda, seeking (diplomatic) trade and investment relations on a more equal footing. However, engaging with the Ethiopian government was also found to risk the possibility to critically address the government on more sensitive subjects, such as human right violations, shrinking civil society space and lack of democratisation (ISB, 2018b). Although the embassy acted strategically to balance objectives, the trade-off that existed identifies an incoherence, and consequently the limitations of what could be achieved within the SRoL approach.

Potential leads for Dutch companies from business climate enhancing activities in the long run

Programmes and projects under the SRoL Programme have remained within the aid domain, with little direct leads for trade and investment. However, especially the second track of the approach, improving the business climate, can in the long run benefit Dutch companies. Particularly funding activities to reduce corruption, red tape, and inefficiencies, as well as activities to increase (political and economic) stability can positively contribute to the business climate.

[130] A large share of this sum is funding on PNSP, ATA and other food security programmes, which also address SRoL objectives. As explained in the general paragraph of 5.6, funding can be categorised and counted for under different spearheads.

[131] In recent years, however, SRoL spending increased. Delegated ODA expenditure on SRoL totalled EUR 35 million in 2019 and EUR 38 million in 2020. However, large contributions include a large increase in funding to PNSP and ATA in 2019 and a large contribution to PNSP 4, to address the effects on food security caused by the COVID crisis.

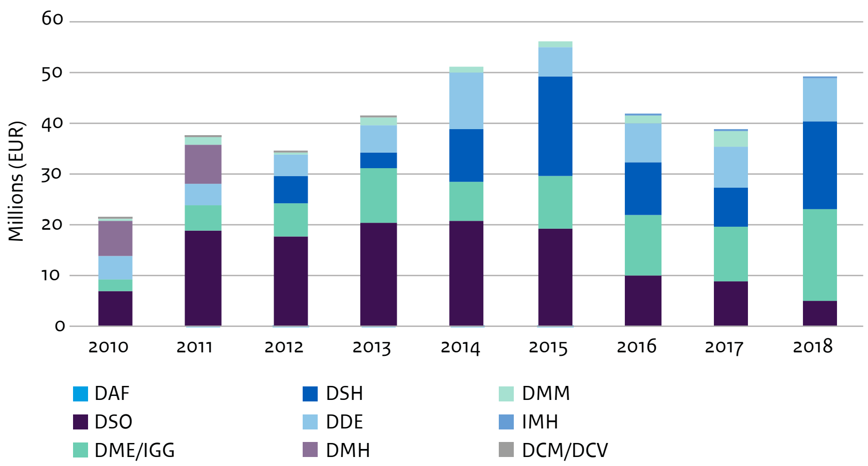
5.7 Central ODA activities

Central ODA interventions were funded through various channels, including MFA departments and implementation organisations. Whereas for the time under study, central funds financed programmes mainly in the development cooperation domain, a slow transition can be witnessed over time, away from social development programmes towards PSD programmes, and to some (although much lesser) extent to trade and investment promotion.

A slow transition from social development to PSD and, even more moderately, trade and investment promotion
Between 2013 and 2018, central ODA expenditure amounted to EUR 277 million (averaging 46 million annually). Central ODA expenditure increased from EUR 41 million in 2013 to EUR 49 million in 2018 (an increase of 19 percent). Figure 5.4 presents central ODA expenditure in Ethiopia (above a 2010–2018 total of EUR 0.5 million[132]) for the period 2010 to 2018, categorised by MFA departments. Central programmes have included national programmes and regional/global programmes[133] in which Ethiopia has been a recipient. Important recipients of central ODA expenditure have been NGOs (e.g. under the framework of Dialogue and Dissent[134]). Between 2013 and 2018 the largest share of central funds was channelled via DSO (30 percent), IGG[135] (25 percent) and DSH[136] (25 percent). It must be noted that a substantial share of the activities funded by DSH have comprised of emergency relief and refugee programmes, which over represents the share of DSH in the transition process. A little less, but still important share of central funds was channelled via DDE (17 percent).

132 Figure 5.4 also includes data for the departments IMH and DAF, despite a budget below EUR 0.5 million (respectively EUR 362,000 and EUR 17,000), given its relevance in the implementation of aid, trade and investment policy.
133 For regional/global programmes, spending for Ethiopia is an average of total recipient countries. Although this may cause some discrepancy, analysing the data does provide insight on the patterns of central spending over time.
134 Dialogue & Dissent is a government programme aimed at strategic partnerships with civil society organisations for ‘lobby and advocacy’. It builds on previous initiatives financed under the MFS-framework.
135 Including the previous DME.
136 *Directie Stabiliteit en Humanitaire Hulp* – Department for Stabilisation and Humanitarian Aid.

Figure 5.4 *Central ODA expenditure*



Source: MI OS, 2020.

Evident from the figure is the prominence, and specifically, the increase of central ODA expenditure through IGG during the time under evaluation, and remaining a large share in the years after 2018 as well. Additionally, spending increased also compared to spending patterns prior to 2013. Under Rutte I, annual central ODA expenditure by DME[137] (the predecessor of IGG) averaged less than EUR 5 million, compared to an annual average of almost EUR 12 million by DME/IGG between 2013 and 2018. IGG funds agricultural, water, climate and energy programmes that address aid objectives (e.g. food security, but also PSD) and trade and investment objectives, e.g. programmes that create opportunities to use Dutch expertise. Additionally, ODA expenditure via DDE increased (funding PSD and sustainable trade and investment programmes), when compared to the Rutte I period (an annual average of just above EUR 4 million to EUR almost 8 million respectively). Additionally, it increased for the period under evaluation, and continued to be an important share in the years after 2018 as well.
Although still a marginal share of total ODA expenditure, IMH (addressing sustainable trade and investment) has also come to play a bigger role since 2016, and continued to do so after 2018.

The data further show the significant decline (a decline of 75 percent) of central ODA expenditure on social development programmes, funded by DSO, from almost half of total central ODA expenditure in 2013 to only ten percent in 2018. The decline in social spending is largely found in the closure of the Co-Financing System, MFS II[138] (2011–2015). The succeeding Strategic Partnerships Programme, Dialogue and Descent, held a much smaller budget.

[137] *Directie Klimaat, Milieu, Energie en Water* – Climate, Environment, Energy and Water Department, renamed to IGG.
[138] In Dutch: *Medefinancieringsstelsel II.*

As mentioned above, DSH's expenditure did increase, also in the years after 2018, but most funds were dedicated to post emergency- and refugee programmes, rather than contributing to the business climate.

Pronounced role for RVO as implementing agency
Results show the central role that RVO has played, implementing various ODA instruments. Many RVO programmes are open for Ethiopia, including DGGF (track 1), ORIO, DRIVE[139], FDW[140] and FDOV[141]. Between 2013 and 2018, RVO-implemented programmes totalled EUR 36 million, channelled via 12 different programmes, (IATI, 2020). Most spending occurred via programmes of FDOV, PSI, and FDW. The data further show some (small) change in ODA expenditure of the instruments within the period under evaluation, with some increased levels in later years. In the early years of the evaluation (2013–2015), RVO funds on the ten instruments averaged EUR 5.4 million annually. In the second half of the evaluation, they averaged EUR 6.7 million annually.

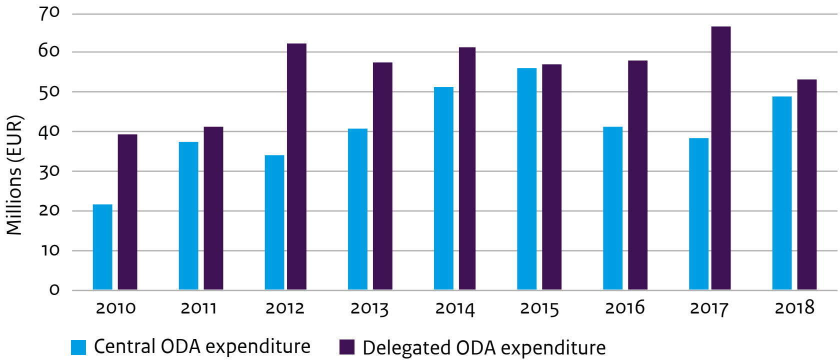
5.8 Coordination of central and delegated ODA activities

To enhance the coherence and effectiveness of Dutch efforts and minimise trade-offs, coordination and careful fine-tuning of the delegated and central portfolios is key. The embassy has acted proactively to improve coordination between delegated and central programmes. Whereas coordination proved to be a challenging task, it has improved over time. Room for improvement still exists, however, particularly in more mutual involvement in the programmes, also in the design and MEL phase. Coordination further requires efficient processes and tools, to avoid overburdening capacities.

Continuous expenditure on centrally and embassy-funded programmes
Figure 5.5 depicts the relation of delegated ODA expenditure to central spending channelled via the MFA department for Ethiopia between 2010 and 2018. The figure shows no pronounced downward trend for central or delegated ODA expenditure under the new agenda,[142] yet delegated ODA as a share of total Dutch ODA declined somewhat over time, by six percent.

[139] Development Related Infrastructure Investment Vehicle.
[140] *Fonds Duurzaam Water* – Sustainable Water Fund.
[141] *Faciliteit Duurzaam Ondernemen en Voedselzekerheid* – Facility for Sustainable Entrepreneurship and Food Security.
[142] In 2019 and 2020, delegated ODA expenditure increased, however. Yet, this is mainly explained by some large (added) contributions to food security/agriculture programmes, and in 2020, by COVID-related funding.

Figure 5.5 *Central versus delegated ODA expenditure*



Source: MI OS, 2020.

Proactive involvement of the embassy to enhance coordination resulted in better agreement on tasks and enhanced coherence of overall programmes and policies

The embassy has acted proactively to improve coordination between the delegated and central programmes and of the actors involved, including initiating the discussion with the FMA department. Coordination is especially relevant in light of possible incoherence or trade-offs of central versus delegated interventions. Efforts have focused on coordinating (and where possible integrating) delegated activities with the MFA department's activities and with RVO and Nuffic[143] instruments. The embassy also played a leading role in establishing guidance for better coordination between central and delegated activities and in (sector) portfolio reviews for the partner countries. The embassy also made considerable steps to improve coordination with RVO in the context of the appointment of a PSD coach (see section 5.9). Whereas coordinating central and delegated budgets proved to be a challenging task, positive results have been found. For instance, a general Code of Conduct was developed for DGIS, for enhanced coordination of central and delegated activities. In line with the Code of Conduct, the embassy could opt not to be involved in certain activities or to divide internal tasks differently.[144] Furthermore, for the central and delegated food security programmes, embassy efforts have contributed to the coherence of the overall (implementation of) Dutch food security policy.

Room for improvement in prioritisation of tasks and inclusion of the embassy in central programmes, at all programme stages

Whereas the embassy's willingness to accommodate the coordination was beneficial to the coordination and fine-tuning of central and delegated programmes, it also created a work overload at the embassy. The added work and insufficient prioritisation of tasks impeded the primary task of adequately implementing the existing embassy programme.

[143] The Dutch organisation for internationalisation in education.

[144] Whereas the Code of Conduct was identified not yet to function as hoped, it is believed to be of value in the coming future.

Additionally, interviewees noted the problems experienced due to the embassy's lack of involvement in the preparation and MEL phase, particularly for activities under the Dialogue and Dissent programme. Whereas coordination of the portfolios is a must, these findings also indicate the necessity of efficient processes and instruments used for coordination, to avoid overburdening the already limited capacity of the actors involved. The MACS and annual plan provide valuable instruments that must be considered to enhance coordination and fine-tuning of central and delegated approaches.

5.9 Interventions and instruments to support the transition

The introduction of the new agenda gave rise to additional momentum and extra resources in Ethiopia to carry forth the efforts already undertaken prior to 2013. Various central and delegated instruments have been deployed to facilitate the implementation of the new agenda in Ethiopia, including transition instruments, trade missions and matchmaking, and funding of trade and investment facilitation agencies, such as helpdesks and business support facilities.
Research of these interventions and instruments identify the value added role of the embassy, for example supporting Dutch businesses with direct advice and representing their interests in government-to-government dialogues. Furthermore, IRBC has been given more focus, to facilitate more inclusive and sustainable trade, and directly or indirectly (e.g. through a trickle-down effect) serve aid objectives as well.
Certain intervention may prove or have proven more successful than others. Nevertheless, evidence of success has been proven only at output level and in terms of explorative projects. The evidence highlights the difficulties encountered to facilitate opportunities for sustainable and inclusive trade and investment. Additionally, it highlights the time needed for a transition to take place.

Embassy's increased political economic awareness and added value of the embassy in its support to Dutch companies
Interventions of the embassy to facilitate the transition have contributed to the business opportunities created for Dutch businesses. The embassy played an active role in supporting Dutch companies, through interventions such as tailor-made advice, trade missions, matchmaking and dialogue with Ethiopian authorities, to negotiate on behalf of the companies.
However, it has taken a long time (too long) before land rights and political conditions were sufficiently acknowledged and integrated in the embassy's approach. Before 2016, hardly any attention was paid to looming land rights issues and the political economy of Ethiopia when attracting Dutch investors. The political unrest in 2016 functioned as a wake-up call. The embassy increasingly realised that politics could not be ignored, and that a combined political economy analysis was needed, based on the Ethiopian context and its limitations.

Subsequently, the embassy adopted these (IRBC-related) insights into their advice to companies, advising them to include sensitivity for land and ethnic rights in their investment decisions.[145] These adjustments have come only slowly and should have been considered from the onset. But they do reveal positive results on the embassy's learning curve and adaptability, to take account of local conditions and issues in its future interventions.

Additionally, KIT identified positive results on the valuable role of the embassy for Dutch businesses. Interviewed companies acknowledged the valuable role of the embassy in serving as point of contact for business-related questions (Bitzer, 2019). Furthermore, the embassy has earned a good reputation with many Ethiopian authorities, especially those dealing with foreign investment. It has played a valuable role as mediator between Ethiopian regulatory agencies and investors, and contributed to the positive light in which Dutch investments are generally viewed among government officials in Ethiopia (Ibid.).

Trade and investment facilitation through business support facilities, with focus on IRBC

Several initiatives and agencies have been funded by the embassy to support businesses, and to facilitate trade and investment. Key initiatives funded included the Ethiopian-Netherlands Business Association[146] (ENLBA), the Agribusiness Support Facility[147] (ABSF) and the Ethiopia-Netherlands Trade for Agricultural Growth programme[148] (ENTAG). Outputs include information exchange and advice to companies, matchmaking and network events, and trainings, lobby activities, and assessments.

Furthermore, the focus has increasingly been on attracting sustainable Dutch business and investments, adding the emphasis on IRBC. The embassy has mainly focused on facilitating sustainable trade and investment in the agricultural sectors, and has used ODA and non-ODA resources to do so. More recently, facilitating sustainable trade and investment has also been explored in the health sector, amongst others in collaboration with (and attracting private flows from) Philips.

PSD Apps used to finance diverse activities, especially targeting smallholders

In 2014, the PSD Apps programme[149] ('PSD Apps') was launched, through which ODA and non-ODA funds were used to finance various flexible tools that embassies could use to promote trade and investment. Results of the PSD Apps in Ethiopia are generally positive. Between 2014 and 2018, approximately EUR 710,000 was used from the PSD Apps budget, funding 36 activities. Most funding through the PSD Apps occurred in 2015 and 2016, funding 12 and 10 individual activities respectively.

[145] Land rights issues and safety of Dutch (and other foreign) business owners were also discussed with other donors and the Ethiopian government.

[146] Established in 2012, ENLBA assists new and existing Dutch investors and businesses in Ethiopia. It acts as a practical helpdesk for business and investors, facilitates information sharing and lobbies the Ethiopian government on behalf of Dutch investors.

[147] Established in 2013, with funding from the Dutch embassy. ABSF aims to "attract FDI in agribusiness, increasing the number of domestic companies and providing hands-on business support services" (Netherlands–African Business Council (NABC), 2015, p. 39). Beneficiaries to these services have been both Ethiopian and Dutch companies.

[148] The embassy has (fully) funded the ENTAG (2016–2019). ENTAG has facilitated trade through, e.g. trade missions, platforms and trainings.

[149] See chapter 4, section 4.9 for more information on the programme.

Most of the budget was spent on activities and events related to productive sector projects.[150] Activities have especially targeted smallholder farmers, including the preparation of a development strategy for the smallholder horticultural sector and improving access to finance for smallholders in the agricultural and food sectors. Additionally, using funding from PSD Apps, several business opportunity reports were produced, business events were supported and a trade mission on oilseeds and pulses was organised. Despite the various activities undertaken, including smallholders in value chains has remained a challenging task.

Transition Countries Apps: overambitious goals and lack of evidence of success
In 2014, DDE and DIO introduced the 'Transition Countries Apps',[151] to enhance the business climate in transition countries and facilitate the success of Dutch businesses. The programme was, despite its very similar name, not related to the PSD Apps, nor to the Transition Facility[152]. The programme is viewed as highly ambitious in its anticipated results, however. Not only is an attribution or contribution effect difficult to determine, concluding that the small funded intervention would lead to observable effects in the business climate is unrealistic – especially given the presence of other (often larger) donors in the partner country and large array of other external and domestic factors influencing results in the business environment. As for results, Ethiopia ranked 125th on the World Bank Ease of Doing Business Index in 2014 and fell to rank 161 in 2018.

Insufficient transition funds have demanded alternative sources of funding
In 2014, the embassy in Ethiopia expressed concerns that transition funds would not be sufficient for the implementation of the new policy. The embassy managed to secure new budget resources by transferring funds from DDE to the delegated budget. Whereas this illustrates the embassy's proactive behaviour to secure resources, it also displays the underestimation of dedicated funds and instruments required to implement the new policy in the Ethiopian context.

5.10 Assessing results: Dutch trade with and direct investment in Ethiopia

To assess the implementation of the aid, trade and investment policy in Ethiopia, trade and investment patterns are reviewed. The analysis has centred on two questions: 1. How have trade and investment patterns evolved? and 2. Can it be concluded that Dutch interventions under the new agenda influenced these patterns?

Trade data show that bilateral trade between the Netherlands and Ethiopia has increased since the implementation of the new agenda. In addition, a gravity model based regression analysis was executed, to further review the development of bilateral trade relations and whether Dutch interventions may have had an effect.

[150] Activities funded were in the domains of 'social infrastructure', 'economic infrastructure' and 'productive sectors' activities.
[151] See chapter 4, section 4.9 for more information on the programme and the four specific programme goals.
[152] See footnote 84.

The analysis shows that developments of Ethiopia's bilateral trade performance, although somewhat positive, are only marginal and can therefore not be used to draw solid conclusions on the effects of Dutch interventions on bilateral trade performance at macroeconomic level.
For Dutch direct investments, it has proven difficult to draw data-substantiated conclusions on the exact pattern of investments over time, due to the lack of reliable and complete FDI data. Subsequently, no analysis could be made to determine the effectiveness of Dutch interventions on Dutch direct investments.

Results on the effect of Dutch interventions on trade and investment are, however, more evident at microeconomic level. Findings from the qualitative research indicate the likeliness of a positive contribution effect of the interventions.

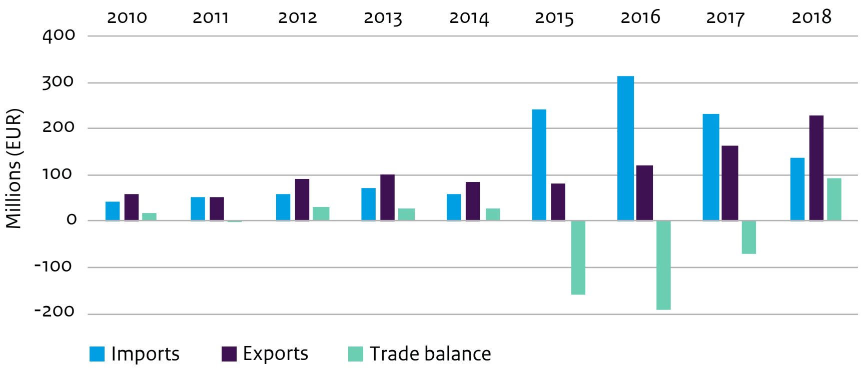
Substantial Dutch business presence and investments in Ethiopia, primarily in horticulture
There has been, and continues to be, substantial Dutch presence of business and investors in Ethiopia. This is especially the case in agriculture, and particularly in the horticultural sector. Dutch growers find Ethiopia attractive because of favourable investment conditions, including low wages, guaranteed tariff-free access to the EU market, special investment privileges, productive land and favourable climatic conditions that enable the cultivation of a wide variety of agricultural, and specifically horticultural, products.

Around 80 percent of the Dutch companies in Ethiopia are active in agriculture. Dutch presence in other sub-sectors has also emerged, including the processing industry, consumer goods for exports (including textiles and clothing), and tourism. In September 2017, the EU estimated the number of Dutch companies with operations in Ethiopia at 104 (Delegation of the European Union to Ethiopia, 2017). This number was even higher according to Dutch data, with approximately 130 Dutch companies having joint ventures in Ethiopia (EKN in Addis Ababa, 2017).[153] Dutch companies have brought Dutch expertise, provided jobs, and earned much needed foreign exchange. Large Dutch multinationals such as Heineken and Unilever also operate in Ethiopia.
According to the EU, Dutch foreign direct investment has created many jobs as well. The Netherlands accounted for approximately 14,000 jobs: more than a fifth of the EU-total of 70,000 (Delegation of the European Union to Ethiopia, 2017). These jobs are mainly related to the flower farms (Ibid.). In comparison, China is estimated to provide 90,000 jobs (Ibid.). Although there are no clear indications that Dutch enterprises or investors have left Ethiopia because of the attacks between 2015 and 2017, these events are likely to have discouraged new business and investments.

Results of enhanced bilateral trade over time
Figure 5.6 presents bilateral trade (in value) between the Netherlands and Ethiopia for 2010 to 2018. Trade between the Netherlands and Ethiopia has increased over time, with, in 2018, more than double the value of trade in 2013.

153 The total of Dutch companies is stated at the same level this year as well (Kingdom of the Netherlands, undated).

Figure 5.6 *Bilateral trade (in value) between the Netherlands and Ethiopia*



Source: CBS Statline, 2020c . Figures presented from the Dutch perspective.

Exports to Ethiopia have shown a steady rise over time. In 2018, export value totalled more than double the value of 2013 (and almost four times the export value of 2010). Top exported products from the Netherlands to Ethiopia have been machinery and other appliances and pharmaceutical products (ITC Trade Map, undated-b).[154]
Also imports from Ethiopia witnessed an increase. Live trees and plants[155] (including cut flowers) have been the top imported products from Ethiopia (Ibid.).
Increased trade is especially visible for 2015 and 2016. This peak is primarily explained by the temporary peaks in imports of live trees and other plants,[156] (68 percent of total import in 2015 and 92 percent in 2016) and machinery and appliances (28 percent of total imports in 2015).

Modelling bilateral trade: no significant change that allows for solid conclusions on the effect of Dutch interventions
To further review the development of the bilateral trade relation and whether Dutch interventions may have had an effect, a gravity model based regression analysis was executed.[157] As part of the exercise, Ethiopia's trade intensity ratio (identifying actual versus expected trade) was computed, and subsequently ranked for each year (compared to 144 other Dutch trade partners).[158]

[154] HS code 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof, at an export value of EUR 250 million (2013–2018), and HS code 30: Pharmaceutical products, at an export value of EUR 133 million (2013–2018) (ITC Trade Map, undated-b).
[155] HS code 06: Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage. Import value: EUR 721 million (2013–2018) (ITC Trade Map, undated-b).
[156] Most probably flowers.
[157] See annex 4, Box A4.3 for a descriptive overview of the analysis.
[158] See annex 4, Box A4.3 for an overview of ratios and rankings for Ethiopia, per year.

Between 2013 and 2018, Ethiopia's trade intensity ratio increased somewhat, from 0.3 (actual trade levels were 30 percent of expected trade levels) in 2013 to 0.4 in 2018 (and in 2019), but fluctuated during the time under study, thereby showing no pronounced trend of improvement. Ethiopia's trade ranking improved for the time under study, from place 121 in 2013 to 110 in 2018 (but decreased again to place 115 in 2019), indicating an overall increase in market share at macroeconomic level. Although the data show some (marginal) improvement in Ethiopia's bilateral trade performance, it cannot be used to substantiate solid conclusions of a positive effect of Dutch interventions.
However, this is not to say that interventions lack value or effect. Instead, it concludes that any effect that has potentially occurred (at micro- or mesoeconomic level) is not, or not pronouncedly visible in the computed model.

Lack of reliable data: room for error and inconclusiveness on results of Dutch direct investment
Similar to Bangladesh, data of estimates of the stock of Dutch direct investment in Ethiopia vary considerably. This has made it impossible to draw clear conclusions on the total amount of Dutch FDI, let alone on the effect of Dutch interventions on FDI.
For example, in an overview produced by the embassy in July 2016, Dutch FDI stock was estimated at EUR 700 million, while in an EU report from September 2017 the Dutch FDI stock was estimated at roughly USD 70 million (Delegation of the European Union to Ethiopia, 2017). Upon request by IOB, the Ethiopian Investment Commission replied that they could not obtain and provide FDI data specifically for the Netherlands.
Furthermore, DNB did not report figures because they were said to be confidential. For the years 2011 until 2014, no figures have been reported. For 2015, a total stock of EUR 190 million was reported and for 2016, again, nothing was reported. Surprisingly the DNB data did not reveal horticultural investments, which contradicts findings from interviews, whereas investments in the manufacturing of beverages were captured.
According to the EU report, the Netherlands is a major investor in Ethiopia, with a large percentage of investments in the horticultural sector (flowers) and in breweries (Delegation of the European Union to Ethiopia, 2017). Dutch beer investments (production and distribution), together with the French, represented a large percentage of the investments made by EU companies. In total, these represent USD 82 million of investment.

Addition to these inconsistencies, it has been impossible to separate Dutch direct investment from direct investment of other foreign investors, which channel their investment via the Netherlands, by means of special purpose vehicles. This causes data on actual Dutch investments to be distorted.

Desk study and interviews identify the value of the embassy and RVO in assisting companies and investors
Results on the effect of Dutch interventions on trade and investment are more evident at microeconomic level, from the findings of the qualitative research. For example, desk research and interviews with different stakeholders identified the essential role of the embassy and RVO in assisting companies and investors.

Additionally, the general good relations that the embassy has held with the Ethiopian government has furthermore enabled it to play its role regarding risk reduction and troubleshooting for companies and investors. This has proven to be crucial, for instance, in the period when several Dutch enterprises in Ethiopia were attacked and the Ethiopian government compensated these companies' damages. From these findings, it is likely that the embassy's efforts have contributed to the presence and operations of (Dutch) businesses and investors, and may thereby have contributed to enhanced trade and investment.

5.11 Coherence

Implementation of the aid, trade and investment agenda requires a holistic approach, with attention for policy coherence, to avoid conflict of interest within and between the policy fields. The implementation of the new agenda in Ethiopia has shown overall consistency in terms of embassy activities and instruments.
But the case study has also presented challenges in achieving coherence among different programme pillars, spearheads and policy fields. The various goals of the new agenda have, at times, shown to conflict with one another.

Opportunities to enhance coherence of themes, spearheads and overall aid, trade and investment policy
The embassy has applied focus in the implementation of the new policy in the context of the development cooperation portfolio. Programmes and interventions have been carefully selected to serve policy goals.
Although conscious efforts were also made in the development portfolio to reach coherence and create synergies within and across the spearheads, results are limited, and at times even show trade-offs in sub-objectives (even within spearheads). Incoherence and trade-offs were also identified between policy fields; between aid objectives and trade and investment objectives. Room for improvement exists as well in enhancing coherence between delegated and central programmes. It will require better coordination and mutual involvement, whilst acknowledging the limitations in capacity.

The focus on improved coherence has been carried forward in recent strategies. In the MACS 2019–2022 for Ethiopia, the commitment to an integrated approach is reaffirmed, aiming to create as many synergies as possible between the different priority themes. Developing TOCs at spearhead and policy level can help identify how and where connections can be made and coherence improved.

Cross-cutting themes integrated well, with particular (future) opportunities for IRBC to create policy coherence
IOB (2017a) identified that cross-cutting themes of gender, environment and climate have received adequate attention. IRBC also gained attention in the embassy's approach in recent years (particularly since the attacks between 2015 and 2017). However, KIT (2019) identified no strategic approach had yet been defined and different conceptualisations of what constitutes IRBC were observed within the embassy (Bitzer, 2019). Furthermore, KIT concluded that the main purpose of the undertaken activities remained at output/intermediate outcome level: facilitating a discussion and creating awareness on RBC in Ethiopia (Bitzer, 2019).

The more recent approach, however, shows the commitment to deploy cross-cutting themes, and specifically IRBC, to link and enhance coherence between aid policy with trade and investment policy. The new MACS pays ample attention to IRBC, which could increase coherence and synergy between the different policy fields. The document states: "bilateral support to the smallholder sector will be more frequently monitored with regard to the level of internal cooperation, institutionalisation, Ethiopian ownership and its economies of scale, as these principles will determine the level of sustainability of this intervention. Bilateral programmes focusing on agribusiness and export will be geared more towards supporting the [aid, trade and investment] agenda by facilitating [IRBC] and preventing conflicts wherever Dutch trade and investments are involved in Ethiopia" (MFA, 2019b, p. 17).

6

Kenya

6.1 Introduction

This chapter reviews the implementation of the Dutch aid, trade and investment policy in Kenya. Under the new agenda, an explicit phase-out date for bilateral delegated development cooperation was identified. With an initial phase-out date anticipated for 2020,[159] a firm transition strategy was established. The approach is characterised by the changing role the embassy aimed for – from donor to public investor, so as to leverage additional funds – and the change in focus, away from direct poverty alleviation to inclusive sustainable economic growth and success for Dutch businesses.

The analysis reveals the various efforts undertaken in Kenya to link spearheads and policy fields, and to create commercial opportunities for trade and investment. Findings reveal the proactive Dutch position, of the embassy particularly, in terms of diplomatic efforts, direct assistance to Dutch companies and interventions to enhance the enabling environment. Nevertheless, results at outcome level (in terms of effects of the interventions) reveal the challenges faced, including unforeseen setbacks and developments, limitations in support and coordination within the MFA and with implementing agencies, and trade-offs within policy fields. Furthermore, the evidence has shown that merging aid with trade and investment policy goals has been difficult, and at times impossible. Consequently, not all three policy objectives have been served simultaneously, at times with incoherencies or trade-offs.

As regards to the altering role of the embassy, from donor to public investor, little evidence is found. With the exception of one intervention in the water sector, no evidence was found to identify that such a transition has taken place.

The remainder of this chapter is structured as follows. The contextual setting within which Dutch policy has been implemented is discussed in 6.2, followed by a discussion on the bilateral relation between Kenya and the Netherlands in 6.3. Doing so allows to gain perspective on the achieved results and experienced bottlenecks. Next, inputs and interventions of the transition process are reviewed on: the strategic planning of the transition (6.4); the capacity to implement the new policy (6.5); delegated and central activities undertaken to integrate trade and investment objectives with development cooperation objectives (6.6 and 6.7); coordination of central and delegated activities (6.8); and interventions and instruments to support the transition (6.9). Subsequently, the success of the transition process is reviewed on results achieved (6.10) and the coherence within and between the policy fields (6.11).

[159] Later adjustments of this phase-out have occurred, however, as will be discussed in section 6.3.

6.2 Country context

Kenya's agricultural sector, economic growth and the country's favourable position as financial, communications and logistics hub in East Africa have provided ample opportunities for Dutch businesses. Nevertheless, also many risks have been present, caused, for example, by safety issues and bureaucratic and corruption obstacles.

Key indicators of Kenya's country context

Table 6.1 presents several important indicators for Kenya on (human) development and business climate for the year 2013[160], as compared to the Netherlands.

Table 6.1 Key indicators[161] of Kenya's country context

Indices (2013)	Kenya	Netherlands
Corruption Perceptions Index	136	8
Human Development Index	147	4
Ease of Doing Business Index	121	31
Global Competitiveness Index	96	8
World Risk Index	78	46

Opportunities for inclusive and sustainable trade and development

In 2010, a new constitution came into effect, thereby replacing the 1963 edition. Since the new constitution, Kenya has made significant political, structural and economic reforms. Kenya's economy has seen a steady growth in recent years, making it one of the fastest growing economies in Sub-Saharan Africa. Since 2012, annual growth rates reached 5 to 6 percent, with even 6.3 percent in 2018 (World Bank, 2020). In 2014, Kenya moved from a low income country to a lower middle income country in the World Bank classification.[162] Opportunities for inclusive economic growth and development are particularly found in agriculture. The sector continues to be the backbone of the economy, accounting directly for 26 percent and indirectly for another 27 percent of GDP (FAO[163], 2020). The sector is also a very important source of export income (65 percent of export earnings are related to agriculture) and livelihood (employment, income and food security for over 80 percent of the population) (Ibid.). Opportunities for growth and development are further found in the country's strategic position and its membership to two regional trade blocs, making it a communications, financial and logistics hub and the gateway to different East African markets (Hong Kong Trade Development Council, 2019).

[160] The year that cabinet Rutte II identified the transitional countries.
[161] See footnote 12 for more detail on the indices.
[162] See footnote 15 for more detail on the World Bank classification.
[163] Food and Agriculture Organization of the United Nations.

Risks to inclusive and sustainable trade and development

Risks can be found in the bureaucratic and corruption obstacles in the country. Whereas corruption decreased between 2010 and 2018, the level of corruption remained high, with Kenya ranking lower than in 2013, as 144th (of 189 countries) on the 2018 Corruption Perception Index.

Also safety and security-risks are prominent in Kenya, and expected to remain so in the near future. Kenya has increasingly become a target of attacks by Al-Shaabab.[164] Additionally, long-term ethnic rivalries (especially at election time[165]) have caused unrest. These risks also affect the economy, for example, negatively affecting FDI and the tourism sector.

Various constraints and risks to inclusive (human) development have persisted as well, contributing to the unrest in the country, with the radicalisation of marginalised groups as result. The country has witnessed a high level of poverty and exclusion. Whereas the poverty rate declined from 47 percent in 2005/2006 to 36 percent in 2015/2016,[166] it remained relatively high compared to other LMICs and has been more severe in rural areas; above 70 percent.

6.2 Bilateral relationship between the Netherlands and Kenya

The Netherlands has maintained good relations with Kenya for almost sixty years. Diplomatic contacts, development assistance and economic relations underlie this relationship.

Long run and wide reaching diplomatic relations

Diplomatic relations between the Netherlands and Kenya have existed since the mid-1960s, covering a wide array of topics of cooperation, including agriculture, migration and the fight against terrorism (Government of the Netherlands, 2011). To enhance relations, diplomatic missions have taken place back and forth. Additionally, Kenya and the Netherlands have often taken the same position on African interests at global level, such as in trade policy negotiations (Ibid.).

FMO has also been present in Kenya for many years, and increased the size of its portfolio in recent years, both in commitments and disbursements. By 2016, FMO's portfolio valued EUR 154 million of disbursements, which slightly decreased to disbursements at EUR 127 million in 2018, but further inclined to EUR 185 million in 2020 (FMO, 2021).

(Bilateral) trade and investment treaties

A Bilateral Investment Protection Agreement (IPA) was signed between the two countries in 1970.[167] More recently, a Double Taxation Agreement was signed (2015), yet to be ratified by Kenya. Economic relations have also developed in multilateral frameworks, for example under (negotiations of) the Economic Partnership Agreement between the EU and East

[164] Due to the military involvement of Kenya in Somalia.

[165] The current president, Uhuru Kenyatta, was re-elected for a second term in 2017. This occurred after a period of resistance of the opposition led by opposition leader Raila Odinga, who initially refused to accept the appointment. It resulted in political tensions and clashes, linked to the ethnic background of the leaders.

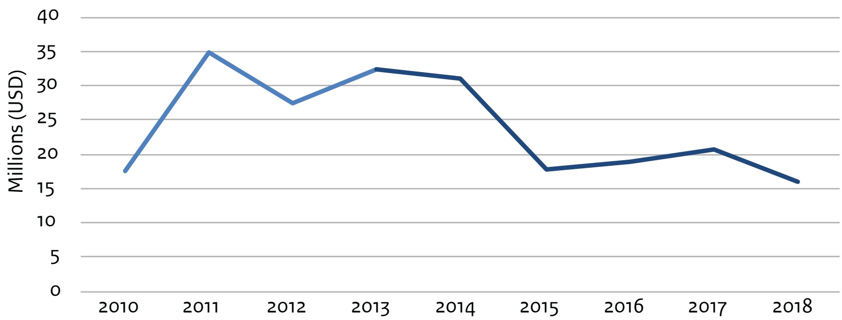
[166] Latest available World Bank data.

[167] The IPA entered into force in 1979. It focuses solely on the protection of existing direct investments.

African Community[168] (EAC). EPA negotiations were concluded in 2014, and signed and ratified by Kenya. The EPA is awaiting signing and ratification by the other EAC members to enter into force.[169]

Development cooperation: declining ODA disbursements and more focus on trade and investment
Figure 6.1 depicts Dutch ODA disbursements to Kenya between 2010 and 2018, distinguishing ODA disbursements since the implementation of the new agenda. Between 2013 and 2018, Dutch ODA disbursements to Kenya totalled USD 137 million (averaging USD 23 million annually). Annual ODA disbursements in 2018 have more than halved compared to 2013. The decreasing trend is even more evident compared to ODA disbursements under Rutte I, which also included years with increased ODA disbursements.

Figure 6.1 *ODA disbursements from the Netherlands to Kenya*



Source: OECD.stat, 2020 – ODA disbursements (current prices).

Underlying the declining trend is the phasing out of bilateral development cooperation for Kenya. Under the new agenda, bilateral relations were initially planned to phase-out the delegated ODA budget for Kenya by 2020, using central instruments only from 2020 onwards. The deadline for the phase-out was later postponed to 2021.
Subsequently, under the cabinet Rutte III, with a shift in focus to unstable regions (see section 3.3), Kenyan development cooperation became part of the focus region of the Horn of Africa. Additionally, more focus was given to PSD. Consequently, the phasing out of the delegated bilateral ODA budget for Kenya altered. Delegated ODA was not increased, but has not been phased out in the manner that was initially planned. Although the delegated ODA budget has further declined in 2019 and 2020, there continued to be some delegated ODA budget, primarily for PSD and for the spearheads water and food security. A further line to take on the phasing out of bilateral development cooperation for Kenya is anticipated to be developed in the future MACS.

[168] Consisting of Burundi, Kenya, Rwanda, Tanzania, Uganda, and since 2016, South Sudan.
[169] Kenya and Rwanda signed the EPA in 2016, and Kenya has ratified it since. Other EAC members still need to sign and ratify the agreement.

Whereas Kenya is an important beneficiary of Dutch ODA, comparing Dutch to total[170] ODA disbursements to Kenya reveals the moderate role that the Netherlands holds as donor. From 2013 to 2018, total net ODA disbursements to Kenya totalled approximately USD 16 billion (OECD.stat, 2020). The Netherlands accounted for less than one percent. Much larger donors for the same period include the US, the World Bank and the UK. The moderate role of the Netherlands as donor must be considered in terms of the effect Dutch resources can have in influencing the Kenyan context.

Policy alignment in the domains of food security and water

In the third medium-term plan (2018–2020) of the long-run 'Kenya Vision 2030',[171] the government of Kenya set out 'Big Four' initiatives. These initiatives were to support: 1. the growth of the manufacturing sector; 2. food security and improved nutrition; 3. universal health coverage; and 4. affordable housing (Government of the Republic of Kenya, 2018). Dutch policies have aligned mainly in the domain of food security, but also aligned with water objectives,[172] also outlined in the Kenyan Vision 2030, as part of the social pillar to drive socio-economic development in Kenya (Ibid.).

However, Dutch ODA has not been spent through the Kenyan government, due to Dutch concerns of accountability issues. Instead, the embassy has opted for multilateral and international organisations, such as the World Bank (including IFC) and TradeMark East Africa (TMEA), private sector and civil society actors as alternative channels for development cooperation. The private sector specifically has been the driving force for economic growth, providing opportunities for the implementation of the new agenda.

6.4 Strategising the transition from aid to trade and investment

In the transition, the embassy chose to focus primarily on the second and third goals of the aid, trade and investment policy: aiming to contribute to inclusive sustainable economic growth and success for Dutch businesses abroad. Specifically the agricultural sector and the water sector were targeted.

Identifying priorities, the role to take and sectors to implement the new agenda

In the MASP of 2014–2017, the embassy outlined its strategy to implement the new agenda in the run-up to the anticipated phase out date. A synergy study was executed in 2015, to identify opportunities to strengthen the synergy between centralised and delegated PSD instruments. The strategised transition was further laid out in the Transition Plan (2016) and the Annual Plan of 2017. These documents defined policy priorities, the new role to take and the sectors that would provide the best opportunities to effectuate the transition. The embassy chose to focus primarily on the second and third goals of the new agenda: aiming to contribute to

[170] Total official donors.

[171] The 'Kenya Vision 2030' is a long term plan aiming to transform Kenya to develop to a middle income country by 2030.

[172] These objectives are further discussed in section 6.6.1.

inclusive sustainable economic growth and success for Dutch businesses abroad. This would occur in development cooperation, by moving from projects for poverty alleviation to PSD, and subsequently facilitating trade and investment. Next to the opportunities sought in the delegated development cooperation programme (until 2020, and later 2021), also efforts of economic diplomacy and the deployment of central ODA and non-ODA business instruments were envisioned to play a role.
The embassy furthermore identified a changing role, towards becoming a public investor rather than a donor, focusing on investing public funds with the aim of leveraging private investments (or investments from international financial institutions (IFIs)) in the water and food security sectors (EKN in Nairobi, 2013).

As mentioned in the MASP 2014–2017, the transition was envisioned to occur specifically in the water and agricultural sectors, two sectors in which Dutch businesses are well represented and where the Netherlands has held its expertise. Envisioned activities included assistance to develop sustainable business cases, capacity building of SMEs, addressing obstacles to trade and investments, and, where possible, developing programmes in co-creation with implementing agencies and companies.

The new Dutch policy received considerable interest from the Kenyan side. President Kenyatta confirmed the Kenyan interest in the transition envisioned, particularly the Dutch approach to provide its expertise in the agricultural and water sectors (EKN in Nairobi, 2016).

Seeking to broaden Dutch opportunities in other sectors
The embassy sought to broaden the development of Dutch market opportunities in five other priority sectors: renewable energy, maritime infrastructure, health, urban development and IT. These priority sectors were not linked to the development cooperation spearheads. The focus in these 5 sectors would be particularly on export promotion, by providing support to companies, facilitating tools like PSD Apps (see section 6.9) and organising trade missions.

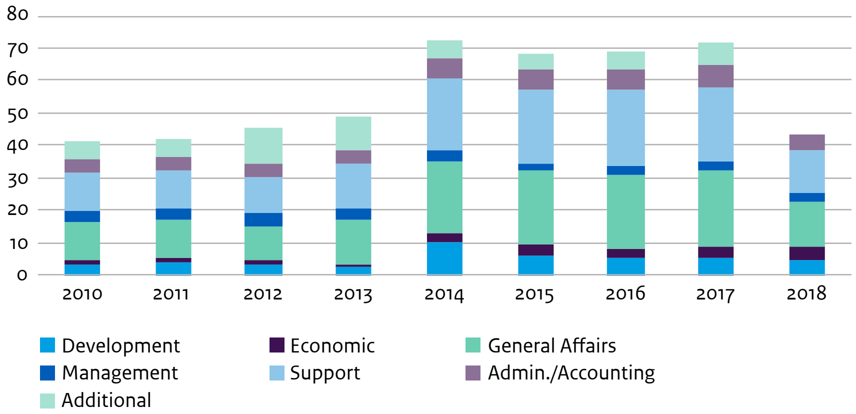
6.5 Staff capacity to implement aid, trade and investment policy

Developments in staff capacity do not reflect a short-run transition. Between 2013 and 2018, the economic team remained small, and few opportunities have existed to make structural changes to enhance the team, to significantly intensify economic activities. Leveraging embassy capacity through support from DGBEB has been limited, which identifies the need to critically reflect how to extent capacity in the future.

Embassy staff: changed composition of staff in line with the new agenda, yet the economic team remained small

Figure 6.2 depicts total embassy staff (measured in FTEs), and the categorisation of staff for the period 2010 to 2018.[173] From 2013 to 2018, total embassy staff decreased somewhat; from 48.9 FTE in 2013 to 43.1 FTE in 2018. During 2014 to 2017, a substantial increase in staff is witnessed. However, this increase occurred particularly in 'additional' and 'general affairs' staff and is therefore less relevant to the evaluation.

Figure 6.2 *Staff capacity embassy in Kenya (in FTE)*



Source: MFA, Human resources department (HDPO), 2020.

Since 2013, economic staff has increased by fivefold. The increase is understandable given the anticipated clear cut phase-out date of the delegated development budget by the end of 2020 (and later 2021). However, taking a closer look at the data reveals a somewhat different picture. For example, for the time under study, the average size of economic-oriented staff remained small: by 2013, economic-oriented staff was less than 1 FTE and between 2013 and 2018, economic staff averaged less than 3 FTE. Furthermore, for a sustained period of time, the embassy had no structural financial arrangement to employ a permanent Dutch economic staff member. The embassy thereby faced limited ability to make structural changes to significantly intensify economic activities. Consequently it must be concluded that the increase in economic staff remained (too) small as set out against the stated ambitions. No significant change can furthermore be witnessed for the development staff, but it did increase rather than decrease over time: from 2.5 FTE in 2013 to 4.3 FTE in 2018.

The absence of a clear, pronounced transition and small absolute size of the economic team do not reflect the planned short-term transition to an increased focus on trade and investments promotion, nor does it reflect the ambitions expressed in the *Motie Sjoerdsma*

[173] The agricultural attaché is part of the 'Economic' data. 'General Affairs' includes, amongst others, political division staff, staff with regional positions, general affairs staff, and press and cultural affairs staff. Note that, embassy staff of Nairobi also incorporates FTE's for Somalia. However, these do not change conclusions given the small share of this dedicated staff compared to the total embassy staff in Nairobi.

C.S.[174] to promote economic diplomacy at embassies.
This may be partly explained by the fact that decisions about the allocation of diplomatic embassy staff are taken at the central level by the Regions Pool Management Team (RMT). The RMT is made up of the regional directors of DAF, DAM, DAO, DEU and DWH. The directors of DIO (part of DGBEB) and BIS (part of DGIS) only participate in RMT+ meetings (more elaborate meeting) and do not have (significant) influence on the allocation of staff. Hence, decisions of the RMT may not always support the policy goals of the new agenda, or match one-to-one with the ambitions of DGIS or DGBEB on aid, trade and investment goals. Therefore, allocation of embassy staff may not align with the staff needed to implement the transition.

Limited opportunity to leverage capacity through the agricultural attaché
Cooperation of the economic department with the agricultural attaché did not occur to the same extent as in the case of Ethiopia.[175] The economic department cooperated well with the agricultural attaché, yet the agricultural attaché continued to draft and implement its own individual economic work plan. The benefits of an integrated approach as witnessed in Ethiopia call for enhanced integration of approaches and activities of different teams, to further the integration of new agenda.

Differing results on the role of MFA department and RVO to extend embassy capacity
Extending capacity through support from the MFA department, and to some extent through RVO, has also been constrained. For DIO, Kenya has not been a priority country. Of the 11.0 FTE of the team working on Asia, Africa and the MENA region in 2017, 2.5 FTE were available for the whole of Africa. Despite the low capacity available, it should be noted that this marks some improvement, compared to 2013/2014, when 1.5 FTE was dedicated to Africa.[176]
During the 2017 portfolio review, it was discussed that the picture would possibly have been different if DIO, part of DGBEB, would have considered the position of Kenya within Eastern African Countries, instead of Kenya alone.
Positive results were found on the support from DAF, being reported to have been of added value to the embassy.
Given that Kenya is classified in the 'extended services category' of RVO, RVO was able to provide extensive information and advice to the Dutch business community. Additionally, the PSD coach was in place to facilitate communication and cooperation between the embassy and RVO and other stakeholders in The Hague. Despite the positive role that RVO was able to play to leverage embassy capacity, it was also noted in interviews that RVO could have done more to attract Dutch companies in Kenya.

[174] See section 3.2.
[175] In Ethiopia, the agricultural attaché has been fully integrated into the embassy's development and economic team. Additionally, the annual economic work plan of the agricultural attaché has been fully integrated into the annual plan of the embassy.
[176] By 2020, total FTE for North Africa and Sub-Saharan Africa has increased somewhat further.

6.6 Development cooperation portfolio

Implementation of the aid, trade and investment policy has taken place against the backdrop of declining delegated ODA expenditure. The spearheads water and food security (and more generally, agriculture) provided opportunities to implement the new agenda, given the Dutch business presence and expertise in these sectors.

Results show that links have been established between the spearheads, and commercial opportunities created, particularly for the Water and Food Security Programmes. However, the evidence also indicates the difficulties to deal with sustainable and inclusive business cases simultaneously, as is clearly illustrated in certain food security programmes and projects. Targeting central and urban areas and medium and larger-scale farmers may enhance the chance of sustained commercial success, but those most prone to suffer from food insecurity are not served with this approach. This illustrates the challenges encountered by the embassy to connect trade and investment objectives to objectives of poverty alleviation and food security. Consequently, results show limited success. Commercial opportunities have lacked, or, where bankable projects were found, did not yet achieve results of success, due to the limited time since implementation.

Portfolio patterns: more focus, declined spending and enhanced PSD spending

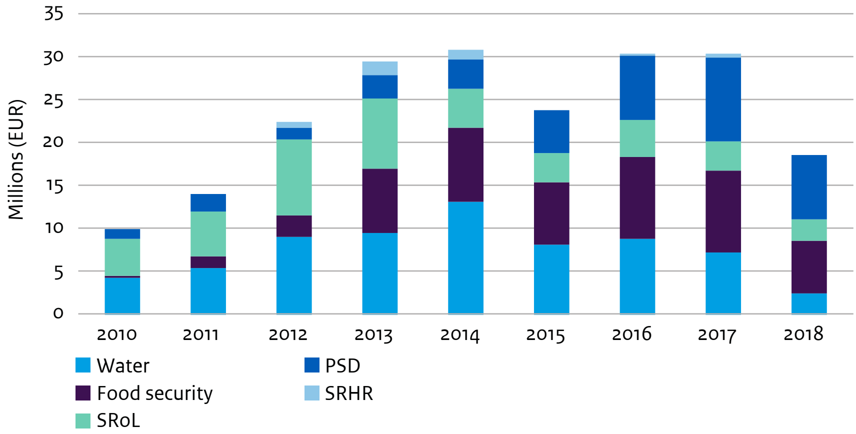
The MASP of 2014–2017, and adjustments thereto in the Transition Plan (2016) and the Annual Plan of 2017, identified the spearheads for Kenya: food security, water and security and rule of law (SRoL). Additionally, IRBC was identified as cross-cutting theme. Between 2013 and 2018, delegated ODA expenditure for Kenya by the embassy in Nairobi totalled EUR 115 million (averaging EUR 19 million annually), funding, on average, 48 activities per year (MI OS, 2020).[177] These data exclude ODA expenditure by the embassy in Nairobi to the accreditation countries Somalia and the Seychelles. Additionally, approximately EUR 135,000 of delegated ODA expenditure was received via the embassies in Addis Ababa for funding of IGAD (2014), and approximately EUR 90,000 was received via the embassy in Maputo for funding of the *Waternet* project (2014/2015).
In line with the anticipated phase-out, delegated ODA expenditure declined since 2013; from EUR 25 million in 2013, to EUR 11 million in 2018 (a decline of 56 percent). Also in the years after 2018, delegated ODA expenditure continued to decline; to EUR 9 million in 2019, and less than EUR 5 million in 2020.

Figure 6.3 below presents delegated ODA expenditure between 2010 and 2018, categorised per spearhead and for PSD activities. Important to note is that the sum of the five disaggregated categories of delegated expenditure for the period 2013 to 2018 in Figure 6.3 does not match one-to-one with total delegated expenditure (EUR 115 million) for the period under study. This is explained by, amongst others, 'double counting' of funding of activities in the disaggregated data. For example, funded projects may serve food security – as well as water objectives, and may hence be counted under both spearheads. Additionally, this is caused by inclusion of weighted values (based on the activity's relevance/applicability under the

[177] See Table A5.1 in annex 5 for an annual overview of delegated ODA expenditure.

designated spearhead). Nevertheless, using disaggregated delegated ODA expenditure in the analysis allows to review how the transition strategy and plans identified in the MASPs have been implemented (from aid to trade within the thematic portfolios).

Figure 6.3 *Delegated ODA expenditure per spearhead and PSD*



Source: MI OS, 2020

Evident from the figure is the focus on the three selected spearheads. Between 2013 and 2018, most of delegated ODA expenditure on the spearheads has been directed to water, food security, and, to some extent, SRoL programmes. Delegated ODA spending on SRHR programmes comprised a much smaller share and has been phased out since 2014.[178]

Portfolio patterns: more focus on PSD and enhancing the business climate

Further evident is the increased delegated spending of ODA funds on PSD activities, in line with the new agenda. Delegated ODA expenditure on PSD increased under the new agenda from an annual average of EUR 1.5 million between 2010 and 2012 to an annual average of EUR 6 million between 2013 and 2018.

[178] SRHR is visible in the data after 2014 due to delegated ODA expenditure on the human rights programme Ipas (2012–2016) and the SDG Partnership Platform (2017). Furthermore, SRHR has been integrated into the other three thematic programmes where feasible.

Furthermore, between 2013 and 2018, delegated ODA expenditure on PSD totalled EUR 36 million (at a share of 31 percent of total delegated ODA expenditure) and increased from EUR 2.7 million in 2013 to EUR 7.4 million in 2018.[179] Underlying the changed spending pattern is the enhanced focus on strengthening the general business climate and lowering trade costs. This occurred through contributions to multi-donor programmes, such as the IFC's Kenya Investment Climate Programme (KICP) I and II and via bilateral programmes (e.g. focused on economic justice and RBC programmes).

Portfolio patterns: other activities (indirectly) serving spearhead objectives
Additional to the spending on activities categorised under the spearheads, various activities have been funded which are not categorised under the spearheads specifically, but which (indirectly) contribute to the spearheads' objectives. For example, the Equity Foundation's 'GOAL' programme focuses on stimulating agricultural entrepreneurship, thereby also serving food security. Similarly, projects under the climate budget, such as those carried out by the African Conservation Centre, the African Wildlife Foundation, the Laikipia Wildlife Forum and the Northern Rangelands Trust are not categorised as food security projects, but can be linked to objectives on food security and agriculture (contributing directly to the goals of biodiversity and environmental education). Programmes of Transparency International (addressing corruption), the Kenya Dialogues Project (to enhance democratic participation and civil society space) and the 'Haki Yetu Jukumu Letu' project under the spearhead SRoL also contribute to economic justice. These projects have also been funded to facilitate business support services and SME development, without being classified as PSD activities. Examples include the Deloitte project on business registration and the Shujaa shoe project.

6.6.1 Water

Implementation of the new agenda in the Water Programme occurred under decreased delegated ODA expenditure, especially since 2014. Indicative to the implementation of the Water Programme is the integrated approach, with links established within the Water Programme and with other spearhead programmes, and the collaboration with other donors and stakeholders.

Whereas various efforts were made to promote trade and investment, results show limited success. Commercial opportunities have lacked, or where bankable projects were found, did not yet achieve results of success, due to the limited time since implementation. Results furthermore identify the leverage effect achieved with the Kenya Innovative Finance Facility for Water (KIFFWA). However, besides KIFFWA, no examples were found to indicate the successful altering role of the embassy in the water sector.

[179] In recent years, delegated ODA spending on PSD has, however, somewhat decreased again, in absolute amount and as a share of the total budget.

Funding and implementation: linking spearhead objectives and achieving collaborations

Between 2013 and 2018, delegated ODA expenditure categorised under the water spearhead totalled EUR 49 million (averaging EUR 8 million annually). For the period under evaluation, delegated ODA expenditure on the spearhead water comprised a share of 43 percent of overall delegated ODA expenditure. Absolute expenditure on the Water Programme decreased over time (also after 2018). Yet it remained a substantial share of the total budget. Typical to the Water Programme has been the integrated approach, with programmes serving similar water objectives and various funded water programmes also serving objectives of other spearheads. For example, in the 'Mau Mara Serengeti Sustainable Water Initiative' (MAMASE), water objectives have been complemented with objectives in agricultural and horticultural production.[180] Similarly, the 'Smart Water for Agriculture' (SWA), a market-oriented trade and development activity, served objectives at the nexus of water, food security and climate change. Additionally, the Water Programme is identified for its multiparty and multi-project collaboration, enhancing opportunities for knowledge sharing and spin-offs. For example, in the 'Integrated Water Resource Action Plan' (IWRAP), collaboration was sought with the water project 'Water Operations Partnership' (WOP) Naivasha (funded by the embassy as well). Multi-partnerships, collaboration and project integration was also aimed for in the Kenya Innovative Finance Facility for Water, for instance, with other projects[181] and with other Dutch instruments (see next paragraph). Several other water projects have collaborated with other donors' projects.

From donor to public investor: leveraging additional funds

As strategised in the MASP 2014–2017, the embassy's role was to alter from donor to public investor. A prominent instrument to effectuate this change has been the KIFFWA initiative. KIFFWA was launched in 2016 and funded by the Dutch embassy to create more bankable water projects and to draw in more private finance in the water sector. KIFFWA brings in early-stage capital and offers expertise that is lacking in early-stage project development, to support water initiatives on, for example, flood prevention, waste-water treatment, port construction and irrigation (Rebel and Trinomics, 2020). The initiative has been implemented by the Netherlands Water Partnership[182] (NWP), and became fully operational in 2018. The programme has existed of three work groups; a work group to establish KIFFWA; a second work group, the Kenia Pooled Water Fund[183] (KPWF), to attract local private capital to fund loans to local Kenyan water companies, and a third work group to fill the pipeline of the KPWF (KIFFWA aims to become a revolving facility).

[180] The initiative used a chain approach, including cooperation with the Kenyan Mara beef company and the Dutch Mara farming in the horticultural sector and Massai farmers.

[181] For instance, the embassy financed a sanitation project, to improve sanitation in the northern slums of Nairobi. About 180 toilets were installed, which are managed by franchise companies. This project also looks at common ground with the KIFFWA-programme.

[182] NWP is a comprehensive network, based in The Hague, which unites Dutch water expertise. The partnership consists of 200 members from private companies, government, knowledge Institutes and NGOs.

[183] KPWF may come to serve as a pilot for a global fund, the Water Financing Facility, currently developed at the MFA department.

Attracting capital occurred by placing bonds with local (Kenyan) institutional investors and subsequently lending the funds to qualified semi-private Kenyan (drinking) water and sanitation companies on a long-term basis.

Support to KIFFWA has later been taken over by the thematic department IGG. There is also interest from the African Development Bank, while the United States and Sweden are being consulted about offering guarantees.

Results: established links to other spearheads and opportunities for trade and investment
The embassy's Water Programme has included projects that allowed for establishing links, between spearheads and across policy fields. For example, SWA has been selected, amongst others, for its market-oriented trade and development activity, in the nexus of different themes (water, food security and climate change), and to provide for opportunities for private sector investments in farmer-led irrigation projects. Furthermore, KIFFWA was selected to develop bankable business cases and to integrate development objectives with trade and investment objectives. Its set-up included specific attention to solicit Dutch financial instruments (e.g. DRIVE, FDW, FDOV and DGGF) and promotion of the Dutch water sector.

Results: bankable projects established but no evidence (yet) to indicate the sustainability of results
In 2020, the MFA commissioned Rebel and Trinomics to undertake a mid-term evaluation of KIFFWA. Rebel and Trinomics identified the relevance of the programme, including in terms of policy alignment with Kenia policy, the SDG's and in terms of Dutch development policy (Rebel and Trinomics, 2020). Since becoming operational in 2018,[184] KIFFWA has met its target of supporting 10 to 20 bankable projects, with 17 bankable projects supported thus far (Ibid.). However, given the short period of operationalisation and given that no projects have yet come to financial close, it is not yet possible to conclude whether these projects have been successful (and whether loans will be paid back). Rebel and Trinomics temper expectations, concluding that experience shows that project development in Kenya, and in the water sector in particular, is not a highly profitable business due to write-offs and the level of technical assistance usually needed (Ibid.). Furthermore, given that KIFFWA is not (yet) a revolving fund, Rebel and Trinomics conclude that the facility is likely to require continued donor funding in the future (Ibid.).

Furthermore, the portfolio review (2017) of the SWA programme identifies results at output level (enhanced knowledge sharing, adoption of technologies, enhanced access to support services and promotion of trade and investment), but no results at outcome level, in terms of (sustainable) increased trade and investments.

[184] The year of KIFFWA becoming fully operational falls at the end of the evaluation period of this IOB study. Nevertheless, discussing results may provide insight in the plausibility of the effectiveness of embassy interventions in terms of creating commercial opportunities (and those opportunities being utilised).

Results on altering role from donor to public investor
For KIFFWA, Rebel and Trinomics identified the leverage effect of KIFFWA. The 17 projects supported have represented approximately EUR 19 million worth of project development (inclusive of the KIFFWA contribution), and if all were to reach financial close, would be expected to attract EUR 267 million in capital expenditure (Rebel and Trinomics, 2020). These numbers indicate a potential leverage of KIFFWA of 1:14 of private finance. KIFFWA therefore demonstrates the successful transition of the role of the embassy from donor to public investor. However, besides KIFFWA, no examples were found to indicate the altering role of the embassy.

6.6.2 Food security

Agriculture and the Food Security Programme provided the main entry for the implementation of the new agenda in Kenya. The embassy has invested in a market-led, economically viable approach, stimulating PSD, and subsequently trade and investment. The embassy's approach highlights the multi-stakeholder collaborations and partnerships created in programme implementation.

Also for the Food Security Programme, the evidence shows the difficulties experienced to serve aid and trade and investment objectives, where trade-offs have to be made, at least in the short to medium term. Targeting areas and beneficiaries that indicated most commercial potential are generally not the same as those most in need of development assistance.

Policy focus: investing in a market-led, economically viable approach and taking on the role of public investor
Policy documents (starting already in 2011/2012) have outlined objectives, the role of Dutch development assistance in the transition and beneficiaries for the Food Security Programme. Food security objectives have been to: 1. increase sustainable agricultural production and market access; 2. improve the business climate, including better access to finance; and 3. increase Dutch trade and investments.
In line with the overall trend of delegated ODA expenditure, the Food Security Programme enhanced the focus on PSD activities. Similar to the approach in water, the food security approach has identified the changing role for the embassy, from donor to public investor.

Policy focus: targeting promising areas to facilitate the change
The Kenyan agricultural sector is characterised by on the one hand, large scale farms and plantations (often foreign owned and/or managed), and on the other hand, relatively small (semi-)subsistence farms (owned and managed by smallholder farmers). To facilitate PSD, Dutch policy has been focused on developing sustainable business cases in the 'missing middle' of entrepreneurial domestic farmers. Dutch assistance aimed to present farming as a business case, providing expertise by involving Dutch entrepreneurs and consultants for knowledge.
Dutch trade and investment was envisioned to benefit from PSD efforts, including efforts aimed to enhance the enabling environment. Policy documents identify how the embassy aimed to effectively position Dutch entrepreneurs to benefit from the economic potential in Kenya.

This would occur particularly through economic sustainability and leveraged resources: "For the program[me]s that are explicitly linked to Dutch technology and expertise, it is important to ensure their economic sustainability after the phase-out [of delegated aid], while others may be continued with the support of other donors or investors" (EKN in Nairobi, 2016, p. 6).

To ensure economic viability of results, embassy programmes targeted mainly medium and larger farms, and to some extent smallholders and out-growers (often organised in cooperatives). The poorest and smallest farmers, often those involved in subsistence farming, have not been involved. Additionally, programmes were selected for promising sectors (horticulture, seed potatoes, dairy, and aquaculture) and targeted economically attractive, centrally located areas, rather than the poorer, drier and more remote areas.

Funding and implementation: food security programmes to support the transition through sustainability and value chain development

Between 2013 and 2018, delegated ODA expenditure on food security totalled EUR 48 million. It has been substantially larger under the new agenda than it was before; averaging EUR 1 million annually for 2010–2012, compared to an average of EUR 8 million annually for 2013–2018. Although absolute delegated food security expenditure decreased to some extent between 2013 and 2018 (and also after 2018), it has become a larger share of the total development cooperation budget and remained a focus area (as identified in the MACS).

Several programmes were launched and funded to support the transition. In 2016, the embassy launched the 'Robust, Reliable and Resilient' (3W) programme (2016–2020), to identify where to support PSD and how to phase out development assistance. 3W was implemented by Wageningen University and Research (WUR) and various Kenyan partners, and involved a multi-stakeholder approach.[185] The programme aimed to research and identify important bottlenecks in sustainability and competitiveness, to provide strategic inputs for the interventions to support the transition from aid to trade and investment. Interventions aimed to provide knowledge and best practices, related to food safety[186] and to local innovations and attainability of food safety standards among Kenyan companies (WUR, undated). Addressing bottlenecks in both supply and demand, the research addressed policy objectives of both food security (nutritious, safe foods) and enhanced competitiveness and market access (trade objectives). Important results achieved include: obtained meta-data of the Kenyan food system; recommendations developed that identified the importance of multi-stakeholder involvement in government policy and decision making; and best practices on how to improve food quality (and hence competitiveness and market access) (Ibid.).

[185] Included parties were farmer organisations, Kenyan ministries and agencies, NGOs and consumer associations.

[186] Activities undertaken as part of food safety included awareness raising dialogues (e.g. related to the dairy, horticulture sector) with the Kenyan government on food safety, a pilot project to research the implementation of a food safety label on the domestic horticulture market.

Another important example is the dairy and horticultural programme 'Kenya Market-led Development Program' (KMDP), implemented by SNV. The programme aimed to support the transition by its focus on PSD, and in particular value chain development. Other important activities include funding of the Agri-Growth Accelerator and so-called 'Telephone Farmers'[187].

Results: linking spearheads and creating partnerships for PSD
Characteristic in the selection of programmes is the creation of linkages, especially to other spearheads. For example, the Smart Water for Agriculture programme (see paragraph 6.6.1) has operated at the nexus of water, food security and climate change. Also distinctive to the Food Security Programme are the collaborations and partnerships created, involving various different parties (e.g. Kenya and Dutch companies/cooperatives and knowledge institutes), to facilitate knowledge exchange and capacity building. Examples are the SNV programmes HortIMPACT (agriculture; e.g. an equally funded partnership of HortIMPACT, the Kenyan Agventure Ltd. And the Dutch Unilever was established) and KMDP (dairy).

Results: challenges to link food security objectives with trade and investment objectives
An important challenge was found in the effort to link food security objectives with trade and investment objectives. Selected programmes have targeted centrally located areas and medium and larger farmers. Whereas this raises the chance of success for commercially sustainable effects, those most prone to suffer from food insecurity (subsistence farmers and those located in disconnected areas) are not targeted in this approach. This demonstrates the challenge of connecting trade and investment objectives to objectives central in aid policy; poverty alleviation and food security of subsistence farmers.
Furthermore, it should be noted that in programmes that did (amongst others) target smallholders and outgrowers, e.g. HortIMPACT, results at outcome level cannot automatically be assumed to translate to overall goals obtained. For example, for the Unilever–Agventure programme, although many small farmers and outgrowers were said to be reached, their food security and livelihoods did not improve significantly (Helmsing and Vellema, 2012). F&BKP and NWO (2019) discussed complementary findings for the 'Follow the Food' project. Even when results of improved farmer income are found, they do not automatically translate into improved local food security (F&BKP and NWO, 2019). These findings indicate the importance of Monitoring, Evaluation and Learning (MEL), and in particular MEL at different moments, that is: different moments in time (medium-run and long-run) and at the level of result (intermediate outcome, final outcome, and even impact level).

From donor to public investor: evidence of an altering embassy role was not found
Unlike the example of KIFFWA in the Water Programme, no examples of interventions in the Food Security Programme were found that emphasised the effectuation of an altering role for the embassy, from donor to public investor. Whether such a change has (successfully) occurred could not be concluded, but the lack of information in the review indicates no such change occurred.

[187] Large farmers, which also have a job in the city.

6.6.3 Security and rule of law

The embassy's Security and Rule of Law Programme has played a more marginal role than the spearhead programmes of food security and water. Nevertheless, several programmes have contributed to the implementation of the new agenda, as their objectives contributed to the economic enabling environment, improved business and investment confidence in the judicial system and addressed IRBC, such as human rights issues.

Policy focus: constitutional implementation, judiciary and access to justice
The MASP 2014–2017 identified the policy objectives of the embassy's SRoL approach: 1. Improve judicial performance (less impunity and increased accountability for corruption and human rights violations); 2. Improve access to justice; and 3. Enhance effective implementation of the constitution (EKN in Nairobi, 2013). Initially, the phase-out of the SRoL Programme was planned for 2017. Signalling the distinct need to continue to contribute to the enabling (economic) governance environment, the embassy decided to prolong activities to the end of the overall bilateral programme.

Funding and implementation: contributing to an enabling environment to facilitate trust and responsible business conduct
Between 2013 and 2018, delegated ODA expenditures on SRoL totalled EUR 26 million (averaging EUR 4 million annually). Delegated ODA expenditure on SRoL in Kenya decreased in line with the anticipated phase-out; from EUR 8 million in 2013, to EUR 2 million in 2018 (and further down to EUR 1 million in 2020).

The embassy has implemented various projects and programmes. Hereby, NGOs, multinational organisations and independent commissions were strategically chosen as implementation partners. Furthermore, programmes were also strategically selected, specifically to strengthen the watchdog role of civil society (to enhance accountability of government bodies and promote the effective implementation of the constitution and human rights standards) and to raise public awareness. To contribute to the economic enabling environment, programmes have also been selected to improve business and investment confidence in the judicial system and enhance promotion and protection of human rights.

6.6.4 International responsible business conduct

IRBC can play a crucial role in the transition. The embassy funded and engaged in various IRBC-related activities. The majority of funding went to the Starters International Business (SIB) Kenya, located within the Kenyan Employers Association, to promote RBC among the local business community and provide assistance to mainstream RBC in business practices.

Approach: guiding companies on sustainable and inclusive business
Policy documents noted the crucial role of the cross-cutting theme of IRBC in the transition process. Several important RBC risks exist in Kenya, including violation of land and property rights, lack of civil society space, underpayment, corruption and environmental degradation. Embassy documents such as an IRBC strategy (internal document), the MASP 2014–2017 and

the 2016 Transition Plan identified the role for the embassy to promote and enable RBC. Guidance to businesses was aimed to occur through dialogue, knowledge sharing and matchmaking.

Funding and implementation: guidance through awareness raising and advice

Although delegated ODA expenditure on IRBC is not categorised as such (not reported in its own category in the financial management systems), several distinct IRBC interventions were funded between 2013 and 2018. The majority of funding went to the setting up and continuation of SIB Kenya. SIB Kenya was established in 2015 by CSR Netherlands (*MVO Nederland*) and the Kenyan Private Sector Alliance (KEPSA). Housed at KEPSA, SIB Kenya functions as RBC knowledge centre, promoting RBC among the local business community and providing assistance to mainstream RBC in business practices.

Results of enhanced awareness, network and partnerships

SIB activities have included awareness raising interventions on the centre's existence (publicity and reputation promotion) and on-demand reviewing of businesses' RBC policy and practices. The centre further developed a local SIB Kenya standard and an expert pool for paid consultancy assignments in the field of sustainability.
Other results at output level found for IRBC interventions have included direct assistance (knowledge, information, advice) provided to Dutch companies and engagement in (multi-) stakeholder dialogues and events (e.g. a floriculture meeting and a plastic waste roundtable). At times, these interventions have taken place in a specific context, e.g. as part of (trade) missions or as follow-up to an RBC-related incident involving a Dutch company.

As result of these interventions, respondents have noted improved awareness among different stakeholders, an enhanced network of the embassy and partnerships created between stakeholders.
For results of SIB Kenya specifically, interviewees acknowledged SIB Kenya will need future support to develop further and become self-sufficient. Continued engagement with SIB has been expressed in the MACS 2019–2022. Its financial business model, and hence its dependency on donor contributions, to sustain its activities, remains in doubt. However, CSR Netherlands, after two decades, also still remains very dependent on government funding.

Absence of guidance on the implementation of IRBC policy

Despite having developed an explicit IRBC strategy, the embassy acknowledged to have faced challenges in implementing Dutch IRBC policy. There has been, and continues to be, a need for guidance on the planning and implementation of IRBC policy. For instance, no specific central guidelines were provided nor has IRBC been included as a specific topic in the guidelines for the MACS. This finding was already established in the IOB evaluation of Dutch IRBC policy, reporting that the MFA, and IMH specifically, has only been partly effective in providing guidance to embassies on how to develop and implement IRBC activities (IOB, 2019).

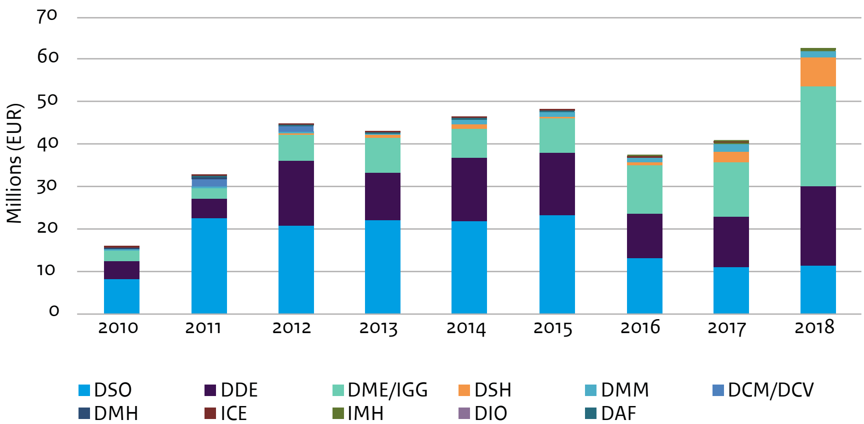
6.7 Central ODA activities

Results show a shift in central ODA expenditure from social development to private sector development, with enhanced focus on agriculture programmes, and to some (although much smaller) extent to trade and investment promotion. Results further identify a lack of focus and coherence in the central approach, with a vast amount of programmes funded, covering various different objectives.

Shifted spending from a social to a PSD and, to a lesser extent, trade and investment approach

Figure 6.4 presents central ODA expenditure between 2010 and 2018 (above a 2010–2018 total of EUR 0.5 million[188]) for Kenya, categorised by MFA department. Between 2013 and 2018, central ODA expenditure totalled EUR 276 million (averaging EUR 46 million annually), and increased from EUR 43 million in 2013 to EUR 62 million in 2018. After 2018, central ODA expenditure remained more stable.[189] Most central ODA was channelled via DSO (37 percent), DDE (30 percent) and IGG[190] (26 percent). Central programmes include national programmes and regional/global programmes in which Kenya has been a recipient.[191]

Figure 6.4 *Central ODA expenditure*



Source: MI OS, 2020

[188] Figure 6.4 also includes data for the departments IMH, DIO and DAF, despite budgets below EUR 0.5 million (respectively EUR 340,000, EUR 245,000 and EUR 17,000), given their relevance in the implementation of aid, trade and investment policy.

[189] Central ODA expenditure totalled EUR 54 million in 2019 and EUR 57 million in 2020.

[190] Including spending via the department's predecessor DME.

[191] For regional/global programmes, spending for Kenia is an average of total recipient countries. Although this may cause some discrepancy, analysing the data does provide insight on patterns of central spending over time.

ODA spending via DSO decreased over time (funding programmes for social development); with, in 2018 almost half the expenditure of 2013. The decline in social spending is largely found in the closure of the Co-Financing System, MFS II[192] (2011–2015). The succeeding Strategic Partnerships Programme, Dialogue and Descent, held a much smaller budget. Contrarily, central ODA channelled via IGG and DDE increased over time. IGG finances agricultural, water, climate and energy programmes that address aid objectives (e.g. food security, but also PSD) and opportunities for the use of Dutch expertise and for trade and investment. DDE finances programmes on PSD and sustainable trade and investment. Between 2013 and 2018, ODA expenditure by DDE almost doubled, and almost tripled for IGG. When comparing central ODA expenditure for the two departments to expenditure prior to 2013, a change is visible as well. Annual ODA expenditure by DDE under the Rutte I period averaged EUR 8 million, compared to an annual average of EUR 14 million for the period under evaluation. Similarly, annual ODA expenditure by DME (the predecessor of IGG) averaged EUR 4 million under Rutte I, compared to EUR 12 million between 2013 and 2018.

Central expenditure has also been channelled via DIO (since 2016) and IMH (since 2017), although remaining a marginal share of the budget. IMH and DIO focus on foreign economic relations (both part of DGBEB), sustainable trade and investment, and international opportunities for Dutch companies.

The declining trend of expenditure by DSO (social development), combined with the increasing trend of expenditure by IGG and DDE (mainly a PSD approach, and some trade and investment promotion), and, to a lesser extent, also the increasing trend of expenditure by IMH and DIO (trade and investment promotion) indicate a slow, but sure transition within the central portfolio.

Lack of coordinated focus in central programmes

By 2018, there were 146 activities (compared to 102 activities in 2013) financed from seven different MFA departments and implemented by a wide variety of Dutch, local and international organisations (MI OS, 2020). Despite the embassy's synergy study (see section 6.4) and the Annual Plan and Work Plan, which provided incentives for synergy and coherence in the spearheads food security and water, little coherence and focus was found in all these activities.

Central and increasingly important role for RVO

Results show the central role that RVO has played through various RVO-funded ODA instruments. Many RVO ODA instruments are open to Kenya including, amongst others, DGGF (track 1), DRIVE, ORIO, FDW, FDOV, PSI and PDP[193] III. Between 2013 and 2018, RVO funding was channelled through 13 different ODA programmes, totalling EUR 50 million (IATI, 2020). Most spending consisted of programmes under FDOV, DGGF (track 1) and FDW. Financial data further show increased ODA expenditure via RVO over time; from EUR 3.1 million in 2013 to EUR 12.4 million in 2018.

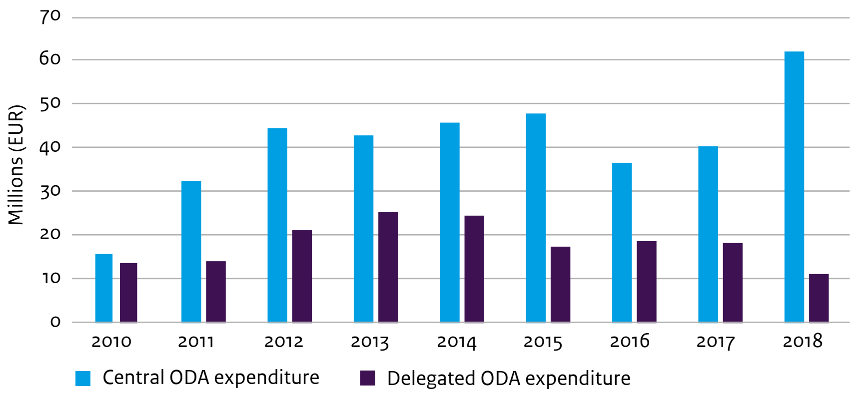
[192] In Dutch: *Medefinancieringsstelsel II*.

[193] The Product Development Partnerships Fund.

6.8 Coordination of central and delegated ODA activities

To enhance the coherence and effectiveness of Dutch efforts and minimise trade-offs, coordination and careful fine-tuning of the delegated and central portfolios is key. Figure 6.5 depicts the relation of delegated ODA expenditure to central ODA expenditure for Kenya between 2010 and 2018. Evident is the countering trend observed. Since the implementation of the new agenda in 2013, delegated ODA expenditure declined, whereas central ODA expenditure substantially increased, causing decision making on programmes to shift more to the central level. Also in 2019 and 2020 the pattern continued. This trend is already visible under Rutte I. In 2010, central and delegated ODA expenditure were still more or less the same, but over time the ratio markedly altered.

Figure 6.5 *Central versus delegated ODA expenditure*



Source: MI OS, 2020.

The imbalance and small ODA budget of the embassy highlights the importance for the embassy to be engaged in central programming, so as to maintain its influence and oversight of total Dutch ODA expenditure in Kenya. However, as discussed below, lack of coordination and cooperation of delegated and central interventions have left little room for the embassy to influence the central ODA programme.

Little room for the embassy to influence the allocation of resources

ISB (2017) identified the underlying causes of the observed imbalance of central and delegated resources. The imbalance in the ratio between central and delegated ODA expenditures in the total programme has developed due to steering on thematic priorities and channels instead of MASP– and country-tailored priorities (ISB, 2017).[194] Furthermore, interviews revealed the limited influence of the embassy on the allocation of centrally financed activities.

[194] Since 2019, however, more attention has been given to prevent fragmentation.

The lack of focus and coherence observed in central programmes (see section 6.7), drying up of delegated ODA resources and the limited influence the embassy has had on the allocation of centrally financed activities raises the question how to establish coherence and focus, and use the embassy's on-the-ground presence and experience to enhance effectiveness of programmes.

6.9 Interventions and instruments to support the transition

Various central and delegated instruments have been deployed to facilitate the implementation of the new agenda in Kenya, including transition tools, trade missions, troubleshooting, economic diplomacy and support to 'the Netherlands Business Hub for East Africa'. Results of these interventions vary, with most successful results found from diplomatic efforts and the PSD Apps. Furthermore, the evidence indicates the difficulties encountered to create opportunities for inclusive trade and investment, and to do so in a sustainable manner. These findings underscore earlier conclusions on the time needed to allow for sustainable results and ultimately, a transition to take place.

Embassy interventions: direct support to businesses and contributions to multilateral programmes

The embassy actively worked on supporting Dutch businesses and investors, through providing advice and facilitating matchmaking. With no bilateral funding through the Kenyan government, interventions targeting the enabling environment were primarily addressed through (delegated) contributions to multilateral programmes of the World Bank and IFC that addressed the regulatory environment and a trade facilitation programme of TMEA, which aimed to lower trade and transaction costs. Furthermore, a private Dutch–Kenyan chamber of commerce, 'the Netherlands Business Hub for East Africa' (see Box 6.1 below), was set up to offer Dutch companies comprehensive support services.

Box 6.1 *The Netherlands Business Hub for East Africa*

'The Netherlands Business Hub for East Africa' was established in 2015 in Nairobi, as a partnership of the Dutch embassy, the Dutch business community, the Netherlands–African Business Council (NABC) and the NWP. The initiative would serve as a private Dutch–Kenyan chamber of commerce. It aimed to promote, support and service aid-relevant bilateral trade and investments with Kenya and the rest of East Africa, to leverage private capital and contribute to the implementation of the new agenda. The 'Netherlands Business Network Kenya', which existed prior to establishment of the Hub, has been merged with the Hub. Concrete activities were identified to include: market studies; business scans; matchmaking around missions; business events; support for investment plans; and temporary housing. The activities would provide practical support to the embassy's approach, executing its tasks separate from the embassy. By means of links and coordination between the Hub and the embassy, the embassy was envisioned to obtain the input needed for government-to-government dialogue, for example to address experienced bottle-

necks in the business climate.
A starting capital was provided by RVO and the embassy. Additionally, the Hub's business model consisted of direct payment for specific services, and membership fees for general network services.

The Business Hub has unfortunately not provided the success to support the transition; it did not support the integration of aid and trade that was hoped for. Amongst the causes of failure are unfortunate circumstances that are unrelated to the malfunctioning of the design of the Hub.
Currently, the Hub is being reviewed on its potential for revival, and whether or not the Netherlands will reinvest in the Hub. The circumstances encountered, and the lack of results so far provide little input for review.

Embassy interventions: diplomatic efforts to enhance the business climate
The embassy also engaged in diplomatic efforts through economic diplomacy and troubleshooting related to regulations, work permits and tax issues of Dutch companies. Economic diplomacy also occurred in collaboration with other country representatives. For instance, ambassadors of the Netherlands, Britain, Germany and Denmark drew the authorities' attention to obstacles to private sector development and encouraged cooperation between the bilateral chambers of commerce of these countries and the Kenyan chamber of commerce.

Active and increased use of PSD Apps
In 2014, the PSD Apps programme[195] ('PSD Apps') was launched through which ODA and non-ODA funds were used to finance various flexible tools that embassies could use to promote trade and investment. Of the three countries under study, the PSD Apps were most extensively used in Kenya. Between 2014 and 2018, approximately EUR 1.3 million was used from the PSD Apps budget, funding 62 activities. Over time, the number of activities funded from the PSD Apps budget increased, from four activities in 2014 to 17 activities in 2018. Most of the budget was spent on productive sector projects.[196] Among the funded activities were market scans for new sector priorities.

Transition Countries Apps: overambitious goals and insufficient evidence of success
In 2014, DDE and DIO launched the 'Transition Countries Apps', aiming to enhance the business climate in the transition countries and facilitate the success of Dutch businesses.[197] The programme has also been open to Kenya. The programme was, despite its very similar name, not related to the PSD Apps, nor to the Transition Facility[198]. Similar to findings for Bangladesh and Ethiopia, anticipated results of the Transition Countries Apps for Kenya are found to be overambitious.

[195] See chapter 4, section 4.9 for more information on the programme.
[196] Activities funded were in the domains of 'social infrastructure', 'economic infrastructure', 'productive sectors', 'multi-sector', 'budget support' and 'other' activities.
[197] See chapter 4, section 4.9 for more information on the programme and the four specific programme goals.
[198] See footnote 84.

Although Kenya's position on the World Bank Doing Business Index improved over time, ranking 129th in 2014 and 80th in 2018, determining the attribution or contribution effect of the intervention is next to impossible. Given the modest size of the interventions, it was unrealistic from the outset to expect observable effects on the business climate – especially given the presence of other (often larger) donors in the partner country and large array of other external and domestic factors influencing results in the business environment.

Limited perceived role of RVO in attracting Dutch business

Despite the positive findings on the support from RVO in implementing the new agenda (e.g. supporting the embassy and implementing central programmes), interviews revealed that it was generally felt that RVO could have done more to attract Dutch companies in Kenya.

6.10 Assessing results: Dutch trade with and direct investment in Kenya

To further assess the implementation of the aid, trade and investment policy in Kenya, trade and investment patterns are reviewed. The analysis centred on two questions: 1. How have trade and investment patterns evolved? and 2. Can it be concluded that Dutch interventions under the new agenda have influenced these patterns?

Trade data reveal a slow but steady increase in bilateral trade since the implementation of the new agenda. Furthermore, a gravity model based regression analysis was executed, to further review the development of bilateral trade relations and whether Dutch interventions may have had an effect. Findings for the period under study show a worsening of Kenya's bilateral trade performance, so that the analysis could not be used to draw conclusions on the effects of Dutch interventions on bilateral trade performance at macroeconomic level.
An analysis on the effect of Dutch interventions for FDI by Dutch investors could not be made altogether, because of unreliable FDI data, with estimates of the stock of Dutch direct investment in Kenya varying considerably.

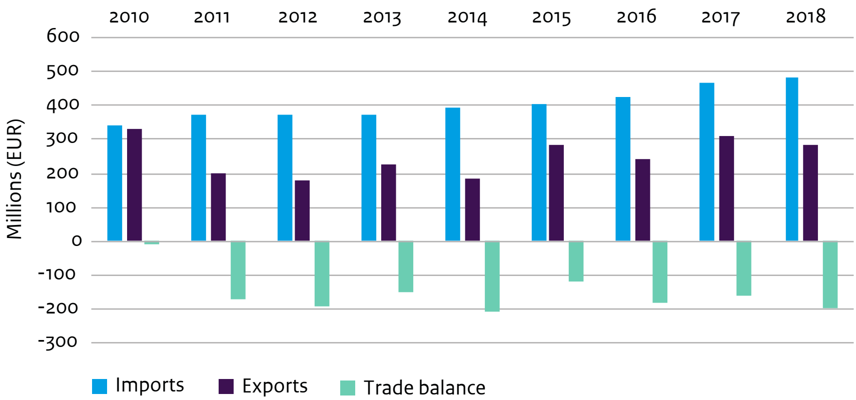
Dutch business presence in Kenya, especially in the flower and vegetable sector

There is extensive Dutch presence in Kenya, especially in the flower and vegetable sectors. Several large Dutch multinationals operating in Kenya include Heineken, Unilever, FrieslandCampina, Rabobank and Phillips. The embassy estimated that by 2017, 110 Dutch companies were active in Kenya, a number that further increased to 125 Dutch companies in 2018. The Business Hub registered somewhat different numbers, with 275 companies registered in 2017, of whom 75 percent (approximately 206 companies) were estimated to qualify as Dutch company. The deviation in numbers may, amongst others, be explained by the fact that registration by the Business Hub does not imply actual operations yet in Kenya and/or that not all registered companies are known by the embassy.

Increased bilateral trade over time

Figure 6.6 presents bilateral trade (in value) between the Netherlands and Kenya for 2010 to 2018. Between 2013 and 2018, trade (both exports and imports) slowly but steadily increased over time. In 2018, total trade value had grown by 28 percent from the 2013 value. Imports from Kenya increased by 29 percent during the same period. Live trees and plants[199] (including cut flowers) have been the top imported products from Kenya (ITC Trade Map, undated-c). Dutch exports to Kenya increased by 25 percent. Top exported products to Kenya have been machinery equipment and appliances, as well as mineral products (Ibid.).[200]

Figure 6.6 *Bilateral trade (in value) between the Netherlands and Kenya*



Source: CBS Statline, 2020d. Figures presented from the Dutch perspective.

Modelling bilateral trade: actual trade above anticipated trade but decreasing over time

To further review the development of the bilateral trade relation and whether Dutch interventions may have had an effect, a gravity model based regression analysis was executed.[201] As part of the exercise, Kenya's trade intensity ratio (identifying actual versus expected trade) was computed and subsequently ranked for each year (compared to 144 other Dutch trade partners).[202]

Findings from the model indicate a worsening trend over time. Between 2013 and 2018, Kenya's trade intensity ratio decreased somewhat, from 1.0 (actual and expected trade levels are equal) in 2013 to 0.9 in 2018 (and 0.8 in 2019).

[199] HS code 06: Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage. Import value 2010–2018: EUR 2.7 billion for the period under study.

[200] HS code 84: Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof, at an export value of EUR 316 million (2013–2018), and HS code 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ..., at an export value of EUR 256 million (2013–2018).

[201] See annex 5, Box A5.1 for a descriptive overview of the analysis.

[202] See annex 5, Box A5.1 for an overview of ratios and rankings for Kenya per year.

Kenya's bilateral trade ranking also deteriorated, from 56 in 2013 to 70 in 2018 (and 75 in 2019), indicating a loss of market share.[203] Consequently, in these data, a positive effect of Dutch interventions on bilateral trade performance at macroeconomic level cannot be found.

Lack of reliable data: room for error and inconclusiveness on results of Dutch direct investment
Estimates of the stock of Dutch direct investment in Kenya from different sources vary considerably. DNB, the Dutch embassy in Kenya and the Kenyan government all use different figures. At the end of 2016, DNB estimated the total stock at EUR 1.1 billion. The embassy reported Dutch FDI to have risen tenfold from EUR 63 million in 2006 to EUR 690 million in 2014 (EKN in Nairobi, 2016). The Kenya Bureau of Statistics (KNBS) estimated FDI from the Netherlands to be more than EUR 350 million[204] at the end of 2014 and more than EUR 227 million at the end of 2015 (KNBS, 2017).
Additionally, it has been impossible to separate Dutch direct investment from direct investments of other foreign investors, which channel their investment via the Netherlands, by means of special purpose vehicles. This causes data on actual Dutch investments to be distorted.

The variance and distortions in data have made it impossible to draw clear conclusions on the total amount of Dutch FDI, and possible effects of policy interventions.

6.11 Coherence

The Dutch aid, trade and investment agenda aims for coherence between different policy goals and instruments. Implementation of the new agenda in Kenya has shown a strong focus on interventions that contribute to inclusive economic growth and success for Dutch businesses. Objectives of poverty reduction were thereby not (directly) targeted. This affects coherence of policy goals of the new agenda.
The level of coherence has also been affected by other factors, such as the approach of steering on themes, the high fragmentation of central interventions, the broad economic approach applied and the lack of integration between embassy departments.

Difficulties faced in linking the different policy fields
The evidence shows the difficulties of integrating aid policy with trade and investment policy; that is of serving all three policy goals of the new agenda simultaneously and proportionately. In Kenya, the embassy chose to focus on inclusive economic growth and success for Dutch businesses. Aid objectives such as eradicating extreme poverty were not (directly) targeted. Examples that identify this are, for instance, discussed in the Food Security Programme. Interventions have targeted areas and beneficiaries that indicated most commercial potential.

[203] Whereas the trade ratios for Kenya are higher than for Bangladesh and Ethiopia, one should keep in mind, that this is partly related to trade that is transhipped through the port of Mombasa, to the East African hinterland. Hence, the high ratio for Kenya cannot be fully attributed to the bilateral trade between Kenya and the Netherlands.
[204] Amounts in the KNBS report are in Kenyan Shilling. These figures were converted to Euros.

Whereas these beneficiaries and areas have most potential to serve goals of economic growth and success for Dutch businesses, these are generally not most in need of development assistance.

Lack of focus in the economic approach, more coherence in the aid approach
The economic approach, to stimulate broadened economic relations presents a mixed picture of success. This is partly explained by the lack of focus in targeted sectors. The choice for economic priority themes was quite diverse, with variance in programme objectives, and did generally not build on the aid programmes and existing networks. Within the field of aid policy, results have been more successful. Programmes within and across spearheads have been linked (for example in water and food security programmes) and collaboration across programmes and with other donors occurred.

Activities of the agricultural attaché were less integrated than in Ethiopia. The integration of teams and work plans can, as was witnessed in Ethiopia, create benefits in terms of enhanced policy coherence (as well as in terms of more efficient use of embassy capacity).

Steering on themes and central fragmentation of budgets and interventions have constrained the ability to secure coherence
Several factors have challenged the embassy in being able to use its instruments and interventions in a coherent manner and apply an approach optimally tailored to Kenya's context. First, difficulties arise from the Dutch approach at central level, to steer on themes rather than on country level. This reduces the tailored fit with the country's context and coherence with the embassy's efforts. Additionally, the fragmentation in the central portfolio (see section 6.7) has added to the difficulties faced.
Furthermore, the embassy has had little space to manoeuvre with a decreased delegated ODA budget, yet the ability to influence the allocation of centrally funded activities was small. Consequently, applying consistency and coherence in implementation of the new agenda has been a challenging, if not an impossible task.

7

Conclusions and recommendations

Conclusions

This synthesis chapter highlights the main conclusions of the evaluation for the three countries under study, and subsequently provides recommendations. Although the overall findings underline the added value of the three embassies in the transition process and the first positive results, they also identify the difficulties experienced in integrating aid, trade and investment policies in practice. Finding ways to link development cooperation objectives to trade and investment promotion remains a challenging and sometimes unmanageable task.

7.1 Different approaches to implement the new agenda

The implementation of aid, trade and investment policy was shaped differently in the three selected countries and with different levels of alignment to the partner country's national policies. This can best be explained by the following factors: 1. The specific contexts of the individual countries and their bilateral relations with the Netherlands; 2. The absence of an explicit Theory of Change (ToC) for the new policy; 3. Inadequate clear guidance on implementation from the Ministry of Foreign Affairs (MFA); and 4. Insufficient resources (both financial and staff) and little time to implement the new policy.

Differences in country context

The implementation of the aid, trade and investment policy in the three partner countries occurred against the background of different country contexts. Table 7.1 present a comparative overview for the three countries for several important indicators of the development and business climate for 2013[205]. The countries are benchmarked against the results for the Netherlands. For all three countries, the table clearly shows the relatively poor and difficult local context within which the new policy had to be implemented.

[205] The year that cabinet Rutte II identified the transitional countries.

Table 7.1 Key indicators[206] of country context

Indices (2013)	Bangladesh	Ethiopia	Kenya	Netherlands
Corruption Perceptions Index[a]	136	111	136	8
Human Development Index[b]	142	173	147	4
Ease of Doing Business Index[c]	129	127	121	31
Global Competitiveness Index[d]	110	127	96	8
World Risk Index[e]	5	70	78	46

The real and perceived risks in the three countries not only influence businesses' performance and willingness to do business or invest in the countries but they also provide the canvas on which Dutch policy had to be implemented, and therefore explain the varying approaches and interventions chosen with the embassies at the wheel.

The approach of assigning countries with such different levels of transition to one broad category of 'transition countries' can be criticised, however. For instance, it has been argued that Ethiopia will need development cooperation support for a much longer period, because absolute poverty is widespread in the country. In contrast, more advanced countries, such as Kenya and even Bangladesh may need less official development assistance (ODA) support in the coming years. Yet despite these and other differences, all transition countries were lumped together in one category.

Bilateral relations and alignment to recipient governments' policies

Bilateral relationships are shaped by many different aspects, including the availability and extent of official development assistance, and the channels chosen to disburse funds during a given period. Despite the different political and institutional settings in the partner countries, resulting in different channels chosen to disburse ODA and different levels of cooperation, Dutch policy interventions were generally aligned with the partner countries' policies. For Kenya, Dutch ODA was not spent through the Kenyan government because of accountability problems. Nevertheless, Dutch policy objectives did align with Kenyan priorities of food security and water.

[206] (a) Transparency International (2020): Corruption perceptions index 2013: ranking 175 countries by perceived level of public sector corruption (low rank = high corruption); (b) UNDP (2014): Human development index 2013: ranking 187 countries on the level of human development (low rank = lower level of development); (c) World Bank (2013): Ease of Doing Business index 2013: ranking 187 countries on the regulatory environment for business (low rank = poor environment); (d) World Economic Forum (2013): Global competitiveness index 2013–2014: ranking the national competitiveness of 148 countries, based on e.g. institutions, infrastructure and macroeconomic stability (low rank = low competitiveness); and (e) Alliance Development Works (2013) World risk index 2013: ranking 173 countries by natural disaster risk (high rank = high risk).

In Ethiopia, and to a certain extent in Bangladesh, the extent of collaboration with the government was almost the opposite of that in Kenya, with bilateral budgets channelled through large government programmes and/or multi-donor basket funds. In these two countries, policies were well aligned with the partner countries' national priorities and policies, particularly in terms of poverty alleviation and water management (Bangladesh) and 'pro-poor' agendas and food security (Ethiopia).

Lack of a clear-cut policy and guidance from The Hague
With the introduction of the aid, trade and investment policy, neither a well-defined framework on the transition nor an underlying ToC for the policy was provided. Consequently, how to translate the policy into concrete action remained undefined and was primarily left up to the embassies. Interviews revealed that embassies either acted in accordance with their own interpretation of the policy – such as the embassy in Kenya, which chose to focus primarily on sustainable economic growth and success for Dutch businesses abroad, and away from poverty reduction goals – or that embassies felt uncertain which path to take because they were unsure how to interpret the finer points of the new agenda, as was the case for the embassy in Bangladesh. Lacking an overall ToC for the aid, trade and investment agenda and tailored guidance, all three embassies had difficulty translating the agenda into practice.

Differences in available ODA to implement the new agenda and transition

Implementing the new agenda required a broadening of embassy tasks, a more complex design of interventions and specific expertise. Different approaches also emerged from the differences in available resources, including: ODA funds (both delegated funds and central funds, which in the area of private sector development (PSD) were mostly dependent on applications from companies), staff capacity and time allocated for implementing the new agenda and transition.

Between 2013 and 2018, delegated ODA expenditure declined for all three embassies, but to a different extent. The partner country with the highest delegated ODA expenditure was Ethiopia: EUR 354 million, compared to EUR 277 million of central ODA expenditure, and it declined by only seven percent during the period under evaluation (but with some ups and downs). Delegated ODA expenditure in Bangladesh totalled EUR 263 million (compared to EUR 157 million of central ODA expenditure), and decreased in a general trend, from EUR 54 million in 2013 to EUR 40 million in 2018 (a decrease of 25 percent).
In line with the anticipated phase-out by 2020/2021,[207] delegated ODA expenditure in Kenya (EUR 115 million, compared to EUR 276 million of central ODA expenditure) witnessed the most extensive and continuous decline, by 56 percent.

[207] See section 6.3 for more details and updates on the phase-out.

The declining delegated ODA budgets should be considered against the changing patterns in central ODA expenditure. For Ethiopia and Kenya, the delegated budgets declined as a proportion of total Dutch ODA. In these countries, central budgets increased whereas delegated budgets declined,[208] causing decision making on programmes to shift more to the central level and making it more difficult for embassies to determine and coordinate the implementation of policy at country level (and thereby the embassies' ability to directly determine the implementation of policy). Central ODA expenditure for Ethiopia increased from EUR 41 million in 2013 to EUR 49 million in 2018 (an increase of 19 percent). Central ODA expenditure in Kenya increased from EUR 43 million in 2013 to EUR 62 million in 2018 (an increase of 45 percent). The trend in Kenya is partly explained by the planned phase-out of the delegated budget and partly by the 'popularity' of Kenya as a destination for centrally managed ODA-programmes and PSD-interventions driven by Dutch applicants.
Bangladesh differed from the other two countries in that both delegated and central ODA expenditure declined (at similar rates), but the decline in the delegated budget involved larger absolute figures. Central ODA expenditure declined by 26 percent, from EUR 27 million in 2013 to EUR 20 million in 2018.

Despite the differences in the ratio of central-to-delegated ODA resources for the three partner countries, the altering proportion of delegated and central ODA budgets emphasises the importance for the embassies to be involved and influence the allocation and implementation of central programming. However, it was found that for all three partner countries the embassy's influence on the allocation of centrally financed activities was restrained. Interviews in Bangladesh, for example, identified as points of concern the reduced delegated ODA budget, a lack of influence in central programmes and proper coordination of central and delegated portfolios. This raises the question of how coherence can be improved between central and delegated portfolios, and how the embassy's on-the-ground presence and experience can best be used to benefit the effectiveness of central programmes and the overall country approach of the Netherlands. The transition from multi-annual strategic plans of embassies toward multi-annual country strategies from 2018 onwards is a first good step if maintained and intensified (see section 3.4).

Embassies' staff capacity: no evidence of pronounced staff changes to support the transition

There were also noticeable differences in embassy staff capacity (varying size and composition) for the three countries. Particularly noteworthy is the overall tendency for there to be no pronounced change towards more economic-oriented staff to support the transition (regardless of whether this process was to occur in the short-run, as in the case of Kenya, or was to occur gradually, as in the case of Ethiopia).
The lack of a pronounced change was particularly the case for Bangladesh and, to some extent, for Ethiopia. For Bangladesh, total staff capacity decreased by 24 percent between 2013 and 2018 and there was no distinctive change in the composition of staff (from development-oriented staff towards economic-oriented staff).

[208] See figures 4.5, 5.5 and 6.5 for a visual representation of the altering proportion of delegated and central ODA budgets.

Moreover, the economic team remained small in absolute terms and by comparison with the development team (at less than a quarter of the development staff by 2018). For Ethiopia, total staff capacity remained fairly stable over time, but similar to Bangladesh, no change (not even a gradual one) occurred from development-oriented staff towards more economic-oriented staff.

For Kenya, the findings are somewhat different, but they still emphasise the challenges faced in order to organise the staff needed to implement the transition. Economic-oriented staff compared to development-oriented staff did increase, but remained small in absolute numbers. The increase in economic-oriented staff was understandable, given the anticipated clear-cut phase-out date of the delegated development budget by the end of 2020 (later extended to the end of 2021, and by 2018, not specifically identifying a decline with end-date). However, the increase in economic staff remained (too) small, given the stated ambitions. To illustrate, by 2013, economic-oriented staff was less than 1 full-time equivalent (FTE), between 2013 and 2018, economic staff averaged less than 3 FTE, and totalled 4.3 FTE in 2018.

The absence of a pronounced change in embassy staff composition to support the transition may be partly explained by the fact that decisions about the allocation of diplomatic embassy staff are taken at the central level by the 'Regions Pool Management Team' (RMT). The RMT comprises the regional directors of DAF[209], DAM[210], DAO[211], DEU[212] and DWH[213]. The directors of DIO[214] (DGBEB[215]) and BIS[216] (DGIS[217]) only participate in 'RMT+ meetings' (more elaborate meetings), and do not have (significant) influence on the allocation of staff. Hence, the decisions of the RMT may not always support the policy goals of the aid, trade and investment policy, nor match one-to-one with the ambitions of DGIS or DGBEB on this policy. Therefore, staff allocated to the embassy may not align with the staff capacity needed to implement the transition.

Differences in embassy organisation: benefiting from the integration of the agricultural attaché

The embassy's capacity can be substantially enhanced by integrated teams and plans. In Ethiopia, the embassy's capacity has benefited from the full integration of the agricultural attaché into the embassy's development and economic teams, as well as the integration of the annual economic work plan of the agricultural attaché into the embassy's annual plan.

[209] *Directie Afrika* – Sub-Saharan Africa Department.
[210] *Directie Noord-Afrika en Midden-Oosten* – North Africa and Middle East Department.
[211] *Directie Azië en Oceanië* – Asia and Oceania Department.
[212] *Directie Duurzame Economische Ontwikkeling* – Sustainable Economic Development Department.
[213] *Directie Westerlijk Halfrond* – Western Hemisphere Department.
[214] *Directie Internationaal Ondernemen* – International Enterprise Department.
[215] *Directoraat-Generaal Buitenlandse Economische Betrekkingen* – Directorate-General for Foreign Economic Relations.
[216] *Bureau Internationale Samenwerking* – Office for International Cooperation.
[217] *Directoraat-Generaal Internationale Samenwerking* – Directorate-General for International Cooperation.

In Kenya, extending the economic capacity through enhanced integration with the agricultural attaché remained more limited than in Ethiopia. The economic department cooperated well with the agricultural attaché, yet the agricultural attaché continued to draft and implement its own individual economic work plan. Bangladesh did not have an agricultural attaché, sharing a co-accredited attaché based in Myanmar, notwithstanding the importance of food security as a development cooperation spearhead and the potential springboard for the transition from aid to trade and investment.

Leveraged capacity to implement the agenda: limitations in central support and coordination
The transition process required specific expertise, which was not always sufficiently available at the embassies. Embassies could leverage their knowledge and expertise: for instance, by exploiting the knowledge and expertise available at the MFA department (e.g. from regional departments, thematic departments and Business Development (BD) coaches) and through the Netherlands Enterprise Agency (RVO) (such as from PSD coaches and PSD Apps).
In interviews, several issues were identified related to the support provided by the MFA department. Limited support was reported in terms of: available expertise at the regional department (Bangladesh); sharing of best practices (Ethiopia); prioritisation of the partner country by DIO for trade and investment opportunities (all three partner countries); and insufficient coordination and fine-tuning of central and delegated programmes (all three partner countries). As a result, embassies devoted considerable staff time to support centrally managed programmes on which they had little influence.

Support from and collaboration with RVO tended to diverge, notwithstanding enhanced efforts in the latter part of the research period for all three countries. In Ethiopia, RVO provided substantial support. The PSD coach supported the embassy frequently, supplying in-depth knowledge and coordinating activities and strategies.
The findings for Kenya and Bangladesh are less positive. In Kenya, the PSD coach facilitated communication and cooperation between the embassy, RVO and other stakeholders in The Hague, but it in interviews it was also noted that RVO could have done more to attract Dutch companies, so as to further leverage the embassy's capacity.
For Bangladesh, RVO played a small role during the period evaluated. Where cooperation did take place, processes did not always run efficiently because Bangladesh was initially not on the radar of RVO. Cooperation gradually improved over time, however, especially since 2018.

7.2 Strategising the transition from aid to trade and investment

Lacking clear guidance or a ToC to implement the aid, trade and investment agenda and faced with the partner country's unique context, each of the three embassies strategised its own distinctive approach, as evidenced by the sectors and beneficiaries, spearheads and themes they selected to guide the transition.

For Bangladesh, two specific entry points were identified for the transition process. First, agriculture was prioritised: specifically, horticulture, livestock farming and fisheries. Opportunities were seen for the involvement of the Dutch private sector and enhanced business-to-business collaboration. Second, in 2012, the cross-cutting theme of IRBC was identified as a starting point to shape the implementation of new agenda, with an emphasis on the RMG sector and particularly labour rights including workplace conditions: efforts were redoubled after the Tazreen fire in 2012 and the Rana Plaza disaster in 2013. In the outlined approach, two goals were envisioned to support the transition: 1. Providing excellent services to the Dutch business community, and 2. Promoting IRBC.

In Ethiopia, the sector defined to guide the transition was agriculture (and the spearhead of food security). The agricultural sector provided opportunities to deploy Dutch expertise and opportunities for Dutch investors in export-oriented horticulture. The embassy specifically identified the duration of the transition. The embassy would continue its development cooperation in the long run, meanwhile intensifying activities in the economic domain only gradually. Implementation of the new agenda in Ethiopia therefore took shape much more as a combination of aid, trade and investment. It was envisioned that development objectives and the promotion of trade and investment could proceed concomitantly.

Since Kenya was the only one of the three countries presented with an explicit phase-out date for delegated development cooperation, which was (initially) 2020, the embassy in Kenya strategised a clear-cut transition. Focus was placed on the second and third goals of the aid, trade and investment policy: to contribute to inclusive sustainable economic growth and success for Dutch businesses abroad, particularly in the domains of water and agriculture (especially the flower and vegetable sectors). Less attention was given to alleviating poverty. The Netherlands aimed to shift its role from donor to public investor, to leverage investments from the private sector and international financial institutions (IFIs). In addition, the embassy sought to broaden Dutch market opportunities in renewable energy, maritime infrastructure, health, urban development and IT, but those were not linked to the development cooperation spearheads.

7.3 Realising the transition from aid to trade and investment

Several instruments (central and delegated) were deployed to facilitate the transition. Those reviewed include adjustments within the development cooperation portfolio, PSD instruments and economic diplomacy (including trade missions). There were both similarities and differences in the interventions in terms of the instruments deployed (individually or in combination) across the three partner countries.

There were similarities in the implementation of the new agenda in the three countries in terms of organisation of development cooperation portfolios: programmes were selected to make more use of Dutch expertise and to provide opportunities for trade and investment.

Additionally, most processes entailed a multi-stakeholder approach: working with and connecting different stakeholders to leverage expertise, funds and capacity.
By contrast, differences in the transition process emerged as a result of various factors, including the availability of resources, the country context, events or disasters that attracted widespread public attention, the potential interest and actual presence of Dutch companies and the availability and the applicability of instruments.

Development cooperation

Embassy interventions: establishing linkages between spearheads and policy objectives
Several similarities were found in the embassies' organisation of development cooperation portfolios to implement the new agenda. All three embassies aimed to establish links across programmes. Overall, programmes were strategically and carefully selected. Programmes showed a holistic approach (for Bangladesh, for the overall portfolio, and for Kenya, most evidently in the Water Programme) and were focused and consistent (especially for Ethiopia and Kenya).
In various instances, aid programmes were designed to achieve the objectives of different spearheads and to strengthen the coherence between spearheads. Examples this are the programmes selected at the intersection of water management and food security (Kenya and Bangladesh). For Ethiopia, the ambition to achieve greater coherence within and across spearheads was explicitly stated in the country's multi-annual strategic plan (MASP), and projects at the nexus of different themes were sometimes selected. However, the evaluation of Dutch food security policy in Ethiopia by Ecorys (2017) found that in practice there was limited coherence and synergy within the Food Security Programme and with other spearheads.

In addition, embassies aimed to integrate policy fields by facilitating PSD and promoting Dutch trade and investment within development cooperation activities. Linking efforts often occurred in spearhead sectors (like water and agriculture) and in the cross-cutting theme of IRBC because these are the areas in which the Netherlands has expertise and where it seemed most likely the efforts would lead to commercial opportunities for Dutch businesses.

Embassy interventions: enhanced PSD-related ODA expenditure most evident for Kenya and not evident for Ethiopia
Delegated ODA expenditure on PSD has been most pronounced and increased most visibly for Kenya (in line with the anticipated end-date). Delegated ODA expenditure on PSD increased under the new agenda from an annual average of EUR 1.5 million between 2010 and 2012 to an annual average of EUR 6 million between 2013 and 2018. Furthermore, delegated ODA expenditure on PSD accounted for 31 percent (EUR 36 million) of the total delegated ODA expenditure between 2013 and 2018 and almost tripled in size between these years.

For Bangladesh delegated ODA expenditure on PSD activities shows a slight increase under the new agenda; from an annual average of EUR 4.3 million between 2010 and 2012, to an annual average of EUR 5.7 million between 2013 and 2018.

However, delegated ODA spent on PSD activities remained only a marginal share of the total delegated ODA budget (13 percent) between 2013 and 2018 and declined in absolute value and as a share of the total delegated ODA budget in these years.

In contrast to the patterns for Kenya and, to some extent, Bangladesh, enhanced focus on PSD was not visible in the delegated ODA expenditure for Ethiopia. Delegated ODA expenditure on PSD declined under the new agenda: from an annual average of EUR 3.1 million between 2010 and 2012 to an annual average of EUR 2.6 million between 2013 and 2018. Furthermore, at a total of only four percent (EUR 16 million) of the total delegated ODA budget between 2013 and 2018, delegated ODA spending on PSD further declined over the years as well; from EUR 2.9 million in 2013 to EUR 1.3 million in 2018.

Dutch development aid: using multilateral channels to coordinate support

Directing support through the national government and multilateral channels provides several benefits, including enhanced ownership (in the case of the national government), enhanced efficiency, better coordination (including improved division of tasks) and a leverage effect (in the case of multilateral channels). The Netherlands used various channels to coordinate its efforts, both in delegated and central funding.

In Bangladesh, the EU provided a valuable channel, through which the European Commission and Member States, including the Netherlands, collaborated and coordinated efforts. One clear instance of this was the collaboration through the 'Local Consultative Group Bangladesh (LCG) on PSD' and via the EU 'Bangladesh Sustainability Compact'. Additionally, the embassy regularly disbursed its delegated funds by supporting programmes of the International Labour Organization (ILO), the International Finance Corporation (IFC) and the World Bank.

In Ethiopia, financial support provided to the national government and to multi-donor funds, such as those managed by the World Bank provided valuable channels for coordinating donor efforts.
In Kenya, where Dutch ODA was not channelled via the Kenyan government, donor coordination occurred at multilateral level, for example in programmes of the IFC and TradeMark East Africa (TMEA). Additionally, the embassy often channelled support through the private sector and civil society.

Dutch development aid: bringing more than aid

Noteworthy to the process has been the additional value of the Netherlands, especially of its embassies. Overall, the three embassies played a central and proactive role, for instance by taking the lead in donor coordination, addressing politically sensitive issues, bringing different stakeholders together and mobilising additional and more sustainable flows of resources.

As regards donor coordination, there was evidence that the embassies played a valuable role in thematic or sector working groups (Bangladesh and Ethiopia) in linking or aligning projects to other donor projects (Bangladesh and Kenya) or establishing and/or funding multi-stakeholder/multi-donor projects (all three embassies) and in taking the initiative (bringing stakeholders together) in high-level donor/partner government settings and interventions (all three embassies). Furthermore, the embassies were able to take the lead on sensitive issues, by raising issues such as human rights violations, living wage, labour rights and gender in public fora or silent diplomacy, including with various different levels of government.
The interviewed stakeholders also explicitly mentioned the personal commitment of embassy staff, ambassadors and other Dutch diplomats.

Interventions and instruments to facilitate the transition

Apart from changing allocations in the development cooperation portfolios, other instruments and methods deployed to facilitate the transition include trade missions, project funding, Apps programmes and economic diplomacy. Such efforts directly supported individual companies and aimed to improve the local enabling environment.
The interventions in the three countries have evolved distinctively, each offering support to Dutch and local businesses in their own specific way.

Dedicated trade and investment promotion
In all three countries, trade and investment promotion was implemented along two tracks: providing direct support to individual companies (e.g. providing advice and matchmaking activities) and engaging in activities to strengthen the overall enabling environment (e.g. via projects, economic diplomacy and troubleshooting). However, the mix of these tracks and their intensity differed according to the circumstances. Where it was difficult to strengthen the enabling environment because engagement with the recipient government was limited or there was no channelling of bilateral funds through the recipient government (e.g. in Kenya), funds were channelled through a multilateral approach, such as programmes of the World Bank, IFC, regional development banks and TMEA. Additionally, the Netherlands could still find niches directly related to Dutch commercial interests, such as strengthening standards bodies in sanitary and phyto-sanitary standards.

In Bangladesh, the embassy aimed to provide excellent services to the Dutch business community, and specifically to start-ups. An important part of this work occurred within the context of the 2012–2015 embassy–NBU partnership, a project funded from the delegated budget. Within the context of this partnership, staff capacity at the embassy was enhanced and five trade missions were organised that offered tailor-made programmes to individual Dutch companies. These tailor-made programmes included matchmaking and providing advice and information on doing business (also related to RBC issues), and in January 2015 even resulted in the embassy being awarded the Fenedex/VNO–NCW prize[218] for best services. The use of PSD instruments to enhance the enabling environment was more limited for

[218] See footnote 82.

Bangladesh and focused primarily on RBC, including working conditions and strengthening local inspection capacity on safety standards. Economic diplomacy efforts were more often geared towards market entry for Dutch companies and troubleshooting, including at EU level, where investments in strategic aid projects (e.g. through international organisations such as World Bank, IFC, ILO) enhanced the Netherlands' lobbying power with the government of Bangladesh.

In Ethiopia, the embassy actively maintained direct contact with Dutch companies and funded various support activities, specifically in the agricultural sector (including horticulture). To enhance the enabling environment, the embassy contributed to the establishment and continued operation of several niche platforms that support businesses in the agricultural sector, including ENLBA, ABSF and ENTAG. The outputs of these initiatives included information and advice on investment opportunities, matchmaking and networking events, information sharing and training, lobbying activities, and sector assessments of trade and investment opportunities.

In Kenya, the embassy also directly supported businesses and investors by providing information and advice and matchmaking. With no bilateral funding through the Kenyan government, interventions targeting the enabling environment were primarily addressed through (embassy) contributions to multilateral programmes such as the World Bank and IFC, targeting the regulatory environment, and TMEA, which aims to lower trade and transaction costs. Additionally, a private Dutch–Kenyan chamber of commerce, 'the Netherlands Business Hub for East Africa', was set up to offer Dutch companies comprehensive support services.

The Apps programmes

In 2014, RVO launched the 'PSD Apps' programme, through which ODA and non-ODA funds were used to finance various flexible tools that embassies could use to promote trade and investment. As part of the programme, designated 'PSD coaches' were appointed at RVO. Equipped with country-specific knowledge these coaches have been tasked to advise embassies on how best to use and combine the available instruments, to enhance the coordination between embassies and government institutions in The Hague and to liaise with Dutch companies. Complementary to the PSD Apps, the DDE/DIO initiative 'Transition Countries Apps'[219] was available for all three countries, to enhance the business climate and facilitate the success of Dutch businesses in the countries.

Diplomacy and networks

Diplomatic efforts and network building, both as part of ODA (e.g. funding joint efforts of international organisations) and non-ODA activities proved to be valuable instruments for implementing the aid, trade and investment agenda.

[219] Not to be confused with the Transition Facility, a different programme for three partner countries (Colombia, South Africa and Vietnam) that transitioned earlier.

Incoming and outgoing trade missions were organised to facilitate knowledge exchange, awareness raising and matchmaking with stakeholders (local and otherwise), including businesses, platforms and knowledge centres. These trade missions also provided a platform where sensitive and cross-cutting issues could be raised, not only with Dutch companies and their business partners but also with other donors and the recipient government. The cross-cutting issues addressed included violations of labour rights and fair pricing (Bangladesh), land rights issues (Ethiopia), the safety of Dutch business owners (Ethiopia) and bureaucratic and corruption obstacles (Kenya). For example, in Kenya, ambassadors of the Netherlands, Britain, Germany and Denmark jointly drew the authority's attention to obstacles to private sector development. Additionally, the embassy engaged in troubleshooting efforts to address regulations, work permits and tax issues on behalf of Dutch companies.

7.4 From aid to trade and investment: results across the three countries

Important steps were taken to enhance the integration of aid, trade and investment policy. However, each of the three embassies faced considerable difficulty to come up with a comprehensive and coherent country approach that achieved the policy objectives of aid, and trade and investment simultaneously. The key bottleneck seemed to be how to logically and consistently connect the different policy goals: stimulating Dutch trade and investments, while simultaneously stimulating inclusive economic development as well as alleviating poverty in the partner country. Trying to accomplish this in complex country settings and constrained by limited staff capacity, little available time and decreasing or phased-out delegated budgets has been difficult. The inconvenient truth may be that when implementing the new agenda it can be difficult to reconcile all policy objectives concomitantly, while also aiming to achieve a more balanced and mutually beneficial relationship, especially if the government of recipient country is not following a pro-poor policy.

Development cooperation

Embassy interventions: enhanced integration of aid policy, but integrating trade and investment into development cooperation remained difficult

Results have been achieved in terms of the enhanced integration of aid policy, where interventions in the aid domain have linked spearheads. At times this occurred from the introduction of themes at the nexus of spearheads, such as climate and water-smart agriculture programmes. Water and food security programmes provided particularly accessible entry points for linking spearheads. In Bangladesh and Kenya, water and food security objectives were intertwined in various programmes.

In Ethiopia, projects at the nexus of food security and water were selected less often, as the delegated ODA budget for water was small and decreased further over time. Whereas selected projects in Ethiopia did attempt to link food security with other spearheads (e.g. with sexual and reproductive health and rights (SRHR)), the results show little proof of strong coherence thus far.

In all three partner countries, integrating aid, trade and investment objectives within the development cooperation portfolio was challenging and sometimes impossible. This was evident in the findings for Bangladesh, where the geographical focus of several aid programmes on poor areas was well justified from a poverty perspective, but not from the perspective of potential for business opportunities.
In contrast, in Kenya, the embassy funded food security programmes that were often carried out in economically more attractive, centrally located areas and focused on entrepreneurial farmers, linking them to supply chains of foreign companies and investors. Although this was a logical choice that enhanced the likelihood of sustainable results and commercial opportunities for Dutch companies in the long run, and was understandable given the anticipated clear-cut phase-out date of 2020/2021 for delegated ODA, it excluded subsistence farmers and those farmers located in poorer, drier and more remote areas.
The results achieved in Ethiopia lead to similar conclusions: integrating aid, trade and investment objectives, although well intentioned, proved challenging and sometimes created trade-offs. Because the unfavourable business climate and commercial risks at stake, embassies sometimes faced difficulty fulfilling their role to stimulate Dutch companies to do business or invest in the partner countries.

The results achieved were mainly at output/intermediate outcome level and not (yet) at impact level to achieve overall policy goals. For example, in programmes in which farmers and outgrowers were supposed to have been reached, the results do not automatically translate into improved livelihoods and food security, as happened, for example, in the Unilever–Agventure programme in Kenya. This is an indication that improvements may not always automatically occur or that they will require more time and a supportive business climate to do so in a sustainable manner. Additionally, it underlines the importance of monitoring, evaluation and learning as part of the intervention.

Nonetheless, some positive results were also found in the three countries, especially in the domain of IRBC: for example in Bangladesh, where evidence indicates that IRBC-related aid in the RMG sector contributed to linking aid, trade and investment opportunities, and in Ethiopia after the wake-up call of the attacks on Dutch investors between 2015 and 2017 and criticism of negative externalities.

Central interventions: a slow but sure transition to trade and investment activities

Social development remained an important share of the central development cooperation portfolios, especially in the early years of Rutte II. Nevertheless, for all three partner countries, central ODA expenditure started to shift slowly but surely: there was increased central expenditure on PSD and, though the increase was more moderate, on promoting trade and investment. Although the spending patterns for the three countries differed to some extent, the trend was similar. For all three countries, the data showed enhanced ODA expenditure via IGG and DDE (with programmes targeting not only aid objectives but also PSD objectives, and trade and investment objectives). By contrast, ODA expenditure by DSO[220] (funding social development programmes) declined.

[220] *Directie Sociale Ontwikkeling* – Social Development Department.

Central interventions: indications of enhanced expenditure via RVO instruments after 2013
RVO's interventions reveal the key role it has played. For Bangladesh, central ODA channelled through RVO between 2013 and 2018 totalled EUR 4 million and was implemented through ten different instruments (IATI[221], 2020).[222] For the same period, central ODA expenditure of RVO totalled EUR 36 million (via 12 different instruments) for Ethiopia, and EUR 50 million (via 13 different programmes) for Kenya (Ibid.).

Total ODA channelled through the various ODA instruments of RVO generally reveals the growing importance for PSD and the promotion of sustainable trade and investment in ODA expenditure. The trend could be seen from the increased funds disbursed through RVO instruments. This was most evident for Kenya, where funding through RVO instruments increased noticeably over time: expenditure totalled a little over EUR 3 million in 2013 but increased to over EUR 12 million by 2018. For Ethiopia, the data show a more marginal but still visible increase. In the early years of the evaluation period (2013–2015), the RVO funds disbursed on the ten instruments averaged EUR 5.4 million annually. In the second half of the evaluation period (2015–2018), they averaged EUR 6.7 million annually. For Bangladesh, hardly any enhanced expenditure through RVO instruments is visible. In 2013, RVO instruments for Bangladesh totalled approximately EUR 605,000, compared with approximately EUR 764,000 by 2018, and fluctuating in the years between.

Two caveats are in order when interpreting the data for the three countries. First, the central instruments are deployed via a demand-driven approach in which funding responds only to requests of companies or other type of applicants.[223] Lack of interest on the part of Dutch businesses in doing business or investing in the partner country affected the number of such requests and hence the use of these instruments. Secondly, not all instruments are equally suitable for all countries. Therefore, it seems likely that an instrument that is less matched to the country context will be used less in that country.

Interventions and instruments to facilitate the transition

Dedicated trade and investment promotion activities
For all three countries, transition instruments and interventions highlight the essential role of embassies, particularly in terms of developing unique, country-tailored approaches and showing expertise and commitment. Various stakeholders identified the added value of the embassies in these interventions.
In Bangladesh, the findings reveal the quality and dedicated efforts of the embassy to facilitate opportunities for Dutch trade and investments, as was illustrated by the embassy being awarded the Fenedex/VNO–NCW prize for best services in 2015. Despite the embassy's efforts, however, the Dutch private sector showed limited interest in doing business in Bangladesh.

[221] International Aid Transparency Initiative.
[222] As discussed in section 2.5, some RVO instruments include revolving funds. The financial data presents stock data for these funds: net, rather than total disbursements.
[223] The same is true for RVO's role in providing advice and information to businesses already doing business or investing in the partner country, or interested in doing so.

The embassies in Ethiopia and Kenya were also found to play a valuable role, providing interested Dutch businesses with information and advice, and showing a learning curve in doing so (Ethiopia), as well as drawing attention to the obstacles to private sector development (Kenya) through economic diplomacy and troubleshooting activities.

Apps programmes: increased use of PSD Apps, overambitious goals for Transition Countries Apps

The use of the PSD Apps varied among the three partner countries. Between 2014 and 2018, EUR 1.3 million was used in Kenya (funding 62 activities), compared to EUR 890,000 in Bangladesh (funding 46 activities), and EUR 710,000 in Ethiopia (funding 36 activities). Funds were most often used for economic research and trade promotion activities in productive sectors. Examples of activities include funding of a feasibility study on a Dutch Business Platform (Bangladesh), a development strategy for the smallholder horticultural sector and a trade mission (Ethiopia), and market scans for new sector priorities (Kenya).

The results of the jointly funded DDE/DIO initiative, the 'Transition Countries Apps' were less positive when compared with the overambitious goals set. The contributory effect of this initiative is hard to measure. Given the modest size of the interventions, it was unrealistic from the outset to expect observable effects on the business climate (e.g. a higher ranking on the World Bank Ease of Doing Business Index) – especially given the presence of other (often larger) donors in the partner country and the large array of other external and domestic factors influencing results in the business environment.

Challenges to integrating promoting trade and investment with aid objectives

Reviewing the design and results from dedicated trade and investment promotion activities and the Apps programmes revealed that the activities undertaken hardly integrated aid objectives. In cases where the design of the intervention did address aid objectives, for example aiming to include smallholders in value chains (PSD Apps) and addressing RBC during trade missions, either the results were found not to have succeeded in terms of contributing to aid objectives, or there was no evidence to prove otherwise.

The balancing act of implementing the new policy

On several occasions, embassies, RVO and scholars addressed the dilemmas faced in promoting trade and investment given the prevalence of business risks in the countries' contexts. In several interviews, embassy interviewees identified the balancing act they performed when advising Dutch companies on doing business or investing in the partner country. Although the embassies and RVO aimed to promote Dutch trade and investment, sometimes the embassies questioned the wisdom of stimulating these companies to do so, because of the unfavourable business climate and commercial risks in the three countries. The experience of this balancing act raises the question whether the countries were sufficiently ready to be selected as transition countries.

Diplomacy and networking

Results of enhanced awareness, visibility of the Netherlands and donor coordination
The three embassies made strategic use of diplomatic efforts and their networks to implement the new agenda. Interventions targeted the Dutch business community, resulting in enhanced knowledge on the opportunities for trade and investment, and in Dutch companies having greater access to the embassy's network, to be matched with reliable local businesses.

Interventions targeted other stakeholders too. Trade missions and organised events strengthened the embassy's network and provided a platform for knowledge sharing and positioning the Netherlands. In several activities, donor partners and international organisations were invited for knowledge exchange and to increase the coherence of donor efforts. For example, in Bangladesh, roundtables, dialogues and formal and informal gatherings were held, in which different stakeholders were brought together (including local development partners, international organisations, labour unions, think thanks, academia and the Bangladeshi government). Reported results for these activities included enhanced awareness, knowledge exchange and keeping each other (i.e. donors and implementing agencies) informed.

Although diplomacy and networking interventions were small and the challenges faced by businesses in the partner countries were many, the efforts earned the Netherlands visibility: for instance, being lauded as proactive donor and a frontrunner in RBC.

7.5 Assessing results: Dutch trade with and direct investment in the three countries

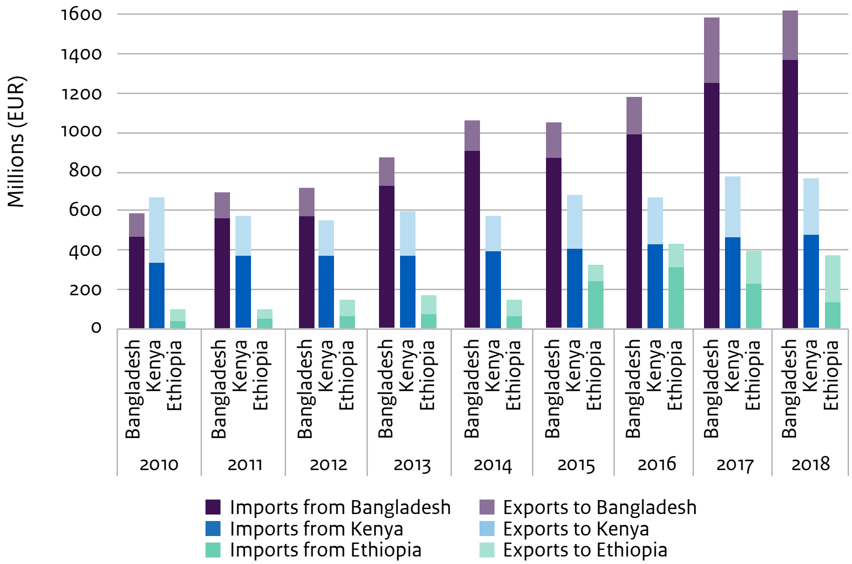
To assess the implementation of the new agenda in the three partner countries, trade and investment patterns were reviewed. The analysis centred on two questions: 1. How have trade and investment patterns evolved? and 2. Can it be concluded that Dutch interventions under the new agenda influenced these patterns?

The analysis was based on trade data of Statistics Netherlands (CBS) and the International trade centre (ITC), to identify bilateral trade patterns over time. A gravity model based regression analysis was conducted to further review the development of bilateral trade relations and whether Dutch interventions may have had an effect.
To review the development of Dutch direct investment in the three partner countries, foreign direct investment (FDI) data was obtained from various sources (including the Central Bank of the Netherlands (DNB) and the partner countries' bureaus of statistics and central banks).

Bilateral trade increased across the three countries
Figure 7.1 presents bilateral trade flows between the Netherlands and the three partner countries in the period 2010–2018. For all three countries, bilateral trade with the Netherlands increased over time, and after 2013. After 2013, total trade (import and export values) more than doubled for Ethiopia and almost doubled for Bangladesh.

The increase in bilateral trade with Ethiopia is primarily attributed to the rise in exports (more than doubling in value). The increase in bilateral trade with Bangladesh is primarily attributed to the rise in imports (almost doubling in value).
Total bilateral trade with Kenya increased the least – but still by 28 percent after 2013, mainly supported by the increase in imports.

Figure 7.1 *Bilateral trade (value) 2010–2018 between the Netherlands and the partner countries*



Source: constructed from CBS Statline data, 2020. Figures from a Dutch perspective.

Computed trade ratios reveal the different outcomes of trade performance

To further review the development of bilateral trade relations and whether Dutch interventions may have affected bilateral trade, a standard gravity model was computed for each of the three partner countries.[224] As part of the exercise, trade intensity ratios were computed (identifying actual versus expected trade),[225] and subsequently ranked for each year (compared to 144 other Dutch trade partners).[226]

[224] The standard gravity model reflects the distance and size of the economy (both which are strong explanatory factors for bilateral trade figures), as well as the 'ease of doing business' indicator of the World Bank (which has a modest explanatory strength). See annex 3 (Box A3.5), annex 4 (Box A4.3) and 5 (Box A5.1) for a descriptive overview of the analysis per partner country.

[225] A trade intensity ratio of 1.0 implies that actual trade performance is in line with expectations from the gravity model. A trade ratio below 1.0 theoretically suggests a trade relationship that has the potential to be intensified.

[226] See annex 3 (Box A3.5), 4 (Box A4.3) and 5 (Box A5.1) for the annual overview of rankings and ratios per partner country.

Overall, the results show some small changes, but overall, no pronounced trend of improvement. The results are most positive for Ethiopia, albeit limited as well. Between 2013 and 2018, Ethiopia's trade intensity ratio increased slightly, from 0.3 (actual trade levels were 30 percent of expected trade levels) in 2013 to 0.4 in 2018 (and in 2019), but fluctuated during the time under study. Since 2013, Ethiopia's trade ranking improved, from place 121 in 2013 to 110 in 2018, indicating a small overall increase in market share at macroeconomic level.[227]

For Bangladesh, developments in trade performance were more limited and do not reveal a significant change over time. The trade intensity ratio improved slightly: at 0.7 from 2013 to 2016, and at 0.8 in 2017 and 2018 (and in 2019). Between 2013 and 2018, Bangladesh's trade ranking remained constant: in 77th place indicating a stable market share.[228]

For Kenya, the findings show the bilateral trade performance worsened. Kenya's trade intensity ratio decreased slightly: from 1.0 (actual and expected trade levels are equal) in 2013 to 0.9 in 2018 (and 0.8 in 2019). Kenya's trade ranking also deteriorated, from 56 in 2013 to 70 in 2018, indicating a loss of market share.[229]

Given these tentative improvement since the introduction of the new agenda for Ethiopia, and to some extent for Bangladesh, and even slight worsening for Kenya at macroeconomic level, the model's outcomes cannot be used to draw solid conclusions about the effects of Dutch interventions on the increased trade patterns in the three partner countries. This is not to say that interventions had no value or effect. Without them, the computed data may have shown worse developments. Instead, the model's outcome implies that any effect that has potentially occurred (at microeconomic or mesoeconomic level) has not been visible at macroeconomic level, in the computed model.
At microeconomic level, however, findings from qualitative research (obtained through interviews and desk study) reveal the positive effects of embassy interventions, especially in Bangladesh and Ethiopia. These findings suggest that the interventions contributed positively to trade and investment flows.

Lack of reliable data: room for error and inconclusiveness about the results of Dutch FDI

As is true for most developing countries, it was difficult to obtain consistent and reliable FDI data for the three partner countries under evaluation. Figures on FDI from several sources presented problems: for example, the figures differed substantially in coverage and were poor in quality, contradictory, incomplete, or missing altogether. Additionally, it was impossible to separate Dutch direct investment from direct investment by other foreign investors who channel their investment via the Netherlands by means of special purpose vehicles.[230] This caused data on actual Dutch investments to be distorted.

[227] Ethiopia's ranking decreased somewhat again in 2019: to the 115th place.
[228] Bangladesh's ranking decreased somewhat in 2019: to the 81st place.
[229] Kenya's trade ranking decreased further in 2019, to the 75th place.
[230] These special purpose vehicles transfer money via the Netherlands, to make use of the bilateral tax treaties that the Netherlands holds with these countries.

Consequently, the exact size of Dutch direct investment and developments in the stock of FDI in the three partner countries is unknown. Therefore conclusions cannot be drawn about the effectiveness of Dutch investment promotion.

7.6 Coherence, coordination and alignment in interventions and policies

To integrate aid, trade and investment policy under the new agenda required a holistic approach with attention for policy coherence for development, to avoid conflict of interest within and between policy fields and, where possible, seek synergy of efforts. Dutch aid, trade and investment policy was reviewed to determine the coherence of: the approach and mix of instruments; Dutch central and delegated interventions; and of serving aid objectives and trade and investment objectives concomitantly.

A coherent use of instruments

For all three partner countries it was found that instruments were used consistently and in a coherent manner. For example, in Bangladesh, different types of activities (instruments, projects, events and diplomatic efforts) were strategically used to leverage resources and achieve results. Additionally, the cross-cutting theme of IRBC offered focus for an integrated approach across domains. In Ethiopia, the overall consistency in terms of the embassy policies and activities benefited the integration of the embassy's overall approach. However, the case study of Ethiopia also demonstrated the challenges of creating coherence among different objectives and sub-objectives (within spearheads), across spearheads, and across policy fields. The different goals of the new agenda created inconsistencies or were even conflictual at times, where trade-offs were made either explicitly or implicitly.

In Kenya, the use of instruments and interventions was less consistent. This related to the tilted approach of steering on development aid themes from the centre rather than at country level, reducing the ability to apply a tailored and coherent approach; the broad range of selected economic priority sectors; and the lack of integration between clusters at the embassy.

Limited coherence of central and delegated aid interventions

The key to enhancing the effectiveness of Dutch efforts and minimising trade-offs is the coordination and careful fine-tuning of the delegated and central development cooperation portfolios. Reviewing the coordination and coherence of central and delegated ODA interventions revealed various shortcomings. In several instances, central and delegated ODA programmes were not integrated into a coherent and coordinated approach.

In Bangladesh, delegated and central ODA programmes were not (always) properly coordinated and aligned, and information was insufficiently available or exchanged, as indicated by several interviewees.

In Ethiopia, the embassy acted proactively to improve coordination between the delegated and central programmes, and of the actors involved, including initiating the discussion with the FMA department.

Whereas the embassy's willingness to take up the coordination task benefited the fine-tuning of central and delegated programmes in Ethiopia, it also added to the embassy's work burden. Some activities were also executed without embassy involvement, especially in the preparation and MEL phases.
In Kenya, there was little budgetary space to manoeuvre due the decreasing delegated budget. The key factors for enhancing the effectiveness of programmes in a transition period should have been a comprehensive overview of all delegated and centrally funded activities, proper coordination of efforts and making use of the embassy's on-the-ground presence and experience in central programming and implementation. However, in reality, the embassy in Kenya had little influence on the allocation of centrally funded activities, with the result that central programmes lacked focus and coherence.

Policy coherence for development: the challenges faced to achieve aid, trade and investment objectives concomitantly
Achieving coherence between all policy fields under the new agenda was a challenging task from the outset. Against the backdrop of an unclear definition of this agenda and an absence of explicit policy guidelines, it was difficult and sometimes impossible to integrate policy goals at partner country level, without avoiding conflict or trade-offs. The evidence revealed that it was not always possible to create commercial opportunities for Dutch business in aid programmes that focused on poverty alleviation, or to integrate aid objectives in trade and investment activities. The evidence shows that aid objectives and trade and investment objectives may lie far apart, and require trade-offs in setting priorities and allocating scarce funds and staff resources.

The case of Ethiopia provides a clear example of the above. Results from the interventions in the domain of agriculture (and food security) showed that stimulating commercial success (serving trade and investment objectives) can conflict with other policy goals and create negative trade-offs in terms of the position of smallholders (the poorest farmers), access to land for the Ethiopian population and environmental impacts (aid and sustainable development objectives).
Furthermore, in Kenya, the selected economic priority themes and sectors were quite diverse and did not always build on the aid programmes and their policy objectives, nor on the existing embassy networks. Motivated by the approaching termination of delegated development cooperation budgets, the focus in Kenya was predominantly on sustainable economic growth and success for Dutch businesses, with less attention paid to poverty alleviation objectives. Building on achieved results of development cooperation proved to be challenging, since there were few opportunities to link these policy goals.
In Bangladesh too, attaining both aid objectives and trade and investment objectives proved difficult, resulting in interventions of traditional development cooperation to dominate.

In all three partner countries, linking the different policy fields was more successful in the sphere of IRBC, especially shown in the case studies of Bangladesh and Ethiopia. In Bangladesh, the results of IRBC interventions in the RMG sector and the identification of linkages between the RMG sector and other development cooperation programmes in SRHR and water management were encouraging and served both aid and trade objectives.

In Ethiopia, IRBC proved valuable to link the different policy fields after the wake-up call of the attacks on Dutch investors between 2015 and 2017, and the criticism of negative externalities. A caveat is that the positive results were reported primarily at output/intermediate outcome level, while private sector investments remained small due to a host of other factors beyond the control of the Netherlands as a partner in a more balanced relationship.

The introduction of the multi-annual country strategy in 2018 in all three countries has the potential to improve information exchange and enhance coordination and integration of central and delegated programmes in all policy areas, provided it is maintained and enhanced. Nevertheless, the remaining inherent challenges of gaining control at recipient country level and the tension with the (Dutch) demand-driven character of most centrally managed programmes may require additional improvements in the future.

All of this implies that Dutch policy makers and implementers must set clear priorities, make tough choices and sometimes have to face inevitable trade-offs. Policy coherence for development as the guiding principle and a transparent decision-making process are then key to arrive at a credible policy and a mutually beneficial relationship that can be explained to all partners and stakeholders and thus be sustained.

Recommendations

From the evaluation, several recommendations have been formulated. Important to note is that these recommendations are drawn up specifically for the three countries studied, and therefore cannot necessarily be generalised to apply to all countries where bilateral ODA relations are envisioned to be reduced nor to the aid, trade and investment agenda in general. The forthcoming policy review of the sustainable trade and investment policy will serve to this end. The recommendations below can be of help when a development partner country is selected to transition to a more balanced trade and investment relationship. Furthermore, for several recommendations it is acknowledged that some steps have been taken since 2018 and certain recommendations are already being applied. These developments have been taken into account and the recommendations in question should be seen as endorsing the continuation or intensification of the actions already taken.

1. Clarify the main objectives of the agenda for aid, trade and investment and set realistic time frames
Designing an aid, trade and investment policy-specific Theory of Change for a country expected to transition is essential, to identify the intervention logic and uncover potential contradictions. Make explicit the assumptions about wat what the interventions are expected to accomplish and how they are expected to so do. Set realistic goals and timeframes for a transition process and acknowledge any inherent limitations that depend on the country context. Stimulating commercial trade and direct investment of Dutch business is especially challenging in countries with a tough business climate if there is no inherent interest and only limited staff capacity is available. Monitor and evaluate interventions, using reliable performance indicators beyond output level. The specific ToC should be developed by the embassy in the partner country, in close consultation with the MFA department.

2. Be more explicit about the potential synergies and trade-offs between policy goals.
The key bottleneck in the implementation of the new agenda was found to be the difficulty of finding ways to connect and merge different policy goals into one action agenda: the incompatibility of simultaneously aiming to alleviate poverty, stimulate inclusive economic development, and promote Dutch trade and investments. It was often found to be difficult to connect the very different – sometimes even contradictory – goals in practice in the three studied countries. When negative trade-offs between different policy goals exist, they should be: 1. Identified early on and weighed in a transparent decision-making process before implementing interventions; 2. Monitored during the implementation of interventions; and 3. Documented to stimulate feedback and learning.

3. Safeguard the relevance of Dutch policy in terms of alignment to partner countries' national policies.
Dutch policy alignment to policies of the partner country enhances the likelihood of development success. However, recognise what level of policy alignment is achievable, in terms of success for sustainable Dutch trade and investment. Use a political economy analysis to identify potential obstacles and determine the willingness of recipient governments to reform. Take account of other donor interventions, find your niches and harmonise and leverage efforts where possible.

Also make use of the opportunities offered in the country. For instance, in Ethiopia the embassy could use the opportunities the Ethiopian government offers relating to the design of agro-industrial parks and integral regional development; these could be used as leverage to promote Dutch investments and to discuss obstacles in the overall business climate (preferably in EU-context) and align this with structural transformation programmes of the World Bank, IFC, ITC and regional development banks.

4. Promote and incentivise coordination of efforts and policy coherence for development in a country strategy, both in substance and approach.
Build on the first-generation multi-annual country strategy (MACS) and enhance the level of commitments (financial and other) from thematic departments of the MFA and other ministries to the MACS, to ensure that the MACS goes beyond the previous MASP. Promote the one-team concept at the embassy and ensure that if thematic attachés are present, they are fully integrated into economic and development cooperation teams, including their economic work plans, and the country strategy.

5. Build on IRBC accomplishments, to create the connecting bridge in a transition process.
Overall, embassy efforts directed at IRBC activities of Dutch companies and supporting due diligence of their value chains can be deepened. Topics in which embassies can enhance their support to Dutch companies and monitor activities of the private sector more closely (efforts that sometimes started out of sheer necessity in response to security threats or industrial tragedies) are living wages, fair trade standards and prior assessment and, later, monitoring the environmental and social impact of doing business and of land rights issues.

In Bangladesh, IRBC activities in the RMG sector should be continued, with more focus on the most relevant themes and inclusion of the whole value chain, including companies in the Netherlands, to revert the downward spiral (the race to the bottom). In Kenya, the embassy should emphasise raising RBC awareness and keeping close contact with Dutch companies doing business in the country. In Ethiopia, land rights and equity problems have flared up again as the country faces internal and ethnic struggles that threatens the progress made.

6. Critically review whether stimulating Dutch FDI is realistic and/or desirable in specific countries or sectors.
In theory, Dutch FDI could deliver more long-lasting effects on sustainable economic development in partner countries than one-off Dutch exports which could also have been supplied by exporters from other countries. Sustainable FDI can produce mutual commercial and developmental benefits, enhance competitiveness of Dutch investors and result in a more balanced bilateral economic relationship. Combine available knowledge of the embassy and the Dutch Entrepreneurial Development Bank (FMO) on country-specific opportunities with the network and knowledge of RVO relating to Dutch business interests, to promote and support direct investments. Acknowledge the limitations of policy making and financial incentives in attracting Dutch companies if they have options to invest in other countries with a more favourable business climate. Allow embassies to give more priority to providing support to Dutch private investors based on expressed demand and opportunities in the partner countries rather than to promote exports, in view of the additionality of embassy efforts in this area.

In addition, the MFA could give more priority to establishing a fuller picture of incumbent Dutch investors (as well as expressed FDI demand) in the partner countries, by enhancing the completeness and reliability of Dutch FDI data and the information base relating to the use of and need for supporting policy instruments. Enhance cooperation and knowledge sharing between the parties involved, including DNB, CBS, Ministry of Finance, FMO, RVO, Atradius Dutch State Business (AtradiusDSB), regional business developers and Netherlands Business Support Offices (NBSOs), if present, and the MFA.

7. Critically review the required staff capacity of embassies and thematic departments if partner countries are selected to transition.
In general, the workload for all three embassies increased in the foreseen transition period. The increased workload was not met with sufficient capacity tailored to the tasks and challenges of the transition. Review whether implementation of a transition requires new expertise and additional personnel. Provide the support needed at embassies and, where possible, provide extra support and expertise from MFA departments, BD coaches, and PSD coaches of RVO, through frequent and extensive communication.

8. Strengthen collaboration of the embassy with RVO and FMO.
RVO could be more proactive in supporting eligible and interested Dutch companies, stimulating RBC and establishing linkages with the embassy. PSD coaches (and BD coaches) could play a valuable role, especially in terms of support services such as providing advice and information.

In Kenya, RVO (as well as DDE, and to some extent DIO) could devote more attention to the opportunities that exist for the private sector, since the government provides much room for PSD. Also, improve cooperation with FMO (as has already begun in Bangladesh with the secondment of an FMO officer to the embassy). For instance, in Kenya, private investment in industrial parks, development of logistics and cold chains and agro-processing in promising regions could be stimulated and financed through FMO.

9. Learn systematically from experience gained and available research.
Monitoring, evaluation and learning are important to improve the success of programmes and the coherence of policies. The systematic documentation and exchange of lessons learned across the different partner countries could also improve future programmes at country level. Identify and use relevant scientific research, including the 3R research carried out by WUR, the Global Challenges Programme (NWO-WOTRO Science for Global Development), the Follow the Food project (Utrecht University and partners), and the ongoing Nuffic-NICHE programme.

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Annexes

Annex 1 Evaluation matrix

Research Question	Sources
1. How did the implementation of the Dutch aid, trade and investment policy take shape in the three countries under study, in terms of strategy, organisation, interventions and instruments?	• Data portfolio reviews • Delegated and central ODA expenditure MI OS • Interviews • Dutch policy documents • Project proposals • Parliamentary documents • *Berichtenverkeer*[231] • MASPs and economic work plans of the embassies • Human resources data HDPO • ODA disbursements data OECD • RVO data
2. Have Dutch policy priorities on aid, trade and investment been aligned with partner country priorities?	• Dutch policy documents • Policy documents partner countries • Interviews • Other IOB reports (water, food, economic diplomacy, etc.) • MASPs and economic work plans of the embassies
3. Did the policy instruments and the economic-diplomatic efforts form a logical, consistent and coherent approach?	• MASPs and economic work plans of the embassies • Portfolio reviews • Available ToCs of the spearheads • Other IOB reports and commissioned evaluations • Interviews • Achilles database for economic diplomacy
4. How have trade and investment patterns evolved for the period under evaluation, and since 2010, and can it be concluded that Dutch interventions under the integrated agenda have influenced these patterns?	• Trade data: CBS Statline and ITC Trade Map • Trade data: Computed data for gravity model (trade rankings and trade intensity ratio) • FDI data: DNB, central banks of partner countries, FMO data • Trade and FDI data: Interviews
5. Have the three main objectives of the integrated agenda been served coherently and concomitantly?	• MASPs, MACS and economic work plans of the embassies • Portfolio reviews • Interviews

[231] Internal system for diplomatic messages.

Annex 2 List of Interviewees

Name	Position	Organisation	Type of organisation
Abong, C.	Policy Officer Security and Rule of Law	MFA	Donor government
Admassu, B.M.	Policy Officer Economic Affairs/ Agriculture	MFA	Donor government
Alam, Z.	Joint Secretary	Chittagong Port Authority	Recipient government
Anwar, M.	Managing Director	Better Stories	NGO
Assies, R.	General Manager East Africa	Philips	Private organisation
Atomssa, L.	Policy Officer SRHR and Gender	MFA	Donor government
Belanger, J.M.	Country Director	SNV	NGO
Bergvoets, P.	Project Manager Naivasha	Vitens	Private organisation
Blüm, L.	First Secretary Economic and Political Affairs	MFA	Donor government
Boomsma, K.	Project Coordinator	SIB	NGO
Bosman, N.	Agricultural Attaché	MFA	Donor government
Buijs, R.	Deputy Director General for International Cooperation	MFA	Donor government
Chakrabarty, A.	Managing Director	Red Orange Communication	NGO
Chowdhury, A.	Deputy Team Leader	Blue Gold	Donor government
Coninx, I.	Programme Manager Climate Resilience (3R)	Wageningen University & Research	Knowledge institution
Cuelenaere, L.M.	Ambassador	MFA	Donor government
Driessen, M.	Dutch Farmer EPHEA	MFA	Donor government
Duiker, H.	Country Director	SNV	NGO
Dul, J.	Intern Economic Affairs	MFA	Donor government
Gelgelo, T.	Policy Officer Development Cooperation Control Unit	MFA	Donor government
Geraedts, M.	Deputy Head of Mission, Head Development Cooperation and Economic Affairs	MFA	Donor government
Gerner, H.	Policy Coordinator Inclusive Green Growth Department	MFA	Donor government
Gerritsen, M.	First Secretary SRHR	MFA	Donor government

Name	Position	Organisation	Type of organisation
Geut, G.	Former Head Development Cooperation Addis Ababa	MFA	Donor government
Gonggrijp, M.	Director Sub-Saharan Africa Department	MFA	Donor government
Grijns, L.	Director Social Development Department	MFA	Donor government
Haider, N.	Private Sector Development Adviser	DfID UK	Donor government
Hak, P.	Controller	MFA	Donor government
Hamster, H.	Dutch farmer ENLBA		Private organisation
Hartog, L. den	Policy Officer DIO	MFA	Donor government
Haruni, O.	Senior Advisor Food Security and Nutrition	MFA	Donor government
Hasan, S.R.	Country Manager	Solidaridad	NGO
Hassan, F.	Senior Vice President	BGMEA	Private organisation
Hell, R. van	Director International Enterprise Department	MFA	Donor government
Hennekens, R.	Former Senior Investment Officer FI Asia	FMO	Private organisation
Henry-Greard, A.	Deputy Programme Manager	ILO	Multilateral organisation
Hilwig, E.	Policy Officer	MFA	Donor government
Hoogstraten, M. van	Deputy Head of Mission, Head Development Cooperation and Economic Affairs	MFA	Donor government
Hordijk, I.	Policy Officer Migration	MFA	Donor government
Hossain, K.M.	Joint Secretary	Ministry of Labour and Employment	Recipient government
Huber, J.	Former Policy Officer RMG Dhaka	MFA	Donor government
Huijbens, L.	Policy Officer Asia and Oceania Department	MFA	Donor government
Hum, R. van der	First Secretary Economic Affairs	MFA	Donor government
Idema, H.	Policy Officer Political Affairs and African Union	MFA	Donor government
Islam, A.	Senior Officer Development Cooperation Control Unit	MFA	Donor government
Islam, R.	Programme Manager	DfID UK	Donor government

Name	Position	Organisation	Type of organisation
Janssen, S.	Policy Officer SRoL and UNEP	MFA	Donor government
Jones, G.	Team Leader	Blue Gold	Donor government
Jong, G. de	Former Ambassador	MFA	Donor government
Khanam, M.	Senior Adviser Economic and Commercial Affairs	MFA	Donor government
Kiamba, E.	Assistant Agricultural Attaché	MFA	Donor government
Koper, M.	Deputy Head of Mission, Head Development Cooperation and Economic Affairs	MFA	Donor government
Koppelman, A.	Policy Officer Kenya DAF	MFA	Donor government
Korir, G.	Policy Officer Economic Affairs	MFA	Donor government
Korving, I.	Policy Officer Economic Affairs	MFA	Donor government
Kos, T.	Policy Officer SRoL	MFA	Donor government
Koster, T.	Researcher (3R)	WUR	Knowledge institution
Kuperus, S.	Managing Director	NL Business Hub	Private organisation
Leenstra, M.	Former First Secretary Food Security Nairobi	MFA	Donor government
Li, J.	International Verification Coordinator	FWF	NGO
Lignac, M.	Policy Officer Ethiopia DAF	MFA	Donor government
Likimani, N.	Policy Officer Partnerships	MFA	Donor government
Loosdrecht, B. van	Ambassador	MFA	Donor government
Makenzi, R.	Policy Officer Water and Food Security	MFA	Donor government
Makken, F.	Ambassador	MFA	Donor government
Martens, R.	Senior Policy Officer DIO	MFA	Donor government
Mierlo, J. van	Animal Production Systems Expert (3R)	WUR	Knowledge institution
Monsfort, M.	Manager	FMO	Private organisation
Mumit, A.	Director	Dutch Bangla Pack	Private organisation
Nibbering, J.W.	Policy Officer Food Security	MFA	Donor government
Ohler, J.P.	Controller	MFA	Donor government

Name	Position	Organisation	Type of organisation
Omollo, H.	Knowledge and Network Manager	SIB	NGO
Peters, M.	Policy Officer Regional Migration	MFA	Donor government
Pols, D. van der	Global fashion sourcing specialist	Nash International BV	Private organisation
Quader, M.	Senior Policy Adviser Economic Affairs and RMG	MFA	Donor government
Rahman, R.	Managing Director	ETBL	Private organisation
Reddy, S.	Country Director	ILO	Multilateral organisation
Richter, C.	Former Deputy Head of Mission, Head Development Cooperation and Economic Affairs	MFA	Donor government
Rijn, F. van	Researcher (3R)	WUR	Knowledge institution
Rikken, B.	Agricultural Attaché	MFA	Donor government
Rooseboom, T,	Policy Officer	MFA	Donor government
Rossi, M.	Policy Officer DIO	MFA	Donor government
Roymans, A.	Project adviser International Cooperation Kenya	RVO	Donor government
Ruiter, N.	First Secretary Water	MFA	Donor government
Satiar, M.	Advisor SRHR & Gender	MFA	Donor government
Schippers, D.	Policy Officer Development Cooperation Control Unit	MFA	Donor government
Schmelzer, T.	Country Representative	ICCO	NGO
Smit, D.	Senior Investment Officer	FMO	Private organisation
Smit, S.	Former First Secretary Economic Affairs Addis Ababa	MFA	Donor government
Soest, A. van	Adviser Diplomatic Relations	RVO	Donor government
Sterk, B.	Manager	Blue Gold Innovation Fund	Donor government
Stiekema, G.	Coordinator Agricultural Attaché Network	RVO	Donor government
Tessema, W.	Policy Officer Food Security	MFA	Donor government
Theuri, J.	Board Secretary Naivasha	Vitens	Private organisation

Name	Position	Organisation	Type of organisation
Tjoelker, T.	Head Civil Society Division - DSO	MFA	Donor government
Unigwe, U.	General Manager East Africa	Heineken	Private organisation
Veen, Eline van der	Policy Officer Aid and Trade	MFA	Donor government
Vestjens, A.	Senior Policy Officer SRHR	MFA	Donor government
Veul, J.	Director Private Sector Development	MFA	Donor government
Vos, B.	Senior Programme Administrator	Nuffic	NGO
Vries, P. de	First Secretary RMG	MFA	Donor government
Vries, P.O.H. de	First Secretary Water	MFA	Donor government
Vuhya, G.	Policy Officer Economic Affairs and Fellowships	MFA	Donor government
Wageningen, C. van	Director	Lake Turkana Wind Power	Private organisation
Wal, F. van der	Policy Officer I	MFA	Donor government
Weijman, A.	Project adviser International Cooperation Bangladesh	RVO	Donor government
Willems, S.	First Secretary Food Security	MFA	Donor government
Worku, T.	Policy Officer Economic Affairs	MFA	Donor government
Wortelboer, A.	Project adviser International Cooperation Ethiopia	RVO	Donor government
Yetemegn, S.	Policy Officer Water	MFA	Donor government
Zijthoff, R. ten	Controller	MFA	Donor government

Annex 3 Overview of background information on programmes, financial flows and descriptive analysis for Bangladesh

Table A3.1 Delegated ODA expenditure in Bangladesh

Year	Delegated ODA expenditure (EUR)	No. activities
2010	60.859.793	57
2011	55.802.924	47
2012	51.771.157	48
2013	54.013.231	49
2014	52.848.880	45
2015	41.525.555	49
2016	34.526.216	54
2017	39.779.568	51
2018	40.312.562	52
Total 2013-18	63.006.012	50

Box A3.1 *Exploring cooperation in port development at Payra232*

The Bangladeshi government has had ambitions to develop a port in Payra, located in the less developed western part of Bangladesh and identified as one of the new to established Special Economic Zones. The Bangladeshi government consulted the Netherlands. The countries jointly explored avenues for collaboration.
At first sight, there seemed to be ample connections and business opportunities between the two delta countries. Rotterdam is one of the largest world harbours, with extensive experience in international cooperation, and the fast growing RMG industry in Bangladesh exports a lot of textile to the European market through Rotterdam.
The embassy assisted in drawing up a master plan for Payra. Various Dutch parties were committed to exploring opportunities, including FMO, DIO, DDE, the EKN in Dhaka and the Port of Rotterdam. In March 2016, a consultant - Mercator Novus – did a business opportunity scan, commissioned by the Dutch embassy and FMO, which was brought to the attention of government leaders.

Despite all the connections and linkages, the collaboration did not take off for a number of reasons. First, the project was of insufficient interest to the Dutch Harbour authorities, and the location of Payra was expected to pose challenges, in terms of silting up. Second, the quality of the report of the master plan was poor and it came too late in the process to have an impact.

[232] Based on internal document Mercator Novus and interviews with employees from MFA.

Third, the Bangladeshi ban on concessions on the operation of ports abroad, preventing Dutch port operators, such as the Port of Rotterdam Authority and *Rijkswaterstaat* (part of the Dutch ministry of Infrastructure and Water (I&W)), to operate internationally. Fourth, the fragmentation of Dutch activities did not help either: several stakeholders mentioned that there was a lack of direction and control in the exploration phase. Interested companies including APM Terminals as lead company, with Van Oord and Boskalis, withdrew at an early stage of the process. Finally, Chinese actors were interested in developing six corridors as part of their 'One Belt One Road' initiative. The Bangladesh-China-India-Myanmar corridor is one of these six corridors, and MoUs were signed between the Bangladeshi and the Chinese governments for the construction of parts of the Payra port.

Box A3.2 *Trying to attract the Dutch business community in the Blue Gold Programme*

The Blue Gold programme (EUR 63 million, 2013–2019), was by far the largest Dutch programme in Bangladesh. It focused on the poor population in the south and south-west of Bangladesh, in the districts of Patuakhali, Khulna, Satkhira and Barguna. The initiative built on earlier Dutch interventions, and aimed to establish and empower community organisations to manage their water resources, as well as to increase the entrepreneurship of farmers. An impact evaluation study carried out by IOB (2017b) showed that the project had positive impacts on food security of farmers although there was no evidence of an increased income. At the time the research was carried out, in 2017, the project had not addressed water accounting nor water efficiency, nor had it anticipated long-term sustainability issues, such as the silting up of drainage channels, rising sea level and more irregular rainfall (IOB, 2017b).

Involving the Dutch business community was another important objective of the project, for instance by drawing on the Blue Gold Innovation fund. Possibilities included engaging Dutch companies in small-scale dredging projects, dike reinforcement, ICT in agriculture, food processing technology, storage of agricultural products and the supply of plastic floodgates.

However, it proofed to be challenging to persuade Dutch companies to become active in Bangladesh and to contribute to developing supply chains. Several water management companies were interested in the commercial Bangladeshi market, but decided not to step in, due to the challenging business climate, the deteriorated security situation and (perceived) problems with governance and corruption. Given the focus of the delegated programme on direct poverty alleviation, and the provision of public services, and the fact that difficult, remote and vulnerable geographical areas are being targeted, the embassy did not see (much) commercial prospects for Dutch companies within the current Water Programme.

There is a strong involvement of the Dutch consultancy sector, but the involvement of other Dutch suppliers of goods and related services is limited, with the exception of recent experience of dredging vessels.

In conclusion, the Dutch delta technology knowledge and experience has been hard to exploit commercially in Bangladesh and the funding had mainly to come from governments.

Box A3.3 *Dutch contributions to health programmes and alliance with the Bangladeshi government*

The largely World Bank-sponsored 'Health, Population and Nutrition Sector Development Programme' focused on the development of the Bangladeshi health sector and aims to improve health care for the poor in particular. Started in 2011 it ran for six years with a total budget of over USD 300 million, to which the Netherlands contributed EUR 5.3 million. Generation Breakthrough, a flagship programme of the United Nations Population Fund, also received a considerable budget from the Dutch embassy. This programme focused on adolescents in 300 secondary schools, 50 madrassas and 150 adolescent clubs spread across Bangladesh. The programme focused on equality between men and women and the prevention of gender based violence through, amongst others, an SRHR-helpline and a media campaign. The Dutch contribution involved more than EUR 4.5 million over a period of five years. The strategic partnership programme Unite for Body Rights (UFBR) programme, carried out by a consortium of Dutch NGOs with Bangladeshi partner organisations, was also relatively large in terms of budget size.[233] The programme focused on strengthening SRHR services and comprehensive sex education and creating an environment in which 'youth friendly services' are sustained. The implementation of the programme in Bangladesh was generally evaluated positively although working on CSE was difficult, given the political and conservative environments (Kaleidos Research & ICRH, 2016). The programmes 'Generation Breakthrough' and UFBR worked closely with the Bangladeshi Ministry of Education, in the context of Comprehensive Sexuality Education. Lastly, the Shokhi programme focuses on women in Dhaka and tried to increase their socioeconomic position through community empowerment, advocacy, legal advice and SRHR services.

[233] The SRHR Alliance was established in 2011, as a requirement in the MFSII framework of the MFA. It consists of five Dutch members (Rutgers, the lead agency; Amref Flying Doctors the Netherlands; CHOICE for Youth and Sexuality; dance4life; and Simavi) and approximately 50 partner organisations which all form local SRHR Alliances in their country. The SRHR Alliance implemented the UFBR programme in nine countries in Africa and Asia: Ethiopia, Kenya, Uganda, Pakistan, Indonesia, India, Bangladesh, Malawi and Tanzania (Kaleidos Research & ICRH, 2016).

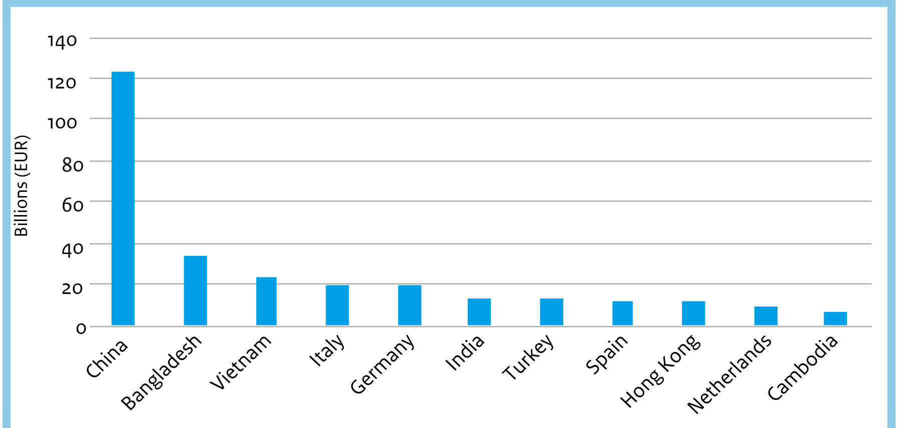
Table A3.2 RBC initiatives supported by the Netherlands

Initiative	Overview
Sustainability Compact	Launched in 2013. Joint initiative of EU, USA, Canada, GoB, and ILO, requiring GoB to fulfil commitments on fire and building safety and labour rights.
3+5+1 Consultations	Policy dialogue involving 3 Bangladeshi ministries (commerce, labour and foreign affairs), 5 donors (UK, Canada, USA, EU and alternating EU country) and ILO. Linked to (monitoring of) Compact.
ILO 'Better Work' programme	Launched in 2014. Implemented by ILO and IFC, to improve working conditions and make RMG sector more competitive.
ILO RMG Programme	Launched in 2013, as 4 year programme. Co-funded with Canada and UK. Focus on 'soft side' of working conditions.
Rana Plaza Donor Trust Fund	Established in 2014, by ILO, to collect contributions to cover payments and medical costs for Rana Plaza victims.
SNV Working with Women	Launched in 2014 (2014–2017), to improve SRHR and health services for RMG workers. WwW II was launched in 2018 (2018–2021).
Textile Covenant	MoU, signed in 2012, between the MFA, IFC, Solidaridad, large European brands and Bangladeshi businesses, to overcome main challenges in RMG sector.
Partnership for Cleaner Textile	Launched in 2013, together with Solidaridad and IFC, to address environmental risks in RMG sector.

Box A3.4 *Readymade garments in Bangladesh*

On the world export market of readymade garments, Bangladesh takes second place with eight percent of the global export in 2018. The EU is Bangladesh's main trading partner, and 90 percent of EU's imports from Bangladesh are clothing (EC, 2020).

Export of apparel and clothing accessories 2018



Source: ITC Trade Map, 2021

Bangladesh's economy has been growing for more than a decade. The RMG sector and RMG exports form a major driving force behind this growth. The rapid growth of RMG industry in Bangladesh in the last decade has created many jobs, especially for female workers, but has also been accompanied by bad working conditions, environmental pollution and malpractices.

Due to purchasing practices of companies in consuming countries such as the Netherlands, prices for garments have decreased in recent years. At the same time, the minimum wage and costs of new standards for safer buildings have increased. Anner (2017)[234] speaks of a 'sourcing squeeze'. He furthermore found that lead times have become shorter, while suppliers receive payments later (Anner, 2017).
Meanwhile the import of textiles from Bangladesh in the Netherlands has continued to increase. A CBS publication (2018) shows that during the first part of 2018, the largest quantity of T-shirts ever recorded was imported from Bangladesh (CBS, 2018). Approximately 2.5 times more T-shirts were imported than two decades ago, while the price for a T-shirt only increased by 60 eurocents over the same period and is now imported for two euro per piece (Ibid.).

Box A3.5 *Modelling bilateral trade with Bangladesh: standard gravity model analysis*

This textbox provides an overview from the analysis of the computed standard gravity model for Bangladesh, to identify the bilateral trade performance with Bangladesh between 2013 and 2018. The model reflects the geographical distance and sizes of both the partner country's and Dutch economy as explanatory figures, as well as the 'ease of doing business' indicator (which has a modest explanatory strength).

As part of the exercise, Bangladesh's trade intensity ratio (identifying actual versus expected trade) was computed. The trade intensity ratio considers whether actual trade is greater or smaller than expected trade. The index ratio lies between 0 and 1. A trade intensity ratio of 1 implies that actual trade performance is in line with expectations from the gravity model. A trade ratio below 1 theoretically identifies a trade relationship that could become intensified.
Using the trade intensity ratio, Bangladesh was subsequently ranked for each year, as compared to 144 other Dutch trade partners. Bangladesh's trade ratios and rankings for the period under evaluation (as well as for the period 2010–2012, and 2019) are presented in the table below.

[234] The study of Anner (2017) was initiated by the Dutch embassy in Bangladesh.

Bangladesh's bilateral trade rankings and ratios (2010–2019)

Year	Ratio	Ranking
2010	0.6	82
2011	0.6	83
2012	0.6	88
2013	0.7	77
2014	0.7	69
2015	0.7	81
2016	0.7	81
2017	0.8	71
2018	0.8	77
2019	0.8	81

Bangladesh's trade intensity ratio remained fairly similar: at 0.7 from 2013 up until 2016, and at 0.8 in 2017/2018 (as well as in 2019). The rather balanced value of the trade ratio since the implementation of the new agenda suggests that Dutch interventions were unable to significantly improve trade. Bangladesh's trade ranking remained similar as well, between 2013 and 2018; at the 77th place, but fell somewhat, to place 81 in 2019.

Annex 4 Overview of background information, financial flows and descriptive analysis for Ethiopia

Table A4.1 Delegated ODA expenditure and number of activities per year

Year	Delegated ODA expenditure (EUR)	No. activities
2010	39.556.803	56
2011	41.556.764	51
2012	61.665.257	55
2013	56.733.257	53
2014	60.797.732	41
2015	56.979.097	51
2016	58.141.561	43
2017	66.577.397	39
2018	53.486.953	45
	Total 2013-2018 **49.5494.821**	Average 2013-2018 **45**

Box A4.1 *A balancing act*

The Ethiopian government is characterised by a high level of organisation and control in most areas of its territory leaving little space for non-governmental actors to work on human rights and promoting democracy. For example, civil society legislation does not allow local NGOs to receive more than ten percent of their budget from abroad. The current time of economic and political reforms led by the new Ethiopian Prime Minister both broadens the political space and opens conflicts, like the conflicts of 2018 and 2019 showing the many tensions related to civic space and opposition that are omnipresent in Ethiopia.

The aid and trade agenda, affects the position and leverage of the Dutch embassy to discuss issues related to human rights and democracy in several ways. One a positive note, the shift from donor-recipient relationships towards more balanced and mutual partnerships, fits well with the approach of the Ethiopian government of attracting export-oriented FDI in priority sectors. Although the role of Dutch FDI is very modest compared to China, the Dutch policies provide an entry to engage into political dialogue with the Ethiopian government. For instance, the embassy is lobbying the Ethiopian government to change the civil society legislation allowing local NGOs to receive more than ten percent of their budget from abroad.

At the same time, the choice for combining aid and trade, can also limit the options for addressing vulnerable topics such as human rights, the room for manoeuvre of civil society and democratisation, as discussing these issues might negatively influence the other policy priorities: stimulating trade and investment. The fact that a lot of activities are centrally funded and coordination between central and delegated levels is not optimal, complicates these delicate relations. The embassy is well aware of these tensions and tries to operate strategically which is an ongoing balancing act.

Box A4.2 *Dutch food security policy in Ethiopia*

The Dutch policy on food security has three pillars:

IV. Reducing food insecure households in vulnerable areas via Productive Safety Net Programme (PSNP) and the EU Resilience building Ethiopia (RESET) programme;

V. Increasing agricultural productivity and market access with a focus on small holders with a commercial potential through contributions to, in particular, AGP, the small-scale irrigation programme (SMIS), the Bilateral Ethiopian-Netherlands Effort for Food, Income and Trade (BENEFIT) programme, and the Enhancing Dairy Sector Growth in Ethiopia (EDGET) programme for the dairy sector;

VI. Strengthening the competitiveness of the agri-business sector by stimulating value chains together with the Dutch-Ethiopian business community and by improving the business climate. Examples are the Ethiopian Horticulture Producer Exporters Association (EHPEA), the beekeeping programme Apiculture Scale-up Programme for Income and Rural Employment (ASPIRE), and the programme to stimulate private dairy sector development (DairyBISS).

In addition, the embassy supports the Ethiopian Agricultural Transformation Agency (ATA) for capacity building together with other donors, covering all three pillars on a long-term basis.

Box A4.3 *Modelling bilateral trade with Ethiopia: standard gravity model analysis*

This textbox provides an overview from the analysis of the computed standard gravity model for Ethiopia, to identify the bilateral trade performance with Ethiopia between 2013 and 2018. The model reflects the geographical distance and sizes of both the partner country's and Dutch economy as explanatory figures, as well as the 'ease of doing business' indicator (which has a modest explanatory strength).

As part of the exercise, Ethiopia's trade intensity ratio (identifying actual versus expected trade) was computed. The trade intensity ratio considers whether actual trade is greater or smaller than expected trade. The index ratio lies between 0 and 1. A trade intensity ratio of 1 implies that actual trade performance is in line with expectations from the gravity model. A trade ratio below 1 theoretically identifies a trade relationship that could become intensified.
Using the trade intensity ratio, Ethiopia was subsequently ranked for each year, as compared to 144 other Dutch trade partners. Ethiopia's trade ratios and rankings for the period under evaluation (as well as for the period 2010–2012, and 2019) are presented in the table below.

Ethiopia's bilateral trade rankings and ratios (2010–2019)

Year	Ratio	Ranking
2010	0.3	120
2011	0.3	123
2012	0.3	125
2013	0.3	121
2014	0.2	127
2015	0.4	108
2016	0.5	98
2017	0.5	105
2018	0.4	110
2019	0.4	115

Between 2013 and 2018, Ethiopia's trade intensity ratio increased somewhat, from 0.3 in 2013 to 0.4 in 2018 (and 0.4 in 2019), but fluctuated during the time under study, thereby showing no pronounced trend of improvement. Ethiopia's trade ranking improved a little for the time under study, from place 121 in 2013 to 110 in 2018, but decreased again to place 115 in 2019. Although the data show some (marginal) improvement in Ethiopia's trade performance, it cannot be used to substantiate solid conclusions of a positive effect of Dutch interventions.

Annex 5 Overview of background information, financial flows and descriptive analysis for Kenya

Table A5.1 Delegated ODA expenditure and number of activities per year

Year	Delegated ODA expenditure (EUR)	No. activities
2010	13.731.696	32
2011	13.885.950	38
2012	21.085.909	57
2013	25.133.673	57
2014	24.520.556	52
2015	17.302.546	47
2016	18.576.246	53
2017	18.270.370	42
2018	11.123.328	37
	Total 2013-2018 **114.926.719**	Average 2013-2018 **48**

Box A5.1 *Modelling bilateral trade with Kenya: standard gravity model analysis*

This textbox provides an overview from the analysis of the computed standard gravity model for Kenia, to identify the bilateral trade performance with Kenia between 2013 and 2018. The model reflects the geographical distance and sizes of both the partner country's and Dutch economy as explanatory figures, as well as the 'ease of doing business' indicator (which has a modest explanatory strength).

As part of the exercise, Kenia's trade intensity ratio (identifying actual versus expected trade) was computed. The trade intensity ratio considers whether actual trade is greater or smaller than expected trade. The index ratio lies between 0 and 1. A trade intensity ratio of 1 implies that actual trade performance is in line with expectations from the gravity model. A trade ratio below 1 theoretically identifies a trade relationship that could become intensified.
Using the trade intensity ratio, Kenia was subsequently ranked for each year, as compared to 144 other Dutch trade partners. Kenia's trade ratios and rankings for the period under evaluation (as well as for the period 2010–2012, and 2019) are presented in the table below.

Kenya's bilateral trade rankings and ratios (2010–2019)

Year	Ratio	Ranking
2010	1.4	37
2011	1.2	50
2012	1.0	61
2013	1.0	56
2014	0.9	62
2015	1.0	62
2016	0.9	64
2017	0.9	65
2018	0.9	70
2019	0.8	75

Between 2013 and 2018, Kenya's trade intensity ratio decreased somewhat, from 1.0 in 2013 to 0.9 in 2018 (and 0.8 in 2019). Additionally, Kenya's trade ranking also deteriorated, from place 56 in 2013 to 70 in 2018 (and 75 in 2019). In these data, a positive effect of Dutch interventions on trade performance cannot be found.

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Photo chapter 7:	Bangladesh – January 28, 2012: A woman worker dries fish under the sun in a village on St. Martin's Island in Cox's Bazar | Shutterstock.
Photo Annexes:	Cultivation of blooming red and pink Geranium Pelargonium plants in greenhouse, Dutch flower import from Africa and export to other countries | Shutterstock.

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