Ministry of Foreign Affairs

Summary

Policy agenda for aid, trade and investment

Background

The policy agenda for aid, trade and investment ('A world to gain', 2013) was drawn up towards the end of a worldwide financial and economic crisis. Not only was there less public money available for spending on development cooperation, but at the same time politicians called for the government to focus more on the Dutch national interest. The second government under Prime Minister Mark Rutte (2012-2017) presented the combination of aid and trade as a means of maximising social returns for both developing countries and the Netherlands in the face of swingeing cuts in government spending. The rationale was that a combined policy agenda would have a more powerful impact on development goals given that trade flows were much larger than the budget for development cooperation. Against this background, foreign trade and development cooperation were brought together in a single ministry under the responsibility of one minister. The assumption was that this would result in greater coherence and synergy between the various policy objectives in the two policy fields, with a view to achieving the government's principal policy ambitions in this respect:

1. eradicating extreme poverty;
2. fostering sustainable and inclusive economic growth; and
3. achieving success for the Dutch private sector.

The 'aid-and-trade policy' was intended to bring about a transition from a bilateral aid relationship to a mutually beneficial form of economic cooperation, in part by improving the business climate in developing countries and by focusing on sectors offering opportunities for Dutch businesses. The policy document entitled 'A world to gain' divides countries into three categories: aid countries, transition countries and trade countries. The idea was that the combined aid-and-trade agenda would benefit transition countries in particular, i.e. those countries with which the Netherlands had both an aid and a trade relationship.

The policy was broadly continued by the third government under the leadership of Mark Rutte (2017-2021), although greater emphasis was placed on the role played by trade and job creation in reducing conflict and instability ('Investing in global prospects', 2018). At the same time, the geographic focus swung towards the 'ring of instability' around Europe (with the Sahel, the Horn of Africa, the Middle East and north Africa as 'focus regions'),and with a less prominent role for transition countries.

Sustainable economic growth, trade and investment

Article 1 of the budget for Foreign Trade and Development Cooperation (FTDC), entitled 'Sustainable economic growth, trade and investment', is the core of the aid-and-trade policy (see Table 1). This article has three main objectives:

1. to strengthen the international trade system, with an emphasis on international responsible business conduct (IRBC);
2. to strengthen the position of the Netherlands in trade and investment, and also to promote the country's economic reputation;
3. to strengthen the private sector and to improve the investment climate in developing countries.

Tabel S.1 *Spending in €m on sub-articles under Article 1 of the FTDC budget, by type of funding (2013-2019)*

Sub-article		ODA	Non-ODA	Public-private partnerships	Total
1.1	Strengthening the international trade system, with an emphasis on IRBC	52	44	0	96
1.2	Strengthening the position of the Netherlands in trade and investment	0	514	0	514
1.3	Strengthening the private sector and the investment climate in developing countries (including the DGGF, which fell under Article 1.4 until 2018)	2.426	14	44	2.484
Total		**2.478**	**572**	**44**	**3.094**

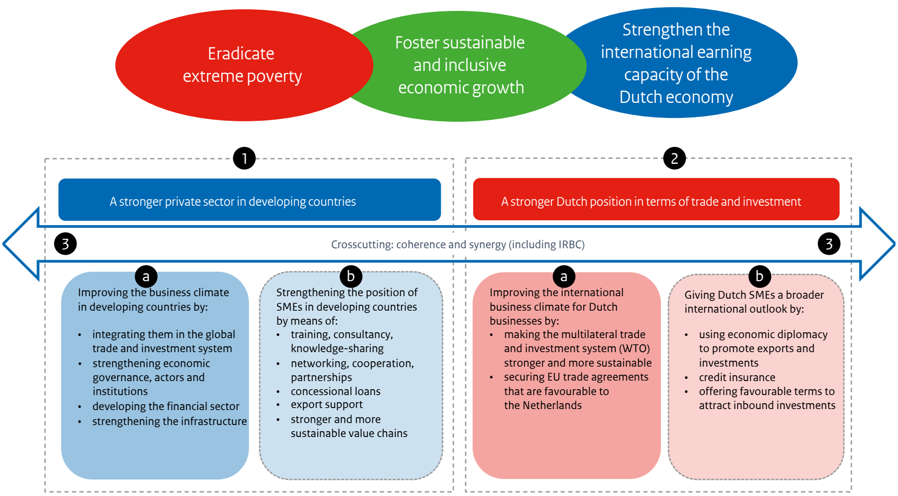
Total

The policy includes a mix of policy instruments and activities. In the absence of an overarching policy theory for policy under Article 1 of the FTDC budget, we have reconstructed this in order to present a picture of the relationship between the policy instruments and the policy objectives (see Figure S.1). The policy seeks to improve the business climate in both the Netherlands and developing countries (by ensuring that the right conditions for trade and investment have been put in place), while at the same time offering direct support for businesses. The policy instruments are geared towards strengthening businesses in both the Netherlands and developing countries and

encouraging businesses in both arenas to broaden their international perspective. Facilitating interventions are designed to promote this policy by improving institutional legislation and regulation and thus creating an environment that is conducive to imports, exports and investments.
The policy seeks to help developing countries to strengthen their business climate by improving their position in the multilateral trading system, and to enable these countries to exert greater influence over multilateral rules. Direct support to Dutch businesses and research institutes is provided *inter alia* by various forms of trade promotion and economic diplomacy aimed at strengthening their international orientation (undertaken by the Netherlands Enterprise Agency and the network of Dutch missions abroad).

One of the key assumptions underlying this policy is that aid and trade are mutually reinforcing (see the transverse arrow in Figure S.1). However, here too, there was no detailed policy theory to explain how this would work. The amalgamation of foreign trade and development cooperation in a single ministerial portfolio is designed to raise the prominence of development goals in trade policy while also giving greater prominence to trade objectives in the policy on development cooperation. Engaging Dutch businesses (or, as the case may be, raising their level of engagement) is one of the explicit policy aims in this respect. The idea is that combining policy on both aid and trade will produce more, better, cheaper and more sustainable results in relation to development goals, a transition from aid to trade, and at the same time more trade and revenue for the Netherlands.

Figure S.1 *A reconstructed overarching policy theory for Article 1 of the FTDC budget*



Outline of review

The central question in this policy review consists of two parts:

How effective, efficient and coherent was the policy pursued under Article 1 of the budget for foreign trade and development cooperation between 2012 and 2020? And to what extent was there synergy between aid and trade in the policy pursued under this Article?

The review uses the following methods in order to answer these questions:

Method	For the purpose of:
Portfolio analysis	• Presenting a picture of the trends in spending for the portfolio as a whole
Focus group discussions with policy-makers, operational staff and stakeholders (employers' organisations, industry associations, trade unions and NGOs)	• Policy reconstruction • Reconstructing a policy theory for Article 1 of the FTDC budget, and coherence and synergy between aid and trade
Systematic analysis of existing evaluations and audits	• Presenting a picture of the effectiveness, efficiency and coherence/synergy of the policy pursued under Article 1 of the FTDC budget

The policy review is based on a synthesis of existing evaluations and audits, a portfolio analysis and the findings of focus group discussions. The evaluations present a picture not just of the results of the policy that was launched under the second Rutte government and which was continued by the third Rutte government, but also, where possible, of the results of new policy instigated under the third Rutte government. The evaluations included in the review concentrate mainly on bilateral spending, which accounts for 90 per cent of all expenditure. We also compared evaluations of multilateral programmes with the findings of the present analysis.

In order to build up a clear picture of policy coherence and the synergy between aid and trade, the analysis also covers a number of policy instruments and fields that fall under other articles of the FTDC budget and (in some cases) under other ministries. Examples include the public-private partnerships on food security and water (under Article 2 of the FTDC budget), the international tax policy and the standard export credit insurance (Ministry of Finance), and the Netherlands Foreign Investment Agency (Ministry of Economic Affairs and Climate Policy).

Conclusions

This summary presents the conclusions drawn by the policy review in terms of the three criteria described in the central question, i.e. effectiveness, efficiency and coherence/ synergy. The conclusions are followed by a number of recommendations.

Effectiveness

The policy mainly scores well on relevance; less evidence of additionality

This policy review regards relevance and additionality as prerequisites for effectiveness. Generally speaking, the review found that the policy pursued under Article 1 of the FTDC budget was relevant. The evaluations broadly confirm that:

1. the problems that the policy was designed to tackle do indeed occur in practice;
2. the correct types of instrument are used to achieve the policy objective;
3. target groups perceive both the policy and the policy instruments as relevant,
4. given that they are consistent with their own needs.

The review did find, however, that evaluations of policy instruments used to support intermediary organisations such as financial institutions, trade unions and employers' organisations do not provide much information on their relevance for end users, such as users of financial services, employees and businesses.

Generally speaking, the review found less evidence of the additionality of the policy. In other words, it is not always clear whether a given government intervention was necessary (for private investments, for example), and why this should be a government responsibility. Moreover, a number of evaluations claimed that additionality was being eroded, because some development policy instruments had shifted their geographic focus to middle-income countries, and also because, in the case of both foreign aid and development policy instruments, the partners in question were relatively strong and either did not need the support or did not need the support as much as other partners. In certain instances, this had the effect of crowding out private companies. As far as Dutch trade promotion instruments are concerned, the evaluations found limited proof that government intervention was needed on account of failing market forces. They tended to refer instead to global challenges such as climate change.

While PSD programmes in developing countries tend predominantly to produce good results in relation to short-term goals, little information is available on their long-term development impact

Policies aimed at strengthening the business climate in developing countries tend largely to achieve their short-term goals. Very little information is available, however, on whether these programmes also achieve their long-term development goals. Positive long-term effects were found only in relation to technical assistance provided for integrating developing countries in the global trade and investment system: trade facilitation programmes foster regional integration, help to reduce the cost of trade, boost imports and exports, and enhance the diversity of the products traded. The same applies to the policy for strengthening the SME (small and medium-sized enterprises) sector in developing countries: most of the short-term goals were achieved. Moreover, beneficiaries are positive about the activities in question. There are cautiously positive signs that the organisations and sectors supported by the policy have succeeded in improving their services and are making their operating processes more sustainable. Nonetheless, the evaluations have little to say about the impact on development goals, such as a higher level of investment, the creation of more and better jobs, and an increase in household incomes.

The trade negotiations vis-à-vis the EU could be improved by adopting a more strategic approach; positive contribution to the EU's reputation as a normative power; scope for making greater use of trade agreements

A more strategic approach could help to boost the effectiveness of trade negotiations vis-à-vis the EU for improving the international trade and investment system. The negotiating targets were often found to lack detailed operational objectives, as well as a proper decision-making framework for setting priorities. It was difficult to identify the precise nature of the influence exerted by the Dutch government, as the Netherlands is just one of many players and often adopts the same position as the European Commission and other member states. At the same time, the evaluations did show that the Netherlands has made effective contributions to trade and sustainability chapters in trade agreements, as well as to IRBC and transparency. By doing so, the Netherlands is helping to bolster the EU's profile as a normative power that uses trade treaties as a means of highlighting issues such as environmental protection and human rights, even though it is clear from research that economic interests often prevail in practice. The current package of bilateral and multilateral trade treaties have boosted the international earning capacity of the Dutch economy by lowering the cost and raising the volume of trade. Although Dutch businesses already make considerable use of trade agreements, there is scope for even more use to be made of them, particularly by Dutch exporters.

Trade promotion instruments make only a limited contribution to the internationalisation of Dutch SMEs; better targeted support remains relevant for boosting the international earning capacity of the Dutch economy

Trade promotion instruments are relatively limited in scope and make only a small contribution to the internationalisation of Dutch SMEs. On the other hand, the businesses benefiting from such instruments say they value the support they receive. In the long term, they result in a slight increase in exports and investments, which is concentrated among businesses that were already active on the international stage. Nonetheless, the promotion of international trade and investment remains relevant, as it is vitally important for the earning capacity of the Dutch economy. Increasing globalisation (reflected *inter alia* by re-exports and high-value imports) has resulted in a lower proportion of added value that is created within the country, and this has a detrimental effect on the Dutch economy's earning capacity. This is why it is important to place greater emphasis on added value and less on trading volumes.

Long-term results do not figure prominently as policy objectives

The evaluations found that long-term results do not figure prominently as policy objectives, in part because the need to produce financial and other reports has trained the spotlight on short-term results. As a consequence, policy instruments are not clearly designed with long-term results in mind. Ineffective monitoring and evaluation mechanisms make it difficult for policy-makers and operational staff to gain an impression of such long-term results, and to adjust policy and operational activities accordingly.
The situation also means that there is no clear picture of the political and economic factors that are capable of influencing the effectiveness of policy, thus making it hard for policy-makers to anticipate and mitigate changes in these factors.

Harmonisation and scaling-up contribute to long-term effects

The policy review makes clear that harmonisation and scaling-up are important mechanisms for creating an impact. These operate through a variety of channels.
First, there are advantages to be gained from improving the coordination of programmes that are logical extensions of each other. This applies particularly to the internal coordination of Dutch policy, but also in part to external coordination with other donors. Broadly speaking, evaluations are more positive about the external coordination with actors in target countries. Individual programmes are better at creating a critical mass where they are part of a sector-wide or chain-based approach or are implemented through partnerships, than programmes targeting individual businesses. Second, while programmes designed to improve economic governance in developing countries can also generate economies of scale, they often lack the necessary focus on ways and means of influencing government policy. Finally, although revolving funds also create economies of scale thanks to returning money flows, they may result in a shift in funding towards less vulnerable countries and target groups (see the section on efficiency for more on this point).

Efficiency

Not much information on cost-effectiveness; PSD activities generally score well

Generally speaking, there is not much information available on the cost-effectiveness of policy. This is due to a lack of data on results, and also to the difficulty of attributing results to specific interventions. Moreover, there is often no benchmark against which to compare the ratio of costs to results. Many project and programme evaluations confine themselves to pronouncements on overhead costs and the depletion of programme funds. At the same time, a number of evaluations point to procedural issues that hinder efficiency, such as inadequate coordination, complex managerial structures and a fragmented portfolio. For this reason, evaluators are keen to stress the importance of effective project management based on decision-making frameworks, realistic assumptions about the activities in the pipeline and the structure of the portfolio, and a clear focus on target groups. Evaluations of policy instruments for private-sector development (PSD) in developing countries (see Figure S.1) are more likely to arrive at a conclusion on efficiency than evaluations of policy instruments for strengthening the position of the Netherlands in relation to trade and investment. PSD instruments aimed at financial sector development, business development and trade facilitation generally score well on account of their low overheads, cost-effectiveness, declining unit costs (i.e. cost per unit of output) and healthy price-quality ratio.

Budget underspending raises questions about the realism of ambitions; selection criteria may have been relaxed at the expense of relevance

A large number of evaluations report budget underspends, i.e. less money was spent than planned. On average, underspending affects a quarter of the commitments undertaken. Underspending weakens the efficiency of programmes and policy instruments. Although underspending is not in itself evidence of a management problem (budget depletion is not a goal in its own right), it does say something about the realism of ambitions in the light of the actual demand for the policy instruments in question – and hence about the size of the budget reserves that are maintained.

The degree of underspending varies from one policy theme to another, with infrastructure- related activities scoring on average a much lower level of budget depletion (46%) than activities relating to other themes. This is because, in many cases, governments in the recipient countries were not able to comply with the obligation to co-finance the investments. Programmes and policy instruments for strengthening PSD were also characterised by a lower than average level of depletion (69%), mainly due to a lack of interest among Dutch businesses in operating in developing countries. The selection criteria for a number of programmes were relaxed in order to avoid underspending. Although this has improved their efficiency, it may well have been at the expense of relevance, as it may be inconsistent with a desire to reach specific target groups.

Although revolving funds are good for efficiency, there is a tension with developmental relevance
Given that fewer public funds are now available, revolving funds tie in well with the new thinking in the FTDC agenda on financial support for businesses. In theory, revolving funds help to improve efficiency – by achieving more results with the same or less public money – because they are self-replenishing, for example with income from interest payments and repayments of principal on loans. Even if a fund is only partly revolving, this is still more efficient than a grant because it generates a higher volume of investment in the long term. Evaluations show that revolvability varies from one fund to another, partly depending on the growth of the portfolio. For example, whereas the portfolio of the relatively new Dutch Good Growth Fund (DGGF) was slow to develop, the Netherlands Development Finance Company (FMO) saw rapid growth in its funds' portfolios.

Remarkably, there are no guidelines or criteria for revolving funds. For example, there are no requirements as to the period of time during which a fund should revolve, nor as to the critical mass that a fund needs to obtain in order to remain in operation, nor as to the distribution of risks within the portfolio.

Evaluations also point to the trade-offs between revolvability and developmental relevance. Executive agencies may interpret the prioritising of revolvability as a sign that they should finance lower-risk – and hence in many cases less developmentally relevant – activities. On the other hand, where revolvability is given less priority, this may be perceived as an implicit subsidy on an investment, with the distortion of local markets as a potential consequence. A subsidy or grant is a more appropriate instrument for investments that are projected to have a high developmental impact and at the same time a low economic return.

Revolving funds have a limited 'demonstration effect'
Policy-makers had hoped that revolving funds would have a 'demonstration effect' that would mobilise private capital (from businesses and investors) for development purposes. After all, a revolving fund would prove that developmentally relevant investments could generate a return and thus attract private investors. This would allow the government to reduce the proportion of public funds in the total volume of investments. However, the evaluations do not as yet contain many indications that such demonstration effects have been seen in practice, in part due to the limited revolvability of the funds in question. There are examples of an initial loan paving the way for a second loan on less concessional terms and thus forming a welcome step on the road towards commercial lending.

Coherence and synergy

Little focus on synergy between aid and trade

Both evaluations and focus group discussions suggest that politicians, policy-makers and executive agencies have not actively sought to promote synergy between aid and trade. This is due in part to the absence of a predefined policy theory for the aid-and-trade policy pursued under Article 1 of the FTDC budget, which meant that there was no clear picture of how such synergy was to be created. This lack of focus on synergy between aid and trade is attributed to a lack of interest among politicians and administrative officials for, and a lack of belief in, an integrated policy agenda for aid and trade. For example, staff working for executive agencies commented that they often received conflicting requests from the two government departments concerned, i.e. the Directorate-General for International Cooperation (DGIS) and the Directorate-General for Foreign Economic Relations (DGBEB). This prompted them to draw their own interpretations and decide autonomously on their lines of action, resulting in a focus on either aid or trade instead of on both aid and trade. This failure to seek synergies is also the result of a lack of information on and not enough debate on the trade-offs that are the inevitable consequence of an integrated aid-and-trade policy.

No fully integrated approach

While the transfer of the Directorate-General for Foreign Economic Relations from the Ministry of Economic Affairs and Climate Policy to the Ministry of Foreign Affairs cannot dispel the tension between policy objectives for aid and trade, it can improve the coordination of both policy and policy instruments. And yet this has happened only to a limited extent in practice. An integrated approach to policy has failed to get off the ground, with aid and trade continuing to be handled by two entirely separate branches of government. The problem is reflected by the presence of two broadly separate sets of policy instruments, with their own specific budgets and different conditions and country lists. While embassies theoretically have a key role to play in bringing together aid and trade further down the chain, in practice they are not encouraged to play such a role. A number of sources point to a lack of strategic cooperation with and support from the ministry in The Hague, insufficient capacity and funding, and not enough opportunities to make flexible use of policy instruments.

Trade policy more coherent with development

Despite the lack of a fully integrated approach to policy, the arrival of the Directorate-General for Foreign Economic Relations has aroused greater interest in integrating development goals in trade policy. This could potentially have a considerable impact, given the scale of trade flows compared with aid flows. The Netherlands has done well in exerting influence over EU policy in terms of the position of developing countries, IRBC and improved value chain sustainability. The same applies to tax policy (for which the Ministry of Finance is primarily responsible), where action has been taken to improve the coherence for development. Important changes have been made to ensure that greater account is taken of the interests of developing countries. At the same time, further improvements remain necessary, in particular in order to avoid a situation in which the Netherlands is used for tax avoidance purposes. While the Ministry of Foreign Affairs has more say than in the past on Dutch tax policy, it still has only limited influence.

Policy on IRBC bridging the gap between aid and trade

The policy on IRBC acts as a bridge between policy objectives for aid on the one hand and trade on the other. The government encourages Dutch businesses to combat any instances of abuse they may encounter in the global trading chains of which they form part. Moreover, IRBC is an important prerequisite in development policy, the assumption being that PSD should not be at the expense of issues such as environmental protection and a living wage. There are, however, certain tensions in this respect: IRBC is often accompanied by extra costs and investments. There is a risk that businesses that are prepared to follow guidelines on IRBC lose contracts to others that are not. For this reason, the government is keen to adopt an international approach to the issue, generally through the EU, with the aim of ensuring a level playing field.

Dutch business not sufficiently engaged with sustainable development

It has been difficult to translate the desire to position the Dutch private sector as the flag-bearer of sustainable development into practical results. For the time being, Dutch businesses have not shown any great interest in developing countries, particularly where investments are concerned. Their engagement has mainly produced results in terms of aid and trade (synergy) in middle-income countries. After all, these are the countries that form a potential market for (the relatively expensive) Dutch products and services, while also presenting considerable development challenges. In this connection, evaluations and focus groups stress the important role played by a strong local business climate in securing stability and restricting risks. It has proved difficult to strengthen this climate as this requires a close dialogue with the target country's government, which is something for which the Netherlands is not sufficiently equipped.

Both positive and negative notes sounded on public-private partnerships

It is not possible to make any firm pronouncements on the effectiveness of partnerships as a means of bringing together aid and trade. Both positive and negative notes have been sounded in this respect. For example, the majority of partnerships are regarded as being developmentally relevant and are assumed to contribute to sustainable development. Collaboration within partnerships is another aspect about which enthusiastic comments were made. At the same time, criticisms were also voiced about the effectiveness of public-private partnerships (PPPs), particularly with Dutch businesses. The focus groups pointed to the high level of cost, unnecessarily complex arrangements and the government's limited substantive contribution to PPPs apart from its financial contribution. In addition, a number of evaluations suggested that hybrid partnerships with divergent public and private objectives result in conflicts at an operational level.

Recommendations

1. Focus more on achieving a long-term impact

Resist the tendency to gear interventions towards short-term results.

a. Take greater account of long-term objectives when designing policy instruments. A policy theory can help with this. The reconstructed theory for the policy under Article 1 of the FTDC budget can act as an umbrella for underlying policy theories. Create a mechanism for constantly monitoring the validity of assumptions. This applies particularly to the link between short-term results and long-term objectives. *For: policy-makers (DGIS and DGBEB).*

b. Undertake systematic assessments, before, during and after interventions, in order to identify whether the activities meet the needs of the most vulnerable population groups, given that the effects do not automatically trickle down to these groups. *For: policy-makers (DGIS and DGBEB) and executive agencies.*

c. Pay attention at all times to the political and economic context in which interventions take place, identify all the various interests at play, and adjust policy instruments and interventions accordingly. *For: policy-makers (DGIS and DGBEB) and executive agencies*.

2. Create more impact by achieving economies of scale and critical mass

a. Limit the number of policy instruments. Build on existing instruments. To this end, also limit the number of policy objectives. Prevent fragmentation and create a critical mass by undertaking coherent interventions in selected countries and sectors. Plan a logical chronological sequence of mutually reinforcing interventions, with the prospect of the activities being continued autonomously without any support from public funds.
For: policy-makers (DGIS and DGBEB).

b. Target PSD instruments more at strengthening the business climate in developing countries. This will produce more impact, given that more businesses can benefit from them. Devote more attention to influencing policy in order to improve economic governance in developing countries. *For: policy-makers (DGIS and DGBEB) and executive agencies.*

c. Direct interventions at specific sectors, sub-sectors and value chains. This will generally produce more results than supporting individual businesses without adopting a sector-wide or chain-based approach. *For: policy-makers (DGIS and DGBEB) and executive agencies*.

d. Take an explicit, well-founded decision to use either a bilateral or a multilateral channel for PSD policy. In arriving at this decision, take account of the fact that multilateral interventions often have a bigger leverage effect. It makes sense, for example, to fund interventions aimed at improving the business climate in developing countries through the multilateral channel. Bilateral interventions, on the other hand, offer opportunities for combining aid and trade, by engaging Dutch businesses. In making this choice, make use of the findings of evaluations of multilateral institutions. *For: policy-makers (DGIS and DGBEB).*

3. Improve monitoring and evaluation (M&E) mechanisms on all fronts

Treat 'learning' as the main aim and 'accountability' as a secondary aim. The emphasis placed on accountability in recent years has created perverse incentives, which has had a detrimental effect on effectiveness. Results frameworks tend to be inflexible, placing too great an emphasis on quantitative result indicators and short-term objectives. This has muddied the picture of the process as a whole (in terms of critical assumptions and the effects of contextual factors) and prevented M&E mechanisms from offering adequate learning opportunities. At the end of the day, policy effectiveness stands to gain most from learning.

a. Formulate clear policy theories that describe the relationship between policy instruments and explain the main assumptions underlying the achievement of long-term results. Do this at a number of different levels, i.e. overarching, sub-areas, individual embassies. Focus on the long-term objectives. Avoid setting detailed targets: leave these to the executive agencies. *For: policy-makers (DGIS and DGBEB).*
b. Provide more information about the long-term results (in both quantitative and qualitative terms) by ensuring that they are more prominent in M&E mechanisms. *For: policy-makers (DGIS and DGBEB) and executive agencies.*
c. Place more emphasis on qualitative and process-related information in M&E mechanisms. Use this information for learning purposes, and also to report on the learning process. While quantitative result indicators are useful, they should not overshoot their aim. Undertake regular reviews of their value, and put them to more flexible use. *For: policy-makers (DGIS and DGBEB) and executive agencies.*
d. Subject to the previous point, make more use of METIS (a dashboard for development cooperation activities) as part of the M&E process. Think about also including non-ODA interventions in the dashboard. Policy theme departments: engage in a dialogue about this with the Financial and Economic Affairs department (FEZ). *For: policy-makers (DGIS and DGBEB).*
e. Show ambition, but be realistic about your policy objectives. *For: policy-makers (DGIS and DGBEB) and executive agencies*.

4. Formulate clear guidelines for revolving funds

a. Give priority to development goals. Revolving funds serve a useful purpose in making policy more efficient, but it is important to acknowledge that revolvability may be inconsistent with developmental impact. Giving precedence to development goals may help to limit the degree of revolvability, but even a partially revolving fund is potentially capable of generating more results than a one-off grant. At the same time, it is important to ensure that less stringent requirements in terms of revolvability do not have the effect of distorting the local market. *For: policy-makers (DGIS) and executive agencies.*
b. Provide greater clarity about the period within which a fund is expected to acquire a critical mass and also about its degree of revolvability. Formulate expectations about the portfolio's risk profile. *For: policy-makers (DGIS and DGBEB).*
c. Subsidising the unprofitable early stage of investments has traditionally been a government responsibility. Think about the possibility of using a grant (instead of setting a less stringent revolvability requirement) for investments that are expected to generate a very high developmental impact but a low economic return.

5. Make realistic budgets and do not aim for budget depletion

Realistic budgets are a means of ensuring that selection criteria are not relaxed during the course of an intervention, particularly where this is at the expense of reaching the target group (such as the most vulnerable population groups) and the additionality of the intervention in question. *For: policy-makers (DGIS and DGBEB).*

6. Ensure that development goals are integrated more closely into trade policy

Strengthen the integration of development goals into trade policy. Trade policy has a huge potential impact, after all. For this reason, strengthen the promotion of IRBC and improved value chain sustainability, and make use of the EU's profile as a normative power to focus attention on environmental protection and human rights in trade and investment treaties. Where possible, adopt an international approach, in order to guarantee a level playing field. *For: policy-makers (DGBEB).*

7. Adopt a differentiated approach to engaging Dutch businesses in development cooperation

e. Focus policy and policy instruments that are aimed at achieving both aid and trade objectives on middle-income countries facing developmental challenges. These countries present sufficient commercial potential for Dutch businesses, whose investments, products and services can also help to meet aid objectives. Pay special attention to making sure that any negative trade-offs in areas such as environmental protection, climate change, human rights and labour rights are prevented or mitigated.

f. Dutch businesses can also play a role in aid policy in its own right. Give precedence to the development needs of developing countries and link these to the services, expertise and technology that Dutch (and other) businesses and research institutes can supply. Place less emphasis on the commercial potential, given that the aid agenda is aimed mainly at low-income countries, and make sure that this is reflected by policy instruments (e.g. by ensuring that grants account for a higher proportion of aid than loans). *For: policy-makers (DGIS and DGBEB).*

8. Seek greater synergy and coherence by formulating a policy theory for the integrated aid-and-trade agenda

a. Formulate a sub-theory on how development goals can be integrated into trade policy, and another sub-theory on the role played by Dutch businesses in development cooperation. *For: policy-makers (DGIS and DGBEB).*

b. Make clear in this connection how and under which conditions coherence and synergy between aid and trade are created. Identify any potential areas of conflict between aid and trade. *For: policy-makers (DGIS and DGBEB).*

c. Make sure there is a clear connection between the policy theory and the intervention logic underlying activities performed under the agenda. Pay explicit attention to both policy objectives in designing policy instruments. *For: policy-makers (DGIS and DGBEB) and executive agencies.*

9. *Give embassies sufficient freedom, resources and capacity to act as a broker in bringing together aid and trade*
   a. Translate the policy theory into sub-theories for individual countries, as part of the Multiannual Country Strategies and the annual plans based on these.
   b. Bring the delegated budgets under Article 1 in line with the duties and responsibilities of the embassies, and ensure that staffing levels are consistent with these.
   c. Allow embassies to make more flexible use of policy instruments. Give the Netherlands Enterprise Agency the same degree of freedom.

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