PBL Netherlands Environmental Assessment Agency

INCLUSIVE GREEN GROWTH

A reflection on the meaning and implications for the policy agenda of the Dutch Directorate-General of Foreign Trade and Development Cooperation

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SUMMARY

Inclusive Green Growth, or growth which improves the welfare of current and future generations is not self-evident. As climate change, ecosystem degradation, resource depletion and biodiversity loss are showing us, current economic growth is not green. That it is also not inclusive becomes apparent when considering the persistent poverty and inequality around the world. Due to unequal access to assets, opportunities and decision-making processes, the poor tend to benefit the least from economic growth. At the same time, growth is needed to alleviate that poverty.

This study uses welfare theory to define and elaborate the challenges associated with Inclusive Green Growth strategies, with the aim to define key elements for effective policy design. Stimulating Inclusive Green Growth is complicated, as it requires that the market and governance failures underlying current non-inclusive and non-green growth pathways are adequately addressed. This is difficult, not only because of the potential trade-offs between Green Growth and Inclusive Growth, but also because of the vested interests behind current Growth pathways. Synergies between growth, inclusiveness and 'green' are possible, but trade-offs are more likely, which means that a balancing of objectives is needed as well as the use of an integrated policy mix.

The study considers the current policy agenda of the Dutch Directorate-General of Foreign Trade and Development Cooperation, using the framework of Inclusive Green Growth. Focusing on the policy agenda for i) sustainable trade and investment, and ii) sustainable development, water and food security, we found that sustainable trade policies focus mostly on economic growth, whereas sustainable development policies focus mostly on inclusive growth and consider environmental resource management, separately. Although attention for climate change is mainstreamed within the sustainable development agenda, attention for green growth is rather implicit and full Inclusive Green Growth strategies are not actively pursued.

In the mixture of policy instruments used to implement the different agendas, there is an increasing role for public–private partnerships. These partnerships have an important leverage function in terms of financing, but it remains unclear whether and how partnerships contribute to Inclusive Green Growth. In principle, partnerships may enhance the efficiency of public good provisioning, improve local representation, and reduce regulatory problems that are inherent in development cooperation. This depends, however, on the extent to which the public objectives of partnerships are specified in partnership agreements and the way in which these objectives are monitored and enforced. For future research, we propose that an analysis is made of the contribution of public–private partnerships to Inclusive Green Growth objectives, in order to explore i) the contribution or potential contribution of partnerships to eco-innovation and improved resource access on a project level, and ii) their impact or potential impact on a systemic level, in terms of whether they effectively address the underlying market and governance failures that drive non-inclusive and non-green growth.

The development of effective Inclusive Green Growth policies starts with a better targeting of themes. Since climate change and biodiversity represent themes whereby the economic costs of non-green and non-inclusive growth pathways are the highest, we advise the Ministry of Foreign Affairs to focus its Inclusive Green Growth strategy on activities that stimulate the transition towards renewable energy in emerging economies and stimulate sustainable land use as well as a reduction in deforestation and biodiversity loss around the world. Also, effective strategies require a targeting of stakeholders and, possibly, regions to create optimal returns. Given that this is rather context-specific, future activities should address these targeting issues on a case-by-case basis.

With regard to the optimal mixture of policy instruments for Inclusive Green Growth strategies, this report discusses the role of financing-, innovation- and governance-oriented policies in stimulating Inclusive Green Growth.

The crucial role of financing in Inclusive Green Growth strategies is underlined in the discussion of the current system's lack of incentive to invest in Green and Inclusive Growth. Since the short-term financial returns on green investments are lower, the upfront capital requirements are higher, and often so are the transaction costs of Inclusive investments, public funding is required to facilitate Inclusive and Green investments and to leverage risks. Increased attention for the targeting of global funds and design of international funding facilities is required to stimulate Green and Inclusive investment, enhance public returns and increase the bankability of Inclusive Green Growth.

Eco-innovation can only succeed if attention is paid to the difficulties associated with stimulating efficiency in non-priced assets and designing policies to stimulate innovation itself. Stimulating eco-innovation in an international context requires attention for the difficulties associated with knowledge and technology transfer, and for the specific policies needed to do so. Moreover, the poor and marginalised do not automatically benefit from eco-innovation; for instance, when this concerns enhanced efficiency of resource use. A better understanding is needed about how eco-innovation could be stimulated and lessons learned can be shared.

Finally, ensuring representation of vulnerable and marginalised groups is difficult when institutions are lacking. Often, non-governmental organisations are supposed to represent stakeholder interests, but they are not necessarily accountable to these stakeholders. Furthermore, generally speaking, public objectives and interests are difficult to achieve through voluntary agreements, making monitoring and enforcement an important element of Inclusive Green Growth strategies.

Together, all these issues constitute an ambitious agenda for Inclusive Green Growth policy development, an agenda that will be further addressed over the coming years.

Please see our website, for an update of our latest work on Inclusive Green Growth strategies, as well as for other work on global environmental assessments and policy strategy development.

1 Introduction

In 'A world to gain', the Directorate-General of Foreign Trade and Development Cooperation of the Dutch Ministry of Foreign Affairs has laid the foundation for its policy agenda, positioned against the background of a changing world and substantial budgetary cuts (BuZa 2013). The document specifies three objectives: 1) to end extreme poverty for the coming generation; 2) to contribute to sustainable, inclusive growth; and 3) to strengthen the position of the Dutch private sector in the global market economy. The three objectives are further operationalised into five policy themes: a) sustainable trade and investments; b) sustainable development, food security and water; c) social development; d) peace and security; and e) good governance and the rule of law.

This study addresses the question of how the second policy objective (to contribute to sustainable, inclusive growth), could be connected more strongly to the concept of Inclusive Green Growth as promoted by the World Bank, OECD, UNEP and others, and how it is currently and could further be implemented into the government policies on sustainable development, foreign trade and development cooperation.

To start with the first part of this question, the term *Inclusive Green Growth* was first coined after the UN Rio+20 conference, in an attempt to merge the interests of the industrialised world in green growth and those of the developing world in inclusive development. The World Bank defines Inclusive Green Growth as 'the economics of sustainable development' (World Bank, 2012), suggesting that 'sustainable inclusive growth' and 'inclusive green growth' may not be very different. For the Dutch Directorate-General of Foreign Trade and Development Cooperation, however, the choice of the term sustainable was more related to the ongoing debate about the effectiveness of development aid. Many past interventions proved non-sustainable, in the sense that they have had no structural impact and were not financially sustained. Trade liberalisation, on the other hand, has helped to stimulate growth and thus lift people out of poverty, resulting in the merging of the agenda's on foreign trade and development cooperation, and in a focus on sustainable growth in terms of self-sustaining socio-economic development.

The extent to which this agenda also pays attention to Inclusive Green Growth objectives is a question that is addressed in this study. First, a brief review of the literature on Inclusive Green Growth is provided, with a focus on its implications for policy. Second, using the insights from this review, the study reflects on the Directorate-General's current policy agenda. Third, it explores the possible elements of an Inclusive Green Growth strategy, and discusses possible implications in terms of targeting and policy instrumentation.

This report is the first result of a multi-annual research project on Inclusive Green Growth, which is part of a larger programme on sustainable development, international cooperation and trade at PBL Netherlands Environmental Assessment Agency, commissioned by the Dutch Ministry of Foreign Affairs, Directorate-General of Foreign Trade and Development Cooperation.

2 Conceptual Framework

The concept of Inclusive Green Growth should be understood against the background of the current non-green and non-inclusive growth of the world economy. Climate change, ecosystem degradation and resource depletion are threatening the basis of life itself (UN 2010; IPCC 2014). And although the growth of the world economy has greatly enhanced prosperity and reduced poverty, inequality has risen and the number of people with hunger stayed largely the same (PBL, 2012; UNEP, 2011). Although the discussion is ongoing how long depletion of our natural environment can continue without major economic consequences, it is clear that at some stage climate change, ecosystem collapses, depleted resource stocks or a combination thereof, will backfire at humanity with enormous social and economic costs (Rockström et al., 2009), making the welfare risks of non-green and non-inclusive growth increasingly high.

The concept of Inclusive Green Growth acknowledges the trade-offs between growth, green and inclusiveness, but stresses that in the overarching objective of social welfare there is room for synergies. Production growth that is environmentally sustainable and socially just enhances welfare most, as environmental degradation and increasing inequality reduce welfare. From a welfare–economics perspective, Inclusive Green Growth is nothing more than growth that improves the welfare of both current and future generations; that acknowledges the social costs and benefits (including environmental costs) of growth and its distributional implications in both the short and the long run.

This study agrees with the welfare-economics definition of Inclusive Green Growth, because it offers an integrated framework for analysing synergies and trade-offs. Welfare, here, refers to utility, not income alone, as people derive their welfare from a wide range of facilities. Still, given that utility is difficult to measure, and can hardly be compared across actors, welfare indicators are usually expressed in monetary (income) terms, such as produced goods and services, instead of the welfare they generate. Indicators such as the human development index capture a wider range of factors that influence welfare, such as education and health, but also the equity of income distribution and distribution of wealth.

Amartya Sen (1997) argues in favour of an even wider definition of welfare, which incorporates freedom of choice, which reads that well-fed, healthy and rich human beings may still have low welfare levels if they have no voice (no freedom of choice) in determining their future. This study refers to Amartya Sen's definition of welfare, as we believe this to be in line with the aspiration of inclusiveness. Using his definition also shows the challenge for Inclusive Green Growth strategies to address underlying governance failures of non-adaptive institutions and weak governance mechanisms that constrain inclusiveness and freedom of choice; challenges that are further elaborated in the political sciences and institutional literature.

Using a welfare-economics definition also facilitates the design of Inclusive Green Growth policies. Questions of how sustainable growth could be stimulated and how the benefits of growth should be divided between current and future generations are widely discussed in the economic literature, with many relevant lessons for Inclusive Green Growth policy design. For example, welfare theory points to the importance of well-functioning markets for welfare maximisation, but also explains that, for public good resources (including environmental goods and services), markets are less suitable, as property rights are difficult to assign and above all cannot be kept exclusive, which is conditional for a well-functioning market. For these types of goods, governments and other public bodies may allocate resources more efficiently if they manage to represent the interests of all stakeholders and coordinate actions within, and between, stakeholder groups.

2.1 Challenges

2.1.1 Growth

Before discussing the factors constraining growth, it is important to note that growth is a means, not a goal. Growth is a means for welfare improvement – and whether growth is required for welfare improvement or if welfare improvement is possible without growth is still under debate. The welfare effect of growth depends on how benefits are used and distributed, on whether they are used for investment or consumption, and on whether investments benefit most of society or only a select few. Growth will contribute to the welfare of future generations if benefits are reinvested in capital replacement. If growth is only used for current consumption, capital stocks will depreciate and future generations will lose.

When and how economic growth occurs and how it can be influenced by policymakers, remains surprisingly ill-understood. The fact that there is a whole sub-discipline of economics concerned with economic growth and development indicates that these are complex issues to address. Dani Rodrik (2006) concludes, after reviewing decades of growth and development policies, that no blueprints for stimulating growth exist. Effective pathways depend on context-specific identification of the most binding constraints. The role of institutions for economic growth and development can hardly be overstated, institutions being crucial for the facilitation of market transactions, but also for the assignment and enforcement of property rights.

Growth basically requires an increase in the productivity of labour, capital and other assets, which can happen through technological change or by trading with countries that have different factor productivities, so that the efficiency of resource use can be improved. With regard to the role of government policy, the debate is ongoing whether governments should invest in growth directly, and expect benefits to trickle down, or focus on economic development, and facilitate the private sector to take care of growth.

Globally, international development cooperation long focused on funding economic development through official development assistance (ODA) – aid that traditionally focused on infrastructural development (drinking water, sanitation, roads), education, health and support of small-scale producers, providing micro-credit and technology. Critics have pointed out that lowering trade barriers would be much more effective, as this would allow developing countries to exploit comparative advantages and profit from trade. In addition, the experiences of emerging economies have indicated that poverty can only really be tackled when economies start to grow, since the growth in the world economy has halved global poverty rates. This has led to a reorientation of development cooperation, also because inefficiencies in the allocation of resources (corruption, aid dependence) have reduced the effectiveness of development cooperation.

It is important to acknowledge that although increased trade may stimulate growth more effectively, it may also contribute less to human development; efficient resource allocation (growth) and an equal distribution of welfare impacts (development) do not always coincide. These trade-offs are further elaborated in the section on inclusive growth

2.1.2 Green Growth

The main difference between growth and green growth is that the latter acknowledges the role of natural capital in growth and its important role in the welfare of future generations. As discussed in the previous section, capital stocks are crucial for growth and development, and, in order for development to be sustainable, current generations should make sure that capital stocks are at least maintained.

Natural capital forms part of the capital stock of a country, so degradation of ecosystems, deforestation and resource depletion reduces the welfare of future generations if resource rents are not reinvested in alternative capital stocks. When resource rents are reinvested in alternative capital stocks (e.g. human capital or other assets) future generations could inherit a similar amount of capital, and sustainable development would still be ensured. This is called weak sustainability. Strong sustainability requires that future generations not only inherit a similar amount, but also that this capital is of similar composition (Neumayer, 2003). This may concern natural capital that is only partly substitutable and thus irreplaceable. Fitter (2013) assesses the substitutability of natural capital, concluding that most services provided by natural capital currently are non-substitutable or only at a high to very high cost. Although this could change in the future (e.g. a breakthrough innovation may replace soil formation processes), a precautionary approach may be warranted to safeguard at least a minimum level of natural capital for future generations.

Table 1: Changing wealth of nations

Wealth and Per Capita Wealth by Type of Capital and Income Group, 1995 and 2005

	1995					2005				
Income Group	Total Wealth (US$ billions	Per Capita Wealth (US$)	Intangible Capital (%)	Produced Capital (%)	Natural Capital (%)	Total Wealth (US$ billions	Per Capita Wealth (US$)	Intangible Capital (%)	Produced Capital (%)	Natural Capital (%)
Low Income	2,447	5,290	48	12	41	3,597	6,138	57	13	30
Lower middle income	33,950	11,330	45	21	34	z58,023	16,903	51	24	25
Upper middle income	36,794	73,540	68	17	15	47,183	81,354	69	16	15
High income OECD	421,644	478,445	80	18	2	551,964	588,315	81	17	2
World	504,548	103,311	76	18	6	673,593	120,475	77	18	5

Source: World Bank, 2011

It is important to acknowledge that many of the poorest countries do not reinvest their resource rents, and that the over-exploitation of natural capital is often undertaken with foreign direct investments (mining, plantations, fossil fuel extraction, agro-industry) that are facilitated through bilateral and international trade policies. Also, a precautionary approach involves economic opportunity costs, which are especially high for developing countries, as they tend to have relatively large stocks of natural capital compared to other forms of capital (see Table 1). These opportunity costs need to be taken into account when discussing the protection of global environmental resources, such as biodiversity and carbon stocks.

Green growth strategies often involve investments in innovation and resource use efficiency to reduce the rate of natural capital depletion and increase the probability of finding substitutes. Given that the scarcity value of environmental resources is not or not fully expressed in market prices, the incentive to invest in eco-innovation is only limited. Win–win strategies may not materialise because trade-offs arise between short-term economic interests and long-term environmental benefits (e.g. the short-term profits from using cheap fossil fuel override the long-term environmental benefits of using low carbon energy). Overcoming these trade-offs is the challenge of green growth strategies; for example, by creating incentives and reducing institutional barriers to sustainable use.

The other challenge inherent in green growth pathways is that the services delivered by natural capital can rarely be delineated into products or services with clear property rights. This makes it difficult to exclude others (e.g. public good characteristic), which complicates an efficient use of natural resources as it creates an incentive to free ride. The difficulty of controlling free-rider incentives is what Hardin (1968) famously framed as the 'Tragedy of the Commons'; individual actors only consider the private costs and benefits of their actions so that common good resources are easily over-exploited as each individual extracts more than the socially desirable (e.g. sustainable) amount.

Free-rider incentives need to be addressed explicitly for Green Growth strategies to be effective; merely creating incentives for sustainable use is not sufficient, it is necessary to ensure that resource use restrictions are monitored and enforced to avoid free riding and ensure sustainable resource use. This can be done hierarchically, through public ownership and top-down regulation, but also bottom-up, through self-enforcement. Assigning and enforcing user rights for sustainable use of common good resources while protecting a precautionary stock is difficult, however, especially given the large uncertainties surrounding the substitutability of natural capital and the availability of natural resources, in the long run.

To reduce these uncertainties, green growth strategies need to pay specific attention to integrated information systems and knowledge sharing and to governance mechanisms, such as co-management approaches that increase flexibility and responsiveness. Also, the lack of institutions for allocating and distributing environmental resources means the transaction costs of coordinating supply and demand for environmental resources are high, compared to marketed goods and services. This is an important constraining factor when trying to develop creative pathways for green growth. It also means that creative mechanisms for reducing transaction costs *as such* may be important building blocks for green growth strategies, examples include the use of information technology for knowledge sharing and NGO involvement in organising stakeholders for co-management.

For Green Growth strategies to be effective, it is important to acknowledge the vested interests and behavioural factors underlying the current growth pathways. Even when incentives are re-adjusted to better reflect scarcity values, actors that currently receive resource rents from over-exploiting natural capital are unlikely to gracefully give up their interests and agree to a redistribution of user and ownership rights. These vested interests are often embedded in institutions, which is why Green Growth strategies often require institutional change.

With regard to behavioural factors, there are several constraints that need to be addressed. Firstly, green growth demands that attention is paid to future interests, but people tend to value the present more. This dilemma is captured in the debate about discounting, the discount rate representing the rate of capital depreciation and the extent to which we account for the interests of future generations in relation to our own. Policymakers may have even shorter time horizons, such as the next election, which limits their willingness to promote strategies for green growth.

Secondly, bounded rationality and lack of will power constrain producers and consumers in making sustainable choices. Even when these choices improve their personal welfare (e.g. healthy food habits), people are reluctant to change their behaviour because of the additional effort that would be involved. However, people are also less self-interested than is often assumed by economists, and they are thus more willing to cooperate in achieving common goals. Acknowledging these social preferences can help in building effective Green Growth strategies; for example, by involving stakeholders in co-management.

2.1.3 Inclusive Green Growth

Green Growth concerns the welfare of future generations, whereas Inclusive Growth is concerned with the welfare of current generations as well as an equitable distribution of welfare gains. It is important to note that there is a difference between equity and equality, equity referring to initial conditions (‘all people are equal under the law’) and equality referring to outcomes (‘everybody should earn the same’). In the current mainstream neoliberal market ideology, the focus is mostly on equity, with equality long being regarded as a political aim. The recent work by French economist Thomas Piketty (2014) puts inequality back at the forefront of public and political debate. His empirical analyses indicate

that income and wealth inequality reinforce each other and result in a concentration of capital ownership in the hands of increasingly few. Besides the impact that this may have in terms of market power and social stability, it has a direct negative impact on welfare, as most people consider high income inequality to be unfair. In addition, inequality may have repercussions for economic growth, because of unequal access to health care and schooling resulting in skewed labour productivity. Indeed, recent work by the IMF suggests that economic growth rates tend to be higher in more equal countries, partly due to the impacts on education and health care (Ostry et al., 2014).

When discussing inclusive growth, it is important to note that welfare gains are linked to the ownership of assets, such as capital and labour. The poor generally have fewer assets and are, thus, more exposed to the vagaries of life. Since most poor people lack access to insurance markets, they tend to choose low-risk economic activities, which most often are also characterised by low returns. Given their limited access to assets, the poor tend to benefit less from growth. This explains why interventions that aim to increase growth are not the same as interventions that are intended to alleviate poverty. Poverty alleviation requires attention for the distribution of rights and assets, while growth requires attention for the efficiency of resource use.

Since the poor may benefit from growth through employment, inclusive growth is often interpreted as the 'generation of jobs and employment' (EC, 2010). For the poorest of people, however, employment might not be an option, because they have only limited human capital (they are often uneducated and illiterate), or are sometimes not allowed to participate in labour markets at all (as may be the case for women).

Inclusiveness requires equal opportunities, which implies that the interests of the marginalised are represented in decision-making and that their rights are acknowledged and enforced. This calls for changes in the institutions that currently exclude people, sectors and countries from decision-making processes – this is a slow and difficult process. Also, many of the rules to make decision-making non-inclusive are informal and implicit (e.g. cultural convention), and they differ between countries and regions, making it difficult to reach consensus about a fair distribution of assets and rights. Experiences with participatory and co-management approaches suggest that, by opening up decision-making processes and supporting institution-building, conditions for inclusiveness can be created through good governance.

Green growth is not automatically inclusive and inclusive growth is not always green, and it is important to acknowledge that tensions between green growth and inclusiveness exist. The welfare of future generations may require limits to growth for the current generation, but without additional measures this could especially impact the poor. Similarly, growth and inclusiveness do not necessarily go together, as distributional fairness often conflicts with efficient resource use. This needs to be considered – synergies between green growth and inclusiveness may not be possible and additional efforts are needed to balance trade-offs (Dercon, 2012).

2.2 Policy options and instruments

Synergies between growth, inclusiveness and green may be possible, but trade-offs often occur. This implies that Inclusive Green Growth strategies require policy mixes that balance objectives and stimulate innovative strategies. If the current distribution of access, rights and assets is highly unequal, stimulating growth without additional measures is unlikely to contribute to inclusiveness, and it will be difficult to avoid trade-offs. Similarly, when natural capital is non-substitutable, precautions are necessary but will imply non-use of scarce resources, which in turn carries economic opportunity costs. As it has been concluded that most natural capital is non-substitutable and that, especially on a global but also on national levels, the distribution of assets and access is rather unequal, pursuing Inclusive Green Growth strategies will often require that objectives are balanced and trade-offs between the different goals are considered, which will imply the use of a policy mix.

For Inclusive Green Growth strategies to be effective, they should pay attention to the underlying market and governance failures that make current growth pathways non-inclusive and non-green. Addressing market and governance failures is difficult, because of the political economy of vested interests and entrenched behaviours embodied in existing institutions. As discussed above, there are different governance approaches for correcting market and governance failures, including market-based approaches that try to create or correct incentives, hierarchical approaches that use rules and authority to enforce sustainable resource use, and network or community-based approaches that focus on voluntary measures and self-enforcement. This nicely fits the classification of policy instruments as proposed by the World Bank (2012), which distinguishes instruments that i) *incentivise* Inclusive Green Growth and development; ii) *inform* and nudge policymakers, industry, consumers and citizens; and iii) *impose* Inclusive Green Growth through regulation. Inclusiveness, in line with Amartya Sen, could be said to require policies that enhance participation and enforce human rights. These types of policies may fit under the heading of imposing instruments (legal frameworks), although participation and representation cannot just be imposed but need to be enforced bottom-up and, as such, also fit the voluntary instrument list.

Creative solutions are needed to overcome market and governance failures, whereas policy mixes are required to reduce or compensate trade-offs. For example, efficient resource use may require incentives for innovation, but, for this to also benefit small-scale producers, additional efforts will be needed to safeguard inclusiveness. Similarly, facilitating partnerships for Inclusive Green Growth may, creatively, lower the transaction costs of cooperation and increase commitment, but, for the partners to also engage in sustainable production, this may still require incentives and regulation to prevent free riding behaviour. Thus, Inclusive Green Growth strategies will often require a mix of policy interventions, which will need to be context-specific and often to address multiple problems with different instruments. The next section assesses the policy mix as it is used by the Dutch Ministry of Foreign Affairs in compliance with their policy agenda, after which additional policy options are explored for pursuing a strategy aimed at Inclusive Green Growth.

3 The Dutch policy agenda

The Dutch policy agenda on Foreign Trade and Development Cooperation is operationalised into five policy themes: a) sustainable trade and investments; b) sustainable development, food security and water; c) social development; d) peace and security; and e) good governance and the rule of law (Buza, 2013). This chapter provides a brief review of the various policy themes, assessing their instrumentation and budget allocation, with a focus on the first two themes. It is important to note that the Dutch policy agenda on Foreign Trade and Development Cooperation is targeted towards a limited number of countries. Specifically, the agenda specifies countries with which the Netherlands has i) an aid relationship (fragile states); ii) a development relationship; and iii) countries with which the Netherlands has a trade relationship. In total, the Netherlands has defined 15 partner countries, 10 of which are located in Sub-Saharan Africa.

3.1 Policy themes

3.1.1 Sustainable trade and investment

The principal objective of the Dutch policy on sustainable trade and investment, as expressed in the most recent budgetary plan (HGIS nota, 2015), is to stimulate sustainable inclusive growth through private sector development in partner countries and to enhance sustainable trade and investments around the globe. The plan specifies four policy objectives: 1) an enhanced global trading system, with more attention for corporate social responsibility; 2) a better position for the Dutch private sector in the global market economy; 3) development of the private sector in developing countries, and improvement of the investment climate; and 4) stimulation of development-related investments in, and trade with, developing countries by the Dutch private sector. These objectives are pursued jointly with the Dutch Ministry of Economic Affairs, although most of the budget has been allocated to the Ministry of Foreign Affairs.

Most of the activities in this policy theme concern the availability of financing instruments and investment funds. Specifically, the Dutch Entrepreneurial Development Bank (FMO) manages the Infrastructure Development Fund (IDF) and the MASSIF micro-credit programme targeted at small business and local entrepreneurs in developing countries. For Dutch companies, FMO manages the *Emerging Markets* fund to stimulate them to invest in emerging markets. The *Dutch Good Growth fund* is targeted towards small and medium-sized firms (in the Netherlands or in developing countries) that invest in developing countries. This fund is managed by the Netherlands Enterprise Agency (RVO) of the Dutch Government. This agency also manages several programmes to facilitate private sector development, trade and investment, including *Starters for International Business*, *Partners for International Business* and programmes to facilitate partnerships and the exchange of knowledge. Finally, it supports the governments in partner countries to improve their tax collection systems, in order to increase government revenue.

The annual progress report for 2013 indicates that the programme has been effective in creating employment and enhancing private sector investments, but also that more attention needs to be paid to inclusiveness and the impacts of economic development on the poor. In partnership with the Dutch private sector, 85,000 jobs were created and 560 million euros in private funding was mobilised, representing a fourfold increase in government funding. Evaluations such as by IOB (2014), however, indicate that poverty impacts have been limited, and that inclusiveness remains under-addressed.

Overall, the policy agenda on sustainable trade and investment is targeted at economic growth. By facilitating (private sector led) trade with and investments in developing countries, it aims to increase productivity and sustained growth.

3.1.2 Sustainable development, food security and water

The principal objective of the Dutch policy on sustainable development, food security and water is to stimulate sustainable use of natural resources and enhance food and natural resource security. The budgetary plan specifies three policy objectives: 1) enhanced food security; 2) improved water management, drinking water and sanitation; and 3) sustainable use of natural resources and mitigation of and adaptation to climate change. These objectives are pursued jointly with the Ministry of Infrastructure and the Environment (on water and climate) and the Ministry of Economic affairs (on renewable energy, food security and fisheries), although the main part of the budget has been allocated to the Ministry of Foreign Affairs.

Activities include financing instruments and funding, but also capacity development, partnership arrangements and knowledge development. For example, two partnership programmes managed by RVO offer funding for private public partnerships in the fields of food security (FDOV) and water management (FDW). Two regional, multilateral programmes work on integrated soil and water management and agricultural development in the Sahel and the Horn of Africa. Funding of multilateral initiatives, such as *Cooperation International Waters Africa* (World Bank) and the *Water Supply and Sanitation Collaborative Council* (UNICEF), promote integrated water management and increased access to drinking water and sanitation in Africa. The *Sustainable Trade Initiative* (IDH) promotes integrated supply chain management, facilitates private sector partnerships and implements the *Sustainable Land and Water Programme* in six partner countries to enhance soil and water conservation and help local producers adapt to climate change. Through the establishment of the *Access to energy* fund (FMO) and contributions to multilateral initiatives, such as *Energizing development* (BMZ) and the *Africa Biogas Partnership* (HIVOS), the Ministry of Foreign Affairs promotes renewable energy and energy access, thus contributing to climate change mitigation, as well. Finally, through its contribution to the *Global Environmental Facility* (GEF) initiative, the Ministry of Foreign Affairs fulfils its obligations as stated in international agreements concerning biodiversity protection, climate change, sustainable land use, international waters, chemicals and waste.

The Ministry of Foreign Affair's annual progress report for 2013 (BuZa 2014) indicates that activities under the water programme have been effective: 2.1 million people gained access to clean drinking water and 2.5 million people gained access to improved sanitation. The ministry has contributed to improved water management and integrated river basin management in 10 countries, and several initiatives were started to enhance productivity related to agricultural water use. The Dutch water sector has greatly profited from the water programme; Dutch exports increased to 7.3 billion euros in 2013. The Ministry's progress report suggests that inclusiveness (access to water for the poor) and environmental sustainability both remain an issue, and that additional efforts are needed to ensure inclusiveness and environmental sustainability.

With regard to food security, the progress report indicates that the programme, in close cooperation with the private sector, NGOs and knowledge institutes, has been effective in addressing constraints in food production and value chains. Also, contributions were made to micro credit and extension services and to global initiatives to facilitate knowledge exchange. With regard to sustainable resource use, the report indicates that the ministry has been effective in mainstreaming climate in the water and food security agenda and is meeting its international commitments.

Looking at the policy agenda on sustainable development from an Inclusive Green Growth perspective, a couple of observations can be made. Public–private partnerships have become an important vehicle for accomplishing water and food security objectives, which has had a clearly positive effect on the Dutch water and food sector, and seems to have contributed to the targets for improved water access, sustainable supply chain management and food production efficiency. The ambitions in terms of *green* growth are less clear. Although attention for climate change is mainstreamed in the sustainable development agenda, attention for green growth is rather implicit and activities directed at ecological sustainability are addressed, separately.

3.2 Budget allocation

Considering the allocation of budgets, in 2014, 17% of the budget (463 million euros) was spent on sustainable trade and investment policies, 21% (582 million euros) on sustainable development, water and food security initiatives, 35% (986 million euros) on social development, and 25% (685 million euros) on peace and security. The 2014 budget does not specify which part of the budget is to be spent on multilateral organisations, bilateral cooperation, non-profit organisations or partnerships with the private sector. However, the Netherlands Court of Auditors (2013) indicated that, in 2012, 45% went to multilateral organisations, 22% to bilateral aid and trade programmes, 20% to NGOs and other non-profit organisations, and 8% to public–private partnerships.

Of the types of activities that are being funded, the budget for food security is spent on a mixture of policies, including partnership programmes, bilateral programmes and multilateral programmes such as the *Global Agriculture and Food Security Program* (GAFSP) and the *Adaptation for Smallholder Agriculture Programme* (ASAP). Similarly, the budget for water management is spent on partnerships (e.g. drinking water and sanitation), bilateral programmes (e.g. those in the Sahel and Horn of Africa) and multilateral programmes such as *Cooperation International Waters Africa* (World Bank). The budget for sustainable use of natural resources and climate change mitigation and adaptation is mostly spent through multilateral channels, with the Netherlands contributing 83 million euros to the Global Environmental Facility (GEF).

The funds for climate change mitigation and adaptation are much larger than is suggested by the 87 million euros reserved for sustainable use of natural resources and climate change mitigation and adaptation. Annex 7 of the 2015 budget shows that total funding for climate change mitigation and adaptation amounts to 340 million euros. This amount is based on the pledges made by the international community, including the Netherlands, during the global climate policy negotiations in Durban in 2011, to contribute 100 billion US dollars to global climate policy by 2020. As a result of this pledge, the Netherlands has to contribute 340 million euros to global climate policy in 2015, an amount which will increase to 660 million euros by 2017. Part of this amount is supposed to be financed by the private sector (100 million euros in 2015, increasing to 600 million euros by 2020), but the remainder has to be financed from the International Cooperation budget. This is done by the so-called mainstreaming of climate change objectives in ongoing policies. Thus, of the 340 million euros in climate funding for 2015, 20 million is labelled as climate funding in the sustainable trade and investment portfolio, 45 million in the food security portfolio, 65 million in the water portfolio, and 50 million in the social development portfolio. Another 80 million euros is spent as part of the budget for multilateral organisations, and the remaining 80 million comes from the budget for sustainable use of resources and climate change.

What do these figures tell us about the attention for *Inclusive Green Growth* in the current agenda on Foreign Trade and Development Cooperation? A few general observations can be made.

The budget share for policies promoting sustainable use of resources and climate change mitigation and adaptation is decreasing, and that for private sector development has increased.

By mainstreaming climate in projects on food security, water, renewable energy, social development and sustainable trade, the Dutch global commitments to climate change mitigation and adaptation can still be met. Labelling funds as climate funds may however not result in the most cost-effective selection of projects for climate change mitigation. Recently, the *Economist* (2014) ranked climate change mitigation measures according to their cost-effectiveness, which indicated that large-scale investments in renewable energy appeared the most cost-effective, as did measures preventing deforestation and land-use change.

The budget share of private sector development and partnership programmes is increasing, with an additional leverage effect. Depending on how these programmes are designed and effectuated, this could facilitate *Inclusive Green Growth* strategies and increase budgets at the same time. The current design of most partnerships seems focused on economic sustainability, however, and although inclusiveness objectives are part of most partnership contracts, ecological sustainability is not explicitly addressed.

There are no policy objectives specified for natural capital, biodiversity and ecosystem resilience, except for the 83 million euros in contribution to the GEF. Also, policy is lacking with regard to renewable energy and eco-innovation in developing countries, although the last may be hidden within the budget for private sector development. Finally, with regard to inclusiveness, the decision to finance global climate policy from the budget for development cooperation may have negative implications for the poor.

Overall, the current policy agenda seems to focus on stimulating growth that is economically self-sustaining, and to a certain extent inclusive, but lacks attention for ecological sustainability. Given that long-term economic growth also requires attention for ecological sustainability, the next section explores what an Inclusive Green Growth strategy may look like, and briefly elaborates some key elements.

4 Towards a strategy

The previous chapters of this report have shown that Inclusive Green Growth strategies require attention for resource efficiency and access, sustainable management of global public good resources and inter- and intra-generational equity. They also indicated that, for Inclusive Green Growth strategies to be effective, these need to address the underlying market and governance failures that make current growth paths generally non-inclusive and non-green. This chapter outlines some of the key elements of Inclusive Green Growth strategies, such as the policy options available for promoting resource efficiency and eco-innovation, safeguarding inclusiveness and sustainable resource use, and enhancing coordination, integrated decision-making and knowledge exchange.

4.1 Targeting of themes and regions

Targeting of policies is important to increase their impact and effectiveness. First, there is the targeting of themes. This is preceded by answering a number of questions, such as for which themes it would be important to pursue an agenda of Inclusive Green Growth, and where the welfare risks for non-inclusive, non-green growth would be the highest. Second, there is the targeting of regions and/or countries and stakeholders. It must be determined, for example, whether interventions should address certain regions, and if they should target the strong and powerful or the poor and weak. Third, there is the targeting of policy interventions, for which must be considered whether interventions should focus on global, regional or local levels, and if it should address the high costs of information or first tackle the problems of financing and lack of representative institutions. This section focuses on the first two issues. The targeting of the interventions and instrumentation of Inclusive Green Growth policies are elaborated in the next section.

There are two themes where the welfare-economics risks of policy inaction are especially high: climate change and the rapid loss of biodiversity. Stern (2006) assessed the economic costs of policy inaction in the field of climate change, suggesting that the future costs of current policy inaction would amount to a loss of 5% to 20% of global per-capita consumption by 2050. Compared to the costs of stabilising global greenhouse gas emissions (which Stern estimates at 1% of global GDP, per year, by 2050) the benefits far outweigh the costs, although it is important to note that this result is partly driven by a low discount rate. Braat and Ten Brink (2008) assess the costs of inaction of not achieving the global CBD biodiversity targets, suggesting that economic losses would amount to 7% of global GDP by 2050, which is only considering terrestrial biodiversity. When aquatic biodiversity is also taken into account, the global GDP loss would be higher, the authors suggest. They do not compare the costs of inaction with the costs of action, because, as they indicate, this would not be possible as the uncertainties surrounding their analysis are large. Partly, this reflects the lack of consensus with regard to the economic impacts of biodiversity loss and ecosystem degradation, and the type of measures required to halt it – a consensus that has emerged in the field of climate change economics over the last couple of years. Studies such as by McCarthy et al. (2012) indicate that conservation funding would have to increase with an order of magnitude if conservation needs are to be met. This is not even accounting for the opportunity costs of land use, land that is needed for food and biomass production, as well. It is important to note that the risks of climate change and biodiversity loss reinforce each other. For example, climate change increases the rate of biodiversity loss and ecosystem degradation, while degradation (especially deforestation) increases carbon emissions, thus enhancing climate change.

For both climate change and biodiversity loss, the expected impacts are the greatest in developing countries, but so are the costs of action. This is because curbing greenhouse emissions and ecosystem exploitation involves high opportunity costs for countries with emerging economies, making it especially relevant for development cooperation to focus on activities that stimulate the transition to renewable energy and sustainable land use. Redirecting global energy demand from fossil fuels to renewable sources, and ensuring efficient use of scarce land and water resources and sustainable access to food and energy are important from Inclusive Growth as well as Green Growth perspectives, and as such they are the classical themes for an Inclusive Green Growth strategy. This is also in line with the Global Biodiversity Outlook (2014) and the Intergovernmental Panel on Climate Change (2014), which underline the need to acknowledge current interests when addressing climate change and biodiversity loss, and not focus on the interests of future generations alone.

For the development of Inclusive Green Growth strategies within the realm of international cooperation it implies that it makes sense to focus on strategies that stimulate the transition towards renewable energy and stimulate sustainable land use, reduced deforestation and biodiversity loss.

In order to consider which stakeholders should be targeted, there are the differences between urban and rural areas and between subsistence and commercial farmers that should be looked at; for example, with regard to the efficiency of land and water use. In order to effectively implement Inclusive Green Growth strategies, these issues, together with those relating to the trade-offs between efficiency and equity objectives, as well as the choice for global, national or local levels, need to be considered on a case-by-case basis when targeting stakeholders, as there are only a few general criteria for making these strategic choices.

4.2 Partnerships as a vehicle for Inclusive Green Growth

Partnerships gained institutional momentum during and after the World Summit on Sustainable Development in Johannesburg, in 2002 (WSSD, 2002). Since then, they have become a widely used policy mechanism in the sphere of international development (UN Sustainable Development Knowledge Platform, 2014), and their formation features prominently in Dutch development cooperation policies.

Partnerships have the potential to combine the efficiency of the market with the regulatory capacity of the public sector and social representation of civil society. Evidence of partnership outcomes, so far, has indicated however that partnerships have had limited impact in terms of social inclusiveness and environmental sustainability (IOB, 2013, 2014; Pattberg, 2012; PBL, 2014). This seems related to the voluntary nature of partnerships. Partnerships, coalitions, networks, platforms or other forms of public–private, business-to-business, public–public or trilateral cooperation are all based on voluntary agreements. These agreements can be formalised into partnership contracts, but given that these contracts are usually incomplete – since the outcomes are uncertain, partnership are unique and/or the objectives are too complex (Williamson, 2000) – self-enforcement or voluntary cooperation is required to ensure commitment to the partnerships' objectives. When there are clear, individual benefits for the various partners in achieving the objectives of such agreements, and when responsibilities can easily be delineated, the fulfilment of obligations under the agreement may not be a problem. However, when benefits are shared, as in the case of social inclusiveness and environmental sustainability, accomplishment of partnership objectives often becomes more difficult.

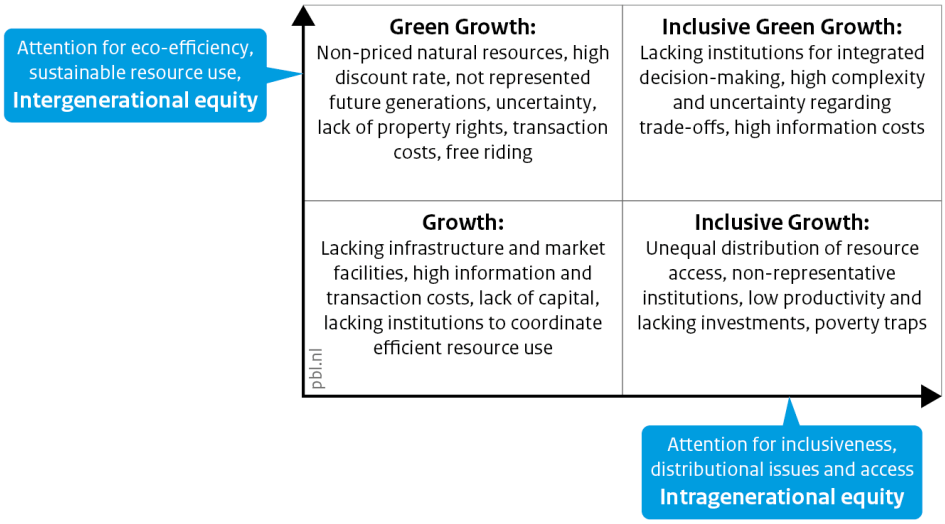
For partnerships to effectively contribute to Inclusive Green Growth objectives, they will need to a) contribute to Inclusive Green Growth objectives on a project level, and b) address the underlying market and governance failures that constrain Inclusive Green Growth on a systemic level. On a project level, partnerships may contribute for example to eco-efficiency, improved resource access and poverty alleviation. Achieving such objectives implies attention for how partnership objectives are specified, how the risks and responsibilities are divided between partners, how the project is financed and how knowledge sharing, communication and integrated decision-making are organised. Specifically, for public–private partnerships to achieve their potential, partnership agreements and enforcement are of crucial importance. This requires attention for monitoring and enforcement of individual responsibilities, but also for external accountability and transparency of such partnership agreements, especially since reputation effects play an important role in the self-enforcement of voluntary agreements.

On a systemic level, important factors are the extent to which partnerships succeed in ensuring economic viability and long-term financing, and whether they manage to build the institutions required for inclusive decision-making and coordinated resource use. Figure 1 summarises some of the constraints that effective partnerships for Inclusive Green Growth need to tackle. Clearly, this is not an exhaustive overview, it merely serves to give an indication of the issue involved. Note that the various constraints add up: inclusive growth strategies only need to address constraints that are associated with growth and inclusiveness, whereas Inclusive *Green* Growth strategies need to address all constraints.

Given the potential of public–private partnerships for Inclusive Green Growth strategies, their increasing popularity and the remaining unclarity about whether these partnerships can achieve their goals, we propose that further research be conducted to analyse their contribution or potential contribution and the implications for partnership design.

Figure 1

Market and governance failures



Source: PBL

4.3 Policy instruments for Inclusive Green Growth

In summarising the market and governance failures that need to be tackled for Inclusive Green Growth policies to be effective, Figure 1 does not only outline the challenges for partnerships, but it suggests some cross-cutting issues, as well. For example, financing constraints are an issue across topics, as are the lack of certain institutions and high information and transaction costs. The related policy instruments that are available to Dutch Directorate-General of Foreign Trade and Development Cooperation, can be classified into i) financing instruments; ii) activities geared towards capacity building and knowledge exchange; and iii) institution building and governance (see Annex for full overview).

4.3.1 Incentives and financing arrangements

Financing Green Growth is complex, as uncertainties are high and financial returns relatively low. When also considering inclusiveness, this complexity increases even further, as also including the marginalised tends to further lower returns and increase transaction costs. This explains why Inclusive Green Growth projects require public funding, but because public resources are scarce, a choice must be made as to which projects should be targeted first. Investments to help the poor will result in higher transaction costs and lower returns, and investments in environmental sustainability may produce lower returns and increase risks. Often, it remains unclear which type of investment would generate the largest welfare impacts, partly because of trade-offs between growth, green and inclusiveness, but also because part of the returns are non-monetary and therefore difficult to assess.

There is a need to better target and design public investment facilities to ensure maximum public returns and to improve the bankability of Inclusive Green Growth projects.
This requires the development of Inclusive Green Growth business cases by assessing societal costs and benefits and by analysing the institutional factors that determine the bankability of Inclusive Green Growth projects (e.g. by considering the business case for ecosystem restoration or renewable energy). When considering the financing of Inclusive Green Growth strategies it is important to also consider the fiscal capacity of countries to collect public revenues, and the potential impact of a reduction in perverse price incentives (agricultural subsidies, fossil fuel prices) on the bankability of Inclusive Green Growth. Finally, creating incentives for Inclusive Green Growth may also require the creation of markets, such as payments for ecosystem services or REDD+. These and other economic instruments are generally important elements of Inclusive Green Growth strategies.

4.3.2 Eco-innovation and knowledge sharing

Stimulating sustainable land use and food production, closing yield gaps in Africa and stimulating the transition to renewable energy in emerging economies are essential challenges for spurring Inclusive Green Growth. Such transitions are not self-evident and critically rest with the development and use of novel technologies. Although being a well-accepted insight, it is much less clear how to institutionalise the process of innovation and technology development. Innovation policy by itself is notoriously difficult, but when considering technology development and knowledge exchange between cultures, the complexities increase. Often, it is assumed that technologies developed in the industrialised world will save developing countries the time to develop them, but leapfrogging is often much more difficult than assumed beforehand. Also, technology development should acknowledge the need of its users, whereas the end users, especially in a developing country context, are usually not involved. Finally, innovation not only relates to technologies but also to institutions, an arena where the difficulties of transfers and exchange of knowledge and experiences further increase. How eco-innovation could be stimulated and how the poor and marginalised could be made to benefit from it, remains a major challenge.

Thus, we believe attention for technology transfer and knowledge sharing in the fields of resource use efficiency and eco-innovation is crucial for effective Inclusive Green Growth strategies. Specifically, there is a need to better understand how the private sector shares knowledge and stimulates eco-innovation in partnerships, and how end users and stakeholders are represented in these processes to ensure that the technologies developed address their needs.

4.3.3 Institution building and good governance

Ensuring inclusiveness when local institutions for participatory decision-making are lacking is difficult, and controlling free rider behaviour without rules and enforcement mechanisms is difficult, too. Institution building takes time and is complex, however, and experience indicates that these processes are highly context-specific and that no blueprints exist (Ostrom 2009). How then to ensure that projects in the field of development cooperation are inclusive, and what can we expect from private sector and civil society actors in facilitating these difficulties and ensuring sustainable resource use and inclusiveness? Also, when considering the increasing number of partnerships and voluntary, network-based governance arrangements, how can we safeguard public interests when top-down enforcement lacks? Representation, accountability and enforcement are key elements for effective Inclusive Green Growth strategies. Analysing good governance arrangements for Inclusive Green Growth objectives requires attention for multi-level decision-making and coordination, and for the effectiveness of network-based governance arrangements (e.g. partnerships). Good governance for inclusiveness requires attention for representation, legitimacy and accountability, whereas sustainable resource use requires attention for monitoring and enforcement, including attention for enhanced monitoring and enforcement of voluntary (I-MVO) agreements and the potential of participatory decision-making and co-management for self-managed, sustainable resource use.

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Annex Policy instruments of the Dutch Ministry of Foreign Affairs

Financial policy instruments				
	Type		**Specific channels**	**Examples and data**
1.	Direct financial support	a.	Bilateral aid programmes (earmarked or not)	- See policy assessment IOB[i] for an evaluation of this policy instrument during the 2000–2010 period; - Bilateral aid programmes continue to exist for earmarked themes. This applies to countries, notably post-conflict states, which have an aid or transition relationship with the Netherlands[ii].
		b.	Financial support to multilateral organisations (earmarked or not)	- Support through, for instance, the European Union (EU)[iii], whereby the EU more often will grant support more conditionally placing stronger emphasis on good governance.
		c.	Financial contributions to UN development programmes (e.g. Unicef, UNDP) (earmarked or not)	- Continuing support to many UN organisations[iv]; - Letter to parliament[v] on the evaluation of Dutch contributions to international development organisations. Financial contributions are being reduced across the board, membership of some organisations is being discontinued (UNIDO); - Organisations or programmes targeting focus areas will be spared as much as possible; - For instance, investment in UNICEF programme working on improving the nutritional status of children in East Africa[ii]; - For instance, investment in sexual and reproductive health care through programmes by WHO, UNAids, UNFPA[ii].
		d.	Financial contributions to NGOs in the Netherlands and developing countries	- Evaluation of this policy instrument by IOB[vi]; - Contributions will be reduced substantially, or cease altogether. This includes a co-financing system (*Medefinancieringsstelsel*, MFS II), local financial support through embassies, thematic funding and long-term budget support of some organisations (SNV, NCDO)[vii]; - Remaining financial support includes 1) strategic partnerships with aid NGOs in the Great Lakes Region and the Horn of Africa[viii]; 2) some funds remain available to NGOs in developing countries through Dutch embassies; and 3) an innovation facility[vii].
		e.	Financial contributions to research organisations	- Funding scientific research through the CGIAR or WOTRO[iv]. Overall budget will be reduced and research activities will focus more strongly on priority sectors identified by the government *Topconsortia voor kennis en innovatie* (TKI).

2.	Interest-bearing loans	a.	Development banks	- For a brief overview, see the website of the Directorate-General of Foreign Affairs[ix]. Also an IOB policy evaluation exists[x] reviewing the impact of funds channelled through the World Bank.
		b.	FMO	- For instance, the fund 'Equity for Africa'[ii].
		c.	Investment facilities for the private sector in the Netherlands and developing countries	- New revolving credit facility (Dutch Green Growth Fund)[xi] stimulating investment by small and medium-sized enterprises in developing countries; - Other credit facilities PSI, FOM-OS will be continued under an DGGF umbrella[xi]; - Provision of exchange rate guarantees: *The Currency Exchange Fund*[ii]; - Study on the impact of trade-related policy mechanisms by SEO[xii].
3.	Emergency humanitarian aid	a.	Ad-hoc financial contributions for mitigating the impact of natural disasters	- Financial support after request for emergency aid by receiving country through the *Office for the coordination of Humanitarian Affairs* (OCHA). OCHA provides guarantees for effective coordination. Aid is channelled through UN bodies, the International Red Cross or international NGOs[xiii].
4.	Tax code	a.	Tax exemptions	- Capital gains resulting from socially responsible investments (e.g. micro-credits) are no longer exempt from capital gains tax as of 1 January 2013[xiv]; - Donations to accredited NGOs remain deductible from income or company tax[xv].
Capacity and institution building				
5.	Facilitation of multi-stakeholder processes and discussion rounds	a.	IDH	- As a specific means for stimulating Corporate Social Responsibility[ii]
		b.	Multi-stakeholder approaches	- For instance, through NGOs (See Section 1d); - 'Dutch Diamond' approach: supporting complementary organisations to join forces with an objective, for example, to reduce yield gaps[xvi]. Examples include the *Global Alliance to Improve Nutrition*[xvii]
6.	Knowledge transfer for the development of effective institutions	a.	Cooperation with and providing training to various governmental and semi-governmental organisations	- For instance, the provision of training to security services in Burundi (See also Section 7 below) and training for improved customs facilities in East Africa (TradeMark East Africa)[ii,xi].
		b.	Stimulating small-scale knowledge development and transfer	- For instance, programme to mobilise Dutch managerial expertise in various sectors in developing countries (*Programma Uitzending Managers* (*PUM*)) and scholarships for students from developing countries to follow Dutch tertiary education[ii,iv].

7.	Diplomacy	a.	Influencing international treaties and policy-making through several international forums	- Negotiations towards a broader definition of ODA[xviii]; - Providing input in international forums with a goal of concluding various free-trade agreements, such as WTO trade facilitation agreement, Economic Partnership Agreements (EPA's) with developing countries, Transatlantic Free Trade Agreement (TTIB)[ii]; - Support sustainable cross-border governance of water basins in seven international river basins[ii]; - Focus on gender equality in SDG negotiations and a stronger focus on preventing child marriages[ii]; - Focus on quick implementation of the *Decent Work Agenda* van ILO[ii].
8.	Economic diplomacy	a.	Trade missions and active support by embassies in private sector support (particularly relevant for countries that have a transition or trade relation)	- Impact analysis by SEO on trade missions[xii]; - Examples of economic diplomacy in Turkey and Brazil[ii]; - Option considered to implement free-trade agreements conditionally, particularly countries that refuse to cooperate with the remigration of rejected asylum seekers[ii].
		b.	Influencing policy decision-making in international organisations (e.g. WTO). Provision of support, for example, for negotiating free-trade agreements	- Ambition to conclude free-trade agreements between the EU and developing and medium-income countries[ii].
9.	Military and non-military missions contributing to peace and security	a.	Budget international security	- New budget as of 2014. Support of existing activities, as well as the development of new ones. Support for UN missions, provision of security, supporting the development of rule of law and capacity building[xix].

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