



Letter of 28 September 2015 from the Minister for Foreign Trade and Development Cooperation to the House of Representatives on inclusive development in Dutch foreign trade and development cooperation programmes

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Introduction

There has been a spectacular reduction in extreme poverty over the past few decades, yet almost a billion people still live on less than \$1.25 a day, and inequality is increasing in most developing countries. Inequality within countries is on the rise all over the world. In many developed countries the income differences are greater than they have ever been. The gap between rich and poor is felt most keenly in developing countries. It is unjust for people to experience such huge disparity in their opportunities to lead decent lives. This conviction is the basis for the Netherlands' policy for inclusive development. It is why this government is investing in policy designed to end poverty and exclusion in developing countries.

The United Nations General Assembly is expected to adopt the 2030 Agenda for Sustainable Development this week. The Sustainable Development Goals constitute a new global agenda with an ambitious objective: to eradicate extreme poverty by 2030, with a pledge that no one will be left behind.

Goals for education, health, water and sanitation, energy and decent work have therefore been defined, with a requirement that everyone be reached. Furthermore, a separate goal has been included designed to reduce inequality, based on the realisation that this is essential if we are to eradicate extreme poverty.

New insights show that we will be able to eradicate extreme poverty only if the poorest 40% of the population derive greater than average benefit from economic growth. High growth rates are necessary but not sufficient. An even sharper focus on participation by the poorest and by excluded groups is therefore needed.

The good news is that inequality and exclusion are not inevitable. They can be tackled through inclusive policy in developing countries. This will require a willingness to change on the part of decision-makers in those countries. The Netherlands will join forces with its partners at home and abroad and do its utmost to enhance this willingness to change. At the same time, the Netherlands will make extra efforts to help the poor escape poverty through its aid and trade agenda. The private sector will play an important role in this as a driver of growth.

In a society with more and better jobs and economic activity, where people have a say and are able to develop, they will be more likely to opt for a future in their own country than to try their luck elsewhere, with all the attendant risks and uncertainty. Resources will be made available in the budget for loans, insurance and investment in entrepreneurship and jobs for young people and for women, and for programmes that enhance their prospects of employment.

This letter fulfils the commitment made by the government in the parliamentary committee meeting of 7 October 2014 on progress on the priorities of development cooperation to explain how Dutch programmes and projects contribute to inclusive growth and development, and identify where improvements can be made. It is also a response to the motion by MPs Sjoerd Sjoerdsma and Bram van Ojik requesting the government to make it clear how Dutch development policy will support the post-2015 agenda, and what elements will be adjusted.ⁱ The letter outlines the challenges and describes policy that has proven successful internationally and the Netherlands' contributions to it. Finally, it presents a plan of action with a number of new Dutch initiatives for combating high inequality as part of the 2030 Agenda for Sustainable Development.ⁱⁱ

1 Inequality and poverty

1.1 **High inequality of income and opportunity**

In recent years concerns about inequality have been expressed ever more vocally in many forums, including the G20, the OECD, the World Bank and the IMF. French economist Thomas Piketty attracted widespread attention with his analysis that inequality is increasing sharply because the yields on capital are structurally greater than economic growth. Anyone who does not have capital (or a well-paid scarce talent) is falling further and further behind those who do. Oxfam has predicted that the combined wealth of the world's richest 1% will soon be greater than that of the other 99% combined.ⁱⁱⁱ

Overall global inequality between countries is declining for the first time since the Industrial Revolution, thanks to the growth in income in large emerging economies like China, Brazil, Indonesia and India. Nevertheless, the differences between countries are still huge. National income per capita in Ethiopia is less than one thirtieth of that in the Netherlands.^{iv} Inequality *within* developing countries is increasing. Asian countries like China, India, Indonesia and Bangladesh have seen a sharp rise. Africa now has the most unequal distribution of income after Latin America, with sharp increases seen in Ghana, Kenya and Nigeria. Though the average income in these countries is increasing, the poorest groups barely benefit.^v The Latin American region, where the rate of inequality has always been very high, is now experiencing a fall in inequality.

High inequality is undesirable, if only on moral grounds, as well as hampering economic development. There is growing international consensus on this. The OECD recently highlighted the fact that there is convincing evidence that high inequality harms the economy.^{vi} IMF studies present the same message. If the income of the lowest income groups rises, this has a strong positive effect on economic growth in the country as a whole, whereas a rise in income among the top 20% actually has a negative impact.^{vii} The 'trickle down' theory has now been thoroughly debunked. Indeed, the IMF believes there is in fact a 'trickle up' effect. In other words, investing in the poorest groups makes good economic sense.

High inequality erodes social cohesion and increases the risk of conflict. Good policy in developing countries makes all the difference, as seen with the success of programmes like Brazil's *Bolsa Familia*, which gives poor families money, provided their children attend school. In many developing countries, however, local political and economic elites try to keep the political and financial reins firmly in their own hands, with no regard for the poorest groups in society or the stability of the country. Conflicts flare up more quickly if certain ethnic or cultural groups or regions are not involved in governing the country and making decisions on matters that affect them, or have no access to the basic services that increase their opportunities. Extreme poverty is concentrated in places where lawlessness, exclusion and violence prevail. A lack of peace and security is a key cause of migration to neighbouring countries and to Europe.

1.2 **Exclusion**

Inequality is closely associated with exclusion. Exclusion on such grounds as ethnic background, sex, religion, disability or sexual orientation is particularly

tenacious. The voice of these groups is simply not heard. They have less access to education and the labour market, the main routes to a better income. Women suffer disadvantage in large parts of the world. In many cases they have no land rights, may not inherit and are paid less than men for the same work. Ethnic minorities in isolated areas often receive a poorer standard of health care. Certain groups are excluded from political office. Whether a person lives in an urban or rural area has a major impact on their chances of achieving a better life. Different forms of exclusion overlap and exacerbate each other, perpetuating income gaps across generations. Exclusion is morally wrong, but the barriers to participation it causes are what ensures that a vast amount of human and economic potential remains unexploited.

1.3 Opportunities

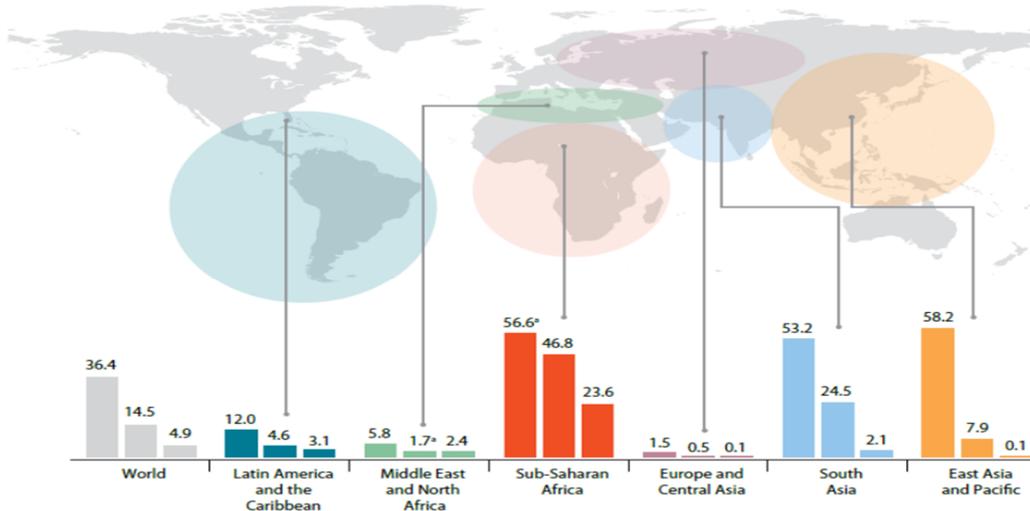
Globalisation and technological progress lead to greater prosperity, but they can also exacerbate the processes that lead to exclusion. Though many people benefit from new opportunities, those with less education see their job opportunities shrink as the labour market makes new demands of workers. Without access to credit and proper roads, people cannot take advantage of market opportunities, and economic growth simply passes them by. To take advantage of opportunities, people need education, health care, security and justice, financial services and natural resources, even if they have escaped the worst income poverty.

1.4 Eradicating extreme poverty: growth and better distribution

The number of people living in extreme poverty – on less than \$1.25 a day – fell from almost 1.9 billion in 1990 to 1 billion in 2011. China and other countries in East Asia (such as Indonesia) account for the largest proportion of this fall, and recently absolute numbers have also been declining in South Asia. The poorest of the poor represent a shrinking proportion of the population on all continents. The same applies in Sub-Saharan Africa, though there the reduction in the proportion of the population living in extreme poverty has been smaller.

Figure 1. Proportion of people living in extreme poverty worldwide and in different regions in 1990, 2011 and 2030

FIGURE O.1 Global and regional poverty rate estimates for 1990, 2011, and 2030
Percent

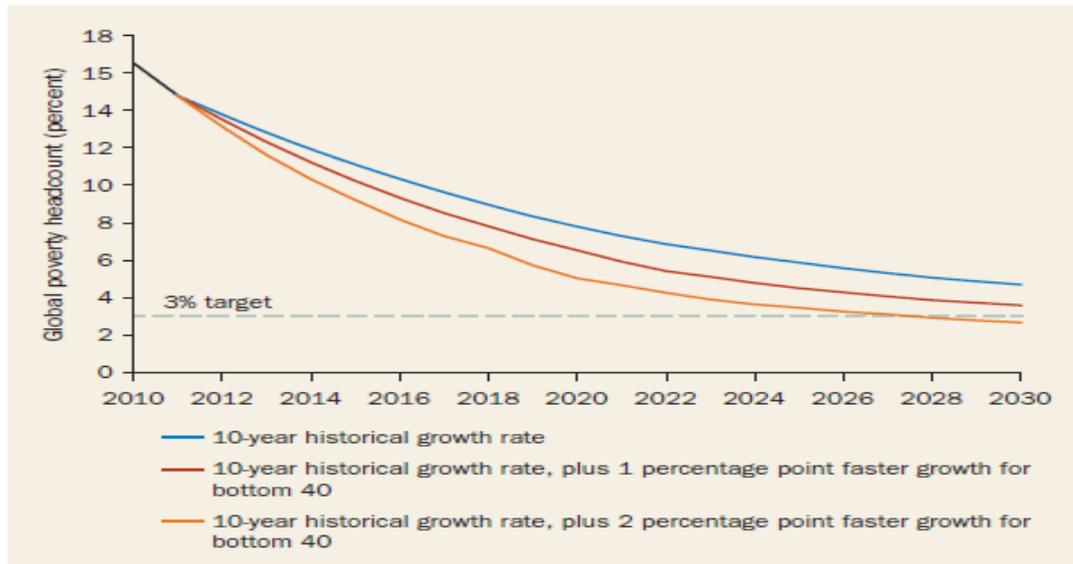


Source: PovcalNet is the online tool for poverty measurement developed by the Development Research Group of the World Bank. See <http://research.world-bank.org/PovcalNet/index.htm> for additional information and data.
Note: The 1990 and 2011 estimates are based on Household Budget Surveys, and 2030 is a projection based on a reference scenario. See the discussion on scenarios in the Report Card.
a. Refers to the numbers that are provisional because survey coverage is less than 50 percent of population in the region.

World Bank estimate of the proportion of people living in extreme poverty worldwide and in different regions, at an annualised growth rate of 4% in developing countries and 0.6% in developed countries. No increase in inequality. Source: World Bank, Global Monitoring Report, 2015.

However, without additional measures, it is by no means certain that the remaining billion people living in extreme poverty will have escaped this situation by 2030. We will be able to end extreme poverty by 2030 only if we can meet two conditions: growth rates must be high, and the benefits of growth must be better distributed. Scenarios drawn up by the World Bank make this clear. A basic scenario (see figure 1) has the percentage living in extreme poverty falling to 4.9% (408 million people) worldwide by 2030. In a more optimistic scenario, extreme poverty would be reduced to 3% by 2028 (the bottom line in figure 2). To achieve this, all countries would have to sustain their growth rate of the past 10 years and the income of the bottom 40% of the world's population would have to increase faster than the average (2%). The optimistic scenario is therefore feasible, but only in the event of a pattern of high growth and major investment in opportunities for the poorest groups in society.

Figure 2. Combined effects of growth and income distribution on the eradication of extreme poverty by 2030



Source: World Bank, *A Measured Approach to Ending Poverty and Boosting Shared Prosperity*, 2015.

1.5 **Extreme poverty concentrated in Africa**

The scenarios also show that the proportion of people in extreme poverty in Sub-Saharan Africa will remain high. In the basic scenario in figure 1, it falls to no lower than 23.6% of the population. In the most optimistic scenario in figure 2, the proportion in extreme poverty falls to 15.9% by 2030. In all cases, extreme poverty is expected to be concentrated more in Africa over the next 15 years, in both low-income countries like the Democratic Republic of the Congo, Mozambique, Madagascar and Zambia, and middle-income countries like Nigeria and Kenya.^{viii} One of the factors behind this is demographic trends.^{ix}

1.5.1 *Inclusive development*

Although extreme poverty was reduced by half between 1990 and 2011, the positive trend will not automatically continue. Concerns about global economic growth are rising. High inequality will have to be tackled if we are to lift a further one billion people out of extreme poverty over the next 15 years. Inclusive growth and development will be needed: a pattern of strong growth, where the poorest groups participate and share the benefits, and measures are taken to prevent exclusion. Inclusive development that reaches everyone is rightly the common thread running through all the Sustainable Development Goals. The Netherlands campaigned hard to ensure this was the case. Goal 10 focuses on reducing inequality within and between countries. The goals devote more attention to human rights, which is essential if gender equality and maternal and infant mortality are to be tackled. The eradication of violence against women and girls is also embedded in the goals, though there is no undertaking about sexual rights. The Netherlands will therefore continue to press for sexual and reproductive health and rights, and for improvements to the status of women and girls. Goal 16 underlines the importance of peaceful and inclusive societies with access to justice for all and effective institutions.^x

1.6 **Consensus on strategies for inclusive development**

We know what we have to do. There is by now a fairly broad international consensus on an effective approach to inclusive development and ending extreme poverty.^{xi} The following five, internationally recognised strategies have the highest priority:

1. Create jobs

Productive employment that pays a living wage is the best way of combating poverty, and also of giving excluded and discriminated groups the best chance of economic integration. Stimulating growth sectors that offer plenty of employment and opportunities for entrepreneurship creates jobs for the poor. The development of markets and trade promotion are an essential element of this.

2. Equal opportunities for developing human and physical capital

Investment in education, health care, infrastructure, rural development and water supply systems is vital for giving disadvantaged and vulnerable groups equal opportunities.

3. Combat discrimination and exclusion

A structural focus is needed on excluded groups, including women, young people, the disabled, inhabitants of rural and remote areas and slums, and ethnic and religious minorities. Empowerment and equal rights must be promoted. This includes support for civil society actors that advocate inclusive policy.

4. Redistribution through taxes and transfers

A fair and efficient tax system enables public authorities to make public investments that benefit everyone. Some very poor and vulnerable groups rely on redistribution, as they are not yet in a position to participate in the economy. Safety nets and transfers can protect them from the most extreme poverty and enable them to invest in productive activities.

5. Development of inclusive governance and institutions

This is an essential prerequisite for development, particularly in countries in conflict and countries where government policy leads to the exclusion of potentially productive groups.

The Netherlands' contribution to strategies for inclusive development

Inclusive growth and development are fundamental objectives of Dutch policy on trade, aid and investment, as launched in the policy document 'A World to Gain'. The Netherlands' contribution to the successful strategies for inclusive development and tackling exclusion listed above are set out below.

1. Create jobs

Job creation lies at the core of Dutch policy. Our combined policy on aid and trade promotes productive investment in developing countries, measures to make supply chains more sustainable, and international corporate social responsibility, in collaboration with the private sector and civil society organisations. Private sector development programmes support jobs and income.^{xii}

Specific programmes are targeted at disadvantaged groups, such as smallholders and poor and vulnerable groups in remote or arid areas such as the Sahel region and East Africa. The Agricultural Growth Program in Ethiopia, for example, reaches millions of smallholders with its activities designed to raise production and improve access to markets. The Funding Leadership and Opportunities for Women (FLOW) programme focuses on promoting women's participation in the labour market and female entrepreneurship.

The Netherlands provides active support for initiatives for inclusive entrepreneurship in the 'base of the pyramid' (BoP), the market of some three billion people who live on less than \$2.50 a day. For example, we work with the organisation BoP Innovation Center (BoP Inc.), supporting their recently launched Inclusive Business Accelerator programme, a one-stop shop where BoP gives entrepreneurs and investors information and advice on promising BoP markets and access to local networks. So far 120 businesses have signed up for these services online. At local level, entrepreneurs can turn to the hubs

in Mozambique, Uganda and Vietnam for help with optimising their business model for the local BoP market. The Netherlands is closely involved in the Business Call to Action alliance, in which over 100 international companies have committed to involving millions of poor people in their commercial activities, for example by providing cheap loans, integrating poor producers into their supply chains and providing affordable healthcare.

Jobs for the poorest have been boosted by the Netherlands' renewed focus on the agricultural sector. Most poor people live in rural areas. The bilateral programme in Kenya, for example, encourages small family farms to produce for the market, training young people to set up dairy production, for example. The most recent call from the Facility for Sustainable Entrepreneurship and Food Security (FDOV) explicitly requested proposals concerning inclusive business with proven positive effects on low-income groups and on female entrepreneurs.

Efforts on sexual and reproductive health and rights (SRHR), including HIV/AIDS, will help achieve greater social and gender equality, and will increase the economic productivity and independence of women and young people. Their rights and economic participation will be promoted. For instance, we will be working with employers who provide healthcare services (including for sexual and reproductive health) in the workplace, and good hygiene and separate toilet facilities, so that female staff can continue working during menstruation. Measures to combat sexual and gender-based violence in the workplace are another important element of this. The Netherlands is also managing to reach groups at risk of HIV, such as men who have sex with men, drug users and sex workers, providing them with information, prevention resources and services, and anti-retroviral drugs. This improves their prospects of finding work.

2. Equal opportunities for developing human and physical capital

The Netherlands supports the development of infrastructure with major programmes like the Infrastructure Development Facility (ORIO), the Development Related Infrastructure Investment Vehicle (DRIVE) and the Infrastructure Development Fund (IDF). In 2014, these programmes gave four million people access to vital physical infrastructure, including electricity, drinking water and roads. For example, ORIO has helped expand a rural water system in Vietnam, giving 62,000 people access to clean drinking water. In Ethiopia, where 25,000 mothers die each year as a result of complications during pregnancy or childbirth and 400,000 are left disabled, ORIO has helped to upgrade 28 health centres to basic hospitals and equip 220 health centres to perform caesarean sections and blood transfusions. This should help reduce maternal and infant deaths.

The basis for equal opportunities must be laid in a child's first years of life, particularly when it comes to food security. The Netherlands therefore supports measures to prevent malnutrition in young children and irreversible harm to their development. It takes the lead in a number of major food programmes, using Dutch knowledge of the field and working out business cases in

collaboration with companies and organisations such as UNICEF: the Scaling Up Nutrition (SUN) initiative, the Global Alliance for Improved Nutrition (GAIN), the Flour Fortification Initiative (FFI) and the Amsterdam Initiative against Malnutrition (AIM).

Dutch efforts are giving more women access to contraception and a better chance of a healthy pregnancy and birth, as well as good postnatal care. This makes them better able to earn a living. The Netherlands strengthens public health institutions, thereby reaching poorer women who are dependent on public services. Many of the programmes supported by the Netherlands focus on groups and areas that are difficult to reach and/or on young people who do not normally have much disposable income. For example, it supports a United Nations Population Fund (UNFPA) programme that provides contraceptives in remote areas.

Dutch water management programmes often help the poorest families in particular. Water and sanitation programmes partly target rural areas and poor urban neighbourhoods, and include special interventions for the poorest groups. In Bangladesh, for example, poor (often single) women work on dike maintenance, earning the statutory minimum wage in the employ of the Bangladesh Water Development Board. The Netherlands helped devise this policy years ago and it is still applied successfully, to the great satisfaction of the people involved. All WASH programmes for schools include the installation of separate sanitary facilities, which reduces truancy among girls.

In its climate policy, too, the Netherlands focuses on the poorest countries and vulnerable groups. We also promote a gender perspective on climate action, and a focus on women and girls as stakeholders. For instance, the Netherlands supports programmes on climate- smart agriculture, improved water management and access to renewable energy. All these efforts focus particularly on poor and disadvantaged groups, with measures to prevent damage to the health of women and young children caused by cooking on wood fires, for example. In this way, the Netherlands not only contributes internationally to the quantitative goals for climate financing, it also helps enhance the quality of the projects it funds.

The Netherlands takes an active role in the Champions Group on Education in Emergencies and Protracted Crises, which ensures that children in emergency and crisis situations – like the refugees in Lebanon and Jordan – can continue to receive an education, to prevent them from losing all prospects for the future and becoming a target for exploitation and possible radicalisation.

3. Combat discrimination and exclusion

The Netherlands is taking structural action on many fronts to improve the position of excluded and vulnerable groups and combat exclusion.

Dutch policy on gender equality aims at gender-inclusive growth, the eradication of extreme poverty among women, and the integration of gender equality into all foreign policy. The capacity of women's organisations is boosted, allowing women to take collective action to improve their rights and

opportunities. Legislation designed to curb violence against women and girls has for example been improved, women have received training to prepare them for political office, and many thousands of female farmers have been given training, loans, land ownership documents and access to the market. Vulnerable groups such as young girls who are the victims of violence or child marriage now have more opportunities thanks to Dutch interventions.

The Netherlands is focusing specifically on the follow-up to the child marriage resolutions adopted in September 2013 and June 2015, partly in response to Dutch initiatives. Where possible and necessary, the phenomenon will be discussed during visits by the Minister for Foreign Trade and Development Cooperation, the Human Rights Ambassador and others. The Netherlands also uses the Universal Periodic Review to make recommendations to UN member states on combating child marriage.

The Netherlands plays a unique role in reaching and involving groups that are often excluded, including LGBT people, drug users and sex workers. We contribute to sexual and reproductive health for all, free from discrimination and violence, particularly for those who currently face discrimination in exercising these rights. Such discrimination varies strongly between countries and regions, and according to age, milieu, socioeconomic status, HIV status, cultural background, sexual orientation and gender identity. Using a combination of initiatives – involving international organisations, public authorities and local interest groups – the Netherlands fosters an approach adapted to the local situation and local needs. In this way, everyone who needs it gains greater access to health care, HIV prevention and/or contraception and to appropriate services and protection of their rights.

The Netherlands actively campaigns at the UN for equal rights for LGBT people, and will continue over the coming years to draw attention to anti-LGBT discrimination and violence. It will also persistently raise human rights violations based on sexual orientation and gender identity with other countries as part of Human Rights Council Universal Periodic Reviews.

Combating discrimination and exclusion is an essential part of all activities concerned with security and the rule of law. Policy on security and the rule of law lays the foundation for stable states and human security. The key concepts are tackling inequality, universal access to dispute resolution, and a voice for vulnerable groups in political processes and systems. For instance, we are working on more jobs and economic activity for young people from different ethnic backgrounds, so that they experience first-hand the benefits of cooperation by contrast with conflict. The Netherlands is also promoting access to justice for disadvantaged groups, including women and ethnic minorities, via the UNDP, the International Development Law Organization (IDLO) and the International Center for Transitional Justice (ICTJ). In 2014 this provided 14,000 people in the Palestinian Territories (58% of them women) with legal assistance; in eastern Congo hundreds of cases of sexual violence were brought to court; in Mali, Burundi and Rwanda legal aid centres that help people obtain justice were given support, thus at long last restoring confidence in the judicial system.

The strategic partnerships under the Dialogue and Dissent programme are aimed explicitly at strengthening local civil society organisations that campaign on behalf of disadvantaged groups and advocate inclusive policy. The focus of Dialogue and Dissent is on strengthening the watchdog role of civil society organisations so that they can call local and national governments to account on the issue of inclusive policy. The strategic partnerships focus mainly on dialogue with the authorities on implementing the 2030 Agenda for Sustainable Development, and also on exerting influence via international forums. Where there is little room for dialogue, the emphasis is on strengthening the enabling environment for civil society organisations to do their work.

4. Redistribution through taxes and transfers

In recent years the Netherlands has set out new and internationally groundbreaking policy on tax to help governments in developing countries combat tax evasion and avoidance, and generate more tax revenue.^{xiii} We campaign for better global fiscal rules, remind companies of their corporate social responsibility when it comes to taxes, and strengthen the authorities' capacity to collect taxes in an effective and transparent way. Good progress has been made with the Dutch proposal to include anti-abuse clauses in bilateral tax agreements with 23 developing countries.^{xiv} In July the Netherlands launched the Addis Tax Initiative along with 17 other donor countries, 11 developing countries, seven international organisations and the Gates Foundation. In doing so it has doubled the resources used for building the taxation capacity of developing countries, deploying a range of measures including training for tax inspectors.

The Netherlands also contributes directly to insurance and cash transfers that protect the poor from risks and shocks, particularly health insurance and agricultural insurance for smallholders. This helps them avoid the most extreme poverty by enabling them to retain their means of production (such as cattle) when misfortune strikes. Groups that do not have enough productive land or lack other means of production receive support via a safety net programme, with contributions from the Netherlands. The Netherlands contributes to the Productive Safety Net Programme (PSNP) in Ethiopia, along with the Ethiopian government, the World Bank and other donors. This is the biggest social safety net in Africa, reaching over seven million very poor people. In exchange for working on roads and other public investments, they receive food or cash and help in increasing their means of subsistence. In Malawi, Mozambique, Zambia and Zimbabwe the Netherlands and UNICEF are helping to set up safety nets through transfers and access to social services for orphans who are victims of the HIV epidemic.

5. Develop inclusive governance and institutions

In the Netherlands' view of security and the rule of law, the most important goal is to achieve stability based on greater trust and cooperation between the authorities and the public, and between individuals. An inclusive state and society is also a goal in itself. That is why the Netherlands works for inclusive government and the building of inclusive institutions.

South Sudan provides an example of what can happen if this is not emphasised sufficiently, and Tunisia is an example of what can be achieved with inclusiveness. This approach is characterised by: a) an integrated strategy involving both the military and civilians to guarantee the security of civilians after conflict, b) fair laws and universal access to dispute resolution, and c) universal access to public services, jobs and natural resources. The Netherlands supports projects to combat corruption and prejudice in each of these three areas. For example, we support measures to tackle corruption in the military sector in Africa through Transparency International UK, which has held talks on performing a corruption risk scan with military staffs in 53 of the 54 countries in Africa. Legislative processes and dispute resolution are made clearer thanks to campaigns for transparency and for the government to inform the public about procedures. This helps to prevent corruption.

Prejudice is also tackled by focusing specifically on groups that would otherwise be disadvantaged, such as women, minorities and young people. In Afghanistan, the Palestinian Territories and other places, for example, the Netherlands supports police training on human rights and security for all. Political parties and systems in a number of countries receive support through the Netherlands Institute for Multiparty Democracy (NIMD). In Kenya, this resulted in an agreement between the 11 main political parties to increase the number of female candidates standing in elections in 2017. Dutch lobbying and support have led to an increase in mediation capacity both within and outside the UN that can be deployed quickly when new conflicts arise. This is based on inclusiveness – peace talks involving as many stakeholders as possible to enhance the prospects of long-term success. The efforts of the Centre for Humanitarian Dialogue (CHD) ensured that disadvantaged groups were involved in negotiations on the new constitution and security sector reform in Tunisia.

Women are involved in peace processes – not as victims but as actors – via the National Action Plan on Resolution 1325. This is happening in Syria, where women’s voices had never before been heard in peace processes. The Netherlands Institute of International Relations ‘Clingendael’ is preparing mediation training for female negotiators in Africa, in collaboration with the African Union.

The Netherlands finances the UNICEF Peacebuilding, Education and Advocacy Programme in 14 fragile states. The programme is designed to foster stabilisation and conflict prevention. Its main goal is to strengthen resilience, social cohesion and human security in fragile states, in states in conflict, and in the reconstruction and peacebuilding stage after conflict. Girls are a special focus of the programme.

Policy coherence and political dialogue

If these strategies are to have a chance of success, it is essential that the international rules on such matters as trade, taxes and international corporate social responsibility are made as favourable as possible to poor countries. The rules must at any rate not hamper poor countries’ development. That is why the Netherlands sets great store by policy coherence for development. The core themes of this policy are trade, taxation and more sustainable supply chains.

Access to affordable medicines, migration and a coherent climate policy are also important.

Trade is an important driver of growth in both rich and poor countries. It increasingly flows through value chains (both international and regional). It is therefore vital that poor countries are connected to global value chains. Lowering tariff and non-tariff barriers between countries is key to this. Inefficient customs procedures, poor logistics, transport and infrastructure, and limited capacity to achieve high product standards prevent poor countries from participating in global value chains. Regional and local trade also promotes growth and provide opportunities for smaller businesses that are unable to meet the high demands of global chains. Trade is good for reducing poverty if the poorest also benefit. Cheaper transport and simpler customs procedures can for example help small traders.^{xv} The Netherlands therefore combines support for favourable trade agreements with aid to ensure that the poor benefit from new opportunities. It is pressing for agreement on development-friendly Economic Partnership Agreements (EPAs) with African regions.

The Netherlands is a pioneer of more sustainable supply chains, including for textiles, gold, tin and cocoa. It has for example campaigned successfully alongside the government of Bangladesh, the ILO, employers' associations, trade unions and NGOs for improved working conditions in the textile and clothing industry and the implementation of labour laws.

The Netherlands also campaigns for affordable medicines – including anti-retroviral drugs – to be made available. The WTO Trade-Related Intellectual Property Rights (TRIPS) agreement provides scope for public health to be taken into account in national patent rules. The Netherlands therefore calls upon parties not to demand 'TRIPS-plus provisions' in trade agreements, which essentially constitutes a demand for more stringent patent protection, and a threat to restrict the scope for public health interests to be considered.

Companies that participate in trade missions must comply with the OECD Guidelines for Multinational Enterprises, and thus operate in accordance with the principles of international corporate social responsibility. This means that they must screen the supply chain in which they operate for CSR risks. Companies are also expected to develop a plan of action for addressing these risks. The government also joins with companies in considering how they can help resolve major social challenges such as flood protection and the creation of more sustainable supply and marketing chains. One recent example is the round table talks with companies, local communities and the trade minister in Liberia on ways of making palm oil production more sustainable. Lessons have been drawn from experiences in Indonesia that show how smallholders can be helped to produce palm oil more sustainably. Responsible mining and gas extraction are another important issue. The Netherlands recently encouraged discussion of the matter by organising seminars and round table meetings in collaboration with Dutch and local NGOs in several countries, including Mozambique, Tanzania and Liberia.

20-point plan of action for inclusive development and growth

As indicated above, the Netherlands provides substantial support for inclusive development and growth. Dutch efforts help ensure that things improve for disadvantaged and vulnerable groups and that their voice is heard.

In addition to this, targeted action is needed. This is also consistent with the urgency and level of ambition in the 2030 Agenda for Sustainable Development. High inequality is a serious impediment to those ambitions.

A total of €350 million has been earmarked in the foreign trade and development cooperation budget for a plan of action for inclusive development and growth. The plan has been devised by shifting the focus of existing programmes and by using resources in a different way. Some of the measures listed below were announced previously.

The plan of action consists of 20 measures to be introduced from two perspectives:

- *Work for women and young people*: 10 measures to generate work and income for African women and young people with poor prospects.
- *Dialogue for change*: 10 measures to prompt more robust political dialogue with developing countries on inclusive growth and development.

Work for women and young people

Over the coming decades the extreme poverty remaining in the world will be concentrated in Africa. Work is the main route out of poverty. Investing in income for poor women means investing in the future, because as a family's income rises children grow up healthier and better educated, and fewer children are born. Women's economic activities are often in the informal sector, and the programmes will specifically take account of this fact. More access to work is not enough if women have no prospect of a living wage, are at risk of violence in the home, on the street or in the workplace, do not receive maternity leave or medical care, or have no childcare. Only an integrated approach that addresses all these issues can have an impact.

One of the keys to greater stability and less migratory pressure in Africa is measures to tackle youth unemployment. Several studies have shown that lack of work and of prospects of a better future is a major cause of the irregular migration of young Africans to Europe.^{xvi} Africa is experiencing strong economic growth but this is not being translated into enough jobs for the growing number of young potential workers. In the period 2005-2013 the working-age population of Sub-Saharan Africa grew by over 100 million, while the number of jobs rose by only 71 million.^{xvii} Half the population of Africa are under 25 and this proportion is set to rise even further over the coming decades. Twice as many young people live in fragile states as in non-fragile states, and the greatest poverty is also generally found in fragile states.^{xviii} Creating more work and other sources of income for young and young adult Africans is vital to curb irregular migration from this region. It is also a way of restricting loss of talent from these countries.

In specific terms, the government will sharpen its focus on African women and young people in a number of existing programmes, and set up several new programmes specially for the purpose.

1. Fundamental causes of migration – entrepreneurship and work for young people in Africa: Over the coming months the first investments will be made from the announced €50 million for the promotion of entrepreneurship by and jobs for young people in Africa. This will happen through the Local Employment in Africa for Development fund (LEAD) of €25 million, which is open to Algeria, Egypt, Eritrea, Libya, Mali, Nigeria, Somalia and Tunisia. A further €25 million has been reserved in the Dutch Good Growth Fund (DGGF) for creating jobs and encouraging young entrepreneurs in Africa. The DGGF already had this purpose, but now an extra €25 million (from resources not yet committed) has been earmarked for 18 countries in North Africa where youth unemployment is a key cause of irregular migration. Loans will be made to Dutch entrepreneurs and civil society organisations that want to invest in those countries, and to intermediary funds that will provide loans for local entrepreneurs. Providing jobs for young people is also a major part of Europe’s extra efforts to tackle the causes of migration. Germany, France and the Netherlands have written a joint letter calling on the EU to reallocate €500 million to an EU plan to promote youth employment in Africa.^{xix}
2. More jobs for young people: The focus on employment for the poorest countries and groups in Africa will be intensified in private sector development programmes. Job creation for young people will become a standard part of the monitoring and evaluation process in all new programmes for the private sector.
3. Extra support for female traders: The Netherlands will make an extra contribution of €9 million available for TradeMark East Africa (TMEA). €5 million of this is intended to simplify informal cross-border trade by women. We are developing a programme with Denmark to support regional trade in West Africa. This programme will also include a special role for female traders and the informal sector.
4. Young farmers: Demographic ageing in rural areas is a big problem in many African countries. Young people have little prospect of earning a living in today’s low-productivity agricultural sector. Farming, which has a poor image compared with working in the city, must be made attractive to young people. Over the coming years, in collaboration with NAJK, a Dutch organisation that promotes contact between young farmers, Agriterra will focus its efforts on young people in agriculture.
5. Agricultural insurance for smallholders: The Netherlands supports initiatives designed to improve access to agricultural insurance. With the One Acre Fund it is developing an integrated package of loans and insurance for the smallest smallholdings, over three-quarters of which are run by women. The insurance element of the scheme will also receive support from the IFC’s Global Index Insurance Facility. We are also working with the Access to Insurance Initiative to get legislation in place that allows insurance companies to offer coverage in low-income countries. The total Dutch contribution will be €6 million a year.

6. New programmes for productivity safety nets: The embassies in Mozambique and Mali are preparing support for new safety net programmes giving vulnerable groups opportunities for more productive work. The Mozambican programme will provide poor families in arid areas who are vulnerable to malnutrition a cash transfer in exchange for work on public infrastructure, such as curbing erosion and cultivating demonstration fields to raise food production. The programme in Mali will focus on helping young adults in rural areas start up economic activities, for example by providing vocational education.
7. Economic participation by women: Economic participation is one of the three priorities of the Funding Leadership and Opportunities for Women (FLOW) programme for 2016-2020. It is also expected to focus on the position of women in the informal economy. The Ministry of Foreign Affairs will encourage the civil society organisations that implement the FLOW programme to share the knowledge and insights they gain from the programme, and will actively encourage relationships with other partners like businesses.
8. More synergy between youth employment programmes in fragile states: A number of Dutch development organisations have established programmes designed to enhance opportunities for young people on the labour market in fragile developing countries, in collaboration with the private sector. At the end of September the Ministry of Foreign Affairs will host a round table meeting in collaboration with Cordaid to consider how coherence and synergy between these initiatives can be increased and their effectiveness enhanced.
9. Opportunities for vulnerable groups: The SRHR partnership fund for 2016-2020 will spend €43 million a year on programmes targeting young people (e.g. combating child marriage and child prostitution) and defending the rights of groups who are currently denied them (HIV risk groups, MSM, sex workers, drug users and women seeking access to abortion). This will make up substantially more resources available to help vulnerable and marginalised groups on these issues. Inclusiveness will be one of the assessment criteria, including better opportunities and access to basic services for vulnerable and marginalised groups. Extra efforts will also be made in other programmes and initiatives that form part of SRHR policy to reach people who fall outside the formal system and are often excluded. This applies for example to programmes for the distribution of contraceptives and to sex education initiatives. A special approach is needed to reach children who do not attend school.
10. More exports from Least Developed Countries (LDCs): Along with UNCTAD, the Netherlands is establishing a new programme to raise awareness and increase knowledge of the use of rules of origin to allow LDCs to benefit more from trade preferences. According to a recent study, the EU's trade preferences help ensure much greater and more diversified exports from LDCs. This is good for jobs and poverty reduction.^{xx} The positive impact of trade preferences will be enhanced by this programme.

Dialogue for change

The key to inclusive growth and development lies in change in unequal societies themselves. The Netherlands hopes to stimulate such change, taking advantage of the broader, more equal relationship the Netherlands has with developing countries thanks to the combined agenda for aid, trade and investment. The government seeks to step up its dialogue with the governments of developing countries. The Netherlands will draw more attention to key elements of inclusive development and inclusive governance and, where possible, work on solutions in dialogue with the authorities. The subjects of discussion range from strategies for reaching the poorest groups to the rights of specific vulnerable groups. The role of the private sector in inclusive development will also be on the table.

This applies both to bilateral dialogue and to dialogue in multilateral forums. A specific fund (Voice) has been set up for local organisations representing disadvantaged groups to help them raise issues with their national authorities. In dialogues in multilateral forums the Netherlands will systematically support initiatives and international agreements that encourage governments to involve disadvantaged, excluded and vulnerable groups in the economy and in political decision-making. It will encourage multilateral organisations to target their programmes more specifically at the poorest groups. Finally, the Netherlands will at multilateral level champion the specific interests of the poorest groups, such as access to medicines and to climate finance.

1. Dialogue in partner countries: Embassies in partner countries engaged in dialogue on economic progress will be instructed to enter into deeper and more frequent discussion of how the poorest and most disadvantaged groups, such as people in remote areas and disabled people, can derive maximum benefit from that progress. The embassies already hold such discussions with the authorities on a regular basis concerning subjects ranging from human rights to sustainable investment and inclusive governance.
2. Trade missions: Initiatives to explore how Dutch companies participating in trade missions can help find solutions to social challenges will be continued, with multi-stakeholder meetings on issues such as sustainable oil and gas extraction, textile manufacturing and sustainable palm oil production.
3. Advocacy by and for marginalised groups: The new Voice Accountability Fund (of €50 million) will enhance the capacity of marginalised groups to draw their governments' attention to the need for inclusive development. The fund focuses on all of the most marginalised groups and those facing the most discrimination. The 25 strategic partnerships in the Dialogue and Dissent programme will also strengthen local organisations, enabling them to call their government or companies to account over inclusive policies. The partners in the 25 partnerships must demonstrate that combating exclusion is a key element of their activities. Progress and results on this issue will be closely monitored.

4. Monitoring of Leave No One Behind in the Sustainable Development Goals: The 2030 Agenda for Sustainable Development includes a 'Leave No One Behind' pledge – that no one will be left behind and that efforts will be made to reach the most disadvantaged groups first. During discussion of the monitoring mechanism, the Netherlands called successfully for a focus on the poorest and neediest. It will closely monitor and stimulate progress towards reaching the poorest and most marginalised groups over the coming period.
5. UN programmes for the poorest groups and countries: The Netherlands will vigorously encourage UN organisations and the international financial institutions to implement the agreements in the 2030 Agenda for Sustainable Development concerning measures to tackle inequality and, where applicable, to reallocate resources in favour of programmes for the poorest of the poor.
6. EU efforts to help the poorest groups and countries: The European Commission is expected to issue a Communication in spring 2016 on the implementation of the Sustainable Development Goals. It is important that aid first and foremost impact the very poorest. During its Presidency of the EU the Netherlands will do its utmost to ensure that this focus is reflected in Europe's position. It will work to ensure that this focus on the poorest is also included in the implementation of the European development agenda and associated aid programmes.
7. Access to affordable medicines: The Ministries of Foreign Affairs and Health, Welfare & Sport are exploring ways of guaranteeing access to affordable medicines, both in developing countries and in the Netherlands. The Netherlands is also using its trade policy to achieve access to medicines. The WTO Trade-Related Intellectual Property Rights agreement (TRIPS), which sets out rules for patent protection, leaves countries scope to introduce exemptions in the interests of public health. The Netherlands is campaigning actively for this freedom to be maintained in current negotiations on free trade agreements with developing countries. Given the exceptional development status of the Least Developed Countries (LDCs) and the importance of the availability of affordable medicines in those countries, the Netherlands supports the request to renew LDCs' exemption from TRIPS provisions pertaining to pharmaceutical products as of 1 January 2016, as long as they have LDC status.
8. Medicines for the poor in middle-income countries: In its dealings with the Vaccine Alliance GAVI, the Global Fund to Fight Aids, TB and Malaria, and UNAIDS, the Netherlands advocates a cautious and responsible transitional policy for poor countries that are upgraded to middle-income country status. Without extra measures they can lose certain advantages, including access to cheaper medicines. These countries generally have high inequality, insufficient resources for expensive vaccines for the prevention of infectious diseases and a relatively large number of people with HIV, who will be dependent on anti-retroviral drugs for the rest of their lives.

9. From fuel subsidies to safety nets: The Netherlands is working to ensure the abolition of subsidies on fossil fuels. The money saved could be used to compensate the poorest through targeted subsidies or social safety nets. To this end, the Netherlands will give \$1.5 million in extra support to the World Bank's Energy Sector Management Assistance Program (ESMAP) for reform of fossil fuel subsidies.
10. Use of the Green Climate Fund to enhance the resilience of the poorest countries and groups: The Netherlands is endeavouring to ensure that the Green Climate Fund heeds the needs and desires of the poorest countries and that investments actually make the poorest population groups more resilient. This is all the more important given the fact that the fund is attempting to make its first investments by the end of 2015. Founded in late 2014, the fund is devoted entirely to reducing greenhouse gas emissions in developing countries. It initially focused mainly on support for middle-income countries, to encourage them to replace their current energy sources with renewable energy. The focus on enhancing resilience to climate change (adaptation) has now been increased and it has been agreed that half of all the funds will be spent on this. Furthermore, it has been decided that half of all adaptation financing will go to the Least Developed Countries and Small Island Developing States (SIDS). We must now ensure that the poorest actually.

ⁱ Motion by MPs Sjoerd Sjoerdsma and Bram van Ojik, 34000 XVII no. 28, 20 November 2014.

ⁱⁱ In preparation for this letter, the Ministry of Foreign Affairs and five knowledge platforms held a round of online consultations. This produced 106 responses from academics, civil society and industry, <http://includeplatform.net/consultation/opportunities-inclusiveness-trade-international-development/>.

ⁱⁱⁱ 'Wealth: Having It All and Wanting More', Oxfam International 2015.

^{iv} Within countries the average Gini coefficient is 0.38: 24% of the population receives half the income. The Gini score for inequality between countries is 0.52: the national income of the top 20% richest countries represents half of the total. Source: 2014 Annual Report, IOB 2015.

^v François Bourguignon, *The Globalization of Inequality*, 2015; African Economic Outlook 2015, OECD/AfDB/UNDP.

^{vi} 'In It Together: Why Less Inequality Benefits All', OECD Publishing, 2015.

^{vii} 'Causes and Consequences of Income Inequality: A Global Perspective', IMF Staff Discussion Note, IMF 2015; see also <http://www.imf.org/external/np/speeches/2015/061715.htm>.

^{viii} 'Eliminating Extreme Poverty in Africa', AfDB 2015. In South Asia the poorest of the poor account for a smaller and more rapidly shrinking proportion of the population than in Africa. It is expected that extreme poverty will have largely disappeared in South Asia by 2030, certainly in most middle-income countries. The proportion of people living in extreme poverty is also declining in Sub-Saharan Africa, thanks to the economic upswing, though this is happening much more slowly than in Asia (*World Bank Global Monitoring Report 2014-2015*). Poverty is also deeper in Africa: in 2011 a person living in extreme poverty in Africa lived on an average of \$0.76 a day, whereas the average in all other developing countries was \$0.98. The number of people in extreme poverty could even rise there, though perhaps only temporarily, due in part to the continuing high rate of population growth. Laurence Chandy, 'Why is the Number of Poor People in Africa Increasing when Africa's Economies are Growing?' See also *The Last Mile In Ending Extreme Poverty*, Homi Kharas, Hiroshi Kato and Laurence Chandy eds, Brookings Institution Press, 2015.

^{ix} The Africa region has the fastest population growth. Of the 2.4 billion extra people expected by 2050, 1.3 billion will be born in Africa. 2015 Revision of World Population Prospects, July 2015, <http://esa.un.org/unpd/wpp/>.

^x Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

^{xi} The World Bank lists creating jobs, investing in human capital, good use of safety nets and greening of growth (*Global Monitoring Report 2014-2015*). Besides macroeconomic policy, the IMF also mentions fair and efficient taxation and government spending, including on strong safety nets, as well as investment in education and financial inclusion (<http://www.imf.org/external/np/speeches/2015/061715.htm>). In 2014 the G20 drew up country strategies for growth, to which policy measures for inclusive growth will be added in 2015. The World Bank is assisting in this process, and has drafted a list of measures for policy and redistribution which are consistent with the strategies outlined in this letter (<http://blogs.worldbank.org/developmenttalk/addressing-rising-inequality-g20-economies>). In its Strategy 2020 the Asian Development Bank used a definition of inclusive growth based on three pillars: 1. promoting high, sustained economic growth, 2. enhancing poor people's opportunities to participate in growth by improving human capacities, and 3. safety nets to prevent extreme deprivation (<http://www.adb.org/documents/adbs-support-inclusive-growth>).

^{xii} MASSIF, administered by the Entrepreneurial Development Bank, the Global Agriculture and Food Security Program, the Private Sector Investment programme, the Centre for the Promotion of Imports from Developing Countries and the Dutch Good Growth Fund.

^{xiii} Letter from the Minister for Foreign Trade and Sustainable Development and the State Secretary for Finance on the use of taxation with regard to developing countries, June 2015.

^{xiv} Agreement has so far been reached on this matter with five countries (Ethiopia, Malawi, Kenya, Zambia and Ghana). Talks are still underway with other developing countries.

^{xv} 'The Role of Trade in Ending Poverty', World Bank Group and World Trade Organization, 2015.

^{xvi} *Fatal Journeys*, IOM 2014. Marie-Laurence Flahaux and Hein de Haas, 'African Migration; Exploring the Role of Development and States', International Migration Institute 2014, <http://www.imi.ox.ac.uk/publications/wp-105-2014>.

^{xvii} World Bank Databank.

^{xviii} 'Domestic Revenue Mobilisation in Fragile States', OECD 2014.

^{xix} This implements the motion of MPs Roelof van Laar and Bram van Ojik of 20 November 2014, Parliamentary Paper 34 000, XVII no. 20.

^{xx} Assessment of Economic Benefits Generated by the EU Trade Regimes towards Developing Countries, Directorate-General for International Cooperation and Development, EU Development Policy and International Cooperation, Policy and Coherence, Economic Analysis Team, June 2015.