Chapter 1: Towards a comprehensive Belgian development effort

Global development issues

Belgium is a strong advocate for the preservation of global public goods. It does this mainly through the European Union (EU), by participating in international security treaties and international organisations. It helps put forgotten crises and conflicts on the EU agenda and takes part in military training and operations under the Common Security and Defence Policy.

Belgium is particularly committed to resolving forgotten crises and conflicts

As a member of numerous international organisations and with an involvement in many parts of the globe, Belgium actively promotes a fairer, more prosperous world in key policy areas such as peace and security, human rights and the rule of law. It believes that the shared challenges facing our planet can only be solved through global regulation, and puts particular emphasis on the decision-making role of the European Union (EU), lobbying hard so that forgotten crises and ongoing conflicts are on the EU agenda. For example, during EU budget negotiations, Belgium argued for an indicator on the amount of aid for countries with situations of fragility. The country is also notable for its adherence to international security treaties (CGD, 2014) and has taken part in various military training missions and operations under the Common Security and Defence Policy.

Belgium is playing an active role in international discussions on the post-2015 framework for sustainable development. Its new environmental strategy is set in the context of securing global public goods (DGD, 2014a).

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

Despite some progress, delivering on its commitment to make its policies development-friendly remains a challenge for Belgium. Policy coherence for development (PCD) is rooted in the new federal law on Belgian co-operation and humanitarian aid, and is supported by a joint declaration common to both the federal and federated governments. Belgium has put in place a number of mechanisms which can help take forward its commitment to ensure its policies are coherent with development and many Belgian civil society actors have the capacity to analyse policies for their coherence. On the other hand, interest in and commitment to making policies coherent with development does not seem to pervade all levels of government. In addition, setting-up the institutions for ensuring that policies support sustainable development has fallen behind schedule and priority issues have yet to be identified.

Belgium is firmly committed to policy coherence for development but has yet to identify priority issues

The 2010 OECD-DAC peer review highlighted Belgium's shortcomings in terms of the coherence of policies concerning development and invited it, among other things, to develop an explicit policy statement on policy coherence for development (OECD, 2010). Progress has been made since then, and there are signs that awareness of the importance of this issue is growing at the highest levels of government. For example, policy coherence for development is cited as an objective in the Law on Development Cooperation adopted on 19 March 2013, which "recognises the contribution made by PCD to Belgium's general development objectives and aid effectiveness" (Kingdom of Belgium, 2013). Commitment to PCD is therefore enshrined in Belgian law and policy – the stage is now set for delivering on it.[1]

The regions of Flanders and Wallonia, the Wallonia-Brussels Federation and the Communities have their own approaches to PCD.[2] While the Law on Development Cooperation only applies to the federal government (not to these federated bodies), a declaration issued on 23 May 2014 stated the commitment of the federal government and the governments of the regions and communities to policy coherence for development (Kingdom of Belgium, 2014e). This means Belgium is committed to taking development into account in all policies; to co-ordinate at federal, interfederal and EU level; and to look at the impact on international development goals of decisions affecting the environment, agriculture, the economy, trade, finance, migration, security and energy.

Despite this commitment, Belgium has not identified issues coherence or incoherence that should be addressed as a priority; neither has it defined a plan or milestones for doing this. It is encouraging, however, that the Minister for Cooperation has signalled his intention to establish priorities in the areas set out by the European Union.

Like most DAC members Belgium still has a long way to go to resolve problems of inconsistency in its policies. The Commitment to Development Index 2014 ranks Belgium 16th out of 27 countries (down from 10th in 2013). While it stands out for its low production of fossil fuels and high participation in international security treaties, its total score is weakened by the high level of agricultural subsidies and its arms exports to poor, undemocratic states (CGD, 2014). The OECD working group on bribery, moreover, believes that Belgium does not do enough to combat the bribery of foreign public officials by Belgian citizens and businesses, especially in terms of the limited resources it makes available and the legal framework (lack of) for this purpose (OECD, 2013).

The ambitious institutional set-up is taking time to materialise

Belgium is creating a new institutional set-up for policy coherence for development. This includes several new mechanisms[3] which should enable the country to honour its EU commitments and implement the DAC's recommendation (see Annex A).

In practice, putting such an ambitious set-up in place is complex, and is hindered by bottlenecks between the varying degrees of power at federal and federated entity levels and the latters' preference for using existing structures. For example, the Interministerial Conference has not been created on the grounds that permanent co-ordination bodies already exist. At the same time, it is not clear that these co-ordination bodies actually deal with issues related to coherence or incoherence with development. For example, while COORMULTI[4] and the biannual forum attended by the Directorate-General for Development Cooperation and Humanitarian Aid (DGD) and the administrations of the federated entities dealing with development co-operation[5] bring issues to political attention, no specific institution has been officially designated to monitor and follow up on these issues. Nevertheless, PCD is discussed at meetings of the Federal Public Service (FPS) Foreign Affairs Directorate-General for Coordination and European Affairs to prepare

Belgium's contribution to the European Commission's biannual report on policy coherence for development.

Another key proposed PCD mechanism – the Interdepartmental Committee[6] – has still not been established because some ministries and entities are late in appointing representatives. The "Coherence Unit" that should support this committee is in place, but does not yet have sufficient resources to create the hoped-for momentum. These delays and lack of capacity are regrettable, since the committee could play a key role in preparing issues to be taken up by the Council of Ministers - a relevant forum for debating coherence. Moreover, the Minister for Development Cooperation is a member of the council and is well placed to flag development concerns. The fourth mechanism, - the Advisory body with representatives from NGO platforms and academia - has opted to focus on EU trade, the Great Lakes strategy, preparing Belgian positions at the World Bank and the rights of people and businesses. Whatever the subject, it is important that Advisory body's discussions go beyond finding a coherent policy in general and ensure that they also focus on development.

Federal Public Services are, generally speaking, insufficiently mobilised and do not have the capacity to study the impact of their policies on developing countries. The provision of training in March 2015 on policy coherence for development for "provisionally designated" members of the Interdepartmental Committee is a welcome initiative, although it will take several months before the effects can be measured.

The analysis of regulatory impact on development is of limited use

Since 2014, government bills, draft Royal Decrees and proposals for rulings submitted to the Council of Ministers have been analysed for their coherence with development using a tool known as AIR (analysis of regulatory impact). This analysis flags potential amendments to be made or accompanying measures that could be provided.

While this analysis of regulatory impact is commendable, especially because it promotes transparency, it has limited impact on coherence. There is little room to change course and the exercise has not, as yet, identified regulatory proposals that have more than a marginal impact on developing countries. Furthermore, it does not deal with draft legislation on national security or international treaties, even when they affect development (e.g. taxation, trade, bribery). It is not evident, therefore, that this approach is useful for helping to make Belgian policies and legislation development-friendly.

Belgium has a wealth of NGOs, researchers and academics who regularly flag inconsistencies in Belgian policy. The 2010 peer review recommended harnessing this analytical capacity to track the effects of various policies on development (Annex A). Since then, a Royal Decree has encouraged Belgian NGOs to provide technical support for "the inclusion of PCD in strategy notes by Belgian development co-operation" (Kingdom of Belgium, 2014c). These organisations must nevertheless mobilise efforts to deliver pertinent analysis that can influence government policy.

The delays with the institutional set-up and in setting priorities prevent the government from reporting on progress to the Federal Parliament

The delays in setting up the institutional system for ensuring that policies are supportive of development mean that Belgium is still not ready to report on the progress it has achieved in this area. By law, the annual report on Belgian development co-operation should make PCD recommendations to the Federal Parliament, a task that will fall to the Coherence Unit. In the absence of the Interdepartmental Committee and a list of priority issues, it is hard to imagine a progress report being produced in the near future.

Financing for development

Indicator: The member engages in development finance in addition to ODA

Belgium mobilises financial resources for development in addition to ODA, focusing on investment in the local private sector. There is room to increase the development relevance of some of its instruments.

Belgian ODA supports private sector growth for sustainable human development

Belgium's strategy for mobilising finance for development is to use ODA to catalyse growth in the local private sector in developing countries – specifically small and medium-sized enterprises (DGD, 2013b).[7] This approach was introduced in the Law on Development Cooperation,[8] as well as in Belgium's strategy for local private sector development (DGD, 2013b). Belgium also intends to involve Belgian businesses and investors in development financing (De Croo, 2014). Its strategy for mobilising additional finance for development extends to domestic resource mobilisation earmarked, including tax revenues (*ibid*).

Belgium has tools for mobilising additional finance, mainly in the local private sector

Belgium has a range of instruments for mobilising resources in addition to ODA, mainly through the private sector, but the degree to which this finance spurs development depends on the instrument used.

The instruments for mobilising the local private sector, the biggest of which is the Belgium Investment Company for Developing Countries (BIO)[9], are intended, in theory, to be biased towards development. BIO's investments are designed to have a catalytic effect, allowing beneficiary institutions to attract additional private financing (SES, 2014). While its process for choosing companies and projects in which to invest ensures that they will promote development in theory, BIO must now implement new monitoring procedures to measure development impact in practice. In addition, but on a smaller scale, the Trade for Development Centre provides technical and financial support to producers in priority countries that adhere to sustainable and fair trade practices.[10]

At present, activities supported by Belgian actors targeting the local private sector remain fairly uncoordinated. Now that BIO is part of the Belgian co-operation system (Chapter 4),[11] there is scope to co-ordinate better with the FPS Foreign Affairs. A working group has also been set up to study areas for co-operation between BIO and Belgian Technical Cooperation (BTC). Belgium is planning to create a platform – *entreprendre pour le développement* (enterprise for development) – for a limited number of public and private Belgian organisations involved in developing the local private sector to help promote policy coherence for development. While the initiative has the potential to improve co-ordination and consistency between supported activities, its terms of reference will have to take account of the lessons from the previous platform, created in 2008 and now inactive.

Other instruments for mobilising the Belgian private sector for development fall within the framework of tied aid and are mainly focused on export promotion. Financing granted by FINEXPO[12] doubles the resources available to developing countries to purchase capital goods and services. However, the mechanisms for selecting and monitoring projects do not provide any certainty that these resources actually contribute to development (SES, 2011). Similar questions arise over funding granted by regional export assistance agencies (SOFINEX and Flanders Investment and Trade). Since the federated governments have competence for trade it will be essential to boost synergies and complementarity to ensure the leveraging effect, and, especially, to increase financing for development.

Belgium reports non-ODA flows

Belgium monitors and reports to the DAC on non-ODA resources earmarked for developing countries. These are mainly private capital flows at market conditions. They include:

- private export credits guaranteed or provided by the Export Credit Agency – *Office National du Ducroire* – which amounted to USD 787 million net in 2013 and USD 430 million in 2012
- foreign direct investment, which reached USD 6.397 billion in 2013.

Charitable donations from private sources came to USD 958 million in 2013. Belgium also reports operations financed by BIO under “Other public sector contributions”. These came to USD 190 million of gross disbursements in 2013.

Notes

1. The government's policy orientation paper – *Exposé d'orientation politique – coopération au développement* (de Croo, A. 2014) and the Directorate-General for Development Cooperation and Humanitarian Aid's 2013-19 management plan (DGD, 2014b) both argue for the inclusion of development in Belgium's foreign policy and recommend increased intra-governmental co-ordination.

2. The Flemish Region's 2007 framework decree for development co-operation, for example, aims to increase policy coherence for development in the policy areas which fall under the competency of the Flemish Community and Region. The Wallonia-Brussels Council for international co-operation has made PCD a policy priority.

3. These consist of (i) an interministerial conference headed by the Prime Minister; (ii) an interdepartmental committee of Federal ministries, Regions and Communities; (iii) an advisory body, and (iv) a secretariat charged with monitoring these entities.

4. The COORMULTI (i.e. co-ordination of multilateral issues) mobilises the Federal Public Services, Regions and Communities ahead of Belgium's position statements to international bodies. Whether the parties actually attend depends on the subject of the meeting.

5. In March 2015, PCD was formally added to the agenda at the meeting of the forum between DGD and the administrations of the federated entities responsible for development co-operation.

6. The committee will be chaired by the Director General of the Development Cooperation and Humanitarian Aid Directorate of the FPS Foreign Affairs, Foreign Trade and Development Cooperation.

7. This strategy aims to improve the investment climate, promote the development of the local private sector and fair and sustainable trade, and stimulate international trade.

8. The law promotes the role of the private sector in fostering inclusive, sustainable growth to eradicate poverty and achieve sustainable human development.

9. BIO invests through the acquisition of share capital or loans. The deployment of financial resources came to EUR 600 million in 2013.

10. The Trade for Development Centre has a budget of EUR 13 million over four years. Another "enterprise for development" budget line promotes partnerships between entrepreneurs' associations, partner country producers and European associations.

11. Since 2014, relations between BIO and the Belgian State have been governed by a management contract consistent with Belgium's development co-operation objectives and principles.

12. FINEXPO is an interministerial advisory committee managed by the Administration of Foreign Affairs, which aims to reduce or stabilise the financing cost of capital goods and services exports while contributing to the development of the countries that receive the aid. The instruments available to FINEXPO allow aid to be granted within the framework of DAC's arrangements.

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