

Study on EU member states operational development structures

VOL 2 - Country fiches

LUXEMBOURG

June 2019

Alexei Jones
Pauline Veron
Joanna Czaplicka
James Mackie

The country fiches contain information on the key aspects of the operational development structures and systems of each EU Member State. They are structured in a standard form to allow for easier comparison. The information contained in the country fiche is based on publicly available sources and data, including from relevant ministries and public administration websites, EU reports, OECD-DAC peer reviews and statistics. This information was also complemented by data and feedback gathered through questionnaires and interviews with EU Member States' focal points. Unless specified otherwise, all country fiches have been reviewed and approved by the Member States' focal points. The fiches provide a snapshot at a given moment in time, and will need to be updated regularly and as appropriate in order to remain relevant.

LUXEMBOURG

- **Luxembourg's General Development Cooperation Strategy – The road to 2030** (2018)
- **Policy ministry with separate implementing agency**
- **Total aid budget for 2017:** €377 million (1% of GNI)
- **Bilateral ODA:** 71.75% (36% executed by LuxDev); **Core contributions to multilateral organisations:** 28.25%; **Earmarked funding:** 24.3% (2018)
- **Thematic priorities:** access to quality basic social services; socio-economic integration of women and youth; inclusive and sustainable growth; inclusive governance
- **Geographic priorities:** LDCs in Western Africa and the Sahel region (Burkina Faso, Cabo Verde, Mali, Niger and Senegal + Laos and Nicaragua)
- **LuxDev** (1978): implements bilateral development cooperation (606 staff; budget of €112,6 million in 2018). Works in 12 countries; most of activity in Luxembourg's seven official partner countries but also in Kosovo, El Salvador, Vietnam, Myanmar and Mongolia. Thematic priorities: Local Development; Education - Vocational Training & Access to Employment; Health; Microfinance and Finance; Renewable Energies.
- **Development Cooperation Fund** (1996): main financing instrument through which ODA is channelled (in 2018, 56% of Luxembourg ODA was channelled through it). Sectoral priorities: social sector; agriculture and food security; WASH; economic, financial, industrial cooperation; environmental cooperation; cultural and scientific cooperation; development education and awareness-raising.

1. Political and legal framework for development and international cooperation

i. Legislation

The legal framework of Luxembourg's development cooperation activities is the [Development Cooperation Act \(1996\)](#), which was amended with a [2012 law on development cooperation and humanitarian action](#). It was last updated in 2017 with a [new law on development cooperation and humanitarian action](#). The amended Development Cooperation Act (1996) sets out the objectives for Luxembourg's development cooperation policy and programmes, defines the role of the Development Cooperation Fund, describes the conditions of cooperation with NGOs and establishes an inter-ministerial committee for development cooperation to coordinate development cooperation policy. Even though the amended law of 2012 was approved before the 2030 Agenda was adopted, it forms an excellent springboard for tackling the Sustainable Development Goals (SDGs). Indeed, the sectors introduced in the law are compatible with the 17 goals. The law is also an asset as it provides a policy framework for the whole of the government and ensures broad buy-in to Luxembourg's development objectives.¹

ii. Development policies - policy framework

[Luxembourg's General Development Cooperation Strategy – The road to 2030](#) adopted in 2018 is a consolidation of all of Luxembourg's development cooperation. It integrates the SDGs and the Addis Ababa Action Agenda and promotes a multi-stakeholder partnership approach, thus taking account of the changing development landscape. It states that to contribute to the eradication of extreme poverty in a sustainable development framework, Luxembourg will focus on four interrelated thematic priorities: improving access to quality basic social services; enhancing socio-economic integration of women and youth; promoting inclusive and sustainable growth; and strengthening inclusive governance. Luxembourg's new general development cooperation strategy expands from a previously sector-based prioritisation towards more inclusive thematic priorities. Luxembourg commits to maintain a focus on the least developed countries and Western Africa.

¹ OECD DAC Peer Review 2017.

These objectives are confirmed in [Luxembourg’s five-year Government Programme for 2018-2023](#) (a more political document), which has a section on development cooperation.

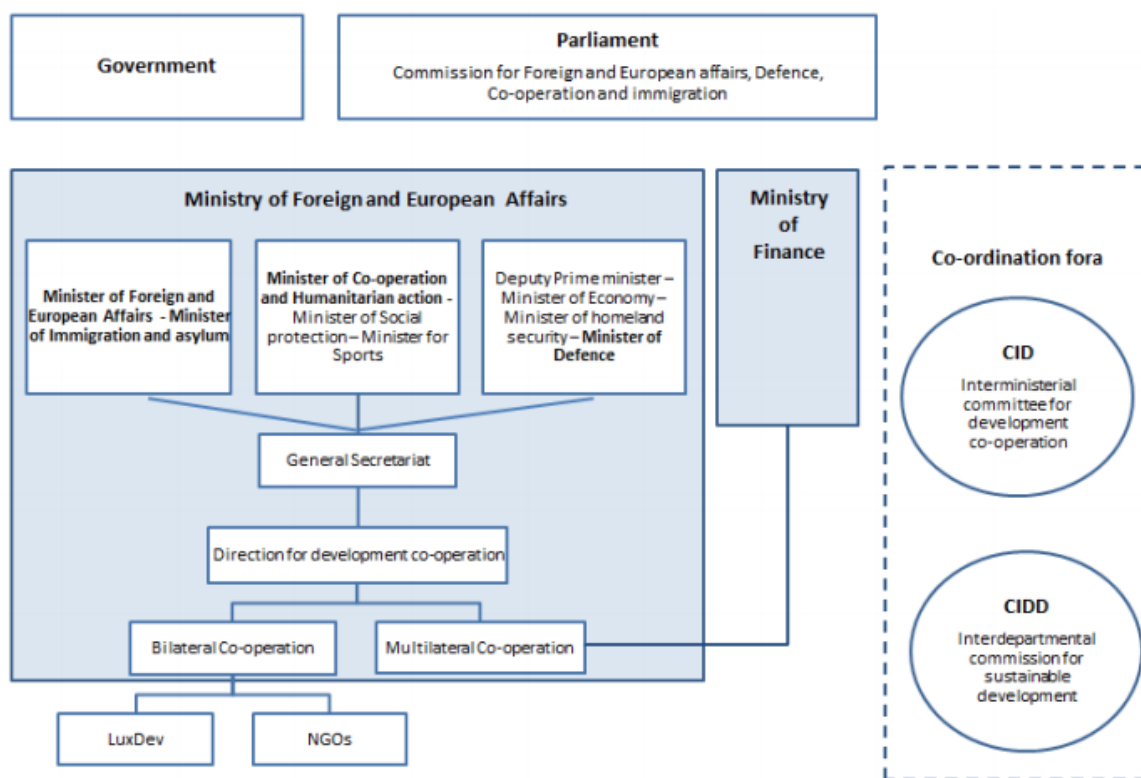
Luxembourg also has a [Humanitarian Action Strategy \(2013\)](#), which is a stand-alone and more elaborate document on humanitarian aid, which it plans to update in 2019.

Complementary sectoral and cross-cutting strategies which further describe Luxembourg’s vision are currently being updated to reflect the priorities of Luxembourg’s General Development Cooperation Strategy.²

iii. Overall institutional setting

Luxembourg’s development cooperation system is based around an architecture, comprising the Ministry of Foreign and European Affairs (MFEA), the executive agency Lux-Development (LuxDev), and the Ministry of Finance, with a clear division of responsibilities among them.

Figure 0.2 The Luxembourg co-operation system



Source: Figure based on data provided to the examining team

3

² OECD DAC Peer Review 2017

³ Ministerial portfolios have changed with the new government taking office in 2018: (i) idem ; (ii) Minister for Development Cooperation and Humanitarian Affairs - Minister for Consumer Protection; (iii) Minister of Defence - Minister for Mobility and Public Works - Minister for Internal Security.

iv. Key figures for country ODA (really synthetic)

- **total annual volumes 2015 to 2018**

	2015	2016	2017	2018 ⁴
Million € (% of GNI) ⁵	327 (0.95%)	354 (1%)	377 (1%)	401 (0.98%)

Luxembourg does not report international climate finance and in-donor refugee costs as ODA.

- **share multilateral/bilateral (share to EU and other multilaterals)**

In 2018, **72% of ODA was provided bilaterally**. Luxembourg allocated **28%** of total ODA as **core contributions to multilateral organisations**. In addition, it channelled **24,3%** of its bilateral ODA for specific projects implemented by multilateral organisations (**multi-bi/non-core contributions**).⁶

UN agencies: 37%; EU: 31%; World Bank Group and IMF: 16%; Regional development banks: 8%; Other multilaterals: 8%

- **share channelled through MFEA and through other entities (e.g. line ministries, agencies) - if available, figures on share of aid per type of beneficiary (e.g. NGOs, public administrations...)**

The Ministry of Foreign and European Affairs/Directorate for Development Cooperation and Humanitarian Affairs managed 83% of Luxembourg ODA in 2018; the Ministry of Finance 10%. The remainder corresponds to contributions to the EU budget and international organisations.

In 2018, LuxDev executed around 36% of Luxembourg's bilateral ODA on behalf of the state.

In 2018, 27% of bilateral ODA was channelled to and through civil society organisations (CSOs).⁷

- **main partner countries (top 10 recipient countries)**

Luxembourg aims to concentrate its efforts geographically in order to achieve greater impact and efficiency.⁸ The amended Development Cooperation Act (1996) requires it to focus on least developed countries (LDCs) and fragile contexts⁹, while the [2018 strategy](#) states that the priority partner countries are identified among those with the greatest needs, particularly **LDCs in Western Africa and the Sahel region**. Bilateral ODA was primarily focused on **sub-Saharan Africa** (42.8% in 2018).¹⁰

Luxembourg maintains privileged relations with **seven priority partner countries**. These strategic partnerships are rooted in general cooperation agreements and multi-annual "Indicative Country Programmes" (ICPs). Besides Laos in South-East Asia and Nicaragua in Central America, five of these countries are located in Western Africa: Burkina Faso, Cabo Verde, Mali, Niger and Senegal. Beyond its seven priority partner countries, Luxembourg also directly intervenes, through LuxDev, in a number of other partner countries, where interventions are primarily project-driven: El Salvador, Kosovo, Mongolia, Myanmar and Vietnam.

⁴ The 2018 figure was provided by the MFEA.

⁵ European Commission, Investing in Sustainable Development, The EU at the forefront in implementing the Addis Ababa Action Agenda, Staff Working Document, April 2018 <https://ec.europa.eu/europeaid/sites/devco/files/report-investing-sustainable-dev-20180423-2_en.pdf>

⁶ Information provided by the MFEA.

⁷ OECD Development Cooperation Report 2018.

⁸ This was a recommendation from the OECD, because of Luxembourg's modest ODA budget (in relative terms).

⁹ OECD Development Cooperation Report 2018.

¹⁰ OECD Development Cooperation Report 2018.

In 2018, 53% of bilateral ODA went to Luxembourg's top 10 recipients (of which the seven priority partner countries): Niger, Laos, Mali, Burkina Faso, Senegal, Cabo Verde, Nicaragua, West Bank and Gaza Strip, Kosovo and Myanmar.

- **sectoral distribution of aid**

Luxembourg's cooperation targets a limited number of sectors in its priority countries.

The [2018 strategy](#) defines four thematic priorities:

- Improving access to quality basic social services
- Enhancing socio-economic integration of women and youth
- Promoting inclusive and sustainable growth
- Strengthening inclusive governance

In 2018, 42% of bilateral ODA was allocated to social infrastructure and services, with a strong focus on education, health, and government and civil society and 14.5 % (2016) to promote aid for trade and to improve developing countries' trade performance and integration into the world economy. Humanitarian aid amounted to € 52.5 million (2018).¹¹

In addition, Luxembourg's development cooperation cross-cutting priorities are: human rights, gender equality and environmental sustainability.

v. **EU joint action**

The [2018 strategy](#) states that “[i]n partner countries where Luxembourg's development cooperation is present on the ground, it will take on a thematic or sectoral leadership where possible and actively support EU and member countries joint programming and implementation efforts. This includes the implementation of delegated cooperation agreements.”

The 2017 OECD DAC Peer Review noted that “by strengthening its embassies, opening new branches in Niger and Mali, and delegating authority to LuxDev's regional offices, Luxembourg has increased its legitimacy and ability to engage actively in both EU and local coordination mechanisms – including with a leading role” and that “[i]n its priority countries, Luxembourg aligns its programming cycles to the European Union's joint programming exercises. It also participates in delegated co-operation and joint projects and programmes”.¹²

For example, in **Senegal**, Luxembourg was the leader of the healthcare sector of the **EU joint programming initiative**. In addition, within the Senegal-Luxembourg ICP III (2012-2017), Luxembourg adopted a division of labour approach, whereby Belgium and Luxembourg switched sectors (Belgium took over Luxembourg's WASH activities and Luxembourg, Belgium's activities on education and vocational training) based on complementarities and what they do best. It is also trying to kick-start the process in Burkina Faso.

In terms of **joint implementation**, it is reportedly rarely fully integrated implementation (in terms of joint planning and budgeting), but rather ‘parallel implementation’ (e.g. in Niger). In some partner countries, Luxembourg leads in one sector, for instance WASH or education and vocational training, and tries to federate partners and the ministries around national and sectoral priorities.

2. Operational structures for aid implementation/management

¹¹ The rest was allocated to production sectors, multisector aid, programme assistance, and other and unspecified.

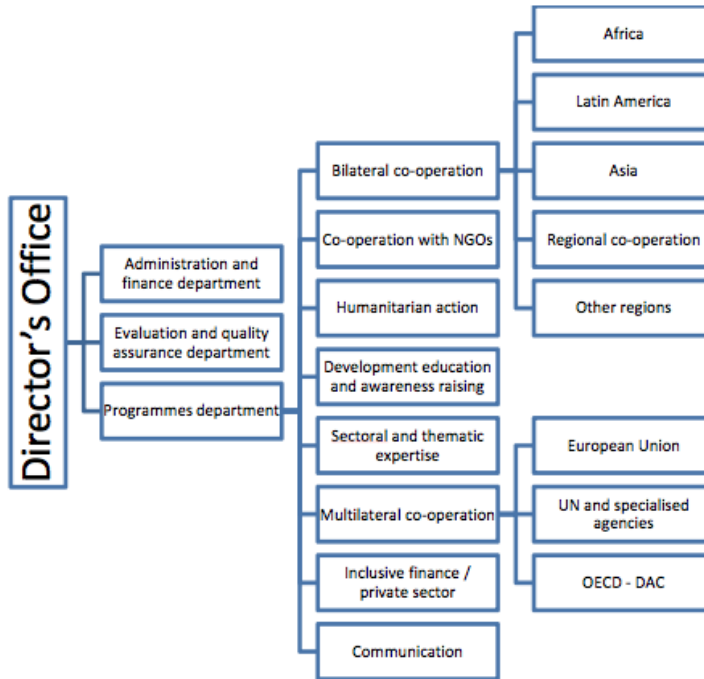
¹² OECD DAC Peer Review 2017.

i. Ministries

The **Ministry of Foreign and European Affairs’ Directorate for Development Cooperation (DCD)** is responsible for designing and implementing Luxembourg’s development cooperation policy. About 30 people work in this Directorate.

- **management structure and responsibilities (specialised units, etc.)**

Figure D.1 Organisation of the Directorate for Development Cooperation of the Ministry of Foreign and European Affairs



Source: www.annuaire.public.lu/index.php?idMin=2975.

- **staff and resources at field level?**

Total MFEA staff at field level: 37 (13 expatriates and 24 locally recruited staff)

- **country presence (through Embassies)**

Luxembourg has embassies in most of its priority countries (Burkina Faso, Cabo Verde, Laos, Nicaragua, Senegal) and an office of the embassy in Mali and Niger. LuxDev most of the time is colocated with embassies.

- **type of instruments/tools and means of implementation**

Luxembourg’s ODA is 100% grants-based and nearly 100% untied.

- In 2018, 56% of Luxembourg ODA was channeled through a **development cooperation fund**, which is financed annually by the state budget but is able to commit and disburse money over multiple years.
- **Core, thematic and project/programme based contributions** to multilateral organisations, including MDBs and international NGOs/CSOs.
- **Co-financing and strategic partnership/framework agreements** with Luxembourg based NGOs and civil society.

The **Inter-ministerial committee for development cooperation** coordinates the overall thrust of development cooperation policy and has a major role on policy coherence for development, although it only has an advisory role. It is chaired by the MFEA (Directorate for Development cooperation) and all ministries are represented.

The **Inter-Departmental Commission for Sustainable Development** (ICSD) ensures intergovernmental coordination. In order to better integrate national and international approaches to the implementation of the 2030 Agenda, the Director of Cooperation Development is now Vice-Chair of the ICSD, and **close ties have been forged between the ICSD and the Inter-Ministerial Committee for Development Cooperation**. The role of this commission is to prepare, facilitate the implementation of and oversee the monitoring of the national sustainable development plan. It is chaired by the Ministry of the Environment, Climate and Sustainable Development. The MFEA is a co-chair.¹³

ii. **Main development agency: LuxDev**

LuxDev is Luxembourg's main implementing agency for any type of bilateral cooperation of the Luxembourg government, in particular MFEA/DCD.

- **legal institutive act or applicable regulation**

The Luxembourg state and LuxDev had a general agreement from 2008 and a memorandum of understanding that they revised in 2017, taking into account the new development landscape (e.g. discussions around aid effectiveness, new commitments at international level), in particular as regards the role and responsibilities of a cooperation agency. As part of the changes, the agency is now more fully integrated in the various stages of identification and drafting of the geographical, sectoral, topic and financial strategies specific to Luxembourg Cooperation.¹⁴ The agency formally operates under the development cooperation policy framework established by the MFEA's Directorate for Development Cooperation.

- **date of creation:**1978

- **legal status/type of organisation**

LuxDev is a privately registered company – but the Luxembourg state is the sole shareholder.

- **Mandate**

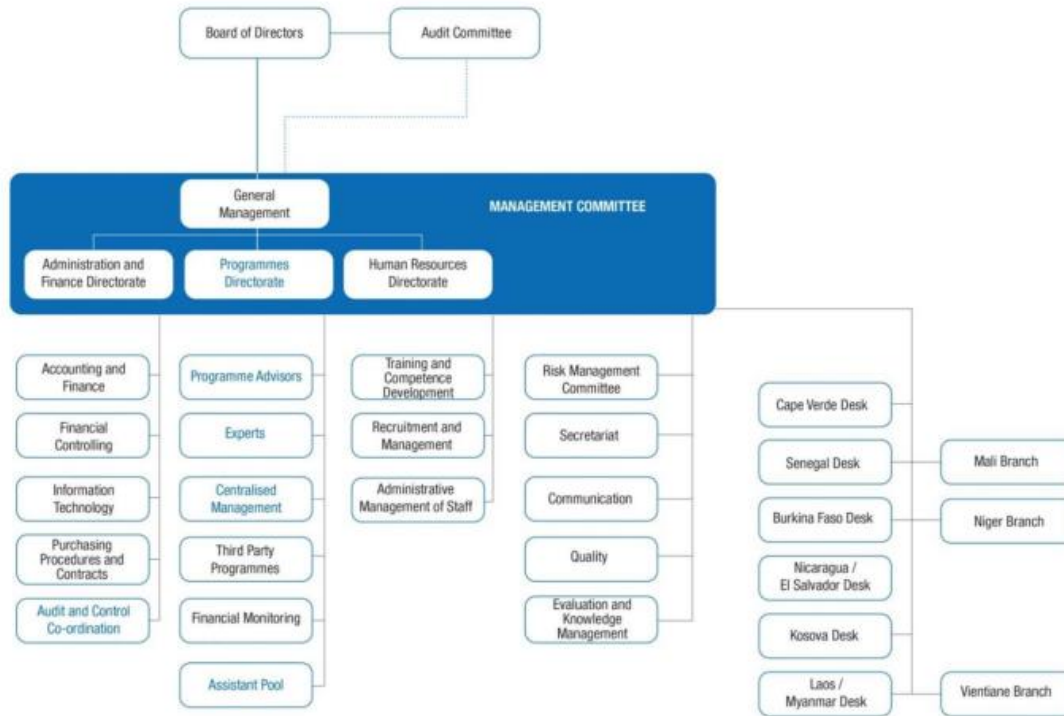
LuxDev is the operational pillar of Luxembourg's bilateral development cooperation. Its mission is to actively participate in the implementation of the development cooperation policy of the Luxembourg government. It also executes for third party donors.

¹³ OECD DAC Peer Review 2017

¹⁴ LuxDev Annual Report 2017: https://luxdev.lu/files/documents/RAPANN_2017_UK_vF_light2.pdf

- **organisational setting**

Figure D.2 LuxDev organigram



Source: LuxDev(2016), *Optimus 2016 - Optimisation de l'Organisation structurelle de LuxDev*, LuxDev.

- **governance and type of relations with supervisory Ministry**

LuxDev's board of directors counts several members of the Ministry of Finance, including the Board's president, the MFEA/Directorate for Development Cooperation (Vice-presidency) and the Ministry of Economy, but also trade unions and chamber of commerce representatives, as well as a representative from the federation of development NGOs.

- **staff and resources (division HQ/field?)**

HQ: 53

Field: 50

Project staff: 503

Total staff: 606

- **field presence**

In Africa as in Europe, LuxDev has a Country Office in each of the countries in which it operates (Burkina Faso, Cabo Verde, Kosovo, Mali, Niger and Senegal). In Asia and Central America, there are regional offices that oversee the activities of several countries (Vientiane for Laos, Myanmar and Vietnam; Managua for El Salvador and Nicaragua).

- **sectoral and geographical priorities**

LuxDev works in **12 countries** on four continents. Most of its activity is concentrated on the seven official partner countries of the Luxembourg Cooperation, as defined by the Government, but it also works with other countries in Europe (Kosovo), Latin America (El Salvador) and Asia (Vietnam, Myanmar and Mongolia).

Priority sectors:

- Local Development (Agriculture & Food Security; Decentralisation & Local Governance; Natural Resources Management; Water & Sanitation)
- Education - Vocational Training & Access to Employment (Basic Education & Literacy; Vocational Training & Access to Employment)
- Health
- Microfinance and Finance
- Renewable Energies

- **sources of funding**

LuxDev's funding comes from the Luxembourg government and third-party donors.

- **volume of operations**

In 2018, LuxDev's annual budget of operation amounted to €112.6 million (€ 93.4 million from Luxembourg MFEA + € 1 million from Luxembourg's Climate & Energy Fund + € 18.2 million mobilized through third-party donors).

By Sector:

- Local Development: € 52.48 million (47%)
- Education-Vocational Training & Access to Employment: €44.41 million (39%)
- Health: € 10.15 million (9%)
- Microfinance & finance: € 1.06 million (1%)
- Renewable Energies: € 1.07 million (1%)
- Other: € 3.55 million (3%)

By Country:

Africa 62%

Burkina Faso: 8.67%

Cabo Verde: 5.26%

El Salvador: 0.24%

Kosovo: 2.21%

Laos: 15.03%

Mali: 15.34%

Mongolia: 0.41%

Myanmar: 2.09%

Nicaragua: 6.95%

Niger: 27.86%

Senegal: 10.60%

Vietnam: 3.63%

Other countries: 1.73%

- **type of instruments/tools and means of implementation (e.g. grants, loans, guarantees, technical assistance, twinning or TAIEX, scholarships...) - figures for each**

LuxDev's main types of financing instruments and delivery modes:

- Direct implementation
- Operational partnership agreements (i.e. with NGOs, implementing partners)
- Financing agreements

- Joint/pooled funding arrangements
- Budgeted aid (national execution, using national/country budget system and procedures)
- Delegated cooperation: 16% of overall volume of operations in 2018 (e.g. with SDC in Mali, DANIDA in Niger and AFD in Senegal on training/education and the private sector – in Senegal and Mali, delegated cooperation takes place in the framework of the EU Emergency Trust Fund for Africa)

iii. Other important entity: the Development Cooperation Fund

- **legal institutive act or applicable regulation**

The Development Cooperation Fund was established by the [1996 law on development cooperation](#).

- **date of creation:** 1996

- **legal status/type of organisation**

It is a fund under the authority of the MFEA.

- **mandate**

The fund is the main financing instrument through which ODA is channelled (in 2018, 56% of Luxembourg ODA was channelled through it). It thus contributes to financing development cooperation through bilateral cooperation, regional cooperation, cooperation with international organisations and cooperation with NGOs.

- **sectoral priorities**

- Social sector (health, education, vocational training...)
- Agriculture and food security
- WASH
- Economic, financial, industrial cooperation
- Environmental cooperation
- Cultural and scientific cooperation
- Development education and awareness-raising.

- **sources of funding**

It is financed annually by the state budget but is able to commit and disburse money over multiple years.

- **volume of operations (figures by sector if available and/or geographically)**

€ 226 million in 2018

- **type of instruments/tools and means of implementation (e.g. grants, loans, guarantees, technical assistance, twinning or TA/EX, scholarships...) - figures for each**

- Capacity-building programmes and technical assistance implemented/provided by LuxDev, multilateral agencies and NGOs. Luxembourg ODA is delivered on a 100% non-reimbursable grant's basis.

Distribution by instrument:

- Programmes/projects implemented by LuxDev: 105.557.400,81 € (46.75%)¹⁵
- Programmes/projets implemented by multilateral agencies : 38.148.191,54 € (16.89%)
- Other bilateral programmes/projects : 33.188.827,90 € (14.70%)
- Partnerships with NGOs (framework agreements, co-financing) : 41.500.225,20 € (18.38%)
- Programme support : 1.370.335,12 € (0.61%)

¹⁵ including LuxDev's operational costs.

- Humanitarian aid : 4.888.412,03 € (2,16%)

iv. Other relevant actors (briefly mention their role and importance)

1. Line ministries

The **Ministry of Finance** is responsible for multilateral initiatives with international and multilateral financial institutions (IMF, World Bank, Regional development banks).

The **Ministry of the Environment, Climate and Sustainable Development** (main ministry responsible for climate related finance such as through the Energy & Climate Fund, Environment Fund, etc.) finances environment and climate related projects and programmes which are however not accounted for as ODA.

2. NGOs

Other implementing partners include Luxembourg based NGOs and associations. An important actor is the [Circle of Cooperation of Development NGOs](#).

According to the 1996 modified Development Cooperation Act, the MFEA can provide subsidies in the form of co-financing to NGOs for development cooperation or projects they implement in developing countries. Contractual relations between the MFEA and NGOs (co-financing projects, framework agreements) are governed by the [2018 general conditions](#).

3. Private sector

The Luxembourg MFEA also increasingly works with the private sector in the field of development cooperation. For instance, the Business Partnership Facility, launched in 2016 by the MFEA in close collaboration with the Luxembourg Chamber of Commerce, encourages Luxembourg-based and European private firms to implement sustainable business projects in developing countries with a particular focus on Luxembourg's partner countries. Focusing on sectors in which Luxembourg holds a distinctive added value/comparative advantage (such as ICT, financial technologies, logistics and eco-innovation/circular economy), the BPF supports private sector initiatives that specifically contribute to development and job creation in developing countries and technology and knowledge transfers.¹⁶

3. Contact details of the focal point

Nicolas PIERRE; Luxembourg Ministry of Foreign and European Affairs/Directorate for Development Cooperation and Humanitarian Affairs <nicolas.pierre@mae.etat.lu> ; Tel.: +352.247-72395.

¹⁶ [2018 General Development Cooperation Strategy](#)