



about... development cooperation

Since Luxembourg joined the Development Assistance Committee (DAC) of OECD in 1992, the Grand Duchy's development cooperation policy has undergone substantial changes, both in terms of the funds made available and its organisational and qualitative aspects. In 2002, Luxembourg devoted 0,78% of its Gross National Income (GNI) to supporting disadvantaged countries, which put it in fourth place worldwide among the most heavily committed countries in this field.

At the time of the review of Luxembourg's development cooperation policies and programmes, the DAC welcomed the recurring theme of the fight against poverty which characterises them. Over half of the Grand Duchy's 10 target countries are among the least advanced in the world, and 69,44% of Luxembourg's contributions of public development aid are devoted to financing infrastructures and social services, including education, basic health care, water supplies and sanitation. The DAC also observed that measures had been taken to help improve the quality of Luxembourg's aid, including the



setting up of long-term cooperation programmes with target countries, secondment of Luxembourg officials in the field, strengthening of cooperation between non-governmental organisations and the setting up of a monitoring and evaluation system.

Policy directions

Entitled “A policy of solidarity with those most in need”, the coalition agreement entered into by the government resulting from the 1999 elections adopted the following policy guidelines for its development cooperation policy.

“It is imperative that we help reduce the dangerous divide which has been widening continuously between industrialised countries and developing countries, particularly due to globalisation. As the main instrument of Luxembourg's foreign policy, development cooperation should enable our country to raise its profile on the international stage.

With regard to public development aid, the government will reach the objective of 0.7% in terms of GDP in 2000, and will then increase that aid with a view to nearing 1% at the end of the new legislature.

“... if all the rich countries in OECD were to live up to their responsibilities by devoting 0.7% of their Gross National Income to public development assistance, poverty could be eradicated by 2015”

Extract from the statement on development Cooperation and Humanitarian Action to, policy by Mr Charles Goerens, Minister for Cooperation and Humanitarian Action, to the Chamber of Deputies on 12 February 2003

The fight against poverty and support for sustainable development constitute the major objectives of the development cooperation policy. This will be carried on in a spirit of partnership and participatory development. It will focus its action on the social sectors, particularly education and health, and for the benefit of a limited number of target countries which are among the poorest on the planet. The government will pay particular attention to women and their key role in the society of developing countries.

A policy of evaluation of cooperation will have to be developed and the policy of cooperation will be given the necessary qualified personnel. In the target countries, starting with West Africa, a regional presence needs to be provided in order to reinforce the effectiveness and visibility of our action.

Development cooperation policy will be based on respect for democratic principles, human rights, the constitutional state, and good governance, ensuring the coherence of policies, particularly at European level.



The construction of a nursery school on the Isle São Nicolau (Cape Verde) was financed in part through Luxembourg cooperation

**La Coopération au Développement.
Elle irrigue la terre d'Aïchatou.
Et apporte de l'eau au moulin de l'espoir.**



Niger: Projet MCG 811 - Écoles et Santé I et II dans la région de Dosso

Au Niger, comme dans beaucoup d'autres pays-cible, presque tout reste à faire. En étroite collaboration avec les Gouvernements de ces pays, la Coopération met en place des programmes combinant plusieurs piliers essentiels du développement: la construction d'écoles, la réalisation de puits, l'approvisionnement en eau potable et la mise en route de programmes d'hygiène et de santé.

La Coopération. Grâce à vous, ça bouge!



LE GOUVERNEMENT
du Grand-Duché de Luxembourg

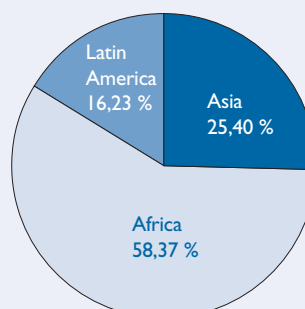
MINISTÈRE DES AFFAIRES ÉTRANGÈRES - DIRECTION DE LA COOPÉRATION AU DÉVELOPPEMENT
www.mae.lu - information@mae.etat.lu

In Niger, as in a great many target countries, almost everything is still to be done. In close collaboration with the governments of those countries, Luxembourg cooperation puts programmes in place which combine several vital aspects of development: constructing schools, drilling wells, supplying drinking water and implementing hygiene and health programmes

The government will place particular emphasis on cooperation with non-governmental organisations by pursuing continuing dialogue and a system for co-financing their projects. At the same time, it will offer them the means to enable them to improve their operation and the quality of their action.

Promoting a development education policy and increasing the awareness of public opinion, particularly among young people, is most important."

Disbursements per continent in 2002



Political and administrative structures

Political responsibility for development cooperation lies with the Minister for Cooperation and Humanitarian Action, within the Ministry of Foreign Affairs, Foreign Trade, Cooperation and Defence.

In 1998, the Ministry of Foreign Affairs set up the "Development Cooperation Directorate". Until then, development cooperation services had been part of a much broader directorate, responsible for "International Economic Relations". Today, this new Directorate comprises the units "Bilateral Cooperation", "Multilateral Cooperation", "Cooperation with NGOs", "Humanitarian Action", "Technical Assistance", "Audits and Evaluations", "Budget" and "Administrative Services".

Lux-Development

Within the context of its bilateral cooperation (when Luxembourg grants direct aid to a programme managed in partnership by the Grand Duchy and the authorities in the developing country), the ministry acts in close cooperation with Lux-Development, its executive agency which takes the form of a public limited company in which the Luxembourg State is the main shareholder.

The Ministry of Foreign Affairs defines its policy, the general principles and financial programming. Furthermore, the ministry identifies programmes and projects based on proposals submitted by the government of the partner country. Lux-Development is then responsible for formulating and executing these programmes and projects based on the instructions provided by the ministry. Relations between the ministry and Lux-Development are governed by a Convention signed in December 1998.

Lux-Development, which was managing around one hundred projects at the start of 2003, has a permanent team in Luxembourg of some fifty people, and a hundred national and international experts and consultants working in the field. The agency has already opened several regional offices in order to strengthen coordination of its action in the target country of Luxembourg cooperation.

However, it should be pointed out that while the ministry entrusts the majority of its programmes and projects to Lux-Development, it is committed to examining new arrangements, thus enabling the partner country to be even more closely involved in execution.

In Burkina Faso, the literacy rate is only 22%. Following its aim to combat poverty, Luxembourg development cooperation launched several literacy projects in the villages of the High Basin Region



Inter-ministerial Committee for Development Cooperation

The Ministry of Foreign Affairs is also assisted by an “Inter-Ministerial Committee for Development Cooperation”, consisting of representatives of various ministries. This committee performs an essentially consultative function, and issues opinions on the main lines of development policy and particularly on matters relating to technical assistance. More recently, the committee started to examine issues connected with the coherence of policies, in particular on the subject of the Common Agricultural Policy (CAP).

Volume of Luxembourg public aid

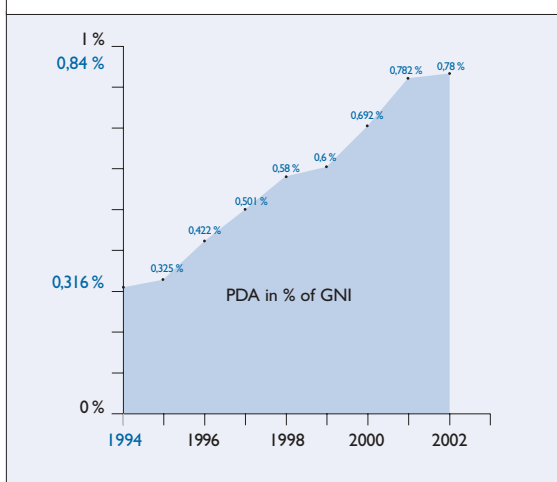
Since the end of the 1980s, Luxembourg public development aid (PDA) has increased regularly and substantially. The year 2000 marked a new stage in this trend. That was the year when, in accordance with the commitments given at the Earth Summit in 1972, Luxembourg reached and even exceeded 0.7% of its GNI devoted to public development aid.

In 2002, Luxembourg reached fourth place worldwide among the countries with the greatest commitment in this field, with 0,78% of GNI. Behind Denmark (0.96%), Norway (0.89%) and the Netherlands (0.82%), Luxembourg ranked higher than Sweden (0.74%) as well as all the other OECD countries belonging to the Development Assistance Committee (DAC). This major change corresponds to the government's target of Public Development Aid reaching 1% of GNI by 2005.

All the political parties supported this policy of solidarity. Reaching this target was probably facilitated by the strong economic growth experienced by Luxembourg over many years, even though there has been an economic slowdown more recently. Nevertheless, Luxembourg is noted for a rather pronounced “social culture”, as demonstrated by the relatively low levels of poverty and inequality in the country.



Evolution of Luxembourg Public Development Aid





Cooperation Target Programmes

To give Luxembourg development cooperation a more strategic dimension, with a sharper long-term focus, Luxembourg decided to switch from a project approach to a programme approach.

To this end, Cooperation Target Programmes (*Programmes indicatifs de coopération*) have been devised and signed with four target countries (Cape Verde, Senegal, Vietnam and El Salvador) since the beginning of 2002. In the medium term, these documents of a political nature should also be signed with Laos.

Cooperation Target Programmes last for 4 to 5 years in principle, and are designed as an instrument for steering development cooperation. The government of the partner country is invited to submit its national development strategy as well as national policies for the priority sectors chosen. The CTP guarantees greater transparency and predictability in Luxembourg development cooperation activities, and gives them a strategic nature. Its aim is also to improve and facilitate the management of the cooperation.

The explicitly recognised objective is to reduce poverty. The CTP identifies the priority sectors for cooperation. Usually this concerns social sectors such as education and the training of human resources, health, water and integrated rural development.

The CTP opens up an area of political dialogue relating to issues of mutual importance. Within this context, the two parties undertake to promote the respect of democratic principles, human rights, the constitutional state, good governance and the fight against poverty. Other issues such as regional integration, globalisation, social cohesion and the reduction of inequalities may also be raised. Through the CTP, the two governments are committed to taking account of gender, environment, good governance and transfer of know-how.

With the signature of the CTP, Luxembourg also institutionalised its development cooperation relations with its partners, by setting up a partnership commission with each of them. These Commissions enable the respective ministers in charge of cooperation from each country to meet each year, review their development cooperation relations and give the necessary impetus for future activities.

The opening of the cooperation mission in Dakar (Senegal) in January 2001, with regional powers and responsibilities for Senegal, Mali and Burkina Faso, initiated a major movement to bring Luxembourg's development cooperation closer to work in the field, in order to reinforce its effectiveness and visibility. The ministry has expressed the wish to continue this trend towards greater decentralisation in years to come.

The same year, a cooperation coordination office was opened in Praia (Cape Verde). A similar office had been opened in Pristina in Kosovo in 1999. The organisation of a regional presence in Vietnam and in Central America should soon come to a successful conclusion.

It should also be pointed out that development cooperation policy alone cannot solve the problems of poverty and development. The coherence of policies is a fundamental aspect of Luxembourg development cooperation policy. It is a necessary condition to ensure progress in North-South relations and to provide a social and human dimension to globalisation.



The agricultural issue

In 2001 and 2002, Luxembourg organised several workshops, seminars and special days devoted to the agricultural issue in cooperation with consultants from the FAO, thus showing their special interest in this issue.

The analyses presented on these occasions showed that the operation of the world agricultural economy, which concerns 1.2 billion people, or half the active population of the planet, has led to an explosion of the productivity gap between farmers in the North and South. This situation inevitably led to a fall in prices and thereby a continuous impoverishment of the rural populations of the South.

The effects of the Common Agricultural Policy (CAP) were analysed within the same context. Without wishing to underestimate the complexity of the issues, the question arises as to whether it would make more sense to advocate the creation of regional agricultural markets in the South, grouping together agricultural producers with comparable productivity, enabling them to obtain fairer prices and protection from the competition of the North.

This will be the price of maintaining and developing subsistence farming capable of feeding these populations.

Therefore, Luxembourg is supporting the efforts of peasant organisations in West Africa, aiming to strengthen their organisational capacity, and cooperate with their governments in setting up a common agricultural policy at the level of the West African Economic and Monetary Union.

This process and quest are also justified by the major objective of Luxembourg's development cooperation policy: the fight against poverty. The majority of the population of most developing countries - and particularly the target countries - is a rural population. It is in this population that we find the poorest people. In Niger, for example, 85% of the population live in rural areas.

The regional integration of developing countries, which is also recommended by the Convention of Cotonou, will certainly have beneficial effects on their opportunities to develop trading and economic relations between themselves, and to increase their access to world markets. This appears very important, particularly for the least advanced countries (LACs). They have experienced population growth rates over the last decade that are 2 to 3 times higher than those of the economy. These countries are becoming increasingly poorer. The inability to get the economies of these countries off the ground poses a constant challenge for development cooperation policies.



Bilateral cooperation

This term designates projects generally referred to as “government to government”. It therefore concerns the aid that Luxembourg grants directly to a programme managed in partnership between Luxembourg and the authorities of the developing country.

Target countries

To reinforce the effectiveness of its policy and make it easier to manage, the ministry focuses most of its action on 10 target countries. Some 57% of the funds committed to bilateral cooperation are invested in these 10 countries. The remaining 43% are spread among fewer than 20 other countries.

In 2003, the 10 target countries were in:

- › Asia (Vietnam and Laos);
- › Central America (Nicaragua and El Salvador);
- › Africa (Niger, Namibia, Cape Verde Islands, Senegal, Mali and Burkina Faso).

The Palestinian occupied territories benefit from the same advantages as those prevailing in the target countries.

The choice of target countries is essentially based on the political decision by the government to make the fight against poverty the key to its development cooperation policy. While poverty is widespread in all these countries, the Luxembourg government is aware of the inequalities that exist within the society of these countries. Luxembourg's cooperation authorities took care to select, as far as possible, the poorest and most disadvantaged regions of those countries for its programmes and projects.

The basic criterion for this choice is the UN's human development index, established on the basis of a number of criteria, three of which are essentials in human development, i.e. longevity, education and living conditions, refined by two other indicators: the gender development index and the human poverty index. All

the target countries of the Luxembourg cooperation are in the second half of the rankings of the human development index and five of them are among the least advanced.

Other countries such as Tunisia, Mauritius and Ecuador have become, over the years, “countries with a transitional regime”. There, Luxembourg's development cooperation was reduced over time, in view of the performance recorded in the human development indicators of the country.

Luxembourg's bilateral cooperation is not limited, however, to the target countries and countries with a transitional regime. To a lesser extent it also supports specific programmes in what are referred to as “project countries”. For this type of cooperation, Luxembourg concentrates its action on a limited number of projects with traditional partners such as Rwanda, Burundi, Morocco, and with more recent partners, including South Africa, India, Chile or China.

Since 1999, Luxembourg has been working in a new geographical area: the western Balkans, and particularly the State of Serbia-Montenegro (including Kosovo) and Albania. The objective of this intervention is to make a bilateral contribution to the efforts of the international community, which aims to create greater stability in this part of Europe.

This cooperation took account of the specific situation of this region, which has been marked in particular by a difficult transition to a market economy and a high level of unemployment. Particular emphasis is being placed on job creation, restructuring the economy, development of agriculture and microfinance.



In Sokurani (Burkina Faso) villagers have been given training courses in fish farming presented in the local language, Dioula

Priority sectors

Luxembourg is concentrating its development cooperation activities on the main social sectors of education and the training of human resources, health, water and integrated development.

In 2002, 19.21% of cooperation was reserved for education, 29.50% for health and 9.64% for water; 10.18% went to the production sectors of agriculture, forestry, fishing, trade and tourism; 1.63% went to environmental conservation.

In **education**, Luxembourg tends to align its action in two directions: technical training and vocational training, including the infrastructure, equipment and training of teaching staff.

In the field of **health**, the Grand Duchy attaches particular importance to the dimension of sustainability. Its intervention combines the aspects of infrastructure, equipment and education of nursing staff by setting up workshops and maintenance policies and methods. A new form of intervention, developed in Rwanda, aims at introducing therapeutic treatment via the supply of anti-retroviral drugs by setting up twinning between hospitals in Luxembourg and Rwanda for the purpose of transfer of know-how. This action is carried out as part of the "ESTHER" initiative which involves four other European countries. In addition, there is close

cooperation with WHO, UNAIDS and the World Fund to combat AIDS, tuberculosis and malaria.

Projects to provide **safe drinking water** have been implemented in El Salvador, Nicaragua, Senegal, Mali, Morocco and the Cape Verde Islands. Other actions, which may or may not be combined with the former, relate to sanitation. These interventions, carried out in cooperation with the relevant authorities, often include awareness and reforestation campaigns.

Integrated rural development also plays a key role in several target countries. This is a multidirectional approach covering the aspects of irrigation, agriculture, health and education.

As far as **gender** is concerned, the government supports projects that, by their nature, particularly benefit women. Cooperation carried out with UNFPA in several countries enables women to find out about progress in reproductive health.

The **environment** is another important sector, given that the projects in the field of water sanitation also have a direct impact on the environment.

Luxembourg is endeavouring to promote **good governance** by various means:

- › in all the new general agreements on development cooperation, the two governments undertake to respect democratic principles, human rights, the constitutional state and good governance;
- › these various subjects are also mentioned, in a specific way, within the context of the political dialogue foreseen by the Cooperation Target Programmes;
- › some projects have been implemented in this field, such as the aid management support project at Luxembourg's Ministry of Foreign Affairs.

The **private sector** in the countries of the South is encouraged particularly through craft projects in Niger and Burkina Faso, with special emphasis on training, organisation of management structures and

micro-finance. Development of hotel and tourism colleges support the development of tourism in Vietnam or Nicaragua.



ESTHER

The ESTHER initiative (*Ensemble pour une solidarité thérapeutique hospitalière en réseau contre le sida* – Network for Therapeutic Solidarity in Hospitals against AIDS) was launched officially in Rome on 9 April 2002 by Luxembourg, France, Spain and Italy. This acronym is the name of a completely new network of hospital solidarity between countries of the North and South.

The ESTHER initiative is a cooperation programme intended to fight against the AIDS epidemic, which is particularly deadly in African countries, and to facilitate access to treatment, particularly to tri therapies. The lack of drugs, inadequate staff training and dysfunctional health care structures are the main shortcomings of African countries. To remedy this situation, hospitals in industrialised countries will be twinned with those from developing countries to enable exchanges of know-how. They will also supply logistical support to the establishments concerned.

According to Mr Charles Goerens, Luxembourg's Minister of Cooperation and Humanitarian Action, this type of initiative is a prerequisite for the correct allocation of the resources that will be made available

for the fight against AIDS. It is via this therapeutic solidarity among networked hospitals that health care professionals in the North will help their colleagues in the South fight the disease that now affects 40 million people worldwide.

Hundreds of European hospitals have expressed their wish to take part in this initiative, including the *Centre hospitalier de Luxembourg* (CHL) and the *Centre hospitalier du Nord* (CHN) in Ettelbrück in the Grand Duchy. These hospitals have launched their activities in Africa. With the benefit of the experience acquired in implementing projects to fight AIDS in Rwanda, the Luxembourg Ministry of Foreign Affairs decided to focus on this country that is so seriously affected by this curse.

According to Charles Goerens, "Luxembourg is thus among the first to engage in a process aimed at putting into practice the principle according to which AIDS sufferers in developing countries also have the right to be treated, and also have the right to hope, just like sufferers who have the good fortune to live in the rich countries on our planet"

Statement on development cooperation policy to the Chamber of Deputies on 12 February 2003

Multilateral cooperation

Working with multilateral organisations remains an important component of Luxembourg's development cooperation. This type of cooperation is born out of the determination to benefit from the infrastructures and skills of large international organisations. It involves financing or co-financing a project that will be executed by an international agency. Generally, the ministry will choose programmes that are complementary to its bilateral cooperation.

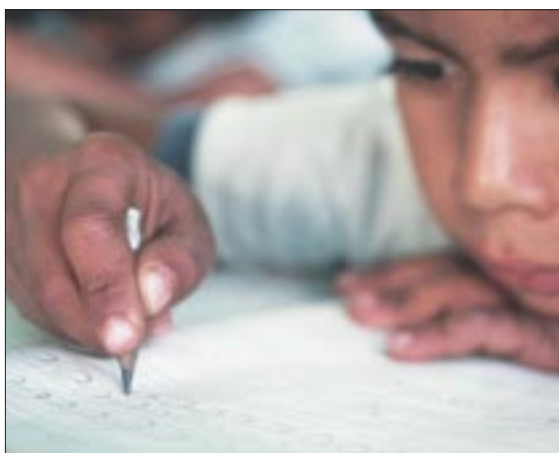
In this field, the main partners are, inter alia, the World Health Organisation (WHO), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNPF) and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).

Cooperation with non-governmental organisations

Luxembourg is engaged in cooperation with more than 77 non-governmental organisations.

The commitment of the permanent staff and volunteers of these NGOs, their direct contact with the populations concerned, the diversity of their actions and the relations they have with the South constitute a valuable and indeed vital contribution to Luxembourg's work to help the poor.

Relations with NGOs are the subject of consultations within the working group that meets at regular intervals with representatives of the Ministry of Foreign Affairs and the Circle of NGOs. This group enables discussions to be held on the various aspects of the government's development cooperation policy. The minister in charge of this cooperation also has the opportunity to meet once a year with the representatives of all the NGOs participating in their assembly.



An example of the cooperation between the ministry and the NGOs is the setting up of a Technical Assistance Office (*Bureau d'assistance technique - BAT*). The BAT's threefold mission is to:

- › organise and run collective theoretical training sessions and training/coaching sessions for the management of the project cycle, particularly the setting up and use of the logical framework. So, in 2000, training on managing the project cycle was provided to a hundred members of NGOs;
- › supply NGOs, upon request, with information on and explanations of the criteria, frameworks and administrative and financial procedures for submitting projects and framework agreements to the ministry;
- › set up a database of experts from the North and South.

Main international organisations engaged in development worldwide, of which Luxembourg is a member:

IAEA: International Atomic Energy Agency CDE: Centre pour le développement des entreprises ICRC: International Committee of the Red Cross INSTRAW: International Research and Training Institute for the Advancement of Women IOM: International Organisation for Migration WTO: World Trade Organisation WHO: World Health Organisation UNCTAD: United Nations Conference on Trade and Development UNCHS: United Nations Centre for Human Settlements (Habitat) FAO: United Nations Food and Agriculture Organisation UNFPA: United Nations Population Fund UNIDO: United Nations Industrial Development Organisation UNAIDS: Joint United Nations Programme on HIV/AIDS UNIDCP: United Nations International Drug Control Programme UNDP: United Nations Development Programme UNEP: United Nations Environment Programme	UNESCO: United Nations Educational, Scientific and Cultural Organization UNHCR: United Nations High Commission for Refugees UNICEF: United Nations Children's Fund UNIFEM: United Nations Development Fund for Women UNRWA: United Nations Relief and Works Agency for Palestine Refugees in the Near East
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Humanitarian aid

Humanitarian aid, which includes emergency aid and reconstruction aid, represents around 10% of Luxembourg's public development aid.

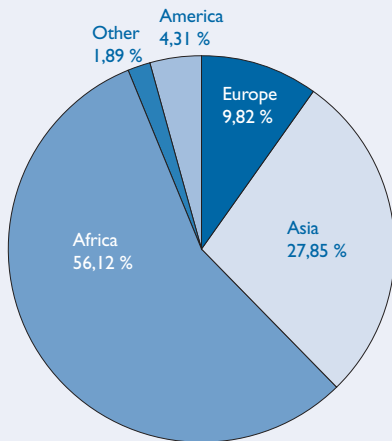
In 2002, Luxembourg focused its action on the Horn of Africa, Southern Africa, the Great Lakes region and West Africa (Sierra Leone, Liberia, Guinea and the Ivory Coast).

In 2001, exceptional funds were made available to Afghanistan. Luxembourg financed over seven million US dollars of programmes of emergency aid, rehabilitation, reconstruction, removal of antipersonnel mines

and protection of women and children. This programme includes, in particular, a vast UNFPA aid programme to help Afghan women and their children.

In 2001, Luxembourg also supported reconstruction programmes in El Salvador and India, following earthquakes. In San Agostin, El Salvador, the reconstruction of 500 houses has been completed.

Humanitarian aid per continent in 2002

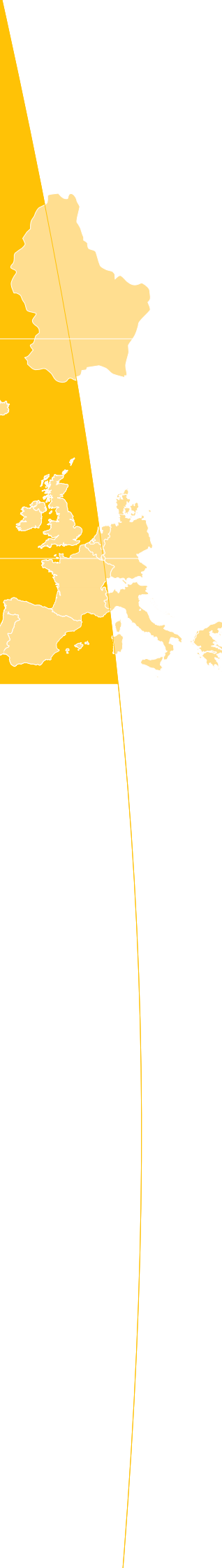


Luxembourg is also cooperating with UNWRA and various local and Luxembourg NGOs in the Middle East, in order to allay the suffering of the Palestinian people.

As soon as the armed conflict ended in Kosovo in 1999, Luxembourg was present on the ground, opening an office in Pristina. From this office, Luxembourg managed its humanitarian aid and organised the receipt and monitoring of Kosovar refugees returning to their country after a stay in Luxembourg. From the end of 2000, Luxembourg cooperation made a gradual transition from humanitarian aid to development cooperation.

Nicaragua, Estero Real: the construction of a drinking water supply network and the installation of two water processing and drainage systems after the passage of Hurricane Mitch in 1998 were feasible as a consequence of Luxembourg cooperation





The hotel college in Hué (Vietnam) enables young people to prepare for a career in an industry which will play a vital role in the future of the country: tourism



Public opinion

Luxembourg attaches great importance to increasing awareness and informing public opinion on issues of development cooperation.

At the beginning of 2002, the Ministry of Foreign Affairs decided to launch a perennial campaign to increase public awareness in the Grand Duchy, with the backing of the Chamber of Deputies. This campaign aims to:

- › inform public opinion about the development cooperation policy implemented by the government;
- › encourage acceptance of this policy;
- › foster greater knowledge and understanding of the realities of developing countries, and the relations between industrialised and developing countries;
- › encourage tolerance as well as a spirit of solidarity with regard to disadvantaged populations in developing countries.

This action complements a series of actions carried out on a regular basis, including press conferences; publication and wide dissemination of the annual report on development cooperation; presentation to the press of the UNDP report on human development and the UNFPA report on the development of the world population; participation in the Consolidated Appeal Process (CAP); organisation of cultural weeks on one or other of the target countries; participation in debates in schools, etc.

In 2000, a North-south Education Service (*Service d'Education Nord-Sud* known as SENS) was set up within the Circle of NGOs, under the authority of a steering committee with the financial support of the Ministry of Foreign Affairs. This service organises and runs development education activities of various kinds throughout the year with the involvement of many partners (Ministry of Education, National Youth Service, secondary schools, NGOs, etc.) in the Grand Duchy, including courses, workshops in secondary schools, education for teachers and members of NGOs, cooperation with Youth Centres in towns, and so on.

Finally, the ministry is also developing relations with Luxembourg local authorities, in a bid to encourage them to engage in development cooperation.

Evaluation and audit

Greater importance is now being attached by the cooperation in evaluating its activities. This is reflected by the establishment of an “evaluation and audit” unit within the ministry.

This strategy of evaluation will lead, first and foremost, to the assessment of results of projects and actions by external assessors, verifying whether and to

what extent the objectives have been met. It must also enable the lessons learned from the past to be incorporated into future actions. Carrying out this exercise in partnership with the government of the country concerned is another principle that governs this strategy. Operations to evaluate bilateral and multilateral projects as well as projects co-financed with NGOs are also carried out in growing numbers, and serve to optimise the aid granted by Luxembourg to poor countries.

Contribution of the Ministry of Finance to Development Assistance

Through its responsibility for international financial institutions, the Ministry of Finance has a complementary role in Luxembourg's development assistance strategy. The Bretton Woods organisations, i.e. the World Bank and the International Monetary Fund (IMF), are in fact among the most important sources of finance for developing countries. The Ministry of Finance, in collaboration with the Luxembourg Central Bank, is represented on the board of directors of these organizations and is thus able (within the limits of its relative capital share) to influence the policies of both institutions. Most of the assistance provided by Luxembourg is directed towards the “soft loan windows” of the World Bank and IMF, which are used to extend credits on preferential terms as well as grants for social projects and programmes in the poorest developing countries. In addition to the World Bank and the IMF, the Ministry of Finance also provides funding to the International Fund for Agricultural Development (IFAD), the Global Environment Facility (GEF), as well as for development projects in various countries of operation of the European Bank for Reconstruction and Development (EBRD). Since September 2003 Luxembourg is also a member of the Asian Development Bank (AsDB), focused on poverty reduction in the most heavily populated continent in the world.

In recent years the expenditures by the Ministry of Finance on official development assistance (ODA) have amounted to between EUR 8 million and EUR 10 million a year, which corresponds to approximately 6% of Luxembourg's total ODA budget. However of more importance than the scale of the expenditures are the specific areas targeted, which complement the development assistance provided by the Ministry of

Foreign Affairs. Thus, the Ministry of Finance focuses on:

- › Debt relief assistance for the poorest countries in order to free up domestic budgetary resources for priority programmes like education or health care (although Luxembourg itself is not a creditor country);
- › Improving the investment climate in developing countries so as to encourage domestic savings and check the flight of capital on the one hand, and to attract urgently needed foreign capital and know-how on the other;
- › Support for the banking sector to ensure the availability of finance to the real economy (mainly for small and medium-sized enterprises which form the backbone of a healthy economy; particular attention is also paid to microfinance in this regard);
- › Investment opportunities in the environmental area as offered to developing countries under the Kyoto Protocol: these mechanisms permit to tackle global environmental problems more cost-efficiently than through implementing exclusively national measures in the industrialized countries;
- › The use of modern communications and information technologies – ICT to promote the interests of developing countries (Internet portals for the procurement and exchange of knowledge and experiences, for enhancing democratic decision-making processes, etc.);
- › The financing of research, especially in the area of agriculture and with a three-pronged focus: securing adequate food supplies in the light of a continuing demographic explosion, preserving the genetic resources of plants, as well as promoting the use of biological pesticides that do not damage the environment.



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Useful Addresses

**Ministry of Foreign Affairs, Foreign Trade,
Cooperation and Defence**
Direction de la Coopération au développement
6, rue de la Congrégation
L-1352 Luxembourg
Tel.: +352 47 82 35 1
Fax: +352 22 20 48
E-mail: information@mae.etat.lu
www.mae.lu

Lux-Development S.A.
10, rue de la Grève
B.P. 2273
L-1022 Luxembourg
Tel.: +352 29 58 58 1
Fax: +352 29 58 58 200
E-mail: ask@lux-development.lu
www.lux-development.lu

**Bureau d’Assistance technique
aux ONG (BAT)**
13, avenue Gaston Diederich
L-1420 Luxembourg
Tel.: +352 26 02 09 21 / 22
Fax: +352 26 02 09 26
E-mail: bat@cercle.lu

**Centre d’Information Tiers Monde
(CITIM)**
55, av. de la Liberté
L-1931 Luxembourg
Tel.: +352 40 04 27 1
Fax: +352 40 04 27 27
E-mail: education@astm.lu
www.astm.lu

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