



The DAC's main findings and recommendations

**Extract from: OECD Development Co-operation Peer Reviews
Luxembourg 2017**

Luxembourg has strengthened its development co-operation programme

The committee concluded that Luxembourg had strengthened its co-operation programme and stands out thanks to:

- A vision for development shared across government and by the public, which guides its co-operation policy and international action, and establishing it as a strong actor in the success of the 2030 Agenda.
- A high volume of official development assistance—around 1% since 2000—focused on a small number of sectors and countries, boosting the impact of its co-operation programme, its visibility and its influence.
- A practice of the Busan principles, both in terms of organisation and programming, which further contributes to development effectiveness.

Its vision for development guides Luxembourg's international action and its co-operation policy

Luxembourg's vision for development enjoys strong political support from all sides, facilitating the involvement of the various ministries in development actions and influencing its international and national action. This vision is inspired by Luxembourg's history, which was shaped by waves of emigration and immigration as its own economic fortunes changed, and acknowledges the role of international co-ordination in facing the challenges of the 21st century, especially for a country the size of Luxembourg. For these reasons, Luxembourg engages in multilateral forums to champion the cause of developing countries as they face issues relating to the environment, peace and international security in addition to those of poverty reduction.

Moreover, the 2030 Agenda and the Sustainable Development Goals lie at the heart of Luxembourg's national and international policy. The country has put in place inter-governmental co-ordination, evaluation and planning mechanisms that will help it to meet these commitments. In addition, Luxembourg's current review of its development co-operation strategy aims to embed these new goals fully into its co-operation programme and to take account of the changing development landscape. Its consultation with the various co-operation stakeholders during the strategy review should increase buy-in to the vision at all levels of society.

The high levels and concentration of Luxembourg's ODA increases its influence

Luxembourg is one of only two members of the Development Assistance Committee (DAC) to contribute 1% or more of its gross national income to official development assistance (ODA), well over the international target of 0.7% which it has exceeded since 2000. In addition to this generosity, it has a high-quality portfolio which does not include in the total the cost of hosting refugees within its own borders or funding dedicated to combating climate change.

Luxembourg's generosity, combined with high levels of geographical and sectoral concentration of development assistance, enables it to maximise its impact, visibility and influence in its priority countries. In line with its strategic priorities, 51% of Luxembourg's bilateral assistance is channelled into social sectors, especially the three priority sectors identified in its general strategy: health, education – including training and entry into the workplace, and integrated local development. Furthermore, it commits 59% of its bilateral intervention to sub-Saharan Africa and 52% to the least developed countries. With a ratio of 0.4% of ODA to national income committed to countries in these categories, Luxembourg is one of the few DAC members to adhere to and surpass the 0.2%

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target in the Istanbul Programme of Action, a commitment renewed during the 2014 DAC high-level meeting. This high level of concentration is reflected by the small number of priority countries – seven – all of which are among the ten biggest aid beneficiaries.

The aid effectiveness principles lie at the heart of Luxembourg's intervention

Luxembourg has endeavoured to adapt its organisation and programming in order to put aid effectiveness principles into practice. First, 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 co-ordination mechanisms – including with a leading role. These efforts are helping to reduce the transaction costs of development co-operation for partner countries and to increase the efficiency of Luxembourg's programme.

Second, Luxembourg applies the principles of ownership and mutual accountability to all its activities. Indicative co-operation programmes are signed by the partners and aligned with their national programming cycles and their priorities identified in sectoral strategies. Priority countries, whether at national or local level, systematically participate in monitoring and evaluation exercises and can lead the evaluation processes. With 79% of its bilateral aid on its partners' national budgets and 95.9% using its partners' own results frameworks, Luxembourg is firmly compliant with the principle of accountability, including towards national parliaments.

Luxembourg can build on its achievements

The global approach to development would be more successful if it took greater account of the interconnections between public actions

The integrated nature of the Sustainable Development Goals means policies need to break out of silos to be coherent, complete and integrated. While Luxembourg has made progress in increasing policy coherence and education in global citizenship, it must make additional efforts to establish a development policy that goes beyond development co-operation and is closely co-ordinated and coherent with other policy instruments.

Luxembourg has certainly strengthened its co-ordination and analysis mechanisms in order to ensure the coherence of its development policies, and this has included greater openness to non-governmental organisations (NGOs). These mechanisms are better co-ordinated with the new mechanisms for implementing the Sustainable Development Goals nationally, even though it has yet to define the role of development co-operation in this process. However, without a specific body mandated to take decisions, analyses of policy coherence do not always lead to conclusions and never to formal recommendations, which restricts Luxembourg's ability to resolve potential incoherence issues.

Moreover, although the government's programme prioritised development awareness and education, aimed at increasing people's sense of world citizenship, the actions implemented have primarily concentrated on subjects related to development co-operation. This more limited concept of world citizenship raises questions at a time when the world is working towards the Sustainable Development Goals.

Recommendations:

- Luxembourg should ensure that analyses of policy coherence for development always lead to opinions, including conflicting ones where appropriate, in order to foster policy discussion and resolve any problems of inconsistency.
- Luxembourg should rethink the roles of the various ministries and NGOs in the financing of awareness-raising activities on world citizenship in order to strengthen Luxembourg's contribution to the 2030 Agenda.

Luxembourg is establishing high-quality partnerships without systematically setting out its vision and objectives

Partnerships are central to Luxembourg's development co-operation and humanitarian action. With 28% and 20% of its 2015 official development assistance allocated to multilateral organisations and non-governmental organisations (NGOs) respectively, and financing conditions that combine predictability, flexibility and alignment with its partners' priorities, Luxembourg is backing up its words with actions in setting up high-quality partnerships. In the case of humanitarian action specifically, Luxembourg is noted for forming strategic, reliable partnerships with multilateral agencies, and for having a degree of flexibility between development assistance and humanitarian aid. This flexible use of resources provides an opportunity to strengthen the coherence between objectives where relevant, and to increase the funding earmarked for prevention, while maintaining control over aid as it adapts to the changing nature of humanitarian crises, so that it remains aligned with humanitarian principles.

However, Luxembourg's general strategic framework does not provide sufficient guidance for the identification and selection of partners according to the development results expected and the added value of each type of different partner, whether multilateral or private.

For example, at the level of multilateral organisations, the creation of a common strategic framework for the Ministries of Finance and Foreign and European Affairs (MAEE) would help to further focus the multilateral portfolio and reduce possible transaction costs for head and field offices.

With regards to private sector partnerships, Luxembourg has responded to the need to mobilise these partners through continued support for microfinance and the launch of a new facility geared towards the European private sector – the Business Partnership Facility. That said, the results indicators and theory of change behind this facility could be more clearly stated in order to explain the links between the selected projects and the objective of reducing poverty. Nor has Luxembourg harnessed the full potential of its financial centre despite having the advantage of considerable experience in green finance. In particular, building on its experience of public-private partnership in emergency telecommunications, Luxembourg would be well placed to invest some of its aid in new kinds of partnership with private sector companies in its financial centre, for example financing risks.

Finally, improved co-ordination of the partnerships mobilised in priority countries could heighten the impact of Luxembourg's intervention. Indeed, Luxembourg has taken steps to increase the co-ordination and complementarity of the interventions it finances and which are implemented by the multilateral system (multi-bilateral ODA), NGOs and LuxDev. The scope for the co-ordination and alignment of interventions under the indicative co-operation programmes with those of NGOs is restricted, however, by the structuring of programming processes by delivery channel instead of by country strategy.

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Recommendations:

- Luxembourg should clarify the global strategy of its partnerships with multilateral organisations in order to make the most of the value they add, inform decision making and increase the concentration of the portfolio.
- Making the most of its experience in green finance, Luxembourg should continue to explore the possibilities offered by its financial sector to develop innovative partnerships to mobilise additional funds, including for its humanitarian assistance.

Luxembourg has begun to improve its strategic steering and the quality of its programming; these efforts will help it better anticipate crises in fragile situations

Clearer relationships between the MAEE and LuxDev, and increased involvement of LuxDev in identifying indicative co-operation programmes have had a positive effect on the quality and coherence of programmes in priority countries. In addition, the strengthening of results-based management by establishing results frameworks for new indicative co-operation programmes is expected to facilitate strategic steering. Lastly, strengthened evaluation functions at LuxDev and the MAEE, and better co-ordination between the two institutions, have enabled more strategic evaluations in addition to the traditional project and country-level ones.

Nevertheless, the variable quality and synchronisation of the formulation mandates within the co-operation programmes affect the efficiency of their programming. Similarly, the newly implemented monitoring and evaluation mechanisms still lack baseline information and easily quantified disaggregated indicators that can inform strategic, rather than operational, discussions. Moreover, evaluation is not always used in the most strategic way. With limited resources, decisions to evaluate projects and indicative co-operation programmes could be more driven by risk assessments and the need for knowledge.

With its flexible aid programme and increased presence in the Sahel, Luxembourg is well equipped to work in fragile contexts. In addition, its in-depth knowledge of local contexts is the starting point for its bilateral co-operation. The fact that it conducts context analyses at the sector level restricts its capacity to analyse or foresee political risks, and to put in place early warning systems, which affects the way programmes are designed and the quality of interventions in complex crises.

Lastly, the lack of a results framework for Luxembourg's strategy in any given country beyond the indicative co-operation programmes – that is, a framework which also encompasses activities financed by other channels – enables only partial strategic steering at country level.

Recommendations:

- Luxembourg should strengthen its country-level strategic steering, by:
 - setting out comprehensive country strategies
 - and integrating into the results frameworks of indicative co-operation programmes appropriate monitoring and evaluation mechanisms that reflect the Sustainable Development Goals.
- Luxembourg should continue its efforts to put in place strategic planning of evaluations according to risk-based and knowledge-based assessments.
- Luxembourg should adapt its strategy for fragile states to take into account the different dimensions of fragility in partner countries in order to better anticipate crises, including by making continued use of analyses conducted jointly with other donors.

Luxembourg can learn from its improved performance on its Busan commitments

Luxembourg is constantly improving its performance on its Busan commitments. Given its high aid predictability, good transparency on past and projected ODA flows, and the increased share of aid on partners' budgets, the main challenge remaining for Luxembourg is the use of country systems. Updating its strategic and decision-making tools helped it increase the share of aid channelled through partner country systems from 7.3% in 2013 to 36.2% in 2015, which is a huge stride but still falls short of the Busan targets. As Luxembourg is developing a new instrument, called budgeted aid, to build on this progress, now is the time to take stock of the impact this instrument had on its partners' capacities and to consider how much it is seen as an intermediate step on the way to greater use of country systems. It will also be important to ensure that the units responsible for implementation, currently institutionally established within partner country structures, are not isolated in practice.

Recommendation:

- Luxembourg should draw on its experience of using budgeted aid to build on its progress on the Busan commitments.

Luxembourg has improved management of human resource but incentives for institutional learning remain limited

Luxembourg has improved its human resource management tools and has a wide range of methods at its disposal to recruit and train Luxembourg nationals in development co-operation, and strengthen the country's presence in international institutions. Despite recent state administrative reform, the rigidities related to human resources observed in the ministry in 2012 still remain. In addition, there are limited incentives for training at both headquarters level and in the field, despite the fact that its activities are evolving as a result of new partnerships with the private sector and more involvement in fragile states, giving rise to the need for new skills.

LuxDev has strengthened its knowledge management by using evaluations systematically, creating platforms for exchange and developing a learning culture. However, it mainly derives this knowledge from internal learning exercises, without making use of its external partnerships. In addition, the lack of a vision for knowledge management within the MAEE, which has to contend with certain public sector rigidities, does not enable it to make use of its knowledge as a tool for forward planning.

Recommendation:

- Luxembourg should adapt its instruments to build staff capacity to meet the changing needs arising from an evolving portfolio.

Luxembourg needs to address some ongoing challenges

Luxembourg's general strategy could better target those left behind in order to meet commitments made under the 2030 Agenda

Even though it has no specific guidance at this stage to ensure that programmes directly target the poorest, most vulnerable or most underprivileged populations, Luxembourg's strategic framework aims to combat poverty, as evidenced by a geographical focus on the least developed countries, and in practice Luxembourg has become a provider of development co-operation to fragile countries.

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Recommendation:

- Luxembourg should finalise its approach to reaching the most vulnerable populations, including in the least developed countries – the main recipients of Luxembourg's ODA.

Cross-cutting themes are not mainstreamed into programmes to the full extent possible

Luxembourg has strategic guidance for the following cross-cutting themes: human rights, good governance, gender, integrated local development and the environment. However, the current guidance does not help to identify all the opportunities for integrating these cross-cutting issues into its programme based on a solid analytical footing, nor does it provide enough guidance for implementation. Accordingly, the use of DAC markers at the identification stage does not lead to the fullest possible integration of these themes, and risks distorting the programme. Finally, only partial attention is paid to cross-cutting themes in ODA allocations. With regard to gender, particularly gender equality and the empowerment of women, despite steadily increasing since the last peer review, support still remains low, with only 33.2% of bilateral assistance dedicated to these themes, below the DAC average of 36%.

Recommendation:

- Luxembourg should revise its processes for mainstreaming cross-cutting themes for greater consistency with its strategic guidance and in order to make use of all opportunities.

Transparency is focused on ODA flows, but not on results

The small scale of Luxembourg's administration and its set-up allow it to reply promptly to internal and external requests for information despite a highly centralised system. However, its information and communication tools do not allow it to manage and supervise its entire portfolio in real time, nor to facilitate knowledge sharing. Similarly, despite good transparency on ODA flows, Luxembourg does not report non-ODA resources and could improve the publication of information on development outcomes, whether with regard to activities or partner countries.

Recommendation:

- Luxembourg should develop the MAEE's information and management system with a view to facilitating real-time monitoring of the entire co-operation portfolio.

Risk management has not fully incorporated all the changes made to the co-operation portfolio

Risk prevention and management at the MAEE could take greater account of recent changes to the co-operation portfolio, in particular the effect of new partnerships with the private sector and increased instability in some partner countries. At the moment, the MAEE has no formal tools for evaluating and monitoring reputational, programme or safety risks, while risk management at LuxDev is focused mainly on operational risks.

Recommendation:

- Luxembourg should strengthen its analysis of risks to the co-operation programme, beyond operational risks, in order to guide the new conditions for partnerships and interventions in fragile contexts.

Access the full report

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