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The Development Assistance Committee: Enabling effective development

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OECD Development Co-operation Peer Reviews: Luxembourg 2017



BETTER POLICIES FOR BETTER LIVES

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Conducting the peer review

The OECD Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every five years, with six members examined annually. The OECD Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and non-governmental organisations representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Committee in association with the examiners.

This review contains the main findings and recommendations of the Development Assistance Committee and the analytical report of the Secretariat. It was prepared with examiners from Denmark and the Slovak Republic for the peer review of Luxembourg on 20 September 2017.

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Abbreviations and acronyms

ADA	Appui au Développement Autonome
APIX	Investment Promotion and Major Projects Agency
BEPS	Base erosion and profit shifting
CERF	Central Emergency Response Fund
CID	Inter-Ministerial Committee for Development Co-operation
CONGD	Circle of Co-operation of development NGOs
DAC	Development Assistance Committee
DCD	Directorate for Development Co-operation
EUNAVFOR	European Union Naval Force
EUTM	European Union training mission
GCF	Green Climate Fund
GNI	Gross national income
ICD	Inter-Ministerial Committee for Development Co-operation
ICRC	International Committee of the Red Cross
ICSD	Inter-Departmental Commission for Sustainable Development
LMDF	Luxembourg Microfinance Development Fund
MAEE	Ministry of Foreign and European Affairs
MDDI	Ministry for Sustainable Development and Infrastructure
MoU	Memorandum of understanding
NGO	Non-governmental organisation
ODA	Official development assistance
PIC	Indicative co-operation programme
SDG	Sustainable Development Goal

Abbreviations and acronyms

Signs used:

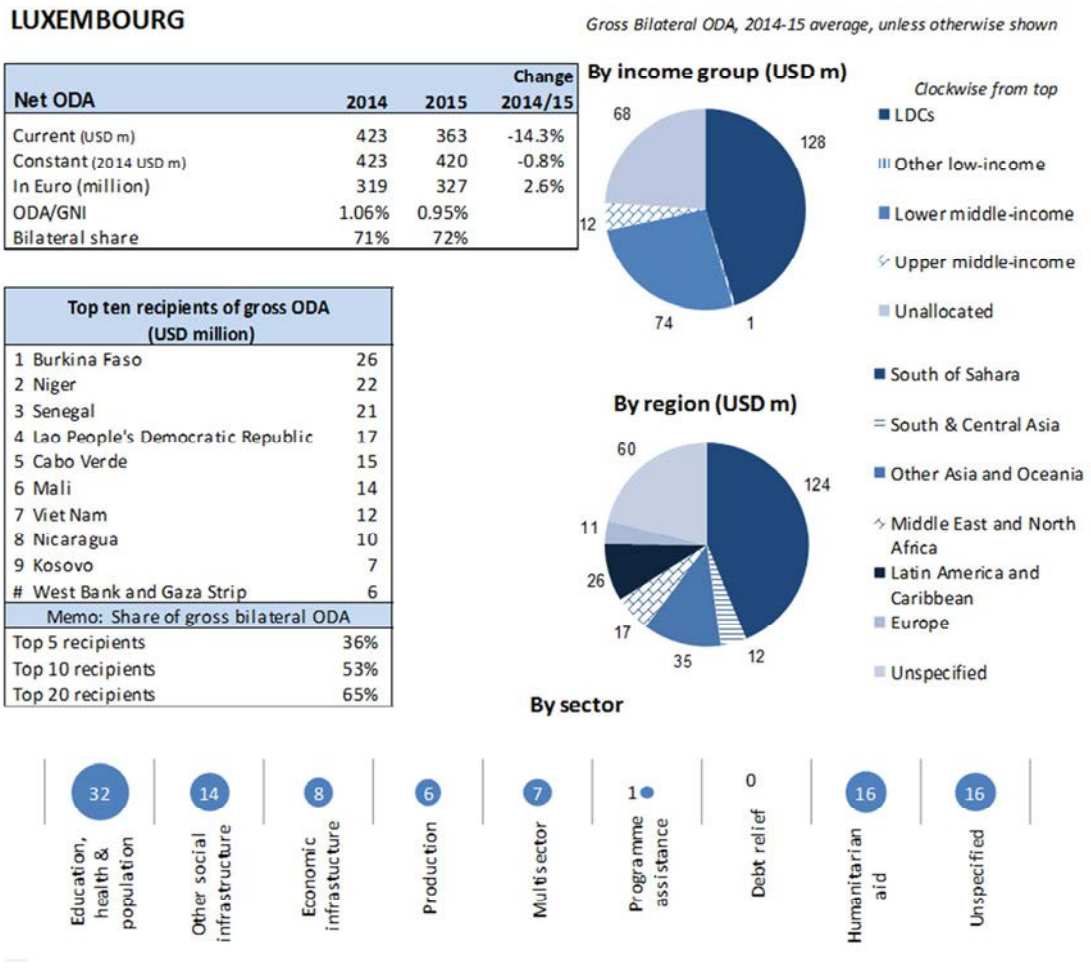
EUR	Euro
USD	United States dollars
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable
p	Provisional

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 USD = EUR

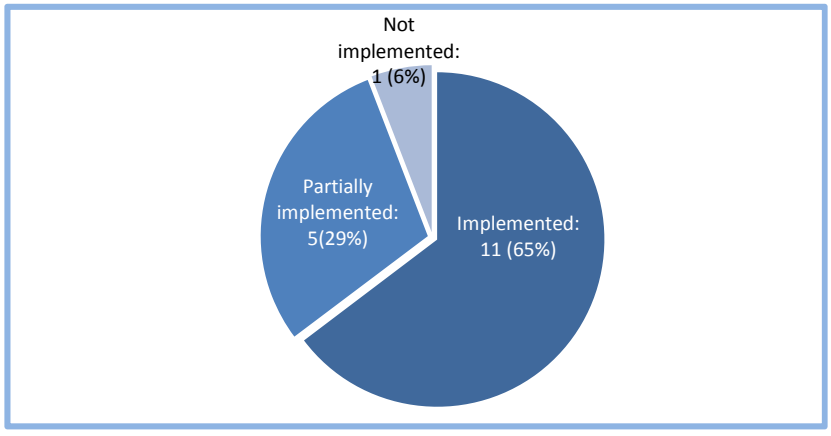
2010	2011	2012	2013	2014	2015	2016
0.7550	0.7192	0.7780	0.7532	0.7537	0.9015	0.9043

Luxembourg's aid at a glance



Source: OECD-DAC; www.oecd.org/dac/stats.

Figure 0.1 Luxembourg's implementation of the 2012 peer review recommendations



Context of the peer review of Luxembourg

Political and economic context

The 2013 general elections brought sweeping changes. Indeed, the coalition formed after the election replaced the Christian Social People's Party (CSV), traditionally the dominant coalition force in Luxembourg. The new coalition government, comprising the centre-right Democratic Party, and two centre-left parties, the Socialist Workers' Party (LSAP) and the Greens, suffered a setback in 2015 after 78% of voters rejected a proposal put to referendum that same year to grant voting rights to foreigners in national elections. In addition, the coalition's small parliamentary majority, and ideological differences between its members, limit its room for manoeuvre for reform and is a source of potential tension. Nevertheless, the impact of this delicate political situation on Luxembourg's co-operation policy is minimal given the broad political consensus on this issue.

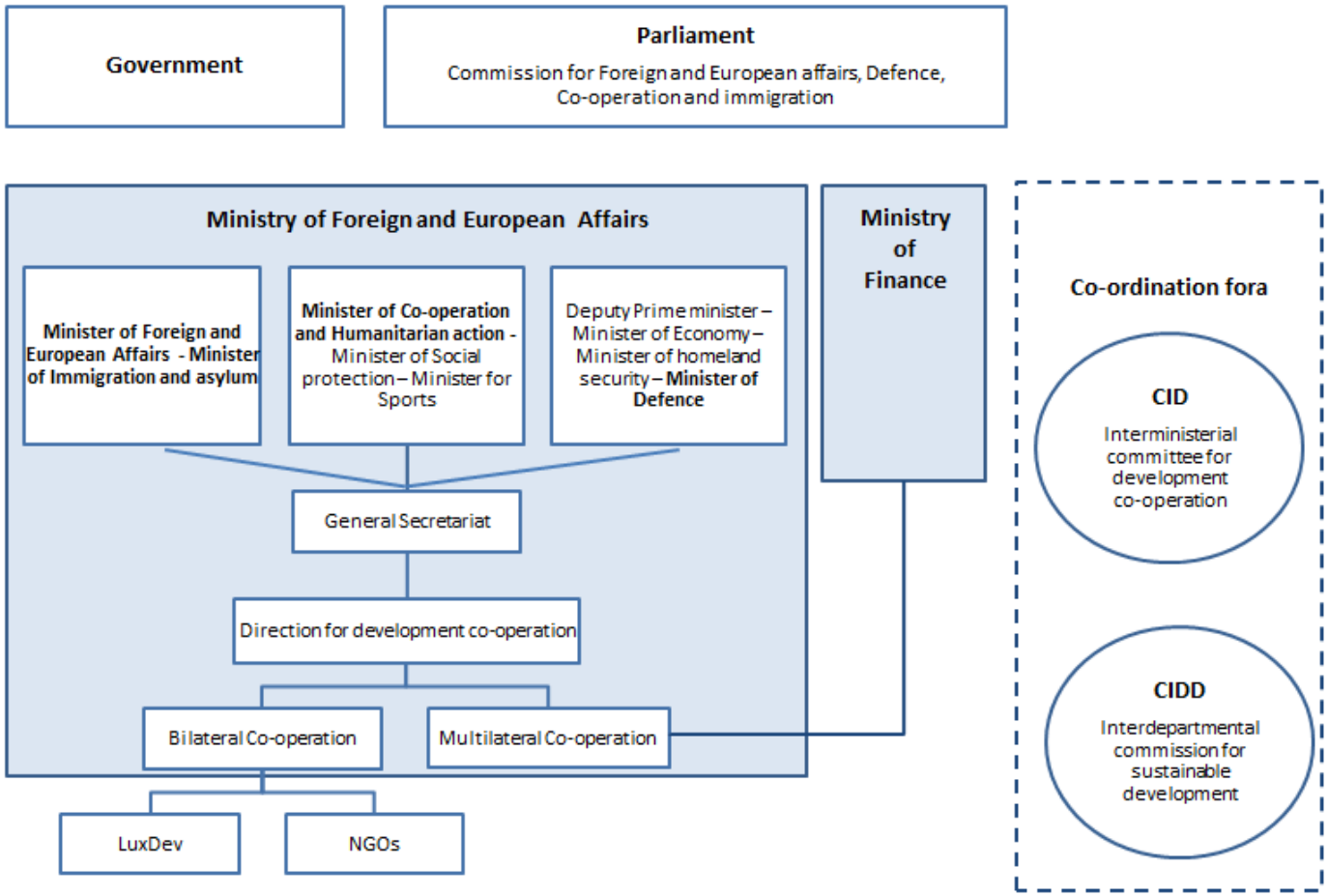
Luxembourg is a good place to live. It ranks above average in terms of satisfaction with life overall, and with housing, civic engagement, work-life balance, income and wealth, social ties, health, employment and salaries, safety, and quality of the environment. It nevertheless falls short of the OECD members' average in terms of satisfaction with education and skills.

Luxembourg is an advanced economy with the highest income per capita in the OECD, USD 108 272 in 2016. It enjoys robust growth, as a result of its dynamic financial and non-financial service sector, and strong domestic demand. The main objectives of the coalition government's policy programme are to consolidate the budget and leverage Luxembourg's status as an international financial centre.

As a small, open economy, Luxembourg has strong ties with neighbouring countries, as shown by the number of cross-border commuters entering every day from the Greater Region comprising adjacent regions in Belgium, Germany and France. With a total population of 570 000, non-residents account for over 40% of total employment, while 45% of the country's residents are foreigners who do not hold Luxembourg citizenship.

The level of official development assistance (ODA) was maintained at 1% of national income in 2016. Luxembourg's good economic stability, combined with the current political consensus, is an asset when it comes to maintaining that high level over the years to come.

Figure 0.2 The Luxembourg co-operation system



Source: Figure based on data provided to the examining team

The DAC's main findings and recommendations

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%

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.

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.

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.

Secretariat's report

Chapter 1: Luxembourg's global efforts for sustainable development

Efforts to support global sustainable development

Luxembourg engages in multilateral processes to advocate for the interest of developing countries faced with global challenges. It is committed to supporting these countries within both the European Union and the United Nations to fight climate change and boost international security. Its efforts at the national level to reach the Sustainable Development Goals and its participation in the 2030 Agenda follow-up activities are further examples of Luxembourg's involvement in international frameworks for sustainable development.

A trusted partner in promoting peace, security and human rights

Luxembourg positions itself as a trusted partner in addressing global issues and their repercussions for developing countries, using the United Nations (UN) and the European Union to promote international solidarity. Its generous contribution to official development assistance (ODA) – it allocates 1% of its gross national income to ODA – and the quality of its partnerships with its priority countries make it an ally for developing countries on the international scene. Cabo Verde, for instance, has voiced strong support for Luxembourg's application for a seat on the UN Security Council, which enabled Luxembourg to play a more active role at the international level than the size of its economy would necessarily allow.

During its Presidency of the Council of the European Union, and as one of the non-permanent members of the UN Security Council in 2013-14, Luxembourg advocated for collective efforts in favour of human rights, sustainable development, peace and security.

The fact that its development co-operation policy is an instrument of foreign policy and is steered by the ministry responsible for defence, migration and foreign affairs, gives it scope to develop coherent efforts to support peace and international security. In line with its commitments to human rights and international human rights laws, Luxembourg made its mark as the co-author of Resolution 2165, which opened up a corridor for humanitarian convoys to Syria. Likewise, its Presidency of the Council of the European Union influenced discussions between Europe and Africa at the Valletta Summit on migration in 2015.

The fight against climate change and international security are priorities for Luxembourg

Luxembourg has made the fight against climate change a priority, reflected by a high level of financial commitment. The funds it allocates to this cause come on top of its official development assistance and are directed particularly towards the least developed countries and small island developing states. Notably, prior to COP21, Luxembourg committed to allocating EUR 120 million between 2014 and 2020 to support climate action in developing countries, including EUR 35 million for the Green Climate Fund.[1] In order to help reach the goal of mobilising USD 100 billion for climate finance in the Paris Agreement,[2] Luxembourg is also working on raising public investment in this area as a means of leveraging private investment. To this end, it has convened a "climate finance task force", comprising representatives of the public and private sectors, which is

responsible for advising the government and implementing coherent initiatives to support sustainable development. Luxembourg also intends to position itself as a world leader in green bonds, primarily through the creation by the Luxembourg Stock Exchange of a platform for trading environmentally friendly securities, and the launch of labels designed to improve the transparency and comparability of funds while reducing risks of greenwashing.

Furthermore, Luxembourg is actively involved in security and development issues at the international level based on three main lines of action: participation in peacekeeping operations within a multinational framework, development co-operation and humanitarian action. Luxembourg opened new diplomatic posts in Mali and Niger in 2016, reflecting the changes in its geographical focus on peacekeeping and international security (MAEE, 2016). Luxembourg also uses its development co-operation programme in Sahel countries to include security activities, notably by supporting efforts to strengthen security capacities in these countries through the provision of training and equipment under the European Union EUCAP Sahel mission.

The 2030 Agenda lies at the heart of Luxembourg's policies

Luxembourg is an active proponent of the implementation and monitoring of the 2030 Agenda for Sustainable Development, in that the Sustainable Development Goals (SDGs) lie at the heart of its domestic and international policy.

At the national level, Luxembourg's ministers for the Environment and for Co-operation asked the Government Council to integrate these goals into the future national plan for sustainable development. Since then, the country has put in place co-ordination, evaluation and planning mechanisms, under the chairmanship of the Ministry of Sustainable Development and Infrastructure, which will enable it to respect its commitments. The Inter-Departmental Commission for Sustainable Development (ICSD),[3] whose composition, organisation and functioning were modified in order to better reflect the international agenda, ensures inter-governmental co-ordination, whereas the High Council for Sustainable Development[4] provides a forum for inclusive thinking. The mapping exercise to identify all policies affecting sustainable development is a first step towards better understanding and ownership of the scope of these goals across the administration. Lastly, work is under way to clarify the role of development co-operation within this framework, which could help bring the mechanisms for policy coherence for development more in line with those for implementing the2030 Agenda. Indeed, in order to better integrate national and international approaches to the implementation of the 2030 Agenda, the Director of Co-operation Development is now Vice-Chair of the ICSD, and close ties have been forged between the ICSD and the Inter-Ministerial Committee for Development Co-operation.

At the international level, Luxembourg is actively involved in following up on the commitments made in the UN in 2015. In particular, it will be one of the states to present a National Voluntary Review of the progress made in implementing the 2030 Agenda at the United Nations High-Level Political Forum in July 2017. Luxembourg is also part of the OECD's pilot study to establish countries' starting positions on individual targets with regards to their sustainable development goals.

Policy coherence for sustainable development

Luxembourg makes a distinction between policy coherence for sustainable development as part of the 2030 Agenda, and policy coherence for development as part of its development co-operation policy, with the aim of keeping a focus on development. It committed to the latter at the European and national level for the 2013-18 period. The Inter-Ministerial Committee for Development Co-operation, in collaboration with Luxembourg non-governmental organisations, conducts awareness-raising activities and provides a certain level of analysis and co-ordination to strengthen policy coherence, partially implementing the 2012 peer review recommendation. Nonetheless, without a specific body mandated to take decisions, nor any dedicated analysis of the impact of its policies on developing countries, Luxembourg is not in a position to remedy potential coherence issues.

Policy coherence is part of the government programme

Policy coherence for development is one of the priority work areas in the 2013-18 government programme. This commitment is distinct from the commitment to the SDGs, in order to emphasise the impact of domestic policies on development in other countries. Efforts to achieve coherence must be ensured by active inter-ministerial co-ordination, regular dialogue with civil society and closer consultation with Luxembourg's representatives in international financial institutions. Moreover, the government programme specifies that trade and economic policies must be consistent with co-operation policy, both inside and outside the European Union. Commitment to pro-development policies is facilitated by strong public and political consensus on official development assistance. That said, this political commitment has no implementation strategy linked to it.

Without a body mandated to take decisions, co-ordination mechanisms have a limited reach

Luxembourg has devoted efforts to achieving policy coherence for development at both the European and the national level.

At the European level, Luxembourg used its Presidency of the Council of the European Union to operationalise the concept of coherence within the Energy, and Justice and Home Affairs councils with regard to migration issues, and within the Development and Environment councils on the subject of the 2030 Agenda.

At the national level, in accordance with the recommendations of the previous peer review, Luxembourg has strengthened its inter-ministerial co-ordination mechanisms, notably by raising awareness of the issue of policy coherence for development across the administration. The analytical capacities of the Inter-Ministerial Committee for Development Co-operation (CID) have been strengthened by extending its mandate to include policy coherence, and by opening it to non-governmental organisations (NGOs). Indeed, the Circle of Co-operation of Development NGOs (hereinafter the Circle) is now invited to attend all debates on coherence for development as an active observer, and shares its analyses with all participants.

Nevertheless, the topics for discussion are not systematically selected on the basis of an analysis of priorities, even though priority issues are identified in the indicative programmes of co-operation signed with partner countries.[5] Three or four topics are chosen every year by consensus, based on suggestions from a member of the committee or of civil society, or are taken from themes being reviewed by the OECD Development Assistance Committee (DAC) or the European Union. Moreover, discussions within the committee make little use of information about the impact of domestic policies on

developing countries, and focus first and foremost on the description of these policies. Lastly, given that the co-ordination mechanisms are defined at an administrative level, with no mandate to take decisions, and that there is no forum for discussing coherence issues at policy level, exchanges have a limited impact on the definition and adaption of domestic policies.[6] The CID only has an advisory mandate and cannot be involved in potential trade-offs. Indeed, the committee has only issued two opinions since the reform of its operating structure, neither of which suggested adapting domestic policies.[7] There is no follow-up to its analyses, which themselves are not backed up by recommendations, other than transmitting the opinion to the relevant ministries. Greater in-depth analysis of the impact of policies on developing countries, along with better communication on the potential consequences of policy decisions, would help overcome the shortcomings associated with consensus building within the committee.

It is nevertheless important to note the efforts by the Circle of NGOs towards policy coherence for development within the framework of its Fair Politics barometer. This analyses how coherent Luxembourg's policies are with its goals for development co-operation and equitable and sustainable development. Co-financed by the Ministry of Foreign and European Affairs, and published approximately every two years, the barometer is an advocacy tool designed to generate further public and political debate. In particular, it is discussed in Parliament, mainly by the parliamentary committee of Foreign and European Affairs, Defence, Co-operation and Immigration.

In practice, Luxembourg could strengthen the coherence of its policies with its development goals. For instance, Luxembourg ranks 18th out of 27 countries in the Commitment to Development Index (CGD, 2017). Luxembourg's ODA and migration policies have a positive impact on developing countries, but this is less the case for its environmental and financial policies. The coherence of Luxembourg's policies with regard to environmental issues is particularly affected by its rate of duty on petrol. Its attitude to banking secrecy also affects developing countries. However, regarding this issue, it is important to recognise the latest strong improvements Luxembourg has made, even though there are too recent to have been registered in the Commitment to Development Index. For instance, Luxembourg new government has undertaken efforts to strengthen the regulatory framework on transparency and compliance with financial rules and is working with the OECD on base erosion and profit shifting, changes which should be taken into consideration (Box 1.1).

Box 1.1 Financial regulation better adapted to development

Since 2014, Luxembourg's financial regulations have complied with the recommendations of the Financial Action Task Force (FATF) on anti-money laundering (AML), counter-terrorist financing (CFT) and other related threats to the integrity of the international financial system. In particular, Luxembourg has adopted new regulations and introduced new legislation to strengthen its legal framework for AML/CFT, addressing deficiencies in the terrorist financing offence, and introducing criminal liability for legal persons. Luxembourg is also one of the 14 jurisdictions committed to using the OECD's Common Reporting Standards for exchanging information, with implementation expected to start in 2017. The country also announced new rules designed to end some tax avoidance schemes perpetrated by multinational companies.

Source: FATF (2014), *Mutual Evaluation of Luxembourg: 6th Follow-up Report.*

Global awareness

Broad public acceptance of development issues – 97% of the population support development co-operation – has allowed Luxembourg to prioritise education and awareness raising about development, with a systematic focus on development co-operation. The increase in funds available to partner with NGOs to raise awareness reflects this priority. Against the backdrop of the 2030 Agenda and the priority currently given to the Sustainable Development Goals at the international level, this is a perfect time to clarify the concepts and the roles of the different ministries in raising public awareness on global issues and world citizenship, and to strengthen the co-ordination between partners.

A reflection on world citizenship is needed within the framework of the 2030 Agenda

Luxembourg enjoys broad public acceptance and awareness of development issues. According to the latest Eurobarometer survey (EC, 2017), 97% of Luxembourg nationals think it is important to help people in developing countries,[8] 62% say they are aware of the Sustainable Development Goals,[9] and 37% say they have heard of the goals and know what they are, representing a 14 percentage point improvement on 2015. Moreover, there is a strong political consensus in Luxembourg in favour of development issues resulting in strong engagement from Parliament on these issues.

In this positive environment, development education and awareness raising is a government priority and the development co-operation minister has pledged to increase the budget for these activities in the 2013-18 government programme. Accordingly, it increased the budget for development education and awareness-raising initiatives by development NGOs from EUR 1.8 million in 2015 - approximately 0.50% of the total official development assistance budget - to EUR 2.35 million in 2017 (GGDL, 2017).

The aim of development education and awareness-raising initiatives is to create a stronger sense of world citizenship by appealing above all to the general public. Some of the actions, developed by Luxembourg development NGOs, involved the private sector as an adviser, partner or target. Development education initiatives have been developed for all levels of the education system and are part of the sustainable development education strategy defined by the Inter-Ministerial Committee on Education for Sustainable Development.[10] Despite the fact that this strategy is backed by the Ministry for National Education, Children and Youth, it appears that the relationships between NGOs working in this sector and the ministry are still not yet systematically institutionalised and co-ordinated (DCD, 2017).[11]

Furthermore, it should be noted that, just as funding for the fight against climate change is additional to ODA, development education and awareness-raising initiatives financed by official development assistance are expected to focus particularly on development co-operation (DCD, 2016a). However, this limited scope raises questions at a time when Sustainable Development Goals provide a broad and integrated definition of development, and place the focus on global issues. Clarifying the concepts and the role of development co-operation, as well as the role of other ministries in raising awareness of global issues and world citizenship and funding related activities, including financing aspects, could strengthen Luxembourg's contribution to the 2030 Agenda.

Notes

1. In annual instalments of EUR 5 million.

2. It was decided that, in the context of meaningful mitigation actions and transparency of implementation, developed countries would continue their existing collective goal of mobilising USD 100 billion per year by 2020, taking into account the needs and priorities of developing countries, using both public and private funds.

3. The role of this commission is to prepare, facilitate the implementation of and oversee the monitoring of the national sustainable development plan. Chaired by the Ministry of Sustainable Development and Infrastructure, the running of the commission has been simplified by the creation of a bureau comprising the Ministry of Sustainable Development and Infrastructure, the Ministry of Foreign and European Affairs, and the Ministry of Finance.

4. The High Council for Sustainable Development is a participatory discussion forum comprising representatives of government, municipalities, chambers of commerce, employers' and employees' organisations, non-governmental organisations, academia, independent experts and the National Consultative Ethics Committee.

5. The latest indicative programmes for co-operation state that policies related to trade, environment and climate change, security, agriculture and fisheries, social dimensions of globalisation, decent jobs, migration, research and innovation, information society, transport, and energy will be discussed between the signatory countries in case of incoherence.

6. It should also be noted that, on average, only half of the committee members actually attend meetings.

7. The first opinion was issued in 2015 on the compensation fund. It concluded that the policy towards the fund was moving in the right direction in terms of coherence for development. Although the committee acknowledged that recent examples of non-compliance submitted by the Circle of NGOs contained elements of truth, it observed that the response to this issue went beyond the investment framework in which the compensation fund may be called upon to operate. A second opinion issued in 2016 concerned the implications of COP21 for developing countries and policy coherence. It has not issued opinions on the other subjects under discussion because it could not reach a consensus or deemed it unnecessary to issue an opinion.

8. Second behind Sweden.

9. Placing Luxembourg second behind Finland.

10. This committee comprises representatives of the Ministry for National Education, Children and Youth; the Ministry of Foreign and European Affairs; the Ministry of Sustainable Development and Infrastructure; the Ministry of Higher Education and Research; the Ministry for Family and Integration; and the University of Luxembourg.

11. Conclusions of a review of the development education and awareness-raising initiatives carried out by two NGOS, representing around 25% of total activities.

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Chapter 2: Luxembourg's policy vision and framework

Framework

A clear policy vision aligned with the 2030 Agenda, based on the member's strengths

The regulatory and strategic framework of Luxembourg's development co-operation offers a long-term vision to fight poverty. It is based on three thematic priorities – health, education and local integrated development – and a clear drive towards a geographical concentration on Africa and the least developed countries. The current review of the strategic framework is an opportunity to fully incorporate new international commitments, such as those of the 2030 Agenda.

A robust strategic framework, which is under review to integrate the 2030 Agenda

The general strategic framework for Luxembourg's development co-operation is based on the amended law of 2012 on co-operation and humanitarian action, a general strategy for development and humanitarian action and, operationally, the government programme for 2013-18. These three documents identify the main objective of Luxembourg's development co-operation to be the reduction and ultimately the eradication of poverty. The three dimensions of sustainable development – economic, social and environmental – play a prominent role in this. There are also complementary sectoral and cross-cutting strategies which further describe Luxembourg's vision (GGDL, n.d.).

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.

Following the 2012 peer review recommendation, Luxembourg clarified the objectives of its development co-operation in its general strategy. This strategy rounds out the vision put forward in the law, providing a twofold motivation for government action: demonstrating solidarity with developing countries and pursuing an enlightened national interest. The strategy justifies development co-operation and international solidarity based on the history of Luxembourg – shaped by waves of both emigration and migration depending on the economic context – and the global nature of the challenges of the 21st century. The strategy concisely presents Luxembourg's sectoral and geographical targeting policy, focusing on the principles of efficiency, impact and consistency. Furthermore, it stresses the ultimate goal of Luxembourg's humanitarian aid, which is to respond to humanitarian and natural disasters as well as violent conflict.

The current review of Luxembourg's general co-operation strategic documents is an opportunity to clarify how it will address the latest development trends and international commitments such as the 2030 Agenda and the Addis Ababa Action Agenda, and integrate the principles and commitments it has voluntarily signed up to, such as those made at the World Humanitarian Summit (Chapter 7). Additional efforts to consult with the development co-operation agency, LuxDev, non-governmental organisations (NGOs) and

the other ministries engaged with development co-operation would help Luxembourg to ground the new strategy in its partners' experiences and to increase buy-in by all.

A strategic framework with strong thematic priorities and a clear drive towards geographical concentration

Luxembourg's co-operation targets a limited number of sectors and aims to concentrate its efforts geographically in order to achieve greater impact and efficiency.

The general strategy clearly identifies three priority sectors: health; education, including vocational training and occupational integration; and integrated local development, while continuing to encourage support for microfinance.

Geographically, the general strategy aims to concentrate on a limited number of partner countries. Priority countries are chosen based on regional considerations – while maintaining a presence on all three continents – and the level of human development. The government programme provides more guidance on geographical concentration by targeting the least developed countries. The programme also clarifies the scope of official development assistance (ODA) by highlighting that the fight against climate change and costs arising from refugees within Luxembourg are not counted as ODA. Luxembourg seeks strategic niches to maximise its added value across its development and humanitarian portfolio, given the relatively modest size of its co-operation. For example, it has identified its comparative advantage in the humanitarian arena in supporting co-ordination and communication in emergency situations, thanks to its mobile satellite communication platform, emergency.lu (MAEE, n.d. and Chapter 7).

Principles and guidance

Policy guidance sets out a clear and comprehensive approach, including to poverty and fragility

Luxembourg's strategic framework sets out its principles in the fight against poverty, which translate into a firm commitment towards the least developed countries. However, its strategic approach and guidance on addressing cross-cutting issues and targeting the most vulnerable populations are not sufficient to support decision making or design efficient implementation tools. Most of the key sectoral strategies have not been revised or supplemented with action plans, contrary to the recommendation of the last peer review. Countries where it has engaged have faced crises, transforming Luxembourg into a partner in fragile contexts – something it never considered itself to be – and it has had to adapt its development assistance to the evolving needs of its partners.

Luxembourg needs to clarify its approach to cross-cutting issues

Luxembourg's key sectoral strategies have not yet been upgraded with dedicated action plans despite recommendations in the last peer review.

With regards to cross-cutting issues, according to the 2012 law on development co-operation and humanitarian action, the cross-cutting themes of Luxembourg's development co-operation are human rights, good governance, gender and integrated local development. In practice, in addition to targeted projects in these areas, it systematically integrates capacity building, the environment and gender into its programming. This approach is strengthened by focal points on the cross-cutting themes within the Ministry of Foreign and European Affairs and LuxDev.

The current guidance, however, 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 implementation guidance. The strategies related to

capacity building, the environment, and gender have not played enough of a role in guiding how the programme has been carried out. While environmental and gender issues are systematically analysed when projects are identified, the ministry's use of DAC[1] markers as an *ex ante* tool for guidance and instruction to LuxDev does not lead to strategic approaches. In Senegal for instance, not all opportunities to integrate gender and environment issues had been identified when the current indicative co-operation programme was launched and it had to be strengthened during implementation (Annex C). Identifying opportunities upstream when designing the next indicative programme would allow Luxembourg to be more strategic in its approach and implementation.

A firm commitment towards the least developed countries

The strategic framework aims to combat poverty. Targeting the least developed countries is a concrete manifestation of this priority. Specifically, five of the Luxembourg's seven priority countries are least developed countries (Burkina Faso, the Lao People's Democratic Republic, Mali, Niger and Senegal), and one middle-income country – Cabo Verde – falls into the category of small island developing states.

At this stage, however, there is no guidance to ensure that programmes directly target the poorest, most vulnerable or most underprivileged populations. In middle-income countries, Luxembourg does partner with NGOs to reach the most vulnerable populations, for example in Nicaragua (GGDL/LuxDev, 2017). It also takes action to strengthen governments' relations with civil society, as a vital link to the most vulnerable people, as in El Salvador.[2]

Luxembourg has become a partner to fragile states

Most of Luxembourg's partner countries in the Sahel, such as Mali and Niger, have become more fragile in recent years, experiencing crises which the mechanisms of development co-operation programming, which were focused on the Millennium Development Goals, were not able to anticipate. Pragmatically, Luxembourg changed its approach in these countries by combining development programmes with intensified political dialogue through the creation of new diplomatic posts. It is also contributing to international missions such as EUCAP Sahel,[3] without decreasing its humanitarian commitments. With its flexible aid programme and increased presence in the Sahel, Luxembourg is now well equipped to work in fragile contexts. For instance, it changed its development programmes in northern Mali after the 2012 crisis, and is also changing its education programme in northern Burkina Faso due the evolving security situation. This is good practice and promotes coherence between development and humanitarian assistance.

Luxembourg has thus become a provider of development co-operation to fragile countries. In the light of its recent engagement in the Central African Republic, it could reconsider updating its fragility strategy to take into account the different dimensions of fragility and deepen its risk analysis with the aim of anticipating crises. The country already has a strategy of this kind, which was set out in 2012 (GGDL, 2012b) but never applied, since Luxembourg did not, at that time, see itself as an actor in fragile situations.

Basis for decision-making

Policy provides sufficient for decisions on channels and engagement

Luxembourg is known as a pragmatic and flexible actor which places the quality of its partnerships at the heart of its strategy. Its pragmatism can be seen in its choice of partners. In the absence of a formal vision of the roles played by the different co-operation actors, with the exception of NGOs, Luxembourg is not always in a position to make the best use of its existing partnerships or to fully anticipate the risks and transaction costs associated with a fragmented portfolio of multilateral partners. Clarifying the role of its partners within a revised general strategy would be an opportunity to correct these weaknesses.

Luxembourg has not yet formalised its rationale for intervening at international, regional or local level

Luxembourg has not formalised its rationale for engaging at international, regional or local level. Its decisions are based first and foremost on whether it can engage with high-quality implementation partners. In practice, Luxembourg is essentially active at international level by partnering with multilateral actors, and at country level.

Although it has not set out a formal strategy in this respect, Luxembourg is nevertheless committed to regional initiatives in areas of clear international relevance and where there is a regional actor it considers effective. This is the case, for example, in the partnership between the European Union, Luxembourg and the World Health Organization (WHO) for universal health coverage.

Box 2.1 The Centre de Suivi Écologique, an example of regional potential

In Senegal, the Centre de Suivi Écologique, which aims to facilitate access to information about the strategies for adapting to and mitigating climate change in West Africa and in Senegal, is an example of the regional potential of some of Luxembourg's co-operation initiatives. For one thing, the centre helps to boost capacity across the region, which is one of Luxembourg's cross-cutting objectives. It also offers attractive opportunities for co-ordination and synergies between interventions financed by Luxembourg's different ministries: the centre's activities are financed by the Ministry for Sustainable Development and Infrastructure (MDDI) out of non-ODA funds and its activities could have a positive impact on Luxembourg's co-operation activities to support local development.

Source: Centre de Suivi Ecologique website, www.cse.sn/index.php/en/.

Luxembourg has a clear vision for partnering with NGOs

While the general strategy focuses on partnerships, the current strategic framework does not provide clear guidance for identifying and selecting partners, except NGOs.

The government programme and the minister's recent declaration to the Chamber of Deputies in November 2016 (Schneider, 2016) highlight the role of NGOs. NGOs, "in support of governments", are considered to be "important drivers of development co-operation and humanitarian action in society". They are valued for their knowledge of local contexts, their essential role in ensuring the smooth functioning of or establishing democracy, and their capacity to intervene where government co-operation cannot. Luxembourg selects its NGO partners based above all on the quality of their projects and programmes (Chapter 5).

The same declaration to the Chamber of Deputies outlined the strategy towards the private sector. The private sector is seen as a new partner able to create jobs and catalyse additional financing, even though these partnerships lead to new challenges.

While Luxembourg has signed some framework agreements and commissioned specific research to harness the knowledge generated by external institutes such as ECDPM, Enda Third-World and Funde, these do not form part of a strategic approach to knowledge institutes. As a result, these partnerships are not being systematically used to their full potential, especially in terms of learning for Luxembourg's co-operation (Chapter 6).

The decision to clarify the role of Luxembourg's various development co-operation partners in the future general strategy will be an opportunity to set clear guidance for identifying and selecting partners according to the added value they bring.

Multilateral co-operation: a pillar of Luxembourg's programme, despite the lack of a formal strategy

Luxembourg views its investment in the multilateral system as a pillar of its development co-operation, since eradicating poverty requires joint and co-ordinated action. It values the UN's multilateral agencies for their normative and implementing roles, and the development banks for their role in supporting the economic growth of the least developed countries. The importance Luxembourg places on the multilateral agencies is reflected in its extensive use[4] of this channel, representing a consistently large amount of Luxembourg's aid budget (45.7% of total gross ODA in 2015).

Despite its modest size, Luxembourg makes its voice heard in the agencies it supports by actively engaging actively in their governing boards, either through direct representation on some agencies' boards, including the World Bank and the European Bank for Reconstruction and Development (EBRD), or through indirect representation, i.e. constituency agreements, by other member countries belonging to the agencies.

Luxembourg contributes to strengthening the multilateral system particularly thanks to its "three-tier" approach to funding (Chapter 3). One-third of its contributions are core funds, providing organisations with much-valued latitude. The second tranche is earmarked for thematic funds, the way in which Luxembourg responds to the needs of these organisations and increases their added value. The third tranche takes the form of bilateral programmes using multilateral agencies (known as bi/multi aid).

As a member of the Multilateral Organization Performance Assessment Network (MOPAN) since 2014, and its chair in 2017, Luxembourg is contributing to joint efforts underway to make the multilateral system more effective. It should be able to use this participation to gather valuable information to guide its strategy and its funding of multilateral agencies.

Luxembourg's core principles on multilateral co-operation are well known by its main partners, but the country has no formalised multilateral strategy as such, nor any operational guidance for selecting multilateral partners, leading to the risk of fragmentation and increased transaction costs. Clarifying its objectives in engaging with multilateral agencies and fiduciary funds should help Luxembourg to anticipate these risks.

Notes

1. These markers are a list of codes used by the OECD's DAC to determine a given project's level of commitment to different political objectives, such as gender or climate, for example. For more information about these markers, please see the corresponding page on the OECD's DAC site: www.oecd.org/dac/stats/dacandcrscodelists.htm.

2. Luxembourg contributes to a support fund for civil society in El Salvador. For more information, see Ministerio de relaciones exteriores de El Salvador (2017) "*El Salvador y Gran Ducado de Luxemburgo suscriben acuerdos de cooperación" (El Salvador and the Grand Duchy of Luxembourg have signed co-operation agreements)* (www.rree.gob.sv/index.php?option=com_k2&view=item&id=6696:viceministro-miranda-preside-reunion-de-comision-de-dialogo-el-salvador-gran-ducado-de-luxemburgo&Itemid=1770 - Article of 8 May 2017, accessed 11 May 2017).

3. In 2016, Luxembourg participated in the EUCAP Sahel mission to Niger, European Training Mission (EUTM) Mali, EUTM Central African Republic and the European Naval Force (EUNAVFOR) in the Mediterranean. For more information, see: www.gouvernement.lu/6806551/2016-rapport-affaires-etrangeres-europeennes.pdf.

4. Meaning all the funds channelled to and through multilateral organisations, or the sum of core and non-core resources. It therefore encompasses multilateral ODA and a part of bilateral ODA (which is earmarked funding) (OECD, 2015).

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Chapter 3: Luxembourg's financing for development

Overall ODA volume

The member makes every effort to meet ODA domestic and international targets

Luxembourg's decision to allocate 1% of its gross national income (GNI) to official development assistance (ODA) sets an example of generosity for other Development Assistance Committee (DAC) members. This generosity is all the more laudable as Luxembourg's ODA totals exclude expenditure related to refugee costs and the fight against climate change. Luxembourg enjoys a very broad domestic consensus on its ODA commitments, thanks to its economic well-being and an engaged civil society.

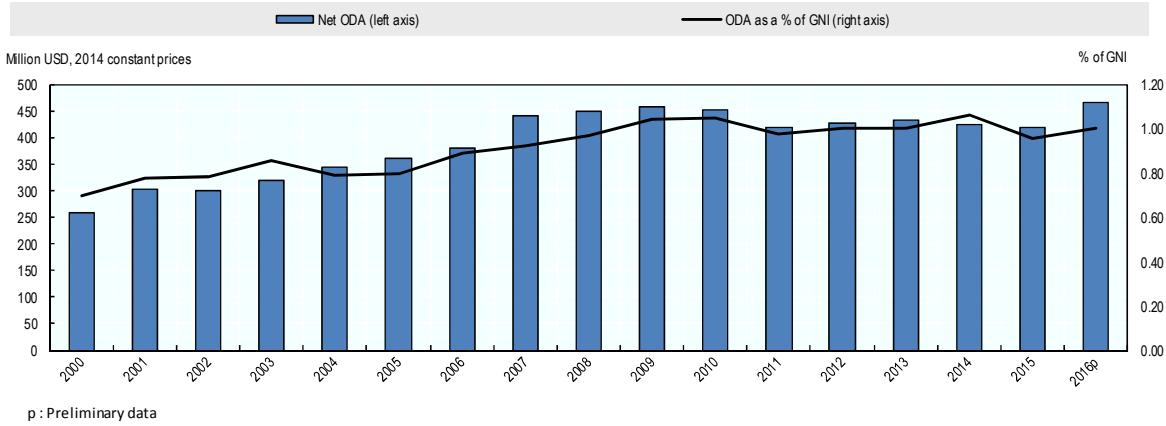
Luxembourg allocates 1% of its gross national income to ODA, setting an example for the DAC

Luxembourg's commitment to ODA sets an example to the other members of the Development Assistance Committee. Its target of 1% of gross national income allocated to ODA is well above the international target of 0.7%, which Luxembourg has also adhered to and has been exceeding since 2000 (Figure 3.1). The 1% target, first reached by Luxembourg in 2009, was reconfirmed in the 2012 general strategy and the 2013-18 government programme. With a few exceptions, Luxembourg has successfully met this target each year.[1] According to preliminary ODA data,[2] in 2016, Luxembourg and Norway were the only DAC countries to allocate 1% or more of gross national income to ODA.

What makes this generosity all the more remarkable is that the 1% target is paired with a high-quality ODA portfolio which excludes expenditure on hosting refugees and financing related to the fight against climate change. This generosity confers on Luxembourg the image of an exemplary donor in many respects, and enables it to maximise its international influence (Chapter 1) and to programme a high proportion of its assistance at country level: 62% of Luxembourg's bilateral aid is programmable at this level.[3]

Even though Luxembourg's strategic framework sets geographical and sectoral priorities (Chapter 2), they do not include allocation targets except for the international target of 0.15-0.20% ODA/GNI to least developed countries. Nevertheless, the fact that Luxembourg is currently considering whether to set sectoral and geographical targets, such as dedicating a minimum percentage of ODA to Africa, is an interesting development in terms of transparency and accountability.

Figure 3.1 Net ODA: Trends in volume and as a share of GNI, 2000-16, Luxembourg



Source: OECD (2017), *OECD International Development Statistics (Database)*, http://dx.doi.org/10.1787/dev-data-en.

Luxembourg gives itself the means to respect its commitments

The vast majority of Luxembourg stakeholders in government, parliament and civil society stand by the 1% ODA/GNI commitment. A favourable economic context at home and an engaged civil society provide the basis for a broad consensus on ODA and a virtuous circle generating sustained support for Luxembourg's solidarity towards developing countries.

Luxembourg carefully monitors its international ODA commitments and takes the necessary measures to ensure it abides by them. For example, the high level of ODA budget execution confirms that its generous commitments are put into practice. In addition, the decision by the Government Council of 3 October 2014 to set an annual minimum level of ODA of EUR 323 million helped counter the impact of low GNI growth over that period. This decision guaranteed relatively constant ODA volumes, thereby providing Luxembourg's partners with a high level of predictability.

Good quality statistical reporting for a high degree of predictability

Luxembourg's provides the DAC with good quality statistical reporting on ODA flows, with no major problems.

The annual predictability[4] of Luxembourg's contributions to developing countries, which was already high, has improved significantly. In 2015, 88.1% of Luxembourg's assistance was disbursed within the fiscal year in which it was scheduled, compared to 74% in 2010 (OECD/UNDP, 2016). At 84.5%, its medium-term predictability[5] is also very high, at 84.5%, ranking Luxembourg third among DAC members.[6]

Bilateral ODA allocations

Aid is allocated according to the statement of intent and international commitments

In line with the 2012 peer review recommendations, Luxembourg has maintained a high level of concentration on a limited number of sectors with more than 51% of its bilateral ODA committed to social sectors, in line with its strategic orientation. Luxembourg has also strengthened its geographical focus, committing 59% of the bilateral ODA allocable by regions to Africa in 2015 and to a total of just seven priority countries. Moreover, Luxembourg is characterised by its focus on the least developed countries. With a 0.40% ODA/GNI ratio committed to these countries, Luxembourg is one of the few DAC members to meet and exceed the 0.20% target in the Istanbul Programme of Action. These efforts to concentrate its work make Luxembourg a visible donor and recognised by its partners.

Luxembourg mainly targets Africa and least developed countries

Luxembourg has stepped up its geographical concentration since the last peer review.

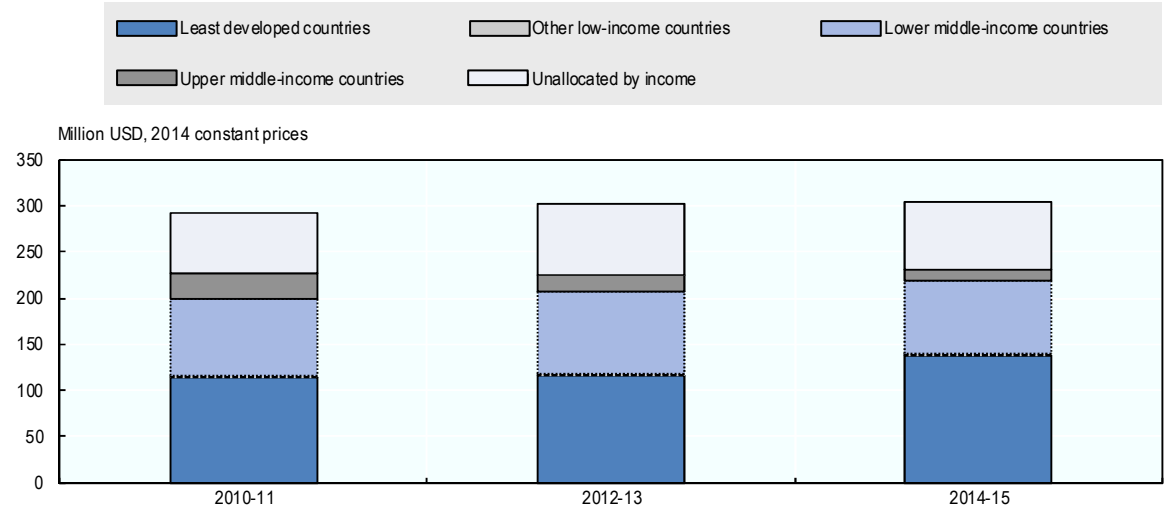
In accordance with the statements of intent in the 2013-18 government programme, Luxembourg's concentration of funding on Africa has increased sharply since the start of the new government programme, rising from 52% of bilateral allocable ODA in 2013 to 59% in 2015. This concentration on Africa is also reflected in the list of the five main recipients of Luxembourg's bilateral assistance (Annex B), four of which are African countries.

The same applies to Luxembourg's concentration on least developed countries, which has risen significantly to 61% of gross bilateral allocable ODA disbursed in 2015 from 52% in 2012 (Figure 3.2 and Annex B). Luxembourg's share of bilateral ODA for the least developed countries is by far the highest in the DAC as a percentage of GNI – 0.32% in 2015 – and over five times the total for the DAC as a whole. The share of all ODA to the least developed countries amounts to 0.40% of GNI which makes Luxembourg one of five DAC members continuing to respect the 0.20% ODA/GNI target of the Istanbul Programme of Action in 2015.

Despite not drawing much attention to it in its strategic documents, Luxembourg's co-operation also primarily targets landlocked developing countries,[7] which are a group of countries defined as most in need by the DAC.

Lastly, 36% of Luxembourg's aid went to the five countries[8] receiving the most support over the period 2014-15, compared to 31% over the period 2009-13. The five main beneficiaries are all Luxembourg's priority countries, and its seven priority countries[9] feature in the top ten beneficiaries. Even though in 2014-15, Luxembourg provided bilateral assistance to 99 countries worldwide, including through NGOs and its humanitarian programme, the top 20 recipients received 65% of bilateral ODA, and the remaining 70 recipients' only 11%.[10]

Figure 3.2 Bilateral ODA by income group, two-year average, gross disbursements



Source: OECD (2017), OECD International Development Statistics (Database), http://dx.doi.org/10.1787/dev-data-en.

A focus on social sectors, in accordance with strategic objectives

In accordance with the recommendations of the 2012 peer review, Luxembourg has maintained its very high sector concentration, earning Luxembourg's bilateral ODA a reputation for targeted and stable co-operation over the last ten years (Annex B).

The sectors identified in the 2012 general strategy – education, vocational training, health and integrated local development – result in a high concentration of Luxembourg's ODA on infrastructure and social services. The share devoted to these increased from 49% of bilateral ODA in 2009-13 to 51% in 2014-15. The rest of Luxembourg's portfolio focuses on the banks and financial services sector – reflecting the country's support for microfinance – the agricultural sector, and humanitarian assistance. Efforts to increase sectoral concentration can also be seen in the falling share of interventions classified as "multi-sector", from 10% of bilateral ODA in the period 2004-08 to 7% in 2014-15.

This high concentration gives Luxembourg great visibility and recognition on the ground in its priority sectors. This is especially the case for vocational training in Senegal where Luxembourg's leadership is recognised by development partners as well as the government (Annex C).

The focus on cross-cutting issues is partially reflected in ODA allocations. In 2015, Luxembourg granted USD 78.4 million to gender equality, a sum which has been steadily increasing since the last peer review, and 33.2% of bilateral assistance had gender equality and empowerment of women as a key or important objective, below the DAC average of 36%. Moreover, in 2015, 25.7% of Luxembourg's bilateral budgetary assistance was used to support the environment, and 12.9% was directed towards climate change in particular, compared to DAC country averages of 27.2% and 26.2% respectively. The relatively low proportion of aid allocated to combating climate change is due to Luxembourg's decision not to count climate finance managed by the Ministry of Sustainable Development and Infrastructure as ODA (Chapter 1).

Fragility is not in itself a reason Luxembourg allocates assistance, but its priority countries, especially in the Sahel, have become more fragile since the last peer review. As a result, Luxembourg has increased its humanitarian budget for crisis situations to 18% of bilateral ODA in 2014-15, above the global DAC average of 12%. In these fragile contexts, it places more of a focus on risk reduction, prevention and transition activities, while maintaining consistency with humanitarian programmes. The humanitarian budget also finances some projects which are not necessarily of a humanitarian nature, such as transitional justice and reconciliation. These transition and stabilisation issues are important, and require long-term support. Accordingly, they could be more usefully financed by development instruments rather than drawing on an already limited humanitarian budget.

Multilateral ODA allocations

The member uses the multilateral aid channel effectively

Luxembourg is firmly committed to the multilateral system and its aid allocations to multilateral agencies – about 30% of its total ODA – reflect this commitment. Luxembourg's multilateral ODA allocations are stable and predictable for its partners. The composition of Luxembourg's portfolio demonstrates its role as a frontrunner, as shown by its support for thematic trust funds put in place by multilateral agencies. Nevertheless, multiplying contributions are fragmenting Luxembourg's multilateral aid, leading to higher transaction costs.

Luxembourg's allocations fully reflect its multilateral commitment

Luxembourg's strategy documents do not set how funds are to be distributed between bilateral and multilateral ODA but over the last 15 years the proportion has remained around 70% bilateral ODA and 30% multilateral ODA, reflecting a sustained political commitment to the multilateral system. However, in recent years multilateral ODA has fallen slightly from 32% of total gross ODA in 2011 to 28% in 2015, even though it is still above the DAC average of 26%. For the most part, Luxembourg's budget for multilateral ODA is allocated to agencies of the United Nations (12% of total gross ODA), the European Union (8%) and the World Bank (5%), with the remainder going to regional banks and other multilateral agencies (Annex B).

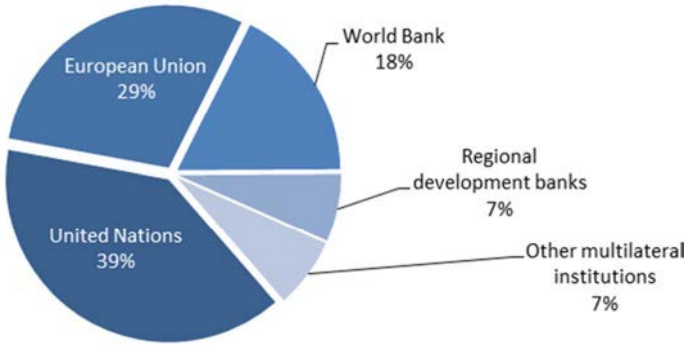
Luxembourg is a reliable and predictable partner, mainly thanks to a dual system of framework agreements and multi-year financing agreements. It has signed framework agreements of unlimited length or multi-year financing agreements with 14 agencies, mainly from the United Nations family.[11] Luxembourg is also responsive to the needs of the multilateral organisations it supports, in particular agencies with which it has multi-year strategic partnership agreements guaranteeing predictable contributions consisting of one-third general budget contributions, one-third thematic contributions and one-third contributions to bilateral co-operation programmes in the field. Moreover, Luxembourg's multilateral partners consider it to be a flexible, low-maintenance donor, demanding few specific project proposals or personalised follow-up reports. Luxembourg also combines a proactive approach to partnerships with high responsiveness. Lastly, its multilateral partners consider it to be a frontrunner in many respects, and keen to support innovation, in particular by contributing to the new thematic trust funds as it did

in 2016 with the United Nations Development Programme's (UNDP) new thematic windows.[12]

The Ministry of Foreign and European Affairs (MAEE) manages around 85% of Luxembourg's ODA while the Ministry of Finance is responsible for around 10%,[13] focusing on multilateral development banks and the International Monetary Fund (IMF). The Ministry of Finance thereby contributes to a very large number of international financial institutions and development organisations. In 2016, it disbursed around EUR 46 million[14] to 18 international financial institutions and development organisations in the form of subscriptions and capital increases, replenishments – such as for the World Bank – as well as contributions to numerous trust funds.

Luxembourg's large number of multilateral partners financed either through core or thematic funding, especially with multilateral banks, could generate administrative burdens due to its fragmented portfolio (Chapter 2). The risk of fragmentation and high transaction costs was borne out in Senegal (Chapter 5, Annex C).

Figure 3.3 Breakdown of Luxembourg's multilateral ODA in 2015



Source: Government of Luxembourg, memorandum presented to the peer review team, 2017.

Financing for development

The member promotes and catalyses development finance additional to ODA

Grants are the only type of finance Luxembourg uses and it does not plan to use any other kind in the near future. Nevertheless, it uses these grants to support a large number of sustainable development initiatives and organisations, aiming at either leveraging national resources or mobilising the private sector in favour of development, although without fully formalising the expected outcomes of these initiatives. Despite its importance as a financial centre, Luxembourg is still not fully taking advantage of the expertise at its disposal to support development.

Luxembourg is developing initiatives to catalyse private sector funds

Grants are the only type of finance Luxembourg uses, and it does not intend to use any other form of finance in the near future. However, the country wants to make the best use of these grants, and thus advocates using aid to catalyse additional resources from the private sector, or to leverage domestic resources.

In 2015, Luxembourg dedicated USD 0.48 million of ODA to leveraging domestic resources in developing countries, notably through thematic funds designed to

strengthen the institutional capacities of partner countries' tax administrations. Luxembourg is currently looking into the possibility of not claiming value-added tax (VAT) exemption on development activities, and is involved in the OECD's base erosion and profit shifting (BEPS) initiative, which are both concrete examples of support for domestic resource mobilisation. In 2015, Luxembourg allocated USD 32.3 million of ODA – a 16.1% decrease in real terms compared to 2014 – to promoting aid for trade, and to improving trade performance and the integration of developing countries into the global economy.

The Business Partnership Facility, launched in 2016, aims to use grants to co-finance joint projects between firms from Luxembourg and/or the rest of the European Union, and partners in developing countries. This is a promising initiative but, with an annual budget of EUR 1 million, it remains of limited ambition, illustrating Luxembourg's desire to engage with the private sector without calling into question the untied nature of its aid.[15] The criteria used to select partnerships include development objectives, including potentially but not exclusively, poverty reduction. The other selection criteria[16] act as useful protective filters to ensure that ODA is used for development purposes. However, Luxembourg has not defined any results framework in terms of development or poverty reduction, either at the level of the facility or at the project level. Luxembourg cannot therefore be sure that the facility is contributing to poverty reduction. Its experience in Senegal shows that the initiative has financed partnerships based on pre-existing contacts.

Luxembourg is also a staunch supporter of the microfinance sector through multiple partnerships, especially with non-governmental organisations (NGOs) such as Appui au Développement Autonome (ADA) and SOS Faim. It also supports a special microfinance fund, the Luxembourg Microfinance Development Fund (LMDF; Box 3.1), and continues to extend its assistance to the sector with support for the inclusive microfinance network InFiNe.lu., the European Microfinance Platform (e-MFP), the Microinsurance Network, and the Consultative Group to Assist the Poor (CGAP).

Lastly, the government supports the labelling scheme run by the Luxembourg Fund Labelling Agency (LuxFLAG), which awards quality labels to specialist microfinance and environment funds. This is an innovative initiative which helps promote the use of financial products for raising capital to finance sustainable development.

Given the large number of partnerships already in place, greater clarification on the expected development outcomes of these different initiatives aiming at leveraging additional finance and expertise would help Luxembourg to better leverage the expertise of the country's financial centre.

Box 3.1 The Luxembourg Microfinance and Development Fund (LMDF)

The LMDF is a social purpose investment fund with net assets of EUR 27.3 million which aims to alleviate poverty by supporting microfinance institutions. It specialises in facilitating the growth of promising emerging microfinance institutions to help them become strong and reliable partners for micro-entrepreneurs who need fair access to basic financial services: micro-credits, a safe place to store their money, transfers and micro-insurance. The government of Luxembourg and other private partners such as banks and insurance companies were a driving force in its creation in 2009, since when it has invested EUR 20.3 million in financing 38 microfinance institutions in 19 countries in Asia, Africa, and Latin America. It has financed 40 406 micro-entrepreneurs worldwide, 74% of whom are women. In addition to its social initiatives, the LMDF also managed to provide a positive return for its shareholders in 2016.

Source: Luxembourg Microfinance and Development Fund website, www.lmdf.lu, accessed on 16 May 2017.

Luxembourg is starting to report on amounts mobilised from the private sector

Luxembourg does not report non-ODA to the DAC (OECD, 2016a) nor private flows. However, it did take part in the recent OECD survey on the amounts mobilised from the private sector by official development finance interventions.[17] According to the survey, through contributions to the Luxembourg Microfinance Development Fund, Luxembourg mobilised EUR 13.9 million over the 2012-15 period.

Notes

1. Luxembourg explains any dips below 1% as being caused by the revaluation of GNI between the time the ODA budget is decided for the year and the time the ODA actually disbursed.

2. According to preliminary figures for ODA for 2016, available at: www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2016-detailed-summary.pdf.

3. Gross disbursements in 2015.

4. Indicator 5a of the monitoring framework of the Global Partnership for Effective Development Co-operation measures annual predictability as the proportion of development co-operation funding that is disbursed to a country's government within the fiscal year in which development partners schedule it. The indicator reflects both the reliability of development partners in delivering the resources, and how accurately they forecast and disburse this funding.

5. Indicator 5b measures the estimated share of development co-operation funding covered by indicative forward expenditure or implementation plans that are shared with the country government (for one, two and three years ahead).

6. Behind Iceland and the European Union, and excluding Monaco.

7. Four of Luxembourg's seven priority countries fall into this category: Burkina Faso, the Lao People's Democratic Republic, Mali and Niger. Moreover, another country, Mongolia, which is one of Luxembourg's ten so-called "project" countries, is also on the list of landlocked developing countries.

8 Burkina Faso, Cabo Verde, the Lao People's Democratic Republic, Niger and Senegal.

9. Luxembourg's seven priority countries are: Burkina Faso, Cabo Verde, the Lao People's Democratic Republic, Mali, Nicaragua, Niger and Senegal.

10 The share of bilateral ODA non allocated was 24%.

11. These agencies are: GFTAM, ICRC, IFAD, ILO, MOPAN, OCHA, UNCDF, UNDP, UNFPA, UNHCR, UNICEF, UNISDR, UNRWA and WFP.

12. Luxembourg was one of the very first contributors to the UNDP's new thematic windows launched in March 2016, with contributions to the three following funds: Sustainable Development and Poverty Eradication, Governance for Peaceful and Inclusive Societies, and Climate Change and Disaster Risk Reduction. For more information on the UNDP's different funding channels, go to the funding channels page of the UNDP website at www.undp.org/content/undp/fr/home/ourwork/funding/funding-channels.html.

13. The remaining 5% mainly comprises Luxembourg's share of its contribution to the EU general budget, excluding the contribution to the European Development Fund, which was allocated by the European Commission to development co-operation.

14. Excluding replenishment of the International Development Association (IDA), contributions amount to around EUR 25 million spread between 17 agencies and funds, representing an average contribution of EUR 1.4 million (MinFin, n.d.).

15. Within the framework of the Business Partnership Facility, private sector firms are invited to submit projects which may be eligible for as much as 50% co-financing, up to a limit of EUR 200 000, through a direct grant.

16. These include the "additional" nature of intervention (i.e. the project could not have been undertaken without Luxembourg's support, or would need to have been scaled down), non-distortion of the market, common interest between partners, the demonstration and replication effect of the intervention, and compliance with social and environmental standards.

17. For more information on this survey and the OECD's work on amounts mobilised from the private sector by official development finance interventions, go to: www.oecd.org/dac/stats/mobilisation.htm.

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Chapter 4: Structure and systems of Luxembourg's development co-operation

Authority, mandate and co-ordination

Responsibility for development co-operation is clearly defined with the capacity to make a positive contribution to sustainable development outcomes

Luxembourg's development co-operation is built around the Ministry of Foreign and European Affairs (MAEE), which is in charge of policy making and implementation, the implementation agency LuxDev, and the Ministry of Finance, which is in charge of partnerships with international financial institutions. In line with the 2012 peer review recommendations, the respective roles of the MAEE and LuxDev have been clarified and co-ordination between the two institutions strengthened. The relatively small size of Luxembourg's co-operation and the MAEE's increased presence in the field in all its priority countries, make it possible for the ministry to assume a leadership role in development co-operation and to facilitate co-ordination.

The authority of the MAEE has been strengthened and the division of labour clarified

Luxembourg's co-operation system is based around a straightforward architecture, comprising the Ministry of Foreign and European Affairs (MAEE), the executive agency Lux-Development (LuxDev), and the Ministry of Finance, with a clear division of responsibilities among them (Annex D).

The MAEE's Directorate for Development Cooperation (DCD) is responsible for designing and implementing Luxembourg's development co-operation policy[1] while the development co-operation agency, LuxDev, executes around one-third of Luxembourg's bilateral ODA on behalf of the state. Finally, the Ministry of Finance is responsible for multilateral initiatives with international financial institutions.

As recommended in the 2012 peer review, the latest revision of the memorandum of understanding between the MAEE and the agency clarified their respective roles, especially in terms of delegated and joint co-operation, and sectoral approaches. The MAEE's authority over the agency is also guaranteed by the fact that the Director of Co-operation is the Vice-Chairman of LuxDev's Board of Directors.

The modest scale of the Luxembourg administration facilitates co-ordination

The small size of the Luxembourg administration overall, especially in development co-operation, facilitates the co-ordination of development co-operation and humanitarian assistance.

Co-ordination between the MAEE and LuxDev is characterised by regular exchanges, both at headquarters level and in the field. Interaction between the MAEE and LuxDev headquarters has been strengthened by the organisation of regular strategic and operational meetings.[2] In the field, the Senegal mission shows that sharing the same premises, along with the modest scale of the embassy and LuxDev's regional offices, and the use of LuxDev's technical expertise to advise the embassy, help to implement co-operation programmes.

There is an ongoing review of the 2008 convention and the memorandum of understanding between LuxDev and the ministry, which is intended to adapt LuxDev's role and strategic positioning in the new international landscape, including regarding the provisions for the delivery of services to other third-party donors (CC, 2017). The review should ensure coherence across interventions while recognising the financial and learning benefits of these services (LuxDev, 2017).

Whole-of-government co-ordination is mainly in the hands of two bodies, of which the MAEE is respectively the chair and co-chair. The first is the Inter-Ministerial Committee for Development Co-operation (ICD), which ensures a structured dialogue with the relevant ministries on the broad guidelines for development co-operation policies, and the second is the Inter-Departmental Commission of Sustainable Development (ICSD), which makes sure that the 2030 Agenda is integrated into sectoral policies. Efforts to co-ordinate and implement a whole-of-government approach are also illustrated by the fact that an MAEE representative attends the annual meetings of multilateral banks under the aegis of the Ministry of Finance.

The MAEE now maintains a permanent presence in all its priority countries through its embassies, giving it the necessary capacity to co-ordinate activities in these countries, including beyond ODA activities. This is the case for new activities in the field of economic co-operation, for example: in Senegal, co-operation officers have facilitated the first economic mission from Luxembourg in 2016.

Lastly, in partner countries where it makes sense, such as Mali and Niger in West Africa, Luxembourg uses what it calls a "3D" approach, which combines different aspects of diplomacy, development and defence.[3]

Systems

The member has clear and relevant processes and mechanisms in place

Luxembourg has solid and explicit decision-making systems in place. Even though they are highly centralised within the ministry, they pose no operational issues. In response to the 2012 peer review recommendations, LuxDev delegated authority to its regional desks, strengthening its operational effectiveness. However, due to the lack of efficient information technology tools, its current monitoring mechanisms are not able to provide all the information Luxembourg needs to meet all its transparency requirements. Risk prevention and management at the MAEE does not yet fully take into account changes to Luxembourg's co-operation portfolio, in particular the impact of new partnerships with the private sector and increased instability in some priority countries. Finally, there are synchronisation issues with the processes for mandating LuxDev, which can affect the quality of the programme.

Solid and straightforward programming processes

Approval procedures at the MAEE are tailored to the size of the co-operation programme. There are no operational issues with the process, despite the fact that each proposed project or programme has to be approved by the minister.[4] Financially, the deputy director may approve expenditure up to EUR 125 000, and the director up to EUR 250 000, which is sufficient for operational requirements given the size of Luxembourg's development co-operation.

Moreover, the decision-making processes are straightforward. The 2008 convention sets out the distribution of authority and processes for making decisions. The 2012 memorandum of understanding has strengthened LuxDev's advisory role by

now involving it as early as the identification phase. This has had a positive impact on the quality of the programme, including the coherence between the different parts of the indicative co-operation programme, as was seen in Senegal.

Nevertheless, there are issues with the processes for mandating LuxDev to formulate interventions. For example, there are delays between signing indicative co-operation programmes and the transmission of the formulation mandate, mandates for a single country are sometimes submitted in multiple tranches, and the mandates provided to LuxDev vary in clarity. These issues can all delay programmes and reduce potential synergies between various initiatives.

LuxDev has used its guide to methodological approaches, modalities and instruments of development co-operation (LuxDev, 2014) to significantly bolster its operational approach and programme decision-making tools. Moreover, its Optimus 2016 restructuring plan, which is currently being implemented, is expected to enhance the programme approach (Box 4.1).

In the absence of a clear multilateral strategy, Luxembourg has no formal criteria for selecting among UN agencies or the various trust funds of the international financial institutions, which could lead to the fragmentation of its multilateral portfolio (Chapter 3).

Box 4.1 LuxDev's Optimus 2016 programme

The aim of the Optimus 2016 restructuring plan is to improve LuxDev's operational efficiency. The reorganisation aims to develop and streamline certain head-office functions, particularly programme support, and to transfer responsibility for business processes to the regional desks and harmonise the standard structure of key positions in the field.

Source: LuxDev (2017), "Optimus 2016 – Bienvenue – Version Mars 2017".

Quality assurance is at the heart of LuxDev's internal organisation

At the MAEE, the deputy director is in charge of quality assurance, and checks that any proposed operations comply with the country's principles and strategies. To date, however, there has been no overall and formalised approach to quality assurance, as shown by the fact that the guide to decision-making processes has not been updated and is considered to offer little added value in the DCD's current circumstances.

At LuxDev, quality is the cornerstone of the architecture and operational processes. In 2005, LuxDev was awarded ISO 9001 certification through the Expertise and Quality Directorate, which is also responsible for evaluations and knowledge management. Moreover, under the Optimus programme quality assurance becomes a key function of the head office (LuxDev, 2017) and this process is set to be linked directly to the director general in order to strengthen its independence.

Management systems affect Luxembourg's ability to meet its transparency requirements

Regular contact between the ministry and the Parliament's Foreign and European Affairs Committee, annual reports presented to Parliament, and regular exchanges with civil society, all provide platforms for stakeholders to discuss Luxembourg's co-operation. Moreover, efforts to communicate with the public via regularly updates on websites and social media[5] give citizens information about the activities of Luxembourg's co-operation. That said, interaction with the public via these platforms remains limited and they are more a communication tool than a transparency one.

Luxembourg partially delivers on its transparency commitments. Its reporting to the Creditor Reporting System is of good quality (Chapter 3) and the small scale of its

co-operation allows it to reply promptly to internal and external requests. Nevertheless, the Metrum system, which is supposed to inform the DCD, is only taken up patchily within the MAEE, and does not provide a comprehensive financial and operational vision, forcing the ministry to compile information from other sources.[6] Recent measures taken with the Centre for State Information Technologies (CTIE) are a first step towards resolving these issues. In the same vein, as was seen in Senegal, an information technology system providing an overview of project execution across the entire co-operation portfolio would improve both the embassies' management capabilities and accountability mechanisms. Lastly, despite moves to improve results-based management, Luxembourg is not in a position to obtain timely access to information on the results of operations and development outcomes (Chapter 6).

LuxDev is improving its operational efficiency through greater delegation to regional offices

The Optimus 2016 programme is helping LuxDev to improve its operational efficiency by redefining the framework for, and delegation of, authority to regional offices. The programme provides for the harmonisation of the standard structure of key positions in the field, which will help streamline decision-making mechanisms. Offices in the field will also have greater responsibility for some accounting functions (prior control). Moreover, the transfer of business processes to regional offices will help improve the processes to identify and formulate the needs of partner countries as accurately as possible.

Risk management has not yet fully incorporated all the changes in the co-operation portfolio

The MAEE has no global tool for evaluating and monitoring reputational, programme or safety risks. Nevertheless, the very principled approach of Luxembourg's co-operation to ODA management, with a high ODA/GNI ratio, a strong focus on the least developed countries, the exclusion of costs related to taking in refugees and the additionality of climate funds, helps keep the kind of reputational risks most other DAC members face to a minimum.

Operationally speaking, the MAEE's approach continues to be mainly based on the procedures of its implementing partners, notably LuxDev for bilateral co-operation. To this end, LuxDev has strengthened its risk management tools in response to the recommendations of the last peer review. LuxDev now has a risk management committee and clear procedures for preventing and managing programme risk (LuxDev, 2016b), as well analysis matrix tools (LuxDev, 2016c). These tools also include a code of conduct presenting the definition of, and rules governing, corruption risk, as well as the behaviour expected of agency staff (LuxDev, n.d. b). Since 2013, LuxDev has also strengthened its approach to auditing projects.

The planned reviews of the 2008 convention and the memorandum of understanding binding the MAEE and LuxDev are expected to improve Luxembourg's approach to risk management, in particular with regard to the provision of services to other third-party donors (CC, 2017).[7]

Luxembourg's new strategy for private sector partnerships, such as through the Business Partnership Facility, is generating new reputational risks which are not receiving sufficient analysis or monitoring. Moreover, of Luxembourg's seven priority co-operation countries, some Sahel countries, such as Mali and Niger, have become more fragile since the last peer review and require a specific security analysis.

Luxembourg is considered innovative by its partners

Luxembourg's internal organisation does not include a system for encouraging innovation, which does not prevent Luxembourg from being considered an innovative donor by its partners. The emergency.lu platform for humanitarian assistance (Chapter 7) and Luxembourg's contribution to new multilateral trust funds (Chapter 3) are recognised as innovations by its partners. Lastly, the substantial number of microfinance partnerships and support for the LuxFLAG quality label innovative are other examples of new private-sector initiatives.

Capabilities throughout the system

The member has appropriate skills and knowledge to manage and implement its development co-operation, and ensures these are located in the right places

In accordance with the last peer review recommendations, Luxembourg has strengthened its capacity to successfully carry out its development programme. It has opened field offices in Niger and Mali and strengthened its human resources procedures, for example by clarifying job descriptions. LuxDev has strategically redeployed its staff and is trying to strengthen its operational efficiency through its Optimus 2016 plan.

Staff are now better suited and better deployed to implement the development co-operation programme

Since the 2012 peer review, Luxembourg has strengthened its capacity to successfully implement its co-operation programme.

At the MAEE, actions undertaken since 2012 have helped strengthen the DCD's capacity to implement its co-operation programme. The DCD now has 29 headquarters staff (GGDL, 2017) compared to 23 in 2012. It has strengthened its humanitarian and evaluation desks as recommended in the last peer review, with four staff in 2017 compared to just one in 2012. Despite its recent efforts, the MAEE is still not fully capable of assuming its quality assurance role on cross-cutting themes, and has still not identified the capacity needs arising from changes in the programme towards other forms of partnership, such as with the private sector.

LuxDev has redeployed its staff leading to more efficiency in how the co-operation programme is implemented. Despite an increase in the programme budget between 2012 and 2016 (LuxDev, 2017), LuxDev has reduced staff numbers by about 10% over the same period of time, reducing the number of staff working on projects but strengthening the capacity of regional offices. At the end of February 2017, LuxDev had 513 employees, 52 working in its headquarters, 52 working in the regional offices and 409 collaborating on projects.[8] Changes in the role of technical assistants in the field, and the redefining of functions between headquarters and the regional offices under the Optimus 2016 programme as a result of operational analyses of regional offices (Box 4.2), are expected to lead to the agency's employee structure being reconfigured in the coming years.

In the field, as recommended in the last peer review, the opening of two co-operation offices in Mali and Niger is expected to allow Luxembourg to better fulfil its role of sector leader. Reviewing the roles of its technical assistants is also expected to strengthen Luxembourg's capacity to play an active role in co-ordination exercises in the field.

Box 4.2 Operational analysis of regional offices

As part of the Optimus 2016 programme, LuxDev is carrying out a series of organisational analyses of its regional offices with a view to optimising the current implementation structure in its partner countries. To this end, the agency is using the responsibility assignment matrix (responsible, accountable, support, consulted, informed; RASCI), which clarifies the roles each actor plays in tasks, activities and processes.

Source: LuxDev (n.d. a), "Appui au Diagnostics des bureaux - Note concernant le diagnostic en appui des bureaux LuxDev".

Luxembourg has improved its human resource management tools but incentives for training and related budgets remain limited within the ministry

Luxembourg has improved its human resource management tools, as recommended in the last peer review, even if training incentives and training budgets remain limited.

At the MAEE, the DCD has a wide range of methods to recruit and train Luxembourg nationals in development co-operation, strengthen the country's presence in international institutions, and simply raise awareness of development co-operation among the population.[9] Nevertheless, to date there has been no comprehensive assessment of the impact of these numerous systems which would help to optimise both the ministry's recruitment strategy and Luxembourg's influence within international organisations.

The state's recent administrative reform introduced a management by objectives approach for organisations and employees, which is helping to improve the ministry's effectiveness. From now on, all civil servants will receive a job description, a work programme and an annual evaluation. The rigidities related to human resources and weak incentives for training observed within the ministry in 2012 are still present, but the DCD has taken measures to foster internal mobility, especially in terms of remuneration, costs of business trips and leisure travel, and to open up some positions to non-diplomats.

At LuxDev, as was seen in Senegal, a specific training budget, also covering local staff, would help further the current positive dynamic, characterised by the variety of roles local staff hold in the regional offices.

Notes

1. It administered 86% of ODA in 2016 while Most of the rest was managed by the Ministry of Finance (around 10%) and the remainder corresponds to contributions to the European Union budget and to other ministries.

2. Every two months for strategic discussions, and quarterly for the review of the bilateral portfolio.

3. See for example the 2015-19 indicative co-operation programmes (PICs) with Mali and the 2016-20 PIC with Niger.

4. The deputy director checks quality of the proposed initiative and its compliance with Luxembourg's co-operation principles and strategies. The memo is then submitted to the director for an opinion and to the minister for approval. The nine aspects taken into consideration for each action/programme are: 1) location, budget and duration; 2) context and background; 3) strategic priorities; 4) objectives and main outcomes; 5) beneficiaries; 6) aid effectiveness (ownership, harmonisation, alignment, result-oriented management, mutual accountability); 7) institutional set-up; 8) cross-cutting themes; and 9) monitoring/evaluation.

5. The MAEE has a Facebook page, www.facebook.com/MAEE.Luxembourg/ (accessed 5 June 2017), and a Twitter account (@MFA_Lu).

6. Notably the software from SAP for the financial management of projects.

7. In Senegal, LuxDev's execution of the EU Migration Trust Fund followed different operating principles and modalities than other Luxembourg co-operation in the same country, thereby generating a reputation risk for Luxembourg.

8. The table below contains the headcount at LuxDev between 2012 and 2017. *Source:* the 2012 Peer Review and the Human Resources division at LuxDev. For 2017, the data were provided at the end of February.

Headcount	2012	2017
Headquarters	54	52
Regional offices	46 staff consisting of 9 international and 37 local officials	52 staff consisting of 11 international and 41 local officials
Projects	455 staff consisting of 75 international experts and 380 local contracts	409 staff consisting of 73 international experts and 336 local contracts
Total	**555**	**513**

9. Such as internships at DCD or Enda Third-World, a Development Policy Volunteer Service, the Junior Professionals programme with the UN and the European Union, the United Nations Volunteers programme, the Junior Technical Assistants programme at LuxDev, and the development co-operation leave scheme.

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Chapter 5: Luxembourg's development co-operation delivery modalities and partnerships - globally, regionally and at country level

Partnering

The member establishes partnerships for development co-operation with a range of actors (national and local government, UN agencies, development banks, CSOs, foundations, knowledge institutions, media, private sector).

Quality partnerships lie at the heart of Luxembourg's co-operation mechanisms. Predictable, flexible and transparent funding, as well as active engagement in collective mechanisms, make Luxembourg a reliable and pragmatic partner for multilateral organisations, non-governmental organisations (NGOs) and its priority countries. In response to the 2012 peer review recommendations, Luxembourg is rationalising its funding mechanisms for NGOs. Recent efforts to leverage the private sector are also expected to increase the diversity of its partners so it can better respond to development needs. Nevertheless, channel-based programming and country strategic frameworks which do not include all bilateral co-operation in the country restrict the opportunities for co-ordinated and coherent interventions, which could reduce their impact.

Partnerships are relevant but insufficiently co-ordinated in countries, due to the lack of a global co-operation framework

Luxembourg partners with a range of actors, mainly multilateral organisations, Luxembourg NGOs and national administrations. By leveraging these partnerships with proper instruments, the country can meet needs identified at the global, local and, to a certain extent, regional level.

Core and thematic funding of multilateral organisations enables Luxembourg to work at the global, regional and country levels. In addition, Luxembourg mobilises multilateral organisations to implement bilateral projects, selecting them based on their expertise even though it does not systematically analyse their performance to inform decisions.[1] For example, in fragile states, Luxembourg has combined its existing long-standing bilateral co-operation programmes with multilateral channels to support electoral processes and humanitarian assistance. Nevertheless, despite efforts to co-ordinate the multilateral organisations involved in indicative co-operation programmes (Box 5.1), the proliferation of such partnerships, and their selection through calls for proposals, might start to conflict with the stated aim of strengthening the multilateral system and can result in a fragmented portfolio which is cumbersome to manage (Chapter 2 and Annex C).

Since 2013, 20% of Luxembourg's official development assistance (ODA) has been allocated to and through NGOs – above the OECD DAC average of 13% – resulting in solid partnerships with Luxembourg NGOs. The reform of the funding mechanisms under the "Future Package" is in line with Luxembourg's strategic objectives of engaging with these actors (Chapter 2) while strengthening complementarity with the government's programmes,[2] as recommended in the 2012 peer review. Luxembourg has higher

co-financing rates for projects implemented in least developed, priority countries[3] and in the area of human rights, enabling increased concentration while maintaining the right of initiative and independence of its NGO partners. In addition, in individual cases where an organisation has specific expertise, it can be directly mandated by the ministry to carry out part of the bilateral programme. Nevertheless, the absence of thematic, sectoral and geographical specifications in calls for projects[4] restricts these efforts to seek complementarity. Finally, even though Luxembourg encourages partnerships between Luxembourg NGOs and Southern civil society, it has no direct involvement with the latter.[5] This limits its capacity to strengthen the commitment and contribution of these partners to planning, implementing and monitoring development policies.

In accordance with the Addis Ababa Action Agenda, Luxembourg is now seeking to leverage partnerships with the private sector. To date, the partnership approach is yet to be properly detailed (Chapter 2) and is mainly channelled through the Business Partnership Facility (Chapter 3). Even though the facility favours countries where Luxembourg development co-operation is active – thereby strengthening complementarity with the bilateral programme – the qualifying sectors[6] are the ones Luxembourg has identified as economic sectors for its new industrial revolution and where the country can add value. They are not aligned to the sectors identified in the development co-operation policy nor to the priorities selected by partner countries. The private sector is seen as valuable for creating jobs and catalysing additional financing, but not yet as a partner for planning and delivering co-operation programmes. However, as observed in Senegal, consulting the private sector while identifying indicative co-operation programmes (PICs) would help Luxembourg identify innovative partnerships (Annex C).

Luxembourg aligns its partnerships to bilateral priorities and aims for complementarity, mainly between and with multilateral organisations. Nevertheless, these partnerships are still mostly articulated around financing channels rather than objectives. In priority countries, the lack of a country strategic framework covering all the activities implemented by Luxembourg makes it harder to co-ordinate those financed under the PIC with those financed using other budgets. It also hampers Luxembourg's ability to analyse the overall coherence of its interventions. Moves in the new PICs to systematically identify the roles of the private sector, NGOs, multilateral organisations and partners in the South are an interesting initial response to remediating this problem.

Box 5.1 Efforts to co-ordinate multilateral partners in Senegal

As part of the third indicative co-operation programme, representatives of the Senegalese and Luxembourg authorities, and the multilateral organisations responsible for implementing the programme signed a letter of agreement designed to promote the coherence of their interventions and make them more effective. In particular, the signatories committed to harmonise their operational planning, control mechanisms and capacity-building plans and are required to notify Luxembourg of progress made in this area. Luxembourg also facilitated the organisation of joint programming missions in one of the sectors of its co-operation programme, the health sector, thereby facilitating synergies during formulation.

Sources: Interviews carried out during a mission to Senegal; Co-operation Senegal Luxembourg (n.d. b), *Lettre d'Entente en vue du Renforcement des Synergies entre les Acteurs du Troisième Programme Indicatif de Coopération (PIC III) Sénégal*.

The Development Co-operation Fund enables multi-year commitments despite the ODA budget being set annually

Luxembourg's ability to commit and disburse funds over several years, along with budgetary flexibility and efforts to align to its partners' strategies and systems, make it a reliable and predictable partner, able to react to changing needs, even in fragile states.

Although the ODA budget is set annually, it is prepared alongside a multi-year financial programme for years n+2 to n+4. Moreover, it channels 54% of its assistance through a development co-operation fund, which is financed annually by the state budget but is able to commit and disburse money over multiple years. Luxembourg is therefore able to commit to its partners for several years, be they multilateral organisations,[7] NGOs[8] or priority countries.[9]

The agreement between the Ministry of Foreign and European Affairs (MAEE) and LuxDev makes it possible to modify how the financial envelope is distributed between countries depending on the progress of programmes and projects, subject to state approval. In addition, the fact that commitments are based on overall funding envelopes, such as 4-5 year PICs for priority countries, provides some flexibility and responsiveness to needs within these budgets. For example, during the 2012 crisis in Mali, Luxembourg was able to rapidly adapt its development programmes to the capacities of the national and local authorities, and its humanitarian programmes to the population's needs, due to streamlined structures within the MAEE and LuxDev and long-standing knowledge of the context. This is a good programming practice to apply in fragile contexts. Finally, the way Luxembourg finances multilateral organisations, through core and thematic funding, and the framework agreements it signs with NGOs,[10] leave enough leeway to adapt programmes to changing circumstances.

Luxembourg is committed to collective processes

Luxembourg engages in co-ordination and harmonisation initiatives in a bid to reduce the transaction costs generated by fragmented co-operation and to improve efficiency.

In 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. Accordingly, between 2014 and 2015, approximately 25% of Luxembourg's bilateral assistance was committed thorough multi-donor partnerships,[11] representing a 16 percentage point increase compared to 2012-13.[12]

Moreover, Luxembourg contributes actively to the efforts of development co-operation providers to co-ordinate in partner countries, either as part of formal groups or on its own initiative, particularly by facilitating joint missions. In Senegal, for example, Luxembourg was instrumental in defining a single capacity-building plan for the ministries of Vocational Education, Apprenticeship and Crafts and of Health and Education which are now shared by all the partners active in these sectors (Annex C). These co-ordination efforts make Luxembourg more efficient and increase its visibility.

Transparency on allocations, but not on results

Luxembourg pays attention to the transparency of its ODA flows. Luxembourg has improved its historic and prospective reporting through the Creditor Reporting System and the OECD DAC survey on forward spending plans, resulting in a high level of quality (OECD/UNDP, 2016 and Chapter 3). This effort includes the creation of a database with three- and five-year forward spending plans by beneficiary country, available on Luxembourg co-operation's website.

Moreover, opportunities for partnerships with the private sector and civil society, the procedures and criteria selecting these partners, and the decisions taken are all explicitly stated and shared with the public in Luxembourg. This allows for interaction with a range of partners at the national level.

Nevertheless, despite efforts to communicate and measure results (Chapter 6), Luxembourg does not publish information on results with regard to activities or countries. The contents of the annual reports, country brochures and project factsheets are limited to financial information, objectives and, in some cases, planned activities and therefore do not present the outcomes resulting from Luxembourg's development co-operation. This lack of information limits the degree of accountability towards Luxembourg's partners and its citizens, including in terms of value for money.

98.8% of Luxembourg's aid is untied – well above the DAC average

In 2015, 98.8% of Luxembourg's ODA was untied, representing a drop of 0.4 percentage points since 2013.

When designing the Business Partnership Facility to promote private sector involvement in developing countries, in particular the granting of public funds (Chapter 3), Luxembourg made sure that the selection criteria did not affect the high level of untied aid, in compliance with European regulations on de minimis aid.[13] If the facility were to grow, analysing the impact and additionality of the initial projects could provide useful information for defining extra safeguards.

Country-level engagement

The member's engagement in partner countries is consistent with its domestic and international commitments, including those specific to fragile states.

Luxembourg's performance in implementing the Busan commitments is constantly improving. To achieve this, Luxembourg reviewed its strategic tools as recommended in the 2012 peer review. It has made particularly remarkable progress in using country systems, even if it is still a long way from the targets set in 2011. In fragile contexts, a more holistic approach to programming interventions would help Luxembourg to identify political and security risks, resulting in better anticipation of crises, thereby building on the flexibility of its development co-operation to adapt to changing needs.

Mutual accountability and ownership lie at the heart of Luxembourg's practice

Luxembourg applies the principles of ownership and mutual accountability to all its work.

To ensure that development partnerships are led by its partners, Luxembourg aligns the indicative co-operation programmes (PICs), signed by priority countries, to their programming cycles and national priorities identified in the sector plans and strategies (OECD/UNDP, 2016),[14] with no funding-related conditions. The focus on capacity building as a cross-cutting theme is designed to enable partners to take up their leadership role. In practice, this approach has resulted in increasing technical assistance and moving from supporting implementation to providing advice.[15] Nevertheless, as observed in Senegal, Luxembourg will have to analyse the role of its technical assistance and monitor its effect on capacity building to make sure its support is sustainable and owned by partners. To this end, the ongoing evaluation of capacity building within Luxembourg's co-operation should provide valuable insights.

Luxembourg ensures mutual accountability by systematically involving partner countries in monitoring and evaluation exercises for activities and indicative co-operation programmes. In addition, the fact that 79% of Luxembourg's bilateral aid is included in national budgets and that 95.9% uses the priority countries' own results frameworks, strengthens the capacity of partner governments and parliaments to monitor development programmes. This approach meets the mutual accountability requirement towards national authorities and parliaments and is in line with Target 15 of SDG 17: "respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development".

Lastly, thanks to high levels of geographical and sectoral concentration (Chapter 3), Luxembourg can play a leading role in co-ordinating partner countries and donors, thereby strengthening ownership and accountability beyond the scope of its own co-operation.

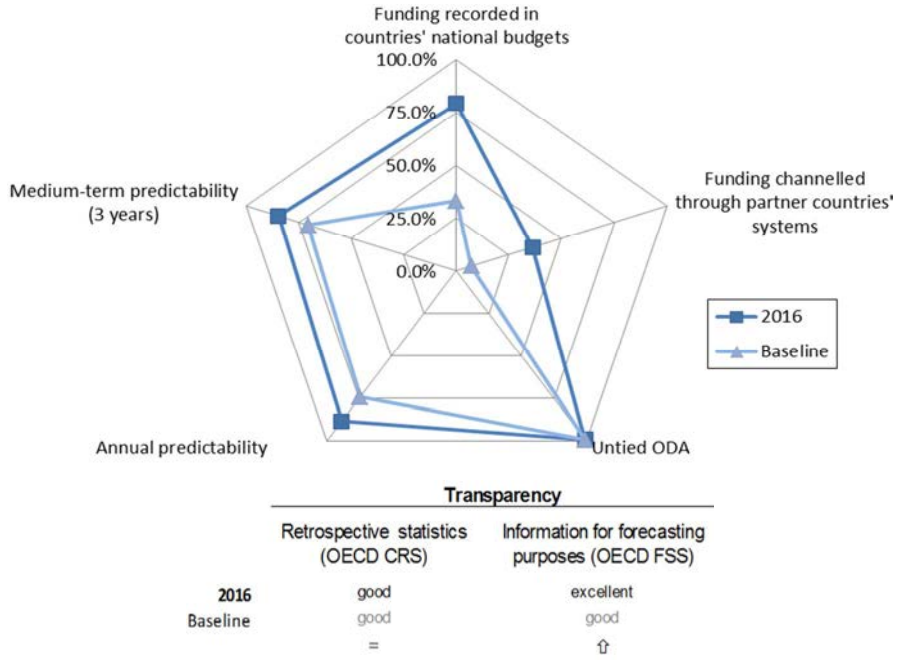
Constant improvement on Busan indicators

Luxembourg is firmly committed to the principles of aid effectiveness. Its action plan for development effectiveness and related monitoring matrix are useful tools to take stock and track progress that remains to be made. When revising the matrix Luxembourg will be able to integrate the new commitments made at international conferences in 2015.

Given the high predictability of its assistance – 88.1% of funds are disbursed in accordance with annual projections, and 84.5% are covered by indicative forward expenditure or implementation plans – the transparency of its ODA flows and its untied aid, the main challenge remaining for Luxembourg is the use of country systems (Figure 5.1). Despite this, it should be noted that Luxembourg made huge strides in this area between the last two progress reports by the Global Partnership for Effective Development Cooperation: the amount of aid channelled through partner country systems increased from 7.3% in 2013 to 36.2% in 2015 (OECD/UNDP, 2016), reflecting Luxembourg's focus on changing how it operates and responding to the 2101 peer review recommendations.

Indeed, in accordance with the recommendations of the 2012 peer review, Luxembourg has updated its strategic and decision-making tools. It now has a range of instruments enabling it to use country systems to varying degrees based on its partners' capabilities, ranging from complete control of implementation to budget support. It recently developed a new instrument, called budgeted support, as an intermediate process. Piloted in Senegal, it is somewhat akin to sectoral budget support in that it only uses country systems. However, resources are targeted, not fungible with state resources and traceable, thus making this budgeted support a mechanism specific to Luxembourg's development co-operation even though it is integrated into national systems (Annex C). Assessing the procedures related to this instrument could reduce its burdens and limitations and avoid creating a unit which is institutionally established in national structures but which is in practice isolated.

Figure 5.1 Luxembourg's performance on effective development co-operation indicators



Source: OECD/UNDP (2016), *Making Development Co-operation More Effective: 2016 Progress Report.*

The ability to foresee crises is restricted by context analyses which are more sector- and operation-focused than holistic

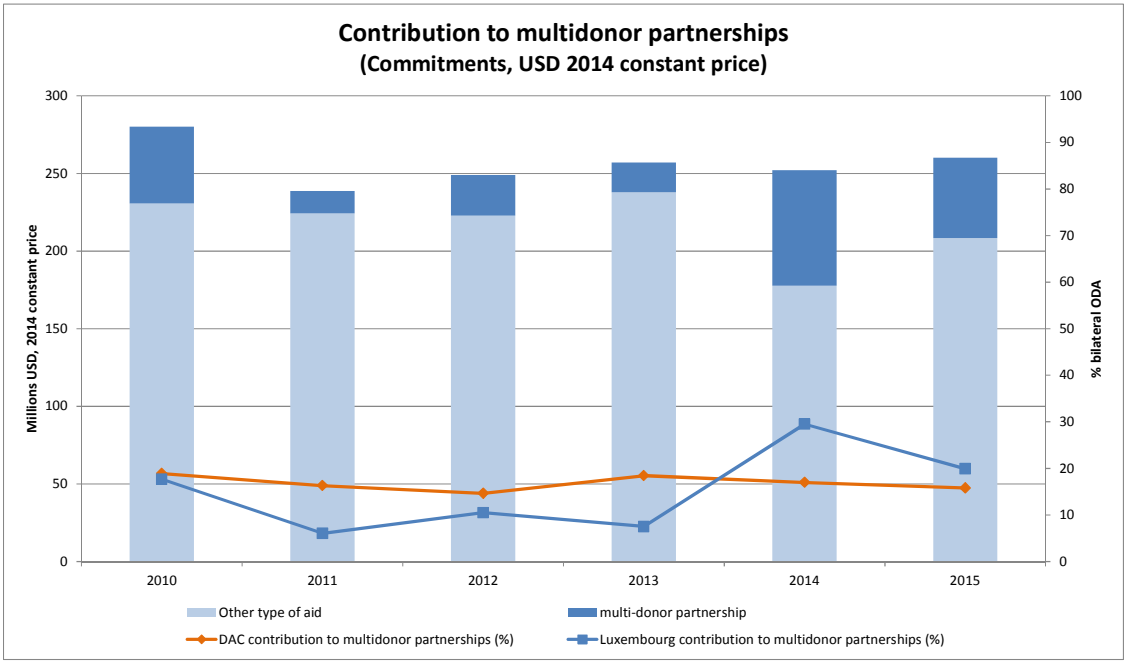
The starting point for bilateral programming is the local context. In crisis conditions, development co-operation interventions are underpinned by a joint assessment of the population's vulnerability and the added value Luxembourg can bring. This pragmatic approach effectively dovetails with some of the main objectives of the New Deal. In its priority countries, Luxembourg identifies its indicative co-operation programmes in consultation with its implementing partners – national and local authorities and selected NGOs. This participatory approach is also applied to formulating and monitoring projects and programmes. In addition, Luxembourg's high degree of geographical and sectoral concentration, and support from LuxDev from the identification phase onwards, give it an in-depth and recognised knowledge and understanding of the context in its sectors, and of its partners' needs.

The fact that context analysis are primarily conducted at the sector level, and that risks are mainly analysed from an operational viewpoint, affects the way programmes are designed, especially in fragile contexts. Indeed, in these contexts, development co-operation is the entry point into partnership and shapes the political dialogue, even on security issues. This approach, which is common to many development partners, did not help Luxembourg to foresee the sort of political risks it encountered in Mali or Niger, which it might have done had it had early warning mechanisms looking at politics and governance. Luxembourg has learned from these past experiences. Building on the flexibility of its development co-operation, it now intends to take a more holistic approach towards engaging in complex crises such as in the Central African Republic, and these efforts are to be encouraged. The recent opening of new diplomatic posts in the Sahel is also expected to increase Luxembourg's analytical capability and its understanding of its highest risk partner countries.

Notes

1. Luxembourg has now joined the Multilateral Organisation Performance Assessment Network (MOPAN), which should help overcome this limitation.
2. At the time of writing, the bills and draft regulations introducing the new co-financing rates were being submitted to the Council of State and the Luxembourg Parliament.
3. Eighty percent for projects in the least developed countries and Luxembourg's co-operation partner countries, 60% in the other countries. If the projects are directly related to human rights, the co-financing rate is 80% regardless of the country in which it is implemented.
4. To date, projects have been selected solely on the basis of quality criteria.
5. Except seven grants in El Salvador, Kosovo, West Bank and Gaza Strip, the Central African Republic and one regional programme in Central America over a total of 659 grants to civil society organisations reported to the OECD. *Source*: OECD (2017), *OECD International Development Statistics (Database), http://dx.doi.org/10.1787/dev-data-en*, accessed 24 May 2017).
6. These sectors are biohealth, information and communication technologies, financial technologies and eco-innovation.
7. Strategic partnership agreements may be signed for four years, and contributions to thematic funds may be signed for two years.
8. Funding may be granted for as long as three years in the case of calls for proposals, and as long as five years under framework agreements.
9. The indicative co-operation programmes signed with priority countries commit Luxembourg for four to five years. In the case of non-priority partner countries, or project countries, multi-year projects provide some predictability.
10. Framework agreements signed for three to five years strengthen the responsibility of NGOs qualified to undertake and monitor programmes, mainly by adding a certain amount of flexibility to management. Because the coherence of the programme is the main basis of the agreement, programming and budget documents do not necessarily need to go into each activity in detail, and budget reallocations during the programme are possible. In return, the NGOs are expected to use manage for results.

11. For the purpose of this review, multi-donor partnerships are considered to be contributions in the form of budgetary support to pooled funds, and to specific-purpose programmes and funds managed by international organisations. In comparison, the DAC average over the same period was 16% of bilateral ODA. For more information on 2010-15, see the figure below:



Source: adapted from *OECD (2017), OECD International Development Statistics (Database),* http://dx.doi.org/10.1787/dev-data-en, accessed 17 May 2017.

12. This increase is mainly attributable to an upturn in contributions to specific-purpose programmes and funds managed by international organisations, and a larger contribution to the Strategic Development Programme for Basic Education (PDSEB) in Burkina Faso.

13 De minimis aid is aid granted by a Member State to an undertaking and the accumulated amounts may not exceed a ceiling of EUR 200 000 over a period of three years. For further details on these aid measures, see Regulation EU 1407/2013 of 18 December 2013.

14. According to the progress report by the Global Partnership for Effective Development Co-operation, 100% of Luxembourg's bilateral co-operation interventions are aligned to national priorities, 81.8% of which are drawn from sectoral plans and strategies.

15. Aid allocated to technical assistance rose from USD 9 million in 2011 to USD 30 million in 2014 and USD 107 million in 2015 (2015 constant price). Source: "Technical co-operation expenditure", *OECD International Development Statistics (Database)*, www.oecd.org/dac/financing-sustainable-development/development-finance-data/statisticsonresourceflowstodevelopingcountries.htm, accessed 17 May 2017.

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Chapter 6: Results, evaluation and learning in Luxembourg's development co-operation

Management for development results

A results-oriented management system is in place

Strengthened results management at the level of individual interventions provides a solid basis for a similar approach at the strategic level. Luxembourg's current efforts to establish results frameworks at the level of its indicative co-operation programmes (PICs), as recommended in the 2012 peer review, will need to be backed up by the right monitoring and evaluation mechanisms if it wants to gather information that can be used to steer strategy. Currently, the new mechanisms still lack baseline information, easily used disaggregated indicators, and sectoral analysis based on the data collected.

First steps towards results-based management at country level

Luxembourg is strengthening management for results at the intervention level and developing a similar approach at country level. This progress should enable more strategic steering of development co-operation.

The new formulation processes developed by LuxDev in 2016 focus on defining expected outcomes before drafting operational plans. These outcomes are presented as a link in a chain of results, from activities to impact, which, ultimately, refer back to the goals stated in the indicative co-operation programmes (PICs) and the sectoral policies of partner countries – thereby ensuring a good degree of alignment. Intervention budgets are now structured around expected outcomes and not activities (LuxDev, 2017) and the new reporting formats focus on results, reflecting the priority given to results-oriented programming. By releasing a practical guide (LuxDev, 2016), involving experts in monitoring when formulating projects and offering training, LuxDev has strengthened ownership of this approach throughout the agency.

Partnerships with non-governmental organisations (NGOs) are also results-oriented. Although the ministry has not explicitly articulated the results it expects from engaging with these organisations (Chapter 2), the new funding mechanisms foster results-based management by NGOs. The selection criteria for co-funded projects and framework agreements awarded by the ministry include the quality of logical frameworks and the existence of monitoring and evaluation systems. There are no plans to develop a results-based management approach for projects funded by the Business Partnership Facility that would take into account its objectives and the characteristics of the private sector.

Lastly, in line with the recommendations of the 2012 peer review, the most recent PICs – those signed from 2015 on – now identify a series of specific objectives for each priority sector as well as indicators for monitoring their implementation. These objectives spring directly from the partner countries' sectoral policies, ensuring a high level of alignment. Efforts to develop results-based management at country rather than institutional level are commendable.

On the other hand, the indicators defined in programmes and projects are not worded in such a way as to make them easily measurable or quantifiable and, with a few exceptions, they are not linked to baselines that would make sectoral analysis possible. Nor, in the absence of a logic of intervention, do the results frameworks specify whether they are designed to measure general developments or Luxembourg's contribution to them. In addition, the lack of a results framework for Luxembourg's country strategies – i.e. one which encompasses the PIC as well as the activities of NGOs and the private sector funded by Luxembourg development co-operation – enables only partial strategic steering at country level.

Whether at country or project level, the various results frameworks for Luxembourg's co-operation do not currently refer to the Sustainable Development Goals (SDGs), focusing first and foremost on the results identified in priority countries' sectoral policies. As part of a joint effort with other development partners, enhancing the capacity of partner countries to embed these internationally approved objectives into their development plans and their national results frameworks would allow Luxembourg to align with those SDGs prioritised by their partners, enabling it to measure its contribution to the 2030 Agenda.

Luxembourg uses data drawn from its partners' statistical systems

Luxembourg's monitoring systems produce information on the outputs and outcomes of its co-operation, using data generated by partner countries as much as possible.

According to the latest round of monitoring by the Global Partnership for Effective Development Cooperation, and in line with Luxembourg's commitments to development effectiveness, 92% of the results indicators are monitored throughout the implementation cycle using government sources and monitoring systems (OECD/UNDP, 2016). This good performance has its limitations as Luxembourg might not always be able to access good-quality and timely data. To overcome these challenges, Luxembourg conducts organisational reviews at the launch of indicative co-operation programmes in order to improve national capacity – including capacity for monitoring and evaluation – and to provide any technical assistance required. If appropriate, Luxembourg also uses data produced by other development co-operation partners.

The monitoring systems currently in place, however, are not always able to provide high-quality, detailed information for every step in the results chain. The data provided in the various management charts are not systematically disaggregated by gender or by geography as noted in the evaluations conducted in Senegal. For programmes formulated before the reform of the PICs, the monitoring systems at best produce information about outcomes, and do not deal with impacts in the absence of any country-level results framework. Even though annual reports are structured around the expected results, they present the results achieved by the programme, they do not automatically analyse them and do not use systematically use output and outcome indicators.

The use of annual self-evaluations and external midterm evaluations of interventions and indicative co-operation programmes could partially offset these limitations by producing a more strategic analysis of the results. As was observed in Senegal, synchronising midterm project evaluations with midterm programme evaluations strengthens the impact analysis and adds a more strategic dimension to the latter. This experience confirms the idea that a clearer distinction between monitoring and evaluation tools would help Luxembourg use evaluations in a more efficient and strategic way, based on identified risks and knowledge needs, rather than using them mainly for monitoring.

Results are used for operational management rather than for strategic steering or communication

Luxembourg mainly uses results information to improve operational management. The information gathered is regularly discussed with Luxembourg's partners in steering committees and partnership boards, in order to improve the management of programmes. These discussions are facilitated by the strong incentives to learn within LuxDev and the use of joint monitoring and evaluation exercises.

These discussions tend to focus on activities, however, rather than results, partly because of the monitoring flaws mentioned above. For example, the midterm evaluation of the indicative co-operation programme between Luxembourg and Senegal noted that the indicators of the Strategic Document for the Reduction of Poverty II (*Document stratégique de réduction de la pauvreté II*), which were appended to the PIC, were not used as a strategic co-ordination tool, by either the partnership boards or the steering committees of the programme's bilateral components (Artemis, 2016).

The recent introduction of results frameworks into the PICs therefore represents an essential, but insufficient, first step towards ensuring strategic results-oriented management. An assessment of monitoring mechanisms, decision-making processes and incentives for the staff responsible for implementation should ensure that information about results is used to support the decision-making process.

Evaluation system

The evaluation system complies with DAC evaluation principles

The evaluation function of Luxembourg's co-operation has been strengthened in recent years. Co-ordination between LuxDev and the ministry over evaluation has enabled them to conduct more strategic evaluations in addition to the traditional project and country ones. However, evaluation is not always used in the most strategic way, contrary to recommendations in the 2012 peer review. Despite limited resources, projects and PICs are almost always systematically evaluated – and not according to the risks and need for knowledge. Lastly, the current institutional structure raises questions about the independence of the evaluation function.

The evaluation function has been enhanced with a policy and additional staff

The evaluation function has been boosted since the last peer review.

First, in 2015, the Ministry of Foreign and European Affairs (MAEE) adopted an evaluation policy which, together with a series of internal documents, detailed the different roles and responsibilities within the ministry as well as relations between the ministry, LuxDev and NGOs receiving public funds.[1] In line with the DAC evaluation principles, this policy focuses on transparency and independence and encourages the systematic inclusion of cross-cutting themes.

Second, staffing levels at the evaluation units at the MAEE and LuxDev have been increased, thereby allowing better quality control of evaluations. At the ministry, the evaluation unit has increased from one part-time to one full-time staff member, backed by an additional full-time post while Luxembourg is chair of the Multilateral Organisation Performance Assessment Network (MOPAN). At LuxDev, the evaluation department set up in late 2012 now has two full-time staff. While this level of staffing is enough to ensure the quality of the evaluations managed directly by these two bodies, the procedures governing evaluations carried out by the NGOs do not allow the ministry to make sure these

	evaluations are of good quality. This affects partially the oversight and learning capacity of the ministry over activities it co-funds.
Evaluations are independent once they have been launched	The two evaluation departments are institutionally separated from operations. Indeed, the two departments report directly to their general management. In order to strengthen the independence of each evaluation, both institutions use independent experts recruited through calls for tender. They have also made efforts to increase the number and diversity of experts responding to these calls. Although systems are in place to guarantee the independence of evaluations once they have been launched, an external control mechanism – such as an evaluation committee – together with more flexibility when planning evaluations, could increase the independence of the function.
The systematic approach to evaluations does not allow for strategic planning	The MAEE and LuxDev's evaluation departments do not have all the flexibility they need to plan evaluations strategically. The fact that Luxembourg's co-operation requires midterm and final evaluations for each operation and PIC means that there is little spare human resource and budget[2] for carrying out evaluations of themes or instruments. In practice, however, some evaluations have been cancelled after an analysis of the benefits of conducting these exercises. In addition, the co-ordination between the evaluation units of LuxDev and the ministry, as well as the transfer of responsibility for evaluation to NGOs signatory of framework agreements, has helped free up human and financial resources, and created enough flexibility for some strategic evaluations. For example, the MAEE has been able to launch cross-cutting evaluations of NGOs[3] and thematic evaluations.[4] The current review of the agreement between the Luxembourg government and LuxDev is expected to strengthen this positive trend. Indeed, it is expected to abolish the requirement for systematic midterm and final evaluations of each intervention, thereby enabling a more strategic approach to evaluations based on needs. The next peer review could assess the impact of this reform on the quality of the programming.
Conducting evaluations in partnership with priority countries helps build capacity	Luxembourg plays an active role in conducting joint evaluations, mainly with its partner countries and to a lesser extent with other development co-operation providers. Indeed, Luxembourg jointly evaluates the multi-donor programmes and other co-funded projects it is involved in, along with the other donors.[5] It also pays close attention to involving its priority countries when evaluating the PICs and their individual interventions. Indeed, PICs – signed by both Luxembourg and the partner country – systematically stipulate that both parties will be involved in the evaluation process, including defining the terms of reference. Depending on the circumstances, Luxembourg either leads the evaluation or provides administrative support, thereby helping build evaluation capacities.

Institutional learning

Evaluations and appropriate knowledge management systems are used as management tools

Luxembourg's co-operation uses evaluations as a tool for knowledge and management. LuxDev's new knowledge management strategy – which makes knowledge creation part of the planning and monitoring mechanisms as well as staff performance management – has strengthened its expertise. That said, knowledge is mainly derived from internal learning exercises and not from making use of external partnerships. In addition, the lack of vision for knowledge management within the ministry does not enable knowledge to be used as a tool for forward planning.

Learning is the main objective of Luxembourg's evaluations

Learning is the primary purpose of the evaluations Luxembourg conducts, and they are a key factor in the management of its co-operation processes (DCD, 2015b). Involving stakeholders from the outset in formulating terms of reference and properly synchronising evaluations with programming makes it possible to use lessons learned from midterm evaluations in the new programmes. For example, the content of the PIC IV for Senegal was identified on the basis of the midterm evaluation of the previous PIC.

Moreover, the findings and recommendations of evaluations are systematically circulated within the administration through internal notes and made available to the public through online publication of evaluation reports. Cross-cutting evaluations, clustered by geographical areas or themes, particularly help to strengthen mutual learning. For example, the meta-evaluation of Luxembourg's co-operation interventions in vocational training in the hotel and tourism industry led to the preparation of a guide for good practice in this sector.

Nevertheless, only the ministry has implemented a management response system, in the form of a memo drafted by the evaluation department and the relevant desks, and sent directly to the minister. The memo specifies the follow-up actions that will be taken to implement the recommendations that concern the ministry, which the desk in question is responsible for monitoring. While there is no mechanism to monitor whether follow-up actions have been implemented, there are signs that most recommendations from the evaluation of PICs are taken on board for subsequent PICs.

Knowledge management makes little use of external partners

Consolidating knowledge and expertise has been a priority for LuxDev since 2012 (LuxDev, 2015). Following the formulation of its "Vision 2020" and analysis of knowledge-related expectations, the agency prepared its first knowledge management strategy in 2014, built around three principles: 1) integrating knowledge management into interventions and processes; 2) implementing monitoring tools to facilitate sharing, exchange and communication; and 3) promoting and fostering a culture of learning. This strategy has been realised in particular through the organisation of "Spring Academies" and regional workshops, and the implementation of bidirectional information flows between head office and the field, and between regional offices, through exchange interfaces and by creating networks of experts. Knowledge management is not just limited to information technology systems: the individual performance targets of LuxDev staff include objectives related to knowledge production and learning.

Nevertheless, as was observed in Senegal (Annex C), more technical support from headquarters for staff in the field could help consolidate this learning trend, mainly in the

area of cross-cutting issues. In addition, the different knowledge management systems are primarily based on capitalisation exercises and do not make use of knowledge produced by external partners.

The ministry does not have a knowledge management strategy. Knowledge sharing relies primarily on the small size of the Directorate for Development Cooperation, and knowledge production mainly occurs through staff attending conferences and being part of international working groups. Despite some funding for knowledge centres,[6] the ministry does not systematically use these partnerships as a means of sharing knowledge internally and of advising programmes. Better use of these partnerships combined with a proper vision for knowledge management could clear the way for its use as a forward-planning tool.

Notes

1. The Evaluation and Quality Control Department of the Ministry's Directorate for Development Cooperation and Humanitarian Affairs is responsible for managing external evaluations, ownership of their results and ensuring the quality of the evaluations. LuxDev's Evaluation and Knowledge Management Department carries out internal evaluations of all the programmes implemented by the agency. Finally, the responsibility for evaluating actions undertaken by NGOs has now been delegated to the NGOs themselves.

2. The Evaluation and Quality Control Department has an annual budget of around EUR 600 000, i.e. around 0.15% of the ODA budget, to produce five or six evaluations per year. The evaluations carried out by LuxDev and the NGOs are budgeted as a percentage of the budget for each operation.

3. For instance, an evaluation of disaster risk reduction activities in the Lao People's Democratic Republic in 2015, an evaluation of six development NGOs in India and Bangladesh in 2015, and an evaluation of awareness-raising activities in 2016.

4. Evaluation of capacity building within Luxembourg co-operation launched in 2016.

5. Of the six evaluations by the ministry in 2015, one was conducted jointly with Norway and the Netherlands: the evaluation of the activities of the NGO AMAN.

6. In 2015, there were 20 cases of funding for educational institutes, research centres and think tanks, 12 of which were in the form of technical assistance and scholarships, totalling USD 3.3 million (Source: *OECD International Development Statistics*, http://dx.doi.org/10.1787/dev-data-en – database accessed on 29 May 2017).

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Chapter 7: Luxembourg's humanitarian assistance

Strategic framework

Clear political directives and strategies for resilience, response and recovery

Since the last peer review, Luxembourg has consolidated an already solid record in humanitarian partnership and focused its humanitarian support as recommended. The 2013 strategy is backed by funds allocated consistently to well-established sectoral and geographical priorities. Luxembourg is aware of the changing nature of crises, but wants to control the evolution of its strategy to ensure its support remains consistent with humanitarian principles. Given that Luxembourg's development assistance adapts easily to changing conditions, the country should be able to align its development assistance objectives to its humanitarian assistance transition objectives in order to increase the coherence of its interventions.

Humanitarian policy is undergoing a well-managed transition

Luxembourg's humanitarian assistance is governed by a strategy dating back to 2013 (GGDL, 2013) and is built around three clear pillars: emergency assistance, transition support, and resilience and prevention. These pillars are broad enough to allow a wide variety of initiatives and partnerships.

There has been a significant change in the global humanitarian landscape since the last peer review, and Luxembourg's humanitarian assistance is in a period of transition which the country wants to manage properly. In particular, through its commitments at the World Humanitarian Summit, Luxembourg is seeking to adapt its assistance to the complex nature of modern crises, which can combine conflict and natural disaster, humanitarian catastrophes, security and development. Stabilisation operations already overlap with transition programmes, and both are financed by the humanitarian budget. Luxembourg has also indicated that humanitarian assistance is an integral part of its "3D" policy (diplomacy, development, defence) including in Mali and Niger.[1] Luxembourg also wants to defend humanitarian principles, and advocates for a distanced complementarity between development initiatives and humanitarian responses, while nonetheless showing that there is no conflict between them. Defending humanitarian principles while increasing coherence with development aid could represent a challenge for Luxembourg, and its reluctance to adopt a new humanitarian strategy before having a proper overview of the changes resulting from the World Humanitarian Summit is prudent.

Meeting resilience objectives will require changes in development assistance

At the World Humanitarian Summit in May 2016, Luxembourg made several commitments designed to foster coherence between humanitarian action, development co-operation, stabilisation and climate finance,[2] notably through inter-institutional dialogue. That said, in the humanitarian sector, LuxDev and Luxembourg's Ministry of Foreign and European Affairs (MAEE) do not have a joint planning tool and use different programme cycles. Luxembourg is adapting its humanitarian assistance with a view to allocating 20% of its aid to transition and resilience initiatives, but the country's development assistance, despite its flexibility, does not expressly target the same resilience objectives. It is only through the structural changes arising from development programmes, not humanitarian

interventions, that long-term resilience-building objectives will be met in fragile contexts. Luxembourg recently increased its presence in Sahel countries, a move which should strengthen ties with LuxDev and help harness the agency's technical expertise and knowledge of the local context. For example, more systematic joint field trips could stimulate discussion and result in greater coherence across crisis prevention, resilience building and development co-operation. They would also allow risk preparedness, risk financing and the introduction of crisis modifier clauses[3] to be incorporated into development programmes.

A bigger budget for humanitarian aid reflects Luxembourg's commitments at the World Humanitarian Summit

Luxembourg remains a dedicated provider of humanitarian funding, committing up to 16% of its official development assistance (ODA) to humanitarian assistance, well above the OECD DAC average of 11.7%.[4] Luxembourg has also pledged to increase its humanitarian budget by 5%, from EUR 40 million in commitments in 2015 to EUR 44 million in 2018.[5] This increase may enable Luxembourg to play a more significant role, especially in crisis prevention and transition activities which reflect its alignment with the commitments made at the World Humanitarian Summit.[6] Despite these increases, its budget still remains limited, so Luxembourg will need clear priorities and to choose its partners carefully if it wants to meet its strategic goals. One of these goals covers crisis prevention and resilience building. The relationship between climate change, poverty, natural disasters and conflicts is fully integrated into the Luxembourg strategy and, in this respect, Luxembourg could combine its development and humanitarian assistance budgets more closely in order to significantly increase its financial contribution towards preventive actions in fragile contexts.

Effective programme design

Programmes target the highest risk to life and livelihood

Luxembourg's humanitarian interventions are based on clear strategic guidelines and driven by humanitarian principles and its partners' ability of to apply them. To this end, Luxembourg wants to maintain a clear distinction between development programmes and humanitarian assistance. By providing flexible funding, Luxembourg allows its partners broad discretion to determine what type of humanitarian responses to deliver in a crisis. Luxembourg wants to increase its direct assistance to local actors, but will have to ensure that its international partners provide their local partners with the same quality of assistance as they receive from Luxembourg.

Luxembourg decides whether to engage in a crisis mainly based on partnerships with multilateral organisations

Luxembourg predetermines the distribution of its humanitarian budget on an indicative basis according to the three pillars of its humanitarian strategy:

- emergency assistance: 75%
- transition support: 20%
- prevention and resilience: 5%

Luxembourg also allocates some of its budget to strategic partners, such as the International Committee of the Red Cross (ICRC) and UN humanitarian agencies. For this purpose, it responds to calls from these organisations, among others, using their early warning systems together with co-ordinated mechanisms such as those put in place by the European Commission. As a partner in the Grand Bargain agreement, Luxembourg has

undertaken to increase multi-year un-earmarked and flexible humanitarian funding, notably through pooled funds such as the Central Emergency Response Fund (CERF) and the United Nations pooled funds in countries affected by crises. In doing so, Luxembourg's funding decisions are increasingly based more on the response provided by its partners than on an assessment of the severity of the crisis.

Luxembourg supports and strengthens local actors

At the World Humanitarian Summit, Luxembourg agreed to increase its direct financing to local institutions by 5% before 2020.[7] To this end, the country's participation in global discussions on where to provide aid is useful. Given that Luxembourg's assistance is for the most part channelled through multilateral organisations, it should also take care to ensure that the latter enter into fair partnerships with local organisations, and that local partners also benefit from the flexible nature of its funds to deliver more effective aid.

Effective delivery, partnerships and instruments

Delivery modalities and partnerships help deliver quality assistance

Luxembourg is a reliable humanitarian partner which has established strategic partnerships with multilateral humanitarian agencies, notably the International Committee of the Red Cross (ICRC) and the UN's main humanitarian agencies. These partnerships guarantee multi-year funding and flexibility in the way resources can be used. The choice of partners is aligned with Luxembourg's strategic priorities. The country's decision to increase the proportion of humanitarian aid allocated to pooled funds such as the CERF and the United Nation's national funds respects its commitments at the World Humanitarian Summit but reduces the budget available to back innovative partnerships, including with the private sector. Despite an increased humanitarian budget, allocations to non-governmental organisations (NGOs), including local ones, have remained the same, although local NGOs have significant flexibility to respond to crises according to their own criteria.

Luxembourg could use its financial sector as a springboard for innovative partnerships

Luxembourg uses the full array of instruments available within the international humanitarian system: the UN's specialised agencies, pooled funds and Luxembourg NGOs, with which it established a humanitarian charter in 2016. The ICRC remains the partner of choice for Luxembourg's humanitarian assistance, which is consistent with its promotion of the defence of humanitarian principles. After the World Humanitarian Summit and the commitments it made there, Luxembourg intends to adapt to the new crisis context, in which humanitarian assistance is marshalled alongside other aspects of crisis response, such as security and development, with takes a closer look at the correlation between natural disasters and conflicts. In this respect, Luxembourg could team up with the private sector to design new financial mechanisms, for example in risk financing, which could make better use of the country's financial sector.

An innovative public-private partnership for emergency responses

In order to meet the needs of emergency humanitarian responses, Luxembourg has developed a solid expertise in emergency telecommunications through the emergency.lu project. This enables the rapid deployment of a telecommunication platform and Internet connectivity in disaster and crisis zones. The project is innovative in that it is the result of a public-private partnership, which is less common than deploying civil protection teams and troops in these contexts. Since its launch in 2012, emergency.lu has been regularly deployed in several crisis zones mainly through a partnership with the World Food Programme, the lead partner in the sector of emergency telecommunications, and through

a memorandum of understanding signed with other multilateral agencies. Luxembourg also participates in the UN's pooled humanitarian funds to help provide rapid responses, especially in countries where it is not present.

By improving the quality of its funding, Luxembourg is strengthening the conventional humanitarian system

Luxembourg focuses on providing its partners with flexible and predictable funding. The partners interviewed appreciate the quality of their trust-based, dialogue-driven partnership with Luxembourg.[8]

In accordance with its commitments at the World Humanitarian Summit, Luxembourg wants to makes its funding even more flexible, notably by participating in the United Nations pooled funds, which will account for 15% of its humanitarian budget compared to 9.3% in 2016.[9] Although this approach strengthens the capacity of multilateral agencies to respond to crises, it is hardly a means to promote innovative solutions designed to limit risks and vulnerabilities. Luxembourg could use its experience in public-private partnerships to design innovative funding mechanisms, such as in risk financing.

There is an informal and transparent dialogue between the NGOs and MAEE, funding is flexible and NGOs can adapt their humanitarian assistance or their development projects to changes in circumstances. However, NGOs have not benefited from the increased humanitarian budget and there has been little change in share allocated to Luxembourg NGOs. Luxembourg used the funds released following the decision by Doctors without Borders to end its partnership with the European Union and its members in June 2016[10] to create an emergency fund awarded to NGOs through calls for projects. Although the creation of this emergency budget within the overall allocation to NGOs enables an emergency reserve, the use of calls for projects seems ill-suited to emergency response situations due to the time they can take.

Luxembourg knows how to defend the humanitarian principles

Luxembourg is a recognised player in its Sahel partner countries, where its development actions continue against a backdrop of crises. The consolidation of its diplomatic presence in Mali and Niger will improve its already intensive co-ordination with the other donors supporting humanitarian and development initiatives in these countries. Its greater diplomatic presence will also increase opportunities to co-ordinate with local governments and adapt humanitarian assistance to needs, as exemplified by the changes made to an education project in Burkina Faso in order to adapt to the crisis conditions in the north of the country. At the international level, and especially in Europe, Luxembourg is good at taking the – sometimes minority – position of defending the specifics of humanitarian assistance against a trend towards integrating development co-operation, migration management and security imperatives.

Organisation fit for purpose

Systems, structures, processes and people work together effectively and efficiently

Humanitarian teams were strengthened following recommendations in the 2012 peer review. To avoid politicising its aid, the humanitarian team maintains a clear separation in its relationship with Defence, even for civil protection and civil-military co-ordination. The straightforward structure of the Ministry of Foreign and European Affairs, and Luxembourg's choice of partners offer the potential to ensure a satisfactory level of coherence between its humanitarian programme and its development assistance, especially in its most fragile partner countries. However, this potential remains relatively untapped in the absence of a humanitarian focal point in partner countries and a strong operational co-ordination between LuxDev and the humanitarian unit, and because of the separation on principle of humanitarian assistance from development assistance. Strengthening its operational co-ordination would enable Luxembourg to meet its target of allocating 20% of its humanitarian assistance to transition, prevention and resilience activities.

Co-ordination within the administration is not fully exploited

Luxembourg aims to strengthen the coherence and complementarity between its humanitarian assistance and the share of its development assistance managed by LuxDev in priority countries. The streamlined structure of the MAEE, which handles foreign and European affairs, development co-operation and defence, allows for regular exchanges and coherent policies. However, the ministry and LuxDev could make more of this potential. The new diplomatic missions in Sahel partner countries are expected to generate tighter strategic and operational relationships.

Civil-military actions are based on clear principles

Defence no longer engages in nor funds civil-military co-operation activities when engaged in multilateral missions in order to respect the humanitarian principle of neutrality which is based, among other things, on a clear separation between humanitarian aid and military intervention. Luxembourg takes part in multilateral missions, especially those conducted by the European Union in the Sahel[11] but without any strategic connection to the humanitarian assistance provided in the region.

Strengthened humanitarian teams reflect strategic ambitions

The size of Luxembourg's humanitarian teams has increased, following the recommendations of the last peer review. The humanitarian team within the MAEE grew from one to four individuals between 2012 and 2015. This represents a substantial effort for such a lean administration as Luxembourg's. It means that Luxembourg can strengthen its operational partnerships and also be more present in the international humanitarian political arena, which is consistent with its strategic ambitions as reflected by its numerous commitments at the World Humanitarian Summit.

Results, learning and accountability

Results are measured and communicated, and lessons learned

Luxembourg evaluates its humanitarian partnerships using standard reports and the Multilateral Organisation Performance Assessment Network (MOPAN). More comprehensive country evaluations, such as the one planned for Niger, will be very instructive for Luxembourg giving insights on how coherent its strategy is at country level. In its communication, Luxembourg emphasises its most innovative and highest-profile humanitarian project, but it could work with its partners on diversifying its communication with the public, which is generally supportive of humanitarian causes.

The planned evaluation in Niger will assess the coherence of humanitarian and development assistance

Luxembourg invests a share of its humanitarian budget in membership of the ICRC Donor Support Group, and also uses MOPAN (Chapter 2), which it is chairing in 2017, to assess the performances of the multilateral organisations which it supports. It does not assess the results achieved by NGOs in the same way, with only audits planned for contributions exceeding EUR 100 000. An evaluation is scheduled in Niger which could enable Luxembourg to assess the level of coherence between its humanitarian and development assistance. Such an evaluation is welcome in a partner country which combines several crisis factors, as its findings could be useful for the development and humanitarian community as a whole, not just Niger.

Communication is focused on a single aspect of Luxembourg's assistance

The emergency.lu satellite communication project gives Luxembourg an opportunity to communicate about its humanitarian assistance, and increase its visibility. However, it is more difficult to obtain information about initiatives related to Luxembourg's other strategic pillars. This reflects the challenge of communicating about actions undertaken by pooled funds, and by partners who communicate solely to boost their own image. Luxembourg, along with other donors, could establish more advanced communication partnerships to address these weaknesses.

Notes

1. Report by Luxembourg on its individual World Humanitarian Summit commitments, Commitment 4C: "(…) In fact, development, humanitarian aid and support to security and peace have always been an integral part of Luxembourg's "3D policy" (Diplomacy, Development, Defense). It is in that spirit that Luxembourg wanted to send a strong political message in favour of an enhanced cooperation between all different actors in Mali" www.agendaforhumanity.org/explore-commitments/report-search/?combine=Luxembourg.

2. Commitment No. 27 by Luxembourg: "Luxembourg commits to ensure that organisational structures and internal processes foster coherence between humanitarian, development, peacebuilding, stabilisation and climate finance by further promoting its long-standing inter-institutional dialogue". The commitments by Luxembourg at the 2016 World Humanitarian Summit: www.agendaforhumanity.org/explore-commitments/indv-commitments/?combine=Luxembourg.

3. Crisis modifiers are clauses in funding agreements which provide for flexibility if programmes need to be adapted due to the situation, without a contractual amendment to the funding arrangement.

4. The average level of humanitarian aid for DAC countries in 2014-15 was 11.7%, during which period Luxembourg's level of humanitarian assistance reached 16.2%. https://public.tableau.com/views/AidAtAGlance/DACmembers?:embed=y&:display_count=no?&:showVizHome=no#1.

5. Commitment at the World Humanitarian Summit, www.agendaforhumanity.org/commitment/2045.

6. Commitment at the World Humanitarian Summit, www.agendaforhumanity.org/commitment/2067.

7. Commitment at the World Humanitarian Summit, www.agendaforhumanity.org/commitment/2065.

8. Luxembourg has concluded strategic partnerships with the UNIDSR, the WFP, the UNHCR, the UNOCHA and the CICR.

9. This increase concerns the Central Emergency Response Fund (CERF) for which Luxembourg's contribution is set to increase by 5% in 2017 and in 2018 (Commitment by Luxembourg at the World Humanitarian Summit www.agendaforhumanity.org/commitment/2064). It also concerns the Country-Based Pooled Funds (CBPF), for which Luxembourg wants to increase its a contribution by 25% (Commitment by Luxembourg at the World Humanitarian Summit www.agendaforhumanity.org/commitment/2040). In total, Luxembourg's contribution to United Nations pooled funds is expected to increase from 9.5% in 2016 (UNOCHA, Financial Tracking System (FTS), https://fts.unocha.org/donors/4384/summary/2016, accessed 27 April 2016,) to 15% annually (Commitment by Luxembourg at the World Humanitarian Summit www.agendaforhumanity.org/commitment/2069).

10. On 17 June 2016, NGO Doctors Without Borders announced that it would no longer be taking funds from the European Union and its Member States whose [migration] policies "have only exacerbated the suffering of people in need". This was in protest against the closure of European borders to migrants and asylum seekers. http://msf-azg.be/fr/news/msf-dit-stop-aux-fonds-provenant-des-institutions-et-des-etats-membres-de-l%E2%80%99ue.

11. In 2016, Luxembourg was part of EUCAP Sahel missions in Niger, the European Union Training Mission in Mali (EUTM Mali), the European Union Training Mission in Central African Republic (EUTM RCA) and the European Union Naval Force Mediterranean operation (EUNAVFOR MED). For more information: www.gouvernement.lu/6806551/2016-rapport-affaires-etrangeres-europeennes.pdf.

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OECD (2013), *Examens OCDE sur la Coopération pour le Développement: Luxembourg 2012*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264200791-fr.

Annex A: Progress since the 2012 DAC peer review recommendations

Development beyond aid

2012 recommendations	Progress in implementation
Clarifying the contents and implications of policy coherence for development: • Sensitise and train staff in matters relating to policy coherence for development, in Luxembourg and in partner countries, and use the resources available domestically and at the European level to compile and analyse data concerning the impact of domestic policies on developing countries. • Use these data to identify policies that have potentially adverse impacts. • Grant the inter-ministerial committee the institutional, human and material means needed to promote, monitor and assess policy coherence in the key fields identified as having a potentially adverse impact on developing countries.	Partially implemented

Strategic orientations

2012 recommendations	Progress in implementation
Refine the vision and the objectives of its co-operation and, on the basis of the revised law, the international setting and Luxembourg's comparative advantages, identify the key sectors and the outcomes expected from its co-operation policy.	Partially implemented
Set out action plans for the key sector strategies, specifying the means for achieving the targeted objectives as well as the indicators for monitoring their implementation.	Not implemented
Draw from its experience in Namibia and the experience of other donors in order to identify criteria for exiting a country and for facilitating the transition to new forms of co-operation.	Implemented

Annex A: Progress since the 2012 DAC peer review recommendations

ODA volume, channels and allocations

2012 recommendation	Progress in implementation
Maintain a strong geographical and sectoral concentration.	Implemented

Organisation and management

2012 recommendations	Progress in implementation
Review the respective responsibilities of the Co-operation Directorate and of LuxDev and strengthen procedures for consultation between these two institutions in order to make better use of their respective competencies and adjust them to the new modalities of co-operation.	Implemented
Examine how to increase the delegation of powers to field representatives, while retaining the necessary control over programmes.	Implemented
Consider measures for overcoming the problems associated with the absence of a co-operation office in several partner countries.	Implemented
Improve its human resource management tools by finalising its job specifications and boosting incentives for training, and working with LuxDev to develop knowledge management and dissemination tools.	Implemented

Delivery and partnerships

2012 recommendations	Progress in implementation
Use the regional co-operation offices to boost synergies between the bilateral, multilateral and regional components of co-operation.	Partially implemented
Clarify the objectives of its work with NGOs, rationalise the financing mechanisms and establish regular dialogue with those organisations in partner countries.	Partially implemented
Update its strategic tools, in particular the manual on decision-making processes, to reflect the Busan commitments, and draw up a roadmap to guide Luxembourg co-operation in the transition towards a greater emphasis on programme aid.	Implemented

Ensure that implementation of the co-operation programme in the field makes increasing use of country systems and is supported by a heightened capacity to analyse governance and engage in a dialogue on sector policies.	**Implemented**

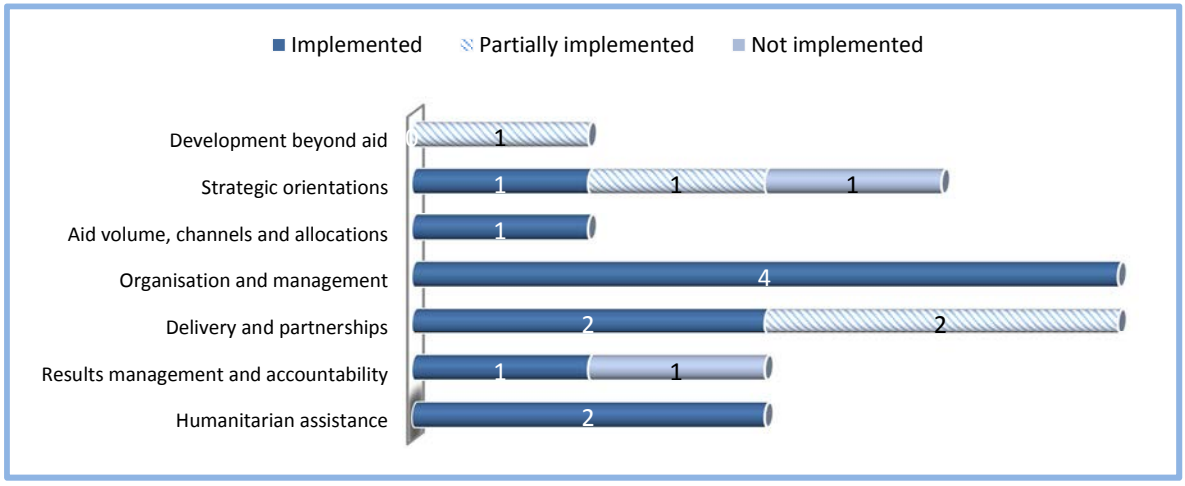
Results management and accountability

2012 recommendations	Progress in implementation
Include within each of its PICs a results framework setting out the objectives to be achieved and their contribution to the overall strategy, as well as the method for monitoring and evaluating the programme.	**Implemented**
Institute a more strategic approach to evaluations, by strengthening the mechanisms and the units responsible for defining and monitoring evaluations.	**Partially implemented**

Humanitarian assistance

2012 recommendations	Progress in implementation
Finalise and publish its new humanitarian aid guidelines, ensuring that they focus on a limited number of objectives in areas where Luxembourg can make a solid impact and are accompanied by measurable indicators.	**Implemented**
Strike an appropriate balance between the scope of its programme, the administrative burden it represents and available staff resources.	**Implemented**

Figure A.1 Implementation of 2012 peer review recommendations



Annex B: OECD/DAC standard suite of tables

Table B.1 Total financial flows

USD million at current prices and exchange rates

Net disbursements

Luxembourg	2001-05	2006-10	2011	2012	2013	2014	2015
Total official flows	**194**	**380**	**409**	**399**	**429**	**423**	**363**
Official development assistance	**194**	**380**	**409**	**399**	**429**	**423**	**363**
Bilateral	146	253	280	277	299	300	263
Multilateral	48	127	130	122	131	123	100
Other official flows	-	-	-	-	-	-	-
Bilateral	-	-	-	-	-	-	-
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**6**	**10**	**7**	**-**	**-**	**-**	**-**
Private flows at market terms	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bilateral: *of which*	-	-	-	-	-	-	-
Direct investment	-	-	-	-	-	-	-
Export credits	-	-	-	-	-	-	-
Multilateral	-	-	-	-	-	-	-
Total flows	**200**	**390**	**417**	**399**	**429**	**423**	**363**
for reference:							
ODA (at constant 2014 USD million)	*326*	*435*	*420*	*426*	*433*	*423*	*420*
ODA (as a % of GNI)	*0.80*	*0.98*	*0.97*	*1.00*	*1.00*	*1.06*	*0.95*
Total flows (as a % of GNI) (a)	*0.82*	*1.00*	*0.99*	*1.00*	*1.00*	*1.06*	*0.95*
ODA to and channelled through NGOs							
- In USD million	23	80	81	83	91	86	72
- In percentage of total net ODA	12	21	20	21	21	20	20
- DAC countries' average % of total net ODA	*9*	*7*	*9*	*13*	*13*	*13*	*13*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2014 prices and exchange rates and as a share of GNI

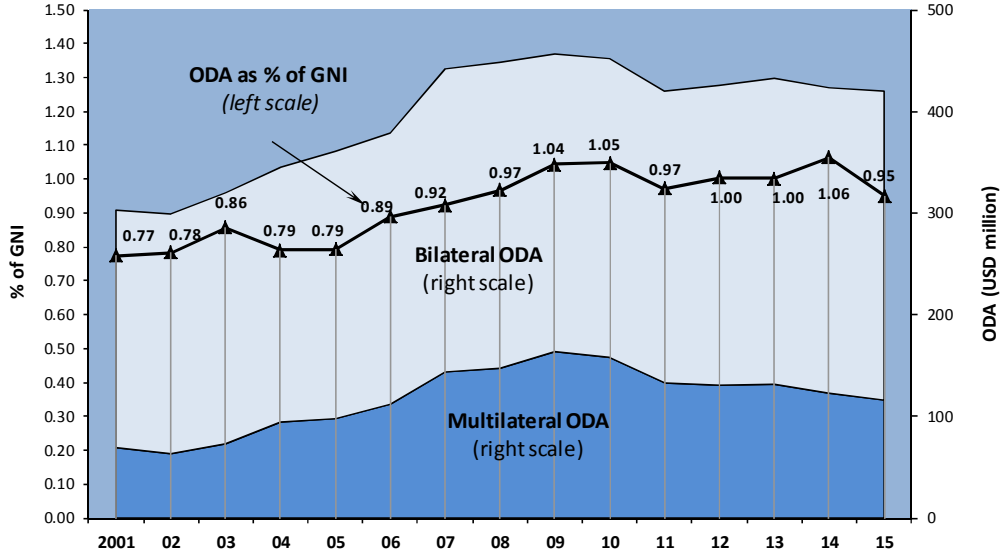
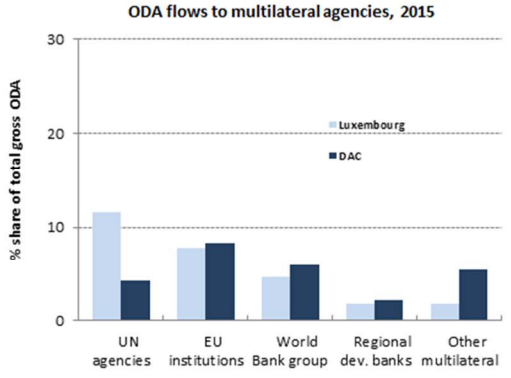
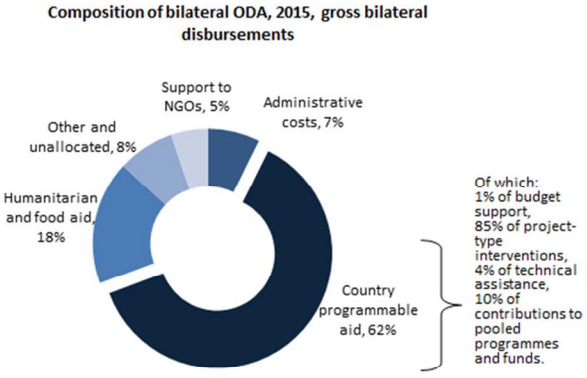


Table B.2 ODA by main categories

Disbursements

Luxembourg	Constant 2014 USD million					Per cent share of gross disbursements					Total DAC
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2015%
Gross Bilateral ODA	**288**	**298**	**304**	**305**	**304**	**68**	**70**	**70**	**71**	**72**	**74**
Budget support	1	2	2	10	2	0	0	0	2	1	2
of which: General budget support	1	-	-	-	-	0	-	-	-	-	1
Core contributions & pooled prog.& funds	22	39	44	102	73	5	9	10	24	17	14
of which: Core support to national NGOs	6	6	17	14	13	1	1	4	3	3	2
Core support to international NGOs	1	2	4	4	2	0	0	1	1	0	1
Core support to PPPs	0	1	1	2	1	0	0	0	0	0	0
Project-type interventions	229	219	223	130	189	54	51	51	30	45	39
of which: Investment projects	-	-	-	-	-	-	-	-	-	-	14
Experts and other technical assistance	11	13	10	35	13	3	3	2	8	3	4
Scholarships and student costs in donor countrie	0	0	0	1	0	0	0	0	0	0	2
of which: Imputed student costs	-	-	-	-	-	-	-	-	-	-	1
Debt relief grants	-	-	-	-	-	-	-	-	-	-	0
Administrative costs	21	22	22	24	22	5	5	5	6	5	4
Other in-donor expenditures	3	3	4	3	3	1	1	1	1	1	9
of which: refugees in donor countries	-	0	0	-	-						
Gross Multilateral ODA	**136**	**131**	**131**	**123**	**116**	**32**	**30**	**30**	**29**	**28**	**26**
UN agencies	57	56	59	54	49	13	13	14	13	12	4
EU institutions	37	33	38	34	33	9	8	9	8	8	8
World Bank group	29	30	28	19	19	7	7	6	4	5	6
Regional development banks	6	5	2	7	7	1	1	0	2	2	2
Other multilateral	8	7	5	8	8	2	2	1	2	2	5
Total gross ODA	**424**	**429**	**436**	**427**	**420**	**100**	**100**	**100**	**100**	**100**	**100**
of which: Gross ODA loans	-	-	-	-	-	-	-	-	-	-	14
Bilateral	-	-	-	-	-	-	-	-	-	-	13
Multilateral	-	-	-	-	-	-	-	-	-	-	1
Repayments and debt cancellation	**-4**	**-3**	**-3**	**-4**	-						
Total net ODA	**420**	**426**	**433**	**423**	**420**						
For reference:											
Free standing technical co-operation	*11*	*13*	*10*	*36*	*124*						
Net debt relief	-	-	-	-	-						





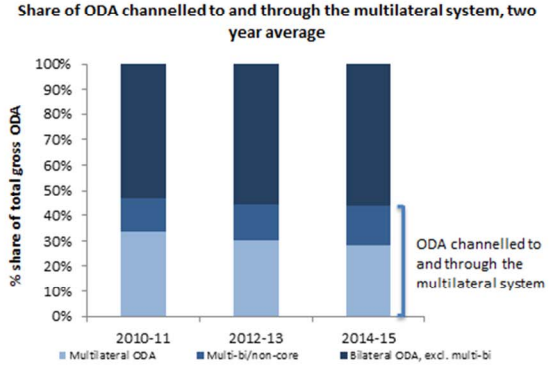
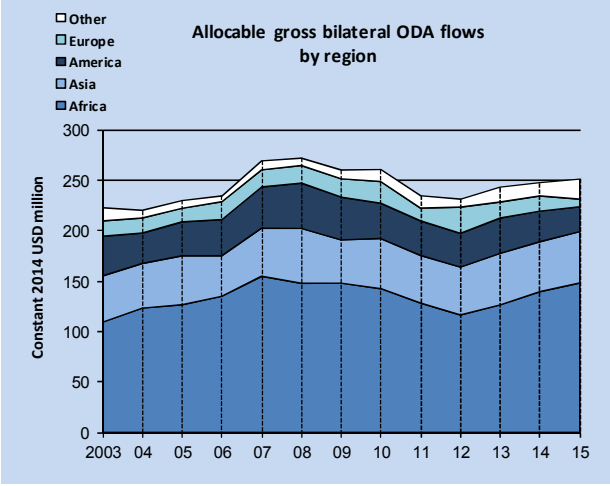
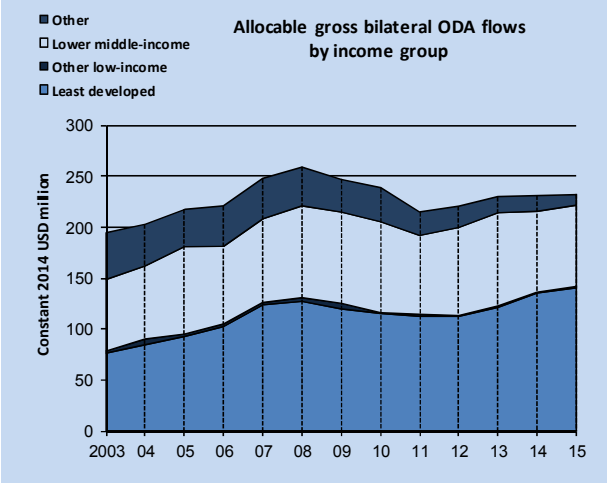


Table B.3 Bilateral ODA allocable[1] by region and income group

Gross disbursements

Luxembourg	Constant 2014 USD million					% share					Total DAC
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2015%
Africa	128	116	126	139	148	55	50	52	56	59	**41**
Sub-Saharan Africa	120	109	118	127	140	51	47	48	51	56	**35**
North Africa	0	1	2	2	1	0	1	1	1	0	**4**
Asia	47	47	51	50	51	20	21	21	20	20	**31**
South and Central Asia	14	11	13	12	12	6	5	5	5	5	**19**
Far East	33	36	38	36	38	14	16	16	15	15	**12**
America	34	33	35	30	25	15	14	14	12	10	**10**
North and Central America	25	25	28	24	18	11	11	12	10	7	**4**
South America	9	9	7	6	7	4	4	3	3	3	**5**
Middle East	12	8	14	13	20	5	3	6	5	8	**10**
Oceania	0	0	0	0	0	0	0	0	0	0	**2**
Europe	13	26	16	15	8	5	11	7	6	3	**5**
Total bilateral allocable by region	**234**	**231**	**243**	**247**	**251**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	113	112	121	135	140	52	51	53	59	61	**40**
Other low-income	2	1	1	1	1	1	0	1	0	0	**4**
Lower middle-income	77	86	92	79	80	36	39	40	34	34	**35**
Upper middle-income	23	21	16	15	10	11	9	7	7	4	**21**
More advanced developing countries	-	-	-	-	-	-	-	-	-	-	**-**
Total bilateral allocable by income	**215**	**220**	**230**	**231**	**232**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	288	298	304	305	304	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*54*	*67*	*61*	*57*	*53*	*19*	*22*	*20*	*19*	*17*	***32***
of which: Unallocated by income	*73*	*78*	*74*	*74*	*72*	*25*	*26*	*24*	*24*	*24*	***40***





[1.] Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

Gross disbursements

Luxembourg	2004-08 average			Memo: DAC		2009-13 average			Memo: DAC		2014-15 average			Memo: DAC
	Current USD million	Constant 2014 USD mln	% share	countries' average %		Current USD million	Constant 2014 USD mln	% share	countries' average %		Current USD million	Constant 2014 USD mln	% share	countries average %
Cabo Verde	16	20	7		Mali	21	22	8		Burkina Faso	26	28	9	
Senegal	14	18	7		Burkina Faso	18	19	6		Niger	22	24	8	
Viet Nam	13	17	6		Senegal	17	19	6		Senegal	21	23	7	
Mali	13	16	6		Cabo Verde	17	18	6		Lao People's Democratic Republic	17	18	6	
Burkina Faso	11	14	5		Lao People's Democratic Republic	14	15	5		Cabo Verde	15	16	5	
Top 5 recipients	**68**	**85**	**31**	**36**	**Top 5 recipients**	**87**	**92**	**31**	**26**	**Top 5 recipients**	**101**	**109**	**36**	**22**
Nicaragua	11	14	5		Nicaragua	12	12	4		Mali	14	15	5	
Lao People's Democratic Republic	10	12	4		Viet Nam	11	12	4		Viet Nam	12	13	4	
Niger	10	12	4		Niger	10	10	4		Nicaragua	10	10	3	
El Salvador	9	11	4		El Salvador	10	10	3		Kosovo	7	7	2	
Serbia	7	9	3		Kosovo	10	10	3		West Bank and Gaza Strip	6	7	2	
Top 10 recipients	**114**	**143**	**52**	**48**	**Top 10 recipients**	**139**	**148**	**50**	**37**	**Top 10 recipients**	**150**	**161**	**53**	**33**
Namibia	7	9	3		West Bank and Gaza Strip	7	8	3		El Salvador	6	7	2	
West Bank and Gaza Strip	4	5	2		Namibia	6	6	2		Syrian Arab Republic	6	6	2	
Rwanda	4	5	2		Montenegro	4	5	2		South Sudan	3	4	1	
Sudan	3	4	1		Rwanda	4	5	2		Central African Republic	3	4	1	
Benin	3	3	1		Afghanistan	4	4	1		Democratic Republic of the Congo	3	4	1	
Top 15 recipients	**135**	**170**	**62**	**57**	**Top 15 recipients**	**165**	**175**	**59**	**44**	**Top 15 recipients**	**172**	**185**	**61**	**41**
India	3	3	1		Democratic Republic of the Congo	3	3	1		Mongolia	3	3	1	
Democratic Republic of the Congo	2	3	1		India	3	3	1		Afghanistan	3	3	1	
Afghanistan	2	3	1		Mongolia	3	3	1		India	2	2	1	
Montenegro	2	3	1		Sudan	2	2	1		Bangladesh	2	2	1	
Peru	2	2	1		Brazil	2	2	1		Nepal	2	2	1	
Top 20 recipients	**147**	**184**	**67**	**63**	**Top 20 recipients**	**178**	**189**	**64**	**49**	**Top 20 recipients**	**184**	**198**	**65**	**47**
Total (103 recipients)	**183**	**229**	**83**		**Total (113 recipients)**	**216**	**230**	**78**		**Total (99 recipients)**	**216**	**231**	**76**	
Unallocated	36	46	17	24	Unallocated	62	65	22	33	Unallocated	68	73	24	40
Total bilateral gross	**219**	**276**	**100**	**100**	**Total bilateral gross**	**278**	**295**	**100**	**100**	**Total bilateral gross**	**284**	**304**	**100**	**100**

Table B.5 Bilateral ODA by major purposes

At constant prices and exchange rates

Commitments - Two-year average

Luxembourg	2004-08 average		2009-13 average		2014-15 average		2014-15
	2014 USD million	%	2014 USD million	%	2014 USD million	%	%
Social infrastructure & services	**132**	**53**	**131**	**49**	**140**	**51**	**36**
Education	35	14	40	15	52	19	7
of which: basic education	7	3	7	3	20	7	2
Health	43	17	40	15	37	14	5
of which: basic health	24	10	24	9	19	7	4
Population & reproductive health	15	6	6	2	7	3	7
Water supply & sanitation	18	7	19	7	13	5	4
Government & civil society	9	4	16	6	21	8	11
of which: Conflict, peace & security	2	1	2	1	2	1	2
Other social infrastructure & services	11	5	10	4	9	3	2
Economic infrastructure & services	**14**	**6**	**22**	**8**	**22**	**8**	**19**
Transport & storage	4	2	0	0	1	0	7
Communications	0	0	1	0	2	1	0
Energy	1	0	3	1	2	1	8
Banking & financial services	7	3	17	6	17	6	2
Business & other services	2	1	0	0	0	0	1
Production sectors	**18**	**7**	**18**	**7**	**19**	**7**	**7**
Agriculture, forestry & fishing	14	6	15	5	14	5	5
Industry, mining & construction	2	1	0	0	2	1	1
Trade & tourism	2	1	3	1	3	1	1
Multisector	**24**	**10**	**24**	**9**	**20**	**7**	**10**
Commodity and programme aid	**7**	**3**	**4**	**1**	**4**	**1**	**2**
Action relating to debt	-	-	-	-	-	-	**0**
Humanitarian aid	**35**	**14**	**47**	**18**	**49**	**18**	**12**
Administrative costs of donors	**16**	**6**	**22**	**8**	**23**	**8**	**6**
Refugees in donor countries	**2**	**1**	**0**	**0**	-	-	**8**
Total bilateral allocable	**247**	**100**	**267**	**100**	**277**	**100**	**100**
For reference:							
Total bilateral	*276*	*70*	*295*	*67*	*301*	*72*	*73*
of which: Unallocated	*28*	*7*	*28*	*6*	*24*	*6*	*1*
Total multilateral	*119*	*30*	*144*	*33*	*119*	*28*	*27*
Total ODA	***395***	***100***	***439***	***100***	***420***	***100***	***100***

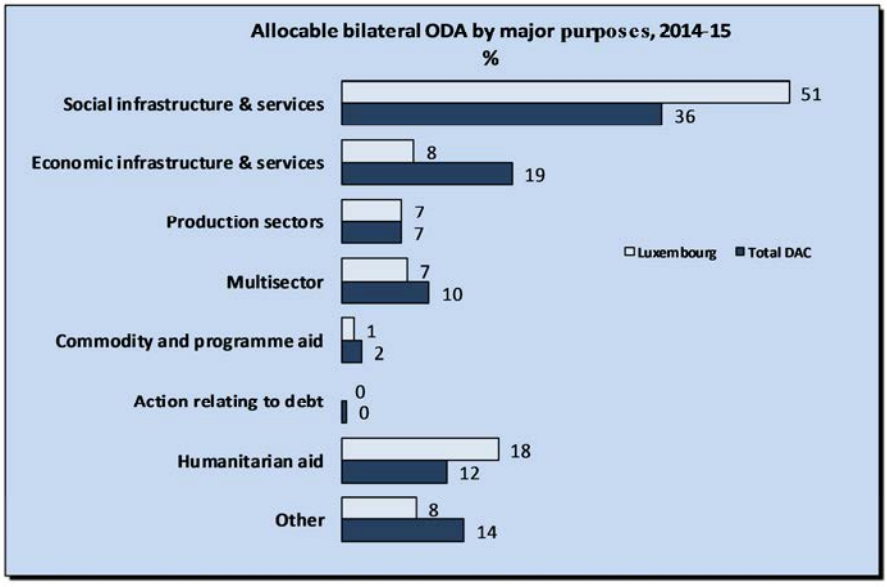


Table B.6 Comparative aid performance

	Official development assistance			Net disbursements: Share of multilateral aid				Net disbursements: Grant element of ODA commitments	Commitments: Untied aid
	2015		2009-10 to 2014-15	2015					
				% of ODA		% of GNI			
	USD million	% of GNI	Average annual % change in real terms	(b)	(c)	(b)	(c)	2015 % (a)	% of bilateral commitments 2015 (d)
Australia	3 494	0.29	2.7	21.2		0.06		99.9	100.0
Austria	1 324	0.35	2.5	40.9	20.7	0.14	0.07	100.0	36.4
Belgium	1 905	0.42	-4.3	41.6	17.3	0.17	0.07	99.8	96.7
Canada	4 277	0.28	-1.4	30.5		0.09		97.3	98.5
Czech Republic	199	0.12	1.0	64.8	11.2	0.08	0.01	100.0	44.3
Denmark	2 566	0.85	0.3	26.7	17.4	0.23	0.15	100.0	100.0
Finland	1 288	0.55	2.3	45.8	32.5	0.25	0.18	100.0	92.6
France	9 039	0.37	-3.9	42.9	21.5	0.16	0.08	79.6	95.6
Germany	17 940	0.52	7.5	21.3	7.6	0.11	0.04	86.6	84.0
Greece	239	0.12	-12.5	69.9	3.7	0.09	0.00	100.0	14.5
Iceland	40	0.24	0.7	22.1		0.05		100.0	100.0
Ireland	718	0.32	-2.8	40.5	20.8	0.13	0.07	100.0	100.0
Italy	4 004	0.22	6.3	54.3	18.7	0.12	0.04	99.6	95.1
Japan	9 203	0.21	3.0	33.2		0.07		87.5	74.6
Korea	1 915	0.14	10.0	20.1		0.03		95.3	50.2
Luxembourg	363	0.95	-1.5	27.6	19.8	0.26	0.19	100.0	98.8
Netherlands	5 726	0.75	-1.0	27.3	17.8	0.20	0.13	100.0	92.7
New Zealand	442	0.27	3.1	18.9		0.05		100.0	84.7
Norway	4 278	1.05	1.9	22.7		0.24		100.0	100.0
Poland	441	0.10	4.4	77.3	10.2	0.07	0.01	98.6	33.6
Portugal	308	0.16	-7.5	52.6	5.6	0.08	0.01	93.7	49.0
Slovak Republic	85	0.10	4.1	79.7	17.5	0.08	0.02	100.0	47.5
Slovenia	63	0.15	1.1	60.3	11.0	0.09	0.02	100.0	12.4
Spain	1 397	0.12	-22.0	74.6	9.7	0.09	0.01	100.0	80.8
Sweden	7 089	1.40	7.4	31.9	26.1	0.45	0.37	100.0	86.8
Switzerland	3 562	0.52	6.5	22.5		0.12		100.0	94.6
United Kingdom	18 545	0.70	6.8	36.9	25.9	0.26	0.18	100.0	100.0
United States	30 986	0.17	0.2	14.0		0.02		100.0	55.5
Total DAC	**131 433**	**0.30**	**1.6**	**28.3**		**0.08**		**94.4**	**78.1**
Memo: **Average country effort**		**0.41**							

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
d. Excluding administrative costs and in-donor refugee costs.
.. Data not available.

Table B.7 Comparative performance of aid to LDCs

	Net disbursements						*Commitments*		
	Bilateral ODA to LDCs 2015			Total ODA to LDCs (Bilateral and through multilateral agencies) 2015			Grant element of bilateral ODA commitments[a] to LDCs (two alternative norms)		
							Annually for all LDCs Norm: 90%		3-year average for each LDC Norm: 86%
	USD million	% bilateral ODA	% of GNI	USD million	% total ODA	% of GNI	2014	2015	2013-2015
Australia	679	24.7	0.06	931	26.6	0.08	100.0	100.0	c
Austria	41	5.3	0.01	222	16.8	0.06	100.0	100.0	c
Belgium	377	33.9	0.08	610	32.0	0.13	99.6	99.3	n
Canada	998	33.6	0.07	1 561	36.5	0.10	100.0	100.0	c
Czech Republic	11	16.4	0.01	41	20.7	0.02	100.0	100.0	c
Denmark	384	20.4	0.13	610	23.8	0.20	100.0	100.0	c
Finland	236	33.8	0.10	429	33.3	0.18	100.0	100.0	c
France	1 090	21.1	0.04	2 378	26.3	0.10	82.2	79.8	n
Germany	1 603	11.4	0.05	2 596	14.5	0.08	98.7	98.5	c
Greece	1	1.6	0.00	38	16.0	0.02	100.0	100.0	c
Iceland	13	41.6	0.08	16	40.8	0.10	100.0	100.0	c
Ireland	257	60.1	0.11	345	48.0	0.15	100.0	100.0	c
Italy	280	15.3	0.02	870	21.7	0.05	99.1	98.9	c
Japan	2 480	40.3	0.06	3 659	39.8	0.08	93.2	91.3	c
Korea	580	37.9	0.04	728	38.0	0.05	94.4	95.0	c
Luxembourg	121	46.2	0.32	154	42.4	0.40	100.0	100.0	c
Netherlands	465	11.2	0.06	1 036	18.1	0.14	100.0	100.0	c
New Zealand	113	31.7	0.07	138	31.3	0.08	100.0	100.0	c
Norway	729	22.1	0.18	1 098	25.7	0.27	100.0	100.0	c
Poland	44	44.2	0.01	125	28.4	0.03	78.8	83.9	n
Portugal	53	36.3	0.03	90	29.3	0.05	87.9	92.0	n
Slovak Republic	1	5.4	0.00	19	21.8	0.02	100.0	100.0	c
Slovenia	0	1.6	0.00	10	15.1	0.02	100.0	100.0	c
Spain	81	22.9	0.01	314	22.5	0.03	100.0	100.0	c
Sweden	847	17.6	0.17	1 473	20.8	0.29	100.0	100.0	c
Switzerland	618	22.4	0.09	928	26.1	0.14	100.0	100.0	c
United Kingdom	3 815	32.6	0.14	6 117	33.0	0.23	100.0	100.0	c
United States	9 122	34.2	0.05	10 737	34.7	0.06	100.0	100.0	c
Total DAC	**25 041**	**26.6**	**0.06**	**37 274**	**28.4**	**0.09**	**97.6**	**96.9**	**..**

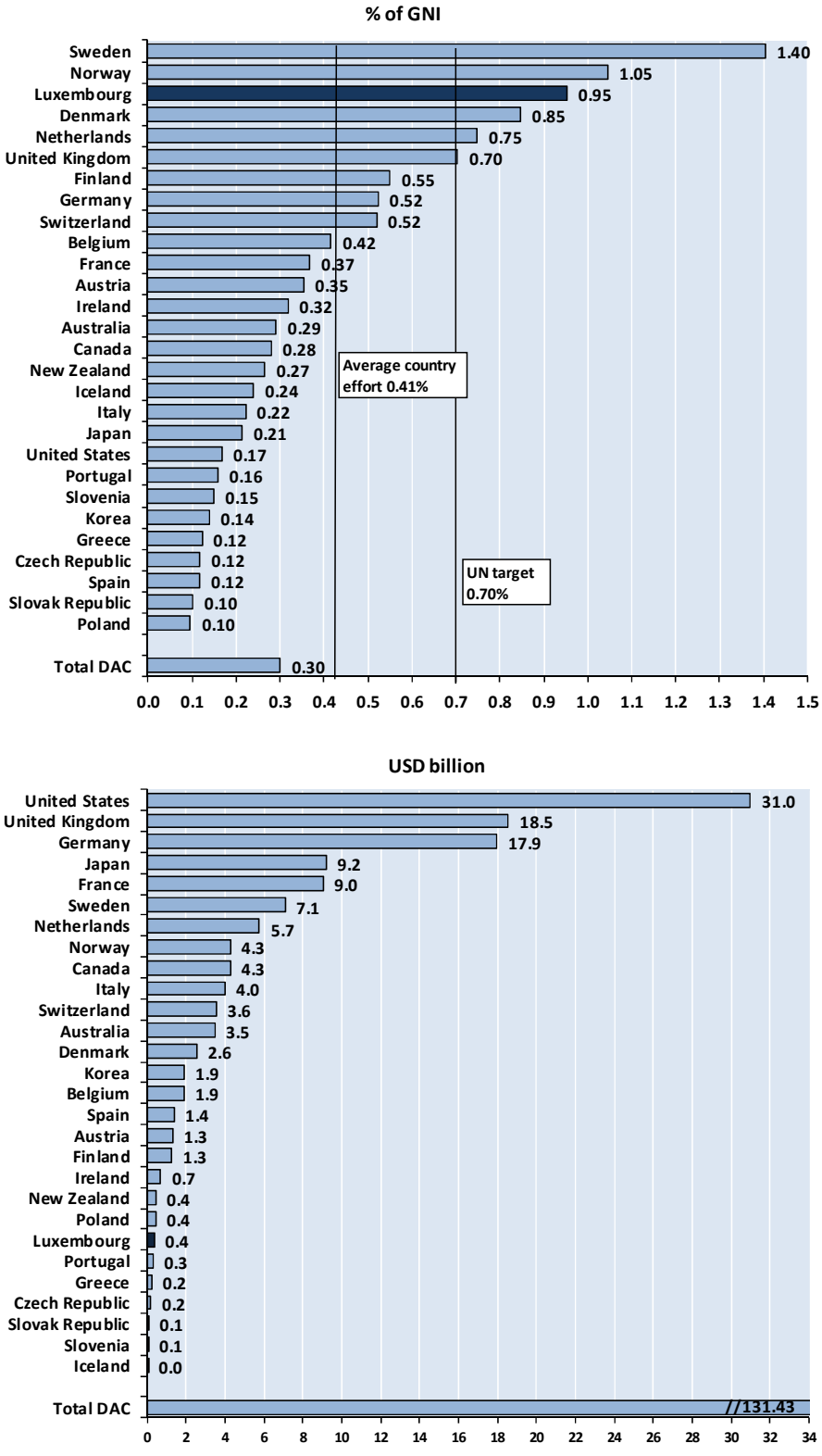
Notes:

a. Excluding debt reorganisation. Equities are treated as having 100% grant element, but are not treated as loans.

b. c = compliance, n = non compliance.

.. Data not available.

Figure B.1 Net ODA from DAC countries in 2012



Annex C: Field visit to Senegal

As part of the Luxembourg peer review, a team of examiners from Denmark and the Slovak Republic, as well as members of the OECD Secretariat, visited Senegal at the end of March 2017. The team met the head of the development co-operation office at the embassy and the regional LuxDev representative, along with their teams, representatives of the national and regional Senegalese authorities, other bilateral and multilateral partners, representatives of Luxembourg and Senegalese civil society organisations, and representatives of the private sector.

Global efforts by Luxembourg to support sustainable development

A partnership between Senegal and Luxembourg stretching back 30 years

Senegal is one of the most stable West African nations, with solid institutions which have enabled the democratic election of four presidents since its independence in 1960. Despite burgeoning economic growth, rising from 4.3% in 2014 to 6.6% in 2016, Senegal still faces major development challenges. It features in the United Nation's list of least developed countries, ranks 118th out of 170 in the United Nations Development Programme (UNDP) Sustainable Development Index, and still has not achieved most of the Millennium Development Goals, despite visible progress in education. In 2015, official development assistance (ODA) totalled USD 879 million, accounting for 6.5% of gross national income and 27% of central government expenses.

Senegal has a long-standing partnership with Luxembourg. After establishing a co-operation relationship in 1987, it officially became a priority partner country for Luxembourg's co-operation in 1993. Senegal is now the third largest recipient of Luxembourg's bilateral ODA and Luxembourg was the ninth-largest donor in Senegal in 2015. Outside the realm of development assistance, relations between the two countries are extremely limited, despite a shared desire to improve economic ties.

The embassy is preparing to diversify Luxembourg's relationship with Senegal

Luxembourg's embassy in Senegal facilitates, co-ordinates and monitors Luxembourg's initiatives outside of ODA, as illustrated by its assistance in formulating the project between the Ecological Monitoring Centre in Dakar and Luxembourg's Ministry of Sustainable Development and Infrastructure.[1]

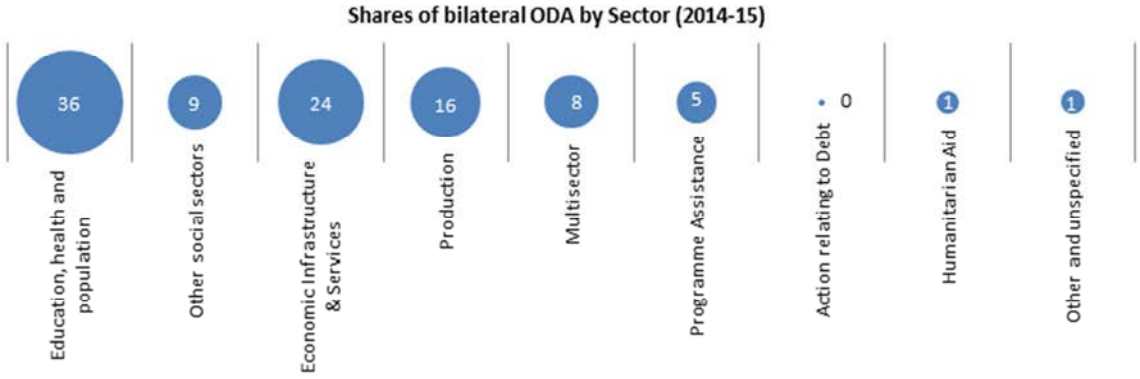
The embassy is also preparing to deepen Luxembourg-Senegal relations beyond aid, reflected in the organisation of the first economic mission to Senegal by Luxembourg in 2016.[2] In addition, Luxembourg will soon have a resident ambassador, which is expected to improve political dialogue between the two countries.

Figure C.1 Aid for Senegal at a glance

Receipts	2013	2014	2015
Net ODA (USD million)	994	1 109	879
Bilateral share (gross ODA)	63%	70%	63%
Net ODA / GNI	6.8%	7.2%	6.5%
Other Official Flows (USD million)	-6	126	81
Net Private flows (USD million)	- 769	- 103	172
Total net receipts (USD million)	220	1 132	1 133

For reference	2013	2014	2015
Population (million)	14.2	14.7	15.1
GNI per capita (Atlas USD)	1 040	1 040	1 000

Top Ten Donors of gross ODA (2014-15 average)		(USD m)
1	United States	270
2	France	223
3	International Development Association	160
4	EU Institutions	75
5	Canada	66
6	Japan	41
7	Global Fund	32
8	African Development Fund	29
9	Luxembourg	21
10	Germany	21



Source: OECD/DAC, www.oecd.org/dac/financing-sustainable-development/development-finance-data/aid-at-a-glance.htm.

Vision, strategic orientations and financing for development

Development co-operation is aligned with national priorities

At present, development co-operation between Luxembourg and Senegal is based on the third co-operation programme (PIC III) between the two countries (GGDL/GSN 2011), which was negotiated in Senegal and signed by both parties for the period 2012-16 with a budget of EUR 68 million.

The programme is fully aligned with Senegal's national and sectoral priorities (OECD/UNDP, 2016). In addition, the flexible nature of Luxembourg's programmes means that they can align with national programme cycles. Accordingly, following the adoption of the Emerging Senegal Plan (PSE; GSN, 2014), Luxembourg extended its 2012-16 co-operation programme to the end of 2017 not just in order to synchronise it with the PSE but also with the European Union (EU) joint programming initiative.

As part of the preparation of the fourth indicative co-operation programme (PIC IV), Luxembourg is consulting a wide range of stakeholders. This consultation, which is being managed by the embassy and led in partnership with the Senegalese government with technical support from LuxDev, is more comprehensive than for the PIC III as it includes other donors working in the same sectors as Luxembourg (Artemis, 2016a).

Enhanced sectoral concentration but no real evidence of a focus on the most vulnerable

PIC III is aligned with the objectives of Luxembourg's general development co-operation strategy (Coopération Sénégal Luxembourg, n.d.) and Senegal's national priorities in three key sectors:[3]

- vocational education, training and job market entry, for an estimated EUR 22 million[4]
- basic healthcare, including reproductive health, for an estimated EUR 27 million
- decentralisation, local governance and civic education, for an estimated EUR 10 million.

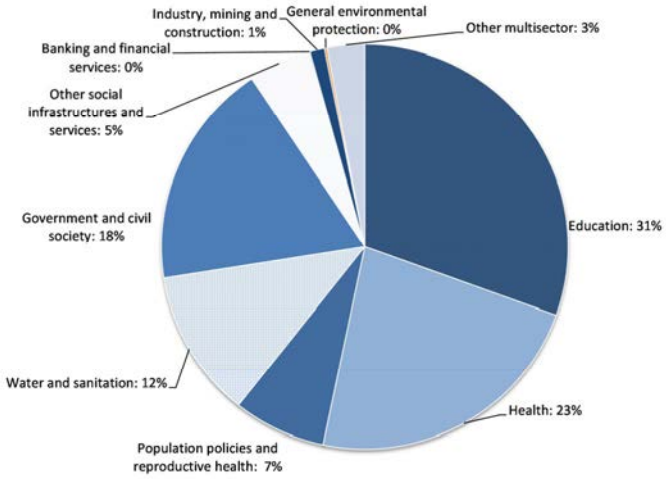
Thanks to its high sectoral concentration, Luxembourg is recognised as a major stakeholder in its focal sectors, with a thorough understanding of its partners' needs. Accordingly, Luxembourg is seen as the leading technical and financial partner in vocational training, whose achievements are attracting other donors (Artemis, 2016a).

The sectoral orientations of Luxembourg's co-operation programme are fully reflected in its ODA flows, with 95% of bilateral ODA expenditure disbursed in the sectors covered by the PIC. The government nevertheless observed a gap of around 15% between commitments and expenditure with regard to the 2014 three-year public investment programme for Senegal.

The changes planned under PIC IV, mainly the scaling back to two focal sectors – healthcare and vocational training – are expected to increase the effectiveness of the forthcoming co-operation programme.

Geographically, PIC III is mainly concentrated in Senegal's northern regions, i.e. Louga, Saint-Louis and Matam, which provides continuity with PIC II, but does not target the poorest regions in the country. The capacity-building approach, adopted under PIC III, involves providing solutions primarily at the central level, even within regions. This is a long-term strategy, but one which raises questions about whether the most vulnerable populations are being targeted. The new approach in PIC IV, which aims to support both central and local levels in the regions, should enable local authorities to exercise the authority transferred to them, particularly in targeting the most vulnerable.

Figure C.2 Luxembourg's bilateral ODA expenditure allocable by sector in Senegal, 2014-15 average



Source: OECD (2017), International Development Statistics (database).

Not all opportunities to integrate cross-cutting themes have been identified

Luxembourg has tried to reinforce the consideration given to cross-cutting themes in PIC III. As far as gender was concerned, for example, the main thrust of its chosen approach was to institutionalise gender in ministries by creating dedicated units with the help of a specific budget. However, these units receive no financial support from government and do not feature in its organisation charts (Artemis, 2016a), which raises questions as to the sustainability of these interventions.

The integration of environmental issues into sectoral programmes remains limited (Artemis, 2016a), and suffers from the very general nature of the guidelines in the PIC which failed to specify a budget or indicators. Nevertheless, these shortcomings were partially remedied during implementation, after LuxDev recruited an expert in this field and used unspent budgets for specific activities.

Moreover, as part of the identification stage for PIC IV, there are no plans to study the needs related to cross-cutting issues in the priority sectors to develop a strategic approach.

Initiatives to generate financing remain limited

Beyond ODA, Luxembourg has two instruments in Senegal for leveraging financing.

The Business Partnership Facility has financed two partnerships in Senegal although both existed prior to the funding. It is therefore difficult to demonstrate that the facility has mobilised additional private-sector funds at local level. That said, the facility is appreciated by the companies it supported for the credibility offered by the Luxembourg label, the advice given throughout the process, and the stringent selection criteria and monitoring requirements.

The ongoing study in Senegal being led by LuxDev on not exempting development activities from VAT is another concrete and innovative example of support for mobilising national resources.

Structure and systems

Efforts to devolve and decentralise are strengthening Luxembourg's co-operation programme

Efforts begun in 2012 to devolve and decentralise co-operation to field offices have helped Luxembourg initiate a more strategic dialogue with Senegal. As a result, the embassy now has more leeway to engage LuxDev earlier in the identification process[5] which could help improve the quality of its programming.

Formalising the role of technical assistants to strengthen sectoral co-ordination and advise the embassy is expected to make best use of Luxembourg's expertise in Senegal. Strengthening the links between the technical assistants and the embassy is all the more important as almost all the indicative co-operation programme is expected to be implemented through budgeted aid.

The embassy does not have a system to steer the whole co-operation portfolio and manage risks

The embassy regularly produces a summary of its development co-operation with Senegal, but has no tool which covers all the activities undertaken in the country with funding from Luxembourg, thereby restricting the opportunities for complementarity between these activities. The lack of a results framework at country level also affects its capacity to communicate on and comply with transparency commitments to Senegalese and Luxembourg partners.

Despite the fact that the embassy does not have access to view information on LuxDev's system, which would provide faster access to information when replying to internal and external requests, it nevertheless manages on the whole to promptly collate the information required to respond to the requests it receives.

Quality assurance is the responsibility of the embassy's programme officer and a staff member from LuxDev's Administration / Finance unit, which seems to fit with the current requirements of the co-operation programme.

Despite the lack of an embassy system for identifying strategic, reputational, programme and safety risks, LuxDev analyses risks early in the programme process. This analysis gives LuxDev the capacity to plan mitigation strategies, monitor risk annually and adjust activities if needed.

Staffing matches the needs of the co-operation programme

The composition, expertise and staffing levels of Luxembourg's co-operation in Senegal, combined with recent efforts undertaken in terms of job descriptions, individual objectives and annual evaluations, allow Luxembourg to implement its programme efficiently.

Nevertheless, LuxDev has no specific training budget. As the role of the regional desk evolves, a budget line for training would enable LuxDev to build capacity and motivate staff, especially local employees, as well as increase its appeal in a competitive recruitment market for qualified local staff. At present, the office uses unspent budget to finance training on an ad hoc basis.

Partnerships, results and learning

Varied partnerships, but overly fragmented multilateral co-operation

Luxembourg is considered to be a reliable, pragmatic and flexible partner by all the development actors present in Senegal.

Around 25% of Luxembourg's total co-operation in Senegal involves partners beyond LuxDev (GGDL, 2016). This co-operation, both inside and outside the scope of the PIC, using different approaches and involving these actors in the programming and monitoring process, helps respond to national needs.

Accordingly, Luxembourg's co-operation in Senegal uses the multilateral system to complement its bilateral initiatives. In doing so, it tries to strengthen the multilateral system and make the most of its partners' technical advice and political support during the implementation of the programme. Nevertheless, monitoring the eight different multilateral agencies receiving support inside and outside the scope of the PIC means high transaction costs for the embassy. The decision to limit partnerships to one agency per sector in the next PIC is expected to avoid a contradiction between the stated aims of strengthening the multilateral system and streamlining management.

The funding mechanisms for civil society in Luxembourg and Senegal, which provide flexible and long-term support, meet the strategic objectives of engaging with these actors, i.e. strengthening citizenship and taking marginalised populations into account. Co-operation with NGOs outside the scope of the PIC enables Luxembourg to respond to evolving needs during implementation and to deal with sensitive issues.[6] Nevertheless, the lack of co-ordination between activities within and outside the PIC limits potential synergies.[7] Luxembourg does not intend to integrate any NGOs into PIC IV, while continuing to provide them with strong support elsewhere, so that they can maintain an

independence that might otherwise be diminished if they were integrated into a government agreement. If Luxembourg goes ahead with this decision, it will need a comprehensive overall framework to ensure strategic steering and monitoring.

The inclusive process for designing the indicative co-operation programme allows Luxembourg to respond to locally identified needs. By extending consultation, including even private sector actors, Luxembourg could increase its ability to support change driven by local initiatives and identify innovative partnerships.

A commitment to co-ordination in Senegal

In Senegal, Luxembourg actively contributes to efforts to improve co-ordination and accountability, both as a member of formal groups – the G50, G12, thematic clusters (Box C.1) – and on its own initiative.[8] Luxembourg is also the leader of the healthcare sector of the EU joint programming initiative (GGDL, 2017). Moreover, the Letter of Agreement between signed between the multilateral partners encourages better coordination of activities funded by the PIC and implemented by the multilateral partners (Box 5.1).

Box C.1 Co-ordinating development assistance in Senegal

The system for co-ordinating technical and financial partners in Senegal is based around two main forums, the G50 and the G12.

The G50 includes all the development co-operation partners operating in Senegal. Despite its aspirations, it essentially acts as a forum where development co-operation providers share information and serves as a platform for drafting joint messages. The G50 recently adopted a common scale for daily allowances in order to avoid competition between donors. The G12, comprising eight bilateral partners and four multilateral partners from the G50, seeks to enhance co-ordination, with a co-chairmanship that is traditionally multilateral and bilateral.[9]

Theme-based and sectoral working groups complete the picture, with mixed degrees of involvement on the part of both the development co-operation providers and the Senegalese government.

The European Union also has its own monthly co-ordination structure, in which the Senegalese stakeholders are heavily involved, and which was the origin of the joint programming initiative.

Source: http://ptfsenegal.org/ and interviews carried out in Senegal.

Significant progress on the Busan commitments

In many ways, Luxembourg co-operation's performance with regard to the Busan commitments is exemplary (OECD/UNDP, 2016).

The indicative co-operation programme, signed for five years, comes with a fixed budget for each sector, thereby providing Senegal with medium-term predictability. This predictability could be further improved by examining ways of providing final rather than provisional data for the finance act at the end of the year.

The use of budgeted aid is pragmatic in the short term and allows Luxembourg to strengthen the use of country systems. In this manner, Luxembourg was able to increase the proportion of its aid delivered using country systems from 76.3% in 2010 to 100% in 2015. Ongoing discussions with partner ministries are expected to settle capacity-building issues, identify bottlenecks and reduce the cumbersome implementation procedure, especially at the decentralised level.[10]

Changes to the role of technical assistance under the Optimus 2016 plan are also designed to lead to more extensive use of country systems and capacity building.[11] In order to guarantee the sustainability and greater ownership of interventions, in-depth consideration will need to be given to the institutional architecture of interventions within ministries,[12] including the role of national and international technical assistants.

Evaluations to guide future programmes

The lack of an overall results framework for all the co-operation activities carried out by Luxembourg in Senegal limits its strategic portfolio management and hampers its ability to meet transparency and communication requirements, especially in the absence of information about the impact of interventions.

Luxembourg nevertheless uses various analytical and evaluation processes to help guide decision making during both the preparation and implementation of programmes.[13] The involvement of stakeholders as early in the process as the drafting of the terms of reference, and the proper synchronisation of evaluation and programming schedules has made it possible to make use of the conclusions of evaluations, and will help improve the overall coherence of the next PIC. In particular, Senegal has demonstrated the usefulness of simultaneously launching all the PIC activities. This synchronisation made it possible to feed the findings from all the project evaluations into the PIC evaluation, so that the latter could focus on strategic issues.

Various capitalisation instruments, including the network of experts in Senegal, have enabled LuxDev to learn from its experience. Greater technical support from headquarters would facilitate access to knowledge generated outside of capitalisation exercises. Developing a vision for knowledge management within the ministry could pave the way for its use as a forward-planning tool.

Notes

1. Another example is the partnership between LuxTrust and Senegal's State Information Technology Agency (ADIE).
2. This mission was organised by the Luxembourg Chamber of Commerce in partnership with the Investment Promotion and Major Projects Agency (APIX) in Senegal (www.cc.lu/actualites/detail/le-solide-partenariat-senegal-luxembourg-se-diversifie).
3. Moreover, two cross-cutting segments complete these sectoral focuses: a project in support of effective national service delivery, and specific support for water supply and sanitation.
4. Amounts include activities implemented by LuxDev, multilateral partners and NGOs.
5. Particularly through the undertaking of five surveys: a mapping of interventions by technical and financial partners, an analysis of the organisational set-up and capacity building, a progress report on the implementation of decentralisation in healthcare and vocational training, a report on abolishing the tax waiver on co-operation, and a report on the transition from PIC III to PIC IV.
6. For example, Luxembourg supports NGOs working in sensitive areas such as same-sex sex workers.
7. For example, LuxDev's healthcare programme has no regular contact with the NGO Enda, and has no idea what the latter is doing in this field in Senegal.
8. As was illustrated for example in its instrumental role in developing the single plan for capacity building in the Ministry of Education and Vocational Training, and the sharing of its analyses of the capacities of partner ministries.
9. Due to a lack of candidates, the current co-chairs are Canada and Spain.
10. "L'existence de goulots d'étranglement que constituent les procédures administratives et financières liées à la nouvelle modalité passant par l'exécution nationale a constitué par moment un frein à la fluidité des opérations et généré quelques frustrations en périphérie avec des retards parfois considérables sur les taux d'exécution des activités planifiées" (Artemis, 2016b) (The existence of bottlenecks in the form of administrative and financial procedures related to the new process going through national execution has sometimes hindered the smooth functioning of operations and generated some peripheral frustration as a result of sometimes considerable delays to the implementation rate of programmed activities).
11. Luxembourg's development co-operation has reviewing its approach to and processes for interventions in Senegal. Interventions are based on an operational analysis of capacities, followed by the introduction of partnership agreements setting out roles and responsibilities on the basis of these analyses. It uses self-assessment and steering committees to monitor progress and adapt the partnership agreements accordingly. This approach allows Luxembourg both to use national structures – strengthening them where necessary – and to optimise its own resources.
12. The example of technical assistance within the vocational training sector casts doubts on the effectiveness of capacity building. The team responsible for the Luxembourg project is based in the ministry and dedicated to this project. The main technical advisor in charge of the project does not belong to a dedicated directorate and has an autonomous budget within the ministry, even if country procedures are used for the purpose of these funds. The capacity-building approach could be improved by fully integrating the heads of programmes into directorates for the next PIC.
13. For example, the identification of the fourth indicative co-operation programme (PIC IV) in Senegal was launched on the basis of the interim assessment of the previous PIC.

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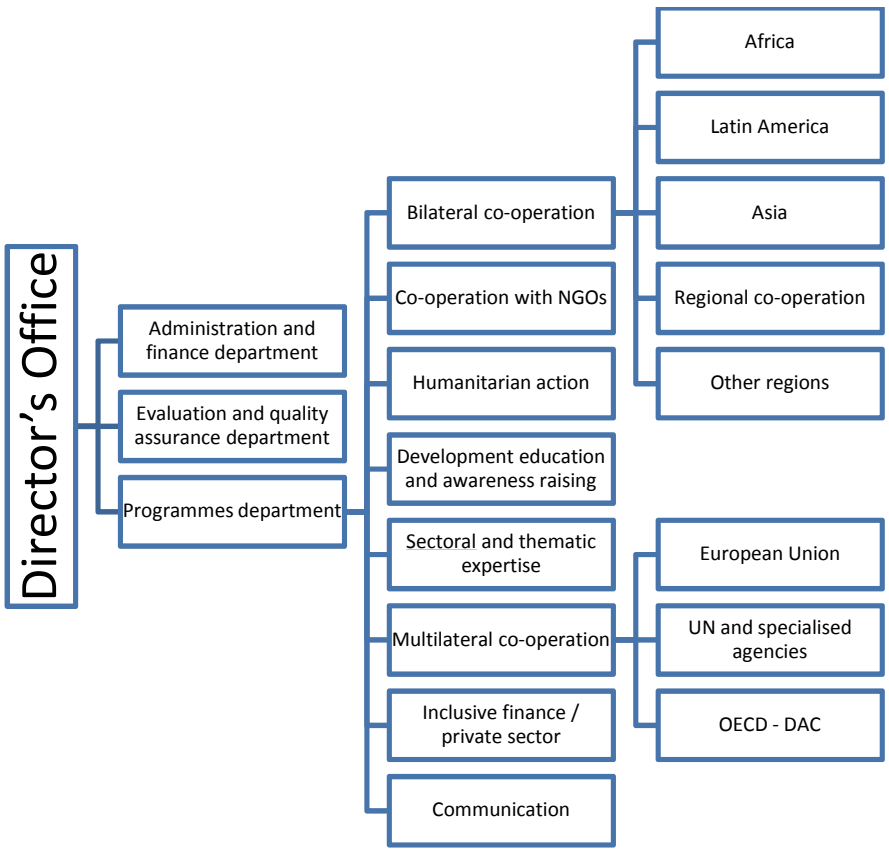
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Annex D: Organisational structure

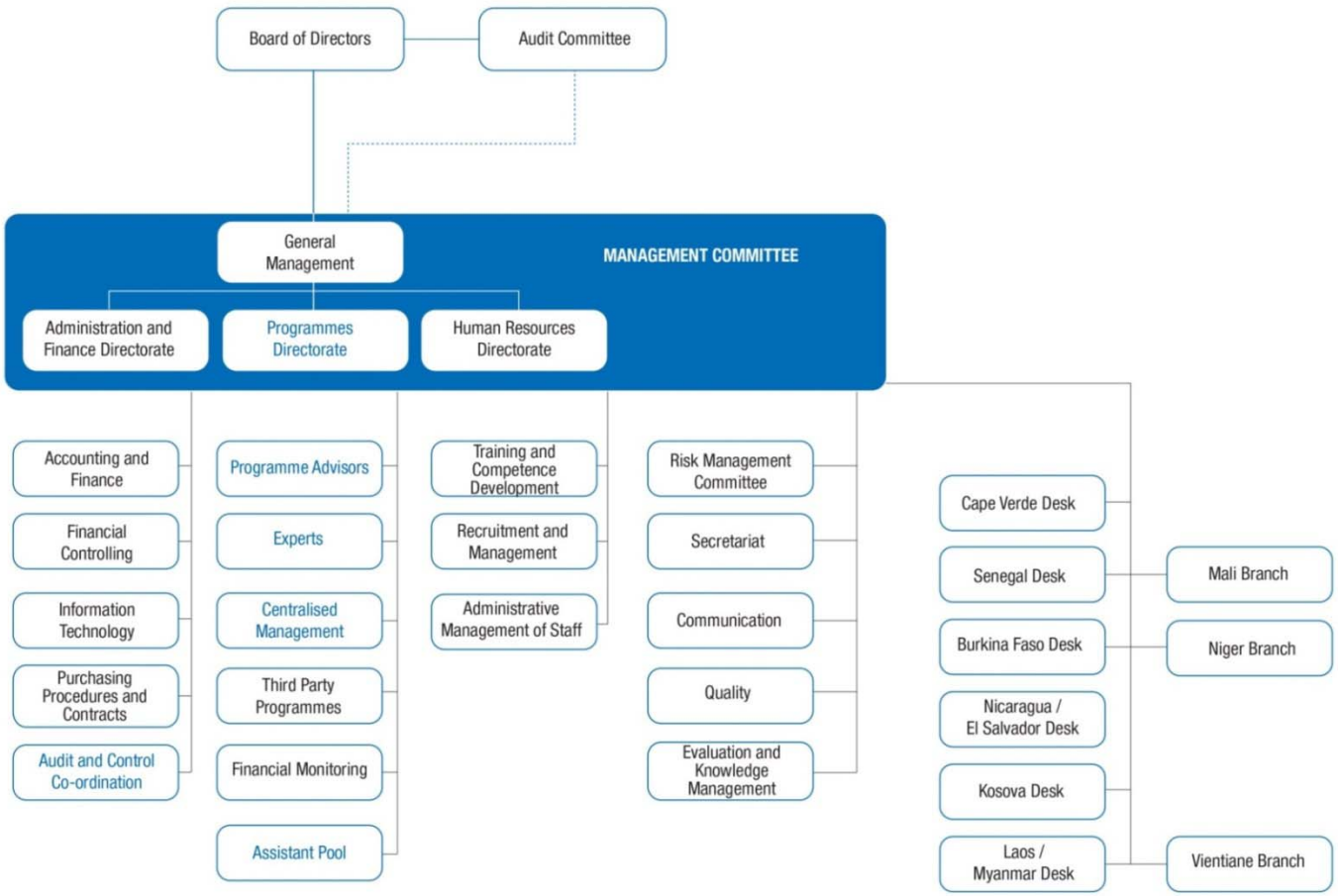
Figure D.1 Organisation of the Directorate for Development Cooperation of the Ministry of Foreign and European Affairs



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

Annex D: Organisational structure

Figure D.2 LuxDev organigram



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

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