



## Luxembourg Development Cooperation:

### Action Plan to implement Aid Effectiveness Commitments under the Paris Declaration and the Accra Agenda for Action.

#### Introduction

The Paris Declaration (PD) was endorsed in the first half of 2005, with the European Union member states adopting 4 reinforced objectives under the Luxembourg EU Presidency. Later, the European Union expanded the Paris principles with the European Consensus on Development (2005), the EU Code of Conduct on Complementarity and Division of Labour in Development Policy (2007), which were refocused in Accra in 2008 (AAA). Their implementation was further accelerated with the EU Operational Framework on Aid Effectiveness (consolidated in January 2011). The 4<sup>th</sup> High Level Forum on Aid effectiveness in Busan at the end of 2011 will produce a further assessment of results.

During the last decade a consensus was reached by the international community of donors and partner countries that the Millennium goals, as initially fixed in 2000, and the objectives in the Monterrey Consensus on Financing for Development can only be achieved with more generous aid volumes and better aid effectiveness principles. From the beginning, Luxembourg participated at the forefront in these discussions, as acknowledged in the OECD DAC Peer Review (2008):

Luxembourg is a generous and committed donor. Its aid rose in real terms by almost 12% from 2006 and 2007 to 0.90% of its GNI [*N.B. 1.04% in 2009*], making Luxembourg the third most generous donor in percentage terms. Every year since 2000 Luxembourg has achieved an aid to national income ratio of at least 0.7%. It has also promoted international efforts to strengthen the quality and increase the volume of aid.

There is a large cross-party consensus in Parliament behind this consistent and generous development cooperation policy. In her 2010 policy speech to Parliament, the Minister reconfirmed Luxembourg's commitment to the Paris principles.

#### Consultation process leading to the Action Plan

Between 2005 and 2007, a number of initiatives were launched with the aim to establish a clear picture of the forthcoming tasks and constraints.

An initial study about the "Commitments of Luxembourg Cooperation in relation to the Paris Declaration" and other international agreements, analysed the situation at headquarters and in the field, taking as an example Burkina Faso and the Lao PDR. Proposals were made for the adaption of procedures, the development of skills and capacities and revision of internal organisation.

A survey among the heads of the regional development cooperation offices delivered information about local application of aid effectiveness principles and hints on better use of resources as well as possible future focal sectors.

Both Lux-Development, Luxembourg's Development Cooperation Agency, and all Development NGOs were briefed about the aid effectiveness principles derived from the Paris Declaration and their opinions and suggestions were noted.

The second annual "*Assises de la Coopération luxembourgeoise*", held in September 2007, saw an intensive brainstorming among all cooperation partners (representatives from priority partner countries, from the Directorate of Development Cooperation, from Lux-Development and from Development NGOs), about the Paris Declaration and the EU code of conduct on division of labour.

By the end of the year the DAC's peer review of Luxembourg was launched and the final results with recommendations were presented in June 2008. They were the stimulus for initiating a new study for the establishment of an action plan with the desire to further increase the effectiveness of Luxembourg's Development Cooperation.

In the same year, Luxembourg also participated in the First Phase Evaluation of the Paris Declaration, actuated by the DAC.

## Focus areas of the Luxembourg Action Plan

A synthesis of available data from the peer review and before, the comparison with Paris Declaration and EU principles, resulted in a listing of tasks which can be organized under the following main headings.

### **Special tasks linked to the foundations for development cooperation**

The first chapter groups tasks comprising some political attributes or of a very central character, that have to be considered at headquarters. The Ministry is the main actor and for several tasks under this heading, the Government as a whole.

### **Preparation of sector-specific and horizontal strategies**

Ten strategic documents (on agriculture and food security; education, vocational training and employment; gender; governance; health; humanitarian action; rural development; microfinance; water and sanitation) were prepared by sector knowledge task teams ("*cellules de compétences sectorielles*"), comprising representatives from the MFA and Lux-Development. The strategies were presented to and/or discussed with all actors in development cooperation: Parliament, NGOs, and partner countries. They are included into all new Indicative Cooperation Programmes and are going to be updated regularly. The preparation of this first set of operational strategies of the Luxembourg Cooperation has also been a useful training and knowledge-sharing exercise for the Ministry and Lux-Development.

## **Training and expertise**

The tasks under this heading are shared between the Ministry and Lux-Development. The former fulfils general diplomatic and public service duties, while the latter is specialised in the implementation of development cooperation programmes. Both the Ministry and the agency are members of the Train4Dev initiative and share training sessions during the annual “Assises de la Coopération” for example. Ministry staff follows mandatory public service courses for lifelong learning.

## **Revision and adaptation of procedures,**

A special effort is made in support of the development cooperation offices in the field. The overall challenge consists in strengthening the collaboration between the different operators, i.e. the Ministry and Lux-Development, and others. This in order to better cope with the central innovations of the Paris Declaration: implementing the decisions of political dialogue in the field and using a wider selection of aid modalities.

An important step is the design of the 3<sup>rd</sup> generation of Indicative Cooperation Programmes (ICP), notably based on the European Commission’s Country Strategy Paper model, which take into account the bulk of the PD and AAA principles. ICPs cover a 4-5 year period, giving partner countries medium-term budgetary predictability and cover in parallel the planning periods of partner countries (and ideally those of other donors).

### **The Indicative Cooperation Programme (ICP)**

Luxembourg’s development cooperation with major partner countries is carried out through multi-annual Indicative Cooperation Programmes, of which the 3<sup>rd</sup> generation is a major tool for reaching higher aid effectiveness. The first 3<sup>rd</sup> generation ICP was prepared for the cooperation period from 2009 to 2014 with Cape Verde and at the beginning of 2011 further 3<sup>rd</sup> generation ICPs for Laos, Nicaragua and Vietnam have been agreed upon between the respective Governments. At the end of their respective 2<sup>nd</sup> generation ICPs, development cooperation with all major partner countries should continue with 3<sup>rd</sup> generation ICPs.

The first chapter lays down the history and general frame work of the cooperation with the partner country, specifying the strategies and principles of both partners in detail.

An assessment of the partner country, established jointly with other donors, is presented. It is followed by the strategic choices of the new ICP: the selected aid instruments which may include budget support, a limited number of priority sectors, the geographical concentration of aid measures and any necessary capacity-building measures.

The 4<sup>th</sup> chapter highlights cross-cutting issues and related strategies about gender, governance, environment and climate change. It is followed by chapter 5 with the specificities of harmonisation, partnership and complementarities with other donors’ interventions. Policy coherence for development is also scrutinised.

Eventually, in chapter 6, the details of financial and budgetary planning are indicated. They may be more or less broken down in detail, depending on the preceding preparatory work, but always include a minimum amount of aid and a percentage earmarked for MULTI-BI aid. The monitoring and evaluation programme is displayed as well as the support funds available.

The ICP is based on a country assessment study and sector-by-sector analysis, which are attached to the policy document.

## Details of the Luxembourg Action Plan

### 1. Special tasks linked to the foundations for development cooperation.

Description of tasks	Comments
1.1 Present Policy statement about aid effectiveness	Cf. the Minister's annual policy speech and exchange of views in Parliament
1.2 Elaborate Communication strategy	Done. An action programme is under elaboration
1.3 Better policy coherence within Interdepartmental Committee for Development Cooperation	Work in progress, included in Government programme 2009-2014.
1.4 Strengthen effectiveness of aid through NGOs	Luxembourg's Development NGOs have launched a national consultation on development effectiveness in the run-up to the HLF-4 and with the support of the OpenForum on CSO development effectiveness
1.5 Strengthen Ministry's statistical reporting to DAC	Done: the CRS++ system is now applied across the board.
1.6 Update Convention signed between the Ministry and Lux-Development	Done.
1.7 Improve aid predictability for partner countries	Under elaboration in the context of 3 <sup>rd</sup> generation ICPs and better reporting in the context of the DAC's forward spending analysis
1.8 Establish evaluation strategy	Under elaboration

### 2. Preparation of operational strategies for development cooperation

Description of tasks	Comments
2.1 Elaboration of main operational strategies on: <ul style="list-style-type: none"> <li>• Agriculture and food security,</li> <li>• Education, training and vocational training,</li> <li>• Environment and climate change,</li> <li>• Gender,</li> </ul>	<p>Done</p> <p>Remain within global strategy</p> <p>Main objective: poverty reduction</p> <p>Strategies included in ICPs and presented to partners.</p>

<ul style="list-style-type: none"> <li>• Governance.</li> <li>• Humanitarian action,</li> <li>• Microfinance,</li> <li>• Public health,</li> <li>• Rural development,</li> <li>• Water and sanitation,</li> </ul>	
2.2 Periodic revision of operational strategies	Work in progress
2.3 Preparation of programmes of actions for the implementation of the operational strategies	Work in progress
2.4 Formulate capacity development strategy	Done; to be published online shortly

### 3. Training and expertise

Description of tasks	Comments
3.1 Continuous and regular training of Ministry staff	Regular annual sessions (“Assises de la cooperation”) in collaboration with Lux-Development. Ad hoc events in the field and at headquarters. Membership in Train4Dev initiative starting in 2010
3.2 Acquisition by Lux-Development of necessary expertise and knowledge base to support Luxembourg Development Cooperation	Under elaboration. Close cooperation with Train4Dev and appointment of experts in selected fields.

### 4. Revision and adaptation of procedures

Description of tasks	Comments
4.1 Revision by the Ministry of aid implementation procedures with a focus on dialogue in partner countries and close coordination with Lux-Development.	Under elaboration. Major step with 3 <sup>rd</sup> generation ICP. Limited number of focus sectors and pursuit of added value.
4.2 Adaptation by Lux-Development of modus operandi for implementing development programmes, with an emphasis on including sector-wide approaches and budget support.	Under elaboration. Devolution of project implementation to partners. First sector budget support launched.
4.3 At partner country level, establish specific action plans for progressive and continuous application of PD principles	Under execution. First action plan launched in 2009, will be followed in 2011 by additional set of measures.