



# **ENVIRONMENT AND CLIMATE CHANGE STRATEGY**

## **LUXEMBOURG DEVELOPMENT COOPERATION**



Ministry of Foreign and European Affairs  
Directorate for Development Cooperation and Humanitarian Affairs

**2021 - 2030**

Acronyms	03
Introduction	04
<b>Development challenges and opportunities</b>	<b>05</b>
Intrinsically interconnected challenges	05
Opportunities and the urgent need for action	07
<b>Policy and regulatory framework at international, European and national levels</b>	<b>08</b>
International	09
European	10
National	11
<b>Overall objective and specific commitments</b>	<b>12</b>
<b>Strategic approach and principles</b>	<b>13</b>
Dual approach	13
Key principles underlying the implementation of the strategy	14
<b>Thematic priorities</b>	<b>16</b>
<b>Implementation</b>	<b>18</b>
Modalities of intervention	19
Financial and non-financial instruments	21
A wider range of instruments	21
Mobilising the private sector	22
Link with sustainable finance	22
<b>Coherence and coordination</b>	<b>23</b>
At the organisational and institutional level	23
At the interministerial level	24
At the level of Luxembourg's foreign policy	25

## Acronyms

**ADA** Appui au Développement Autonome (a Luxembourg NGO)

**CEF** Climate and Energy Fund

**DRR** Disaster Risk Reduction

**EIB** European Investment Bank

**EU** European Union

**FAO** Food and Agriculture Organization

**GAP** Gender Action Plan

**GCF** Green Climate Fund

**GEF** Global Environment Facility

**GHG** Greenhouse gases

**ICDC** Interministerial Committee for Development Cooperation

**ICF** International Climate Finance

**ICICF** Interministerial advisory Committee on International Climate Finance

**ICP** Indicative Cooperation Programme

**ICSD** Interdepartmental Commission on Sustainable Development

**ICTs** Information and Communication Technologies

**IPBES** Intergovernmental Platform on Biodiversity and Ecosystem Services

**IPCC** Intergovernmental Panel on Climate Change

**LDCs** Least Developed Countries

**LSFI** Luxembourg Sustainable Finance Initiative

**LuxDev** Luxembourg Development Cooperation Agency

**MECSD** Ministry of the Environment, Climate and Sustainable Development

**MESP** Ministry of Energy and Spatial Planning

**MFA** Ministry of Foreign and European Affairs

**MinFin** Ministry of Finance

**MSME** Micro, small and medium-sized enterprise

**NAP** National Adaptation Plan

**NDC** Nationally Determined Contribution

**NGDO** Non-governmental development organisation

**NPSD** National Plan for Sustainable Development

**ODA** Official development assistance

**OECD** Organisation for Economic Co-operation and Development

**SDG** Sustainable Development Goal

**SIDS** Small Island Developing State

**TFPs** Technical and Financial Partners

**UN** United Nations

**UNEA** United Nations Environment Assembly

**UNFCCC** United Nations Framework Convention on Climate Change

# INTRODUCTION

This document defines Luxembourg Development Cooperation's strategic approach to environmental protection and the fight against climate change, in order to proactively contribute to collective efforts internationally, across Europe and nationally, and to ensure the effectiveness and sustainability of the projects and programmes it implements.

This approach is in line with the Luxembourg Development Cooperation priorities set out in its general strategy "The road to 2030", and takes into account the other fundamental cross-cutting themes of Luxembourg Development Cooperation, namely gender equality and respect for human rights, which are closely linked to environmental and climate challenges.





# DEVELOPMENT CHALLENGES AND OPPORTUNITIES

## INTRINSICALLY INTERCONNECTED CHALLENGES

Major global environmental changes, including climate change, the loss of biodiversity, pollution and desertification, are altering the human and natural systems that underpin human well-being and economic activity. These major changes will continue to influence how countries develop. They constitute a serious threat as well as a major challenge to societies' ability to satisfy basic human needs, promote justice, peace and security, and pursue sustainable growth and development<sup>1</sup>.

The coming years will be decisive in preventing the effects of climate change, which are already being felt acutely in many countries, as well as in limiting global warming to 1.5°C above pre-industrial temperatures. Successive reports by the Intergovernmental Panel on Climate Change (IPCC) have shown that the impacts of climate change, such as an increase in the frequency and severity of extreme weather events like floods and hurricanes, but also slower-onset changes such as sea level rise, warming and acidifying seas, and long-term droughts, are already being felt on a global scale. According to the IPCC, these impacts are geographically varied, unpredictable and exponential rather than linear or gradual. Their implications for development are, therefore, far-reaching. The way in which communities, cities and countries develop – socially, economically and spatially – is also a key determinant of their vulnerability to the impacts of climate change<sup>2</sup>.

At the same time, current production and consumption patterns, unsustainable management and governance practices and growth in population and in city sizes are increasing the pressure on natural resources, leading to an irreversible loss of biodiversity, increased soil impoverishment, and unabated deforestation rates, especially of primary forests. Climate change is also exacerbating the depletion of natural resources. The latest report of

the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) presents an alarming picture of biodiversity loss and worsening in the health of ecosystems and a deterioration in the ecosystem services they provide, with global consequences for economies and livelihoods, food security, human health and quality of life. Climate change and biodiversity loss are two major and intimately connected crises, which systematically and increasingly affect development patterns and living conditions of populations. The current health crisis caused by the COVID-19 pandemic is a striking illustration of the links between environmental degradation, ecosystem health and human health.

Pollution is the environmental issue that poses the biggest health threat<sup>3</sup>. It also impacts the environment, adversely affecting air, land and soil quality, coastal and marine ecosystems and freshwater reserves. Pollution thus affects our health through the air we breathe, the food we eat and the water we drink. The root cause of the pollution is the enormous quantity of chemical, industrial and household waste we produce and the way we manage its disposal.

Populations living in poverty, who do not have access to essential basic services such as water, energy and health, are the most exposed and vulnerable to these changes, especially the populations of the Least Developed Countries (LDCs) and Small Island Developing States (SIDSs). They are largely dependent on natural, agricultural and coastal resources for their livelihoods. Desertification, deforestation, loss of biodiversity and increased climate risks directly affect food security and income generation. Uncertain land rights and limited access to information about the environment and climate variability are further aggravating factors.

<sup>1</sup> OECD (2019). Aligning Development Co-operation and Climate Action: The Only Way Forward

<sup>2</sup> Ibid.

<sup>3</sup> UNEA (2017) Towards a Pollution-Free Planet



Furthermore, the impacts of climate change are not gender-neutral, and some population groups are more exposed to these global environmental changes, because of their particular role, socio-economic status or social class. Climate change and its effects can thus exacerbate gender inequalities. Women are on the front line of climate impacts, and often face greater vulnerabilities and impediments to resilience, which are mainly due to:

1. an initial situation of structural inequality in terms of rights, access to resources and education, the labour market, information and decision-making, all of which is exacerbated by their reproductive role and responsibility for paid and unpaid care work;
2. women's significant contribution to the agriculture, health and energy sectors;
3. potentially more climate-sensitive livelihoods and greater dependence on natural resources.

Despite these challenges, women are powerful agents of change in prevention, in community mobilisation and dissemination of practices that take climate change into account, as well as being important stakeholders in the implementation of low-carbon development strategies. In the current global context, their role in preventing conflict and promoting sustainable and inclusive peace has been recognised by the United Nations (UN)<sup>4</sup>.

The climate and environmental crises are a major obstacle to reducing poverty, and threaten to undermine the positive results of decades of development cooperation; they must therefore be addressed together. The combination of climate change, ecosystem degradation and socio-economic vulnerability can increase the risk of flooding and water scarcity, exposure to natural disasters, the triggering of conflicts over natural resources, and, at the same time, induce forced migration of populations in LDCs<sup>5</sup>, especially towards neighbouring countries that are often facing precarious development conditions. Increasingly sophisticated studies are establishing a causal link between the degradation of natural resources, accelerated by climate change, and the emergence of tensions and conflicts in various regions

of the world. In the Sahel, for instance, the reduced productivity of agricultural and pastoral land, caused by various anthropogenic and climate factors, has not only generated additional pressure on land but has also accentuated tensions and conflicts over access to and use of land, in a context of still largely informal land tenure<sup>6</sup>.

Furthermore, natural disasters alone are already pushing 26 million people a year into poverty (IPCC, 2018). Without sound climate-informed development, climate change could force more than 100 million additional people into extreme poverty by as soon as 2030 (World Bank, 2015). The climate and environmental crises are compounded by challenges of rapid population growth and urbanisation in developing countries, which place further pressure on already scarce resources, especially land, food and water, while two thirds of the world's population already face water scarcity today<sup>7</sup>. Moreover, it is estimated that the number of undernourished people will exceed 840 million by 2030<sup>8</sup> (FAO, 2020). Major adaptation efforts will therefore become necessary in the years to come. Although these estimates are only approximate, the latest figures put forward the cost of inaction as between 50 and 250 billion dollars per year. According to the International Federation of Red Cross and Red Crescent Societies, if no action is undertaken by 2030, humanitarian assistance to climate change victims alone will necessitate funding amounting to at least 20 billion dollars per year.



4 Gender, Climate & Security: Sustaining inclusive peace on the frontlines of climate change, 2020, United Nations Environment Programme (UNEP), UN Women, UNDP and the United Nations Department of Political and Peacebuilding Affairs (UNDPPA).

5 OECD (2019). Aligning Development Co-operation and Climate Action - The Only Way Forward

6 Directorate of Defence of Luxembourg's Ministry of Foreign and European Affairs (2021). Note: security risks and threats linked to major environmental changes

7 OECD (2019). Aligning Development Co-operation and Climate Action - The Only Way Forward

8 FAO, IFAD, UNICEF, WFP and WHO (2020). In Brief: The State of Food Security and Nutrition in the World 2020: Transforming food systems for affordable healthy diets. Rome, FAO



## OPPORTUNITIES AND THE URGENT NEED FOR ACTION

Addressing these interconnected challenges calls for a paradigm shift in development, in order to ensure the sustainability of development cooperation activities, contributing, in particular, to socio-political stability in the targeted regions, countries and populations, and generating new socio-economic opportunities for these populations, while simultaneously shifting the development pathways of the intervention countries towards alignment with these new parameters. A range of actions that have significant co-benefits, such as economic growth and job creation, must be taken to facilitate a just, safe and resilient transition for people and communities acutely affected by environmental degradation and climate change. Significant additional public and private funding, estimated at several trillion euros, must be mobilised to support the transition on a global scale. Development cooperation actors have a key role to play in catalysing this global effort, to launch these dynamics and redirect financial flows towards investments that are low-carbon and resilient to the current and future impacts of climate change.

Environmental and climate concerns must therefore be further integrated into the activities of Luxembourg Development Cooperation in order to:

- identify, avoid and mitigate any harmful impact by Luxembourg Development Cooperation on the environment, climate or natural resources;
- prevent and address environmental and climate-related risks and constraints that could hamper the achievement of the objectives, policies, plans and programmes of partner countries supported by Luxembourg Development Cooperation, or could even become sources of conflict or insecurity;
- seize opportunities to generate longer-term benefits in terms of socio-economic development and socio-political stability, as well as environmental preservation (positive co-benefits of actions)<sup>9</sup>.

<sup>9</sup> European Commission (2016). Guidelines No 6 "Integrating the environment and climate change into EU international cooperation. *Towards sustainable development*"

# POLICY AND REGULATORY FRAMEWORK AT INTERNATIONAL, EUROPEAN AND NATIONAL LEVELS

This strategy is based on international environmental conventions and on strategic and policy guidelines developed at European and national levels. It also takes into account the good practices and recommendations of the European Union (EU)

and the Organisation for Economic Co-operation and Development (OECD) on the integration of environmental and climate issues into development cooperation activities.<sup>10</sup>



<sup>10</sup> Ibid.





Luxembourg Development Cooperation places the implementation of the 2030 Agenda and its 17 Sustainable Development Goals (SDGs) at the core of its activities, applying the fundamental principle of “leave no one behind” and prioritising the poorest and most vulnerable populations. The 17 goals, taken as a whole, include environmental considerations, reflecting the interdependencies and integrated nature of these development goals. The SDGs therefore call for a radical acceleration of the inclusion of environmental and climate change issues in all development policies and programmes.

This strategy aligns with the objectives of the Paris Agreement, a universal agreement reached in 2015 under the United Nations Framework Convention on Climate Change (UNFCCC), which sets out an ambitious and shared vision to engage in a process of transformation towards low-carbon and climate-resilient development, including a redirection of financial flows. Through this agreement, developed countries intend to allocate 100 billion dollars per year from 2020 onwards to climate-related activities in developing countries from all sources, including private investments. The 2030 Agenda and the Paris Agreement call on both developed and developing countries to make significant transformational changes in production and consumption patterns and living conditions.

Additionally, the strategy is consistent with international conventions on environmental topics, such as the two other UN Rio Framework Conventions, on Biological Diversity and on Combating Desertification, and the Sendai Framework for Disaster Risk Reduction 2015-2030. It is essential to take these into account and implement them effectively in order to achieve the SDGs and the objectives of the Paris Agreement. With the same aim, the strategy seeks to align with the commitments of the United Nations Environment Assembly (UNEA), the central point for policy decisions concerning environmental challenges. The UNEA has produced a global plan with the title “Towards a pollution-free planet”, aiming to achieve the overall goal of eradicating all forms of pollution by 2030.

Achieving gender equality and women’s empowerment are among the commitments made in the 2030 Agenda (SDG5), and the mainstreaming of human rights and gender rights also forms part of three environment and climate-related SDGs: 2, 6 and 13. These three SDGs focus in particular on building the resilience and adaptive capacities of women, young people and marginalised groups. The Paris Agreement also recognises gender equality as a key cross-cutting and operational principle for all climate action, which many countries have also incorporated into their nationally determined contributions (NDCs).



Luxembourg complies with the European Green Deal adopted in late 2019, which aims to make the EU economy sustainable and climate neutral by 2050, while ensuring a fair and inclusive transition as well as the conservation of biodiversity and the reduction of pollution. The proposed European Climate Law also intends to make carbon neutrality a legally binding objective. The Green Deal implies a paradigm shift and transformational changes in all sectors, which the EU will gradually define through the development of specific strategies and action plans in different areas.

The European Green Deal is also an integral part of the EU's strategy for implementing the 2030 Agenda. The European Commission intends to allocate 25% of its official development assistance (ODA) budget to climate-related objectives, and to coordinate with its Member States efforts to close the funding gap through the engagement of sustainable finance and the private sector. The EU also wants to strengthen policy dialogue

with its partner countries on cross-cutting environmental and climate issues, with a particular focus on the African continent to promote “progress towards a green and circular economy including sustainable energy and food systems and smart cities”<sup>11</sup>. The EU also intends to increase climate and environmental resilience, “to prevent these challenges from becoming sources of conflict, food insecurity, population displacement and forced migration, and support a just transition globally”<sup>12</sup>.

The new strategy entitled “A Union of Equality: Gender Equality Strategy 2020-2025” recognises that upcoming policies under the European Green Deal, such as those on sustainable mobility, environmentally friendly energy production and technologies, or the EU strategy on adaptation to climate change, can have different impacts on women and on men. The gender dimension must therefore be taken into account in order to leverage the full potential of these policies.



<sup>11</sup> European Commission (2019). The European Green Deal. Communication from the Commission

<sup>12</sup> Ibid.



Luxembourg has adopted a legislative framework and a set of measures to promote the ecological transition at the national level. These include the Integrated National Energy and Climate Plan for the 2021-2030 period and the Strategy and Action Plan for Adaptation to the Effects of Climate Change 2018-2023, as well as a climate bill that establishes the Climate Energy Fund (CEF) managed by the Ministry of the Environment, Climate and Sustainable Development (MECSD), whose international component, entitled “International Climate Finance” (ICF), allows for the financing of projects to combat climate change in developing countries in addition to ODA.

This strategy is aligned, in particular, with Luxembourg’s third National Sustainable Development Plan (NSDP), which takes the 2030 Agenda as a basis for laying down measures and actions to be implemented in Luxembourg in order to ensure the coherence of sustainable development policies at national and international levels. Among the ten priority fields of action chosen by the Luxembourg government, the ninth relates to development cooperation and its objective of reducing extreme poverty and ensuring the coherence of the sustainable development policies promoted by Luxembourg.

The strategy is also consistent with the Luxembourg government’s Coalition Agreement for the 2018-2023 period, which sets out the objectives of Luxembourg’s international cooperation, as well as with the recently adopted new national strategy on sustainable finance, which aims to support Luxembourg’s financial sector in its transition towards sustainable finance, making it an international leader in this field.

The strategy is in line with Luxembourg Development Cooperation’s main objective, namely to eradicate poverty and contribute to sustainable development. It also contributes directly to its four interconnected priority areas of intervention, set out in its general strategy, which are:

1. improving access to high-quality basic social services;
2. enhancing the socio-economic integration of women and young people;
3. promoting sustainable and inclusive growth; and
4. strengthening inclusive governance.

Furthermore, Luxembourg’s feminist foreign policy aims to promote gender equality in international and European fora, and to increase the participation of women at all levels of responsibility. It also systematically defends the rights of women and girls, committing mainly to the “Women, Peace and Security” agenda through the 2018-2023 national action plan, and to promoting sexual and reproductive rights through its involvement in initiatives such as the She Decides campaign launched in 2017 by the Netherlands. In line with this commitment, Luxembourg Development Cooperation’s general strategy includes gender as a cross-cutting priority, and targets “enhancing the socio-economic integration of women and young people” as one of its four main objectives. Luxembourg Development Cooperation’s 2021 Gender Strategy points out the importance of “increasing women’s participation in political and economic decision-making processes in the energy sector and sustainable development, while stepping up peace-building and post-conflict efforts”, in order to promote environmental protection and climate action.



## OVERALL OBJECTIVE AND SPECIFIC COMMITMENTS

In terms of the overall objective of its new Environment and Climate Change Strategy, Luxembourg Development Cooperation aims to ensure that all its activities and/or aid support development pathways that are sustainable, inclusive, renewable-energy or low-carbon and resilient to the effects of environmental and climate change, in accordance with international environmental conventions, the 2030 Agenda and the objectives of the Paris Agreement.

This objective, which relates to ODA, is part of Luxembourg Development Cooperation's central mission of poverty eradication. It is thus additional to the other resources made available by Luxembourg to combat climate change in developing countries, particularly through the MECSD's Climate and Energy Fund (principle of additionality of funds). This objective is also consistent with the country's broader commitment to strengthen its support of international climate finance, by promoting synergies with its development cooperation actions to support environmental sustainability, as set out in Luxembourg Development Cooperation's general strategy.

By 2030, Luxembourg Development Cooperation is thus specifically committed to:

- on the one hand, increasing the environmental and/or climate co-benefits of its portfolio of interventions in its priority sectors;
- on the other hand, financing a greater number of dedicated projects promoting the resilience of human and natural systems to climate risks and/or environmental degradation.





# STRATEGIC APPROACH AND PRINCIPLES

## DUAL APPROACH

To achieve this, Luxembourg Development Cooperation intends to strengthen the integration of environmental and climate issues into all of its activities, using a dual approach.

### **The first component is systematic mainstreaming in all Luxembourg Development Cooperation activities and components.**

Starting with the identification stage of cooperation projects and programmes, this mainstreaming will take into account:

- the assessment of potential climate and environmental impacts of development cooperation activities, in order to avoid negative environmental impacts, maladaptation to climate change and to ensure the carbon neutrality of the interventions,
- the environmental and climate-related risks and constraints to which Luxembourg Development Cooperation's activities are exposed, in order to ensure the sustainability and resilience of development cooperation activities,
- the potential positive benefits in terms of sustainable management and preservation of the environment and the fight against climate change<sup>13</sup>, in order to proactively contribute to the implementation of solutions to these issues and prevent possible conflicts.

Environmental and climate change issues must also be mainstreamed in downstream management phases of development cooperation projects and programmes in order to make them a reality on the ground, including at the monitoring and evaluation stage, with a view to capitalising on lessons learned and best practices.

### **Funding of dedicated projects and programmes**

In terms of geographical location and sector, Luxembourg Development Cooperation is mainly focused on the LDCs, especially in particularly fragile contexts, and in SIDSs, which are already affected by environmental degradation and the impacts of climate change. Luxembourg will therefore pay particular attention to strengthening the climate resilience of the most vulnerable populations and communities, and will devote efforts to the financing of activities that combine protection against climate risks with sustainable management, the preservation of ecosystems and the improvement of living conditions.

Luxembourg Development Cooperation will thus focus its activities on the resilience of human and ecological systems to major global environmental changes, with a view to respecting human rights, protecting populations from climate risks and preventing conflicts, in order to contribute to its core mission of eradicating poverty. The financing of these dedicated interventions will be consistent with the principle of additionality of climate funds and Luxembourg's commitments in this area, in coordination with the other technical and financial partners (TFPs), particularly in the context of possible co-financing.

<sup>13</sup> Based on the six environmental criteria considered in the OECD recommendations for integrating the environment and climate into cooperation actions, which are: (1) climate change mitigation, (2) climate change adaptation, (3) protection and sustainable management of water and marine resources, (4) transition to a circular economy, (5) pollution control and prevention, and (6) protection and restoration of biodiversity and ecosystems



## KEY PRINCIPLES UNDERLYING THE IMPLEMENTATION OF THE STRATEGY

The following specific and complementary principles will guide Luxembourg's response to the complex inter-connections and challenges of mainstreaming environmental protection and combating climate change within development cooperation:

### **Inclusive**

Luxembourg's ODA will prioritise the most vulnerable populations exposed to the degradation of natural resources and the impacts of climate change, particularly women, girls, young people and indigenous populations. It will seek to secure access to resources and strengthen their capacity to cope with shocks, inspired by climate justice and respect for human rights. The ongoing participation of women in all their diversity remains of the utmost importance. We need women to analyse, make their voices heard, make demands and proposals and collaborate in the search for just and effective strategies to achieve greater environmental justice and to curb the exploitation and degradation of ecosystems. Luxembourg will also emphasise the participatory and inclusive management of natural resources, in order to guarantee equitable distribution and prevent conflicts of use. Finally, Luxembourg Development Cooperation will deploy participatory and inclusive processes at each stage of the project and programme cycle, with a view to ensuring ownership on the part of the beneficiary populations, paying particular attention to the participation and role of women in decision-making bodies.

### **Do no harm**

No negative impact, even if unintended, should occur as a result of Luxembourg's interventions or investments. To ensure this, it is essential to systematically examine the potential environmental and social risks of the project/programme (whether existing or to be implemented) and to consider them at the design stage. Activities should be in accordance with the environmental legislation and regulations in force in the partner countries, or, in the absence of such regulations, best international practice in the area. It is also important to apply a conflict-sensitive approach when planning and implementing projects and programmes (considering existing access to and rights of use of resources, possibly divergent or incompatible interests, etc.) in order to avoid potential conflicts.

### **Integrated and holistic**

Luxembourg Development Cooperation will promote the adoption of integrated and multisector approaches to understanding development issues in their specific contexts, and to coming up with responses and solutions that will encourage synergies between the conservation and restoration of natural resources, protection against climate risks and the provision of basic services.



## Context-specific and tailored

Luxembourg Development Cooperation will promote a response tailored to the specificities of the regional intervention contexts and to the needs of the beneficiary countries, as identified in the national and regional development strategies and other relevant policies, regulations and commitments in the field of the environment and climate change (such as the national adaptation plans (NAPs) and NDCs). If those policy and regulatory frameworks prove to be inadequate, or even absent, Luxembourg Development Cooperation will support partner countries to develop these strategic documents and to integrate environmental and climate dimensions into public policies. It will thus promote the ownership of these issues by national and local authorities through policy dialogue and institutional capacity building, and will intervene at different levels, including at the community level. Depending on the issue at hand, Luxembourg could also promote a regional response, if this is considered appropriate.

## Flexible and iterative

Luxembourg Development Cooperation will maintain a flexible approach to designing and implementing its activities in order to take into account the management of uncertainty in climate models and the evolution of knowledge on environmental and climate issues. It will strengthen the bridges between humanitarian and development activities, in order to be able to respond rapidly to emergencies and to strengthen the prevention and preparedness of beneficiary populations for extreme weather events and more gradual climate change (such as rising sea levels and temperatures).

## Partnership

In line with the guidelines set out in its general strategy, Luxembourg Development Cooperation will promote a partnership approach to the deployment of this environment and climate change strategy. It will thus encourage partnerships with a variety of actors, including the private sector, in order to promote dialogue and sharing good practice, solutions and effective and innovative approaches, to contribute to the production of norms and standards on these issues and to ensure that these themes are genuinely mainstreamed in its various areas of intervention. It will build on its existing partnerships and develop new financial and technical partnerships, both to encourage the mobilisation of additional financing, particularly through the various opportunities offered by the development of sustainable and inclusive finance in Luxembourg, and to increase the skills of its staff and contractors in these areas. In this connection, it may approach specialised national and European research institutes and centres of excellence, including in its priority regions of intervention.





## THEMATIC PRIORITIES

In light of these different elements, Luxembourg Development Cooperation will prioritise the following areas of action, while maintaining flexibility in order to adapt to the specific contexts and needs of the countries, populations and communities to which it provides support<sup>14</sup>:

### **Access to basic services that are sustainable and resilient to climate risks**

Luxembourg Development Cooperation will increase its contribution to the establishment of sustainable energy, food and water supply systems that are resilient to climate risks, in order to ensure the provision of sustainable, reliable, accessible and affordable basic services to all segments of the population, including the most vulnerable. Luxembourg will thus contribute to a sustainable supply of water, renewable energy and high-quality food and will pay particular attention to the issue of sustainable and inclusive water resources management, which is at the core of the water-energy-food nexus, in order to promote fair and equitable distribution and prevent conflicts of use. Finally, Luxembourg Development Cooperation will strengthen the capacity of national health systems to deal with the emergence or resurgence of diseases linked to environmental and climate changes, particularly vector-borne infectious diseases, through a better understanding and prevention of risks (epidemiological monitoring).

### **Identifying and supporting the development of environmental and green value chains, which create jobs and value**

Luxembourg will boost its contribution to the establishment and/or reinforcement of green value chains in promising sectors, in line with the potential and needs of beneficiary countries. In the vocational training sector, Luxembourg Development Cooperation will thus promote the incorporation of technical courses encouraging the environmental transition into key sectors such as waste management and the circular economy, renewable energy, construction and building, as well as tourism.

Luxembourg Development Cooperation will work on increasing the numbers of girls in fields of study that are often more accessible to boys. In order to guarantee the employability of young people in these areas, Luxembourg will also support entrepreneurship, especially among women, and will help the local production sector (especially micro, small and medium-sized enterprises - MSMEs) to invest in innovative solutions, through technical support and tailored financing tools.

<sup>14</sup> The thematic priorities are not to be thought of as stand-alone blocks. The types of actions identified for each one can be combined in the programming of Luxembourg Development Cooperation's activities.



## Sustainable management of natural resources

Luxembourg Development Cooperation will significantly step up its activities regarding the sustainable management of natural resources, in particular through supporting the establishment of sustainable and agro-ecological production systems for the benefit of small farmers, thereby contributing to food security among local communities. It will also encourage the valuation of natural resources through the development of environmentally friendly and income-generating value chains, which could particularly target women, helping to empower them. Luxembourg could also play an active role in setting up governance and inclusive natural resources management mechanisms, as such resources are a key issue in its countries of intervention (particularly for agricultural and pastoral land, land tenure and water), in order to guarantee access and support the livelihoods of local communities, in particular vulnerable groups and indigenous populations. Supporting the development of such multi-actor mechanisms, tailored to local contexts, should also prevent conflicts of use linked to the exploitation of resources that are already becoming increasingly scarce, with a view to strengthening the humanitarian-development nexus in particularly fragile intervention contexts, notably in the Sahel.

## Support for inclusive sectoral and territorial governance, taking into account the national commitments of partner countries on major environmental and climate issues

Through policy dialogue and institutional capacity-building activities, Luxembourg Development Cooperation will support national and local partner authorities to produce sustainable sectoral and local development strategies and/or plans, which consider the environmental and climate vulnerabilities of sectors and territories with a focus on the future. Such support should allow the implementation of these countries' national environmental and climate commitments (such as NDCs or NAPs) at the level of the key intervention sectors of Luxembourg Development Cooperation and local authorities, in a way that complements and is consistent with the activities of the Climate and Energy Fund relating to national climate governance. Locally, Luxembourg Development Cooperation will support the production of local development policies and basic services that are appropriate to the climate constraints and risks identified. The production of such local plans should also lead to the identification of adaptation and prevention measures and measures to protect the population from hydrometeorological and climate risks, by encouraging ecosystems-based solutions, where relevant.



## IMPLEMENTATION

An operational action plan will set out the key actions Luxembourg Development Cooperation will carry out in the medium term in order to deploy the present strategy under the dual approach and in its various intervention modalities. It will also serve as a tool to guide the entities responsible for the implementation of programmes and projects. The action plan will propose ways of improving existing implementation processes and tools, and possibly the addition of new tools, to ensure the strategy, its objectives and the thematic priorities are implemented consistently and in an operational manner.

Finally, the action plan will include a monitoring and evaluation framework for the strategy's implementation, in order to regularly measure the performance of Luxembourg Development Cooperation in relation to environmental protection and combating climate change.





## MODALITIES OF INTERVENTION

In general, Luxembourg Development Cooperation will provide coordinated guidance for the environmental protection and climate change actions implemented by its various partners and operators, particularly in its priority partner countries. Based on the systematic identification of climate and environmental opportunities, risks and vulnerabilities in relation to each project and programme, it will seek to adopt technically and financially feasible as well as cost-effective alternatives to reduce the environmental impact of its activities and propose appropriate adaptation measures.

### Bilateral cooperation

In its priority partner countries, Luxembourg will rely on its privileged bilateral relations and the Partnership Committees to strengthen policy dialogue with the national authorities on environmental and climate issues. The multi-annual strategic programming of development cooperation activities, through the Indicative Cooperation Programmes (ICPs), must be aligned with the countries' national environmental and climate strategies and policies (and especially the NDCs), and must be closely coordinated with the programming of activities of other TFPs involved in these issues. More proactively, Luxembourg Development Cooperation may consider carrying out broader strategic environmental analyses<sup>15</sup> in order to ensure that these are taken into account and effectively implemented in the priority intervention sectors of the ICPs, or even to guide certain actions in sectors where there are pressing environmental and climate challenges.

Luxembourg Development Cooperation will also use its various financial and non-financial instruments (such as sectoral budgetary support, project-based intervention and capacity-building of beneficiaries) to provide impetus for the genuine incorporation of cross-cutting environmental and climate change topics into its priority intervention sectors and through dedicated activities.

It will also ensure that these aspects are integrated into the various phases of the programme and project cycle, starting with the identification and formulation phases, through a systematic screening<sup>16</sup> of the environmental,

social and climate risks of programmes and projects as well as an analysis of their potential environmental and climate co-benefits. The mainstreaming of these topics will also be applied in the downstream phases of programme and project implementation, including the monitoring and evaluation stage.

In doing so, it will rely on its main operator, the Luxembourg Development Cooperation Agency (LuxDev), which will play a leading role in the operational deployment of the strategy through the implementation of bilateral programmes and projects. Additionally, LuxDev offers expertise in environmental and climate issues that will be further strengthened, particularly in the field.

### Multilateral cooperation

Luxembourg Development Cooperation will strengthen links with multilateral organisations involved in the implementation of the Rio international environmental conventions, in order to foster complementarities and promote synergies between environmental protection and climate change activities which are financed by Luxembourg and multilateral bodies in partner countries. It will also maintain relations with the national focal points of these multilateral funds in its priority countries of intervention to enable the regular exchange of information on strategic programming and the identification of possible opportunities for co-financing, coherence and synergy, or the mobilisation of additional funds in common areas of intervention, notably through LuxDev.

More generally, Luxembourg Development Cooperation will ensure compliance with the international environmental and social standards of multilateral organisations to which Luxembourg makes financial contributions. As far as possible, it will integrate environmental sustainability as a cross-cutting theme in its future multi-annual partnership agreements with UN agencies.

<sup>15</sup> These global and/or sectoral strategic studies and/or analyses could potentially be shared with other TFPs, under the ODA effectiveness principle.

<sup>16</sup> The environmental and social screening procedure must ensure that the gender dimension is included. Furthermore, depending on the programmes and projects analysed at the identification stage, this screening may be based on existing studies, if deemed relevant, in order to avoid duplication.

## Cooperation with NGOs

Luxembourg Development Cooperation will encourage accredited non-governmental development organisations (NGDOs) to do more to consider and take into account the priority topics in a systematic way, including in projects that do not specifically target environment preservation and/or climate change.

In collaboration with the Luxembourg NGDO platform, the *Cercle de Coopération des ONGD de Luxembourg*, Luxembourg Development Cooperation will support its NGDO partners in gradually taking these cross-cutting topics into account, through the organisation of training sessions, awareness-raising, capacity-building, the provision of specific tools and the exchange of best practices.

## Humanitarian action

Environmental degradation and the impacts of climate change are often factors that exacerbate humanitarian crises with complex and multidimensional causes, particularly in the Sahel region. Furthermore, the expected increase in the frequency and intensity of extreme weather events requires greater investment in risk prevention and management, in addition to the organisation of emergency and relief actions.

Luxembourg Development Cooperation will increasingly take into account environmental and climate concerns in its humanitarian interventions, by ensuring that its operations do not undermine the sustainable management and inclusive governance of vital natu-

ral resources in beneficiary countries, and by ensuring that these dimensions are better integrated into the responses provided. For instance, in certain recurrent areas of intervention, Luxembourg Development Cooperation could carry out in-depth analyses of the environmental and climate-related causes or determinants likely to aggravate humanitarian crisis or conflict situations, in order to identify appropriate preventive measures in consultation with the national, sectoral and local actors that are involved, and paying particular attention to include key groups in these sensitive discussions. It will also ensure that climate and environmental risks are given greater consideration in reconstruction and rehabilitation activities following natural disasters as part of a “build back better” approach.

Furthermore, Luxembourg Development Cooperation will strengthen the links between humanitarian action and development aid through its disaster risk reduction (DRR) activities, particularly in relation to risk prevention and preparedness in its partner countries, at different levels (institutional, local and community). Luxembourg Development Cooperation will thus be able to facilitate the implementation of multi-annual interventions, allowing both the allocation of emergency funds to deal with natural disasters and the development of capacity-building activities and support for better knowledge and governance of risks, based on a longer-term vision.





## FINANCIAL AND NON-FINANCIAL INSTRUMENTS

### A wider range of instruments

In line with its Inclusive and Innovative Finance Strategy, Luxembourg Development Cooperation will make use of a wide range of financial instruments to help it attain its environmental and climate change objectives. It recognises the essential synergies between social and environmental impact, and adopts a coherent approach in terms of integrating these complementary components of sustainable development. The financial instruments that Luxembourg Development Cooperation will mobilise in collaboration with partners and in line with the needs of the national contexts include guarantees, loans on favourable terms, impact investments, blended finance and co-funding schemes, as well as impact bonds and insurance. As a complement, it will also use a diverse array of non-financial tools such as the provision of technical assistance, potentially alongside investments financed through its partners, the promotion of capacity-building through training, support

for the transfer of technology and expertise, as well as support and implementation of research and impact measurement.

In coordination with the Ministry of Finance (MinFin), Luxembourg Development Cooperation will thus consider partnership opportunities with private actors in the financial sector, as well as financial institutions and development banks, particularly regional ones, in order to mobilise additional funding for the implementation of its four thematic priorities for intervention. In particular, the EU will be a privileged partner in the Luxembourg Development Cooperation priority countries, notably through the financing of the external component of the European Green Deal as well as relevant Team Europe initiatives (joint programming). In its capacity as Europe's climate bank, partnership opportunities may also be explored with the European Investment Bank (EIB) in areas of common interest.



## Mobilising the private sector

These different instruments and partnerships may be used to encourage greater involvement of small and medium-sized private companies in particular, in Luxembourg, Europe-wide and in the intervention countries. By building on its partnerships and its ecosystem of national companies, Luxembourg will aim to increase the mobilisation of private resources for the attainment of the SDGs, as well as the transfer of technology and expertise, particularly in the fields of fintech, renewable energy, data and information and communication technologies (ICTs). In line with its future D4D strategy, Luxembourg Development Cooperation will ensure that it takes advantage of the opportunities offered by the development and use of digital data and technologies for the benefit of environmental protection and combating climate change, over and above digital finance (such as decision support tools, smart devices/systems that limit GHG emissions or resource consumption, etc.)<sup>17</sup>.

Luxembourg Development Cooperation may also provide specialised technical support for the development of innovative, sustainable, renewable, energy-efficient and/or resilient solutions by local private actors in its countries of intervention, in particular MSMEs, and possibly assume the risk before the potential deployment and scaling-up of prototypes.

Finally, Luxembourg Development Cooperation will consolidate its existing partnerships in the inclusive finance sector, a key area of its activity in which there is currently momentum for the promotion of green and inclusive finance. With the support of its unique ecosystem in this field, it will contribute to the greening of this sector in its partner countries, both by influencing the development of environmental performance norms and standards and by strengthening the capacities of financial operators and service providers in developing countries. Green inclusive finance could thus be an essential channel for encouraging the mobilisation of the private sector to implement the thematic priorities identified in this strategy.

## Link with sustainable finance

Luxembourg Development Cooperation will work towards reinforcing a whole-of-government approach to sustainable finance, by adopting a collaborative approach to enhance the coherence of the various sustainable finance initiatives and tools, thus strengthening its impact on the ground and the international recognition of Luxembourg as a centre of excellence in sustainable finance: green, social, innovative, inclusive and responsible.

Luxembourg Development Cooperation could thus integrate coalitions, initiatives and platforms of actors involved in sustainable finance based in Luxembourg, by exploring the possibility, for example, of working closely with green and social impact funds that are active in combating poverty and climate change. It could also explore potential partnerships in relation to the establishment of the Luxembourg Sustainable Finance Initiative (LSFI), an agency implementing Luxembourg's sustainable finance strategy, in which the MinFin and the MECSD participate.

Finally, Luxembourg Development Cooperation could act as a catalyst in mobilising private funding in its intervention countries by directing investment funds towards sustainability. This could be coupled with aid to improve national regulatory frameworks, thus creating favourable conditions for the involvement of the private and financial sector, particularly in the field of renewable energy. Luxembourg Development Cooperation could also support its partner countries in the development of "green" financial systems, taking advantage of Luxembourg's expertise in this area.

<sup>17</sup> It should be noted that Luxembourg signed the Declaration to support the Green and Digital Transformation of the EU in March 2021, which aims to accelerate the use of green digital technologies for the benefit of the environment. The signatory Member States commit to deploy and invest more in these new technologies to achieve carbon neutrality and accelerate the transition in priority sectors in Europe.

# COHERENCE AND COORDINATION

## AT THE ORGANISATIONAL AND INSTITUTIONAL LEVEL

The implementation of this strategy and its objectives will require the mobilisation of additional operational resources that will be detailed in the dedicated action plan. This will be in terms of budget, for the financing of specific environmental and climate analyses, at the level of ICPs or projects, or for the mobilisation of international and local expertise on these issues, as well as in human terms, through the organisation of training and awareness-raising sessions to ensure that development cooperation staff and partners have the necessary skills in these areas (at the MFA, LuxDev and NGDOs in particular) and to strengthen LuxDev's technical capacities on these issues. The establishment of environment/climate focal points in each LuxDev office will be rolled out systematically, so they can serve as information relays for the experts based in Luxembourg, to ensure

the implementation of this strategy and to continuously raise awareness of these issues among the field staff.

Furthermore, as part of its social and environmental responsibility, and in order to ensure that its internal operations are consistent with its external activities, Luxembourg Development Cooperation is committed to increasing its efforts by producing a roadmap and/or a green plan to progressively reduce and/or offset the environmental impacts and GHG emissions linked to its operations. Through the adoption of this green plan, it will also encourage its various partners and service providers to gradually adopt a similar environmental approach at the organisational level.





## AT THE INTERMINISTERIAL LEVEL

Luxembourg, unusually, applies the principle of additionality of funds allocated to international climate finance and to the reception of refugees and does not count these funds as ODA, which allows the mobilisation of additional resources. However, this practice requires a delimitation of the areas of intervention and enhanced policy dialogue and interministerial coordination, in particular with the MECSD and the MinFin, which are heavily involved in international climate and sustainable finance, in order to ensure that Luxembourg's development cooperation actions are coherent. Luxembourg Development Cooperation's activities in favour of the environment and climate change will thus be complementary to other cooperation instruments and in line with its main mission of poverty eradication and its four thematic priorities for intervention.

It will focus on doing more to mainstream these aspects within its core sectors, including social sectors, as well as targeting those most vulnerable to current and future environmental degradation and climate risks, in order to ensure decent livelihoods through access to sustainable and resilient basic services and the creation of environmentally friendly income-generating activities.

The MFA will aim, based on existing committees<sup>18</sup> and in close consultation with its partners, to strengthen interministerial coordination in order to ensure a closer coordination of environmental and climate activities financed by Luxembourg, targeting interventions in its partner countries. Ensuring that approaches are more

coherent would maximise the leveraging effects on both bilateral and multilateral funding for major environmental and climate issues. That would make it possible to promote dialogue on the strategic programming of co-financing and mobilisation of complementary funds in Luxembourg Development Cooperation partner countries, whether under multilateral environmental and climate mechanisms or through the various sustainable and inclusive finance initiatives.

The whole-of-government approach applied in partner countries through the involvement and contribution of different ministries to developing and implementing the ICPs, taking a more integrated "country" approach, is an initiative that could be replicated in other countries. The joint participation of Luxembourg actors in line with their areas of competence in developing the ICPs should thus make it possible to mobilise different sources of funding in a more coordinated manner and to co-finance projects. Such an integrated approach could involve not just the MECSD or the Ministry of Energy and Spatial Planning but other ministerial actors such as the MFA's Defence Department, for the implementation of coordinated conflict prevention actions, particularly in the Sahel countries.

<sup>18</sup> In particular through the Interdepartmental Committee for Development Cooperation (ICDC), the Interdepartmental Commission on Sustainable Development (ICSD) and the Interministerial advisory Committee on International Climate Finance (ICICF)





## AT THE LEVEL OF LUXEMBOURG'S FOREIGN POLICY

In addition to the coherence of its development cooperation actions, Luxembourg must ensure, through the ICDC and the ICSD in particular, that its development policy is consistent overall with the other dimensions of its national foreign policy. This applies in particular to economic, agricultural and commercial policies (through free trade treaties for example), as well as to cultural and security considerations. This would prevent any contradictory objectives or priorities of other policies from having counter-productive effects on the expected impacts of ODA, including in the realm of environmental protection and combating climate change.

The Partnership Committees, privileged spaces for dialogue established in each of the priority countries between the Luxembourg government and the national partner authorities, could contribute to the coherence and alignment of the policies created at the national level in both Luxembourg and its partner countries, and could also support this process of ensuring that environmental and climate change policies are coherent.



