

LUXEMBOURG

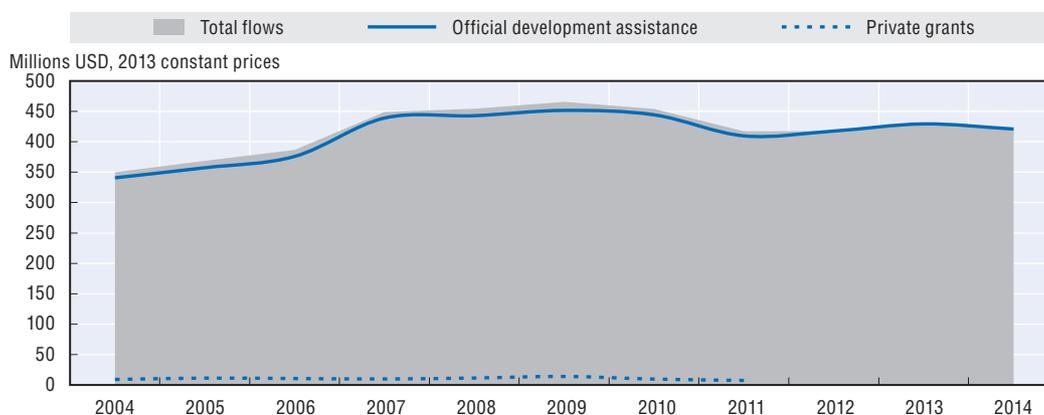
Development challenges as investment and business opportunities: Luxembourg's policy and practices

Strengthening the local private sector in developing countries is one of the main objectives of Luxembourg's Action Plan for Development Effectiveness 2014-16. In addition, Luxembourg strongly supports the inclusive finance sector. For example, the Ministry of Foreign and European Affairs (MFEA) is a founding member of the microfinance labelling agency LuxFlag, which has contributed to professionalise the inclusive finance sector in Luxembourg and beyond. Together with actors of the financial sector, the MFEA has initiated the Luxembourg Microfinance and Development Fund (LMDF), which facilitates access to responsible finance in developing countries.

Luxembourg also finances ad hoc initiatives together with the private sector to provide expertise in niche sectors such as ICT and renewable energies. Its approach focuses on: 1) measurable development impact; 2) additionality; 3) neutrality; 4) shared interest and co-financing; 5) demonstration effect; and 6) adherence to social, environmental and fiscal standards. Its new "Business Partnership Programme" will, for example, encourage small and medium enterprises (SMEs) in developed countries to work directly with SMEs in Luxembourg's partner countries, provided that the project respects the criteria set up by the European Commission.

Financial flows from Luxembourg to developing countries

Figure 25.1. Net resource flows to developing countries, 2004-14, Luxembourg



Note: Data on other official flows and private flows at market terms are not available; data on private grants are not available from 2012.

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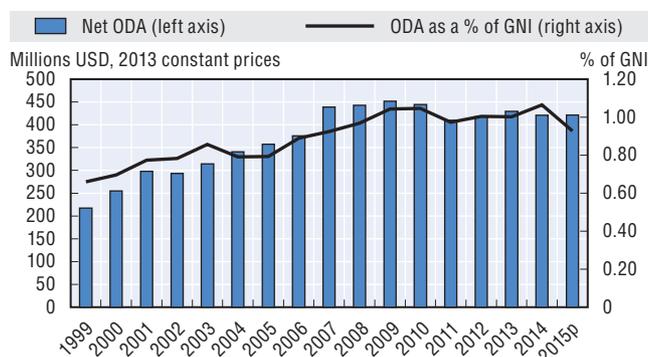
Luxembourg uses ODA to mobilise other resources for sustainable development

- **Luxembourg contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that Luxembourg committed USD 663 000 of its official development assistance (ODA) to tax-related activities in partner countries.
- **Luxembourg promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 44.6 million (16.1% of bilateral allocable ODA) to trade-related activities in 2014, a 1.7% increase in real terms from 2013. The trend has remained stable in recent years.
- **Luxembourg has pledged USD 46.7 million (EUR 35 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels.

Luxembourg's official development assistance

In 2015, Luxembourg provided USD 361 million in net ODA (preliminary data), which represented 0.93% of gross national income (GNI) and a decrease of 1.2% in real terms from 2014. Luxembourg is the 3rd largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI – and one of only six DAC members to have met the UN target of 0.7% – and the 22nd in terms of volume. Luxembourg's share of untied ODA (excluding administrative costs and in-donor refugee costs) increased from 97% in 2013 to 97.5% in 2014, and is above the DAC average of 80.6%. The grant element of total ODA was 100% in 2014.

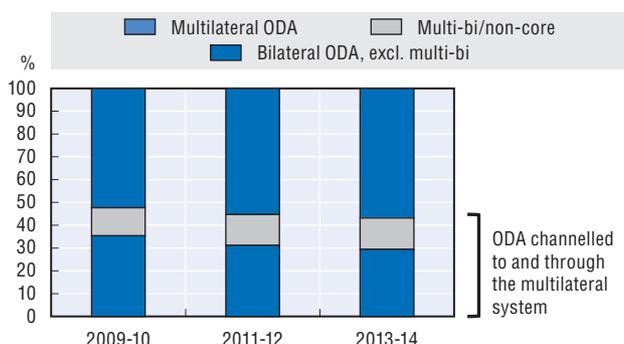
Figure 25.2. Net ODA: Trends in volume and as a share of GNI, 1999-2015, Luxembourg



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In 2014, 71.3% of ODA was provided bilaterally. Luxembourg allocated 28.7% of total ODA as core contributions to multilateral organisations, in line with the DAC country average of 28.3%. In addition, it channelled 18.5% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

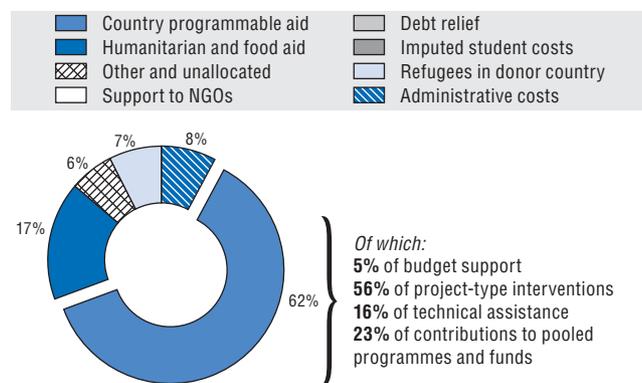
Figure 25.3. Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, Luxembourg



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In 2014, 61.6% of bilateral ODA was programmed at partner country level. Luxembourg's share of country programmable aid (CPA) was above the 2014 DAC country average of 52.9%. Project-type interventions made up 56% of CPA. Humanitarian and food aid amounted to 16.9% of bilateral aid.

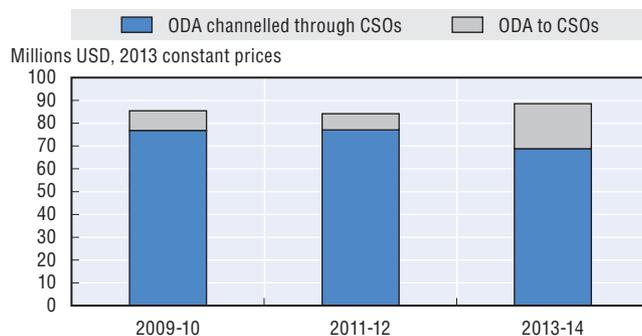
Figure 25.4. Composition of bilateral ODA, 2014, gross disbursements, Luxembourg



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In 2014, USD 86.4 million of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs decreased between 2013 and 2014 both by volume (-5.8%) and as a share of bilateral ODA (from 30.2% in 2013 to 28.4% in 2014). The DAC country average was 17.4% in 2014.

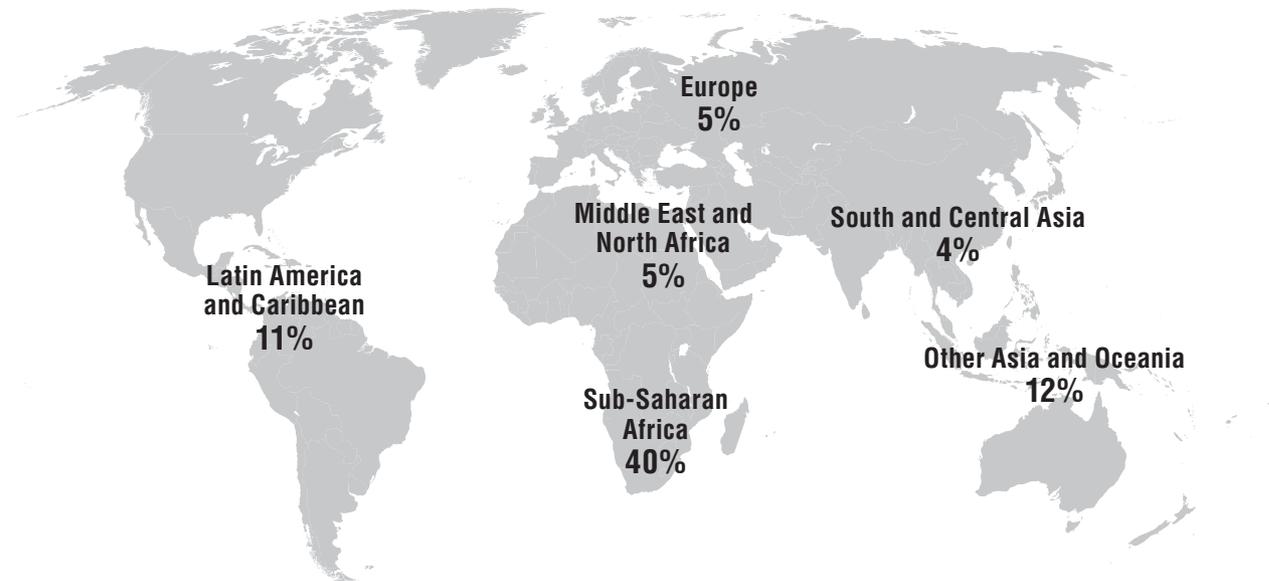
Figure 25.5. Bilateral ODA to and through CSOs, two year averages, gross disbursements, Luxembourg



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Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, USD 127.2 million was allocated to sub-Saharan Africa and USD 36.2 million to Far East Asia.

Figure 25.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, Luxembourg**

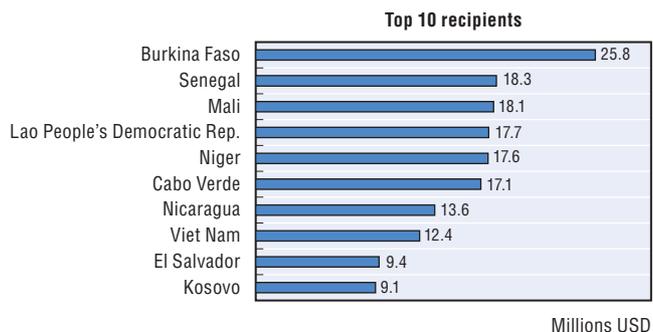


Note: 22% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

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In 2014, 53% of bilateral ODA went to Luxembourg's top 10 recipients. Luxembourg has nine priority partner countries, all of which are among its top 10 recipients. In 2014, its support to fragile states reached USD 84.6 million (27.8% of gross bilateral ODA).

Figure 25.7. **Bilateral ODA to top recipients, 2013-14 average, gross disbursements, Luxembourg**

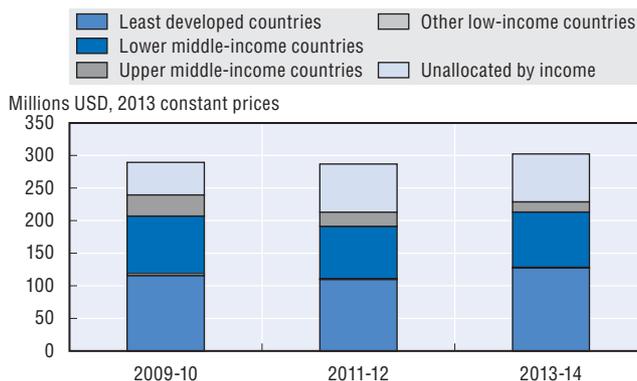


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In 2014, 44.4% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 135.2 million. The share has increased from 39.8% in 2013 and is above the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2013 compared with other income groups.

At 0.43% of Luxembourg's GNI in 2014, total ODA to LDCs far exceeds the UN target of 0.15% of GNI.

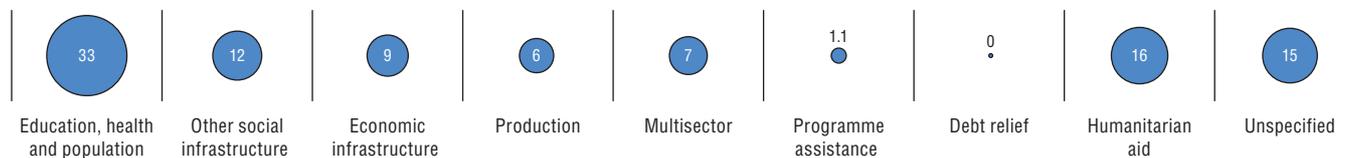
Figure 25.8. **Bilateral ODA by income group, two year averages, gross disbursements, Luxembourg**



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In 2014, 46.1% of bilateral ODA was allocated to social infrastructure and services, or USD 138.4 million, with a strong focus on education (USD 53.2 million) and health (USD 40.8 million). Humanitarian aid amounted to USD 48.3 million.

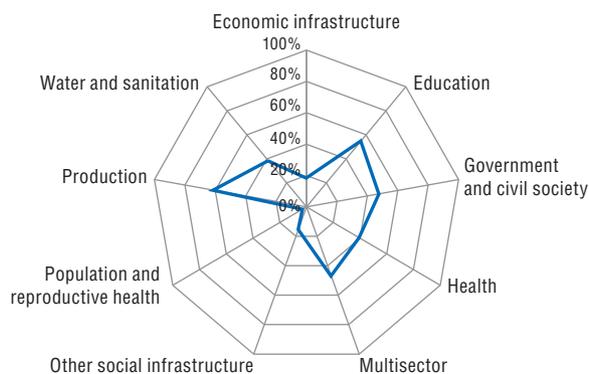
Figure 25.9. Share of bilateral ODA by sector, 2013-14 average, commitments, Luxembourg



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USD 84.8 million of bilateral ODA supported gender equality in 2014. Luxembourg mainstreams gender in its programmes while also promoting standard-setting in international bodies (OECD, 2012). In 2014, 30.5% of its bilateral allocable aid had gender equality and women’s empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This is up from 20.4% in 2013.

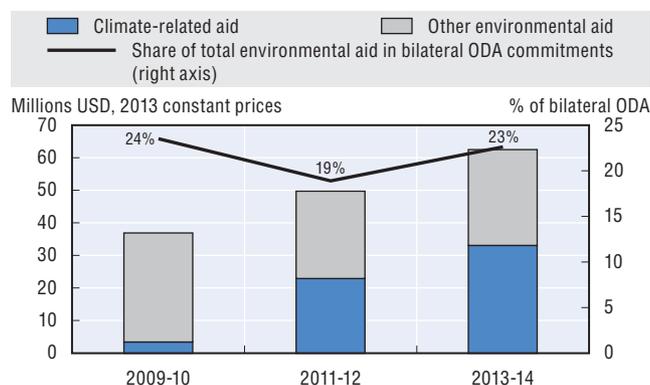
Figure 25.10. Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, Luxembourg



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USD 68.2 million of bilateral ODA supported the environment in 2014. Luxembourg has developed a holistic approach to the environment and climate change in its development co-operation. It is using impact analysis and environmental evaluation more systematically. Particular attention is paid to mainstreaming the environment into the procurement policies of both Luxembourg’s development co-operation and in partner countries. In 2014, 24.6% of its bilateral allocable aid supported the environment and 13.8% (USD 38.2 million) focused particularly on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 25.11. Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, Luxembourg



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Note to reader: Annex B provides “Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members”.

Reference

OECD (2012), *Development Assistance Committee (DAC) Peer Review 2012: Luxembourg*, OECD, Paris, www.oecd.org/dac/peer-reviews/LUXEMBOURG%20in%20in%20CRC%20template%20April%202013.pdf.



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