

# LUXEMBOURG



1.02% GENUINE AID/GNI

1.02% TOTAL AID/GNI



*“The indebtedness of developing countries is an important topic, now more than ever. After this crisis, debt will be at its highest level for the last 50 years ... We are advocating for debt relief at EU level, especially for our African neighbours. Luxembourg’s development aid policy is grant-based, so as not to indebt our partner countries further.”*

– Franz Fayot, Minister for Development Cooperation and Humanitarian Affairs, in a statement to Parliament on development cooperation policy, 20 October 2020

## MAIN CHANGES IN 2020

The Luxembourgish government honoured its commitment to dedicate at least 1% of its GNI to ODA. Luxembourgish ODA reached 1.02% of GNI in 2020, and amounted to approximately €376m.

The ODA for 2020 is around 10.8 % lower than the previous year. This was due to a decrease in bilateral grants because COVID-19 prevented many projects from being implemented. However, the budget dedicated to NGOs and multilateral agencies increased slightly.

Luxembourg redirected some development cooperation funds that could not be spent as planned to support the COVID-19 response, mobilising €2-3m for each of its partner countries. Luxembourg NGOs were given the opportunity to restructure their projects and provide funds for their partners to help them fight the pandemic and its consequences.

## TRENDS AND PROJECTIONS FOR 2021 AND BEYOND

As agreed in the current coalition agreement, Luxembourg will maintain its target of allocating 1% of GNI to ODA. ODA in the form of grants will be prioritised, while using cooperation as a catalyst for the mobilisation of additional resources. Luxembourg will continue not to count funds mobilised for international climate finance or for the reception of refugees towards ODA figures.

In the future, Luxembourg will continue to promote innovative mechanisms for financing development, notably through guarantees and risk mitigation instruments and social impact investment funds, in partnership with multilateral development

banks and the private sector. A new strategy on inclusive and innovative finance and private-sector development is being prepared.

### CASE STUDY BOX: BILATERAL COOPERATION WITH EL SALVADOR



Given El Salvador’s economic and social progress since the 1990s, it was decided to continue diversifying relations beyond development aid. The new approach is characterised by support for civil society, triangular aid and budget assistance for the National Development, Protection and Social Inclusion Plan (the Social Plan) in conjunction with El Salvador’s social policy:

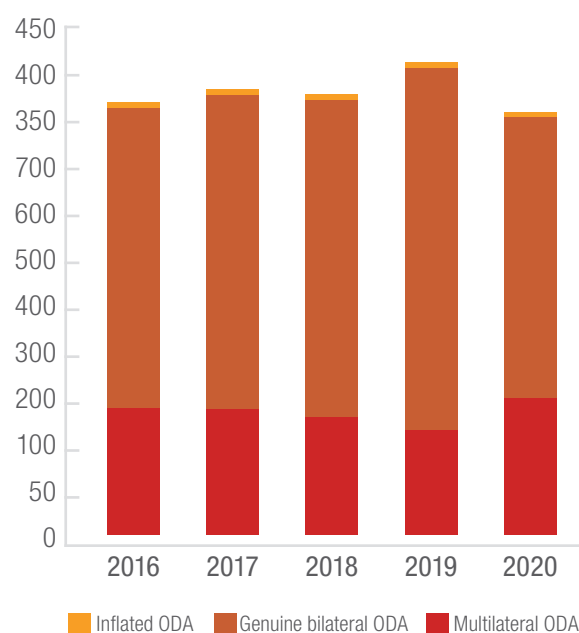
- Support for the social policy of the Government of El Salvador is provided through a financial contribution to the Common Fund for Programmatic Support (FOCAP).
- Support for civil society is provided through the fondo concursable administered by the Government of El Salvador, which recognises NGOs as strategic partners in the design and implementation of public policies. Luxembourg also supports tax transparency and anti-corruption efforts through direct funding to a local CSO.
- South-South and Triangular Cooperation: Luxembourg supports this cooperation model by funding projects in which El Salvador acts as a beneficiary or as a provider of aid and expertise for other Latin American countries.

## RECOMMENDATIONS TO THE LUXEMBOURGISH GOVERNMENT

- Continue to devote at least 1% of GDP to development cooperation while reflecting with development cooperation actors on the effectiveness of projects and programmes.
- Champion a grant-based, not loan-based, funding approach to development among international institutions and EU member states.
- Develop mechanisms to ensure better participation by local CSOs and Luxembourgish NGOs in the negotiations for the Indicative Cooperation Programmes with partner countries.
- Make the amount of ODA provided to support the private sector visible, and design a strategy for private-sector engagement with clear definitions, and safeguards to protect development goals, human rights and the environment.

## LUXEMBOURG – GENUINE AND INFLATED ODA

(€ million, constant 2019)



## ODA TO LDCS (€ million, constant 2019)

LDC	ODA to LDCs	ODA to LDCS (% GNI)	ODA to LDCS (% total ODA)
2016	161.93	0.42	41.97
2017	171.01	0.43	43.18
2018	183.88	0.46	46.76
2019	191.48	0.47	45.45

## ODA TO DRM (€ million, constant 2019)

DRM	ODA for DRM	DRM (% bilateral)	DRM (% total ODA)
2016	0.82	0.30	0.21
2017	2.45	0.86	0.62
2018	1.23	0.43	0.31
2019	2.00	0.62	0.47

## AID MODALITY (€ million, constant 2019)

Year	Bilateral gross	Grants	Loans	Loans (% of gross bilateral)
2016	272.14	272.14	0.00	0.00
2017	286.09	286.09	0.00	0.00
2018	292.03	292.03	0.00	0.00
2019	327.68	327.68	0.00	0.00

## ODA TO SUPPORT GENDER EQUALITY (€ million, constant 2019)

Gender focus	Bi allocable	Total Screened	Not Screened	None	Significant	Principal	Significant (% of screened)	Principal (% of screened)
2016	251.60	251.60	0.00	167.34	58.96	25.30	23.44	10.05
2017	264.02	264.02	0.00	189.70	61.02	13.29	23.11	5.03
2018	271.44	271.44	0.00	186.54	74.34	10.55	27.39	3.89
2019	305.48	122.02	183.46	22.97	77.90	21.14	63.84	17.33

## ODA TO SUPPORT CSOs (€ million, constant 2019)

CSO support	Non-CSO	Donor-CSO-Earmarked	International-CSO-Earmarked	Recipient-CSO-Earmarked	Donor-CSO-Core	International-CSO-Core	Recipient-CSO-Core	Total bilateral CSO support, % bilateral	Total bilateral CSO support, % total ODA	Core bilateral CSO support, % bilateral	Core bilateral CSO support, % total ODA
2016	189.89	50.81	1.91	0.51	14.12	13.92	0.01	29.98	21.07	10.35	7.27
2017	203.60	52.36	1.78	2.54	11.69	11.58	0.26	28.26	20.26	8.29	5.94
2018	205.08	54.30	8.81	2.37	11.96	2.14	0.68	28.13	20.41	5.18	3.76
2019	238.87	56.89	9.49	2.75	10.74	3.88	0.70	26.12	20.05	4.74	3.64