



Climate Financing by Luxembourg¹

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¹ Luxembourg (2010). Second, Third, Fourth and Fifth National Communication of Luxembourg under the United Nations Framework Convention on Climate Change, Ministry of Sustainable Development and Infrastructures – Department of the Environment, Luxembourg, February 2010, 283 pp.

It is not yet possible for Luxembourg to comply with all the requirements set out in the annotated outline for the 5th National Communication of Annex I Parties. After introductory notes on Luxembourg's development cooperation, partly in line with paragraph 50 of the UNFCCC reporting guidelines, some information will be given on the provision of "new and additional" resources: GEF and LDC's Trust Fund accordingly to paragraph 51 of the UNFCCC reporting guidelines. With regard to paragraph 52 of these guidelines, it is not possible yet for Luxembourg to report precise information. Provision of financial resources is somehow provided, including for Article 11 of the Kyoto Protocol – paragraph 43 of the Kyoto Protocol reporting guidelines. Activities related to transfer of technology – paragraphs 54 to 56 of the UNFCCC reporting guidelines – are briefly discussed too. Finally, as recommended by paragraph 39 of the Kyoto Protocol reporting guidelines, a table is indicating where information on the implementation of Article 10 is presented throughout the Communication.

1. Luxembourg's Development Cooperation

The primary objective of the "Luxembourg Development Cooperation" is the eradication of poverty, notably in least developed countries. Its activities are conceived with respect to the principles of sustainable human development, in its social, economic and environmental aspects.

As concerns Official Development Assistance (ODA), Luxembourg has been among the group of (currently five) industrialised countries which allocate more than 0.7% of their gross national income (GNI) to development cooperation since 2000. In 2008, ODA amounted to 287.6 Mio. € (414.97 Mio. \$), representing over 0.97% of GNI. As in the past, this ODA is implemented through the instruments of bilateral and multilateral cooperation, technical cooperation and cooperation with development NGOs. It is expected that ODA should reach 1% of GNI in the foreseeable future.

From a geographic point of view, and in order to maximise its effectiveness and impact, Luxembourg's development cooperation follows a policy of targeted intervention in a limited number of partner countries. Five out of these ten partner countries, which are chosen primarily by taking into account the composite human development index (HDI) of the UNDP, are located in sub-Saharan Africa. All ten of them are concerned by the negative effects of climate change. Development cooperation activities with these countries are distinguished by a heightened sense of partnership with both public authorities and civil society. This spirit of partnership, which is achieved through actual ownership of the programmes and projects by the beneficiaries themselves, is the cornerstone of the multi-annual cooperation programmes, the "Indicative Cooperation Programmes".

In September 2009, the Luxembourg Ministry of Foreign Affairs Directorate for Development Cooperation presented a draft strategy on environment and climate change. This draft strategy is part of a set of 10 themes and is currently being discussed with all other relevant ministerial departments, with partner country governments, as well as with civil society organisations, in view of its finalisation by the end of the first trimester of 2010.

Luxembourg's strategy concerning protection of the environment in development cooperation is focused on Millennium Development Goal (MDG) No 7 and notably its first two targets: (i) integrating the principles of sustainable development into country policies and programmes and reversing the loss of environmental resources and (ii) reducing biodiversity loss. In this regard, particular attention is attached to the necessity to protect natural resources from the negative effects of climate change. As for all of its development policies, Luxembourg considers that those pertaining to climate change can only produce long term results if they are fully integrated into the national sustainable development strategies of partner countries. The draft strategy foresees a fourteen-point action plan for bilateral development cooperation, as well as ten proposals for action in the field of multilateral and NGO development activities and humanitarian affairs.

In order to improve reporting of ODA statistics to the OECD's Development Assistance Committee (DAC), Luxembourg is currently mainstreaming the DAC policy marker system in all projects and programmes. This system includes an "Aid to Environment" marker, as well as the four so-called Rio markers, covering ODA targeting the actions of UN convention on biodiversity, the convention to combat desertification, as well as the UNFCCC (concerning mitigation). In December 2009, the DAC adopted a working definition of a climate change adaptation policy marker, which is to be used starting 2010 for all activities which will be reported in 2011.

At the meeting of the EU's Development Cooperation Ministers in the margins of the 15th Conference of the Parties to the UNFCCC in Copenhagen on 14th December 2009, Luxembourg Development Cooperation Minister underlined the importance of the integration of adaptation issues into development cooperation policy. Climate change is adding in problems and in complexity to the challenges of poverty eradication, even more so in developing countries. Such new and more complex problems call for additional financial means, on top of existing ODA commitments. It is therefore useful to refer to the OECD-DAC criteria and markers for climate-related ODA, which must be made further use of in addition to traditional MDG-related ODA.

2. Provision of "New And Additional" Resources

Luxembourg is represented in the Global Environment Facility (GEF) by its Ministry of Finance and has been a member of the GEF since 1997, currently with a share of 16 Mio. of SDR. Through its Directorate for Development Cooperation in the Ministry of Foreign Affairs, Luxembourg has made a contribution of 4.12 Mio. \$ to the Least Developed Countries (LDCs) Trust Fund for the years 2005 to 2008. An additional special contribution of 1 Mio. € was made in 2007.

3. Assistance to Developing Country Parties That Are Particularly Vulnerable to Climate Change

The draft strategy on environment and climate change of the Luxembourg Development Cooperation Directorate [Ministry of Foreign Affairs Directorate for Development Cooperation (2009)] is to be taken into consideration in the context of the annual Partnership Commissions with partner country governments, in which joint development cooperation activities are decided on, based on national strategies. Bilateral aid is delivered in the framework of multi-annual indicative cooperation

programmes (PIC) negotiated with partners, which include an adequate minimal budgetary envelope. In this context, it should be noted that the second generation of PICs includes – where deemed appropriate by partner countries – programmes for environmental protection. An example could be the support for natural resources management project (BKF/012) in the Bobo Dioulasso Basin in Burkina Faso, to which Luxembourg contributes 5.96 Mio. € for the years 2006 to 2011.

Luxembourg is reforming its reporting procedures with regard to introducing the DAC policy markers in all of its development cooperation activities in order to allow for more reliable reporting. With the adoption of the DAC's working definition of a climate change adaptation policy marker and its introduction – foreseen in 2010 – Luxembourg is going to be able to report more precisely starting in 2011.

4. Provision of Financial Resources

Cooperation with multilateral partners is an important component of Luxembourg's development cooperation policy, notably in the context of achieving the MDGs. In order to achieve a high degree of predictability, multilateral aid is delivered through multi-annual framework agreements:

the annual contributions are aimed to be at least at the same level as those of the previous year, subject to the evolution of Luxembourg's ODA and annual approval by budget authorities.

In 2008, the share of multilateral cooperation of total ODA was 30.60%, distributed as follows.

TABLE 1 – MULTILATERAL COOPERATION

Mio. €	Total: 88.02 Mio. €	% of multilateral ODA	% of total ODA: 30.60%
United Nations (Agencies, Programmes, etc.)	41.01	46.70%	14.29%
European Union	24.57	27.92%	8.54%
World Bank	11.74	13.33%	4.08%
Regional Development Banks	1.41	1.60%	0.49%
Other	9.19	10.44%	3.19%

Source: Ministry of Foreign Affairs Directorate for Development Cooperation.

TABLE 2 – MULTILATERAL COOPERATION: FINANCIAL CONTRIBUTIONS ACCORDING TO "TABLE 4"
FORMAT: Contribution (Mio. €)

Institution or programme	2006	2007	2008
European Union			
EC budget	8.11	8.68	9.04
European Development Fund (EDF)	7.28	7.66	8.39
European Investment Bank (EIB)	2.50	0.75	1.50
United Nations			
FAO	0.97	1.63	2.28
UNDP	6.55	17.04	13.53
UNEP	0.33	0.41	0.60
UNICEF	5.61	7.52	6.48
International Financial Institutions			
WB	4.05	6.46	3.726
IDA/AID	9.69	5.80	5.8

IBRD (incl. GEF/CGIAR)	3.03	4.36	5.22
EBRD	0.50	0.535	1.95
AsDB	2.39	1.46	1.41
Other multilateral institutions			
OECD	0.20	0.37	0.25

Source: Ministry of Foreign Affairs Directorate for Development Cooperation.

TABLE 3 – SUMMARY OF INFORMATION ON FINANCIAL RESOURCES AND TECHNOLOGY TRANSFER

Official development assistance (ODA) – 2008 (Mio. €)	287.68
Climate-related aid in bilateral ODA	not available
Climate-related support programmes	not available
Contributions to GEF (Mio. SDR)	16.00
Jl and CDM under the Kyoto Protocol (Mio. €)	110.00
Other (bilateral/multilateral) – participation to carbon funds (Mio. €)	43.00

Sources: Department of the Environment and Ministry of Foreign Affairs Directorate for Development Cooperation.

5. Activities Related to Transfer of Technology

The draft strategy on environment and climate change [Ministry of Foreign Affairs Directorate for Development Cooperation (2009)] aims to integrate gradually ecological and climatic considerations in the Luxembourg Development Cooperation's acquisition policy and to promote sustainable and renewable energies, clean technologies, as well as technology transfer and access to environmental information. The new reporting criteria which are going to be applied across the board starting in 2010 will facilitate reporting on individual projects/programmes in the following National Communication.