

# **Declaration on Luxembourg's Development Cooperation and Humanitarian Aid Policy**

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**before the Chamber of Deputies**

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*\*Only the original speech made is authoritative*

Mr President  
Members of the Chamber of Deputies

### **The battle against poverty**

Today, throughout the world, over a billion people continue to struggle to survive on less than a dollar a day. Does this problem concern us?

Yes, this problem concerns all of us. Even setting aside any moral considerations, it is in our interest to cooperate with poor countries.

Why? Because we now live in a global village, characterized by growing interdependence. Poverty, hardship and frustration will very soon become our problem. What I mean is that development cooperation is not charity. Diseases do not stop at national borders, and neither do hurricanes, droughts or wars. These matters are a shared responsibility for our common future.

At the end of January, the Parliamentary Assembly of the Council of Europe held a debate on this issue based on a very balanced report entitled "Improving the Prospects of Developing Countries: a moral imperative for the world". The debate enabled us to highlight the special effort that Luxembourg is making in the field of development aid. It was also an opportunity to examine the situation of developing countries and North-South relations.

It showed that globalization has not delivered the benefits that were predicted - certainly not for all developing countries. Half of humanity lives in hardship. The divide between rich countries and developing countries is widening. It is widening at a worrying pace. Today, 54 countries are poorer than they were in the 1990s. How can we fail to deplore the fact that last year 800,000 people died in conflicts, 22 million died due to lack of healthcare and 800 million are continuing, even today, to suffer from hunger. Today, over 42 million people are affected by AIDS.

But this picture should be put into perspective. Some developing countries are emerging. China has reduced poverty significantly. That country, like India, is experiencing impressive economic growth. But even in India, there are many people who continue to experience destitution, marginalization, sexual discrimination and abject poverty. Chile is not Nepal, and Niger can hardly be compared with Thailand. Without wishing to look on the dark side, it is definitely Africa whose development has lagged behind most, and which is also suffering from civil wars and the breakdown of certain States. Yet some progress towards greater stability can be observed, as in Angola, the Great Lakes region and Liberia.

In Latin America, we welcome the efforts made by governments, like that of President Lula, aimed at eliminating hunger, carrying out land reform for the benefit of the landless, and developing social policies.

Human poverty is not inevitable. History has shown that it can be overcome. Over the past three decades, life expectancy in poor countries has increased by eight years, and illiteracy has been halved.

### **Millennium Development Goals**

We share the conviction of Kofi Annan, Secretary General of the United Nations, who, when announcing the Millennium Development Goals, declared that the main challenge that we face today is to ensure that globalization becomes a positive force for human beings on the whole planet, and not a phenomenon that leaves billions in poverty.

At the Millennium Summit in 2000, all members of the United Nations placed development at the top of the international community's agenda. The Millennium Development Goals are clearly defined targets that the international community is committed to achieving by 2015 in order to reduce poverty, disease, illiteracy, damage to the environment and discrimination against women.

The goals are intended to improve the living conditions of the poorest people substantially. To evaluate the progress made, forty-eight indicators were devised, for example, enrolment ratios, child mortality rates or the percentage of pregnant women suffering from AIDS.

Seven goals indicate what poor countries should do to achieve them. The eighth goal concerns rich countries and their commitment to respond to political and economic reforms in developing countries through increased financial aid, promotion of trade to benefit the poorest countries and reduce or cancel debt.

At present, these commitments have not been fulfilled.

The Millennium Goals for development accept the postulate that economic growth alone cannot reduce poverty significantly. If we do not tackle problems such as malnutrition or illiteracy, which are both causes and symptoms of poverty, the Goals will not be reached. The official visit on 12<sup>th</sup> February by Mr Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP) provided the opportunity to address the issues involved in greater detail and remind the public and Luxembourg's decision-makers of the Millennium Development Goals.

The battle against poverty and the aim of achieving sustainable development are the objectives of our development aid policy, which we are operating in a spirit of partnership and

participatory development. Our various activities in this field are contributing towards achieving the Millennium Development Goals, especially in the target countries.

The challenges posed by hunger, poverty, lack of education systems, healthcare and water are considerable. Mr Malloch Brown pointed this out last week: at least 100 billion dollars per year are needed to eliminate poverty and improve the living conditions in developing countries. But, at present, only 57 billion dollars are dedicated to this aim.

To achieve the Millennium Development Goals, it is therefore essential that industrialized countries, and particularly the largest ones, redouble their efforts to increase their Official Development Assistance.

### **Review of Luxembourg's development cooperation policy by the DAC**

One year ago, the Development Assistance Committee of OECD (DAC) conducted a review of our development cooperation policy. Known as a "peer review", this exercise was carried out within a body whose members include all the industrialized countries active in development aid. Its purpose is less to audit and judge our cooperation and development policy than to take a constructive look at it, and draw inspiration from good practices, and above all formulate recommendations on how it could be improved in the future.

I have already had the opportunity to present the essentials of the final report, which has since been made public, to the Foreign Affairs Committee.

"Luxembourg ...", the Committee emphasized in its conclusions, " ... has significantly increased the volume and quality of its official development assistance (...). Efforts have been made to ensure that budget growth is accompanied by an improvement in the quality of aid. Among the important results that should be mentioned are: i) the introduction of a strategic framework for bilateral programming with the preparation of programmes with indicators for multi-annual aid for target countries; ii) deployment of the Luxembourg presence on the ground; iii) reinforcement of collaboration with non-governmental organizations (NGOs); iv) the introduction of a monitoring and evaluation system".

There are many lessons to be learnt from the conclusions of the DAC. In its recommendations, the Committee invites us, in particular, to:

- continue and step up our policy of geographical and sector-specific concentration;
- strengthen our monitoring and audit system;
- establish priorities in the multilateral field;
- reinforce the personnel and capabilities, particularly analytical capabilities, of the Ministry;

- strengthen the role of the interministerial committee with regard to the consistency of policies;
- continue our rapprochement with those working in the field;
- continue and share with others our strategy of gradual withdrawal.

None of the recommendations criticizes the fundamentals of our cooperation policy. Some of them are encouraging, while others open avenues for adjusting our policy. Therefore, I shall endeavour to indicate how we are already in the process of implementing most of them.

### **Review of the awareness campaign**

Our development cooperation policy can only be implemented in a sustainable way if it has broad support from public opinion. Therefore, the public must be informed about the issues and results of this policy.

Following the recommendations formulated by this Chamber, we launched a communication and information campaign which started in July 2002, and ended with an impact study carried out at the end of 2003.

According to the results of this study, the people of Luxembourg believe that development aid is not only useful but necessary. It is reassuring to know that 98% of the Luxembourg population consider that our policy on cooperation is important and that 86% consider that the funds disbursed have been well invested.

It should be noted that nine out of ten people appreciated that the public was informed by this kind of campaign. On the other hand, the study showed that the public's knowledge of the role of the State and our policy on target countries remains vague. Young people aged between 15 and 25 are the least well-informed about development aid issues, and their feeling of solidarity with less advanced countries is much less pronounced than among older groups of the population.

Efforts to increase awareness and diffuse information on development, particularly among young people, will need to be continued or even intensified in future.

## **Part I. A dynamic development cooperation policy**

### **1. Growth in Official Development Assistance**

In 2000, we reached the target of devoting 0.7% of our Gross National Income (GNI) to Official Development Assistance (ODA).

Since then, we have continued to increase our development effort, to reach a level of ODA of around 0.80% of GNI, while the 2004 budget should enable us to reach a level of 0.84% of GNI. I would like to make the following comments about the recent rise in levels of ODA:

We have continually increased our ODA both in absolute value and in percentage terms, while a number of other developed countries have reduced it.

- The level of development assistance is tied to variation in GNI. However, GNI is an aggregate which is initially estimated, and is then subject to periodic review by STATEC before becoming final after a few years. The result is that upward revisions of GNI in recent years have led to a slight variation in our level of ODA.

- We should welcome the fact that the ambitious target of allocating 1% of our GNI to cooperation is not challenged by any political group represented in the Chamber of Deputies.

It is only thanks to budget appropriations that this Chamber approved year on year that we have been able to make this progress, and I am grateful to you. I would like now to present a review and the outlook for the various activities that have been financed using these appropriations.

## **2. Luxembourg's development cooperation by sector of activity**

### **a) Bilateral cooperation**

Bilateral cooperation remains the mainstay of our development cooperation policy. Over 50% of our ODA is devoted to it. The visits of Their Royal Highnesses to Nicaragua, El Salvador, Thailand and Laos enabled us to strengthen our relations with those countries. In particular, they highlighted the importance of our development cooperation policy. Finally, these visits enabled our public to become more aware of the justification and results of that policy.

In order to increase the impact and efficiency of our action, we continued our effort to focus on our ten target countries which are special partner countries. In 2002, the Ministry disbursed EUR 57.6 million for these countries and for the Palestinian occupied territories, or 16% more than in 2001.

This focused action is also supported by a gradual reduction in the number of countries which are not part of the list of target countries. So we are in the process of ending our development cooperation with middle-income countries such as Chile or Mauritius, countries with which cooperation, particularly economic cooperation, is developing.

In 2003, we signed new ICPs (indicative cooperation programmes) with Mali, Burkina Faso, Nicaragua, Niger and, last but not least, Laos. Within two years, we have signed cooperation programmes with nine of our ten main partner countries.

The ICP is a political programme that we enter into with our partner countries in order to give a more strategic dimension to our cooperation with those countries. The programme leads to better financial programming of our cooperation. Above all, it enables the partner country to benefit from greater predictability of aid provided by Luxembourg. As part of the battle against poverty, the ICP ensures that projects proposed are consistent with the development strategy of the partner country.

In parallel with the adoption of these programmes, we have set up partnership committees with our partner countries. The annual meetings of these committees enable me to hold regular meetings with my counterpart in the partner country to ensure ICPs are monitored and, at the same time, to hold a dialogue on political issues of common interest, including human rights.

It should be pointed out that this new approach to our bilateral cooperation is aimed at taking greater account of the two major principles governing international cooperation: partnership and the adoption of development by the partner country.

During a visit to Namibia last month, when I was accompanied by Messrs Helminger and Fayot, President and Vice-President respectively of the Foreign Affairs Committee, we became better acquainted with this middle-income developing country. Since gaining independence in 1990, Namibia has remained one of the countries with the greatest inequalities in the world. Life expectancy there fell from 59 years in 1995 to 45 in 2002, mainly due to the high number of AIDS sufferers. So this country is not yet able to manage without international solidarity to improve the living conditions for the whole of its population.

Luxembourg's activities are focused on the province of Okavango, the poorest region in the North of the country, on the Angolan border. We saw for ourselves the poverty that prevails there, and the relevance of our work.

We reached an agreement with the Namibian authorities so that they would participate to a greater extent in our future cooperation programmes. In this way, the gradual reduction in our budget allocation to Namibia should be compensated over the years by increased financial participation by Namibia. The arrangements for this co-financing will be defined in an Indicative Cooperation Programme between the countries, which is currently being prepared, and should be signed this year.

We agreed on a similar form of financial participation with El Salvador, where the economic situation is comparable to that of Namibia.

Luxembourg is also carrying out a considerable amount of development work in the Balkans in order to contribute towards the stability of this neighbouring region of the European Union.

Since the end of the conflict in Kosovo in 1999, we have set up a large-scale humanitarian aid programme for the various communities in that region. We have helped reconstruct many school and medical infrastructures, as well as several villages destroyed by the war. Our consistent support at the FAO has helped revitalize agriculture in this region.

Our development cooperation action has gradually extended to Montenegro and Serbia, in the region commonly known as Sandjak, where most of those seeking asylum in Luxembourg originated. Projects underway aim to boost the local economy by supporting in particular the agriculture and forestry sectors, which create many jobs, underpin local authorities and improve public services such as education and health.

Our action in this region is supplemented by the partnership we are developing with two Luxembourg NGOs which have set up their offices there. The activities create new prospects for the poorest people and asylum seekers returning to the region, particularly through microfinance projects.

In Albania, Luxembourg cooperation has been operating since 2000 in the water and sanitation sector. Currently, negotiations with the European Investment Bank are underway to provide the Albanian authorities in this sector with technical assistance as part of a large project managed by the EIB.

In financial terms, some EUR 35 million have been invested in South-Eastern Europe since 1999, and firm commitments already given up to 2006 amount to over EUR 16.5 million. In 2003, we disbursed nearly six million, and this year we expect to increase our financial support to some eight million, which corresponds to a 30% increase.

## **b) Multilateral cooperation**

We continue to attach considerable importance to multilateral cooperation and reinforcement of our position within international institutions. To date, we have supported ten international organisations, such as WHO, UNICEF, UNDP, UNRWA or UNFPA, and we are contributing to several WHO programmes to combat diseases that particularly affect the poor. Luxembourg's development cooperation continued to finance a large number of projects undertaken by these organisations, particularly in its target countries.

Last year, we developed a new approach to multilateral cooperation, which takes account of our priorities, DAC recommendations and the requirements of international cooperation. This new multilateral cooperation strategy provides for greater focusing and rationalization of choices, and will seek primarily to:



- create special relationships with international agencies that best meet our cooperation objectives and which offer a competitive advantage;
- define more effectively the priority sectors and geographical spread of Luxembourg's multilateral cooperation, taking account of the priorities of the international agenda, and particularly the Millennium Goals.

The objective of this new approach is twofold: to increase the effectiveness of multilateral action as well as its complementarity with bilateral cooperation, and reinforce the role and visibility of Luxembourg within the main international fora in the field of development. This also results in active participation in the Management Boards of partner agencies, such as that of UNICEF, of which Luxembourg was a full member throughout 2003.

### **c) Cooperation with NGOs**

This is a regular dialogue that primarily characterizes relations between the Ministry and the 77 non-governmental organizations operating in the development field. This dialogue relates to the cooperation policy and cooperation with NGOs in particular. These exchanges take place within the context of a working party that brings together representatives of the NGOs and the Ministry.

In 2003, financial support to approved NGOs, which has been rising continuously, increased to approximately EUR 23 million, or 14.5% of Luxembourg's official development aid. This support was channelled mainly via the framework agreement and co-financing. The framework agreement, which has been in force since 2000, enables the Ministry to finance an action programme by an NGO over several years, drawn up according to a consistent, clearly defined strategy. Fifteen NGOs currently benefit from it. Other NGOs benefit from the option of having individual development projects co-financed by the Ministry.

The Cooperation Circle of Development NGOs, which brings together the vast majority of approved NGOs, is the Ministry's preferred partner. It has a Permanent Secretariat and operates, in partnership with the Ministry, a Technical Assistance Office (TAO) and a North-South Education Service (NSES).

The Technical Assistance Office assists the NGOs, particularly via training courses that it provides on project management. It advises interested NGOs in order to facilitate the preparation of their requests for co-financing. The TAO has been in operation since 2002, and its activities were evaluated for the first time in 2003. The recommendations from that evaluation were incorporated into the new agreement signed between the Ministry and the Circle of NGOs. That evaluation also enabled us to verify its actual usefulness for NGOs and to learn important lessons for its subsequent operation. Via this action by the TAO, our NGOs should ultimately be in a better position to strengthen their partnership with NGOs in the

South, who are playing an increasingly important role in development, as was also emphasized by the Cotonou Convention.

The North-South Education Service continues to implement a service for supporting development education, which should benefit pupils and students in primary and secondary education in Luxembourg, as well as their teachers. It supplements and facilitates work by NGOs on development education and awareness-raising activities among the population of Luxembourg. The Ministry has increased its support for these activities over recent years.

#### **d) Humanitarian action and food aid**

In the fields of humanitarian and food aid, the Ministry has reinforced its cooperation with Luxembourg and international NGOs as well as with the main international organizations, such as the International Committee of the Red Cross, the Office of the United Nations High Commissioner for Refugees or the World Food Programme. We have renewed agreements signed from year to year since 1999 with these organizations.

The budget set aside for this purpose, amounting to EUR 16 million in total, is equivalent to 10% of ODA in 2003. With this budget, the Ministry was able to support programmes in West Africa, the Great Lakes region, the Horn of Africa, Afghanistan, Iran, Algeria, the Caucasus, North Korea and the Occupied Territories, as well as in the Czech Republic and Portugal. In total, the Ministry contributed to almost 60 different programmes. We made a special and exceptional effort to support the reconstruction of Iraq.

Since the start of the 1990s, Luxembourg cooperation has been sensitive to the fate of millions of human beings who suffer every day, but experience widespread indifference from the media. Within the context of this policy known as “forgotten conflicts”, the Ministry continues to support initiatives to improve the lot of these forgotten people.

With regard to civil crisis management, I would like to emphasize that our action relates to the following two areas:

- an intervention team has been set up for deployment in areas hit by natural disasters. The Luxembourg effort during the international solidarity campaign following the earthquake in Algeria in May, and more recently following the earthquake in Iran in December, was relevant, rapid and concerted. I would like to take this opportunity to pay tribute to the devotion and commitment of the teams from Civil Defence, the Red Cross and Luxembourg Air Rescue, as well as the management of the Humanitarian Aid Department of the Foreign Affairs Ministry. The people involved in rescue operations remind us that it is possible to be cautious yet daring, show solidarity yet remain independent, be flexible yet rigorous, and act professionally yet remain profoundly humane. The future framework of these rescue operations will be specified in greater detail, taking account of the lessons learnt from the interventions in Algeria and Iran.

- moreover, we should become more involved in the prevention of crises, particularly their civil aspect. In this regard, a project that is in the process of finalization, in cooperation with the Higher Education Ministry, aims to grant bursaries to students from target countries of Luxembourg cooperation, enabling them to attend higher education at the University of Luxembourg. Recipients of bursaries undertake to work during the subsequent ten years either in their country of origin in the development field, or for an international organization working in the field of crisis management.

### **3. Evaluation policy**

Since 1998, the Ministry has continuously implemented a systematic policy of evaluation and audit, in order to improve the management methods, procedures and practices of Luxembourg's cooperation. Set up in 2001, the Evaluation and Audit Unit has contributed towards supporting the external programme which evaluates Luxembourg's development cooperation work. It has laid the foundations for a more systematic and structured review of the impact of our actions on the living conditions of the population of partner countries receiving our support. Five external evaluation exercises were carried out in 2003, including a first country evaluation which covered Namibia, as well as a first sector evaluation which covered water and sanitation in Nicaragua.

This action is carried out in close cooperation with Lux-Development and the other players involved in the conception and implementation of our cooperation, in Luxembourg and in partner countries.

A special effort was made in 2003 to improve the monitoring and evaluation of the Indicative Cooperation Programmes, by setting up a programme of mid-term reviews. These mid-term reviews should enable the impact of Luxembourg cooperation to be determined more clearly, matching it more closely with the objectives of the national development plan which each of our partner countries has adopted.

The lessons from all these evaluation activities are discussed during meetings of the partnership committees. They have a direct influence on the progress of ongoing Indicative Cooperation Programmes and on the negotiations on future programmes.

### **4. Rapprochement with those working in the field**

As we are keen to improve the efficiency and visibility of our cooperation in our special partner countries, we have continued our efforts to decentralize, strengthening our presence in the field. Following the recommendations of the DAC and based on the evaluation of work carried out by our first Cooperation Mission that we opened in 2001 in Dakar, we set up a Cooperation Office in Hanoi last August. A similar office in Central America is being

prepared. The cooperation office that has just been opened in Hanoi is also in charge of monitoring Luxembourg's cooperation with Laos, our second target country in Asia.

The permanent presence in a country that is benefiting from Luxembourg cooperation enables us to intensify contacts and participate in an increasingly intensive dialogue with the authorities in our target countries and other players in bilateral and multilateral cooperation on the spot, as well as with civil society and the local population. We are also better able to ensure appropriate monitoring of our bilateral cooperation with partner countries. Greater proximity is therefore synonymous with increased knowledge of the reality in the field. It is easier to stay informed on the spot than five thousand kilometres away. We are also observing a clear trend among other industrialized countries towards greater decentralization of their cooperation towards the field.

We now rank as a key cooperation player in our special partner countries, and are invited increasingly to take part in regular discussions that the various players in cooperation organize together with the government of the partner country. These relate to the development strategy of the country, sector-specific activities and harmonization of procedures. The organization in the longer term of a our cooperation's permanent presence in each of our target countries, which the DAC also suggests, deserves serious consideration.

## **Part II. New challenges**

### **1. European Union**

#### **a) European Union enlargement**

The enlargement of the European Union to include two new members will come into effect on 1<sup>st</sup> May. As shown by the recent debate in the Chamber on the ratification of the Treaty on enlargement, the new members, including eight Central European countries, are bound to adopt all the existing system of Community rules and norms. That applies in particular to the development cooperation policy of the European Union. The challenge is a sizeable one, given that their financial capacity hardly allows them to deal with all the situations of distress at the present time.

In order to enable the new members to play their role in this field to the full, it struck me as opportune to propose, at an informal meeting of the Cooperation Ministers held last year in Salonika, to launch a new type of cooperation with these countries, referred to as North-North-South cooperation. North-North-South cooperation, or triangular cooperation, associated one country from the European Union with a new Member State for a project in a developing country. It should facilitate knowledge transfer and enable future members to participate in concrete development cooperation actions and projects.

Lux-Development is preparing to launch the first operations of this type. We were also able to welcome the delegations of several new countries that wanted to find out how our development cooperation works, and explore fields that might be suitable for such North-North-South cooperation.

#### **b) Luxembourg Presidency in 2005**

During the first half of 2005, Luxembourg will hold the Presidency of the European Union again.

That is an exceptional honour and privilege for our country, which will preside over the affairs of a Union enlarged to 25 countries, which will have a population of no fewer than 420 million.

The diplomatic conference held in January was devoted primarily to preparing the 2005 Presidency.

Apart from the enlargement, the elections for a new European Parliament next June and the appointment of a new Commission constitute other factors liable to bring about significant changes in the political landscape of the new Europe.

Within this context, the role of development cooperation policy in the European Union of the future needs to be considered. This policy should be reinforced, and under no circumstances should it be made subordinate to other policies. Its specific features must be totally respected, particularly the priority given to the fight against poverty. Surely there is no need for me to point out that the European Union and its Member States provide 55% of all Official Development Assistance.

So the new Commission should entrust the prerogatives in the field of development cooperation to a Commissioner only responsible for that portfolio. Any watering-down of the status of cooperation, either at Council level or within the context of the new Constitution, would weaken the world's leading development player.

The fight against poverty should constitute the main objective in the programme of our Presidency. Renewed attention should be paid to the causes of that poverty and the policies needed to eradicate them. The EU should endeavour at the same time to make globalization more social and more humane, so the benefits can be shared more equitably.

The actions taken during our Presidency will draw on the multi-annual programme 2004-2006 devised by the next six Presidencies – Ireland, the Netherlands, Luxembourg, the United Kingdom, Austria and Finland. Among the priorities of this programme, the fight against poverty, the monitoring of the goals in the Millennium Declaration, the fight against AIDS, social cohesion, policy coherence and respect of the commitments made at the conference of Monterrey. In this respect, it should be pointed out that the EU wishes to reach a level of ODA of 0.39% of GDI in 2006.

The Cotonou Convention establishes a partnership between the European Union and 77 countries in Africa, the Caribbean and the Pacific (ACP). The mid-term review of this Convention has started, and could continue during the first half of 2005. Negotiations with ACP states on trade and conclusion of economic partnership agreements which will come into effect in 2008 and move into a new phase.

The European Commission has proposed to finance future cooperation with ACP States from resources in the Community budget, whereas until now, it was financed from a separate fund, the European Development Fund (EDF). This question of budgeting for the EDF and the negotiation of a new five-year budget allowance could coincide with the negotiation of a new financial package, the final phase of which will be on the agenda of our Presidency.

These are the major challenges in the field of development cooperation that the new government which emerges from the elections of 13<sup>th</sup> June will have to face during the Presidency in 2005.

## **2. Restructuring of relations between the MFA and LD**

Another field to which the Ministry has devoted a great deal of effort over the past year has been the strengthening of relations with the Luxembourg Development Cooperation Agency, Lux-Development. The agency is charged by the Ministry with formulating and then implementing, with a few exceptions, all our bilateral cooperation projects. At the request of the European Commission, the Ministry had to bring the relationship between the State and Lux-Development into line with Community legislation. So it had to redefine and clarify these relations with Lux-Development, making its Articles of Association clearer and drawing up a new Convention and an implementing protocol.

Lux-Development remains a public limited company, which allows it to be managed flexibly. However, the State is now bound to exercise supervision over the Agency “similar to that exercised over one of its departments”. It will hold almost 100% of the shares. Its presence on the Board of Directors will be reinforced, even if the presence of the various non-State members will be retained.

The restructuring work takes due account of the recommendations made following the organizational and financial audit of Lux-Development, which was carried out in 2002 in accordance with the wishes of the Chamber. New financial procedures, similar to those prevailing in other State departments, have been incorporated into the new convention.

I would like to emphasize that this work has been performed in close cooperation with Lux-Development, and with the services of the European Commission. At the end of October, the Government Council provisionally approved the new draft Articles of Association and the Convention, which were then sent to the Commission in Brussels. While waiting for the go-ahead from the European Commission before the final adoption of these new texts, together with Lux-Development, we have proceeded with provisional implementation of the new convention.

## **3. Policy coherence**

### **a) Importance of policy coherence**

The question of policy coherence is now part of the agenda of all European and international bodies dealing with development cooperation. During the review by the Development Assistance Committee (DAC) in March last year, a special section was reserved for this issue, for the very first time. The DAC wanted to audit the arrangements made within the Development Cooperation Directorate, from the institutional viewpoint and with regard to the

substance, to ensure that the interests of developing countries are taken into consideration in the definition of national and European policies in fields as diverse as agriculture, trade, fishing, the environment and finance.

The Member States of the European Union will be paying increased attention to this issue, particularly within the context of WTO negotiations. At the informal meeting held in Trieste last October, the Development Ministers examined the review of the situation regarding the WTO negotiations following the collapse of the ministerial conference in Cancun.

This subject is raised regularly within the context of the dialogue on policy issues with our various target countries.

To reflect the importance of this issue, a “Policy Coherence” desk has been set up within the Development Cooperation Directorate. We are also working together with other Member States of the European Union as part of an informal network of correspondents in charge of this issue, which was set up last October.

#### **b) WTO and the Doha Round**

Our Minister for Foreign Affairs and Foreign Trade has spoken about the progress of the WTO negotiations on several occasions. She emphasized how strongly Luxembourg wishes the Doha Round to become a development round.

At the session of 26<sup>th</sup> January, the General Affairs and Foreign Relations Council voted in favour of restarting these negotiations. It stipulated that priority should be given to obtaining real benefits for the poorest countries, and particularly the least advanced countries, by making progress on issues that are particularly important to them.

Regarding the cotton issue, Luxembourg is well aware of the case that several West African countries – Burkina Faso, Benin, Mali, Chad – have taken to WTO to obtain the elimination of cotton production subsidies paid to American producers in particular, which produces a dumping effect on world cotton markets. Mali, a target country for our cooperation, generates 40% of its foreign earnings from cotton exports, but prices have fallen dramatically. So this is a vital issue for these countries. The European Commission made a proposal aimed at improving the market organization for cotton. Regarding the work of the EU, Luxembourg will adopt a position that takes account of the interests of African countries. It proposes to participate with a similar mindset in the work on the Commission proposal on the new trading system for sugar.

Concerning the issue of reducing the debt burden, progress has been achieved for heavily indebted poor countries. In view of the importance of this issue for developing countries, and particularly the least-advanced countries, these negotiations should be continued and



accelerated. Luxembourg supported efforts by IFAD to reduce the debt of two of our main partner countries, Mali and Niger.

### **c) The issue of land reform**

The negotiations in the Doha Round showed that agriculture is the most important subject for developing countries. Opening up our markets to agricultural products and eliminating export and farm subsidies are among the demands put forward by a large number of developing countries, in particular those which, like Brazil, have a certain export capacity. Are these demands realistic, and are they the panacea for the problems, as some people insist?

1.2 billion people, or half the planet's working population, live in rural areas and earn their livelihood from agriculture. Three-quarters of the poorest people and those suffering from hunger – there are 800 million of them – are among that population. Can we fight poverty while ignoring the fate of these people?

This is the conclusion of a study published by the University of Tennessee in 2003: "Today, farmers worldwide are facing a vast and exceptionally grave agricultural crisis. World prices have followed the American example, where export prices for unprocessed agricultural produce – corn, barley, soya, cotton and rice – have fallen by more than 40% since 1996. American producers are constantly being forced to leave the land, despite the injection of massive government grants, which are supposed to compensate low prices. From Haiti to Burkina Faso, from the Philippines to Peru, these unprecedented low prices have wiped out incomes and yielded a harvest of despair, hunger and emigration".

Several factors explain this development:

- the elimination of policies regulating supply in the North and the introduction, at an enforced pace, of liberalization policies in developing countries;
- the rapidly widening productivity differential between agriculture in the North and the South.

It has become obvious that market forces will not provide the necessary regulation. And the problem will not be solved by abolishing subsidies. Subsidies are just a symptom of a deeper problem, the absence of market regulation mechanisms.

It is imperative that all industrialized and developing countries with agricultural exports re-establish such mechanisms, enabling prices to stabilize and be maintained at an equitable level both in industrialized and developing countries.

Against this background, the European Commission's recent initiative aimed at making the use of the "Flex" instrument more flexible should be welcomed. This instrument enables the impact of short-term fluctuations in export earnings of ACP States to be compensated financially.

Developing countries, particularly the most advanced, should also have the right – and even be encouraged – to organize and protect their market as the current state of their countries' development demands. Likewise, the creation of regional markets in the South bringing together agricultural systems with comparable productivity, would facilitate fairer pricing and protection against competition from the North. The provisions required for this purpose should be planned at WTO.

Luxembourg will continue its dialogue on this issue with the governments of partner countries, the European Commission, with international experts, rural organizations such as the network of African rural organizations (ROPPA) and interested national and international NGOs.

#### **4. Promoting equality for women**

Luxembourg's development cooperation is endeavouring to contribute towards improving the situation of women in the world. The question of equality between men and women is included in the Indicative Development Programme (IDP) as one of the horizontal themes. Lux-Development is invited, under the new Convention, to address this issue in the formulation and implementation of all projects.

In February 2005, within the context of our Presidency of the European Union, the Government, and particularly the Minister for the Promotion of Women, will organize a ministerial conference in Luxembourg during which the international community will review the situation, ten years after the Beijing Conference, of the results and challenges concerning action in favour of girls, women and gender equality.

Finally, we are continuing to finance projects concentrating particularly on the needs of women in relation to education, health, security, their rights and their place in society. Against this backdrop, we have decided to support the Minister for Women in Afghanistan via a UNDP project. A large number of UNFPA projects that we are supporting are developing family planning, promoting reproductive health or encouraging the abolition of excision in Mali.

#### **5. The fight against AIDS**

Even if Luxembourg's development cooperation attaches great importance to the fight against less widely-known diseases affecting the poorest people, it is impossible to ignore the millions of deaths each year caused by what are referred to as the three great scourges: tuberculosis, malaria and, the most challenging of all, AIDS.

We are pleased that in 2003, the Global Fund for Aids, Tuberculosis and Malaria was finally able to start financing large-scale projects to combat these three diseases. In the same year, we decided to double our contribution to this fund.

We are also contributing to the battle against AIDS by supporting UNAIDS and by carrying out various bilateral and multilateral projects. We wanted to give our action a global dimension which, to be effective, must attack all aspects of the problem: prevention, research, as well as access to treatment. This holistic approach is embodied in the ESTHER project, which Luxembourg is carrying out in Rwanda. This focuses on a partnership between two Luxembourg hospitals – CHL and Hôpital du Nord, and two Rwandan hospitals – which is already enabling several hundred patients to receive treatment. The treatment is at the heart of an approach and a system which starts with prevention and diagnosis and continues with research and the psychosocial and community management of the patients. Synergies have been created with the Global Fund, which should finance the drugs.

Therefore, we should also welcome the important decision by WTO on access to generic drugs for developing countries, as well as WHO's "3 by 5" initiative aimed at treating three million infected persons by 2005.

In the face of worrying statistics about the devastation caused by AIDS, there is a risk that this disease will continue to spread and cause deterioration in socio-economic conditions in many developing countries, as can already be seen, unfortunately, in several African countries. It is essential that the international community should act more vigorously.

That is another reason why the Ministry decided to convene a ministerial meeting in Luxembourg on 15 March. Plans have been made to invite, in particular, our Health Minister, our hospitals and our NGOs working in the health field, partner countries in the ESTHER initiative and several other countries and organizations that are interested in participating. This will give us the opportunity to draw up an initial review of this pilot scheme, and identify possibilities for reinforcing it by involving other countries.

## CONCLUSION

Mr President

Before concluding, allow me to take this opportunity to thank and pay tribute to everyone involved in development cooperation and humanitarian aid in Luxembourg. I admire their tireless devotion to the cause of the world's poor, and I would like to convey my warmest thanks to all the members of NGOs, co-operants, aid workers and the officials of the Foreign Affairs Ministry, starting with those in the Cooperation Directorate, as well as the staff of our executive agency Lux-Development. I can tell you that I have only ever met women and men who are enthused by what they do.

We can say that Luxembourg's contribution to international solidarity goes beyond the absolute value of its contributions to ODA, which amounted to 0.80% of Gross National Income in 2003, putting us in fourth place in the world.

Indeed, it is not just the quantity of aid that matters, but above all the quality. We continue to concentrate our cooperation on a limited number of target countries, most of which are among the poorest on the planet.

Coherent and effective management of our projects and programmes in public services, and particularly basic education, vocational training, basic healthcare, access to drinking water and sanitation, as well as rural development, are generating beneficial effects in the long term.

By setting an example, our development cooperation and humanitarian aid policy has nurtured the ambition to be able to encourage other industrialized countries to contribute more to international ODA, and make their contribution towards establishing a global development partnership. With regard to beneficiary countries, our policy resolutely pursues the principle of national project ownership. The multiplier effect generated in this way will be perceived in developing countries and with regard to other EU countries.

Luxembourg's development cooperation aims at developing among partner countries the capability to conceive, choose and manage their own development, to devise and manage their own programmes and projects. The objective is to help these countries reduce their dependence on ODA gradually, or even not depend at all on contributions by donor countries.

**At the same time, our development cooperation, together with our humanitarian aid, is also contributing towards preventing and managing conflicts. That prevention can only succeed if our partners are listened to and heard.**

In the knowledge that progress will be slow and difficult to achieve, it is imperative and indispensable to draw on all our creativity, commitment, perseverance and concerted effort.

- How to develop? The Burkinan historian KI ZERBO reminds us:

“You cannot develop someone, development is something you do for yourself”. Indeed, poverty is not synonymous with underdevelopment. Several of us realized that in Dakar, when a lady working and living on the municipal rubbish dump invited us for a coffee in her shack built out of refuse.

She took pride in having survived on her own. Indeed, her dignity, her hospitality, and her whole personality was a lesson in life that can inspire us.

Women like that give us renewed hope. So let us give her the means to fight against poverty and hardship!

We should also mention that the accounting approach to impact studies will never be able to reveal this human aspect of cooperation.

Admittedly, statistics provide useful information on the pattern of basic indicators and particularly the under-five mortality rate (U5MR), per capita income, the number of doctors per 100,000 of population, literacy rates, the number of women with access to clean water, the percentage of malnutrition, the number of people with the AIDS virus, the devastation caused by malaria and tuberculosis among other diseases, average life expectancy, the number of orphans, etc.

But we have to agree: looking at things only from the statistical viewpoint does not help us move forward. It risks tipping the balance towards the sceptics who advocate greater trade liberalization, at the expense of action to improve basic public services according to the very reductionist formula: “TRADE OR AID”.

However, the choice is not either/or, but both.

Malthusian approaches and Maginot lines have had their day. So we have few mitigating circumstances to remain indifferent in the face of these situations of human misery, either in developing countries or at home. Solidarity is not selective. It must continue to meet the expectations of Africans and Luxembourgers. Public acceptance of the effort required for cooperation depends on our ability to respond to all these, admittedly, very different situations.

The Chamber of Deputies has enabled us to allocate 0.84% of the wealth produced during the year to solidarity with developing countries. Considerable resources are being deployed to fight for a world that is less harsh, less threatening, more predictable and more human.

We still have 99.16% of our resources to contribute towards making our own society fairer, more equitable and freer, based on the model of social cohesion.

The two dimensions of solidarity, internal and external, are inseparable. They are the concrete expression of a win-win strategy.

However, no battle is ever won forever. To conclude with the passion that drives everyone involved in cooperation, I would like to quote Saint-Exupéry: “Taking a step is what saves us. Another step. It is always the same one that we start afresh”.

Thank you for your kind attention.