

Luxembourg

Vincent Glaesener and Kathrin Schreckenber

Contents

1.	TEMPERATE FORESTRY IN LUXEMBOURG	263
1.1	Forest cover, type and tenure	263
1.2	Forest institutions	263
1.3	Role of forestry in the Luxembourg economy	263
2.	HISTORY OF INVOLVEMENT IN TROPICAL FORESTRY	263
3.	STRUCTURE OF AID DELIVERY	263
3.1	The Ministry of Foreign Affairs, External Trade and Co-operation	263
3.2	Bilateral co-operation	264
3.3	Multilateral co-operation and funds-in-trust	264
3.4	Co-operation with non-governmental organisations	264
3.5	Technical assistance	264
4.	TROPICAL FORESTRY DEVELOPMENT POLICIES	265
4.1	General development co-operation policies	265
4.1.1	Volume of funding	265
4.1.2	Regional focus	265
4.1.3	Sectoral distribution	265
4.1.4	Project size and duration	266
4.2	Co-operation in the tropical forestry sector	266
4.2.1	International negotiations	266
5.	THEMATIC AND REGIONAL DISTRIBUTION OF FORESTRY PROJECTS	266
6.	RESEARCH AND TRAINING	266
7.	PROJECT CYCLE MANAGEMENT	266
8.	REVIEWS AND PROJECT PROFILES	267
9.	CONCLUSION	267
	REFERENCES	267
	KEY CONTACTS	268
	ACRONYMS	268
	ACKNOWLEDGEMENTS	268

1. TEMPERATE FORESTRY IN LUXEMBOURG

1.1 Forest cover, type and tenure

The Grand Duchy of Luxembourg has a forest cover of 33% (or 88,600 ha), making it one of the most forested countries within the European Union (Direction des Eaux et Forêts, 1996). Unlike some of its neighbours, the country has always maintained a high degree of forest cover, leading to its being called the 'Département des Forêts' during the French occupation from 1795 to 1814. Forest cover has never fallen below the 31% experienced in 1865 (Ministère de L'Environnement, 1994).

About 46% of the forest is made up of deciduous stands (60% beech and 30% oak) which are predominantly situated in the south. Evergreen stands (80% spruce and 6% Douglas fir) make up another 36% of forest cover and are located mainly in the north. The area of coppice is declining and currently stands at 15%, with the remaining 3% of forest land classified as non-wooded. Current forest management aims to achieve a more balanced age structure, in particular to resolve the problem of Luxembourg's aging beech stands.

Of the total forest area, 53% is owned by approximately 13,000 private owners (with an average of 3.7 ha each), of whom over 9,000 own less than 2 ha. The remaining 47% of forest is in public hands, with 74% classified as communal forests, 23% state-owned and 3% owned by public institutions (Parlement Européen, 1994; Direction des Eaux et Forêts, 1996).

1.2 Forest institutions

Public forests are managed by the 'Administration des Eaux et Forêts', which is controlled by the Ministry of the Environment and financially supervised by the Ministry of Agriculture. The Administration is staffed by about 20 senior foresters, 85 forest guards and 35 administrative staff, some of whom are based in six decentralised 'cantonnements', which are further subdivided into 58 'triages'. In addition to managing public forests, the Administration's staff are responsible for providing advice to private forest owners (including provision of state subsidies) and enforcing legislation, and may also carry out silvicultural interventions where requested. A 'Groupement des Sylviculteurs' represents the interests of private forest owners.

1.3 Role of forestry in the Luxembourg economy

The forest's ecological and social functions are accorded great importance in Luxembourg. The role of the forest industry in the national economy is minor, however, with the products from private and public forests together contributing only 0.1 – 0.2% of GNP (STATEC, no date). Between 1966 and 1996, the number of sawmills – mostly small family enterprises – declined from 180 to 15 and now process conifers almost exclusively.

Luxembourg is unusual within Europe in that it consumes only about 120,000m³ of its own production while about 200,000m³ are exported, primarily to

Belgium and Germany (Direction des Eaux et Forêts, 1996). In 1992 total production was 325,000m³, compared with imports of 445,000m³ and exports or re-exports of 580,000m³ (Office of Statistics, unpublished data). Overall the timber industry in Luxembourg is characterised by weak processing capacity which leads to the export of unprocessed timber and a dependence on imports for finished products (Parlement Européen, 1994). The balance of accounts of public forests is negative.

2. HISTORY OF INVOLVEMENT IN TROPICAL FORESTRY

Luxembourg's involvement in development is fairly recent compared to that of some of its neighbours. The country's small size, relatively recent independence (1867), and lack of colonial past have meant that it has no history of involvement in tropical forestry.

3. STRUCTURE OF AID DELIVERY

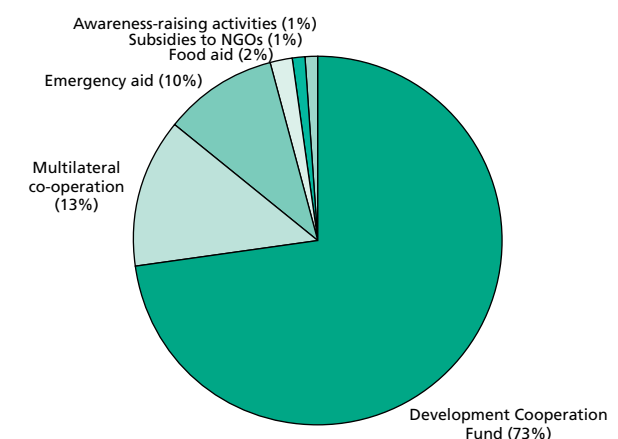
3.1 The Ministry of Foreign Affairs, External Trade and Co-operation

The Ministry of Foreign Affairs, External Trade and Co-operation (*Ministère des Affaires Etrangères, du Commerce Extérieur et de la Coopération*, MAE) is responsible for 82% of public sector aid, with the remainder being managed by a number of other ministries, in particular the Ministry of Finance (8%) and the Ministry of National Education (9%). Within the Ministry of Foreign Affairs aid is managed by an independent Co-operation Department (*Service de la Coopération*) which has a staff of about 8 people (MAE, 1995b).

In 1996 public aid managed by the Ministry of Foreign Affairs amounted to about LUF 2,000 m. distributed among six sectors (Figure 1).

As can be seen in Figure 1, the Development Co-operation Fund (*Fonds de la Coopération au Développement*, FCD) represents just over 70% of the Ministry's aid budget (and about 60% of total public aid). Unlike other government budgets, funds in the

Figure 1: Distribution of aid managed by the Ministry of Foreign Affairs, 1996



(Source: data provided by MAE, 1996)

FCD are not subject to the government's annual budgeting exercise but can be disbursed over several years, thus allowing for greater flexibility in the financial management of longer term projects and programmes (MAE, 1995b). In 1996 the FCD had a budget of LUF 1,400 m., which was distributed as shown in Figure 2.

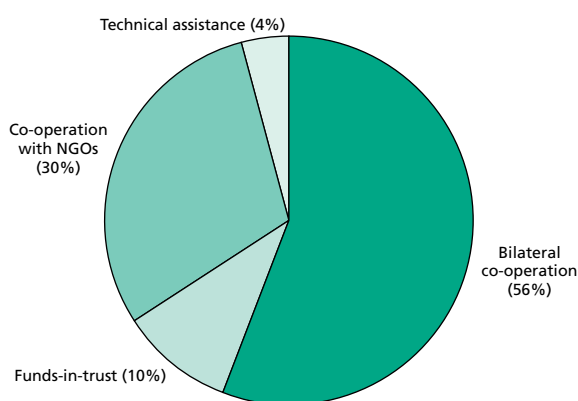
3.2 Bilateral co-operation

An initial lack of domestic capacity for managing development projects meant that most of Luxembourg's aid in the early 1990s was channelled through multilateral organisations. Recently this situation has been reversed, with the volume of bilateral co-operation rising by over 40% between 1994 and 1995 alone. It is now the most important instrument of Luxembourg's development co-operation, representing about 40% of total official development assistance (oda) in 1996. Of this bilateral co-operation, 80% is implemented by a private company, Lux-Development, with the remainder being managed directly by the Ministry's Co-operation Department.

Created in 1978 to promote Luxembourg's exports and to develop co-operation with other countries, Lux-Development was restructured in 1993 to become the principal implementing agency for the bilateral co-operation programme under the mandate and control of the Ministry. Its permanent staff consists of only nine professionals but is complemented as necessary by external collaborators and freelance consultants. Technical experts and staff of development projects are recruited primarily within partner countries (Lux-Development, no date).

The terms of bilateral co-operation are fixed in bilateral accords either on a project by project basis, or in general co-operation agreements with a view to long-term programmes with target countries (see section 4). In line with recommendations by the OECD's Development Assistance Committee, most FCD funding consists of grants to the government of the beneficiary country. Unlike many other countries, Luxembourg does not give any tied aid but has a clear separation between development aid and the promotion of external trade (MAE, 1995b).

Figure 2: Distribution of Development Co-operation Fund, 1996



(Source: data provided by MAE, 1996)

3.3 Multilateral co-operation and funds-in-trust

Multilateral commitments accounted for about LUF 505 m. (or 27% of total oda) in 1995 (MAE, 1995b). Of this the majority (72%) went to the European Union with LUF 127 m. earmarked for the 7th European Development Fund and LUF 236 m. for the general development co-operation budget of the European Union (MAE, 1995b). Various United Nations organisations, in particular the World Health Organisation and the United Nations Development Fund (UNDP), receive most of the remainder of multilateral commitments.

In addition to these contributions to the general budgets of multilateral organisations, Luxembourg also makes funds-in-trust contributions to specific projects and programmes. These are made from the FCD, accounting for 10% of this Fund in 1996, and are targeted at a number of international organisations with UNDP and the World Health Organisation being among the major recipients.

3.4 Co-operation with non-governmental organisations

Non-governmental organisations (NGOs) are an important instrument of Luxembourg's development co-operation. Their projects are financed with private funds and through co-financing arrangements with the Ministry of Foreign Affairs. In 1996 the Ministry officially recognised 68 NGOs (all based in Luxembourg) for such co-financing arrangements. Prior to 1996, the Ministry contributed an additional 100% (and in some cases even 200%) of the NGO's project costs. The new Development Co-operation law of January 1996, however, raised the government's contribution to up to 300% of the NGO's contribution for those projects implemented in target countries¹ (with a ceiling of LUF 12 m. per project) (MAE, 1995a). In 1996 the Ministry agreed to co-finance about 200 NGO projects (from 250 proposals) to the tune of LUF 400 m. or 30% of the FCD. This is a marked increase on previous years, with only LUF 217 m. being devoted to NGO co-financing in 1994. The increase is accounted for partly by the larger average size of individual projects and partly by the greater proportion of individual project costs being covered by the government. The Ministry also provides donations and subsidies to NGOs. These are not paid from the FCD, however, and are relatively modest sums (1% of oda).

3.5 Technical assistance

In addition to funding projects, the Ministry also spends about 4% (LUF 45 m. in 1995) of the FCD on technical assistance. This includes training young development professionals as Junior Programme Officers in UNDP and the European Commission, and sending experts (particularly teachers) and volunteers to work in partner countries. It also covers the participation of developing country nationals in short training courses in Luxembourg.

1. See section 4.1.2 for a list of target countries.

4. TROPICAL FORESTRY DEVELOPMENT POLICIES

4.1 General development co-operation policies

Luxembourg's co-operation activities date back to the 1980s when the first law relating to development aid was passed (1982) and a budget line established (1985). Development aid based on co-operation agreements with partner governments, however, was only launched after the Grand Duchy joined the OECD's Development Assistance Committee in 1992. A new law on Development Co-operation, prepared in consultation with NGOs, came into force in January 1996, replacing all earlier laws.

4.1.1 Volume of funding

Since 1986, the Grand Duchy has experienced an almost explosive expansion of its official development assistance. From a modest LUF 221 m. in 1986 it has increased more than ten-fold to reach LUF 2,400 m. in 1996, equivalent to 0.45% of GNP. Unlike most other countries which have reduced or frozen their development aid contributions, Luxembourg's aid budget is increasing and is expected to reach 0.7% of GNP by the year 2000 (see Figure 3). The fact that the aid budget is determined independently of the overall budget of the Ministry suggests that this figure is likely to be achieved. Development aid has now become one of the country's most important budget items.

4.1.2 Regional focus

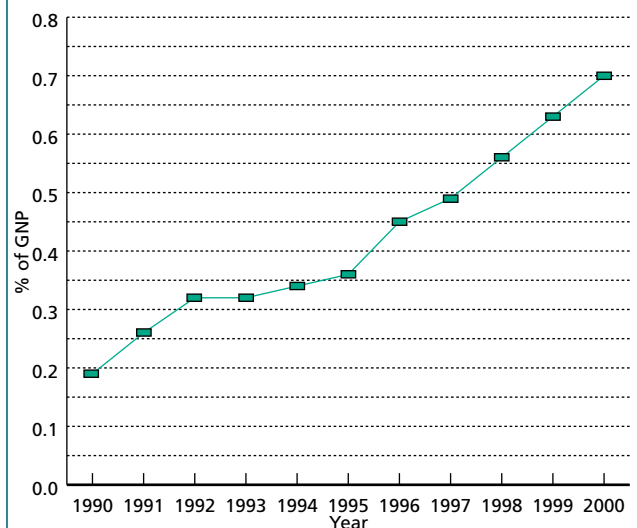
Until 1988 most Luxembourg aid was channelled through multilateral organisations. The great increase in bilateral aid since 1993, however, has allowed for greater control of the distribution of funds. In 1996 the FCD provided funds for about 80 countries, mostly through projects co-financed with NGOs. As can be seen from Figure 4 the majority of this aid was destined for Africa.

In 1993 the OECD's Development Assistance Committee remarked upon the wide distribution of Luxembourg's oda and advised a greater regional concentration of efforts. Following this recommendation the Ministry of Foreign Affairs introduced a system of target countries in 1993. This policy prioritises the least advanced countries of sub-Saharan Africa and also takes account of the following criteria:

- stability of the political situation and respect of democratic principles;
- modest size of the country or region concerned, in proportion to the size and means of the Grand Duchy;
- UNDP human development indicators;
- Francophone nature.

The final decision about which countries are included on the list of target countries is made by the Minister of Foreign Affairs with parliamentary approval. In 1996, eleven countries were included on the list and shared about 30% of oda: Burundi, Cape Verde, Mauritius, Namibia, Niger, Senegal, Tunisia, El Salvador, Ecuador, Nicaragua and Vietnam. The main reason for the continued wide distribution of aid is the broad

Figure 3: Luxembourg oda as a proportion of GNP



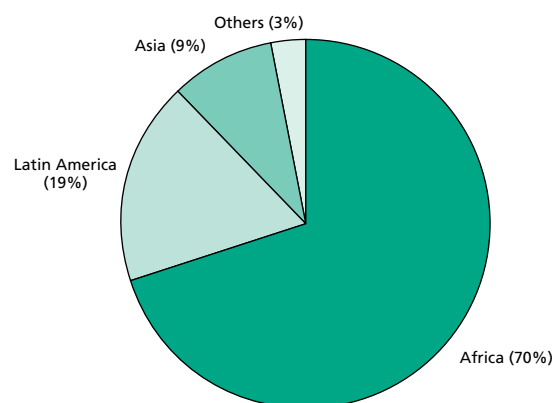
Note: Figures for 1997–2000 are planned oda
(Source: data provided by MAE, 1996)

geographical distribution of projects co-funded with NGOs. The government is trying to influence the regional distribution of NGO projects by increasing subsidies for projects in target countries to a maximum of 300% (of the NGO contribution) relative to the 200% available for projects in non-target countries (MAE, 1995b).

4.1.3 Sectoral distribution

An interministerial committee on development co-operation exists to advise on the overall priorities of development policies. Aid is provided in all the sectors considered to be a priority for development in the Third World. A particular emphasis is placed on the social and health sectors, integrated rural development, small and medium-scale infrastructure, and human resources development (MAE, 1995b). Participation of local populations especially women, as well as local employment-creation initiatives, are particularly encouraged (MAE, 1995b). There is no estimate of the volume of funds allocated to the environment (including agriculture and forestry) as most projects integrate a range of different activities.

Figure 4: Regional distribution of FCD funds, 1996



(Source: data provided by MAE, 1996)

4.1.4 Project size and duration

The average length of projects funded by the Ministry of Foreign Affairs is 1–4 years. There is no ceiling on the financial volume of bilateral projects, but they must be in line with the scale of aid provided by a state as small as Luxembourg. For this reason, projects of a larger scale are usually financed through contributions to international organisations or as bilateral contributions in association with other donors. This also applies to Luxembourg NGOs, which are generally small-scale institutions with only modest means. They therefore prefer limited and localised actions.

4.2 Co-operation in the tropical forestry sector

Projects focusing purely on forestry tend to be fairly large-scale and require long-term support in order to ensure positive results. The funding volumes required for such projects are not in line with the scale of Luxembourg's development co-operation budget. In its bilateral projects the Ministry of Foreign Affairs therefore usually only funds forestry as a component of multi-sectoral integrated projects.

The same is true for NGOs, which prefer to fund shorter term activities in the social sector. Any interventions in the forestry sector are generally part of integrated projects or carried out in conjunction with other Luxembourg or foreign NGOs.

The fact that any forestry activities tend to be components of other projects makes it very difficult to estimate the total amount of funding devoted to tropical forestry.

4.2.1 International negotiations

The Ministry of Environment deals with domestic climate, water and air quality issues and is therefore responsible for follow-up to the United Nations Conference on Environment and Development and any discussions relating to the Climate and Biodiversity Conventions. Follow-up to the Intergovernmental Panel on Forests process is in the hands of the Forest Administration.

5. THEMATIC AND REGIONAL DISTRIBUTION OF FORESTRY PROJECTS

Currently the Ministry (through Lux-Development) funds only one forestry project in the Okavango Forest of Namibia (see section 8). In recent years a number of NGO projects have incorporated forestry activities. These include eight projects with agroforestry components in Burkina Faso (*Chrétiens pour le Sahel*); reforestation and forest management training in the High Plateaux of Ethiopia (Caritas); reforestation and joint forest management activities in Ahmedabad, India (*Aide à l'enfance de l'Inde*); the establishment of agroforestry and silvopastoral systems, and the training of community leaders in the Maras region of Peru (*Eng Bréck mat Latäinamerika*); and reforestation of hillsides in the Kathmandu Valley, Nepal (Scouts for Community Development).

6. RESEARCH AND TRAINING

Advanced level professional forestry training is not available in the Grand Duchy. Academic foresters are therefore trained in Germany, Belgium, Austria, France or Switzerland. The Forest Administration runs a school to train forest guards and provides courses for lumberjacks. Luxembourg has no forestry research organisation or institution specialised in tropical forestry. However, the Administration maintains good relations with several foreign universities and research institutions.

7. PROJECT CYCLE MANAGEMENT

An advantage of the modest scale of Luxembourg's development aid is that the small number of people involved can communicate easily and take a very flexible approach to project management and implementation. The Ministry's main concern is to allocate the greatest possible proportion of funds to the project itself by reducing management costs to the minimum. For projects funded and managed by the Ministry or Lux-Development technical experts and staff are recruited locally wherever possible with the role of intermediaries being reduced to a minimum. This is also in line with the desire to involve local populations in projects as much as possible.

Bilateral aid projects managed by the Ministry and Lux-Development go through six phases (Lux-Development, no date):

1. Broad planning

- identification by the Ministry of the general policy, orientation and principles of co-operation;
- sectoral, geographic, financial and thematic strategies;
- suggestions for programmes or projects.

2. Identification

- preliminary drafts of project ideas elaborated by Lux-Development and the national authorities of beneficiary countries;
- evaluation of ideas by the Ministry in the context of its global objectives and desired results and activities;
- decision on whether the project should pass on to the next stage.

3. Formulation

- Lux-Development is mandated by the Ministry to carry out a feasibility study of the social, economic, financial, technical and organisational aspects of the proposal;
- preparation of the project document by Lux-Development together with local partners;
- submission to the Ministry for approval.

4. Directive

- examination of the proposal by the Ministry;
- decision made to accept (or not) the proposal and financing;
- negotiations with the beneficiary government;
- drawing up of a bilateral co-operation agreement or protocol;

- release of funds.

5. Implementation by Lux-Development

- recruitment of consultants and experts;
- initiation of professional services, work, equipment and materials;
- organisation and training;
- calendar of implementation, follow-up and progress reports.

6. Evaluation

- in parallel with implementation, Lux-Development or external experts analyse project results with a view to possible reorientation and to make recommendations for similar future projects;
- at the same time, the Ministry sends out external evaluation missions;
- at the end of the project, a final report and financial accounts are submitted to the Ministry by Lux-Development.

For NGO projects, the process is similar. Given the small size of Luxembourg NGOs, they tend to collaborate with each other or with foreign NGOs to benefit from their infrastructure, or recruit implementing staff at the project site. Any NGO wanting co-funding from the Ministry of Foreign Affairs has to provide the Ministry with a project outline. Depending on the length of the project, the NGO has to submit one or more progress reports as well as a final report. The Ministry carries out on-site evaluations of about ten NGO projects per year. Furthermore, the Ministry carries out audits of the implementing agency, Lux-Development, and five NGOs each year.

8. REVIEWS AND PROJECT PROFILES

There has not yet been an overall review of Luxembourg's very young programme of development assistance, nor of aid to specific sectors. Box 1 illustrates how Luxembourg's only forestry project is integrated into a programme of assistance to one region in Namibia.

9. CONCLUSION

While many countries are reducing their aid budgets, the Grand Duchy of Luxembourg has made considerable efforts in the field of development co-operation and, in terms of its GNP, is on the way to becoming one of the prime donors in the world. With an aim of devoting 0.7% of GNP to development aid by the year 2000, Luxembourg will, in 15 years, have moved from being a country with a minor aid programme to being proportionately one of the world's major donors.

As well as an increase in the volume of both bilateral and multilateral funding, Luxembourg's aid programme has also experienced a great improvement in the quality and implementation of projects. This follows a rapid increase in the professional expertise of personnel in the relatively new development and implementation bodies of the Ministry of Foreign Affairs, and the imposition of more rigorous criteria for NGOs wishing to obtain co-

financing. Government aid is carried out by a limited number of intermediaries and has a very flexible decision-making and implementing structure that greatly reduces administrative costs. This allows for a freedom of action and decision-making that increases the effectiveness of Luxembourg's co-operation and development policies (MAE, 1995b).

The history of Luxembourg, combined with the large budgets necessary to fund purely forestry projects, has led the government to orient its development policies towards sectors more in line with the funds at its disposal. The involvement of Luxembourg in tropical forestry is therefore modest.

REFERENCES

- Direction des Eaux et Forêts (1996) 'La forêt du Grand-Duché de Luxembourg' (The forest of the Grand Duchy of Luxembourg). Mimeo, Direction des Eaux et Forêts, Luxembourg.
- Lux-Development (no date) Lux-Development: Société luxembourgeoise pour la coopération internationale. Publicity folder, Lux-Development, Luxembourg.
- Lux-Development (1994) Project Document: NAM/134 Forestry Support for Okavango. Lux-Development, Luxembourg.
- Ministère de L'Environnement (1994) *L'Etat de l'environnement 1993* (The state of the environment 1993). Ministère de L'Environnement, Luxembourg.
- Ministère des Affaires Etrangères, du Commerce Extérieur et de la Coopération (MAE) (1995a) *La coopération luxembourgeoise rapport annuel 1994* (Luxembourg Co-operation, Annual Report 1994). MAE, Luxembourg.
- Ministère des Affaires Etrangères, du Commerce Extérieur et de la Coopération (MAE) (1995b) *La coopération luxembourgeoise rapport annuel 1995* (Luxembourg Co-operation, Annual Report 1995). MAE, Luxembourg.
- Parlement Européen (1994) *L'Europe et la forêt* (Europe and the forest). Office des Publications Officielles des Communautés européennes, Luxembourg.
- STATEC (no date) *Portrait économique du Luxembourg* (Economic Profile of Luxembourg). STATEC, Luxembourg.

Box 1 Forestry Support for Okavango, Namibia

Since 1994 the Ministry (through Lux-Development) has been funding a project in Namibia entitled 'Forestry support for Okavango' with a total budget of LUF 17m. In line with the Ministry's preference for aid through programmes, it is one of seven bilateral aid projects funded by Luxembourg in the Northern Okavango region. Other projects in the programme are concerned with improving radio communications between ministries in the region, supporting a teachers' training college, providing cartography training and equipment, improving the contribution of livestock to community development, establishing a local market and credit schemes, and facilitating project coordination. The aim of the forestry project is to protect the Okavango forest by collaborating with the regional Department of Forests and the Ministry of Agriculture as well as the Municipality of Rundu and local communities to achieve sustainable management of forest resources, by:

- development of agroforestry and intensive forestry
- establishment of a research nursery
- awareness raising campaigns for the local population
- search for an appropriate solution to the fuelwood supply problem around the town of Rundu

(Lux-Development, 1994)

KEY CONTACTS

Ministère des Affaires Etrangères, du Commerce Extérieur et de la Coopération
 Service de la Coopération
 6, rue de la Congrégation
 L-1352 Luxembourg
 Tel: +352 4781
 Fax: +352 222048

Administration des Eaux et Forêts
 67, rue Michel Welter
 L-2730 Luxembourg
 Tel: +352 402201
 Fax: +352 485985

Lux-Development
 7, rue Alcide de Gasperi
 B.P. 1503
 L-1015 Luxembourg
 Tel: +352 425211 1
 Fax : +352 433808

Cercle des ONG (NGO Association)
 5, av. Marie-Thérèse
 L-2132 Luxembourg
 Tel/Fax: +352 44743 342

ACRONYMS

FCD	<i>Fonds de la Coopération au Développement</i> (Development Co-operation Fund)
GNP	Gross national product
LUF	Luxembourg francs
MAE	<i>Ministère des Affaires Etrangères, du Commerce Extérieur et de la Coopération</i> (The Ministry of Foreign Affairs, External Trade and Co-operation)
NGO	Non-governmental organisation
oda	official development assistance
OECD	Organization of Economic Co-operation and Development
UNDP	United Nations Development Programme

ACKNOWLEDGEMENTS

This chapter has benefited from discussion with a number of people including the following: Mr. Marc Bichler (MAE), Mme. Marie-Paule Kremer (Ministry of the Environment), Mr. Edmond Lies (*Administration des Eaux et Forêts*), Mr. Stan Myck (MAE), Mme. Marie-Ange Schimmer (*Cercle des ONG*), Mr. Nicolas Schmit (MAE), and Mr. Pierre Thein (Lux-Development). Thanks are also due to Ms. Clare Hamilton (DFID, UK) for editorial inputs.

Note on currency: on 1 September, 1997, US\$ 1 was equivalent to LUF 37.40.