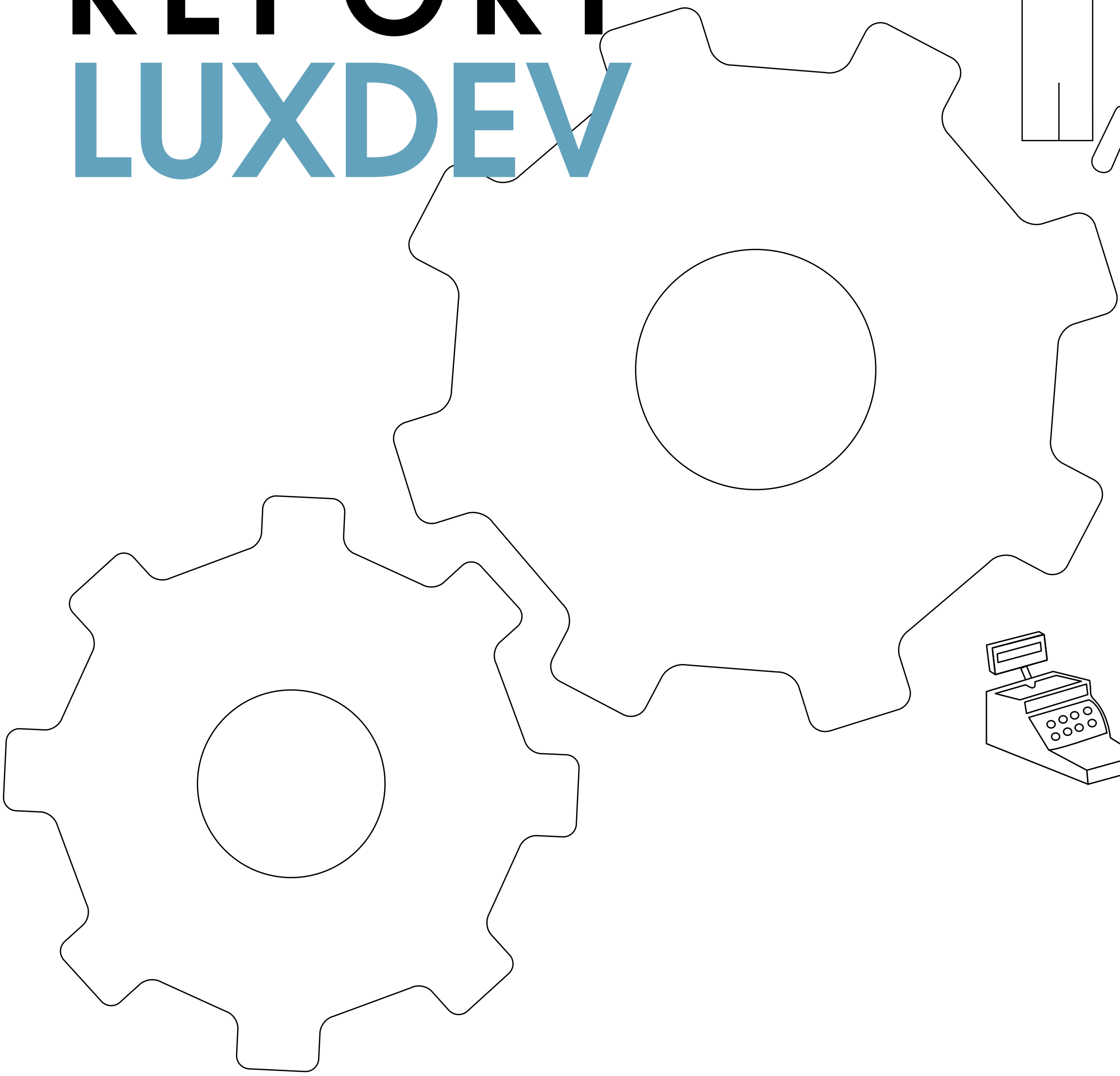
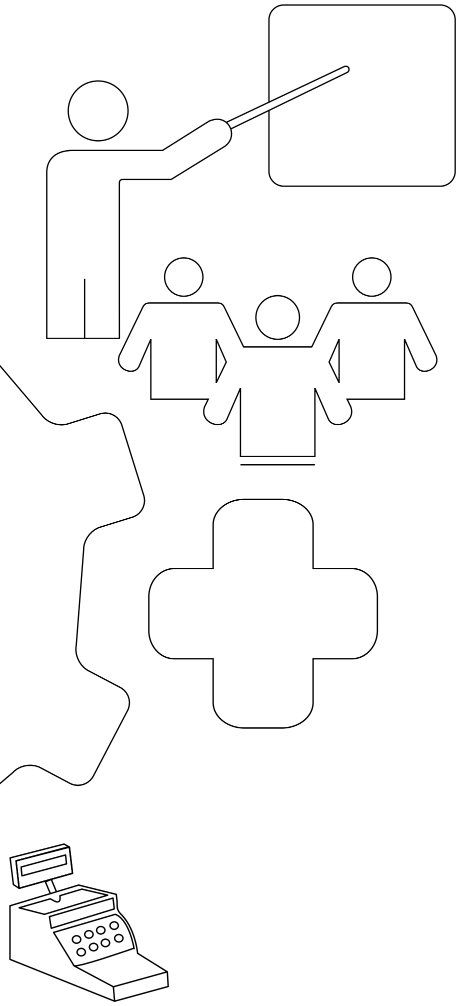
ANNUAL REPORT LUXDEV





2012

CONTENTS

A word from the President and the Director

Our economic and social environment is developing at an increasingly rapid pace and the development cooperation world is not escaping this change. We must constantly be open to this evolution in order to be able to respond better to our partners' expectations and in order to be able to assist them in implementing their development policies and reforms.

In this context, it behoves us to express our satisfaction at the consistency of the Luxembourg government in providing official development assistance (ODA). In 2012, against a very difficult economic background, Luxembourg remained at the top of the list of donors, with an overall contribution of 1% of its gross national product.

LuxDev's permanent challenge is to respond to the guidelines and expectations expressed by the Luxembourg government in its development cooperation policy and its sector-based and cross-cutting strategies.

Our commitments are both quantitative and qualitative.

From the qualitative perspective, our objectives of relevance, effectiveness, efficiency and sustainability are more important than ever. We must act in order for our investments to produce sustainable effects on the organisations we support and the services they offer to the populations concerned.

Given our ambitions, 2012 was a turning point for LuxDev.

In 2012, LuxDev carried out a new exercise to think through its strategy: this led to the production of a report called "Vision 2020".

The conclusions of this report were inspired mainly by the examination of our development cooperation policy carried out by the OECD's Development Aid Committee (DAC) in 2012.

In the conclusions to this examination, the DAC experts made the following specific observations: "Since the last review, LuxDev has made constant efforts to become more professional and to adapt to the new aid modalities. A strategic plan for the period 2010-2012 has been developed and widely disseminated under the name "Vision 2012" (LuxDev, 2010). Organised around four strategic objectives relating to quality, accountability, partnerships and knowledge management, it is given effect through detailed annual action plans, implementation of which is closely monitored by LuxDev management.

As a result, LuxDev has established a new human resource division as well as an "expertise and quality division" separate from the operations division. [...] This reinforced structure remains simple and appears appropriate to the agency's limited personnel resources (54 agents at headquarters).

LuxDev has also been pursuing quality initiatives, which have allowed it to maintain its ISO 9001 certification obtained in 2005."

In this context, we should also make the point that the Court of Auditors published a special report in May 2012 on Luxembourg Development Cooperation. On 11 October, our supervising Minister, Marie-Josée Jacobs, speaking in Parliament, stated her satisfaction at the fact that this report assessed LuxDev's operations positively and that the Court had not found any significant error in the Agency's financial management.

On 23 November 2012, LuxDev signed a new Agreement to work with the Luxembourg government in order to improve further the distribution of tasks between the two partners.

Against this background, "competence" naturally becomes one of the key concepts for LuxDev's future. LuxDev must demonstrate multiple competencies: operational and management competencies, sector-based technical competencies, methodological competencies (approaches, modalities, tools), risk mitigation competencies, etc.

The 2012 annual report illustrates, using concrete examples, the changes that have occurred in recent years.

A retrospective illustrates more precisely the path taken by LuxDev, from the stage where we implemented the projects using our own procedures to the current situation where, by systematically strengthening institutions, we support sector-based programmes in line with our partners' policies and procedures.

Finally, we must thank all those people who contribute on a daily basis to our company's success - your commitment and competency is our main asset.

Gaston SCHWARTZ
Managing Director

Jeannot WARINGO
Chairman of the Board of Directors

LUXDEV

KEY EVENTS
2012
★★★

★ 19 April 2012 ★

Annual meeting of the Practitioners' Network in Luxembourg

The 2012 annual meeting of the Practitioners' Network for European Development Cooperation was organised by LuxDev and took place on 19-20 April.

Over 40 representatives of 14 agencies, public development institutions and other institutions met at the Abbaye de Neumünster to discuss the future strategic directions for the network and to share experience and best practice.

Klaus Rudischhauser, the European Commission Director for Quality and Impact, gave a stimulating talk, which informed discussions led by Paul Engel of ECDPM (European Centre for Development Policy Management).

The annual meeting also saw the transfer of the presidency of the network from LuxDev to GIZ, while the Austrian Development Agency was welcomed into the Network's Core Group.

★ 1st October 2012 ★

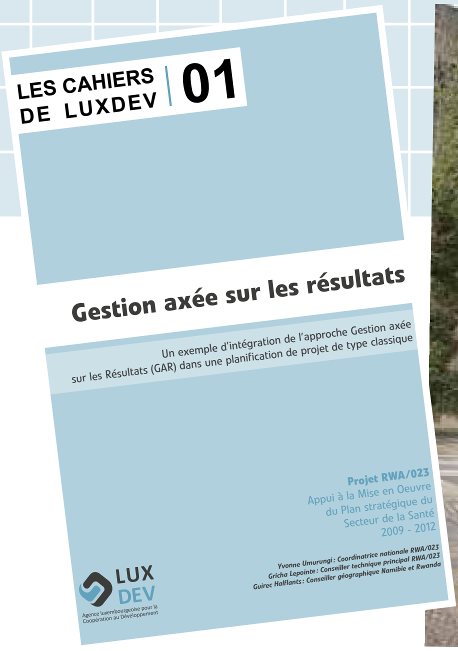
"*Les cahiers de LuxDev*" (the LuxDev Notebooks)

Results-based management - going beyond theoretical concepts

With a view to retaining best practice in the field, LuxDev is launching a series called "Les cahiers de LuxDev". The first publication is dedicated to recording the experiences of the team working on the project to support the implementation of the Rwandan Health Sector Strategic Plan (RWA/023).

Like a large number of international organisations, LuxDev has for several years applied the results-based management approach. This change of direction is a long, complex process for an organisation, since integrating the approach does not simply mean adopting terminology and creating technical tools but also applying a profound change in project management, through focusing systematically on results rather than on carrying out planned activities, and by optimising human and financial resources. This transition requires the development of a culture of performance at all levels, which in turn requires the alignment of all the programming tools, including monitoring and evaluation. This process has to happen gradually, the methodology has to change and people have to be educated in it.

The first "cahiers de LuxDev" sets out the lessons learned in Rwanda in establishing a monitoring system based on the Results-based management approach.


LES CAHIERS DE LUXDEV 01

Gestion axée sur les résultats

Un exemple d'intégration de l'approche Gestion axée sur les Résultats (GAR) dans une planification de projet de type classique

Projet RWA/023
Appui à la Mise en Oeuvre du Plan stratégique du Secteur de la Santé
2009 - 2012

Yvonne Umurungi : Coordinatrice nationale RWA/023
Gricha Lepointe : Conseiller technique principal RWA/023
Guirec Halflants : Conseiller géographique Namibie et Rwanda

LUX DEV
Agence luxembourgeoise pour la Coopération au Développement

Practitioners' Network

17 october 2012

Small farmers, big business

The Participation of the private sector in sustainable agricultural development

As part of the European Development Days, and as a member of the Practitioners' Network, LuxDev helped to organise a high-level panel to discuss the challenges and opportunities presented by inclusive business models.

The most recent policy context encourages development through private sector investment. Agricultural programmes are becoming increasingly orientated towards partnerships between donors, developing countries and the private sector. From a development policy perspective, inclusive business models promise to stimulate economic activity in a rural environment by improving income, employment and food security. However, these new initiatives must remain focused on food security and poverty reduction, paying special attention to family agriculture and sustainability.

Despite the fact that small farmers can organise themselves to benefit from the advantages of collective action and existing technological and institutional innovations, they are facing increasing difficulties.

Practitioners' Network for European Development Cooperation

23 November 2012

Signature of a new Agreement with the Ministry for Development Cooperation

On Friday 23 November the Minister for Development Cooperation and LuxDev signed a new Agreement on how the Memorandum of Understanding of 2008 which binds both parties should be applied.

The purpose of the new Agreement is to maximise the effectiveness of the Luxembourg Development Cooperation and in particular to define how the original 2008 Memorandum of Understanding should be applied, each party's role in the management phases of project/programme cycles and the nature and level of the communication and interaction between the Ministry and LuxDev in each phase.

The revision of this Agreement has resulted in improved understanding of our collective work.

LuxDev is a member of

PRACTITIONERS' NETWORK FOR EUROPEAN DEVELOPMENT COOPERATION

A network of practitioners...

The network is an open-platform for exchange, coordination and harmonisation between practitioners in the field of European Development Cooperation. Our ultimate goal is to improve and promote harmonised and joint activities between all the European actors, on the implementation level.

...a European initiative

We represent European Donor Agencies and Administrations who are directly involved in implementing development aid. We share experiences, good practices and tools and aim at developing joint operations, in order to deliver a specific European contribution to achieving higher levels of effectiveness in poverty reduction. Thereby, the EU, who is already the world major donor, will also be collectively a more efficient and innovative actor. The guiding principles, working methods and organisational structure of the network are described in the Charter.

Progress in Development Cooperation

http ://www.dev-practitioners.eu

LuxDev is a member of

learn4dev

JOINT COMPETENCE DEVELOPMENT

The vision of Learn4Dev is to promote improved aid and development effectiveness for poverty reduction through enhanced donor harmonisation in the field of competence development and training.

Learn4Dev's mission is to add value as facilitators of joint learning, open to donors and partners, in areas of high priority for aid and development effectiveness, by attaining the following objectives:

- developing and delivering of joint learning programmes;
- networking around specific thematic areas by making use of available resources;
- knowledge sharing and exchanging experiences on effective approaches to training and learning;
- promoting and sharing open courses within the network.

Learn4dev is an open and flexible network in which all can contribute and personal involvement matters. All jointly developed training material is available as public goods.

Facilitating competency development together

www.learn4dev.net

Our Vision - Steering a straight course in a changing world

dossier

Our Vision - Steering a straight course in a changing world

In 2008, LuxDev began analysing its strategic objectives as the bilateral agency for Luxembourg Development Cooperation. Given the rapid development of the context, LuxDev needed to adapt and diversify its approaches and working methods in order to respond to the new directions of development cooperation and to strengthen its role as a reliable partner to the Luxembourg Ministry of Foreign Affairs. In effect, the High Level Forums in Paris (2005), Accra (2008) and Busan (2011), the mid-term review of Luxembourg Aid carried out by the OECD Development Aid Committee in July 2010 and the publication of the Agenda for Change drawn up by the European Union in 2011 set out strong guidelines for the improvement of aid effectiveness, greater harmonisation and better distribution of tasks between donors, as well as a higher level of ownership by beneficiary countries. Given these fundamental changes, LuxDev has provided itself with the means to respond to the Ministry for Foreign Affairs' expectations and to enable it to comply with its international commitments regarding the bilateral aspect of Luxembourg Development Cooperation.

The analysis carried out by the Agency resulted in the development of four strategic objectives in 2008: these objectives constituted LuxDev's 2012 Vision. The annual report for 2012 assesses the implementation of the 2012 Vision and looks at how this has been incorporated into the Agency's interventions.

From this perspective, the 2012 annual report invites you to follow the development of the interventions in Luxembourg Development Cooperation's priority sectors in four different countries. We will see how the Vision 2020 has unfolded in the field and what repercussions these changes have had on the project and programme beneficiaries and the Agency itself. We will review successively the health sector in Nicaragua, the water and sanitation sector in Cape Verde, the local development sector in Laos, and the technical education and vocational training and natural resource management sectors in Burkina Faso. We will also give concrete examples of the extent to which the Agency has managed to take account of the cross-cutting issues of governance for development, the environment and climate change.

Vision 2012

The four strategic objectives of LuxDev's 2012 Vision:

- strengthening the reliability, effectiveness and sustainability of our interventions;
- LuxDev accepts responsibility for the accountability of bilateral development cooperation in Luxembourg;
- LuxDev has created partnerships and is committed to the international networks which heighten its effectiveness;
- LuxDev is a learning organisation which manages its knowledge and makes it available to its partners and the Luxembourg government.

Health

The health sector in Nicaragua: from the project-based approach to the programme-based approach

Health has been a priority sector for Luxembourg Development Cooperation from the start. The interventions take place within a well-defined international context, in particular the Millennium Development Goals (MDG) adopted by the United Nations in 2000 (three MDGs are devoted to health[1]), and national sector-based strategies. The health sector must also be seen as dependent on its main determining factors: access to drinking water and sanitation, environmental health and nutrition. No less important are the level of education and the position of women in society in developing countries.

Luxembourg bilateral cooperation is currently running projects and programmes in the health sector in 10 countries: Burkina Faso, Cape Verde, Mali, Rwanda, Senegal, Nicaragua, Laos, Mongolia, Vietnam and Kosovo. The example of Nicaragua illustrates the development of Luxembourg interventions in this sector over the last 15 years. In effect, Luxembourg Cooperation has financed interventions in the health sector in Nicaragua since 1997. The interventions under the first two Indicative Cooperation Programmes followed a certain philosophy, focusing on two principles: from 2002 to 2011, two consecutive projects supported the local health services (SILAIS[2] in Spanish) in Masaya, Carazo and Rivas to improve the coverage and quality of the health services as part of the decentralisation of the Ministry of Health's (MINSA) activities. In parallel, another project aimed to improve the quality, security and availability of blood products, working both with the Nicaraguan Red Cross and MINSA.

Under Indicative Cooperation Programme III (2011-2014), the "building of institutional and individual

1 MDG 4 : Reduce the under-five mortality rate
MDG 5 : Improve maternal health
MDG 6 : Combat HIV/AIDS, malaria and other diseases

2 SILAIS : *Sistema local de Atención integral en Salud*

capacities issue" which is an "objective of the Paris Declaration on aid effectiveness" is "present to varying degrees in the whole programme". "The new strategy of capacity building at institutional level[3] and at the Ministry of Foreign Affairs acts as a guideline for the efforts undertaken in this field. Emphasis is placed on the partner country's ownership of the initiatives in terms of change; the use of institutional analysis as a basis for formulating the programmes and projects; the joint selection, management and evaluation of technical cooperation, support for priorities that are locally agreed and the use of sources of local and regional expertise to supply technical assistance[4]."

A new way of working: institutional support and capacity building

The way Luxembourg Development Cooperation works in Central America has qualitatively changed since 2009 through the application of principles, dictated by the international agenda for aid effectiveness, which refer directly to the involvement of national institutions in supporting sector-based programmes and policies and the need to build these institutions' capacities.

As far as LuxDev is concerned, four main objectives have been identified for the Managua regional office. The first is to strengthen dialogue with the Ministry of Foreign Affairs in order to implement the recommendations in the DAC peer review, the Paris Declaration, the Accra Agenda and the EU's Code of Conduct on Complementarity and the Division of Labour in Development Policy. The second objective is to provide the LuxDev Managua office, drawing on experience in the field, with relevant sector-based analyses which will enable it to take a proper position and have a better dialogue with the institutions and donors. The third objective is to put in place a specific operational system which incorporates the new approaches and modalities being formulated and implemented. Finally, the fourth objective is to amend the mandates of the project management units, staff members' competencies profiles and the roles and functions of technical assistance staff.

From this, the technical and financial tools have been specified which will strengthen alignment with government bodies, e.g. single, integrated operational programming of projects, signature of Operational Partnership Agreements (OPA - definition, p.19), qualitative monitoring reviews of the interventions, project indicator and ICP dashboards and internal and external financial audits. In parallel, the active participation of Luxembourg Cooperation in the spaces for programme-orientated dialogue regarding the intervention sectors has led to an increase in actions which aim to contribute to the harmonisation of donors' work in Nicaragua.

The Health Sector Support Programme: integration and alignment

Since 2010, the health project currently under way has been steered so that it can progress in terms of alignment and building technical skills in Nicaragua. Considering previous experiences and new requirements, the new programme formulated in 2012, is built around three main pillars. The first pillar consists of making a financial contribution to the Nicaraguan Health Fund, FONSALUD, which assists in implementing the national health policy as set out in the Ministry of Health's multiannual plan. The second pillar of the programme is direct support for the implementation of the multiannual plan in two areas in the north of the country (Jinotega and Matagalpa) focused on MINSA's second strategic objective, which is to guarantee universal, free access to high-quality health services. Finally, the programme is receiving Luxembourg's support in operating the national blood transfusion system,

3 Grand Duchy of Luxembourg, Ministry of Foreign Affairs, Directorate for Development Cooperation, "Strategies and Directions: Capacity Building", Luxembourg,

4 Grand Duchy of Luxembourg and the Republic of Nicaragua, Indicative Cooperation Programme (2011-2014), Luxembourg, 4 April 2011

which consists of the Nicaraguan Red Cross's blood banks and the transfusion services of 28 hospitals in the country.

The actions intended to build health sector capacities had the special feature of having been developed initially by the local areas (SILAIS) and not centrally by MINSA. In effect, the Luxembourg Development Cooperation strategy for the health sector had until then focused on supporting the decentralisation of health services by strengthening the regional system. By becoming open to other modalities (joint funding), the current programme (NIC/025) continues to devote a large amount of money to implementing actions at the local level and strengthening blood transfusion at the national level.

Single strategic planning process and alignment with national strategies

As part of the application of the Vision 2012, since 2010 the project management unit has been abandoned and a single action plan has been drawn up based on MINSA's short-term institutional plan: each project action must meet an institutional objective and set out the corresponding funding sources (Nicaraguan state budget, Luxembourg funding). This exercise has strengthened the SILAIS' capacities to plan their activities and to schedule funding in good time; in addition, due to the existence of a single institutional plan, it has enabled MINSA's Directorate-General for Planning and Development to become involved in its monitoring.

The conceptual framework of the new programme focuses on total alignment with the Nicaraguan government's health policy. The programme is based on the strategic guidelines and institutional objectives of the 2011-2015 multiannual Health Plan - this enables a single planning process to be created at the central and regional level and identifies the various funding sources. It is made up of a monitoring system which uses the logical framework, its indicators and a basic quantitative and qualitative reference point.

This approach also applies to the initial efforts to create the national blood commission (CONASA), thus obliging MINSA to take ownership of the process and lead the management of transfusion medicine, with the Red Cross being responsible for blood collection, the preparation of blood products, their storage and distribution.

The alignment strategy for Luxembourg Development Cooperation has been gradual: the process began from the perspective of decentralising the health system and alignment of best practice at the local level which has helped to specify new cooperation modalities to strengthen the alignment at the central level.

Technical assistance for capacity building at the Ministry of Health

In spite of positive experiences, the national authorities had reservations with regard to the added value that external assistance could provide. The alignment efforts made by Luxembourg Development Cooperation and its capacity to adapt have built a climate of confidence between the two parties which has been the basis for drawing up a new technical assistance system for the current programme (NIC/025).

The programme's international technical assistant thus acts both as the single contact point for MINSA's heads of technical management at the central level and as the main coordinator of the programme's regional technical assistants in post in the regions. Together with the health authorities, he specifies the priorities for building the national party's technical capacities both at the central and regional level. In addition to these responsibilities, he ensures better monitoring of the institutional indicators of the results of the national health plan monitored by the Health Fund (FONSALUD).

The alignment efforts made by Luxembourg Development Cooperation and its capacity to adapt have built a climate of confidence.

Furthermore, an accounting assistant is working part-time in MINSA's administrative and financial department to build staff capacities and two more accounting assistants are working with the SILAIS in order to provide support for their administrative and financial management, including tendering.

Also, three regional technical assistants are directly integrated into the organisational structures of the SILAIS and the national blood commission in order to ensure the quality of the implementation and monitoring of the action plans.

It should be emphasised that the role of this technical assistance system is to build the capacities of the national party and is no longer, as was the case with the project management unit, to implement the activities itself.

Operational Partnership Agreements: a new, evolving and increasingly effective tool

As part of the project to support the regional health services (SILAIS), the delegation of Luxembourg Development Cooperation funds through Operational Partnership Agreements (OPA) has shown that the latter are an efficient tool to promote decentralised management of the SILAIS. These agreements are drawn up by LuxDev with its public partners (government and government bodies, ministries, authorities, offices, agencies, public investment funds, sector-based support funds, foundations, international institutions, technical and financial partners) in order to hand over the operational and/or financial management of a range of activities to them. As part of bilateral cooperation, the operational partners are, in principle, public bodies like the Ministry of Health and the SILAIS. Some parts of the interventions may also be handed over to private not-for-profit organisations: associations, NGOs, foundations.

The amounts delegated to the SILAIS under the first OPAs were relatively small and essentially for operating expenditure, which made the system fairly simple but limited in scope.

This modality has been under review since 2012 (see the insert on governance, p.20) to better take into consideration the Ministry of Health's whole administrative and financial structure, which is characterised by a limited degree of decentralisation, due to difficulties with regional administrative and financial capacities. Thus, it was decided to draw up an overall OPA granting major responsibilities at the central level without, however, discounting a substantial strengthening of human resources. This mechanism, based on three detailed operational plans giving the institutions' commitments, encourages ownership and facilitates monitoring processes.

The monitoring system

The integrated support programme for the health sector is aligned with the indicators of the national health plan results. In 2012, a dashboard of indicators for the ICP III general matrix was drawn up which enables changes to be monitored in the indicators on maternal mortality, infant mortality and the operation of the national blood system: percentage of voluntary donors and monitoring of volume of blood collected and processed compared to the national demand.

Coordination between the donors

In Nicaragua, there has been a "round table" (Mesa de Donantes) for the main health sector donors since 2005. In addition to being a forum for donors, a member of the round table becomes a focal point to support the Ministry of Health in sector-based coordination and organisation of the "Space for Dialogue on Programming", where the government and its partners in the health sector meet.

Luxembourg Development Cooperation has participated more actively in the donors' round table since 2010 by collaborating in revising the Health Ministry's management reports and short-term operational plans and by contributing its experts' advice to the process of drawing up the 2011-2015 multiannual plan. Luxembourg Development Cooperation has also participated in the specification of the 20 indicators which form the basis for monitoring the national health plan.

In 2012, Luxembourg Development Cooperation decided to contribute funding to the FONSALUD (joint fund) with a view to adopting the existing harmonisation tools in Nicaragua. However, at the same moment, bilateral grants to the health sector were substantially reduced to a level of only 7% of the sector's total budget, due to the withdrawal of several major bilateral donors (including the Netherlands, Sweden, Finland and Spain). This situation meant that the FONSALUD would become unsustainable from 2013 and there would be a problems with sector-based coordination between the donors and government. Since May 2013, there has been no further formal coordination between the donors, because of a lack of interest and the lack of a desire to take on the focal point role.

Another priority of Luxembourg Development Cooperation is the ability to promote the harmonisation of interventions at the local level by adopting a single operations rule with the Ministry of Health and the Inter-American Development Bank and greater coordination between actors (especially with town halls and civil society organisations). In addition, the strengthening of the national transfusion system requires close collaboration with the supply side of the service mainly provided by the Nicaraguan Red Cross.

OPAs - Operational Partnership Agreements

OPAs are defined as agreements established by LuxDev with its public and private partners as part of the implementation of the projects and programmes funded by Luxembourg.

They enable local partners to take over the operational and/or financial management of some or all of a project's activities, possibly by using their own management systems.

By transferring responsibility for the implementation of one or more sections of the projects to the intervention countries' partners, the OPA fulfils several objectives: building partners' capacities; mutual responsibility; improving aid ownership and aligning Luxembourg aid with partner countries' procedures and systems.

Prospects

The process of institutionalisation began with the use of technical tools (single action plan, OPA, audits, application of national regulation) at the regional level. This process gradually spread to the central level, taking advantage of the system offered as part of programme NIC/025. Although Luxembourg Development Cooperation's impact is minimal, it can be argued that the results in terms of alignment and ownership have been positive and recognised as such.

These efforts have also resulted in Luxembourg's membership of the FONSALUD. Unfortunately, this structure is under-funded and its sustainability is at risk. In the current situation, and given donors' lack of active participation, the leadership of the Ministry of Health is crucial in improving the sector-based approach. Luxembourg Development Cooperation may play a role at this level if additional resources are made available, since its system has been designed differently, to give priority to decentralised actions. This could be an advantage compared to other donors, since it enables experience gained in local areas to be transmitted to the central level and to sector-based coordination.

The five main prospects are: to support the gradual decentralisation of the management process in accordance with the standards of the Ministry of Health; to promote a process of harmonisation at the local level by strengthening coordination between the actors; to implement the monitoring of system the national health plan's 20 main indicators and carry out a pilot of this system at the local level; to establish the appropriate mechanisms so that MINSA directs the national blood transfusion system; and, lastly, to participate actively in implementing the recommendations made in the evaluation study of the sector-based approach which will specify the main directions of action in terms of health sector coordination.

The delegation of funds promotes governance for development

Before the Monterrey conference in 2002, the subject of governance for development did not form part of the focus of attention in the design of Luxembourg support. Since Monterrey, and especially since the Paris Declaration (2005), governance has become a basic aspect of the conceptual framework as a cross-cutting issue.

Since the end of 2009, and in accordance with the recommendations formulated in 2008 by the OECD DAC peers, Luxembourg Development Cooperation has formalised its governance strategy, making it a cross-cutting issue.

Independently of the overall importance of governance, the design and implementation of Luxembourg support places special emphasis on three aspects of governance: transparent management and accountability; effectiveness of public services and equal access; fighting corruption.

A retrospective look at the health sector[1] in Nicaragua, where three cooperation programmes have been run since 2002, shows precisely how the first aspect (transparent management and accountability) was applied in introducing financial delegation tools to the partners. These tools, which are both a framework and a support for the capacity building activities, have gradually encouraged the emergence of this important aspect of governance, while contributing to the partner's ownership and to alignment with the national systems.

Through a learning process which draws on the experience acquired, the three interventions have each used funds delegation tools which have gradually helped to embed transparent management and accountability in an ownership approach supported by capacity building.

1 NIC/014 Primary Health Care with the SILAIS in Masaya, Carazo and Rivas (2002-2007), NIC/020 Primary Health Care with the SILAIS in Masaya, Carazo and Rivas – Phase II (2007-2011) and NIC/025 Support to Nicaragua's Health Sector (2012-2014).

2002 — NIC 014

The programme document had been designed without any reference to governance but did propose an improvement in the transparency of the management of the SILAIS (local systems of integrated health care). Agreements at the decentralised level have enabled testing of the delegation of the implementation of Luxembourg funds, thus giving some substance to capacity building actions.

- agreements between LuxDev and each SILAIS;
- LuxDev procédures ;
- 22% of programme funds are delegated.

2007 — NIC 020

Built on the innovation of the first programme and increased the volume of funds delegated to the three SILAIS, firstly through traditional agreements and secondly by using a new tool, the OPA, from 2009 onwards, which offered the partners more independence and responsibility. These tools, which encourage decentralised support, greatly assist in improving accountability and management transparency.

- agreement, followed by an OPA between LuxDev and each SILAIS;
- procedures aligned with national procedures;
- 40% of programme funds are delegated.

2012 — NIC 025

Building on the wealth of experience gained from the first two projects, the NIC/025 programme is reaffirming even more strongly the commitment of Luxembourg Development Cooperation to harmonisation and alignment.

Two tools have been used to channel funds for delegation. A contribution to the FONSALUD enables the realignment of the process at the central level in order to strengthen decentralisation, in accordance with national standards, and a single OPA at central level authorises the Ministry of Health to make transfers to the SILAIS and CONASA under the Ministry's own responsibility and competence. By retaining the knowledge gained from the decentralised support provided by the previous two projects, these new tools contribute to the globalisation of good financial governance of the sector.

- One Support to FONSALUD;
- central OPA with the MINSA, which manages the transfers to the SILAIS and CONASA;
- national procedures;
- 72% of programme funds are delegated.


TALLER MOVIL
MINSA
COOPERACION
LUXEMBURGO
MINSA
COOPERACION
LUXEMBURGO

Water and Sanitation

The water and sanitation sector in Cape Verde: moving from infrastructure projects to supporting sector-based policy

For Luxembourg Development Cooperation, the field of water and sanitation is part of the vast sector of local development that also includes the sub-sectors of agriculture and food security, decentralisation and local governance, as well as natural resource management.

The Ministry of Foreign Affairs Directorate for Development Cooperation published its water and sanitation[5] strategy in 2012. This document makes particular reference to the 7th Millennium Development Goal, especially target 7C, which aims to reduce by half, compared to 1990 figures, the percentage of the population without access to drinking water and basic sanitation. This reference document also mentions that "Luxembourg Development Cooperation's response is not uniform. The intervention modes are integrated into the local context and address one or other field of action depending on the needs identified on the ground. Thus, water and sanitation interventions may be regarded either as a completely separate sector of intervention or as a component of a much larger programme of integrated rural or urban development, or as a health or education programme." The nature of the interventions varies greatly depending on the local situations; it also develops with time, as shown by the example of Cape Verde, which we will describe here.

In a country under major water stress, access to drinking water is crucial. Therefore, the water supply and access to sanitation are therefore priorities for Cape Verde and the scarcity of water obliges the country to ensure the smooth running of public services with a view to maintaining the resource in the long term.

5 Grand Duchy of Luxembourg, Ministry of Foreign Affairs, Directorate for Development Cooperation, "Strategies and Directions: Water and Sanitation", Luxembourg, 2012

> Every new water and sanitation project must be part of a sector-based development strategy.

The first water and sanitation project co-funded by Luxembourg and the European Union in Cape Verde dates from 1996 and aimed to improve the supply of drinking water in four municipalities on the island of Santo Antão: Ribeira Grande, Ponta do Sol, Paúl and Porto Novo. This project also included a sanitation aspect, through the creation of small sewer networks and septic tanks.

Although the physical infrastructure has been completed, the sustainability of the project was not totally assured, in particular due to the failure to take into consideration the organisational and financial aspects of the drinking water, waste collection and sanitation systems, as well as the lack of consultation of the population prior to project launch and insufficient mobilisation/awareness-raising during its implementation. The recommendations for subsequent projects pointed out that attention should be paid to qualitative aspects such as monitoring health indicators and creating overall conditions which enabled long-term sustainability, in particular organisational development, operational and financial management of the systems, staff training and raising awareness of the population.

The subsequent projects, which involved a) the supply of a drill at the national institute of water resource management and b) the first phase of the supply of drinking water to eight villages in the municipality of São Domingos on the island of Santiago and the preparation of the establishment of a domestic water supply network, strongly focused on the completion of infrastructure and the supply of equipment, with a weak inclusion of management aspects.

Introduction of management support components since 2007

This approach changed with the second phase of the São Domingos water and sanitation project, which integrated management support components. The objective was expressed in terms of improving the service and no longer in terms of improving the infrastructure: the goal was to enable the São Domingos independent water and sanitation company (SAAS) to supply an effective, accessible and sustainable water distribution and sanitation service.

In general, the objective of putting the São Domingos water company on the path to sustainable operational effectiveness has been achieved, although the notion of sustainability involves awareness and the political and institutional desire to consider it and consolidate it.

This project has greatly improved the tools and methods used in everyday management. There have been direct improvements in the quality of the service supplied to the population: wider coverage, better continuity of supply and improved water quality control. Nevertheless, this contribution in terms of tools and infrastructure, together with full-time assistance for two years, is not sufficient to ensure sustainability. Behavioural change, which is indispensable for establishing the professional working procedures proposed by the project, has taken a long time to materialise and the real impact of this work can only be evaluated over the long term.

The lessons learned from this project draw attention to the fact that every new water and sanitation project must be part of a sector-based development strategy. This strategy, which was not available in Cape Verde when the project was being carried out, ought to set out the major issues in the sector, include targets and propose a raft of reforms which will enable improved effectiveness within an independent, objective regulation of the sector. It was also recommended that the scale of intervention be changed and inter-municipal activity be started - this would be the only way of drastically reducing costs. Finally, it was recommended that field projects be mixed with institutional projects, since connecting institutional aspects with concrete practice enables projects to be more effective.

> Gradually we have moved from the approach of building infrastructure to the approach of supplying services to the population and then to developing and implementing a new management model.

Inter-municipal action and drawing up a new management model

The "Water and Sanitation in Fogo and Brava" project, which ran from October 2007 to June 2012 on these two islands of the archipelago, focused on optimising the operation and sustainability of Aguabrava, the inter-municipal water company. The project has actively participated in constructing a new management model for the service on national scale by strengthening the concept of the inter-municipal utility. Gradually we have moved from the approach of building infrastructure (first generation of projects) to the approach of supplying services to the population (second generation projects), and then to developing and implementing a new management model.

The action carried out must still be complemented by reforms at the national level and external support for additional investments (production, energy). This is the aim of the fourth generation project, "Support to the Action Plan for an Integrated Water Resources Management (PAGIRE)"; this project's activities began in 2012 and will run for a period of four years.

Effectively, as part of the 3rd Indicative Cooperation Programme 2011-2015, Cape Verde and Luxembourg decided to set out a sector-based project encompassing drinking water, hygiene and sanitation as well as water resources management aspects, in accordance with the spirit of the Action Plan for an Integrated Water Resources Management (PAGIRE).

The Support to the Action Plan for an Integrated Water Resources Management project has three separate, but linked, parts. The first part concerns the supply of drinking water on Brava and Fogo and is a continuation of the support provided to Aguabrava. This support is intended for the extension and rationalisation of the distribution networks, the improvement of the energy efficiency of the installations, the decentralised production of photovoltaic energy and the building of the company's capacities. The second part is devoted to hygiene and sanitation on Brava, Fogo and Santiago. It is based on the results of the previous projects and provides support to the municipalities of the three islands wishing to develop access to appropriate sanitation in the zones where collective sanitation is impossible (rural areas and urban fringes). The third part consists of support for the reform of the water and sanitation sector. This institutional part supports the Cape Verde government in introducing reform to the sector and building capacities, plus the creation of project guidelines on two of the three islands and support for the National Agency for Water and Sanitation (ANAS) once it has been created.

The technical assistance team is working within the Ministry of the Environment, Habitat and Land Planning and will integrate the ANAS as soon as it becomes operational. The team is not managing the project activities directly but it is supporting the implementation of the sector-based strategy.

Reform and sector-based cooperation

Support for the reform of the sector also assumes a contribution to improving planning and decision-making capacity (creation of guidelines), the monitoring and evaluation system, the actors' capacities, the mechanism of coordination between the partners and the level of policy dialogue on the sector-based issues.

This sector-based cooperation has for a long time been considered weak by all the actors: in 2010, the European Union took the initiative by forming a water and sanitation group made up of eight donors, with the aim of improving the synergy between interventions. The group is still only made up of external partners and the Ministry of the Environment has promised to appoint a governmental focal point to participate in it.

Energy efficiency and sustainable buildings, Cape Verde

Model of the future student residence in Praia, Cape Verde, designed by taking account of LuxDev's environmental recommendations and created by applying LuxDev's "clean site" specifications.

During 2010-2011, LuxDev designed a new acquisitions procedure for sustainable buildings. The aim of the procedure is to reduce the negative impact of buildings on the environment and to control the costs of buildings' construction and operation. The challenge is to increase energy efficiency, thus reducing the cost for the partner state of operating and maintaining the buildings once constructed.

This procedure applies to construction contracts for which LuxDev is the contracting authority, i.e. when partners have chosen to use LuxDev procedures.

The following principles and stages of the procedure have been specified:

- as early and as detailed architectural programming as possible in the process of implementing an intervention in order to integrate environmental concerns (orientation of building, shade and vegetation, local, solid and healthy materials; natural ventilation and light, well-being of occupants, renewable energy, conservation of energy);
- selection and appointment of project management and design based on environmental assessment and compliance;
- selection of construction enterprises based on the technical specifications in the environmental recommendations;
- site management that has as low an impact on the environment and safety as possible, given the context (water/electricity consumption, recycling of materials, restriction of nuisance due to noise, smells, movements of devices, waste management, information and awareness raising of employees and suppliers, protection of employees);
- monitoring of the environmental impact of the sustainable building, once completed;
- continuous improvement through feedback;
- influence of national environmental standards as part of programme-based and national execution approaches.

This sustainable buildings procedure has been tested in Cape Verde with the following results:

- no lack of interest on the part of architects' firms and construction companies for these contracts requiring environmental compliance. However, the specific environmental experience required is still not the norm;
- design of buildings in line with the principles of sustainability;

Construction progress of the student residence in Praia, Cape Verde, at the end of 2012.

- reduction and sorting of waste, reuse of what can be reused, disposal at the new landfill facility;
- awareness-raising of site staff by "clean site" officers, who are very willing and enthusiastic about this new mission;
- some buildings can operate without electric air-conditioning for nine months of the year.
- synergies: the skills required to construct, operate and maintain efficient buildings are obtained from professional technical training courses run by the new Centre for Renewable Energy and Industrial Maintenance (CERMI) currently under construction.

Model of the future Centre for Renewable Energy and Industrial Maintenance (CERMI) in Praia, Cape Verde, designed by taking account of LuxDev's environmental recommendations and created by applying LuxDev's "clean site" specifications.

LuxDev's advances are recognised and appreciated by its operational partners in Cape Verde. In other countries, LuxDev is noting a definite interest in developing environmental standards. For example, in Senegal, the 2010 Construction Code makes it mandatory to reduce as far as possible the energy consumption on air-conditioning and lighting in new public buildings and calls upon the relevant Ministries to specify the required features in terms of buildings' compactness, thermal insulation, orientation, lighting, control, natural ventilation and passive air-conditioning.

In the future, the construction of infrastructure will increasingly follow the national procedures for the management of public contracts. LuxDev will no longer be the contracting authority. Although the objective is to promote the cross-cutting strategies and principles of sustainability, especially when applied to sustainable buildings and to controlling operation and maintenance costs, this means doing so through a dynamic of dialogue and the gradual building of national capacities. This will lead to the creation and implementation of ambitious national standards for the environment and climate change that take into account specific contexts.

Construction progress of the CERMI in Praia, Cape Verde, at the end of 2012.

The donors' interventions focus on the urban environment and networks, funding as a priority extensions or repairs to the water supply networks, to the detriment of improving supply in rural environments; likewise, the focus is on constructing sewers and treatment plants rather than promoting independent sanitation (septic tanks, latrines).

In Cape Verde, there is no strategic financial planning in the water and sanitation sector, since there is no institution that might deliver clear leadership in the sector. Overall, the sector depends hugely on external funding, grants and loans, as well as funds supplied by households themselves, especially for sanitation. There is no longer any overall monitoring of the investments made in the sector, apart from estimates made by the donors themselves.

The sector has produced very few strategy and policy documents since the Water Code was updated in 1999. The most recent document was the publication of the Action Plan (PAGIRE) in November 2010; this was the completion of a process which began in 2007.

The project to support the PAGIRE differs from previous interventions in at least three ways: it has an integrated approach; a sector-based dimension, since the project is participating in the development of the sector in a cross-cutting way by supporting the ongoing reform; and a high level of complementarity, since the project is working in synergy with other donors' interventions that are planned or under way in accordance with the guidelines set out by the Cape Verde government. This complementarity is regarded as an indispensable part of the ongoing reform of the sector - much closer alignment between the development partners and between the government and the partners is needed.

Creating consistency between the three aspects of the project is a real challenge, at both the project and geographical levels. For the first two aspects, the actors and partners are mainly located at the local level (municipalities and operators) while the third aspect involves the national level (Ministry of the Environment, ANAS, transitional institutions). Consistency depends to a great extent on managing the technical assistance team such that a maximum level of dialogue between specialists and the pooling of problems is encouraged. Drawing up guidelines will enable a link to be made between the local and national levels.

local Development

Local development in Laos: in-depth work with the local authorities

Luxembourg has been involved in the local development sector in the province of Bolikhamxay in Laos since 1999. Subsequent interventions all addressed the objective of reducing poverty and improving food security and the livelihoods of the local population. The first two projects implemented between 1999 and 2005 essentially involved the building of infrastructure: irrigation systems, schools, piped drinking water, roads and marketplaces. They also included a community development aspect, with training and the introduction of village development funds.

The following two projects, which were run in parallel in the two districts of Bolikhan and Pakkading between 2004 and 2009, have in general taken the same approach as the previous two interventions and efforts had been made to harmonise their modus operandi.

The approach began to change with the formulation in 2009 of the new intervention, which was focused on the province's three poorest districts (Viengthong, Khamkheuth and Bolikhan), which are located in a mountainous area. The project is aligned with the national growth and poverty eradication strategy and the socioeconomic development plan. It focuses to a large extent on building the planning and performance skills of the government services in the province.

The project was significantly modified during the start-up phase in 2010 in order to increase its impact on poverty reduction, to improve ownership, alignment and decentralisation and to clarify the logical connections between the various intervention levels. This step is worth analysing against the background of the Vision 2012.

The poverty reduction strategy was very general and based on the assumption that all the activities would contribute to reducing poverty if they were

> It was possible to change the project strategy during the launch period due to the flexibility of the Lao and Luxembourg decision-makers.

correctly implemented by the government agencies involved. For example, irrigation systems were planned for the paddy fields because of these systems' improved yields and reduced environmental impact compared to the slash-and-burn cultivation traditionally practised on mountainsides. However, areas that can be irrigated are rare in the mountains and these systems only benefited a limited number of households, in general the more affluent families. A similar dilemma arose with regard to the provincial strategy of expanding the rubber plantations, since no poor family would be able to invest the time, land or money in cultivating trees which only start to produce rubber after five or six years.

The original design of the project was partly based on projects funded by Luxembourg in the same province between 2000 and 2009. However, the previous projects also involved districts located on plains, which had better access to the market, to public services and agricultural potential. This is why many interventions planned in the new project were not appropriate or had to be revised in order to correspond better to the more difficult prevailing conditions in the project's new intervention areas. For example, the microcredit model, which had worked very well in previous projects, would have had a greater risk of failure in the isolated villages with low commercial potential and limited access to veterinary services.

Furthermore, its implementation was still based on the project-based approach in the sense that the strategies, plans, budgets, staff, rules, etc. to be applied belonged to the project and not to the government services concerned. As a result, the possibility of promoting good strategic and operational governance within the public administration was compromised, as was ownership and accountability. The plan was also to employ a large number of technical consultants and administrative staff on the project itself, as had been the case with previous projects. This system would probably have ensured the good management and monitoring of the project but it would also have undermined the motivation and responsibility of the government services and their staff.

It was thus possible to change the project strategy during the launch period of the project due to the flexibility of the Lao and Luxembourg decision-makers. As a result, the project has focused on three essential aspects: poverty reduction, alignment and ownership as well as harmonisation.

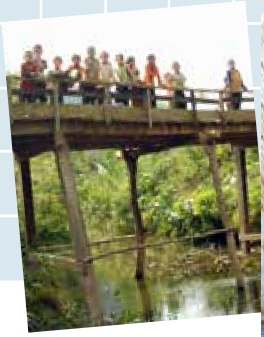
Poverty reduction

The first challenge was to ensure that the poverty reduction strategy is complete and consistent. Initially, it was decided to adopt the provincial authorities' poverty reduction strategy and its targets as applied to the intervention areas; this enabled official commitment to be made to the project and was the best entry point for partnerships.

Next, geographic targeting was carried out in order to work in the poorest villages in the three districts. 60 villages with a particularly high poverty level were identified; these villages had a population of around 35,000.

The planning of interventions in the villages was done with the participation of all the beneficiaries on the basis of a democratic choice of intervention priorities. A village development fund amounting to an average of 15,000 EUR was allocated to each village on the assumption that villagers had a sufficiently clear idea of their needs. Moreover, this delegation of responsibilities has built the capacity of village leaders and local representatives not only in terms of handling the Luxembourg project but, in general, in dealing with the authorities, suppliers of services and enterprises.

The project includes a major infrastructure component, which represents almost half of the total budget. In order to ensure that these investments have the best possible impact, they are aligned with



the government's priority criteria, which stipulate that all the villages must have access to schools, drinking water, roads, electricity and health centres. In agreement with the provincial and district authorities, it was decided that the project would concentrate on investments in school infrastructure and drinking water: these are the basic requirements for poverty reduction and benefit all the villages' inhabitants. The assumption was that roads and electricity would be supplied by the government through international loans, while the health centres would need to be part of a full health system which lay outside the scope of the project.

Finally, the project put special emphasis on the poorest families, stipulating for example that 20% of the village development funds must be used on them. Furthermore, support for education and vocational training was allocated to the poorest families, especially to girls who are at risk of leaving school and getting married before they reach the age of majority.

Ownership and alignment

The first step in facilitating ownership and alignment at the local level was to adopt the 2011-2015 provincial socioeconomic development plan and the districts' investment plans as a reference point for the project intervention, including the provincial development indicators and targets, the poverty measurement and statistical systems. A governance component is supporting this approach by building the authorities' capacity to manage these systems and is ensuring that the funds are made available for their operational application in accordance with the plans.

Ownership has also been improved through the delegation of responsibilities to the provincial and district authorities for most interventions and budgets and to the village authorities for the village development funds. Through the signature of formal agreements, the government services can use their usual systems for all aspects of planning, budgeting, implementation, monitoring and financial management. This system also has the advantage of being able to focus capacity building on the use of national systems rather than on donors' systems. In parallel, the project office can focus on organising capacity building, monitoring, technical support, quality assurance, supervision and financial auditing.

Some conditions for ownership and alignment have also been imposed, e.g. using the Lao language for all internal communications; greatly reducing the staff employed by the project and ensuring that the staff in post do not undertake activities that could be performed by government employees; using national systems and experts from Ministries or existing projects rather than employing short term experts.

The introduction of these modalities has enabled the project administration costs to be reduced to less than 15% of the total budget.

Harmonisation

Harmonisation is the commitment made by the donors to improve aid effectiveness by making joint provisions, simplifying procedures and sharing information. Contrary to expectations, these aspects are not necessarily self-evident, since each donor is often wedded to its own system.

The project in Laos has taken several measures not only to harmonise its work with that of other donors but also to enable the provincial authorities to lead the coordination and mobilisation of donors. Thus, during the start-up phase, the project supported the Provincial Department for Planning and Investment to coordinate public development aid better with aid provided by NGOs. This also improved the information management system, staff capacities and communication between government departments in the province. The project also supported the Provincial education Department to establish its

> The project was able to help other donors to identify, formulate and implement their interventions, due to the sharing of information and advice.

own plan for donor coordination and funds mobilisation in order to achieve the Millennium Development Goals in 2015. It is planned to extend this mechanism to other government departments in the province.

By improving information management, statistics and mapping in the province, the project was able to help other donors to identify, formulate and implement their interventions, due to the sharing of information and advice. This improved the quality and relevance of several projects and enabled the province to attract further funding.

From the practical viewpoint, the project coordinates its support with six other donors, NGOs and hydroelectric projects in the province of Bolikhamxay, although there is still not perfect harmonisation. The individual projects and management organisations still exist but synergies are emerging together with the awareness of their potential.

Results

During its first three years, the project supported the province and the district in the construction of 43 rural infrastructure projects, mainly schools and water supply systems, benefiting 23,000 people. The local authorities sharply improved their capacity to operate national planning, acquisition and monitoring systems. 40 additional construction projects have been developed and will be delivered in 2013.

The village development funds were set up in 43 villages with a total of 28,000 beneficiaries. They are managed by village communities, independently of local authorities. These funds are used for microfinance or loan initiatives; no less important is the fact that they have enabled capacity building and an improvement in villagers' knowledge of issues like planning, resource management and local democracy. In 2013, the 17 remaining villages will be incorporated into the system, which will increase the number of beneficiaries by 7,000.

The governance component has enabled the statistics and mapping systems to be improved, as well as other information systems; it has also supported the development of planning, monitoring, evaluation and donor coordination capacities and the promotion of private investment. However, some activities have been delayed, in particular the provision of public services such as agricultural outreach, education, land titling and land use planning. The main obstacle has been the absence of a strategy and planning in certain departments which are likely to have an impact on poverty in the isolated and remote project areas. Another concern is the need to use strategies which can be applied after the project funding ends. These problems fall under the efforts to improve governance and are an opportunity for the project to contribute to improving strategies at provincial and district level.

With regard to achieving the project objectives, the number of villages considered poor has been reduced from 60 to 30, while asset ownership indicators have registered an average increase of 220% in the beneficiary villages. Only five of the 60 villages have yet to achieve the target of an increase of 35% in household income by 2014.

During the mid-term evaluation, the villagers emphasised not only the improvement of their living conditions but also that the project interventions promoted local democracy, skills, gender equality and higher standards in public services. From the viewpoint of the provincial and district officials, the mechanisms of delegation are regarded as particularly useful for the promotion of ownership and motivation. This is no surprise, considering the fact that the project is transferring large sums of money to be directly managed by the villagers and officials of the public administration, but, since this is a new approach in this area, it is gratifying to see that the actors have also taken responsibility for more fundamental issues.

Lessons learned

Although it is a little early to judge, it seems that the project is a success both in terms of design and implementation. The smooth running of the project has been facilitated by the fact that the provincial authorities have understood and supported the theoretical ambitions involved, which has propagated them throughout the administrative system. Flexibility and adaptability have been integrated from the start into LuxDev's projects: they begin with a six-month inception phase, which allows for changes to be made to the initial design and strategies and implementation plans to be updated. The experience of former projects, like the capacities of the project staff and government officials, have also facilitated the course of action.

The results are also proof of a desire to draw logical conclusions from concrete situations. This includes the ability to say no to strategies or official plans with a low probability of producing the desired results for the benefit of the poor.

The project has also benefited from the fact of having a relatively wide mandate and of being able to work with numerous governmental departments at provincial level. As a result, the project does not have to support certain activities solely in order to be able to disburse funds. This has also created a certain degree of competition for access to funding, which has probably improved the quality of the interventions and compliance with planning. The project has taken time to wait for good proposals with clear objectives, plans and budgets before releasing funds. Some government agencies have, no doubt, been frustrated by the requirements to be fulfilled and have not been able to present proposals which could be funded; this has delayed some activities but, in the final analysis, caused services to improve their proposals.

The project has demonstrated that it was possible to create new intervention models and that the principles of aid effectiveness and accountability can be promoted at the same time as poverty reduction.

Promotion of biogas digesters

Rural development project in the western area of Nghe An province, Vietnam

This rural development project supports three isolated districts in the western area of Nghe An province in Vietnam. The majority of the population comes from five ethnic minorities; the farms and land available for cultivation are small or medium-sized and in mountainous areas and the number of animals per farm is limited. The lack of awareness of environmental problems, poor waste management and the overexploitation of forests for firewood create an environment that is often very polluted, affecting the inhabitants' health and living conditions.

These problems can be resolved through the introduction of biogas digesters on farms. The production of biogas enables human and animal effluent and organic waste to be transformed into energy (biogas) that can be used for cooking and lighting, thus reducing the use of firewood and electricity consumption. The by-products of biodigestion are used in the fields as fertiliser, replacing chemical fertilisers, the price of which is increasing.

A typical pioneer family is Mr Nguyen Van Que and Mrs Phung Thi Minh, who live in the village of Kha Choang, Chau Khe municipality, Con Cuong district.

Initially, the partners at district level were not very willing to support the introduction of this technology. Several meetings had to be organised in order to familiarise them with biodigestion on the farm. Finally, the district authorities permitted the construction of 10 demonstration units. The selection criteria of the beneficiaries related to their standard of living, their ability to share the cost of installation and the number of animals they possessed.

In the three districts concerned, only Con Cuong, which is located on the plains and is the wealthiest district, with a higher average number of animals per farm, displayed interest in the scheme. Works began in 2011 to install digesters designed by SNV (Dutch development cooperation) and with the technical assistance of the agricultural entrepreneurs trained by SNV, who in turn trained local builders. The Nghe An Agricultural Department coordinated the works and the district agricultural education officer acted as the implementing agent.

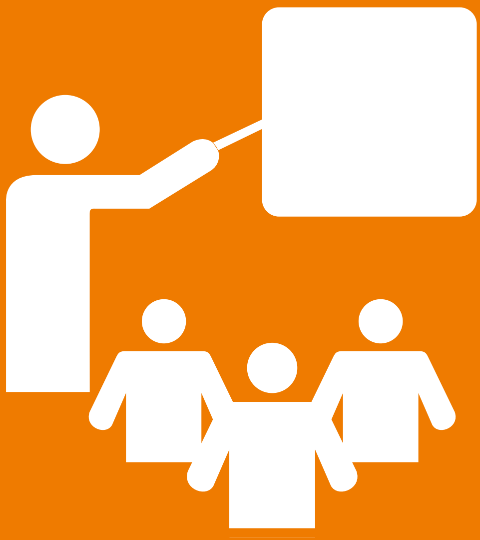
The success in the pilot district of Con Cuong and the arguments of the environment expert, on mission from the LuxDev head office in the province, convinced the other two districts to revise their position. As a result, Tuong Duong district identified 10 households in four municipalities. The installation works for the biodigesters took place in 2012.

During the two problem-free years of use of their biodigester, the beneficiary households have saved 45 to 60 EUR a year on the costs of gas for cooking, not including savings on fire-wood. The farms no longer have bad smells from pig-rearing, the surrounding areas are very clean and the pigs have fewer health problems. These facts convinced this family to nearly double its production in 2013.

10 units are planned for installation in the third district, Ky Son, in 2013.

At least 100 more units have been requested for 2013-14 in the pioneering district of Con Cuong and the Tuong Duong district has announced that it will run its own programme to support biogas using district's funds.

This small success story shows that sometimes you need a lot of time and perseverance to create interest and dispel misgivings. The approach which involved building demonstration models achieved better results than training courses and presentations. All the conditions have been met to enable the sustainable promotion of biodigestion in the three districts independently of the project.



Education
Vocational Training and Access to Employment

Technical and Vocational Education and Training in Burkina Faso: from functional literacy to a support programme for sector-based policy

The education sector in its widest sense is a priority of Luxembourg Development Cooperation. The interventions focus on i) basic education and ii) technical and vocational education and training (TVET). Luxembourg is funding TVET projects in Cape Verde, Burkina Faso, Niger, Mali, Senegal, Nicaragua, Laos and Vietnam.

In its strategy note on education[6] produced in 2009, the Luxembourg Ministry of Foreign Affairs emphasised that "the vocational training subsector is generally very under-developed in our partner countries. Therefore, structural support is needed that will finally enable the subsector to take on the programme approach and thus receive a larger portion of the funding intended for the education sector." It is precisely this approach which has been followed in subsequent interventions in Burkina Faso.

There, the interventions led by LuxDev in the vocational training sector have developed to include a large number of issues: organisation of national policy, approaches, capacity-building, types of technical assistance, implementation modalities, as well as sector-based coordination and coordination between donors. Thus, we have moved from a project-based approach to a more exhaustive programme-based approach.

Improvement and diversification of the training on offer

The first intervention in the education sector in Burkina Faso goes back to 1999 with a project which consisted of a) functional literacy training in a rural environment and b) integrated rural development

6 Ministry of Foreign Affairs, Development Cooperation Department, Strategies and Directions, Education: Basic Education, Technical Education, Training and Job Insertion, Luxembourg, 2009

> Wherever there were acceptable public finance management standards, the recommended modality was national execution of projects.

in the Hauts-Bassins region. This was followed by a project more directly focused on aspects of literacy and training for sustainable development in the same region.

Launched in 2008, the 3rd project, "Support for basic vocational training", is the first project genuinely focused on vocational training. It aims to establish a basic vocational training system that enables early school leavers aged 15-18 to obtain vocational training and a concurrent apprenticeship; this gives them a better chance of becoming integrated into working life. Its most obvious activities and results are at the programme development level and the implementation of programmes at the local level.

The project has focused on (i) an increase in access and a diversification of the training courses offered, (ii) an improvement in the quality of training provided and (iii) the strengthening of the bodies responsible for making the basic vocational training system sustainable.

The intervention has contributed to improving the training provision in the 28 partner establishments through supporting the acquisition of equipment and tools as well as funding training. Regarding the diversification of the training courses on offer, the project has supported the establishment of new training courses in several training centres and the creation of a new sector: training in agriculture/livestock farming at professional diploma level. The project has also contributed to carrying out, in partnership with the French Development Agency, two feasibility studies in the sectors of agri-food and construction sectors, which considerably refine the analyses of the main economic sectors carried out in drawing up the TVET action plan. A special emphasis has been placed on the development of access for girls and vulnerable persons to vocational training, and a particularly high rate of girls has been recorded among the recipients of the basic vocational training system (44%).

Training manuals have been revised in line with the competency-based approach; a local variant of dual training has been tested, alongside the training of trainers and master craftsmen. The fact that there are two Ministries involved in technical and vocational education and training has created a pathway to better interministerial collaboration and has opened the door to collaboration with the other 15 Ministries with a link to this issue.

Wherever there were acceptable public finance management standards, the recommended modality was national execution of projects. In other cases, the project was run directly by LuxDev. Improving the management of vocational training centres has become more important, together with the analysis currently in progress and the strengthening of their administrative and financial independence.

The "Support for basic vocational training" project has enabled us to realise that to address the challenges of technical and vocational education and training at the local level it is important to have a presence at the national level - the level of government guidelines and centralised management - even though the project had chosen a bottom-up approach.

The Luxembourg Development Cooperation office (Embassy) in Burkina Faso, as the leading partner in the TVET sector, has started a strong, transparent political dialogue with the government, while establishing strong bonds of trust at the micro level, due to the project team, and showing that Luxembourg Cooperation is a valid, relevant and sustainable partner, based on tangible results and monitoring of technical assistance. This dialogue has led to the creation of several strategic documents: the 2008 national policy document for technical and vocational education and training, the 2009 guidelines and the 2010 multiannual action plan. In turn, the project has supported the Embassy's Cooperation Office in all the technical aspects - this is an excellent example of the implementation of the second objective of the Vision 2012.

Support for sector-based policy

The high number of technical and financial partners and the desire to improve aid effectiveness by reducing transaction costs and by adopting joint approaches and funding show the importance of good aid coordination and an open, confident dialogue with the government on sector-based policies, institutional development and capacity building.

This observation was the basis for the formulation of the "Sector Policy Support Programme (SPSP) for Technical and Vocational Education and Training in Burkina Faso", which was completed in 2012. The development of this programme took a relatively long time, due to the participatory process used, which involved all the stakeholders, including the three bilateral partners: the Austrian development cooperation agency (ADA), the French Development Agency (AFD) and LuxDev.

A memorandum of understanding signed in 2009 by AFD, GIZ and LuxDev played an essential role in the slow but regular development of the SPSP, both at head office and in the field. It enabled AFD and LuxDev to make progress together in terms of technical content, processes and procedures in the vocational training sector.

The joint funding agreement signed in June 2012 by the Burkina Faso government and the three main donors specifies all the essential aspects of the implementation of the programme, such as the partners' responsibilities, the programme objectives, the legal basis of the documents, the organisation and management of the programme, the reimbursement and replenishment procedures, monitoring and evaluation, audits, non-compliance clauses, corruption, fraud, inclusion of new donors, arbitration and final provisions. This agreement constitutes real headway and is in line with the first three objectives of the Vision 2012. Ownership and national responsibilities are also being greatly strengthened as a result of the SPSP.

The main results expected of the new programme involve: the funding of training in the sectors which are key for economic development and employment via the Vocational Training and Apprenticeship Support Fund (FAFPA); the improvement of the appropriateness for employment of the training courses offered; and the tools and human resources to be put in place at the Ministry of Youth, Vocational Training and Employment, the Ministry of Secondary and Higher Education and the Ministry of National Education and Literacy in order to steer the TVET sector.

This programme works better using a top-down approach, complementing the previous project, which operated bottom-up; this two-pronged approach enables all viewpoints to be taken into consideration and better distribution of information between the various levels of intervention.

The results are focused on the support to the two main actors, the Support Fund and the Ministry of Youth, Vocational Training and Employment, so that they can carry out the tasks for which they are responsible. The rapid, full capacity building and institutional development of the two main actors have been key aspects from the start. An institutional audit carried out before the national SPSP started has enabled the FAFPA to review its administrative and financial procedures manual and recruit additional staff.

The first joint monitoring mission, which involved the representatives of the Burkina Faso government and the donors, took place in November 2012.

The technical assistance supplied by the programme corresponds more to the facilitation of national processes rather than the traditional technical assistance approach, which directly delivers the products, services, works or equipment, as was the case in the previous project. The emphasis was placed on capacity building and the approach selected is to specify technical assistance in line with demand rather than what is on offer. The specific needs of the country and the sector must be reflected in all

> The alignment of all the donors behind the sector-based policy and its support programme avoids duplication and donors being at cross purposes.

the actions undertaken and must be appropriate for the political, socioeconomic and institutional context. This avoids the use of parallel project management units and technical assistance must report to the national bodies rather than the donors only, thus optimising harmonisation and alignment with national procedures. The priority given to capacity building, especially during the formulation process, has enabled considering the SPSP already in the formulation phase.

The design of technical assistance takes into account alternatives to reduce the use of long-term international technical assistance teams. This includes using national and regional resources and networks such as the African network of vocational training funds and institutions (RAFPRO), the International Labour Organisation (ILO) and the *Agence internationale de la Francophonie* (OIF). Special attention has also been given to support via "*missions perlées*", which are a set of consecutive short-term missions with permanent support and designed as coaching missions; they can be mobilised on demand and in accordance with the national party's programming.

The main result obtained by the programme at this stage is without a doubt the alignment of all the donors behind the SPSP, which avoids duplication and donors being at cross purposes. The implementation of the national TVET policy does not allow donors to fund projects outside the specified framework. In addition, maintaining a permanent dialogue with all the donors is an arduous yet gratifying task which enables them to speak with a single voice.

With regard to the aid modalities, a joint funding agreement has been negotiated between the main donors (Austrian development cooperation, AFD and LuxDev).

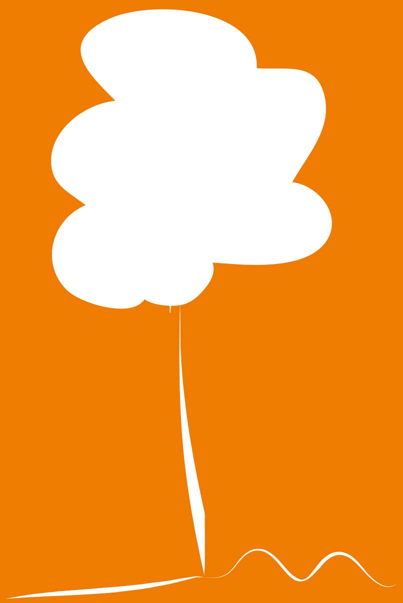
Testimonial from the General Director for Vocational Training at the Ministry for Youth, Vocational Training and Employment

Testimonial on the SPSP

" I have gained pride and faith in the future of vocational training in Burkina Faso from the formulation stage of the TVET Sector Policy Support Programme (SPSP-TVET). That pride comes from the mobilisation and, to a large extent, the participation of all the actors. Institutions, civil society, economic actors and vocational consular chambers, everyone contributed to it in an exemplary constructive spirit. It is this active participation which has given me faith in the promising future of vocational training in Burkina Faso. The SPSP was produced by the actors involved in training in Burkina Faso, who should feel committed to its implementation. The SPSP is also the fruit of synergy of action and cooperation between and with the Technical and Financial Partners. This mobilisation around the SPSP has political and governmental support at the highest state level. The Prime Minister mentioned the spirit that the authorities and the Burkina Faso people are creating in this programme, both in his general policy statement on 30 January 2013 and in his state of the nation speech on 4 April 2013 to the people's representatives.

The SPSP is a national creation which benefits from the experience, advice and support of Burkina Faso's partners. Let us all take a chance that it will be a springboard for the qualitative and quantitative transformation of the TVET landscape in Burkina Faso. "

Ambroise BAKYONON
Chair of the SPSP-TVET formulation committee
DGFP/MJFPE 30 April 2013



Natural Resources Management

The natural resources sector in Burkina Faso: from developing two classified forests to support for the national forestry programme

Luxembourg has been funding interventions in the natural resources sector in Burkina Faso for the last 10 years. The first project looked at the participatory developing of the classified forests of Dindéresso and Kou. The objective was to restore and maintain the forest cover in these two forests through participatory, sustainable planning. The project has succeeded in greatly reducing logging and other activities that are harmful for forestry resources. The inhabitants of nine villages and two peripheral urban areas have been directly involved in the management of two classified forests and alternative income-generation activities have been set up.

As a result, from February 2007 to July 2012, LuxDev implemented a support programme for the management of natural resources in the Bobo Dioulasso Basin. It was part of the local roll-out of the poverty reduction strategy and aimed to promote and facilitate sustainable, participatory management of natural resources in the Hauts Bassins region. Its scope was much larger than that of the previous project: it affected five classified forests with a total surface area of 12,200 ha and covered 26 villages: a beneficiary population estimated at 80,000 persons.

The project was part of the national action plan for the environment and sustainable development; both provincial and local environmental issues were taken into account. The activities implemented under the project were larger and more ambitious than those of the previous project and focused around four main pillars.

The first pillar was devoted to building capacities in terms of natural resource management by decentralised, non-governmental actors. The project has acted as a tool to implement the institutional and legal reform plan for the decentralisation of the forestry sector. Institutions needed to be supported so that they can exercise their mandate of managing natural resources: institutional support and specification of regulatory tools, support for the logistical plan, training of actors, communication strategies, consultation frameworks and regional workshops.

The second pillar was the restoration and participatory management of Bobo Dioulasso's peri-urban classified forests and neighbouring forested areas. The project played a pioneering role because this was the first land-use plan that passed all the approval stages following the introduction of participatory planning in Burkina Faso. The activities connected with the land-use and management plans have generated substantial income for the members of the forestry groups through selling wood and non-timber products.

The third pillar aimed at the updating of the management plans of the local areas implemented by the village development councils and the local administrations in the Farako-Bâ sub-basin and the neighbouring classified forested areas.

Finally, the fourth pillar focused on the introduction of a process of integrating the suburban classified forests, neighbouring areas and the town of Bobo Dioulasso into one area. The project's approach, by its nature participatory, enabled many actors to work together and promote transparency. The support provided to the village councils promoted communication between village inhabitants and the passing on of information at the local administration level.

The expected impact in the medium and long term is that the activities involved in forestry planning, reforestation and the conservation of communal spaces will contribute to maintaining, or increasing, forest cover, with a view to limiting the damaging effects of climate change.

For the Forestry Administration

“Project BKF/012 has done a good job in managing forests and educating the beneficiary populations through awareness-raising and support for the creation and adoption of land-use plans for the four classified forests around Bobo-Dioulasso.

Our advice to the Houet Provincial Department for the Environment and Sustainable Development is that project BKF/019 should place more emphasis on knowledge retention through supporting the process to adopt the two remaining draft land-use planning projects and assist in their implementation.

By providing funding, the experience gained from project BKF/012 in the field of creating and planning forests could be extended to the other 12 forests in the Hauts-Bassins region's three provinces.”

Robert SOME

Institutional support for the creation of the national forestry inventory

In parallel to the support project for the management of natural resources in the Bobo Dioulasso Basin, Luxembourg Development Cooperation is contributing to the creation of the second national forestry inventory (IFN 2) as part of a project which is running from January 2010 to December 2013. The project's specific objective is to build national capacities to maintain a permanent inventory of forest resources in order to create sustainable and decentralised management.

This project is focusing on three results: the establishment of a national, decentralised system which enables the production, analysis and diffusion of the results of the inventory; the creation of the forestry inventory by the national unit of the forestry information system, the results of which are disseminated using the system created as part of the first result; and the practical application of the first two results through the dissemination of and education on the content of the inventory, with support for local authorities for the good use of this data as part of their local land-use planning policy.

The second national inventory project provides gradually reduced technical and financial support. At the end of the project, the national unit of the forestry information system must be able to function completely independently. The project is designed as an experimental methodological space for making an inventory of financial resources and resources used for carbon accounting, especially for non-timber forest products, urban trees and in terms of forestry information management.

Support to the forestry sector at national level

2012 marked an important step with the formulation and start of a genuine Sector Policy Support Programme (SPSP) for the Forestry Sector in Burkina Faso" (PASF[7]). This programme, which will last five years, has been cofinanced by several donors, the first of which are Luxembourg and Sweden, at a cost to each of 11 million EUR. It is a strong partnership with the Ministry of the Environment and Sustainable Development, reflecting the desire of the Burkina Faso government to assist the management of forestry resources using a consistent and coordinated sector-based approach.

The PASF was designed in line with an overall approach: the support is intended for the forestry sector throughout the whole country and integrates institutional, financial, technical and operational aspects.

The overall objective of the PASF is aligned with the objective of the forests sub-programme under the national programme for the rural sector. The PASF sustainably highlights forest resources and helps to lay the foundations for sustainable rural development that can create strong, lasting growth in order to combat poverty and food insecurity.

The funding and implementation modalities are also a major step forward: external resources are mobilised using a joint funding resource held by the central bank. There are three preferred implementation arrangements: firstly, for activities connected with capacity building, the Ministry of the Environment's systems and procedures, based on an annual work plan. The second arrangement involves the fund for environmental action. This tool, specified by the Environment Code, will be introduced during the first year of the support. The technical and financial partners' systems and procedures, which exclusively concern the mobilisation of international technical expertise and the related costs, make up the third arrangement. The plan is that a single partner shall be authorised by the other parties to manage this component.

7 *Programme d'Appui au Secteur forestier*

Testimonial of the Chair of the Farakobâ Village Development Council

On behalf of the *Union de Gestion Conservatoire des Eaux et des Sols du sous-bassin de Farakobâ* (UGESFA):

" The degradation of the Farakobâ sub-basin was a real disaster for us , the inhabitants of the affected villages, since it damaged the basis of our production: the land and the natural resources.

Project BKF/012 enabled us to improve our abilities to conserve water and soil and our organisational skills.

We now have many assets when it comes to restoring the sub-basin. In implementing project BKF/019, described here, we would like more emphasis to be placed on our facilities and assistance to scale down the experiences undergone in the entire Kou basin. A panel discussion would help to channel the technical and financial partners' efforts better to ensure improved management of the activities which are undertaken. "

Daouda OUATTARA
Chair, Farakobâ village development council

The approach selected for the implementation of the forestry sector support programme is a gradual one: a first phase of three years must enable capacity building of the Ministry of the Environment's central and decentralised services and the services of the other actors in the sector. The approach must be subjected to an external independent evaluation in order to verify whether the expected results have been obtained and whether it has improved eligibility for the Ministry of the Environment's sector-based budget support. Depending on the results of the evaluation, the management system may then develop to require the national party to accept greater responsibility, or may remain unchanged if progress is deemed to have been insufficient.

From Vision 2012 to Vision 2020

From Vision 2012 to Vision 2020

The development of the interventions assigned to LuxDev in the health, water and sanitation, technical vocational education and training and natural resource management sectors highlights several major points which fulfil the objectives set out by the Agency in its Vision 2012.

The reliability, effectiveness and sustainability of the interventions were improved by the transition from the project-based approach to the sector-based approach. We have seen that in all the sectors, Luxembourg Development Cooperation has gradually moved from the implementation of local, independent projects that were often focused on the creation of physical infrastructure to more general support for the sector-based policies at the national level. This development has not occurred overnight and has not made the same progress in every country or sector. It has obviously been faster where partner countries have a genuine sector-based strategy. This is especially the case in the health sector in Nicaragua, a sector that has traditionally benefited from the strong presence of donors. In the sectors where national strategies have not yet been fully drawn up, Luxembourg Development Cooperation has nonetheless tended to use the programme-based approach in order to support the creation of the sector-based strategy and contribute to its implementation, along the lines of the water and sanitation sector in Cape Verde. The fact that Luxembourg Development Cooperation has participated in projects for many years at the local level enables it to make use of this experience in the field in dialogue on the sector and gives it legitimacy and credibility. This dual vision, local and strategic, is a major asset in dialogue with the national authorities and the technical and financial partners.

The change of approach has led to a change in implementation modalities. The agency has moved from managing project activities itself (so-called "direct administration") to more or less advanced and integrated types of national execution. The project management units have tended to disappear in accordance with international recommendations. The field of national execution is changing rapidly: initially it was a reduced aspect of the mix of implementing arrangements alongside direct administration. The first Operational Partnership Agreements restricted national execution to some precisely specified activities and strictly delineated the responsibilities delegated to the national partners, with restricted financial transfers. Gradually, the scope of national execution has been widened and the amounts supplied for the Operational Partnership Agreements (OPAs - p.19) have grown, to the extent that in the health sector in Nicaragua, LuxDev has signed a single OPA with the Ministry of Health covering all the activities in the programme except for technical assistance, monitoring and evaluation and auditing. In some cases, the financial transfers correspond to the contributions to the joint sector-based funds wholly managed by the national party.

The new approaches and execution modalities have changed the role of technical assistance within the projects and programmes. It is no longer a case of doing things ourselves but of advising, training and guiding. The primary role of technical assistance is now to develop and build the partner institutions' capacities. It must provide the added value of knowledge, skills and expertise. The ability to transmit these aspects is essential. The type of technical assistance is changing in a similar way: we have moved from the chief technical adviser in post for the entire duration of the project to more flexible arrangements, with the regular presence of a technical assistant to ensure consistency, continuity and quality of intervention, combined with shorter, specific services which meet specific needs and can be carried out by national or regional experts. Technical assistance may also end up acting as advice to Luxembourg Development Cooperation, especially

Académie d'été : Vision 2020

on technical aspects of sector-based dialogue and as a warning signal if there are difficulties with national execution.

The notion of partnership, which is objective 3 of the Vision 2012, has been considerably strengthened. LuxDev has built partnerships with NGOs, bilateral development agencies (especially those of France, Austria, Spain and Belgium) and multilateral ones (European Union and United Nations agencies). The Agency has also been part of several networks such as the Practitioners' Network for European Development Cooperation, EUNIDA, Learn4Dev and the OECD communicators' network (DEVCOM).

Over the last few years, LuxDev has also been committed to address in a concrete way the cross-cutting issues of gender, governance, environment and climate change. An expert has been appointed at the Agency's head office for each of these three issues. The new interventions now take these three issues systematically into account from the formulation stage and specific actions are included in the programme documents.

The developments mentioned here have led LuxDev to modify, adapt and perfect its internal processes. We have moved from being an implementing agency to a development agency. The required skills are not the same. To give just one example, the introduction of the Operational Partnership Agreements has followed an iterative process which is never complete and the complexity of which does not stop increasing; risk management has become fundamental, as has the monitoring and checking of operations. The human resources department is also at the heart of the change, since the skills required have changed a great deal, both internally and as part of the interventions. The quality control process, which was launched in 2004, has, in this respect, played a crucial role in organising the Agency's processes, while still enabling them to develop and adapt. In fact, the capacity to plan future developments and prepare for them is fundamental.

LuxDev is well aware of this challenge and has developed its 2020 Vision, which will guide the Agency's actions for the next seven years. The Agency has also identified 16 operational objectives which will contribute to making the Vision 2020 effective and be gradually implemented in the field.

The four pillars of the Vision 2020:

- we are a reliable and effective partner in meeting the commitments of Luxembourg Development Cooperation;
- we are close to realities in the field, we are operational and flexible while also complying with our values. This enables us to work for multiple agencies;
- together with our partners, we are committed to achieving results in sustainable, inclusive development through capacity building;
- we invest in developing our skills and in retaining the knowledge and experience we have gained.

VISION 2020

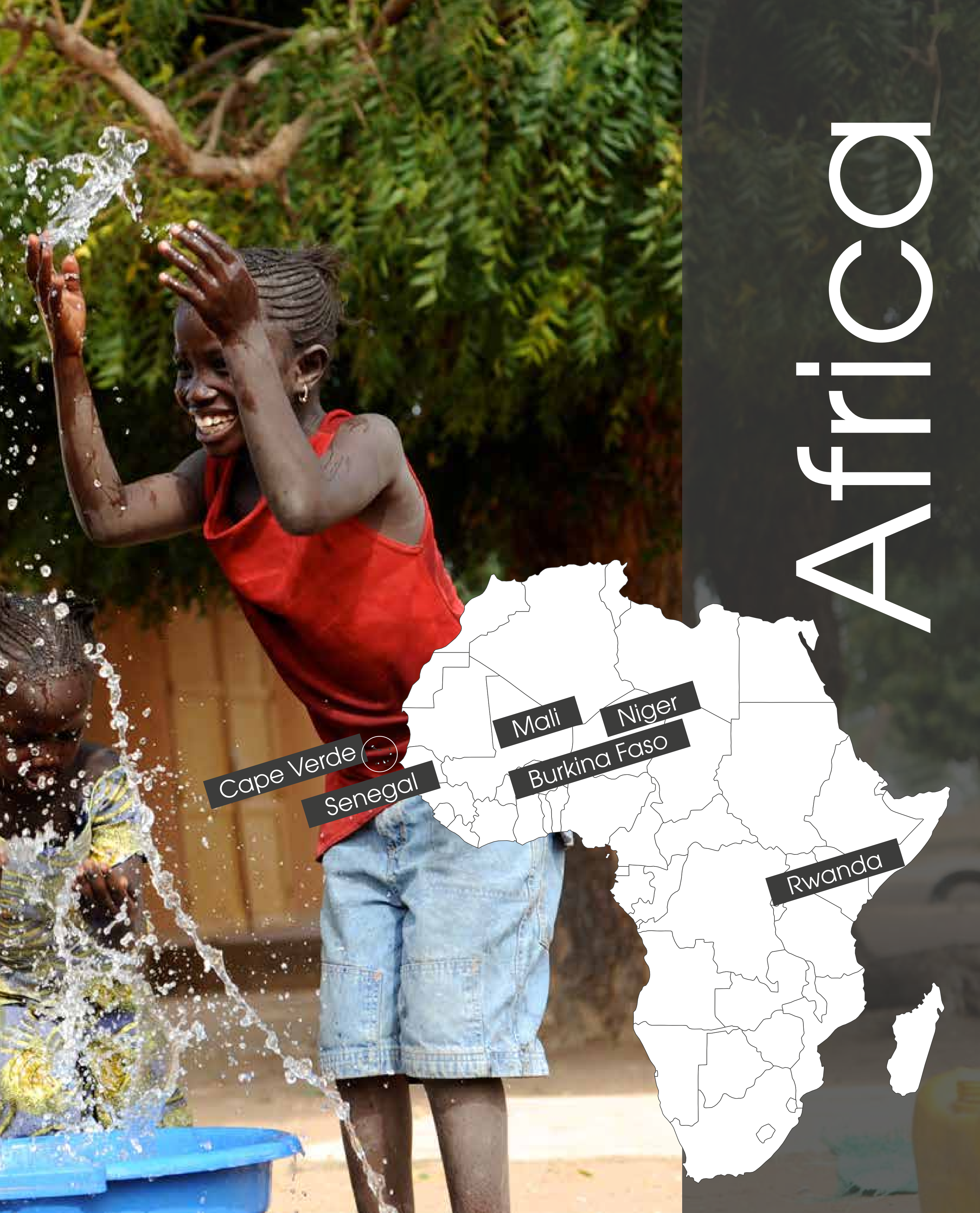
LuxDev is a member of

Luxembourg
Round Table
Microfinance

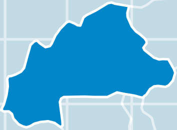
Luxembourg's multi-stakeholder microfinance platform for facilitation, stimulation and innovation.

14 members from private, public sector and civil society.

www.lrtm.lu


Africa
Mali
Niger
Burkina Faso
Cape Verde
Senegal
Rwanda

Burkina Faso



HDI: 183 / 187
Capital: Ouagadougou
Population: 17.8 million
Area: 274,200 km²
Literacy rate: 22%
Life expectancy at birth: 54 years
Population growth rate: 3.07%

BKF/011 Vocational Training in Burkina Faso

duration: **2007 - 2013**
Total Budget: **5,000,000**
Disbursed 2012: **845,602**

BKF/014 Literacy and Training for Sustainable Development in the Hauts-Bassins Region – Phase III

duration: **2009 - 2013**
Total Budget: **3,000,000**
Disbursed 2012: **346,339**

BKF/015 Support for the Development of a National Forestry Inventory

duration: **2010 - 2014**
Total Budget: **4,000,000**
Disbursed 2012: **1,109,901**

BKF/016 National Programme for Multifunctional Platforms

duration: **2010 - 2015**
Total Budget: **12,000,000**
Disbursed 2012: **2,521,325**

BKF/017 Support for the Dissemination of the Azawak Zebu

duration: **2010 - 2015**
Total Budget: **6,000,000**
Disbursed 2012: **913,040**




BKF/018

Implementing the National Education and Technical and Vocational Training Policy in Burkina Faso

Total Budget: **10,000,000**

duration: **2012 - 2017**

Disbursed 2012: **462,422**

BKF/019

Implementing the National Forest Resources Management Programme

Total Budget: **11,000,000**

duration: **2012 - 2017**

Disbursed 2012: **77,682**

BKF/020

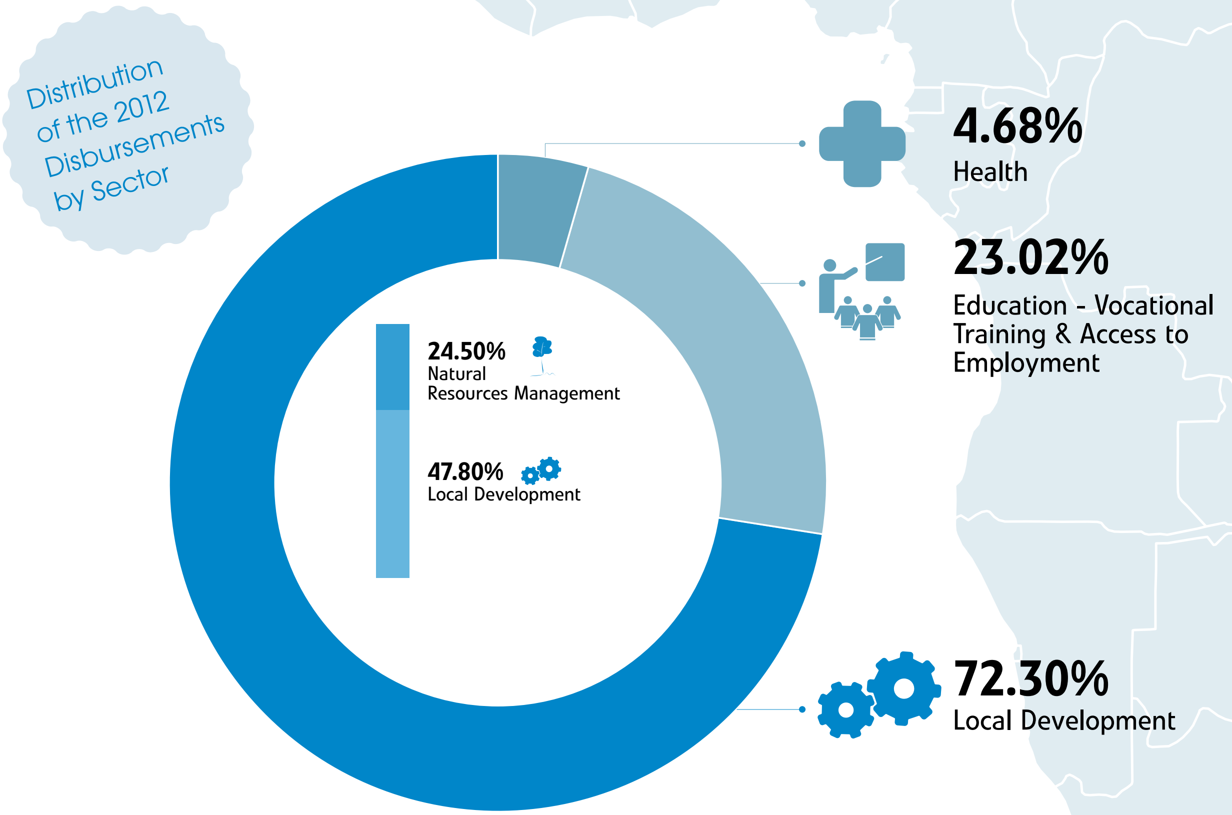
Support for the Strategic Plan to Improve Blood Transfusion

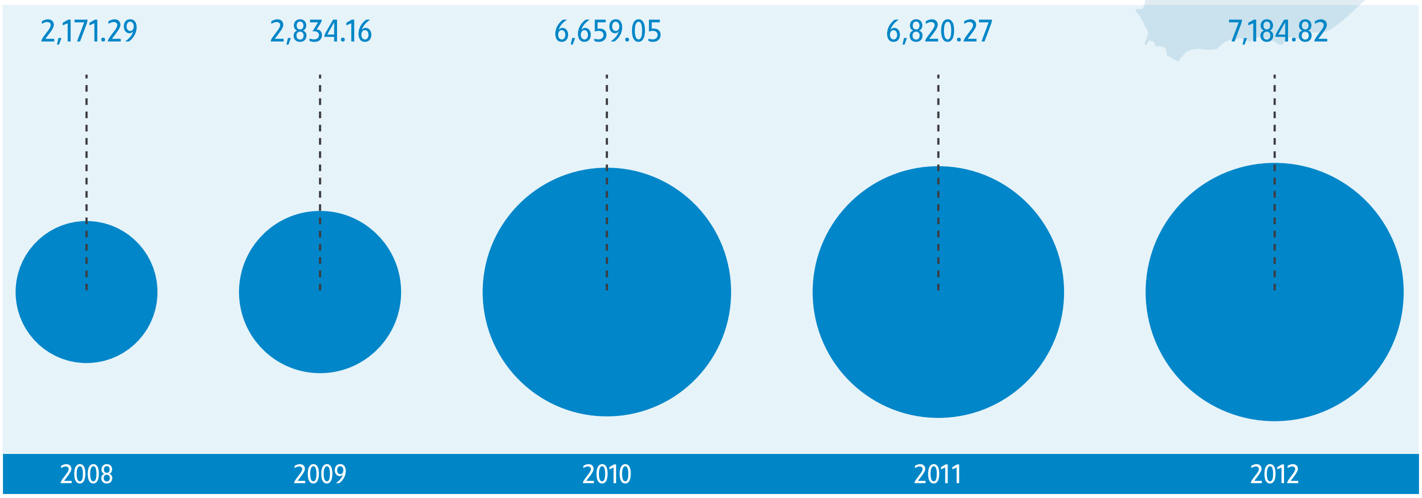
Total Budget: **7,500,000**

duration: **2012 - 2016**

Disbursed 2012: **336,171**

Burkina Faso





Evolution of activities in Burkina Faso (in thousand EUR)

Cape Verde

HDI: 132 / 187
Capital: Praia
Population: 0.5 million
Area: 4,033 km²
Literacy rate: 84%
Life expectancy at birth: 71 years
Population growth rate: 1.428%

CVE/056 Support to the Regional Health Development Plan of Santiago Nord

duration: 2004 - 2014
Total Budget: 10,948,000
Disbursed 2012: 97,803

CVE/059 Hotel and Tourism School for Cape Verde

duration: 2006 - 2014
Total Budget: 12,412,300
Disbursed 2012: 1,311,930

CVE/071 Support to Vocational Training

duration: 2008 - 2014
Total Budget: 17,469,716
Disbursed 2012: 4,571,184

CVE/075 Support for Implementation of the National School Health Programme - Phase III

duration: 2010 - 2014
Total Budget: 3,200,000
Disbursed 2012: 775,746

CVE/076 Construction of a Secondary School in Ponta Verde (Fogo)

duration: 2009 - 2013
Total Budget: 4,500,000
Disbursed 2012: 1,158,287

CVE/077 Sector Policy Support Programme in Education/Training/Employment

duration: **formulation**
Total Budget: **5,000,000**
Disbursed 2012: **532,355**

CVE/078 Support to the Action Plan for an Integrated Water Resources Management

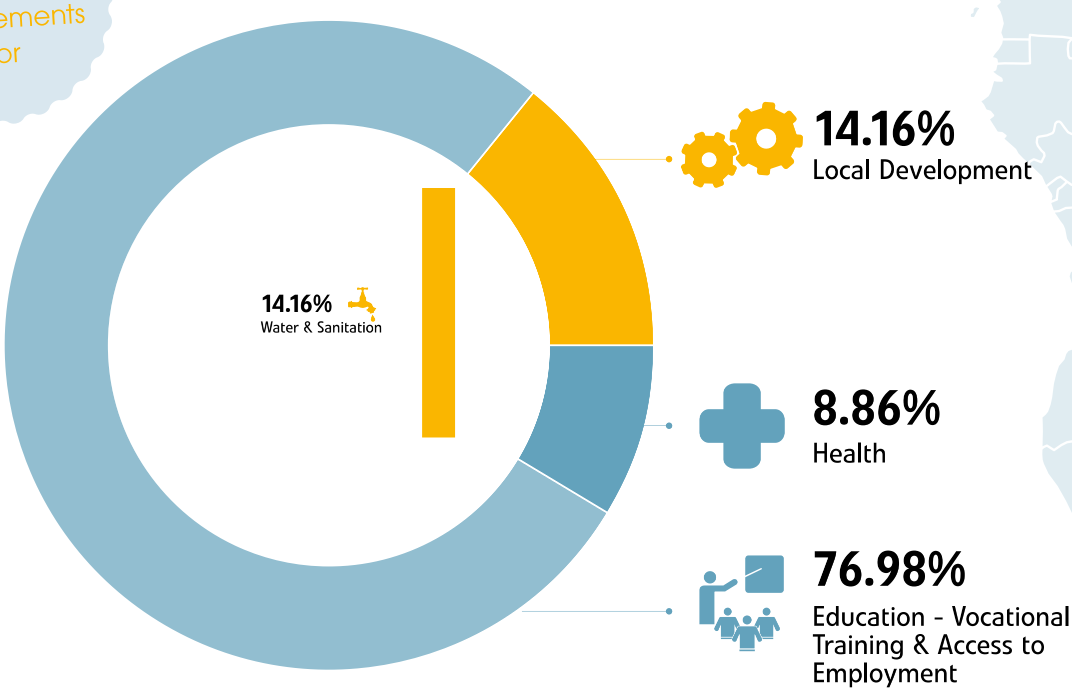
duration: **2012 - 2016**
Total Budget: **12,320,000**
Disbursed 2012: **788,362**

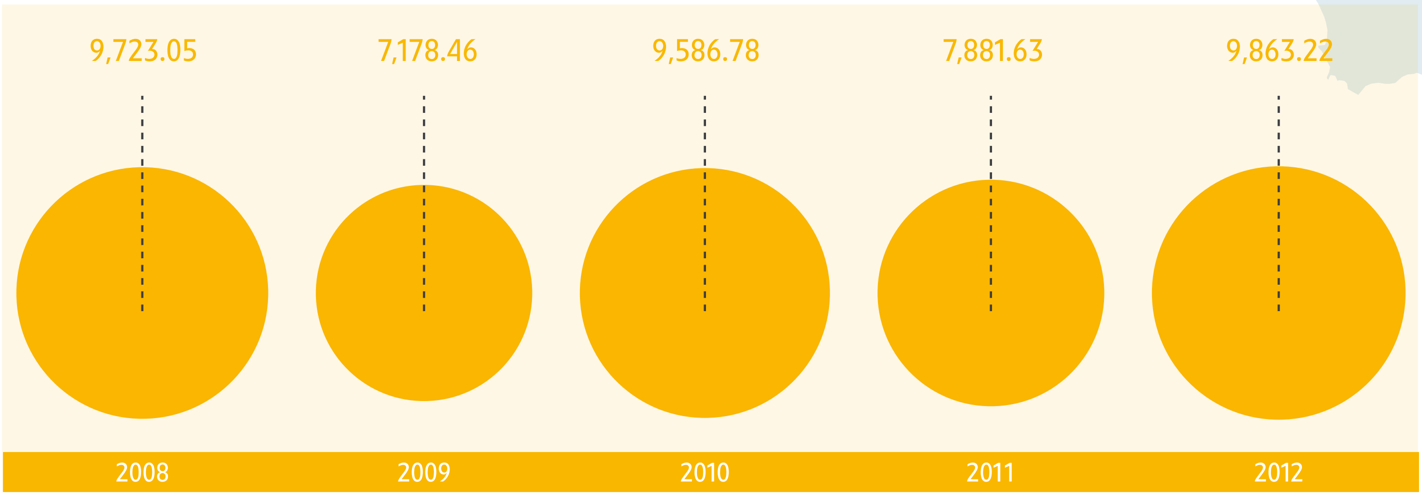
CVE/080 Triangular Cooperation Luxembourg – Cape Verde – São Tomé e Príncipe

duration: **formulation**
Total Budget: **800,000**
Disbursed 2012: **18,800**

Cape Verde

Distribution of the 2012 disbursements by sector





Evolution of activities in Cape Verde (in thousand EUR)

Mali

HDI: 182 / 187
Capital: Bamako
Population: 16 million
Area: 1,240,192 km^2
Literacy rate: 28%
Life expectancy at birth: 53 years
Population growth rate: 3.02%

MLI/015 Conservation of Ancient Manuscripts of Timbuktu

duration: **2009 - 2014**
Total Budget: **4,000,000**
Disbursed 2012: **260,393**

MLI/016 Basic Health Services Support Programme - ICP 2007-2011

duration: **2008 - 2013**
Total Budget: **7,182,700**
Disbursed 2012: **2,176,069**

MLI/017 Water, Sanitation and Urbanisation in the South - ICP 2007-2011

duration: **2008 - 2013**
Total Budget: **12,268,300**
Disbursed 2012: **2,757,788**

MLI/018 Food Security Programme - ICP 2007-2011

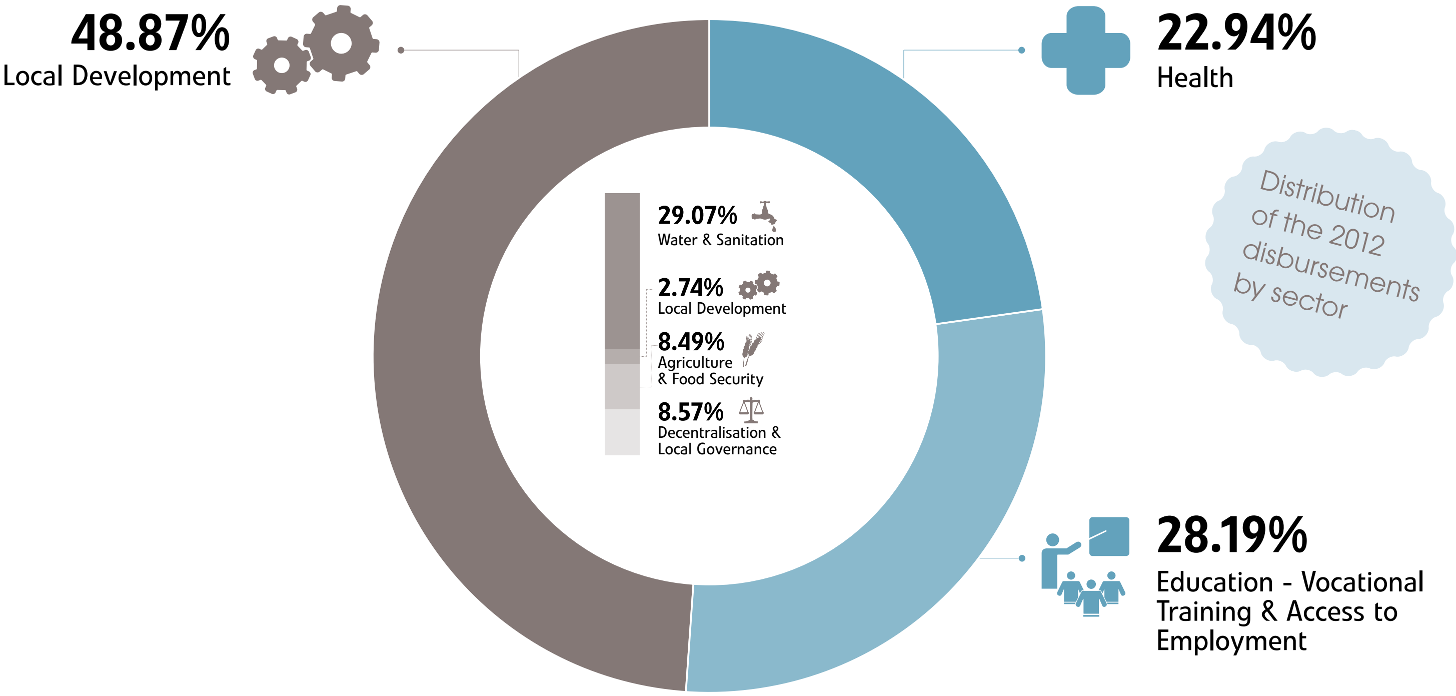
duration: **2008 - 2013**
Total Budget: **3,259,200**
Disbursed 2012: **805,131**

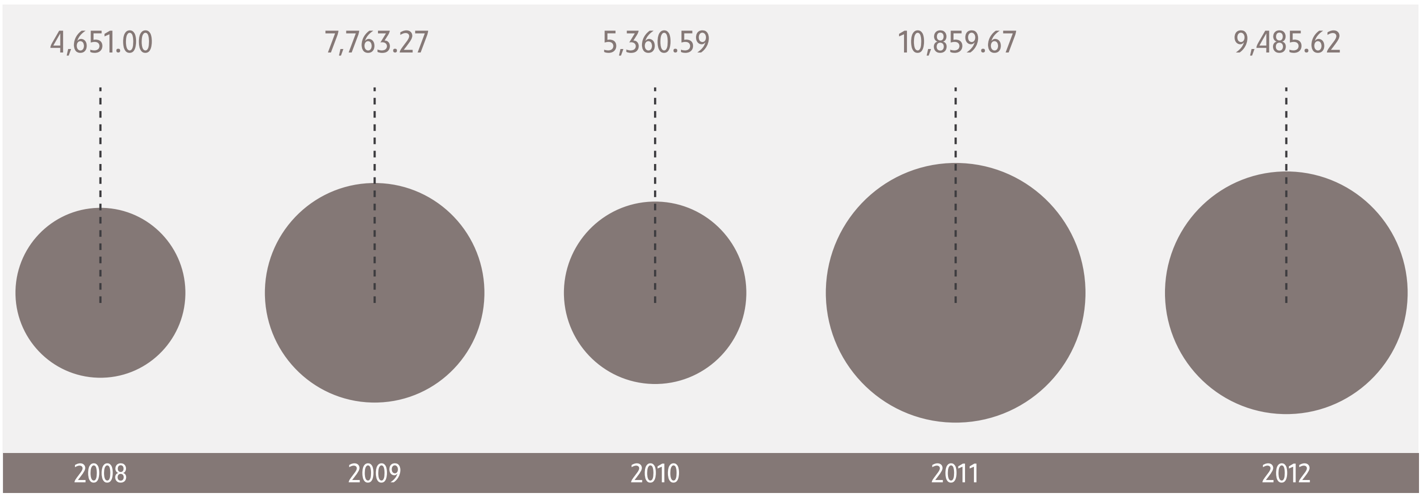
MLI/019 Vocational Training and Job Insertion Programme - ICP 2007- 2011

duration: **2008 - 2013**
Total Budget: **13,657,700**
Disbursed 2012: **2,673,621**

MLI/020 Facilitation Component for Programmes related to the ICP 2007-2011

duration: **2008 - 2013**
Total Budget: **6,832,100**
Disbursed 2012: **812,620**





Evolution of activities in Mali (in thousand EUR)

Niger

HDI: 186 / 187
Capital: Niamey
Population: 17 million
Area: 1,267,000 km^2
Literacy rate: 29%
Life expectancy at birth: 54 years
Population growth rate: 3.36%

NIG/017

Support for the National Programme for Technical and Vocational Training and Access to Employment for School Leavers

duration: **2011 - 2016**
Total Budget: **22,900,000**
Disbursed 2012: **1,449,834**

NIG/018

Support for Implementing the Regional Action Plan (PAR) of the Dosso Rural Development Strategy (SDR)

duration: **2011 - 2016**
Total Budget: **11,500,000**
Disbursed 2012: **892,530**

NIG/019

Support for Implementing the 10-Year Education Development Plan in the Dosso Region

duration: **2011 - 2016**
Total Budget: **11,500,000**
Disbursed 2012: **737,169**

NIG/719

Support Programme of the Swiss Cooperation for Quality formal Basic Education 1 in Niger (Dosso region)

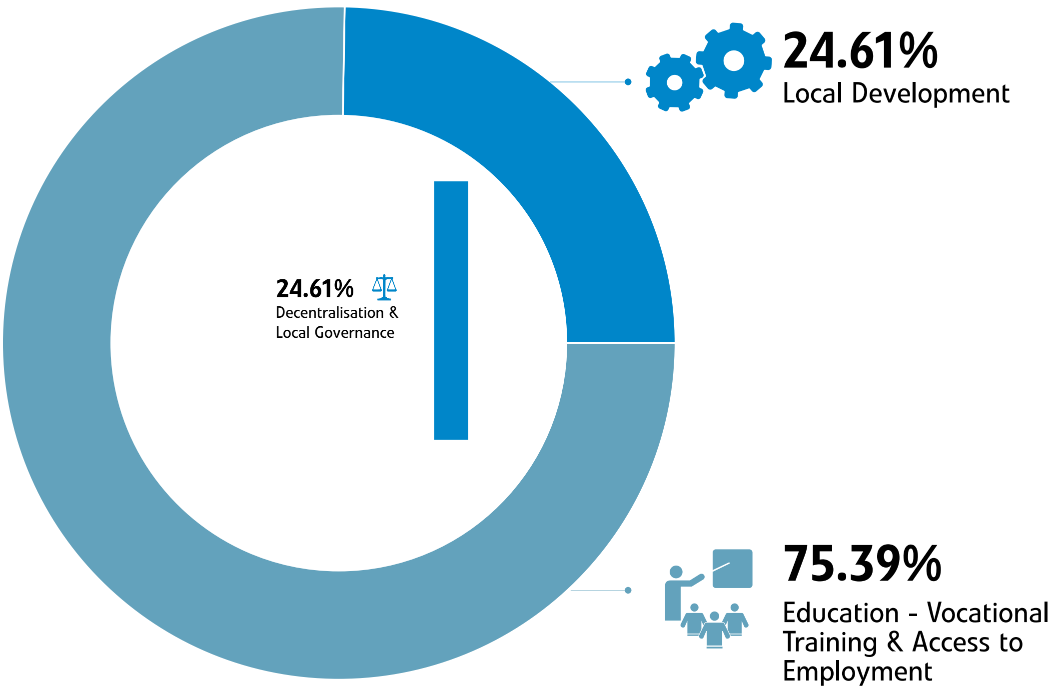
duration: **2012 - 2014**
Total Budget: **1,382,451**
Disbursed 2012: **431,045**

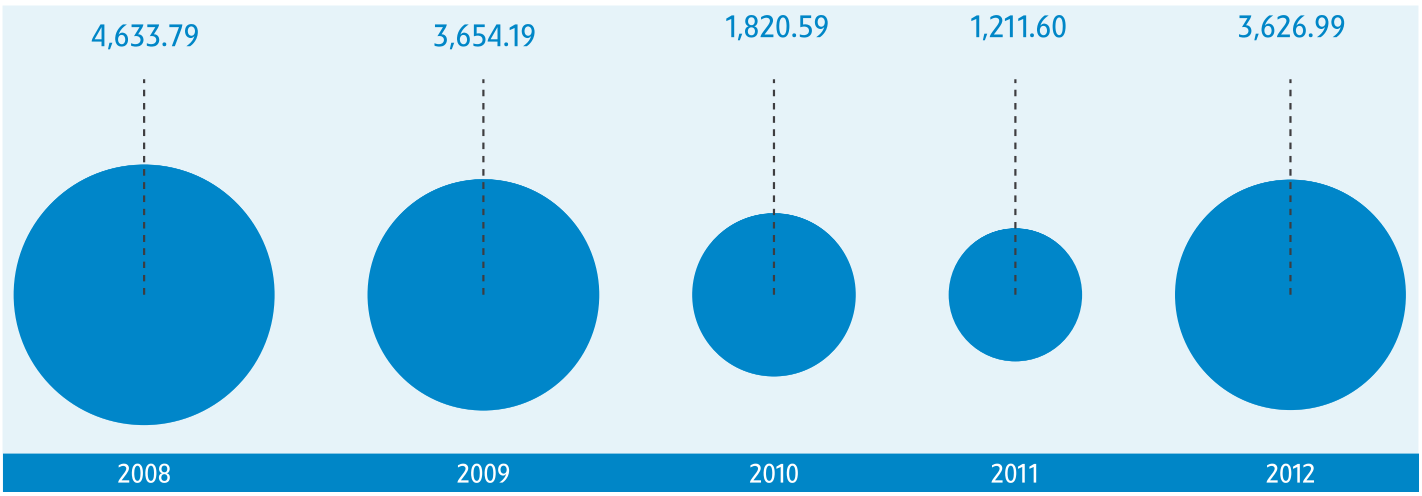
NIG/817

Vocational Training Programme

duration: **2012 - 2015**
Total Budget: **3,500,000**
Disbursed 2012: **116,408**

Distribution of the 2012 Disbursements by Sector





Evolution of activities in Niger (in thousand EUR)

Rwanda

HDI: 167 / 187
Capital: Kigali
Population: 12 million
Area: 26,338 km²
Literacy rate: 71%
Life expectancy at birth: 58 years
Population growth rate: 2.751%

RWA/022 Integrated Rural Development in Bugesera

duration: 2004 - 2012

Total Budget: 9,430,000

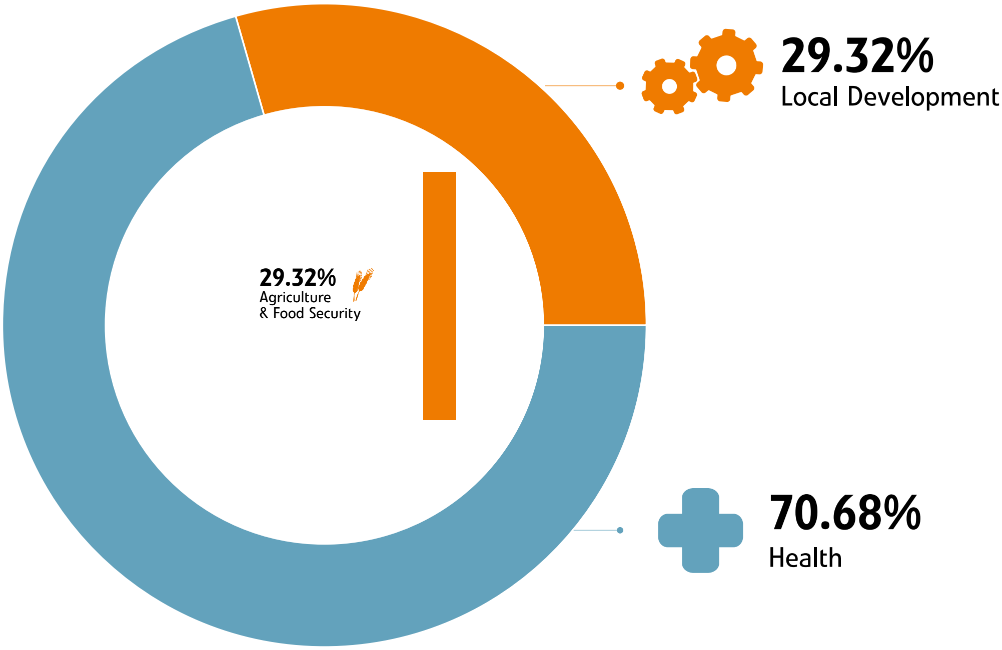
Disbursed 2012: 604,137

RWA/023 Support to National Health Sector

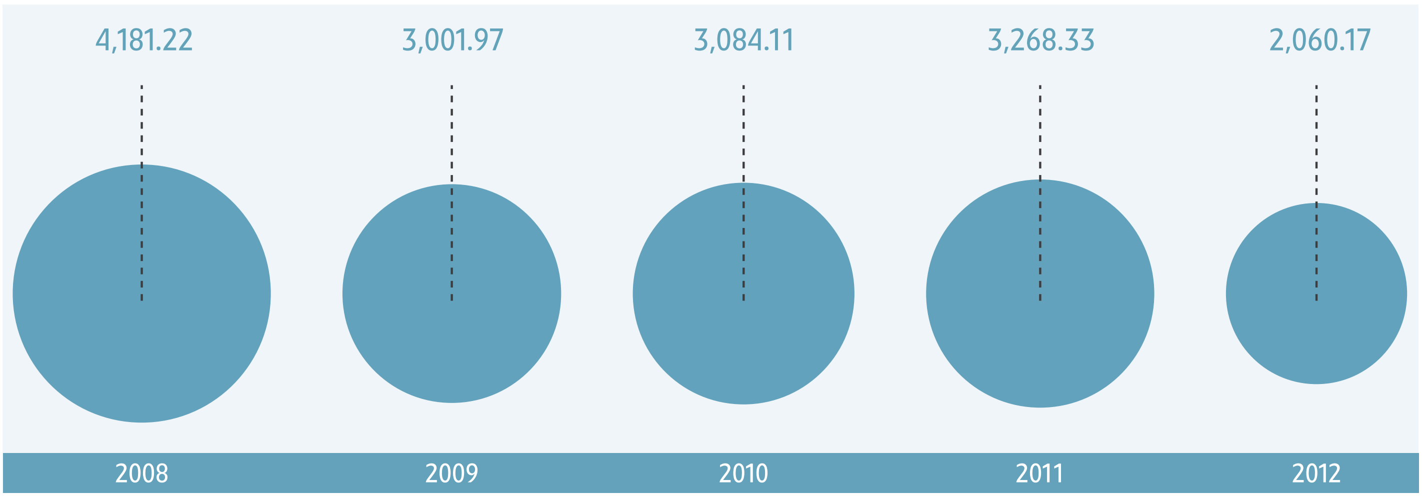
duration: 2010 - 2013

Total Budget: 6,550,000

Disbursed 2012: 1,456,032



Distribution of the 2012 disbursements by sector



Evolution of activities in Rwanda (in thousand EUR)

Senegal

HDI: 154 / 187
Capital: Dakar
Population: 13.3 million
Area: 196,722 km²
Literacy rate: 39%
Life expectancy at birth: 60 years
Population growth rate: 2.532%

SEN/023 Facilitation Component of all Programmes related to the ICP 2007-2011

Total Budget: **4,669,000**
duration: **2008 - 2012**
Disbursed 2012: **777,413**

SEN/024 Vocational Training and Job Insertion Programme

Total Budget: **14,192,000**
duration: **2008 - 2012**
Disbursed 2012: **4,556,005**

SEN/025 Basic Health Services Support Programme

Total Budget: **11,390,000**
duration: **2008 - 2012**
Disbursed 2012: **1,679,227**

SEN/026 Water and Sanitation Project for the Rural Populations of Thiès and Louga

Total Budget: **14,148,000**
duration: **2008 - 2012**
Disbursed 2012: **2,526,957**

SEN/027 Support to the Basic Health Sector of the ICP III

Total Budget: **13,700,000**
duration: **formulation**
Disbursed 2012: **82,503**

SEN/028 Vocational Training and Employment Programme of the ICP III

Total Budget: **17,400,000**

duration: **formulation**

Disbursed 2012: **90,966**

SEN/029 Decentralisation and Citizenship Education Programme of the ICP III

Total Budget: **8,000,000**

duration: **formulation**

Disbursed 2012: **71,402**

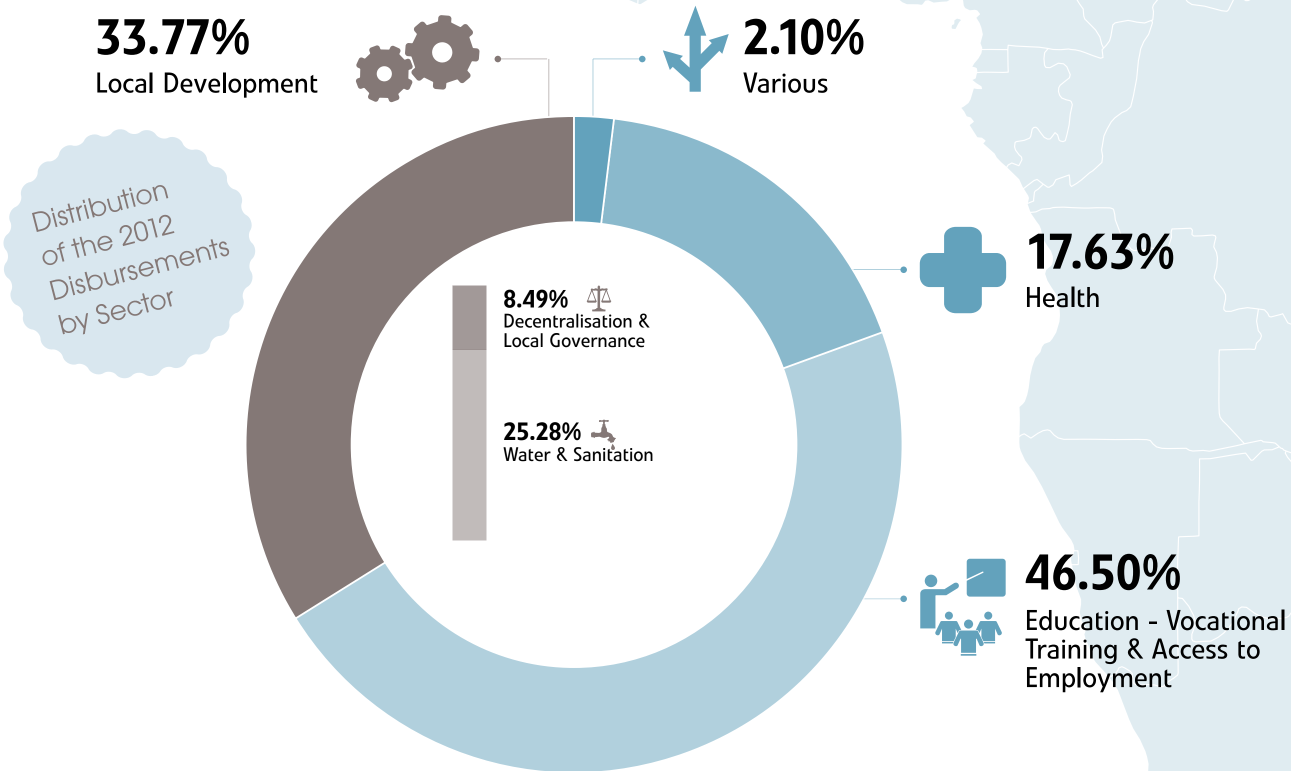
SEN/030 Support to the National Implementation of the ICP III

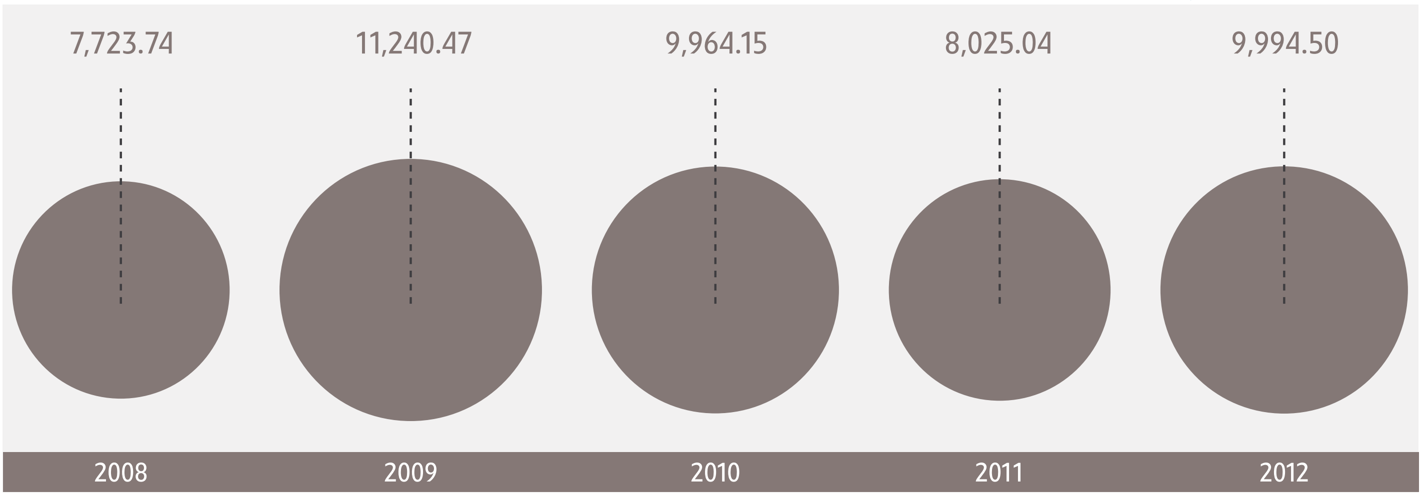
Total Budget: **6,450,000**

duration: **formulation**

Disbursed 2012: **210,029**

Senegal





Evolution of activities in Senegal (in thousand EUR)

Regional Africa

AFR/017 Promotion of the Creation of an Inclusive Financial Sector for the UEMOA Zone

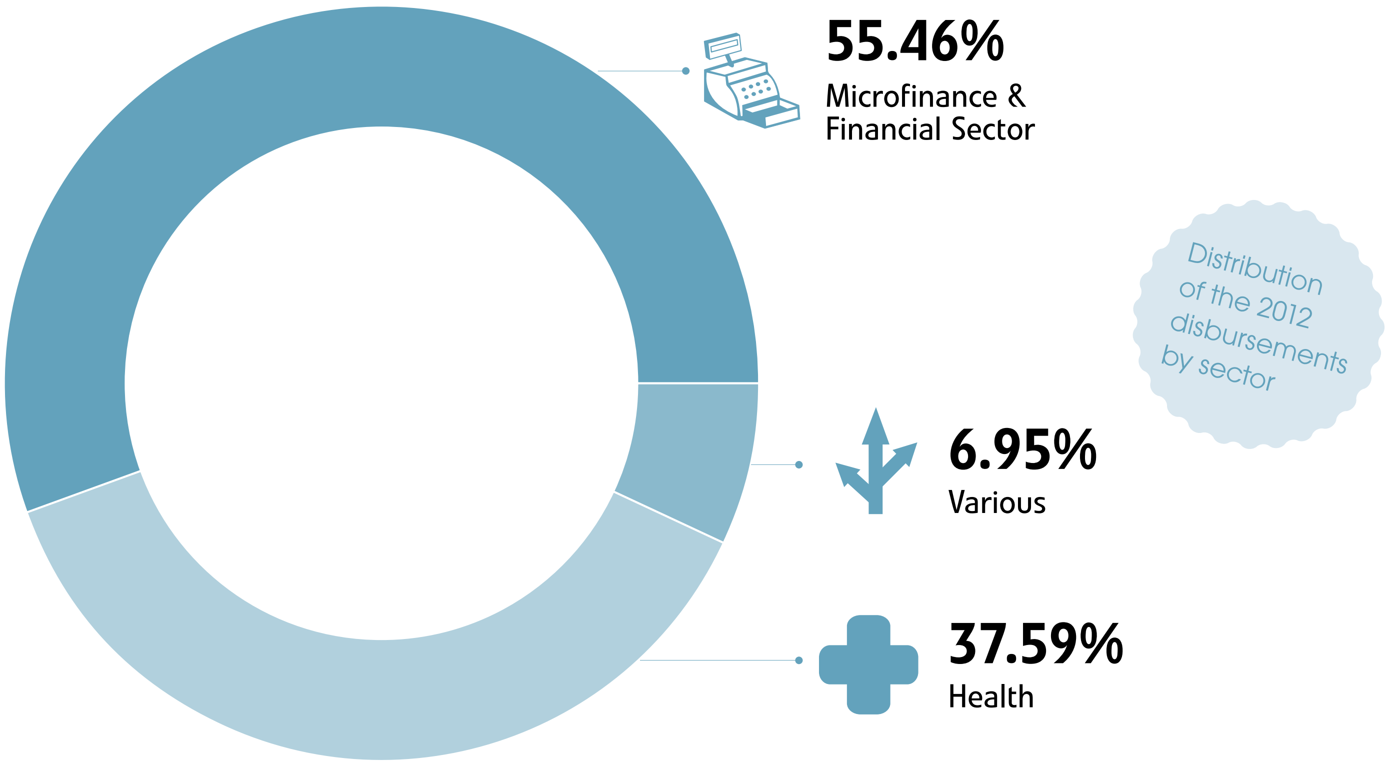
duration: **2008 - 2013**
Total Budget: **18,825,000**
Disbursed 2012: **782,145**

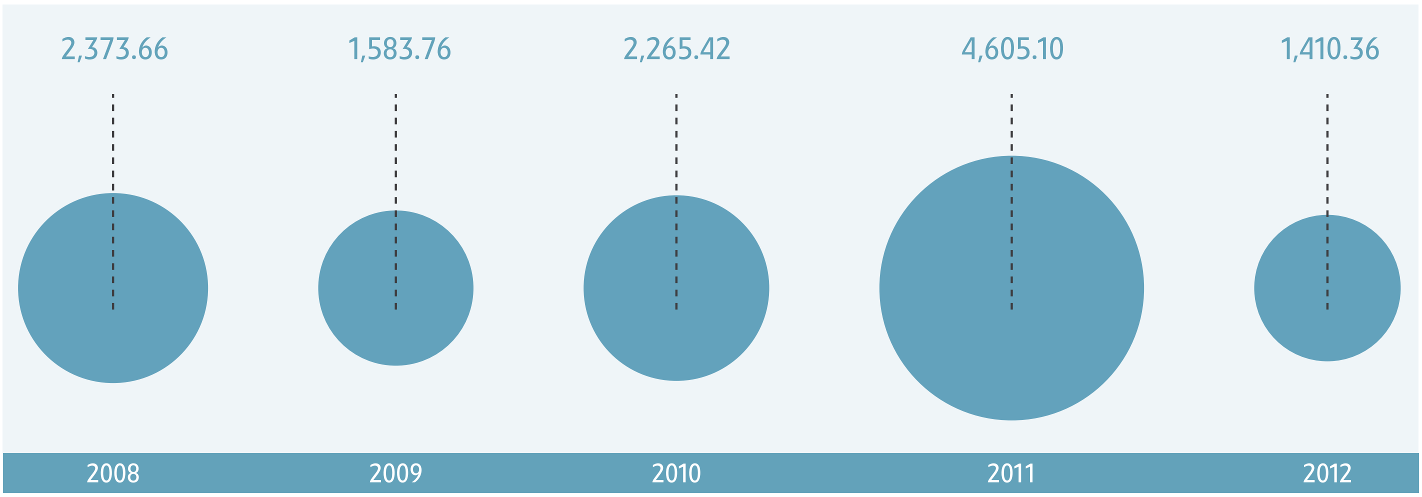
AFR/019 Satellite Enhanced Telemedecine and e-Health for Sub-Saharan Africa

duration: **2011 - 2015**
Total Budget: **170,000**
Disbursed 2012: **50,003**

AFR/020 African Internet Exchange System (AXIS)

duration: **2011 - 2014**
Total Budget: **300,000**
Disbursed 2012: **81,528**





Evolution of activities in Regional Africa (in thousand EUR)

Latin America

El Salvador

HDI: 107 / 187
Capital: San Salvador
Population: 6.1 million
Area: 21,041 km^2
Literacy rate: 81%
Life expectancy at birth: 74 years
Population growth rate: 0.303%

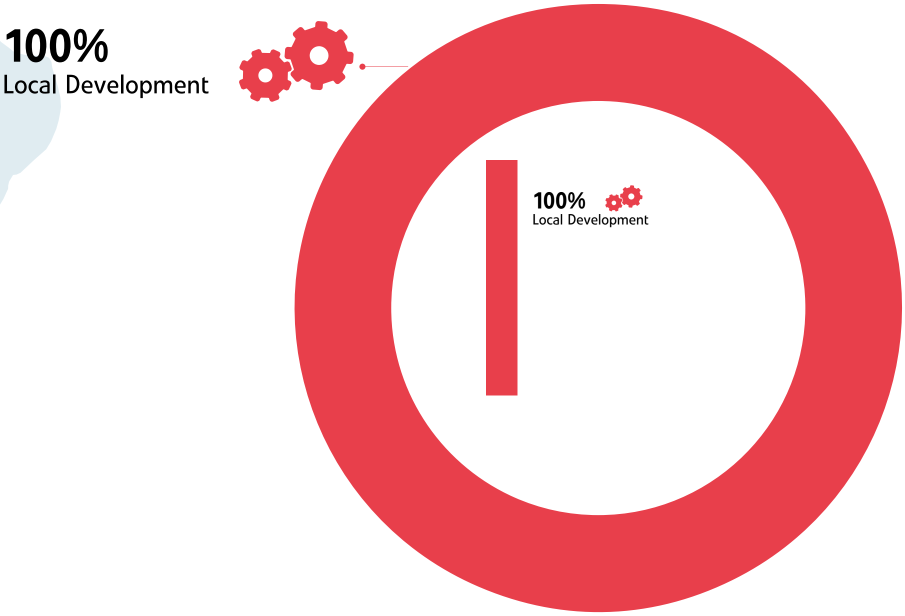
SVD/021 Solidarity Network Support Programme

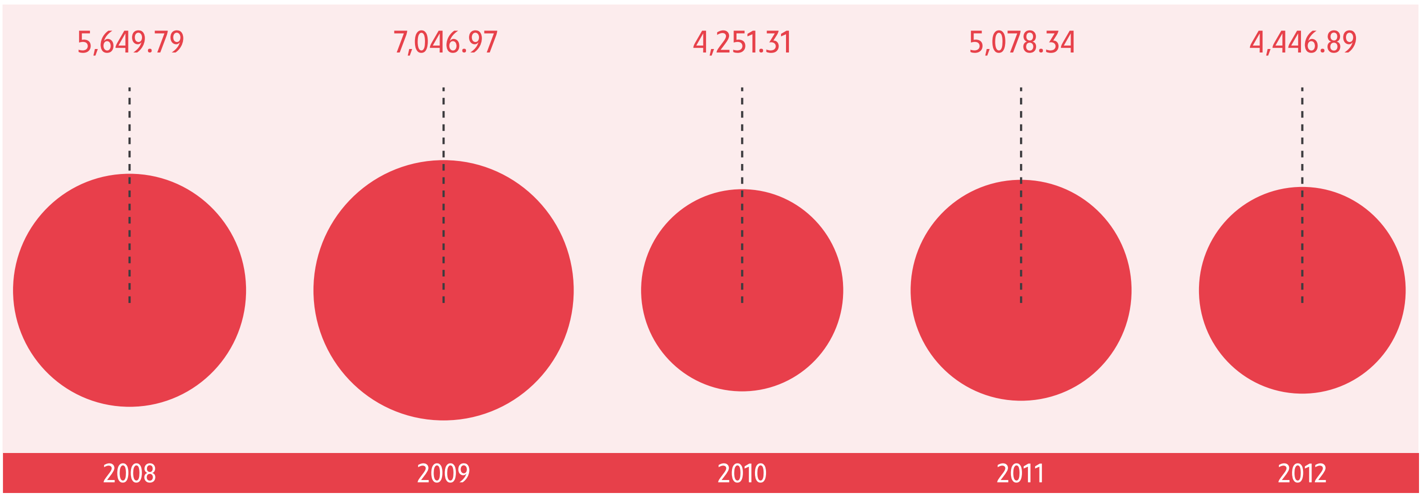
Total Budget: 19,000,000
duration: 2007 - 2012
Disbursed 2012: 1,421,034

SVD/022 Support to Caring Communities in El Salvador

Total Budget: 12,000,000
duration: 2012 - 2015
Disbursed 2012: 3,025,854

Distribution of the 2012 Disbursements by Sector





Evolution of activities in El Salvador (in thousand EUR)

Nicaragua

HDI: 129 / 187
Capital: Managua
Population: 5.8 million
Area: 130,370 km^2
Literacy rate: 68%
Life expectancy at birth: 72 years
Population growth rate: 1.067%

NIC/018 Support to Hospitality Training in Nicaragua - Phase II

duration: **2006 - 2013**
Total Budget: **4,884,380**
Disbursed 2012: **819,609**

NIC/023 Strengthening of Professional and Technical Competence at National Level

duration: **2010 - 2014**
Total Budget: **5,000,000**
Disbursed 2012: **1,424,318**

NIC/024 The Coffee Route – Phase II

duration: **2011 - 2015**
Total Budget: **6,000,000**
Disbursed 2012: **1,145,368**

NIC/025 Support to Nicaragua's Health Sector

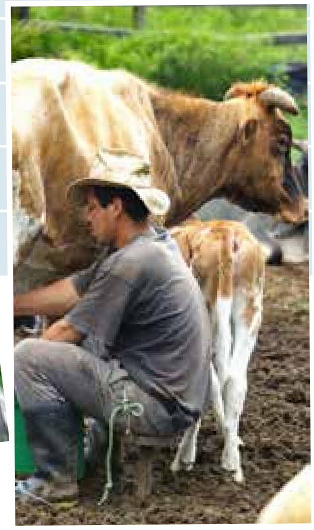
duration: **2012 - 2014**
Total Budget: **10,000,000**
Disbursed 2012: **679,641**

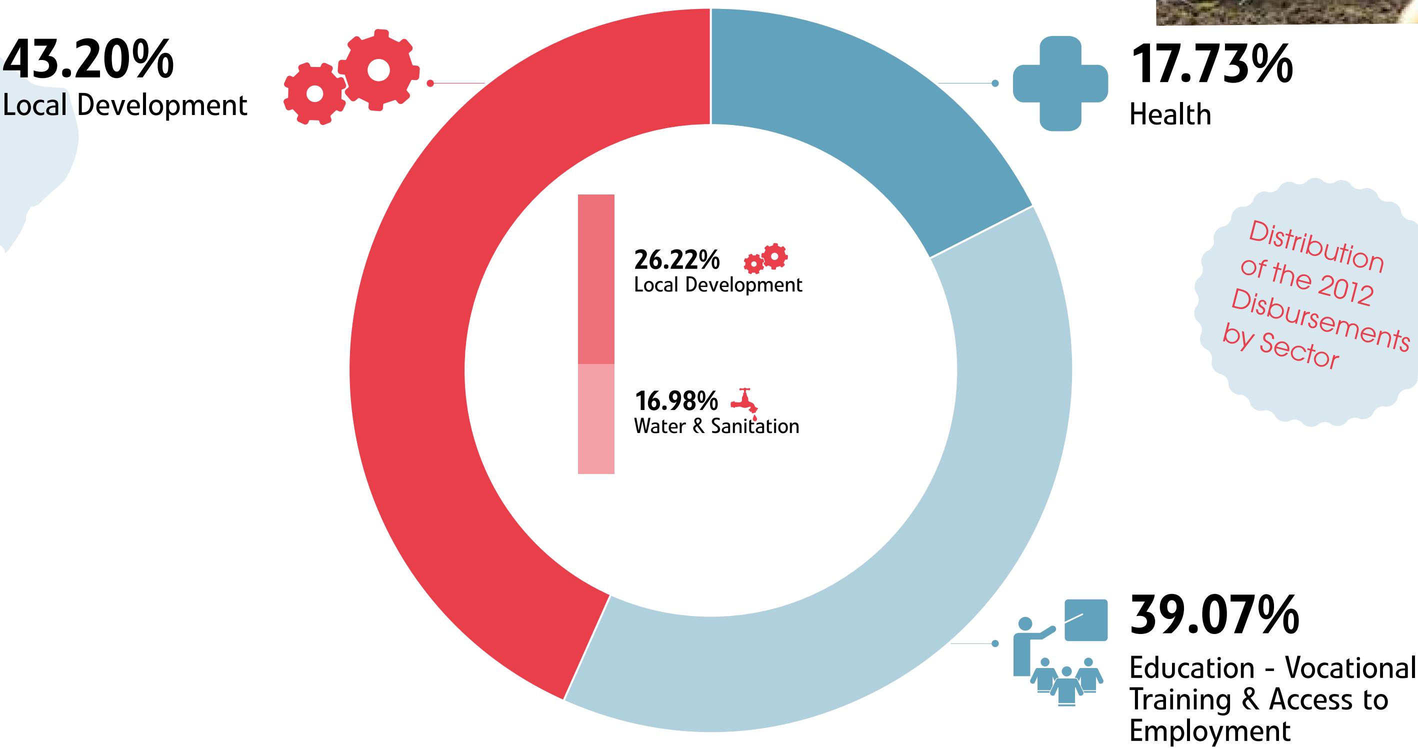
NIC/026 Casa Luxemburgo in Pochomil

duration: **formulation**
Total Budget: **4,000,000**
Disbursed 2012: **-**

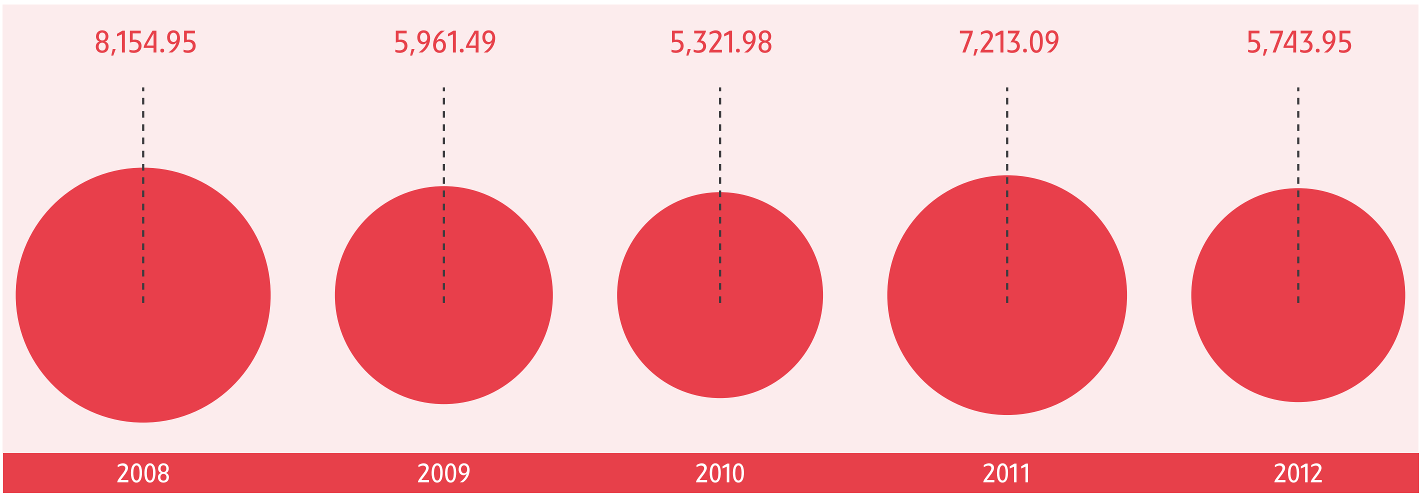
NIC/824 The Colonial and Volcanoes Route

duration: **2012 - 2016**
Total Budget: **6,880,000**
Disbursed 2012: **353,869**





Distribution of the 2012 Disbursements by Sector



Evolution of activities in Nicaragua (in thousand EUR)

Asia

Laos

HDI: 138 / 187
Capital: Vientiane
Population: 6.7 million
Area: 236,800 km²
Literacy rate: 73%
Life expectancy at birth: 63 years
Population growth rate: 1.655%

LAO/017 Lao-Luxembourg Health Sector Support Programme

Total Budget: 16,750,000
duration: 2008 - 2013
Disbursed 2012: 3,677,490

LAO/020 Strengthening of Human Resources in Hospitality and Tourism

Total Budget: 9,325,000
duration: 2008 - 2013
Disbursed 2012: 903,897

LAO/021 Bolikhamxay Livelihood Improvement and Governance Programme

Total Budget: 6,000,000
duration: 2009 - 2014
Disbursed 2012: 1,727,891

LAO/023 Strengthening the Rule of Law through Legal University Education

Total Budget: 5,000,000
duration: 2010 - 2014
Disbursed 2012: 1,315,843




LAO/024 Khammouane Local Development Project (KHALODEP)

duration: **formulation**

Total Budget: **5,000,000**

Disbursed 2012: **66,103**

LAO/025 Support to the National Blood Programme

duration: **formulation**

Total Budget: **4,000,000**

Disbursed 2012: **21,816**

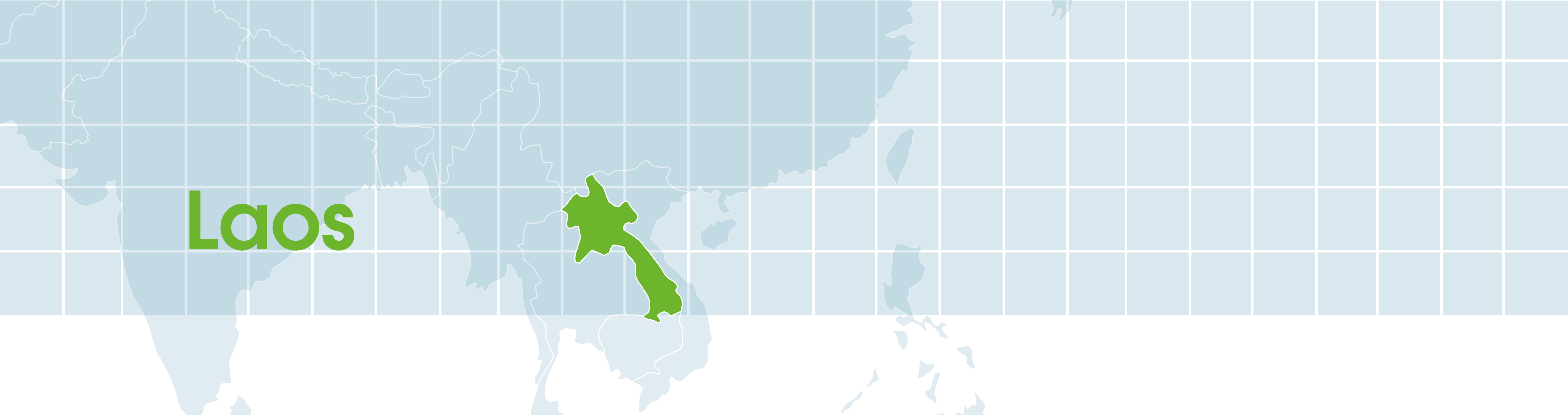
LAO/026 Technical Assistance to the IFAD Soum Son Seun Jai Programme

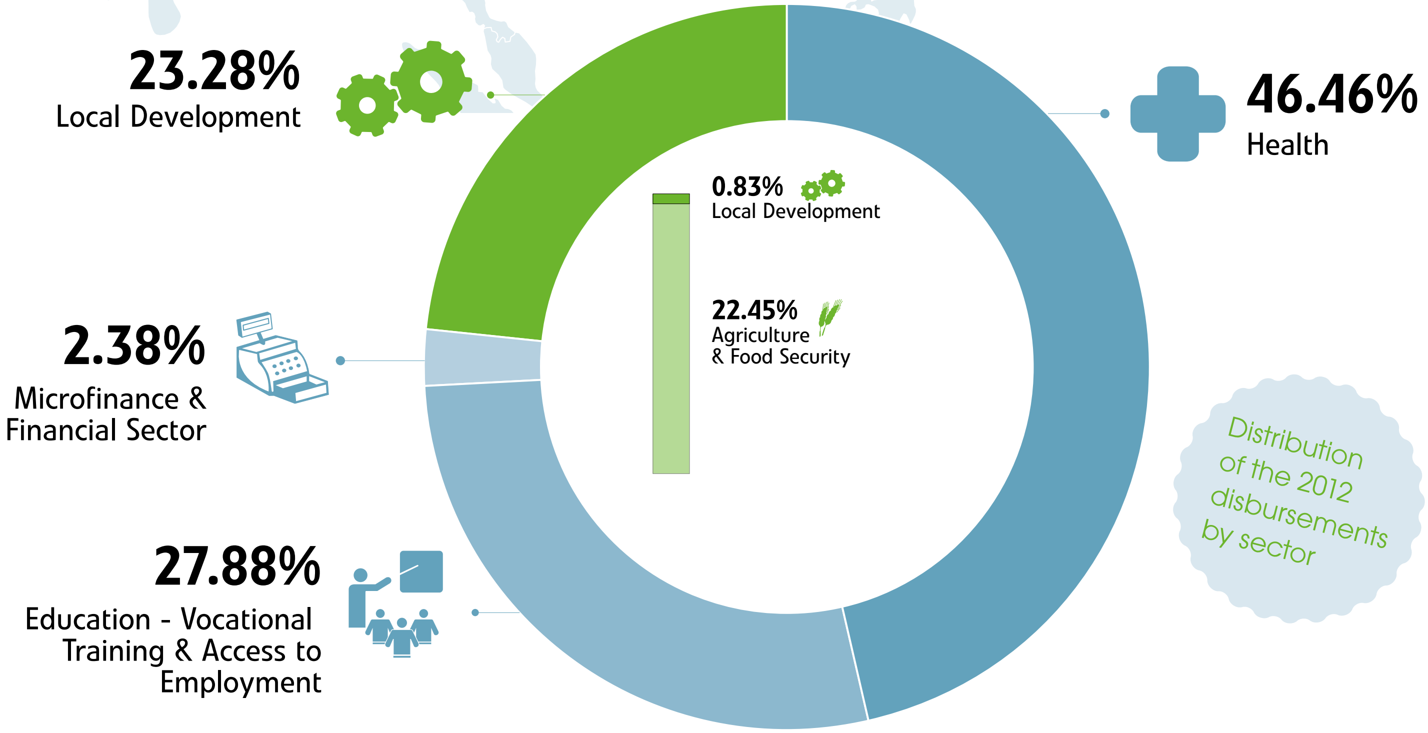
duration: **2013 - 2015**

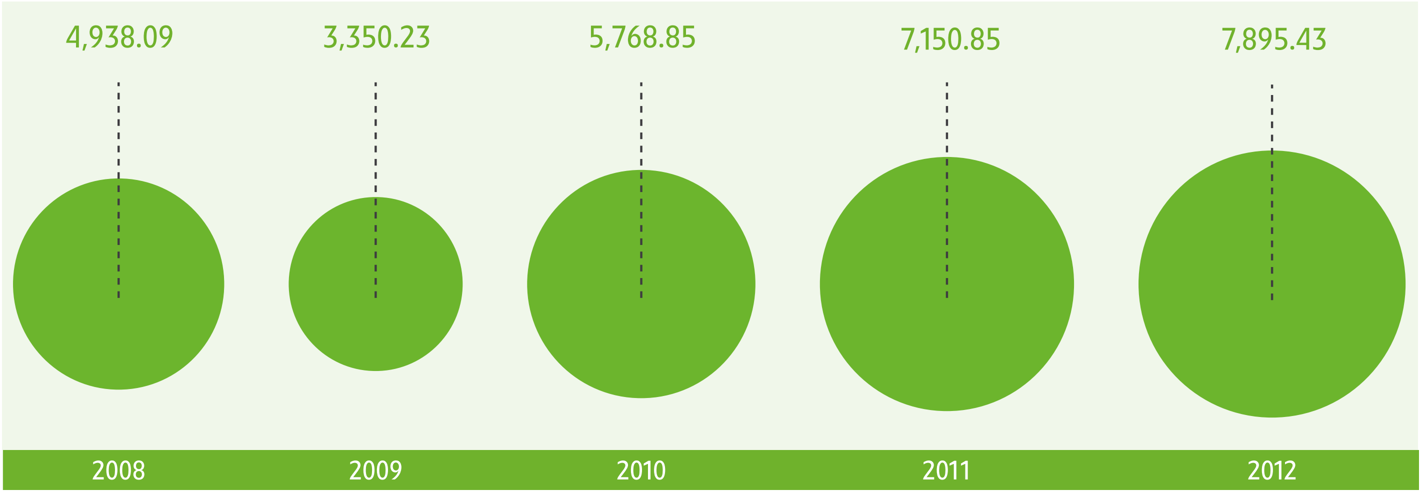
Total Budget: **1,700,000**

Disbursed 2012: **26,126**

Laos







Evolution of activities in Laos (in thousand EUR)

Mongolia

HDI: 108 / 187
Capital: Oulan-Bator
Population: 3.2 million
Area: 1,564,116 km^2
Literacy rate: 97%
Life expectancy at birth: 69 years
Population growth rate: 1.469%

MON/003 Cardiovascular Diagnostic Centre - Phase II

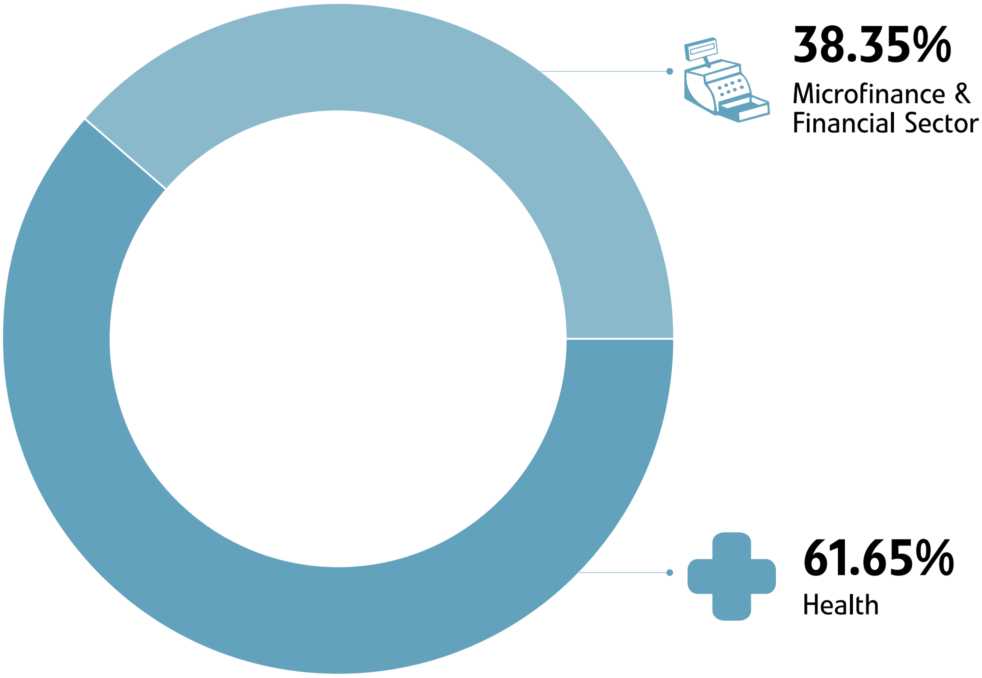
Total Budget: 2,431,300
duration: 2007 - 2013
Disbursed 2012: 29,853

MON/004 Financial Sector Capacity Building and Training Project

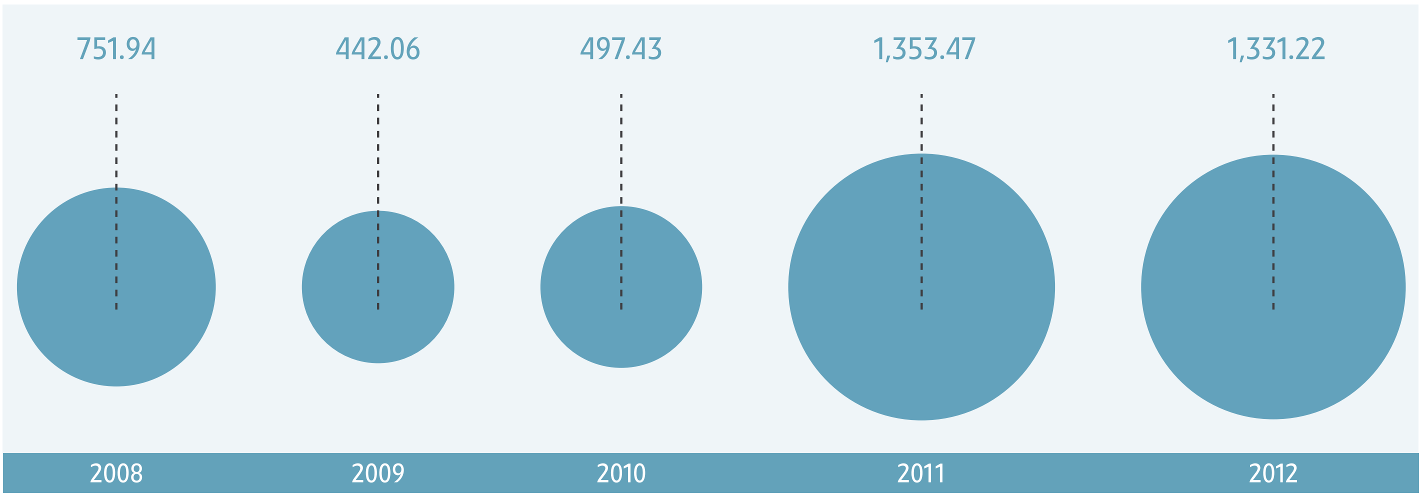
Total Budget: 2,000,000
duration: 2010 - 2014
Disbursed 2012: 510,580

MON/005 Cardiovascular Centre, MCH and e-health Expansion

Total Budget: 6,600,000
duration: 2012 - 2016
Disbursed 2012: 790,786

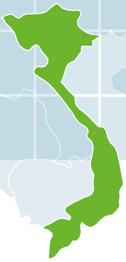


Distribution of the 2012 disbursements by sector



Evolution of activities in Mongolia (in thousand EUR)

Vietnam



HDI: 127 / 187
Capital: Hanoi
Population: 92.5 million
Area: 331,210 km²
Literacy rate: 94%
Life expectancy at birth: 72 years
Population growth rate: 1.054%

VIE/024
Strengthening the Management of Vietnam's National Blood Cold Chain

duration: 2007 - 2013
Total Budget: 3,100,000
Disbursed 2012: 130,273

VIE/025
Strengthening the Cold Chain in the Framework of Expanded Programme on Immunisation

duration: 2007 - 2012
Total Budget: 4,200,000
Disbursed 2012: 302,413

VIE/026
Development of Capital Markets in Vietnam

duration: 2007 - 2013
Total Budget: 3,000,000
Disbursed 2012: 539,117

VIE/027
Supporting Policy on Health Care for the Poor in the Provinces of Cao Bang and Bac Kan

duration: 2009 - 2013
Total Budget: 4,999,100
Disbursed 2012: 867,674

VIE/028
Western Nghe An Rural Development Project - Phase III

duration: 2009 - 2014
Total Budget: 6,000,000
Disbursed 2012: 1,551,182

VIE/029
Developing Business with the Rural Poor: Cao Bang Province

duration: 2009 - 2014
Total Budget: 2,475,044
Disbursed 2012: 573,908




VIE/031 Strengthening of Human Resources in the Hospitality and Tourism Industry in Vietnam

duration: **2010 - 2014**
Total Budget: **2,950,000**
Disbursed 2012: **591,424**

VIE/032 Banking and Financial Sector in Vietnam

duration: **formulation**
Total Budget: **3,000,000**
Disbursed 2012: **11,166**

VIE/033 Project for Local Development and Adaptation to Climate Change Impacts in the Lagoon Area of the Thua Thien Hué Province

duration: **formulation**
Total Budget: **8,000,000**
Disbursed 2012: **97,544**

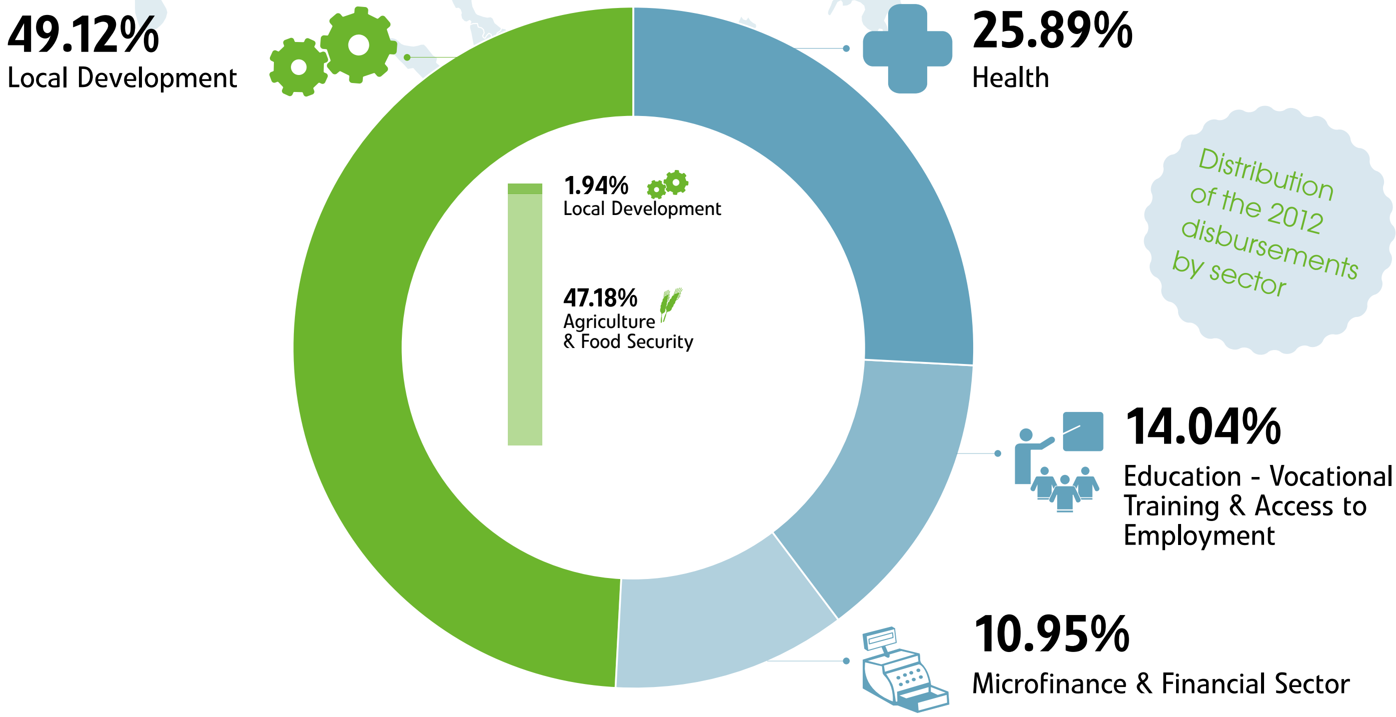
VIE/035 Technical Assistance to the IFAD Tam Nong project in Tuyen Quang Province

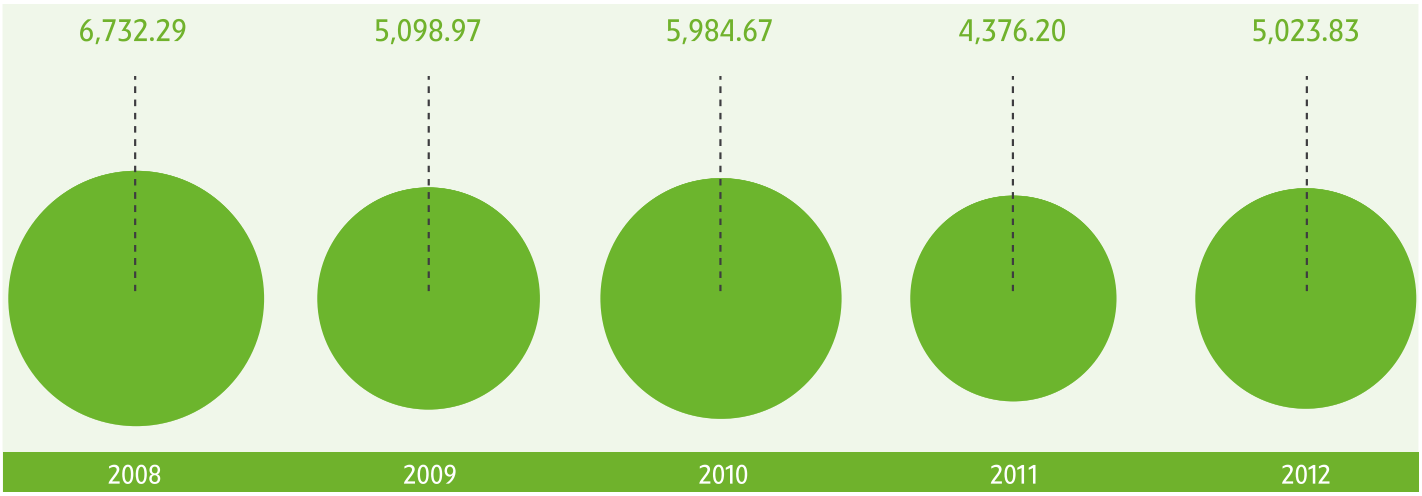
duration: **formulation**
Total Budget: **2,000,000**
Disbursed 2012: **-**

VIE/036 Cao Bang/Doc Lap Irrigation Project

duration: **formulation**
Total Budget: **5,500,000**
Disbursed 2012: **-**

Vietnam





Evolution of activities in Vietnam (in thousand EUR)

Balkans

Kosovo

Capital: Pristina
Population: 1.8 million
Area: 10,877 km^2
Literacy rate: 92%
Life expectancy at birth: 70 years

KSV/014 Strengthening the Health Sector in Kosovo through Interventions in the Prizren District

duration: **2009 - 2014**
Total Budget: **6,500,000**
Disbursed 2012: **1,633,196**

KSV/015 Support to the Professional Secondary School System in Kosovo

duration: **2010 - 2014**
Total Budget: **8,000,000**
Disbursed 2012: **1,548,429**

KSV/016 Institutional and Technical Support for the Water Supply System, Mitrovica

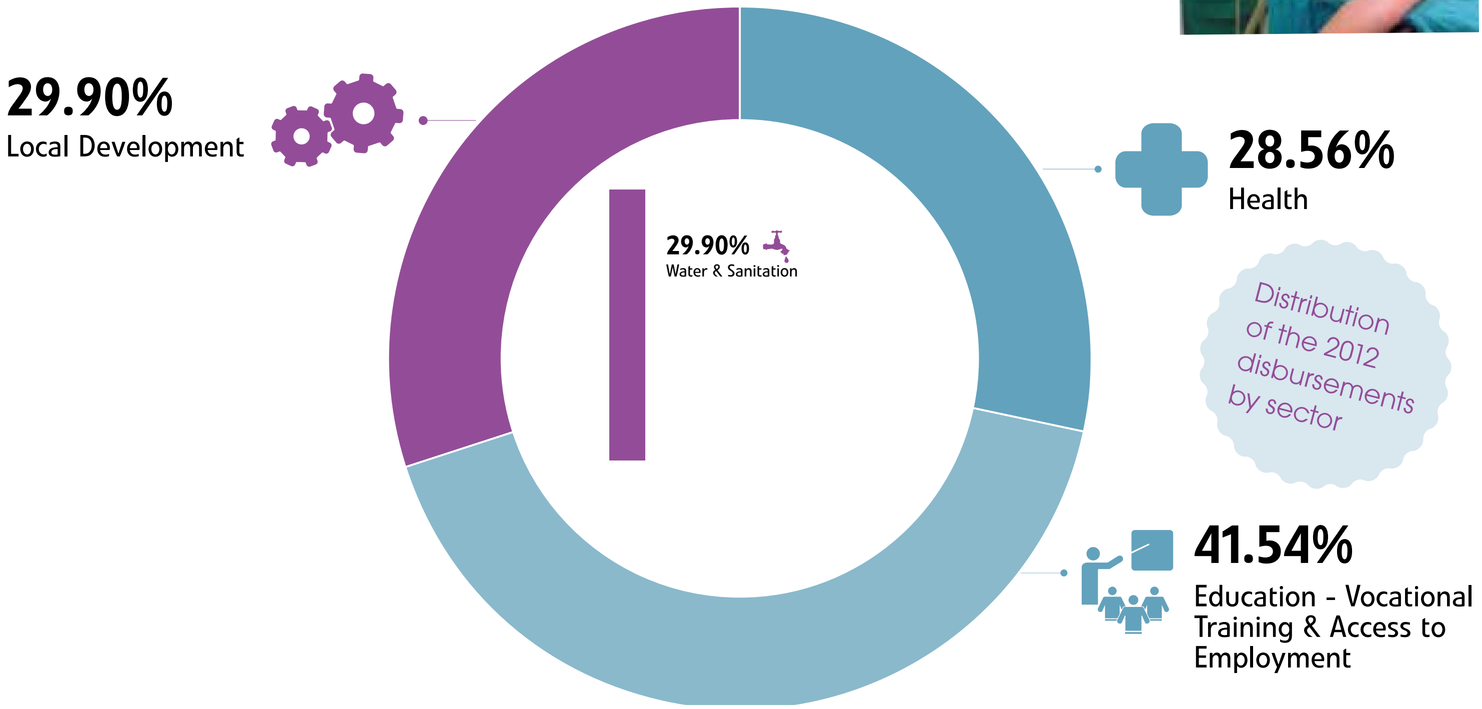
duration: **2011 - 2014**
Total Budget: **4,500,000**
Disbursed 2012: **1,709,881**

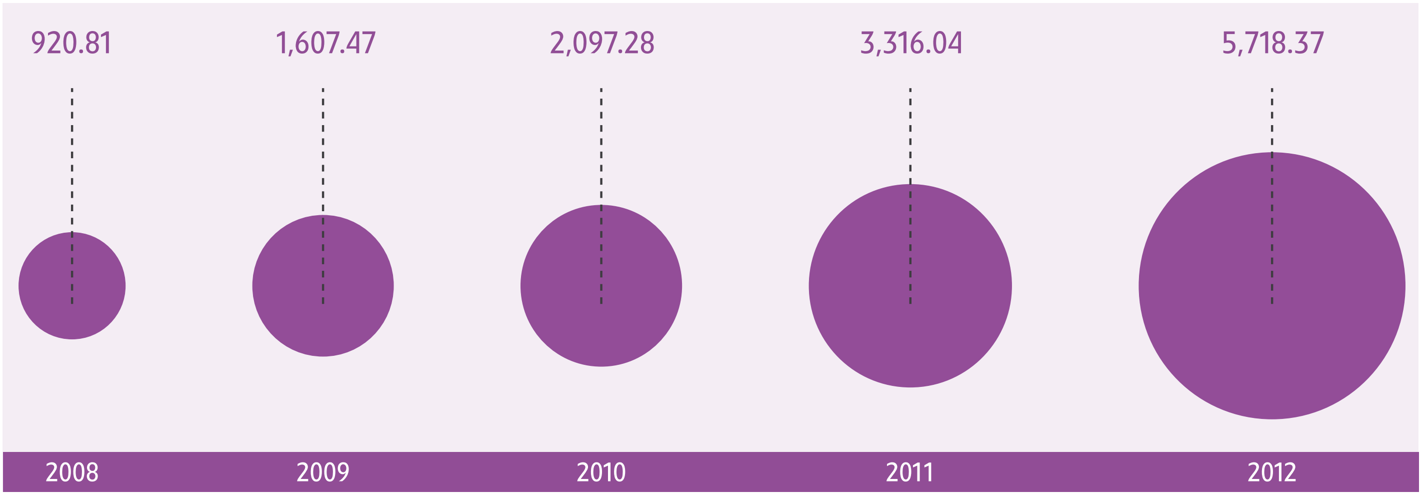
KSV/017 Health in Kosovo - Phase II

duration: **formulation**
Total Budget: **6,000,000**
Disbursed 2012: **-**

YUG/010 Strengthening Vocational Training in Kosovo

duration: **2006 - 2012**
Total Budget: **5,650,000**
Disbursed 2012: **826,867**





Evolution of activities in Kosovo (in thousand EUR)

Montenegro

HDI: 52 / 187
Capital: Podgorica
Population: 0.7 million
Area: 13,812 km^2
Literacy rate: 98%
Life expectancy at birth: 74 years
Population growth rate: -0.633%

MNE/011 Support to Vocational Training in Montenegro

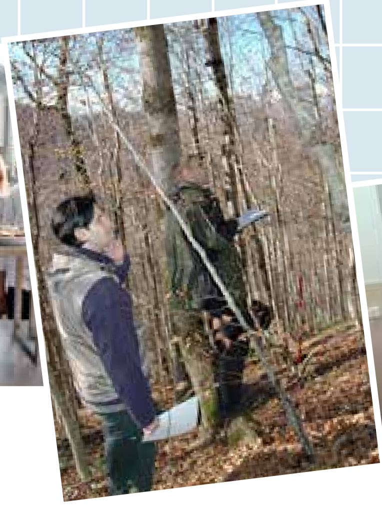
Total Budget: 5,200,000
duration: 2009 - 2014
Disbursed 2012: 1,076,544

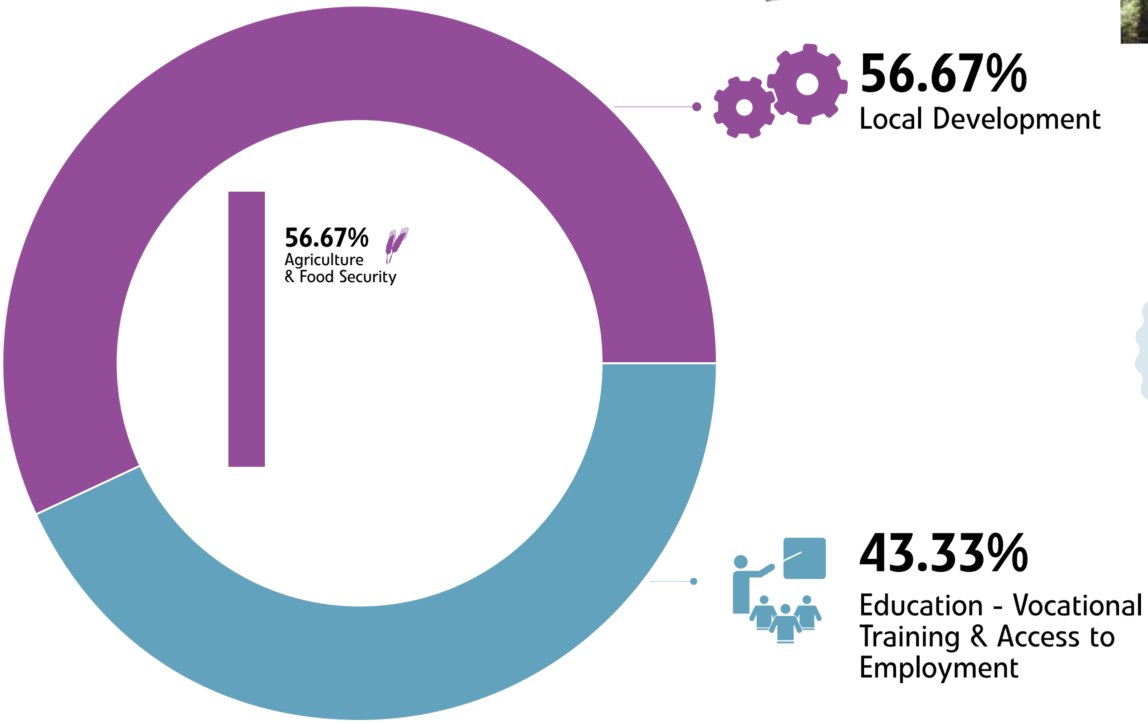
YUG/012 Forestry Development in Montenegro - Phase II

Total Budget: 5,500,000
duration: 2007 - 2013
Disbursed 2012: 1,147,976

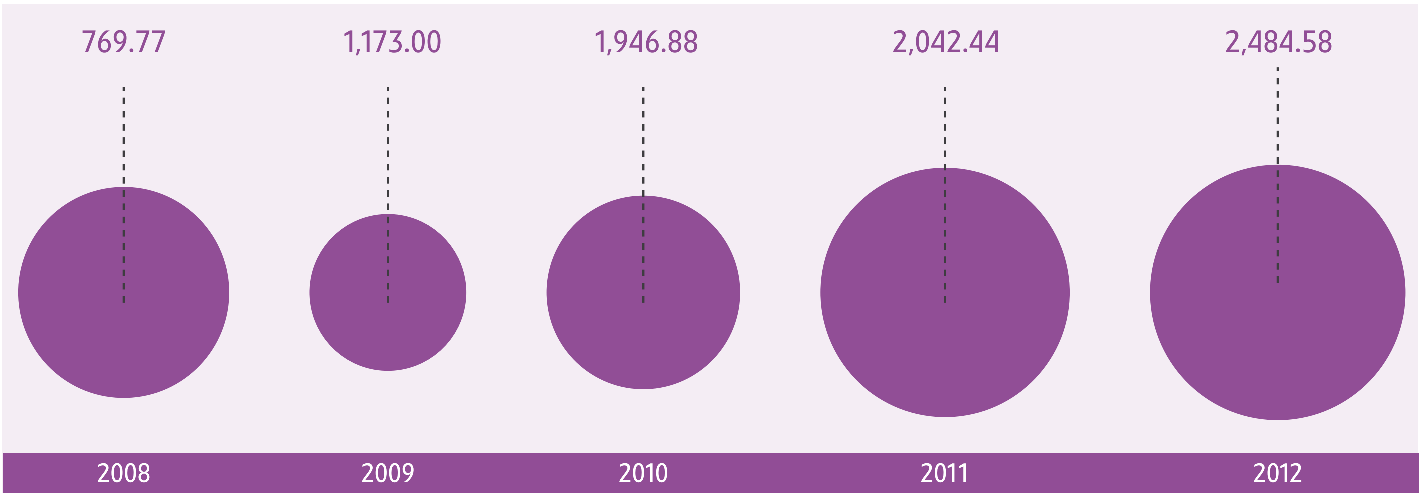
YUG/812 Support for the Capacity Building in the Forestry Sector

Total Budget: 1,000,000
duration: 2011 - 2013
Disbursed 2012: 260,059





Distribution of the 2012 disbursements by sector



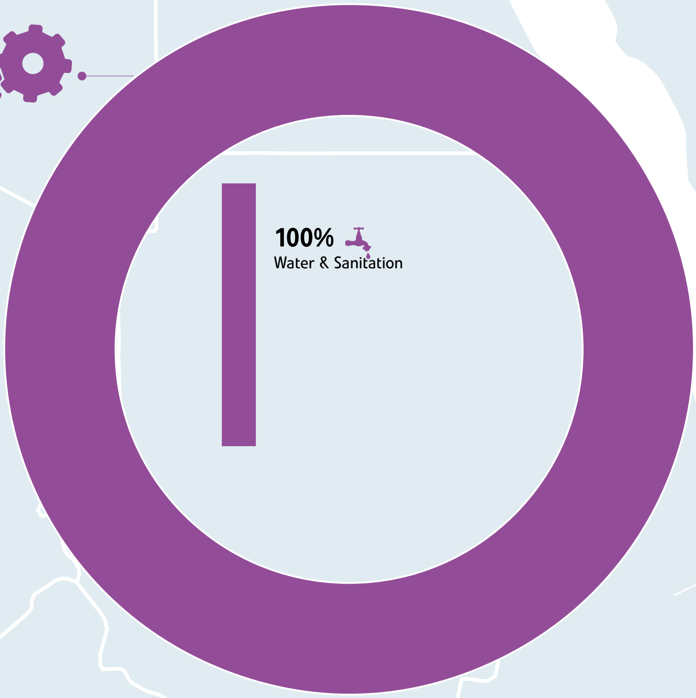
Evolution of activities in Montenegro (in thousand EUR)

Serbia

HDI: 64 / 187
Capital: Belgrade
Population: 7.2 million
Area: 77,474 km²
Literacy rate: 98%
Life expectancy at birth: 75 years
Population growth rate: -0.464%

Distribution of the 2012 disbursements by sector

100%
Local Development

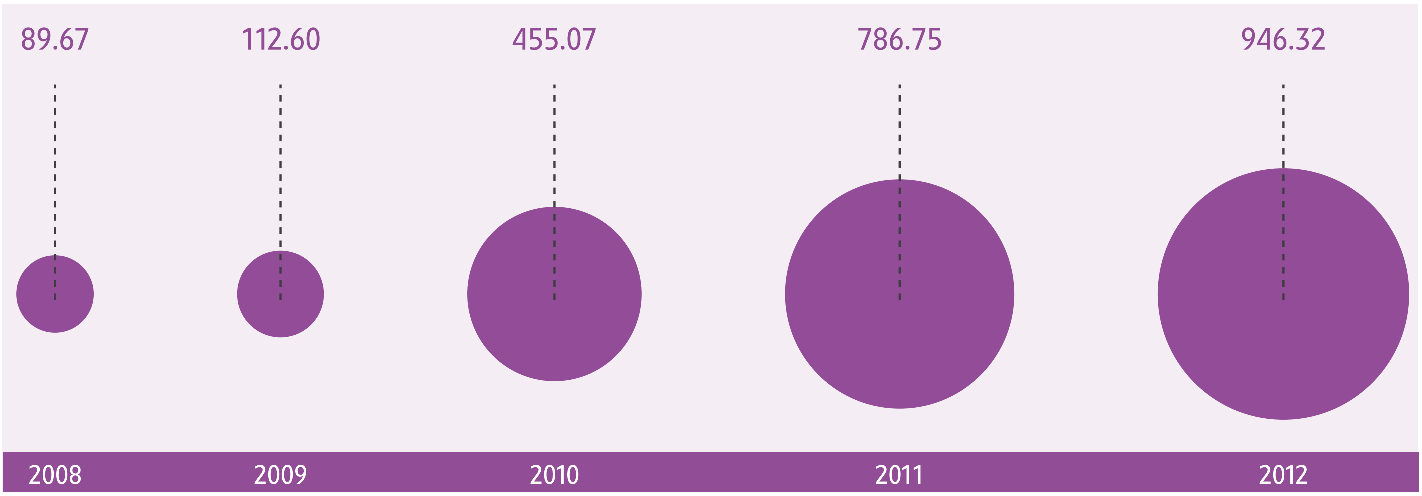


SRB/013 Support to Novi Pazar Municipality - Phase II

duration: **2009 - 2013**

Total Budget: **4,500,000**

Disbursed 2012: **946,319**



Evolution of activities in Serbia (in thousand EUR)

www.luxdev.lu

Summary of Funds used in Patner Countries (EUR)

DAKAR

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	123,673,944	18,884,703	19,480,123
Senegal	62,613,944	8,025,036	9,994,502
Mali	61,060,000	10,859,667	9,485,621

HANOI

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	87,388,792	11,527,051	12,986,328
Vietnam	43,453,594	4,376,199	5,023,828
Laos	43,935,198	7,150,853	7,962,500

MANAGUA

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	91,996,380	12,291,431	10,190,843
Nicaragua	60,996,380	7,213,088	5,743,954
El Salvador	31,000,000	5,078,343	4,446,889

OUAGADOUGOU

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	135,817,029	8,031,876	10,811,810
Burkina Faso	66,922,829	6,820,271	7,184,824
Niger	68,894,200	1,211,604	3,626,986

PRAIA

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	76,415,266	7,881,627	9,863,216
Cape Verde	76,415,266	7,881,627	9,863,216

PRISTINA

	Total Budget	Disbursed 2011	Disbursed 2012
Total - Office	33,362,600	6,147,893	9,149,270
Kosovo	24,650,000	3,316,041	5,718,372
Albania	-2,000,000	2,664	0
Montenegro	6,212,600	2,042,442	2,484,579
Serbia	4,500,000	786,746	946,319

DIRECT MANAGEMENT

	Total Budget	Disbursed 2011	Disbursed 2012
Total	60,392,130	13,558,777	6,237,913
Regional Africa	29,295,000	4,605,102	1,410,360
Mongolia	11,031,300	1,353,466	1,331,219
Namibia	0	3,763,040	0
Rwanda	6,198,800	3,268,333	2,060,169
Others (Training, etc.)	13,867,030	568,836	1,436,165
Total	**609,046,141**	**78,323,358**	**78,719,503**


Flower

Finances

management report

Company situation

In 2012, a total of 78,719,503 EUR in disbursements was made to the 95 projects and programmes managed by the Agency, of which 77,021,444 EUR was managed on behalf of the Luxembourg government, as against 78,323,358 EUR in 2011 - an increase of 0.5%.

On 13 December 2011, the Board of Directors approved the Agency's budget for the year 2012 amounting to 9,516,615 EUR excl. VAT. As of 31 December 2012, the Agency had used 8,916,615 EUR, 600,000 EUR less than the approved budget. Furthermore, the advances not disbursed by 31 December 2012, i.e. 312,396 EUR, will be deducted from the second appeal for funds in 2014, in accordance with the new Agreement between the state and the Agency. In conclusion, Luxembourg Development Cooperation funding has contributed 8,604,219 EUR to cover the Agency's operational charges.

As of 31 December, the Agency had 115 staff members (114 in 2011) distributed as follows: 54 at head office and 61 in the field, including the six regional offices.

The Agency runs Regional Offices in Praia, Dakar, Ouagadougou, Pristina, Hanoi and Managua.

In 2012, there were nine privileged partner countries:

Cape Verde, Senegal, Mali, Burkina Faso, Niger, Vietnam, Laos, Nicaragua and El Salvador. The Agency has continued to operate in five other countries, Kosovo, Montenegro, Serbia, Rwanda and Mongolia.

Developments

For 2013, the Ministry of Foreign Affairs has reserved a total of 78,500,000 EUR (78,000,000 EUR in 2012) for the Agency to implement its projects and programmes.

The Board of Directors has approved a budget of 9,760,255 EUR for the Agency for 2013 to cover operational charges on the projects and programmes.

The Agency plans to employ roughly the same number of staff for the next period.

Other important facts

On 23 November a new agreement was signed between the Grand Duchy of Luxembourg and the Agency. Henceforth, the Agency will treat development cooperation funding as advances to cover operating charges. The balance of the advances not disbursed will be deducted from the second appeal for funding for the following year.

Major events after the year end

The security situation in Mali remains precarious, following the March 2012 coup d'état and the subsequent French military intervention.

Main risks and uncertainties

The instability of some West African countries may have an impact on the Agency's disbursements in 2013.

Luxembourg, 22 May 2013

THE BOARD OF DIRECTORS

1. INCOME

1.1. NET TURNOVER

On 13 December 2011, the Board of Directors approved a budget of 9,516,615 EUR excl. VAT for the Agency for 2012. As of 31 December 2012, the Agency had used 8,916,615 EUR, 600,000 EUR less than the approved budget. Furthermore, the advances not disbursed by 31 December 2012, i.e. 312, 396 EUR, will be deducted from the second appeal for funds in 2014, in accordance with the new Agreement between the state and the Agency. In conclusion, Luxembourg Development Cooperation funding has contributed 8,604,219 EUR to cover the Agency's operating charges.

Furthermore, the Agency has received the following fees for carrying out projects funded by other sources than Luxembourg Development Cooperation funding:

- MAE/011 – Formulation of a Business Plan and Maintenance of Facilities at the Kazakhstan national University of Medicine: 12% of 36,777 EUR, i.e. 4,413 EUR;
- LAO/412 – Community Initiatives Support Project: 7% of 33,538 EUR, i.e. 2,348 EUR.

Therefore, the Agency's net turnover for 2012 was 8,610,980 EUR (8,406,407 EUR in 2011).

1.2. OTHER OPERATING INCOME

In 2012, the Agency seconded some of its staff to the projects and programmes which it manages on behalf of the State. The services provided by these staff members were invoiced at cost price to the projects and programmes concerned for a total of 540,626 EUR (541,128 EUR in 2011).

In its Junior Technical Assistant (JTA) programme, the Ministry of Foreign Affairs entrusted the management of the selected trainees to the Agency. The costs of managing these trainees were invoiced at cost price to the Ministry of Foreign Affairs and amounted to 334,295 EUR (314,398 EUR in 2011).

Furthermore, the Agency has received other income totalling 262,898 EUR (481,630 EUR in 2011), made up of: unused part of operations budget (215,928 EUR); unused part of budget for undertaken holidays (6,781 EUR); employment fund aid for hiring older unemployed persons (5,254 EUR); asset transfers (4,841 EUR); re-invoicing of project AAA/311 costs (10,000 EUR); insurance claims (2,212 EUR); refund of a deposit from the municipality of Luxembourg dating from 2002 (7,710 EUR) and various other income (10,172 EUR).

Currently, the Agency is participating in two consortia acting on behalf of the European Union.

Firstly, on a project in Mali, which started in 2008 (EUR/107) - Information and migration management centre (in collaboration with the Belgian development agency) - which is due to end in April 2013, and secondly, on a regional project in southern Africa (EUR/106) - Aid for surveillance of SADC (Southern African Development Community) fishing areas. This project ended on 31 December 2011 but the Agency is still waiting for the European Commission to discharge it.

The revenue for these two consortia in 2012 was: 7,936 EUR for the project in Mali and 2,708 EUR for the project in southern Africa.

Therefore, the sum of the consortia's income for the Agency in 2012 was 10,644 EUR (27,739 EUR in 2011).

The total of the Agency's other operating income for 2012 was 1,148,463 EUR (1,364,895 EUR in 2011).

1.3. OTHER INTEREST AND FINANCIAL INCOME

The Agency has received interest from banking institutions in 2012 amounting to 12,167 EUR (18,332 EUR in 2011), plus profit on currency exchanges of 1,626 EUR (756 EUR in 2011). This gives a total sum of 13,793 EUR (23,679 EUR in 2011).

1.4. EXTRAORDINARY INCOME

The Agency received the tax settlement from the Luxembourg tax administration for the 2010 tax year amounted to 4,533 EUR. The Agency regularized its social security debt account by 51,777 EUR on 31 December 2012. Therefore, the total extraordinary income amounted to 56,310 EUR (5 279 EUR in 2011).

2. CHARGES

2.1. OTHER EXTERNAL CHARGES

Among the charges are four items that represent 70% of the total, i.e.:

- rent of the head office and regional offices amounting to 837,440 EUR (793,305 EUR in 2011);
- mission costs (head office, regional offices, internal auditor and risk manager) amounting to 491,413 EUR (440,122 EUR in 2011);
- fees amounting to 205,721 EUR (180,382 EUR in 2011);
- expenditure connected with the secondment of expatriate staff: 280,183 EUR (309,140 EUR in 2011).

The other external charges, which amounts to 770,761 EUR (762,202 EUR in 2011), is mainly made up of postal and express courier costs, documentation, insurance, maintenance contracts, training costs and costs connected with the 2012 annual report.

The total charges in 2012 amounts to 2,585,518 EUR (2,485,151 EUR in 2011).

2.2. STAFF COSTS

Staff costs in 2012 were made up of:

- salaries and head office staff costs amounting to 4,331,555 EUR (4,239,048 EUR in 2011);
- salaries and regional office staff costs (expatriate and local staff) amounting to 1,687,927 EUR (1,755,193 EUR in 2011);
- salaries and costs of additional staff made available for projects and programmes, amounting to 540,626 EUR (541,128 EUR in 2011);
- trainees' salaries and costs (JTA programme) amounting to 334,295 EUR (314,398 EUR in 2011);
- additional pensions amounting to 147,987 EUR (125,892 EUR in 2011).

The total costs on staff in 2012 amounted to 7,042,390 EUR (6,975,659 EUR in 2011).

As of 31 December 2012, the Agency's staff were distributed as follows:
(excepting maternity leave, long-term illness, parental leave and unpaid leave)

	01.01.2012	31.12.2012	Variations
HEAD OFFICE STAFF:	**52**	**54**	**+2**
General Management	2	2	0
Operations Director	1	1	0
Expertise & Quality Director	1	1	0
Human Resources Director	1	1	0
Communication	3	3	0
Expertise, Quality and Evaluation	7	7	0
Human Resources	6	6	0
Operations	15	16	+1
Purchasing Procedures and Contracts	6	7	+1
Accounting and Finance	4	4	0
Risk Management	1	1	0
Information Technology	4	4	0
Secretariat	1	1	0

REGIONAL OFFICE STAFF:	**47**	**46**	**-1**
Expatriate staff	9	8	-1
Local staff	38	38	0
ADDITIONAL STAFF:	**6**	**5**	**-1**
At head office	2	2	0
In the field	4	3	-1
TRAINEES:	**9**	**10**	**+1**
TOTAL:	**114**	**115**	**+1**

2.3. VALUE ADJUSTMENTS

For the financial year 2012, the Agency reported value adjustments totalling 100,099 EUR (103,713 EUR in 2011).

2.4. OTHER OPERATING CHARGES

The other operating charges, amounting to 71,842 EUR (181,830 EUR in 2011), were:

- a provision of 61,198 EUR (144,399 EUR in 2011) for current litigation;
- the result of 10,644 EUR (27,739 EUR in 2011) from joint ventures where the Agency was carrying out technical assistance projects on behalf of donors other than the Luxembourg State.

The precautionary principle from previous years is continuing to be applied to the profit or loss carried over for the projects concerned, such that a 100% provision is retained until the projects are completed. The total operating provisions in connection with the consortia was 531,438 EUR as of 31 December 2012.

2.5. INTEREST PAYABLE AND SIMILAR CHARGES

In 2012, the Agency paid bank charges invoiced by banking establishments of 7,382 EUR (10,203 EUR in 2011 and exchange losses of 16,027 EUR (18,168 EUR in 2011). Therefore, the total interest payable and similar charges was 23,409 EUR (33,341 EUR in 2011).

2.6. EXTRAORDINARY CHARGES

Extraordinary charges amounted to 613 EUR (10,547 EUR in 2011) and related to asset transfers.

2.7. TAXES

The Agency has accounted for an income tax provision of 0 EUR for the year 2012 and 1,069 EUR for previous years (2,300 EUR in 2011).

Net Wealth tax for the year 2012 amounted to 4,605 EUR (4,465 EUR in 2011).

3. ASSETS

The Agency's tangible and intangible assets amounted to 218,976 EUR in 2012 (214,306 EUR in 2011).

The Agency's receivables from sales and services amounted to 607,193 EUR as of 31 December 2012 (758,376 EUR in 2011) and were made up of: receivables from the consortia (531,438 EUR); receivables from projects and programmes (42,940 EUR); receivables from clients (1,664 EUR); receivables from our regional offices (10,350 EUR); funds receivable from the Caisse de Mutualité (18,649 EUR) funds receivable from the Fonds de l'Emploi (2,152 EUR).

Other receivables have remained unchanged at 61,796 EUR (61,796 EUR in 2011): they consist of tax credits (61,296 EUR) and a credit note due from a supplier (500 EUR).

The Agency's bank assets amounted to 1,586,353 EUR as of 31.12.2012 (1,476,027 EUR in 2011).

Prepayments of the balance sheet amounted to 282 801 EUR as of 31.12.2012 (248 416 EUR in 2011). In essence, these represent charges paid in advance for the rent of the head office for 2012.

As a result, the total assets were 2,757,119 EUR as of 31.12.2012 (2,758,921 EUR in 2011).

4. LIABILITIES

Capital and reserves amounted to 866,314 EUR as of 31.12.2012 - identical to 2011.

Provisions amounted to 1,075,480 EUR as of 31.12.2012 (1,257,260 EUR in 2011). This amount is made up primarily of provisions made in connection with the consortia (531,438 EUR), provisions for disputes (55,813 EUR), provisions for tax (9,899 EUR), provision for untaken holidays (96,756 EUR), provision for remunerative taxes of 0.9% (4,846 EUR) and variable remuneration for 2012 (376,728 EUR).

Trade accounts payable within one year amount to 231,787 EUR (318,134 EUR in 2011). This amount represents our suppliers' invoices remaining unpaid as of 31 December 2012.

Other debts (9,692 EUR in 2011) have been paid in full as of 31.12.2012.

As of 31 December 2012, the Agency had tax debts payable to the Luxembourg VAT authority of 55,086 EUR (85,299 EUR in 2011) and to the social security authority of 164,173 EUR (218,483 EUR in 2011).

Deferred income amounted to 364,279 EUR as of 31.12.2012 (3,739 EUR in 2011). This consists mainly of non-disbursed funds supplied via advances from Luxembourg Development Cooperation funding amounting to 359,255 EUR plus other deferred income from sources other than Luxembourg Development Cooperation funding.

As a result, the total liabilities were 2,757,119 EUR as of 31.12.2012 (2,758,921 EUR in 2011).

Luxembourg, 22 May 2013

The Board of Directors

report of the *réviseur* d'entreprises agréé

To the Shareholders of
Lux-Development S.A.
10, rue de la Grève
L-1643 Luxembourg

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated May 25, 2011, we have audited the accompanying annual accounts of Lux-Development S.A., which comprise the balance sheet as at December 31, 2012 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the *Réviseur d'Entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit on accordance with International Standards on Auditing, as adopted for Luxembourg by the *Commission de Surveillance du Secteur financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the *Réviseur d'Entreprises agréé*, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessment, the *Réviseur d'Entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

report of the réviseur d'entreprises agréé

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Lux-Development S.A. as of December 31, 2012, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, May 22, 2013

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

P. Wies T. Ravasio

balance sheet as at 31 december 2012

ASSETS	Note(s)	31.12.2012 (EUR)	31.12.2011 (EUR)
FIXED ASSETS			
Intangible assets	2.2, 3.1		
Concessions, patents, licences and trademarks		6,079.27	13,206.04
Tangible assets	2.3, 3.2		
Land and buildings		16,711.33	18,823.92
Other fixtures and fittings, tools and equipment		196,185.17	182,275.63
TOTAL FIXED ASSETS		**218,975.77**	**214,305.59**
CURRENT ASSETS			
Debtors	2.4		
Trade debtors			
- becoming due and payable within one year	4.1	607,193.12	758,375.92
Other debtors			
- becoming due and payable within one year	4.2	61,796.00	61,796.00
Cash at bank, cash in postal cheque accounts, cheques and cash in hand		1,586,353.31	1,476,027.41
TOTAL CURRENT ASSETS		**2,255,342.43**	**2,296,199.33**
PREPAYMENTS	**5**	**282,800.74**	**248,416.55**
TOTAL ASSETS		**2,757,118.94**	**2,758,921.47**

The accompanying notes are an integral part of these annual accounts.

balance sheet as at 31 december 2012

LIABILITIES	Note(s)	31.12.2012 (EUR)	31.12.2011 (EUR)
CAPITAL AND RESERVES			
Subscribed capital	6	250,000.00	250,000.00
Reserves			
- legal reserve	7	25,000.00	25,000.00
- other reserves	8	38,650.00	38,000.00
Profit brought forward	9	552,663.59	550,890.62
Result for the financial year		-	2,422.97
TOTAL CAPITAL AND RESERVES		**866,313.59**	**866,313.59**
PROVISIONS			
Provision for taxation		9,899.50	25,139.17
Other provisions	10	1,065,580.51	1,232,121.06
TOTAL PROVISIONS		**1,075,480.01**	**1,257,260.23**
NON-SUBORDINATED DEBTS	11		
Trade creditors			
- becoming due and payable within one year		231,787.58	318,134.73
Tax and social security			
- tax		55,086.09	85,298.83
- social security		164,173.00	218,483.27
Other creditors			
- becoming due and payable within one year		-	9,691.89
TOTAL CREDITORS		**451,046.67**	**631,608.72**
DEFERRED INCOME	**5**	**364,278.67**	**3,738.93**
TOTAL LIABILITIES		**2,757,118.94**	**2,758,921.47**

The accompanying notes are an integral part of these annual accounts.

profit & loss account

FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2012

CHARGES	Note(s)	2012 (EUR)	2011 (EUR)
CHARGES			
Other external charges		2,585,517.90	2,485,151.36
Staff costs	12		
Wages and salaries		6,060,457.14	6,022,649.65
Social security costs		833,945.98	827,117.27
Social security costs relating to pensions		147,986.99	125,892.35
		7,042,390.11	6,975,659.27
Value adjustments on tangible and intangible assets	3	100,098.69	103,712.64
Other operating costs	13	71,842.14	181,830.66
Interest payable and similar charges			
Other interest payable and similar charges		23,409.38	33,341.06
Extraordinary expenditure		613.20	10,547.17
Tax on profit or loss		1,069.25	3,130.40
Other taxes not included in the previous caption		4,605.00	4,465.00
Profit for the financial year		**-**	**2,422.97**
TOTAL CHARGES		**9,829,545.67**	**9,800,260.54**

The accompanying notes are an integral part of these annual accounts.

profit & loss account

FOR THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2012

INCOME	Note(s)	2012 (EUR)	2011 (EUR)
INCOME			
Net turnover	15	8,610,980.18	8,406,407.23
Other operating income	16	1,148,463.00	1,364,895.26
Other interests and other financial income			
Other interest receivable and similar income		13,792.65	23,678.73
Extraordinary income	14	56,309.84	5,279.32
TOTAL INCOME		**9,829,545.67**	**9,800,260.54**

The accompanying notes are an integral part of these annual accounts.

NOTE 1 – GENERAL POINTS

The Luxembourg agency for international economic cooperation, «Lux-Development S.A.» («the Agency»), was formed on 9 August 1978 as a company with limited liability operating for an indefinite period. At the Extraordinary General Meeting of 11 December 1998, the Agency became a limited company. The Agency's head office is in Luxembourg.

Under a mandate from the Luxembourg Ministry of Foreign Affairs, the Agency carries out bilateral and intergovernmental development cooperation projects financed by the Grand Duchy of Luxembourg.

In accordance with Article 2 of its articles of association, the object of the Agency is to implement bilateral cooperation projects and programmes on behalf of the Grand Duchy of Luxembourg, as part of Luxembourg Development Cooperation policy. Beyond this main task, the Agency may be commissioned by the Grand Duchy of Luxembourg to carry out one-off emergency aid operations, other tasks in the field of development cooperation and any other international cooperation mission.

The Agency carries out its object in accordance with the agreement concluded with the Grand Duchy of Luxembourg dated 20 October 2008 specifying how the tasks set out in the previous paragraph are to be performed. The Agency signed a new Agreement with the Luxembourg state on 23 November 2012.

The Agency acts as a trustee on behalf of the Grand Duchy of Luxembourg. The transactions carried out in trust do not appear either on the Agency's balance sheet nor in its profit and loss account. Only positions with an impact on the balance sheet or the profit and loss account have been entered.

The Agency may carry out any future-orientated or advisory financial, commercial or technical operations, securities or real estate transactions, in Luxembourg and abroad, which directly relate to its object or are likely to facilitate it.

The Agency may also, in exceptional circumstances, supply consultancy, assistance, research or management services for development projects and programmes for other national and international bodies. This provision of services must be compatible with the principles of Luxembourg Development Cooperation policy and must not include any item whatsoever likely to cause damage to Luxembourg development projects and programmes. The acceptance of such services by the Agency is subject to their approval, on a case-by-case basis, by the Minister with responsibility for development cooperation.

Under the same terms as in the previous paragraph, the Agency may enter into a relationship with companies, groups or associations with a similar or related purpose in order to promote the performance of its object.

The Agency includes in its annual accounts the assets, liabilities, charges and income of its regional offices in Praia, Dakar, Ouagadougou, Pristina, Hanoi and Managua.

NOTE 2 – ACCOUNTING PRINCIPLES, RULES AND METHODS

The Agency's annual accounts are drawn up in accordance with the provisions of Luxembourg law, using accountancy practices generally accepted in Luxembourg.

2.1. CURRENCY CONVERSION

The Agency draws up its accounts in euros (EUR) and its annual accounts are expressed in that currency.

For regional offices making up their accounts in a currency other than EUR, the conversion on the balance sheet date is made according to the following principles:

- fixed assets entered in other currencies are converted at the exchange rate valid on the date of the transaction:
- receivables and cash at bank that are part of the current assets and other short-term receivables expressed in a currency other than EUR are calculated at the exchange rate valid on the balance sheet date;
- other assets and liabilities expressed in a currency other than EUR are converted individually at the lowest or highest historical exchange rate or at the exchange rate valid on the balance sheet date.

Income and expenditure expressed in a currency other than EUR are converted into the balance sheet currency at the end-of-month exchange rate.

Thus, only realised exchange profits and losses and unrealised exchange losses are entered into the profit and loss account.

2.2. INTANGIBLE ASSETS

Intangible assets are recorded at their purchase price. They are subject to value adjustments over four years.

2.3. TANGIBLE ASSETS

Tangible assets are recorded at their purchase price and are subject to value adjustments over the period of their normal use.

The following depreciation rates are used by the Agency:

IT equipment	33.33%
Office furniture	25%
Other equipment	25%
Vehicles	20% et 25%
Renovation costs of rented premises	20%

2.4. DEBTORS

Debtors are valued at their nominal value. They are subject to value adjustments when their recovery is compromised.

2.5. CREDITORS

Creditors are recorded at their nominal value.

2.6. JOINT VENTURES – OPERATIONS PERFORMED FOR THIRD PARTIES AND UNRELATED TO LUXEMBOURG DEVELOPMENT COOPERATION

The share of the profit or loss from joint ventures which contractually reverts to the Agency is entered in the profit and loss account. A provision of the same amount is entered in the accounts in order to offset the profit. The profit or loss is acknowledged at the end of the projects.

Since the entry into force of the new Agreement, 4/5 of the results for the year are attributed to the Agency and 1/5 is reassigned to the Luxembourg state.

2.7. DELEGATED COOPERATION AND OPERATIONS FOR THIRD PARTIES UNRELATED TO LUXEMBOURG DEVELOPMENT COOPERATION

Since the entry into force on 1 January 2012 of the new Agreement signed in November 2012, the reassignment of the profit or loss has been amended as follows:

- for delegated cooperation:
  1/5 of the results are attributed to the Agency and 4/5 are reassigned to the state;
- operations for third parties unrelated to Luxembourg Development Cooperation:
  4/5 of the results are attributed to the Agency and 1/5 are reassigned to the state; Prior to 2012, the Agency reassigned 4/5 of the results to the state.

NOTE 3 – TANGIBLE AND INTANGIBLE ASSETS

3.1. INTANGIBLE ASSETS

	2012 (EUR)	2011 (EUR)
Purchase price		
Purchase price at the beginning of the year	33,904	33,904
Purchases	976	-
Disposals	-	-
Purchase price at the end of the year	34,880	33,904
Value adjustments		
Cumulative value adjustments at the beginning of the year	(20,698)	(12,327)
Value adjustments for the year	(8,103)	(8,371)
Reversals of value adjustments on disposals	-	-
Cumulative value adjustments at the end of the year	(28,801)	(20,698)
Net book value	**6,079**	**13,206**

3.2. TANGIBLE ASSETS

	2012 (EUR)	2011 (EUR)
Purchase price		
Purchase price at the beginning of the year	974,249	974,955
Purchases	104,406	95,723
Disposals	(41,982)	(96,429)
Purchase price at the end of the year	1,036,673	974,249

Value adjustments		
Cumulative value adjustments at the beginning of the year	(773,150)	(774,237)
Value adjustments for the year	(91,996)	(95,342)
Reversals of value adjustments on disposals	41,370	96,429
Cumulative value adjustments at the end of the year	(823,776)	(773,150)
Net book value	**212,897**	**201,099**

NOTE 4 - DEBTORS

4.1. TRADE DEBTORS

Trade debtors include the sum of 531,438 EUR (520,793 EUR in 2011 EUR) for joint ventures (consortia) (see Note 10).

4.2. OTHER DEBTORS

Other debtors, amounting to 61,796 EUR (61,796 EUR in 2011), are made up of advances paid to the Luxembourg tax administration.

NOTE 5 - PREPAYMENTS

Prepayments amounting to a total of 282,801 EUR (248,417 EUR in 2011) essentially consist of expenditure paid in advance by the head office for the year 2013 of 214,463 EUR and invoices paid in advance by the regional offices for the year 2013 of 68,338 EUR.

Deferred income amounting to 364,279 EUR (3,739 EUR in 2011), are essentially made up of non-disbursed funds supplied via advances from Luxembourg Development Cooperation funding.

NOTE 6 - SUBSCRIBED CAPITAL

The subscribed capital amounts to 250,000 EUR represented by 400 shares with a nominal value of 625 EUR each.

NOTE 7 – LEGAL RESERVE

In accordance with Luxembourg law on limited companies, the Agency allocates a minimum of 5% of its net profit to its statutory reserve. This allocation ceases to be mandatory when the reserve reaches 10% of the share capital. This reserve may not be distributed.

NOTE 8 – OTHER RESERVES

In previous years, the Agency opted to reduce the net wealth tax burden due for those taxable years. In order to comply with tax law, the Agency decided to allocate a non-distributable reserve that corresponds to five times the amount of net wealth tax. This reserve is not distributable for a period of five years from the year following the one during which the net wealth tax was credited.

If this reserve were not maintained until the end of this five-year period (for a reason other than its incorporation into the registered capital), the tax charged would be increased for the tax year in question by a fifth of the amount of the reserve used.

NOTE 9 – PROFIT BROUGHT FORWARD

	2012 (EUR)	2011 (EUR)
Profit brought forward at the beginning of the year	550,890	497,763
Allocation to the Net Wealth Tax reserve	(650)	-
Previous year's profit	2,423	53,127
Profit brought forward at the end of the year	**552,663**	**550,890**

The distribution of the 2011 profit was decided during at the General Meeting on 23 May 2012.

NOTE 10 - OTHER PROVISIONS

Other provisions are made up of:

	2012 (EUR)	2011 (EUR)
Provisions for litigation	55,813	280,910
Provisions for staff costs	376,728	326,882
Provisions for undertaken holidays	96,756	103,536
Provisions for remunerative taxes concerning pension funds	4,846	-
Provisions for the share of the profit or loss from joint ventures (consortia) (see notes 4.1. and 13)	531,438	520,793
Total other provisions	**1,065,581**	**1,232,121**

NOTE 11 - NON-SUBORDINATED DEBTS

Non subordinated debts are payable within one year and are not covered by guaranteed given by the Agency.

Other creditors payable within one year are composed of the retrocession of the operating surplus to the state.

Under the terms of Article 25 of the agreement made with the Luxembourg state dated 20 October 2008 and the new Agreement signed on 23 November 2012, the Agency treats the funds coming the Luxembourg Development Cooperation funding as advances to be used to cover the operational charges. The balance of the advances not disbursed will be deducted from the second appeal for funding for the following year.

NOTE 12 - STAFF COSTS

The average number of staff employed during 2012 was 114.5 (2011: 115), made up of: head office staff, expatriate staff, local staff, additional project staff and trainees.

NOTE 13 - OTHER OPERATING CHARGES

The other operating charges, amounting to a total of 71,842 EUR (181,831 EUR in 2011), are made up of: provisions entered in 2012 for current litigation (61,198 EUR); the share of the profit of 10,644 EUR of joint ventures where the Agency was commissioned to complete technical assistance projects on behalf of the European Commission or third parties.

The share of the profits made by these joint ventures that reverts contractually to the Agency is entered in the profit and loss account and a provision of the same amount is entered as a liability in order to offset the profit (see notes 4.1 and 10). The profit is only entered at the conclusion of the projects.

NOTE 14 – EXTRAORDINARY INCOME

Extraordinary income amounting to 56,310 EUR (5,279 EUR in 2011) consists of:

- an amount of 4,533 EUR related to the reimbursement made by the Luxembourg tax administration for the surplus of taxes paid in 2010.
- an amount of 51,777 EUR related to the regularization of the social security debt account.

NOTE 15 – NET TURNOVER

As of 31 December 2012, the net turnover was made up of:

	2012 (EUR)	2011 (EUR)
Funds made available to cover operating charges Ministry of Foreign Affairs	8,604,219	8,386,365
Fees for carrying out the projects funded by other sources than the Luxembourg Development Cooperation funding:		
Ministry of Foreign Affairs	4,413	13,396
Ministry of Finance	2,348	6,646
Total turnover	**8,610,980**	**8,406,407**

NOTE 16 – OTHER OPERATING INCOME

As of 31 December 2012, the other operating income consisted mainly of :

- additional staff: 540,626 EUR in 2012 (541,128 EUR in 2011).
  This entry relates to Agency staff made available for projects and programmes carried out on behalf of the Ministry of Foreign Affairs;
- trainees: 334,295 EUR in 2012 (314,398 EUR in 2011).
  This entry relates to the Junior Technical Assistant (JTA) programme run by the Ministry of Foreign Affairs;
- other income: 273,542 EUR in 2012 (481,630 EUR in 2011).
  This essentially relates to the reversal of operating provisions, the partial reversal of the provision for undertaken holidays and the employment fund aid for hiring older unemployed persons.

NOTE 17 - OFF-BALANCE-SHEET COMMITMENTS

As of 31 December 2012, the Agency and its regional offices have commitments under rental agreements valid until the end of 2015 to pay 980,112 EUR (1,831,896 EUR in 2011).

NOTE 18 - ADDITIONAL PENSIONS SCHEME

The Agency has established for its staff an additional pension system made up of the following benefits: retirement, death and disability benefits. The pensions scheme is managed by a Luxembourg insurance company for the payment of an annual premium. The Agency has no receivables on its books. In 2013, the Agency allowed for a provision of 4,846 EUR to cover the remunerative taxes related to pension funds of 0.9%.

NOTE 19 - FINANCIAL ACCOUNTS MANAGED ON BEHALF OF THIRD PARTIES

As of 31 December 2012, the Agency held on behalf of the Luxembourg state the sum of 5,422,981 EUR (11,770,199 EUR in 2011), intended for financing bilateral development cooperation projects implemented by the Agency under its mandate from the Ministry of Foreign Affairs.

The Agency held, on behalf of other donors, the sum of 4,437,149 EUR (841,872 EUR in 2011).

These amounts are not included on the Agency's balance sheet.

NOTE 20 - AUDIT FEES

The fees for services invoiced to the Agency during the financial year by the audit firm are given in the table below:

	2012 (EUR)	2011 (EUR)
Statutory audit of annual accounts	114,863	100,560
Other insurance services	-	-
Tax advice services	-	-
Other services	-	-
Total audit fees	**114,863**	**100,560**

These fees are entered as "Other external charges" in the profit and loss account.

credits

LuxDev Coordination | Richard Schmid

Editors | François Bary, Richard Schmid

Vision 2012 dossier | Marc Riehl with contributions from Hans Bissdorf, Peter Hansen, Alexis Hoyaux, Pascale Junker, Quang Nam, Pascal Rossignol and Igor Wajnsztok

Graphic Design and Production | Cathy Scheltien

Photo Credits

page 2: Senegal, Yasmine Sweetlove
page 11: Vietnam, Jérôme Vançon
page 12: Senegal, Yasmine Sweetlove
page 48: Senegal, Yasmine Sweetlove
page 53: Burkina Faso, Quentin Bourdeaux
page 67: Senegal, Yasmine Sweetlove
page 70: Nicaragua, Joel Astruc
page 76: Vietnam, M. Le Viet Nhan
page 81: Laos, Peter Kurt Hansen
page 88: Montenegro, Richard Schmid
page 98: Vietnam, M. Sach An Khang
page 123: Mali, Cathy Schmartz
page 125: Nicaragua, Inti Ocón

Many thanks to the photographers. It is impossible to mention them all.

CSR

“Be the change you want to see in the world.”
(Gandhi)

Corporate Social Responsibility (CSR)

Since Luxembourg Development Cooperation activities promote sustainable development, LuxDev wishes to act in line with this principle not only in the projects and programmes which the Agency is implementing in the partner countries but also in terms of establishing a corporate responsibility initiative with regard to its own operations.

This CSR initiative consists of a host of actions, small and large, touching on the various aspects of sustainable development.

A few very tangible results of this policy at the environmental level are:

- compared to 2011, LuxDev has reduced the electricity consumption of its head office by 18%. Since 2008, 100% of the energy consumed has come from renewable sources;
- numerous awareness-raising activities, coupled with a movement towards electronic archiving has, over the last eight years, reduced paper consumption by 27% per employee, despite increased activity. 100% of the paper purchased is recycled paper and the Agency requires publications published externally to be printed on recycled paper or paper from sustainable managed forestry;
- all CO_2 emissions from work-related air travel made by head office and regional office staff have been offset;
- 90% of office supplies for the head office are ecological products;
- since 2007, the Agency has stopped consuming bottled water (over 3,000 bottles annually!) and head office staff drink tap water - fizzy tap water if they wish;
- the Agency's ecological waste management policy has led the Ministry for the Environment, the Chamber of Trades and the Chamber of Commerce to renew the award of the *SuperDrecksKëscht fir Betriber* quality label.

For Alix Hamelain, LuxDev's Environmental Pilot, the challenge for the future is LuxDev's regional offices.

“The environmental action plans implemented in our regional offices in Nicaragua and Senegal show that real advances need to be made on the ground. Furthermore, nothing convinces our local partners better that to see LuxDev applying sustainable development criteria to itself.”