



Strengthening Ties: The Evolution and Impact of Luxembourg-Laos Development Cooperation

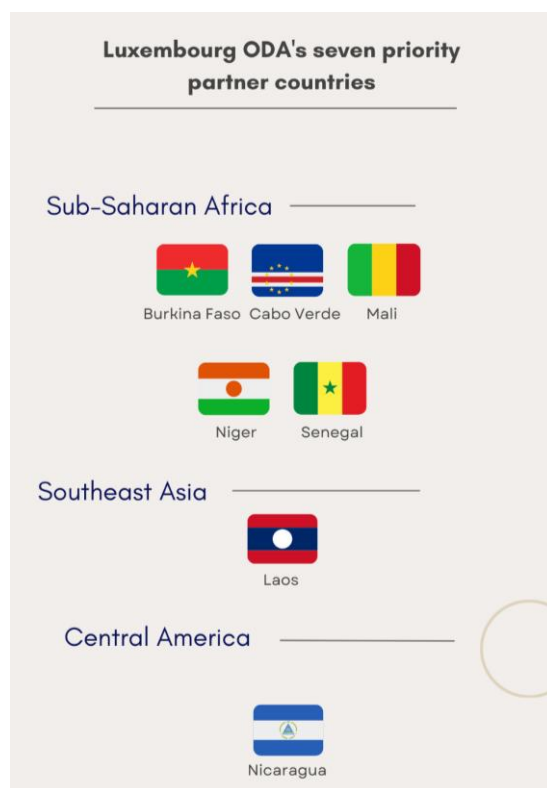
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A Historical Perspective

Laos and Luxembourg appear markedly distinct. One is a landlocked nation in Southeast Asia characterized by its natural landscapes and cultural heritage, and the other is a small, prosperous European country recognized for its financial sector and global engagement. Despite being separated by thousands of kilometers, these two nations intersect in pursuing a common objective: sustainable development and collective prosperity.

The Kingdom of Luxembourg strategically focuses its interventions on a select group of partner countries to enhance the effectiveness and impact of their Official Development Assistance (ODA), and Lao PDR is one of its partners in Southeast Asia.¹ Luxembourg's

development cooperation operates globally, supporting over 1,000 co-funded projects across 82



¹ Luxembourg Aids & Developments. Lao People's Democratic Republic LUXEMBOURG DEVELOPMENT COOPERATION in LAOS. 2024.

countries.² However, to enhance effectiveness and impact, it has recently narrowed its focus from ten to seven priority partner countries. Among the world's poorest nations, these nations face armed conflicts, environmental challenges, weak institutions, and large populations. Five are in sub-Saharan Africa—Burkina Faso, Cabo Verde, Mali, Niger, and Senegal—while Laos in Southeast Asia and Nicaragua in Central America remain key partners. The four priority areas of the ODA are:

- Health and nutrition
- Local development
- Skills development in tourism, agriculture, and forestry
- Rule of law, access to justice, and good governance

The foundation of Laos-Luxembourg relations dates back to 1997, when Luxembourg established diplomatic ties with Laos.³ Luxembourg launched its official development assistance (ODA) program in Laos, initially focusing on humanitarian aid and post-war reconstruction efforts as part of its broader commitment to international development. Early agreements emphasized emergency relief, poverty reduction, and infrastructure development, setting the stage for more profound engagement in subsequent years. Moreover, in January 2016, Luxembourg established an embassy in Vientiane to focus its assistance on the Least Developed Countries (LDC).⁴

Official Development Assistance (ODA) is government aid promoting developing countries' economic development and welfare. It primarily supports their growth through grants or concessional loans, including a grant element of at least 25% (discounted at 10%). Military aid and most peacekeeping costs are excluded, except for humanitarian assistance delivered by armed forces. ODA is provided by official agencies, including state and local governments, and is

² Luxembourg Government. "Official Development Assistance (ODA)." Public.lu, 5 Dec. 2019, [luxembourg.public.lu/en/society-and-culture/international-openness/development-assistance.html](https://public.lu/en/society-and-culture/international-openness/development-assistance.html).

³ United Nations Digital Library. "Diplomatic Relations between Luxembourg and Lao People's Democratic Republic as of 25 Sept. 1997." United Nations Digital Library System, 25 Sept. 1997, digitallibrary.un.org/record/1476649?ln=en&v=pdf. Accessed 11 Mar. 2025.

⁴ The Luxembourg Government. "Luxembourg's Development Cooperation in Laos." Gouvernement.lu, 29 Mar. 2024, cooperation.gouvernement.lu/en/cooperation-au-developpement/pays-partenaires/laos.html. Accessed 11 Mar. 2025.

intended for low- and middle-income countries. Its measurement is overseen by the OECD's Development Assistance Committee (DAC).⁵

The **0.7% GNI target for Official Development Assistance (ODA)** is a United Nations benchmark established in 1970, urging developed countries to allocate 0.7% of their Gross National Income (GNI) to aid developing nations.⁶ Originally proposed by the Pearson Commission, the target aims to ensure consistent funding for poverty reduction and economic development. While reaffirmed in global agreements like the Monterrey Consensus (2002) and the Sustainable Development Goals (2015), only a few countries, such as Sweden, Norway, and Germany, consistently meet it.⁷ Many major economies fall short due to domestic budget constraints and shifting priorities. The demand for ODA has increased due to climate change, conflicts, and global crises, yet aid is often redirected to refugee support and humanitarian efforts, raising concerns about its effectiveness in fostering long-term development. Since 2000, Luxembourg has been among the few industrialized nations that allocate over 0.7% of their Gross National Income (GNI) to Official Development Assistance (ODA).⁸ In 2014, Luxembourg's Official Development Assistance (ODA) amounted to 318 million EUR, constituting 1.06% of its Gross National Income (GNI), which signifies Luxembourg's good progress to meet both its national target of 1.0% and the EU commitment to achieving a 0.7% ODA/GNI ratio by 2030.⁹

Key Development Cooperations

⁵ The Organisation for Economic Co-operation and Development. "Official Development Assistance (ODA)." OECD, 2023, www.oecd.org/en/topics/policy-issues/official-development-assistance-oda.html.

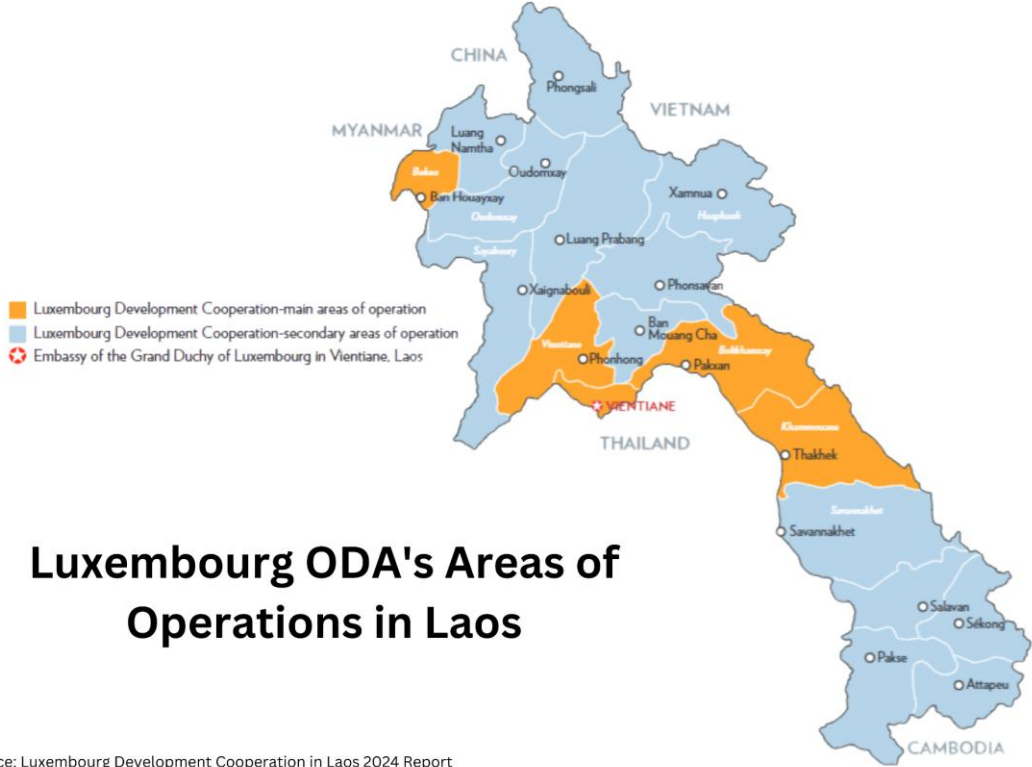
⁶ The Independent Commission for Aid Impact. "Rapid Review: Management of the 0.7% ODA Spending Target - ICAI." ICAI, 2021, icai.independent.gov.uk/html-version/rapid-review-management-of-the-0-7-oda-spending-target/. Accessed 11 Mar. 2025.

⁷ Heller, Peter, and Sanjeev Gupta. "More Aid—Making It Work for the Poor." *Helping Countries Develop: The Role of Fiscal Policy*, 17 Sept. 2004, www.elibrary.imf.org/display/book/9781589063181/CH015.xml, <https://doi.org/10.5089/9781589063181.071.ch015>. Accessed 11 Mar. 2025.

⁸ The Global Partnership for Effective Development Co-operation. "Profile: Luxembourg | Global Partnership for Effective Development Co-Operation." *Effectivecooperation.org*, 2023, www.effectivecooperation.org/Luxembourg. Accessed 11 Mar. 2025.

⁹ Ibid. See 2.

Luxembourg’s long-standing cooperation with Laos, established in 1997, reflects a sustained commitment to development through targeted investments in key sectors. Over the years, Luxembourg has implemented four multi-annual programs, Indicative Cooperation Programmes (ICP), which outline each partner country's strategy, interventions, and priority areas. The current program, the 5th ICP (2023–2027), was signed in 2021 and has a budget of over EUR 95 million. This program takes a strategic approach, connecting activities across various priority sectors through the integrated development of human capital, which includes promoting institutional

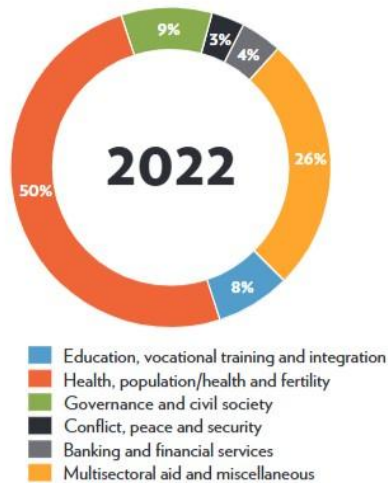


Source: Luxembourg Development Cooperation in Laos 2024 Report

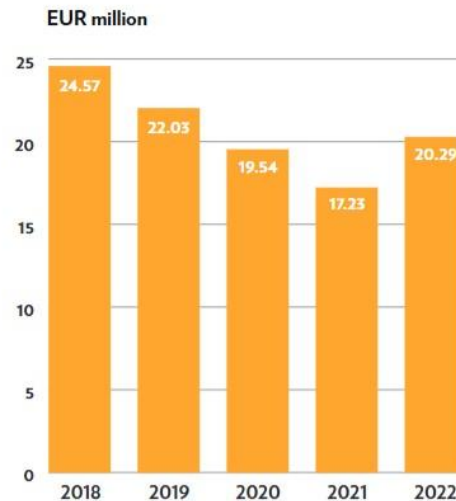
strengthening and good governance.

Luxembourg focuses its efforts on the four provinces of Bokeo, Bolikhamxay, Khammouane, and Vientiane. Throughout its activities, Luxembourg emphasizes human rights, gender equality, environmental protection, climate change mitigation, and the use of digital technologies. In partnership with organizations like LuxDev, UN agencies, NGOs, and academic and private institutions.

SECTORAL DISTRIBUTION



EVOLUTION OF FUNDS DISBURSED



Source: Luxembourg Development Cooperation in Laos-2024 Report

Additionally, Luxembourg actively engages in the global process by helping UN agencies in their efforts to combat criminality and clear mines, as well as by contributing strategic financial support. Luxembourg also backs the Mekong River Commission and initiatives for good land management at the regional level.¹⁰

Key Areas of Cooperation

Economic Ties: In celebration of their 27th anniversary of diplomatic ties, Laos and Luxembourg have decided to expand their collaboration in trade, business, economy, health, and education. The deputy prime minister, foreign affairs and foreign trade minister, and development cooperation and humanitarian affairs minister of the Kingdom of Luxembourg, Mr. Xavier Bettel, reached the agreement during a working visit to Laos. The two nations aim to persuade companies and investors to bolster alliances in promising sectors like tourism, lodging and services, processing, and agriculture. Moreover, Luxembourg will continue to assist Laos in developing hospitals, providing medical equipment, and enhancing the capacity of its physicians. To promote trade,

¹⁰ The Luxembourg Government. "Luxembourg's development cooperation in Laos." The Luxembourg Government. March 29, 2024. <https://cooperation.gouvernement.lu/en/cooperation-au-developpement/pays-partenaires/laos.html>

investment, and tourism, the Lao side also asked for collaboration in digital finance and e-payments in banking.¹¹

Diplomacy: During the 1997 United Nations General Assembly in New York, the two nations established diplomatic ties. Luxembourg established an embassy in Vientiane in January 2016, in line with its strategy of emphasizing its aid to the Least Developed Countries (LDC).¹² As they commemorate the 27th anniversary of their diplomatic ties in 2024, Laos and Luxembourg have also decided to strengthen their cooperation in several areas. The deal aimed to further their long-standing friendship and cooperation was made during Luxembourg's Deputy Prime Minister Xavier Bettel's working visit to Laos.¹³

Recent Developments: Laos and Luxembourg signed a memorandum of understanding (MoU) for technical cooperation in international law, human rights legislation, and law enforcement. The MoU aims to raise awareness, strengthen technical cooperation, and give Lao authorities more capacity in these areas. By holding seminars and training sessions on international judicial organisations, human rights legislation, international law cooperation, and transnational crime, it would also help Laos achieve its sustainable development goals.¹⁴

In an effort to enhance blood transfusion services and guarantee a steady supply of blood products, Luxembourg gave the Lao Red Cross a donation of two million euros worth of advanced blood cold chain equipment in September 2024. The Health and Nutrition Programme (LAO/035) supplied the equipment dispersed at the local, provincial, and national levels. For outreach activities and the safe delivery of blood products, the equipment consists of 243 vital parts, including freezers, storage units, digital control devices, and mobile cold chain units. The contract includes training, preventative maintenance, and an extended warranty duration to guarantee efficient use and maintenance. The donation represents a major turning point in the health sector

¹¹ Vientiane Times. "Laos, Luxembourg vow to boost development ties." Vientiane Times. February 09, 2024. https://www.vientianetimes.org.la/freefreenews/freecontent_29_LaosLuxembourg_y24.php

¹² Ibid. see 1

¹³ Huaxia. "Laos, Luxembourg agree to strengthen ties." Xinhua. February 09, 2024.

<https://english.news.cn/asiapacific/20240209/2be61616005a4e7fb418bfeae313c46/c.html>

¹⁴ VietnamPlus. "Laos, Luxembourg strengthen cooperation in international law." VietnamPlus. July 18, 2024. <https://en.vietnamplus.vn/laos-luxembourg-strengthen-cooperation-in-international-law-post290399.vnp>

partnership between Luxembourg and Laos, highlighting Luxembourg's commitment to promoting sustainable development and enhancing Laotians' quality of life and health.¹⁵

In addition, the Global Green Growth Institute (GGGI) and the Lao Securities Commission Office (LSCO) have signed a Memorandum of Understanding to promote sustainable investment through the "Accelerating Corporate Thematic Bond Issuance in Lao PDR" initiative. The partnership, which is backed by Luxembourg's Global Trust Fund on Sustainable Finance Instruments, intends to increase green finance by making it easier to issue green bonds, specifically green bonds. The initiative is essential to Lao PDR's efforts to fulfill its Paris Agreement Nationally Determined Contribution. The LSCO and GGGI will assist Lao companies in getting ready to issue their first corporate green bonds, supporting the government's initiatives to create a strong green finance framework.¹⁶

Conclusion

Luxembourg's decision to work with Laos, among other Southeast Asian countries, is rooted in a strategic focus on countries with significant development needs. Laos is one of the poorest nations in the region and faces challenges such as weak institutions, environmental concerns, and the need for post-war reconstruction and poverty alleviation. Luxembourg has narrowed its development focus in recent years to seven priority countries globally, including Laos, to maximize the impact and effectiveness of its Official Development Assistance (ODA).

Laos's status as a Least Developed Country (LDC) aligns with Luxembourg's commitment to providing targeted aid to nations facing critical development challenges. By prioritizing Laos, Luxembourg aims to address these issues more effectively, contributing to the country's long-term growth and resilience. Additionally, Luxembourg's assistance is closely aligned with the goals of the United Nations and the European Union, further supporting its rationale for focusing on Laos

¹⁵ Kheuakham Chanlivong. "Luxembourg Development Cooperation Supports Lao Red Cross with High-Tech Blood Cold Chain Equipment." The Laotian Times. September 16, 2024. <https://laotiantimes.com/2024/09/16/luxembourg-development-cooperation-supports-lao-red-cross-with-high-tech-blood-cold-chain-equipment/>

¹⁶ GGGI. "Lao Securities Commission Office, the Grand Duchy of Luxembourg and the Global Green Growth Institute partner to drive sustainable finance instruments in Lao PDR." GGGI. October 1, 2024. <https://gggi.org/lao-securities-commission-office-the-grand-duchy-of-luxembourg-and-the-global-green-growth-institute-partner-to-drive-sustainable-finance-instruments-in-lao-pdr/>

within Southeast Asia. Lastly, the evolving partnership between Laos and Luxembourg highlights the importance of targeted international cooperation in achieving sustainable development. Luxembourg's strategic approach and commitment to addressing critical needs in Laos, from healthcare to green finance, reflect the broader goals of global development cooperation. Luxembourg's ongoing support will contribute to Laos's long-term development and prosperity by focusing on the most pressing challenges.

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