



Luxembourg Report

Elena Danescu, Franz Clément, Adrien Thomas,
Nils C. Bandelow (Coordinator)

Sustainable Governance Indicators 2022

©vege - stock.adobe.com

Executive Summary

Situated in the center of Europe and bordered by Belgium, France and Germany, the Grand Duchy of Luxembourg is a multilingual and cross-border area par excellence. In January 2021, the country's population was 634,730 inhabitants, of whom 47.42% were foreigners of some 70 different nationalities. Luxembourg is part of all significant European and international multilateral organizations, is one the three seats of EU institutions (alongside the cities of Brussels and Strasbourg) and is a key international financial center.

After a decline in GDP of only 1.3% in 2020 (the economic impact of the coronavirus pandemic was relatively benign because of the structure of Luxembourg's economy), GDP growth was expected to return to a positive rate of 4% in 2021, and 2.6% in the medium term (estimations by STATEC). With an average growth rate of 2.1% over the last five years, Luxembourg's economic growth rate is almost four times higher than that of the euro area.

The Grand Duchy is considered to be the third-most-open economy in the world, with an openness ratio of 158.2% of GDP. The country has an export-intensive economy, with a recurrent trade deficit. The share of foreign trade in Luxembourg's GDP is currently higher than 30%. Even during the coronavirus crisis, the country has continued to pursue its strategy of public investment. Direct and indirect investments were expected to reach 4.3% of GDP in 2021, a significantly higher level than the average of 3.7% during the 2015-2019 period.

The country has the highest ratio of capital tax to GDP (12.3%) in the EU, which reflects the systemic importance of the financial sector in the economy. According to the European Commission, the country's public debt is expected to increase to 25.4% of GDP in 2020, 27.3% in 2021 and 28.9% in 2022.

Luxembourg has a highly skilled workforce (59.6% of the economically active population). Over the past 12 months, overall employment rose by 1.6%, or 2.2% among cross-border workers/ Two-thirds of jobs created in Luxembourg are aimed at higher education graduates. In 2020, Luxembourg ranked first in the EU in terms of R&D investment per capita. The strong influx of mostly well-educated workers is increasing the long-term demand for goods and

services of all kinds. However, the risk of in-work poverty and social exclusion has been steadily growing over the last two decades. Luxembourg ranks among those EU countries where this risk is the highest.

The country received about 1,904 refugees in 2020. Overall, the country is coping well with immigration. Xenophobia and anti-Semitism are not widespread, and are consistently punished by courts. The Migrant Integration Policy Index 2020 assessed Luxembourg's integration policies as being slightly favorable for societal integration (score 64/100), an above-average level for Western Europe.

With an outstanding social security system, a level of material well-being above the EU average and sound public finances, Luxembourg is currently one of the most politically stable and prosperous countries in the world. Its strong fiscal position is well illustrated by a long-standing AAA credit rating, a significant accumulation of government financial assets, and a balanced, healthy fiscal position. The Grand Duchy is a generally consensus-oriented society with a well-known model of neo-corporatism (the Luxembourg Model), which became institutionalized in the aftermath of the steel crisis in the 1970s. The public administration, which is almost completely digitalized, is efficient, and the overall economic outlook remains stable. Nevertheless, in the context of the pandemic, there have been some problems in the healthcare system due to a lack of medical staff.

Luxembourg still suffers from a number of deficits in terms of environmental protection, including pollution in rivers and fresh water supplies, nitrate pollution due to agricultural runoff, and harmful emissions.

Danescu, Elena. "Luxembourg Economy." In Hartly C. (Ed). *Western Europe 2022*. Western Europe Book Series. Routledge, Abington:UK, 2022. pp. 464-481.

"Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025"/De Stabilitéits-Programm."

The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programme_en.pdf. Accessed 03 Jan.2021.

"National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021." The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

"Economic forecast for Luxembourg 2020-2023. European Commission." https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/luxembourg/economic-forecast-luxembourg_en. Accessed 03 Jan.2022.

"Governance of migrant integration in Luxembourg, 2020." European Commission (2021). https://ec.europa.eu/migrant-integration/country-governance/governance/luxembourg_g_en. Accessed 3 January 2022.

Key Challenges

Economic diversification is the key challenge confronting Luxembourg. Addressing this challenge will require the exploitation of innovative niche markets, promotion of digitalization within the financial sector and the adoption of a new approach to promoting Luxembourg as an international economic hub. With respect to the financial sector, the government should focus on developing ICT synergies, and exploring new financial technology products and services.

The recent OpenLux investigation (2021), as well as LuxLeaks and Panama Papers, revealed the vulnerabilities associated with focusing a country's economic activity excessively on the financial sector. Luxembourg has long been considered one of the most notable tax havens around the world, alongside Ireland, Netherlands and Singapore. In tackling this issue, the Grand Duchy has in recent years implemented all EU and OECD tax rules and standards on the issue of tax transparency and the fight against tax abuse. Luxembourg signed the so-called GAFA (Google, Apple, Facebook, Amazon) agreement on the taxation of multinational companies. The diversification of the economy – which is still heavily dependent on financial sector – remains a critical challenge for the future. New projects focusing the digital and circular economy, green finances, supercomputing activities, and space mining have already been launched.

Luxembourg has made research, development and higher education one of the cornerstones of the nation's vision for the future. It plans to allot about 1% of GDP to R&D investments by 2023. The latest outstanding R&D achievements – driven mainly by the National Research Fund (FNR), the University of Luxembourg, and a wide range of interdisciplinary centers, including public-private partnerships – include the national High Performance Computing (HPC) facility associated with the European High Performance Computing Joint Undertaking (EuroHPC), the Integrated Biobank of Luxembourg (IBBL), the European Space Resources Innovation Center (ESRIC), the HealthTech Cluster (HTC), and a number of emerging alternative investment funds (e.g., private-equity funds). There is broad consensus that to drive further economic growth, public investment in R&D must significantly increase and economic competitiveness must be improved.

Luxembourg's population grew by 31.45% between 2008 and 2022, and further growth of 21.3% is expected by 2028. Statistical forecasts indicate that Luxembourg's population will increase to 800,000 by 2050. Strong population growth will stabilize the social security system, especially the public pension system, but also risks increasing intergenerational and intercultural tensions, and is likely to put more pressure on the housing market and on public infrastructures.

The recent coronavirus crisis highlighted the potential of long-term sustainability risks in the Luxembourg social security system, which is being placed under growing pressure by an aging population. Both the OECD and European Commission have warned that Luxembourg will need to reduce its generous welfare provision – particularly its extensive support for early retirement, and its high level of disability and healthcare benefits – if the system is to remain sustainable.

Luxembourg's workforce has two peculiar features: It is highly qualified, and it mainly consist of cross-border workers coming from the broader region on which the country is highly dependent. Another phenomenon that the country should deal with is the risk of in-work poverty, as Luxembourg currently shows the EU's third-highest level of such risk (single young people, persons with low levels of educational attainment, job seekers, single-parent families and foreigners are most affected).

The Grand Duchy's education policy must deal with the challenges of a multilingual and multicultural society, with a high proportion of foreign students. The country's PISA scores are lower than the OECD average. Over the past 15 years, several reforms have sought to facilitate the integration of migrant children within this trilingual system by reducing the emphasis on language competency in the determination of school grades. Reforming the education system will be a key determinant in ensuring long-term economic competitiveness. As a result, the government is currently implementing a fundamental education reform (focusing on the first nine years of schooling), which is based on five key skills and high levels of digital literacy.

Population growth is a challenge particularly for the booming centers of Nordstadt, Luxembourg City and Esch/Beval. These cities will have to solve issues related to traffic congestion and increasingly dense living space, while continuing to ensure a high standard of living for residents. These circumstances are increasing prices for the limited number of rental properties and for real estate more generally. Major public investments are expected in the coming years, particularly in the areas of infrastructure, environment and housing.

The country's most pressing environmental policy challenges include reducing greenhouse gas emissions and improving water quality, in particular by avoiding water pollution through pesticide and fertilizer use.

Luxembourg enjoys a comparatively stable political system, a knowledge-driven economy based on strong trade logistics performance, outstanding broadband coverage, new financial infrastructures (FinTech), innovative communication technologies, a competitive tax system, and significant and constant job growth. Alongside continuing policy weaknesses (e.g., education), these capacities must be mainstreamed toward technology-driven sustainable development.

Citation:

"Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025"/De Stabilitéits-Programm."

The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programm_e_en.pdf. Accessed 03 Jan.2021.

"National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021." The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

"Creating value for society: The FNR's strategy and action plan 2022-2025." FNR (14 January 2022). <https://www.fnr.lu/creating-value-for-society-the-fnrs-strategy-and-action-plan-2022-2025/>. Accessed 15 January 2022.

The state of global education – 18 months into the pandemic," OECD (2021). <https://doi.org/10.1787/1a23bb23-en>. Accessed 3 January 2022.

"Luxembourg: National Reforms in School Education." European Commission (1 April 2021). https://eacea.ec.europa.eu/national-policies/eurydice/content/national-reforms-school-education-40_en. Accessed 3 January 2022.

Party Polarization

Luxembourg's party system has become increasingly diversified as the control exerted by the two traditional key parties of government – the Christian Social People's Party (CSV) and the Luxembourg Socialist Worker's Party (LSAP) – has eroded. Out of the 10 registered political parties, seven are represented in the Chamber of Deputies: the Christian Social People's Party (CSV), the Luxembourg Socialist Worker's Party (LSAP), the Democratic Party (DP), the Green Party (déi gréng), the Alternative Democratic Reform Party (ADR), the Left (déi Lénk), and the Pirate Party (PPL). For the last three years, a DP-

LSAP-Greens coalition has governed the country, while the CSV – the largest political party in Luxembourg – has remained in opposition, as it has been since 2013.

Luxembourg's political culture is still characterized overall by a preference for consensus and compromises. While the state of crisis was declared from 18 March 2020 to 24 June 2020 because of the coronavirus pandemic, allowing the government to rule by decree without the assent of parliament (in accordance with Article 32(4) of the Luxembourg Constitution), the usual legislative procedures resumed afterwards.

Despite the historical orientation toward consensus in Luxembourg's political life, political debates both within and between parties have grown increasingly contentious over the last years. The leader of the CSV, Frank Engel, was denounced on charges of fraud and forgery by other leading members of his own party and parliamentary group. While Engel was eventually acquitted of all charges by the court, he was replaced as party leader by Claude Wiseler. Engel has since announced his intention to form a new party. Debates between parties have also become more polarized. This has become especially visible over the long-planned revision of the constitution. Though representatives of all major parties had been jointly working on this project for 15 years, the CSV decided in 2019 to cease supporting the overall revision project and to turn various aspects of the revision project into political issues. Political debates over the revision of the constitution and the coronavirus pandemic have also featured increasingly strident positions taken by leading members of the ADR.

Debates over the measures to contain the coronavirus pandemic have also been characterized by increasing polarization. During the first wave of the pandemic, during the first semester of 2020, the measures taken by the government to contain the pandemic enjoyed a broad level of support among the parties represented in parliament. This support started eroding, however, over the course of the second semester of 2020 and later in 2021. During the second semester of 2020, Luxembourg also witnessed the emergence of a small but vocal anti-vaccination movement, whose members took to demonstrating in front of the private residences of government ministers, in an obvious breach with established customs.

In December 2021, three key members of the government stepped down: the vice prime minister in charge of the ministries of labor and sports, Dan Kersch; the minister in charge of social security and of agriculture, viticulture and rural development, Romain Schneider (both LSAP); and Minister of Finance Pierre Gramegna (DP). Kersch cited health reasons, whereas

Schneider and Gramegna declared that they aspired to a better work-life balance. This nearly simultaneous resignation of three ministers in the middle of the fourth wave of the coronavirus pandemic was seen as offering further testimony to the difficulties of political life in the pandemic. (Score: 8)

Citation:

“2021 Rule of Law Report. Country Chapter on the Rule of Law Situation in Luxembourg,” Brussels 20.07.2021. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021SC0718>. Accessed 03 Jan. 2022.

« Proposition de loi portant modification de : 1) la loi modifiée du 21 décembre 2007 portant réglementation du financement des partis politiques; 2) la loi électorale modifiée du 18 février 2003. No 75095. Chambre des Députés. Session ordinaire 2020-2021 ». https://www.chd.lu/wps/PA_RoleDesAffaires/FTSByteServingServletImpl?path=A2CD6FAE26078CDB7CC81AFC4D365313A9F8849A693FD5565738BD107E25A15DEB3E849404E36FCA815010A0BD282B69B1AB37EEEF3EBE9EC114A2BB60AA78A. Accessed 03 Jan.2022.

“Luxembourg, act of 24 March 2020 extending the state of crisis declared by the Grand Ducal regulation of 18 March 2020 introducing a series of measures as part of the fight against Covid-19” (Loi du 24 mars 2020 portant prorogation de l'état de crise déclaré par le règlement grand-ducal du 18 mars 2020 portant introduction d'une série de mesures dans le cadre de la lutte contre le Covid-19). <https://legilux.public.lu/eli/etat/leg/rgd/2020/03/18/a165/jo>. Accessed 03 Jan.2022.

« TNS. Politmonitor, 15.11.2021 ». <https://download.rtl.lu/2021/11/17/3c474b61b5800e0f8f3f4b837421e65f.pdf>

Sustainable Policies

I. Economic Policies

Economy

Economic Policy
Score: 9

Despite the coronavirus pandemic, which has unfolded since 2020, Luxembourg's economy is progressing. Given the structure of Luxembourg's economy, which is heavily dominated by services (in particular in the financial domain), as well as the support measures enacted by the government to keep the economy afloat, the slump due to COVID-19 was much lower than expected. According to the national statistical office STATEC, after a decline in GDP of 1.3% in 2020, economic growth is expected to return to the positive side with an initial rate of 4%. In medium term, the growth rate is expected to stabilize to at about 2.6%. The OECD's assessment is more optimistic, forecasting a GDP rise of 6.5% in 2021, followed by moderation to 3.7% in 2022 and 3.1% in 2023. However, the average growth rate of Grand Duchy's economy over the last five years amounted 2.1%, or almost four times higher than that of the euro area. Some of the support measures enacted by the government will have a deficit-increasing impact in 2020 and 2021. According to the European Commission, Luxembourg's public debt is expected to increase to 25.4% of GDP in 2020, 27.3% in 2021 and 28.9% in 2022.

Luxembourg is considered to be the third-most-open economy in the world, with an openness ratio of 158.2% of GDP. The country has an export-intensive economy, with a persistent trade deficit. The trade balance in 2020 stood at 10% of GDP, which represents a decrease compared with 2019 (when it stood at 11.9% of GDP). The ratio between exports and imports stands at 65.3%. While the Luxembourg's trade of goods is in deficit (10% of GDP), the balance of services is largely favorable (33% of GDP). Its volume in 2020 (totaling €172.8 billion) was almost six times higher than the volume of trade in goods (€30.2 billion.), driven essentially by financial services (which reached €17.4 billion in 2020, following a contraction of 4.6% from the year before).

The EU member states are Luxembourg's main trading partners. In 2020, its three direct neighbors – Germany, France and Belgium – accounted for 65.8% of the country's trade in goods. Luxembourg's main customer is Germany (more than 27.2% in 2020) and its top supplier is Belgium (34.1%). Its other important partners are all European, including the Netherlands (5.4% of trade), Italy (3.2%) and the United Kingdom (2.8%). Luxembourg's main non-EU partners are the United States (in seventh place with 2.5%), China (10th place with 1.6%) and Japan (11th place, 1.3%). The Grand Duchy exports manufactured goods including iron, steel, chemical and rubber products, glass, electrical and electronic equipment, but financial services hold the highest profitability level.

Luxembourg is pursuing its strategy of public investments. Direct and indirect investments are envisaged to reach 4.3% of GDP in 2021, a significantly higher level than the average of 3.7% during the 2015-2019 period. Environmental and climate protection, public transport and soft mobility accounted for about 20% of non-COVID-19 investments in the 2021 budget, while other measures aimed to strengthen solidarity and affordable housing, and support the development of a sustainable and competitive economy.

Luxembourg's population grew by 31.45% between 2008 and 2022 (mainly driven by immigration). Eurostat expects further growth of 21.3% by 2028. The workforce of the country has two peculiar features: it is highly skilled (approximately 59.6% of the active population, according to World Economic Forum/ILO statistics), and it mainly consist of cross-border workers coming from the neighboring regions in France, Germany and Belgium (the so-called Greater Region), on which the country is highly dependent. In 2020, approximately 203,587 cross-border workers crossed the Luxembourg borders on a daily basis, rising to an estimated 209,014 in 2021 (+2.7%). Overall employment grew by 1.6% over the past 12 months, rising to 2.2% for cross-border employment. In 2021, is expected to stabilize at 2.5%, showing more dynamic growth than the euro area.

Following a contraction of 9.4% in 2020, Luxembourg private consumption was forecast to increase again in 2021, according to the European Commission. Real wages have risen moderately over the same period. Due to the fact that the annual consumer price index inflation rate reached 2.7% in September 2021, the automatic adjustment mechanism was activated, and salaries, wages and pensions were to increase by 2.5% as of 1 October 2021. Real estate prices are rising sharply, reducing the disposable income available for private consumption. Nevertheless, Luxembourg's per capita consumer expenditure in 2020 of €27,500 was by far the highest such level in the EU, as

well as among the OECD member countries.

Luxembourg's government is pursuing various strategies to increase the country's attractiveness as a business location. Key activities include the provision of support for the fintech sector, the passage of cybersecurity measures, the digitalization of the public administration and the development of the country's technological infrastructure. With more than 20 data centers in place today, Luxembourg is already one of the largest data and internet hubs in Europe.

Citation:

Grand Duchy of Luxembourg Statistics Portal. <https://statistiques.public.lu/en/>. Accessed 03.Jan.2022.

"Luxembourg in figures 2021" (16.09.2021). <https://statistiques.public.lu/en/publications/series/lux-figures/2021/lux-figures/index.html>. Accessed 03.Jan.2022.

OECD Economic Survey. Euro Area (September 2021). <https://www.oecd.org/economy/surveys/euro-area-2021-OECD-economic-survey-overview.pdf>. Accessed 03 Jan.2022.

OECD Economic Outlook. Luxembourg. Volume 2021. Issue 2. Preliminary version 2021. https://www.oecd-ilibrary.org/economics/oecd-economic-outlook/volume-2021/issue-2_66c5ac2c-en. Accessed 3 January 2022.

"Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025"/De Stabilitéits-Programm."

The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programme_en.pdf. Accessed 03 Jan.2021.

"National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021." The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

"Economic forecast for Luxembourg 2020-2023. European Commission." https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/luxembourg/economic-forecast-luxembourg_en. Accessed 03 Jan.2022.

"How Countries are Performing on the Road to Recovery." World Economic Forum. Special edition 2020. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf. Accessed 03 Jan.2022.

"Digital Luxembourg: Luxembourg's answer to HPC management came as a public-private partnership." <https://digital-luxembourg.public.lu/stories/meluxina-luxprovide-what-it-takes-run-supercomputer>. Accessed 03 Jan.2022.

Labor Markets

Labor Market
Policy
Score: 8

Luxembourg's labor market is quite specialized and highly dynamic. For example, from 2005 to 2018, total employment increased by 45.8%, compared with only 5% in the EU as a whole. The workforce is made up of cross-border workers (45%), Luxembourg nationals (27%), EU nationals (24%) and third country nationals (4%). According to STATEC, the country's working

population on 1 January 2020 numbered 474,300 people, of which 197,200 were cross-border workers, coming for the most part from France (105,700), Germany (50,300) and Belgium (48,800). However, cross-border workers face traffic congestion and long commuting hours, while ever-rising housing prices make it difficult to take up residence in Luxembourg. The development of cross-border work in Luxembourg dates back to the mid-1980. It was a response to the rapid economic growth experienced by Luxembourg and to the need to rapidly fill the new jobs created.

Over the past 12 months, the overall employment growth rate was 1.6%, and that related to the cross-border workers was 2.2%. In 2020, the most vigorous sectors were healthcare (+4.3% rise in employment); specialized, scientific and technical activities (+4.2%); construction (+4%); e-commerce (+4%) and financial services (+3.9%). In 2021, the growth in the labor market in Luxembourg was expected to stabilize at 2.5%, a much higher figure than the average in the euro area. Despite the active labor-market measures taken by the national employment agency (Agence pour le développement de l'emploi (ADEM)), the unemployment rate among people under 30 remains high (21%), although this rate has declined significantly in recent years. The most affected is the 15-24 age group, with 66.9% of people of this age in education or training, 24.8% in employment, and 5.3% in non-standard employment. At the same time, the placement of low-skilled workers, older workers and, to a lesser extent, women in employment remains an important policy challenge. In Luxembourg, 59.6% of the population is highly skilled. Moreover, two-thirds of jobs created in Luxembourg are aimed at people with tertiary degrees. In January 2021, the number of job seekers had risen by 20.7% compared with January 2020, while the quantity of available jobs had decreased by 14.4%, and the unemployment rate had reached 6.3%.

The coronavirus crisis produced a major paradigm shift in the Grand Duchy's labor market. On the one hand, this has been due to the widespread practice of teleworking, thanks to the country's reliable digital infrastructure and the high proportion of service jobs for which remote work was possible. Sectors that in 2020 and 2021 developed teleworking include education (with home schooling during the periods of school closure); the public sector, with its 31,049 state employees (with 74% working from home); ICT, banks and insurance (61%); and research, science and technology. Those in healthcare or the social services sector, tourism and hospitality, or construction, or who performed local and community-based work or low-skilled work, generally continued to work on site. To alleviate the situation of workers negatively impacted by the restrictions due to the coronavirus pandemic, the government funded partial unemployment measures in numerous sectors of the economy (hospitality, tourism, events, small-scale industry, retail, etc.). Partial unemployment

covered 80% of the employee's salary (or 100% of the social minimum wage, which was €2,201.93 gross per month on 1 January 2021).

The risk of in-work poverty and social exclusion is increasing in Luxembourg. Luxembourg indeed ranks among those EU countries where this risk is the highest. Figures for 2019 show that 12.1% of workers (namely 103,600 people) live below the monetary poverty threshold, considered to be €1,804 per month for a single adult. The groups most exposed to poverty are non-Luxembourgish nationals, low-skilled individuals, job seekers, part-time workers and single-parent families.

Citation:

“Bilan Compétitivité et Résilience 2021: Très bonne résistance de l'économie luxembourgeoise.” Le Gouvernement du Grand-Duché de Luxembourg. Ministère de l'Économie. Perspectives de politique économique, No.37/Décembre 2021.

Danescu, Elena. “Luxembourg Economy.” In Hartly C. (Ed). Western Europe 2022. Western Europe Book Series. Routledge, Abington:UK, 2022. pp. 464-481.

“Boost to growth.” STATEC, Note de conjoncture 1-21. (No.28/08.06.2021). <https://statistiques.public.lu/en/news/economy-finance/economic-outlook/2021/06/20210608/Statnews-NDC-1-21-EN.pdf>. Accessed 3 Jan.2022.

Rapport d'activité 2020. (Mars 2021). Le Gouvernement du Grand-Duché de Luxembourg. Ministère du Travail, de l'Emploi et de l'Économie sociale et solidaire. <https://adem.public.lu/en/publications/adem/2021/rapport-activites-complet-mteess.html>. Accessed 3 Jan.2021.

“Working Yet Poor Project.” National Report for Luxembourg (6 July 2021). <https://workingyetpoor.eu/press/>. Accessed 3 Jan.2022.

“Neistart Lëtzebuerg. Nouvelles mesures de soutien pour préparer la relance économique” (2020). Union des Entreprises luxembourgeoises. <https://www.uel.lu/fr/article/neistart-letzebuerg/>. Accessed 3. Jan.2022.

Taxes

Tax Policy
Score: 7

The regulation and the fiscal policy implemented in Luxembourg from 1960 onward gave rise to a complex but attractive tax environment. Individuals and corporate bodies resident in the Grand Duchy are subject to direct and indirect taxation.

The essential categories of direct taxes include: the personal income tax (“impôt sur le revenu des personnes physiques”), land and property tax (“impôt foncier”), corporate income tax (“impôt sur les revenus des collectivités - IRC”), the withholding tax and the wealth tax (“impôt sur la fortune”). Currently, the personal income tax ranges from 0% to 42%. Property tax, which is an impersonal duty levied by municipalities on all property based in Luxembourg, moves within a range from 0.7% to 1%. The

corporate tax, which is debited on gains made by companies during the financial year, is fixed from 15% (taxable income lower than €175,000) to 17% (taxable income higher than €200,000). An additional charge of 7% (the “solidarity surtax”) is applied as a contribution to the Employment Fund. In Luxembourg City, where the majority of companies are established, the municipal business tax is 6.75%, so that the overall rate on corporate income reaches 24.94%. A withholding tax of 15% is generally collected on dividend payments, even if certain types of income (capital gains, liquidation proceeds) may be legally exempt from taxation. Luxembourg is well known for its favorable taxation system applied to intellectual property rights (80% exemption on royalties and capital gains derived from patents, designs, models, software copyrights, etc.) and securitization vehicles (undertakings for collective investments, private wealth management vehicles, securities on transit funds, etc.).

The indirect taxes include the value added tax (VAT), and registration and transfer duties. The standard VAT rate is 17% (one of the lowest such in Europe), but a range of goods and services considered essential for the population, such as food (14%), books (8%) and newspapers (3%), are subject to reduced rates. Medical and health services, and some financial banking services, are VAT-exempt. Sales of land and buildings, rental leases and donation are subject to registration duties of 6%, and to a transcription tax of 1%.

The government elected in 2018 planned to enact a comprehensive reform of the tax system, aiming to address issues of equity. In particular, the government sought to create a single tax scale regardless of marital status, in order to “guarantee a taxation model that is neutral in terms of people’s way of life.” However, the planned tax reform was put on hold in 2021 due to the coronavirus pandemic.

In order to tackle the negative effects of the pandemic on Luxembourg’s economy, and to further protect taxpayers, on 20 March 2020 the government launched – through the Neistart Lëtzebuerg program – a package of financial measures regarding labor taxation (i.e., postponement of the personal income tax payments for four months, an increase in the deductibility for domestic costs until 31 December 2020, teleworking for cross-border workers from France, Germany and Belgium without their salary being taxed in their country of residence). Due to bilateral agreements that Luxembourg has signed with these countries, remote working was extended until 31 March 2022, and cross-border workers remain eligible for Luxembourg social protection, and can pay income tax exclusively in the Grand Duchy.

The financial and fiscal COVID-19 measures entailed budgetary spending of approximately €2.05 billion (an increase of 21.9% compared with 2019). Capital grants supporting small and medium-sized companies increased by €142.7 million, while investment expenditure rose by €301.8 million. (+26.2% compared with 2019). Social benefits increased by 88.6% recorded in June 2021 in comparison with June 2019 (an increase of €797.6 million.).

Luxembourg's nominal tax rate (24.94%) is well above the European average (19.12%) and above the EU average (20.94%). According to the World Bank development indicators 2022, the total tax and contribution rate (percentage of profit) in Luxembourg is 20.4%. This is the lowest total tax rate among European and European Free Trade Association (EFTA) countries. Relative to the OECD average which amounted to 33.5% in 2020, the tax structure in Luxembourg is defined by higher revenues from taxes on personal income (€9.68 billion), profits & gains taxes (€5.92 billion), taxes on corporate income & gains (€3.76 billion), social security contributions (€6.84 billion.), and property taxes (€2.41 billion.). According to EUROSTAT, Luxembourg is the European country that collects the least amount of environmental taxes, despite its strong environmental ambitions. In 2020 only 3.5% of Luxembourg's tax revenue were "green" taxes, far behind Slovenia (12.3%), Latvia (10.1%) and the EU average (5.4%). However, the country has been able to improve its behavior thanks to the CO2 tax, which has been effective since January 2021 and will increase in 2022 with the introduction of a CO2 tax on fuel (according to the Integrated National Energy and Climate Plan for 2021-2030).

Among the EU member states, Luxembourg has the highest ratio of capital tax to GDP (12.3%), which reflects the systemic importance of the financial sector in Luxembourg. As stated by the 2021 Global Financial Centers Index, the Grand Duchy is ranked eighth on the worldwide list (dominated by the United States, the United Kingdom and China), but is considered to be most important international financial center in the world (with 60% of international activity), the second-biggest hub for investment funds, the third-largest exporter of financial services, and the global leader in corporate bond issuance and in issuance of green, social and sustainable bonds by foreign companies.

In order to avoid double taxation and to facilitate bilateral foreign investments, the Grand Duchy currently has 85 comprehensive double-taxation treaties signed and in force, two treaties under ratification, and 10 other treaties in negotiation. Most of them follow the OECD model convention on income and capital. Such treaties are a real necessity in Luxembourg because of the number of cross-border workers in the national economy. In 2019, the Grand Duchy also signed the OECD's Multilateral Convention to Implement Tax

Treaty Related Measures to prevent Base Erosion and Profit-Shifting (MLI), and has agreed to adopt the minimum standards in the field (principal purpose test, dispute resolution, etc.), as well as certain optional provisions. Luxembourg has been long considered one of the most notable tax havens in the world, alongside other EU countries such as Ireland and the Netherlands. As revealed by LuxLeaks in 2014 and the Panama Papers in 2016, more than 340 large international companies, including Altice, Amazon, Apple, AIG, FedEx, Fidelity, Heinz, IKEA, Kering, LVMH, Pepsi Bottling Group, Pfizer and Staples, established financial subsidiaries and sought beneficial tax deals. In February 2021, the OpenLux investigation carried out by a consortium of media organizations identified alleged shortcomings in the Grand Duchy's anti-money laundering and tax arrangements. In refuting these allegations, the government stressed that Luxembourg had in recent years implemented all the new EU and OECD tax regulations. The Grand Duchy was one of the first countries in Europe to set up a public ultimate beneficial owners registry (UBO) – a completely open and transparent registry accessible without any restrictions to the public. The completeness rate of the register was, at the end of 2020, around 90%. Thus, according to the Luxembourg authorities, the country is fully compliant with and has implemented all applicable EU and international rules and standards with regards to tax transparency and the fight against tax abuse. The Grand Duchy is among the countries that have signed, on 8 October 2021, a historic agreement to ensure fairer taxation of multinational companies. By imposing a minimum tax rate of 15% on multinationals with a turnover of more than €750 million., this agreement aims to ensure total tax revenues amounting to around €29 billion per year, to be shared by the signatories.

Citation:

“De Budget 2022.” Luxembourg’s Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

Flamant, Eloi; Godar, Sarah; Richard, Gaspard. “New Forms of Tax Competition in the European Union: An Empirical Investigation.” November 2021. Report no.3. EU Tax Observatory. <https://www.taxobservatory.eu/wp-content/uploads/2021/11/EUTAX-rapport-N3.pdf>. Accessed 3 January 2022.

Baruch, Jérémie; Ferrer, Maxime; Vaudano, Maxime; Michel, Anne. “OpenLux : the secrets of Luxembourg, a tax haven at the heart of Europe.” Le Monde (9 February 2021). https://www.lemonde.fr/les-decodeurs/article/2021/02/08/openlux-the-secrets-of-luxembourg-a-tax-haven-at-the-heart-of-europe_6069140_4355770.html. Accessed 3 January 2022.

“Statement by the Luxembourg Government on recent press articles published about Luxembourg.” <https://gouvernement.lu/en/dossiers/2021/openlux.html>

“OECD tax agreement: what will change in Luxembourg.” Delano (14 October 2021). <https://delano.lu/article/oecd-tax-agreement-what-will-c>. Accessed 3 January 2022.

O’Neal James; Morelli, Jean-Dominique; Annioui-Schildknecht, Inès. “Luxembourg: Corporate Tax 2021.” (August 2021). <https://www.mondaq.com/withholding-tax/1099186/corporate-tax-2021-luxembourg->. Accessed 3 January 2022.

“Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025”/De Stabilitéits-Programm.”

The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programme_en.pdf. Accessed 03 Jan.2021.

“Luxembourg 2021: Les impôts sur les salaires 2020.” OECD. <https://www.oecd-ilibrary.org/sites/9a77227d-fr/index.html?itemId=/content/component/9a77227d-fr#section-d1e175408>. Accessed 3 January 2022.

“National tax system and current development: Luxembourg (2007-2019).” Taxation trends in the European Commission (2021). https://ec.europa.eu/taxation_customs/system/files/2021-06/taxation_trends_2021_country_chapter_luxembourg.pdf. Accessed 3 January 2022.

De Mooij, Ruud; Prihardini, Dinar; Flugbeil, Antje; Stavrev, Emil. “International Taxation and Luxembourg’s Economy.” International Monetary Fund Working Papers. WP/20/264 (25 November 2020). <https://www.imf.org/en/Publications/WP/Issues/2020/11/26/International-Taxation-and-Luxembourgs-Economy-49879>. Accessed 3 January 2022.

“Néistart Lëtzebuerg. Fonds de relance et de solidarité pour les entreprises” (20 May 2020). Le Gouvernement du Grand-Duché de Luxembourg. <https://gouvernement.lu/dam-assets/documents/actualites/2020/05-mai/Neistart-Letzebuerg-Fonds-de-relance-et-solidarite.pdf>. Accessed 3 January 2022.

Budgets

Budgetary Policy
Score: 9

In the long-term perspective, Luxembourg’s budgetary situation is sound and stable. On 16 December 2021, the state budget for 2022 (titled “Our Way out of the Crisis”) was adopted by the Chamber of Deputies. In his accompanying statement, Finance Minister Pierre Gramegna emphasized that the country’s economic recovery had been fully launched, and that the country had at the start of 2021 already reached its pre-crisis GDP level. Thus, the government stated that the 2022 budget aimed to promote qualitative and job-creating growth, with strong social and digital dimensions, and an emphasis on climate objectives.

Luxembourg will invest around €3.2 billion in infrastructure and innovation projects, or 4.4% of its GDP (the average over 2016-2021 have being 3.9%). Social expenditure (47% of the budget) will be dedicated to subsidies for disadvantaged households, and the National Solidarity Fund will reach €367 million (+5% compared to 2021), due especially to the €200 million. increase in the cost-of-living allowance and social inclusion income. A fund dedicated to housing development will receive €28.2 million (+77% compared to 2021), and €27 million will be applied to the so-called Pacte Logement 2.0 (subsidies for municipalities that are developing housing). The investments in the field of climate and the environment will total €765 million, and will increase by €75 million by 2024 (roughly doubling from 2019). Some €1.8

billion are foreseen for the implementation of the national energy and climate plan. As part of efforts to reduce CO₂ emissions, €300 million will be invested in the country's rail infrastructure in 2022, and €12.6 million annually until 2025 to develop new electric charging stations. In the digital field, €1.1 billion will be spent until 2025, of which €34 million will be dedicated in 2022 to investment in the cybersecurity, 5G infrastructure and high-speed internet fields. Luxembourg's Innovation Fund will receive €132 million in 2022, and the education budget will reach €3.1 billion (+10% compared to 2021) to finance the recruitment of 1,000 additional teachers, free daycare during school periods, free school lunches for children from low- and middle-income families, and free music education.

Government revenue will amount to €22.3 billion (+4.3% compared to 2021). Due to the ambitious investment policy, public spending will total €23.5 billion (+3.4% compared to 2021). Municipalities are expected to operate with a surplus of €34 million, while the social security surplus should reach €53 million. In 2022, the public administration balance will be almost at the break-even point, with a deficit of €43 million, or 0.2% of GDP, which is well below the bar of 3% of GDP provided by the European treaties and the Stability and Growth Pact principles. The public debt was estimated at 24.8% of GDP in 2020, 25.8% of GDP in 2021, 26.6% of GDP in 2022, and is expected to reach around 27% of GDP in the medium term (below the 30% of GDP cap that the government set in its coalition agreement concluded in 2018).

"De Budget 2022." Luxembourg's Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

"Gramegna delivers final budget speech as Minister of Finance." RTL Today (15.12.2021). <https://today.rtl.lu/news/luxembourg/a/1833434.html>. Accessed 3 January 2022.

"De Budget 2022." Volume 1. Le Gouvernement du Grand-Duché de Luxembourg. Ministère des Finances. Chambre des Députés/Doc.parl. no.7878. Session ordinaire 2021-2022.

"2022 Budget Prioritises Investment in Climate Action, Housing, Digitalization." Chronicle.lu (13 October 2021). <https://chronicle.lu/category/finance-1/38001-2022-budget-prioritises-investment-in-climate-action-housing-digitalization>. Accessed 3 January 2022.

"Government at the Glance 2021. Country Factsheet: Luxembourg." OECD (9 July 2021). <https://www.oecd.org/gov/government-at-a-glance-22214399.htm>. Accessed 3 January 2022.

"Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025"/De Stabilitéits-Programm." The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programme_en.pdf. Accessed 03 Jan.2021.

"National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021." The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

Research, Innovation and Infrastructure

R&I Policy
Score: 8

Luxembourg has made research, development and higher education one of the cornerstones of the nation's vision for the future. In February 2020, the government adopted its National Research and Innovation Strategy, with the objective of building a diverse and sustainable knowledge society by 2030, with a strong digital pillar. Luxembourg expects to allocate about 1% of GDP to research and development (R&D) investments by 2023, by providing financing to both the public and private sectors. Public sector spending is expected to reach 0.8% of GDP. According to EUROSTAT, the Grand Duchy ranked first in the EU in 2020 with €648 per capita invested in R&D (followed by Denmark, Germany and Finland), while the EU average stood at €225 per capita. The IMD World Competitiveness Ranking 2021 classified Luxembourg as the 12th most innovative country worldwide, and the European Innovation Scoreboard 2021 assessed it as a "strong innovator country" due to its research systems, human resources and intellectual assets.

The main funder is the National Research Fund (FNR), which oversees a large number of research and aid programs (focused on areas such as materials science, health, ICT, data science, fintech, space industry, automation and robotics), and promotes activities to strengthen the link between science and society. From 2000 to 2020, the FNR devoted €13 million to 4,170 projects, and in 2021 disbursed €97.06 million to 299 projects. In the 2022 state budget, the FNR will receive €132 million. About 2,709 persons currently work on R&D functions in the public sector. The private sector contributes to the R&D activities with an annual budget of €382 million. (0.6% of GDP), and with more than 3,000 specialized staff (2019). The government encourages the development of public-private partnerships, supported by Luxinnovation, which is in turn supported by the Ministry of the Economy, the Ministry for Higher Education and Research, the Luxembourg Chamber of Commerce, the Luxembourg Chamber of Skilled Crafts, and the Association of Luxembourg's Industry (FEDIL).

In the World University Rankings 2022, the University of Luxembourg (founded in 2003) ranked among the top 300 universities in the world (total of 1662 participants) and third worldwide for its international outlook. It conducts research across multiple fields in its three faculties and three interdisciplinary research centers, as well as in the Luxembourg Learning Center (LLC). It boasts 1,688 academic staff from 94 different countries, 6,783 students originating from 130 various countries and 950 doctoral candidates.

The 2022 state budget allotted €34.9 million for the University of Luxembourg, or an annual increase of only 2% through 2025. Between 2014 and 2017, the government's contribution to the university increased by 7.6% per year. The Idea Foundation think tank expressed its surprise over this lower level of investment, declaring that “this goes against the stated ambition to focus on the knowledge economy and diversification, particularly in favor of a health ecosystem.”

Citation:

“Creating value for society: The FNR's strategy and action plan 2022-2025.” FNR (14 January 2022). <https://www.fnr.lu/creating-value-for-society-the-fnr-s-strategy-and-action-plan-2022-2025/>. Accessed 15 January 2022.

“New convention ensures University's public endowment for next 4 years.” University of Luxembourg (14 January 2022). https://www.en.uni.lu/university/news/slideshow/new_convention_ensures_university_s_public_endowment_for_next_4_years. Accessed on 15 January 2022.

“De Budget 2022.” Luxembourg's Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

Bouchet, Muriel. “Pour un réexamen de la contribution de l'Etat à l'Université du Luxembourg.” Fondation IDEA (27 December 2021). <https://www.fondation-idea.lu/2021/12/27/pour-un-reexamen-de-la-contribution-de-letat-a-luniversite-du-luxembourg/>. Accessed 3 January 2022.

“Rapport d'activité 2020.” Ministère de l'Enseignement supérieur et de la Recherche. (15 December 2021). <https://mesr.gouvernement.lu/fr/le-ministere/rapports-d-activite.html>. Accessed 3 January 2022.

The Times Higher Education (THE) World University Ranking 2022. University of Luxembourg (6 November 2021). <https://www.timeshighereducation.com/world-university-rankings/university-luxembourg>. Accessed 3 January 2022.

“2021 Index of Economic Freedom.” Heritage. <https://www.heritage.org/index/ranking>. Accessed 3 January 2022.

“National Research Priorities for Luxembourg in 2020 and beyond.” Le Gouvernement du Grand-Duché du Luxembourg. Ministère de l'Enseignement supérieur et de la Recherche. Le Fonds National de la Recherche du Luxembourg (23 January 2020). <https://www.fnr.lu/national-research-priorities-for-luxembourg-approved/>. Accessed 3 January 2022.

“Tracking Innovation through the COVID-19 Crisis.” Global Innovation Index Report 2021. 14th Edition (September 2021). https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021.pdf. Accessed 3 January 2022.

“Gross domestic spending on R&D: Luxembourg.” OECD Data (2000-2020). <https://data.oecd.org/rd/gross-domestic-spending-on-r-d.htm> Accessed on 3 January 2022.

Global Financial System

Stabilizing
Global Financial
System
Score: 7

In July 2021, the Global Financial Center Index (GFCI) ranked Luxembourg eighth in its listing of top financial centers worldwide, and ranked it fourth (behind the United States, the United Kingdom and Switzerland) based on the business environment. GFCI assessed Luxembourg as the most international

financial center in the world (followed by Singapore, Hong Kong, the UK and Ireland), due to the fact that 60% of its total activity is exclusively international.

Luxembourg is also the top center for private banking in the euro zone, and is the largest reinsurance center in Europe. As of 1 June 2021, it was home to 128 banks from 28 countries (with assets of €51.1 billion, compared with €15.5 billion the previous year, a rise of 4.36%), which employ some 50,000 professionals (81% non-Luxembourgers). Given the considerable number of foreign banks in the country, of which 21 are from Germany, 15 from China, 14 from France, 12 from Switzerland, and only 12 from Luxembourg and Belgium, the degree of internationalization of its financial sector (96.5%) is the highest in Europe.

Luxembourg-domiciled investment funds with funds under management amounting to € 5.05 trillion are distributed across 77 countries (with a particular focus on Europe, Asia, Latin America and the Middle East). Thus, the Grand Duchy is the second-largest investment fund center worldwide and number one in Europe. It is the same in terms of capital markets, Luxembourg being the European leader in international securities listings, with more than 37,000 listed and tradable securities at the Luxembourg Stock Exchange (LuxSE), issued in approximately 60 currencies by more than 100 countries. LuxSE is the international market leader in the listing created by Dim Sum Bonds, and the top Islamic fund center in the EU. In 2020, the labeling agency for sustainable financial projects (LuxFLAG) advanced significantly in sustainable bond issuance. The new issuance amounted to €186 billion, of which 51% were sustainable, social and green securities. Luxembourg and the European Investment Bank (EIB) have launched an innovative climate finance platform dedicated to investments in combating climate change.

The country has made considerable effort to develop its financial technology sector, especially through LoFT (a platform connecting leading international players with fintech innovation and cloud technologies). PayPal, Amazon Payments, Six Payment Services and the Emerging Payment Association have chosen Luxembourg as their hub to serve the entire EU market. In the 2022 state budget, the government allocated €8.2 million over the next 10 years to establishing a co-called Finnovation Hub, jointly with the university and the Luxembourg Institute of Science and Technology (LIST).

Representing some 24.0% of GDP in 2019, and some 11% of employment and 21% of fiscal revenues, the financial industry continues to drive Luxembourg's economy and to serve as a catalyst for qualitative growth. In 2021 and 2022, Luxembourg received a AAA credit rating by the financial rating agencies.

However, the attractiveness of Luxembourg as a financial center is liable to be affected by the process of tax and financial harmonization at EU and OECD level and the new regulatory environment (related to transparency, secrecy and to the three pillars of the Banking Union).

In the wake of the controversies around global tax evasion, Luxembourg has reinforced its capacities for the oversight of financial activities. Luxembourg's Ministry of Finance has increased its staff, as has the Commission de Surveillance du Secteur Financier, which is in charge of supervising the professionals and products of the Luxembourg financial sector. Luxembourg has also taken a proactive position during the international debates on the fair taxation of multinational companies, and is committed to the exchange of information so as to prevent tax evasion and avoidance. Given the recruiting difficulties faced by the judiciary (due to the fact that public prosecutors and judges need to be of Luxembourg nationality), the public prosecutor's office and the Luxembourg Financial Intelligence Unit (Cellule de Renseignement Financier) still lack sufficient legal specialists to deal with the complex activities conducted in Luxembourg's financial sector.

Citation:

Luxembourg for Finance. Facts and Figures. <https://www.luxembourgforfinance.com/en/homepage/#>. Accessed 14 January 2022.

Association of the Luxembourg Fund Industry. Facts and Figures. <https://www.alfi.lu/>. Accessed 14 January 2022.

Ahairwe, Pamela Eunice; Miyandazi, Luckystar; Bilal, San. "The EU list of tax havens: progress and challenges." ECDPM. Finance Discussion Paper no.30. <https://ecdpm.org/wp-content/uploads/EU-List-Tax-Havens-Progress-Challenges-ECDPM-Discussion-Paper-310-2021.pdf>. Accessed 14 January 2022.

"The Future of the Financial Industry in Luxembourg." Luxembourg for Finance & Deloitte. (September 2021). <https://www2.deloitte.com/lu/en/pages/sustainable-development/articles/future-of-luxembourg-financial-industry.html>. Accessed 14 January 2022.

Baruch, Jérémie; Ferrer, Maxime; Vaudano, Maxime; Michel, Anne. "OpenLux : the secrets of Luxembourg, a tax haven at the heart of Europe." Le Monde (9 February 2021). https://www.lemonde.fr/les-decodeurs/article/2021/02/08/openlux-the-secrets-of-luxembourg-a-tax-haven-at-the-heart-of-europe_6069140_4355770.html. Accessed 3 January 2022.

"Statement by the Luxembourg Government on recent press articles published about Luxembourg." <https://gouvernement.lu/en/dossiers/2021/openlux.html>. Accessed 14 January 2022.

"Inclusive finance in the Luxembourg's General Development Cooperation Strategy: The Road to 2030." Inclusive Finance Network Luxembourg (2022). <https://www.infine.lu/inclusive-finance-in-the-luxembourgs-general-development-cooperation-strategy-the-road-to-2030/>. Accessed 14 January 2022.

"Luxembourg, among the top 10 financial centers in the world." Luxembourg Trade&Invest (30 July 2021). <https://www.tradeandinvest.lu/news/luxembourg-among-the-top-10-financial-centres-in-the-world/>. Accessed 14 January 2022.

"Towards Digital Capital Markets with Impact and Purpose." Luxembourg Stock Exchange (LuxSE). (25 March 2021). <https://www.bourse.lu/pr-luxse-sed-2021>. Accessed 14 January 2022.

Luxembourg House of Financial Technology (LoFT). <https://lhofit.com/en/>. Accessed 14 January 2022.

“Revue de stabilité financière 2020.” Banque centrale du Luxembourg. https://www.bcl.lu/fr/publications/revue_stabilite/RSF-2020/224623_BCL_REVUE_STABILITE_FINANCIERE_2020_00_INTRO.pdf. Accessed 14 January 2022.

II. Social Policies

Education

Education Policy
Score: 6

The constitution of Luxembourg guarantees a fundamental right to education (Art. 23), and primary and secondary education are free of charge. Early childhood education is optional starting at age three, but school attendance is compulsory from the age of four years until 16. The Luxembourg school system includes public, private and international education institutions. Pupils may also attend school in a foreign country, as well as home (under certain conditions). For children with special needs, a special education system (“éducation différenciée”) has been put in place, but the aim is to integrate children with special needs into the mainstream education. After six years of elementary school, students must choose one of two tracks, a general (the former “secondaire technique”) or an academic (“classique”) one. There is also a dual apprenticeship system (“formation en alternance”) for students aged 15, which combines an apprenticeship with vocational classes.

Luxembourg’s education policy must deal with the challenges of a multilingual and multicultural society, which produces a high proportion of foreign students. According to the OECD’s Program for International Student Assessment (PISA) released in December 2019, secondary education is a cause of concern. Luxembourg is ranked 28th, behind its neighbors Germany (12th), Belgium (21st) and France (27th). Among the causes can be mentioned the difficulties of the trilingual school system approach (covering the German, Luxembourgish and French languages), as well as the economic difficulties encountered by students (55% of 15-year-old pupils are immigrants). Three in eight immigrant students in Luxembourg were socioeconomically disadvantaged (similar to the OECD average). The ongoing reform of fundamental education (the first nine years of schooling) is based on five key skills (critical thinking, creativity, communication, collaboration and coding), with an emphasis on the “Einfach Digital” (simply digital) strategy. In 2020, the Ministry of Education invested €4.8 million to provide students with 10,603 iPads (including €2.5 million each year for licenses and software).

Thus, pupils were well equipped to shift to full home schooling on several occasions between March 2020 and December 2021.

In the 2022 state budget, education expenditure will amount to €3.1 billion (+10% compared to 2021). This will finance the recruitment of 1,000 more teachers, free daycare during the school periods, free school lunches for children from low-income families and free music education.

The University of Luxembourg, which is a multilingual, international, interdisciplinary and research-oriented public institution, has a current enrollment of 6,783 students originating from 130 different countries. The academic staff (drawn from 94 different countries) numbers 1,668 people, including doctoral candidates, postdoctoral researchers, research associates, professors and lecturers. According to the multi-year contract (“convention pluriannuelle”) signed on 13 January 2022 by the Ministry of Higher Education and Research and the University of Luxembourg, the university’s public endowment for the years 2022-2025 will reach a record total of €908.3 million, an almost 17% increase over the previous four-year period.

The Luxembourg government offers grants for studies abroad allocated in the form of a grant (“bourse”), a loan (“prêt”) or assistance with enrollment fees (“frais d’inscription”). Without giving too many details, it is useful to mention that Luxembourg has lost several cases before the European Court of Justice regarding problems in allocating study grants to the children of cross-border workers.

In 2021, Luxembourg’s lifelong learning system provided about 11,916 trainings programs in 62 training domains, delivered by 299 training providers. The University of Luxembourg, the Luxembourg Learning Centre, the Center of Competences (located in Belval), the House of Training, the Chamber of Commerce, and the Chambre des Salariés, are among the main actors in this field.

Citation:

“New convention ensures University’s public endowment for next 4 years.” University of Luxembourg (13 January 2022). https://www.uni.lu/university/news/slideshow/new_convention_ensures_university_s_public_endowment_for_next_4_years. Accessed 15 January 2022.

“2022 Budget Prioritises Investment in Climate Action, Housing, Digitalization.” Chronicle.lu (13 October 2021). <https://chronicle.lu/category/finance-1/38001-2022-budget-prioritises-investment-in-climate-action-housing-digitalization>. Accessed 3 January 2022.

“Les chiffres de la rentrée 2021-2022.” Le Gouvernement du Grand-Duché de Luxembourg. Ministère de l’Éducation nationale, de l’Enfance et de la Jeunesse. (10 September 2021). <https://men.public.lu/en/actualites/communiqués-conference-presse/2021/09/10-chiffres-rentree.html>. Accessed 3 January 2022.

“Luxembourg: National Reforms in School Education.” European Commission (1 April 2021). https://eacea.ec.europa.eu/national-policies/eurydice/content/national-reforms-school-education-40_en. Accessed 3 January 2022.

“Luxembourg: Ensuring equal opportunities for students across socioeconomic backgrounds.” OECD (2021). <https://www.oecd-ilibrary.org/sites/80c98885-en/index.html?itemId=/content/component/80c98885-en#section-d12020e14161>. Accessed 3 January 2022.

“Education at a Glance, 2021.” OECD (2021). <https://dx.doi.org/10.1787/69096873-en>. Accessed 3 January 2022.

“The state of global education – 18 months into the pandemic,” OECD (2021). <https://doi.org/10.1787/1a23bb23-en>. Accessed 3 January 2022.

“Luxembourg and PISA – Immigrant children in the school system.” OECD (4 December 2019). https://ec.europa.eu/migrant-integration/library-document/luxembourg-and-pisa-immigrant-children-school-system_en. Accessed 3 January 2022.

Social Inclusion

Social Inclusion
Policy
Score: 9

Luxembourg has a very vibrant economy, with a GDP per capita of €101,760 in 2020, which was more than three times higher than the euro area average. However, according to several studies carried out by STATEC, 25% of Luxembourg households reported having financial difficulties, approximately 30% of households indicated that they are struggling to pay off their homes, and 5.6% of were falling below the poverty threshold as a result of low income and purchasing power. According to EUROSTAT, 96.5 million people in the EU (or approximately 20% of Europeans) were at risk of poverty or social exclusion. With a comparable rate of 19.9%, in 2020 and 17.2% in 2021 (estimation), Luxembourg ranks below the EU average of 21.9%.

Another phenomenon is the risk of in-work poverty; Luxembourg’s rate is the third-highest among EU countries. STATEC reports that 103,600 people live below the monetary poverty threshold (€1,804 per month for a single adult). In December 2020, the in-work poverty rate was 11.9%, down from its peak of 12.1% a year before. The highest rate was of 30.7%, within the 18- to 24-year-old age group.

Job seekers (with a risk rate of 40.3%) and the inactive population (43.9%) are the most vulnerable categories. Among children 17 or under, the poverty rate is 24.8%. Pensioners fare the best (8.7%), while single young people, persons with low levels of education, job seekers and single-parent families are most affected. Foreigners have a poverty risk twice as high as that of nationals (21.7% compared with 10.9%). However, both STATEC and EUROSTAT reported that monetary social transfers to households (benefits, subsidies, etc.) are having less and less effect with regard to poverty reduction. It also noted that wage inequality in Luxembourg was unaffected by the coronavirus pandemic.

On 1 January 2021, the government introduced an increase of the social minimum wage by 2.8% (to €2,201.93 for unskilled workers and €2,642.32 for skilled workers), and adjusted the social inclusion income (REVIS). Over the last decade, the minimum wage in Luxembourg, which is the highest in the EU, increased by €450. Another measure is the housing assistance program, which includes rent subsidies (at least €300/month according to the composition and income of the household), state help in financing a rent guarantee, the option of renting a subsidized or social housing, and a possible court appeal directed at the social real estate agencies. The government may also provide funding for special arrangements benefiting persons with reduced mobility or with specific accommodation needs (up to €15,000 and 60% of the costs of remodeling work needed to meet the recipient's needs). Nevertheless, the overall provision of social housing remains below the European average. The 2022 state budget calls for a reform of the property tax system by the end of 2022, by targeting unoccupied real estate and buildings and/or land, with the aim of limiting the ability to hold them for the purposes of speculation. According to "Observatoire de l'Habitat" studies, 65.2% of land ownership intended for housing is held by natural persons.

Social inclusion in Luxembourg is also strongly reinforced by the development of projects co-financed by the European Social Fund.

Citation:

"De Budget 2022." Luxembourg's Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

"At-risk-of-poverty rate by poverty threshold, age and sex." EUROSTAT - EU-SILC and ECHP surveys (17 December 2021). https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li02&lang=en. Accessed 3 January 2022.

"Luxembourg City wins 2022 Access City Award for becoming more accessible to persons with disabilities." European Union (December 2021). <https://ec.europa.eu/social/main.jsp?catId=1141>. Accessed 3 January 2022.

Allegrezza, Serge; Hury, Jérôme. "Rapport travail et cohésion sociale 2021. Des inégalités de revenus inchangées malgré la crise COVID-19." STATEC (14 October 2021). https://statistiques.public.lu/fr/actualites/conditions-sociales/conditions-vie/2021/10/20211014/Rapport-travail-et-cohesion-sociale-2021_impression.pdf. Accessed 3 January 2022.

"Sozialalmanach, Luxembourg 2021." Caritas (27 July 2021). Le "Sozialalmanach" est publié tous les ans au préalable du discours du Premier ministre sur l'état de la nation et sert d'instrument de dialogue avec les décideurs politiques, la société civile et l'économie. <https://paperjam.lu/article/crise-a-davantage-aggrave-pauv>. Accessed 3 January 2022.

"Governance of migrant integration in Luxembourg, 2020." European Commission (2021). https://ec.europa.eu/migrant-integration/country-governance/governance/luxembourg_en. Accessed 3 January 2022.

"Working Yet Poor Project." National Report for Luxembourg (6 July 2021). <https://workingyetpoor.eu/press/>. Accessed 3 Jan.2022.

“Les enfants pauvres, «premières victimes» du covid.” Luxemburger Wort (26 June 2021). <https://www.wort.lu/fr/luxembourg/les-enfants-pauvres-premieres-victimes-du-covid-60d20435de135b9236fbe1cc>. Accessed 3 January 2022.

Rapport d'activité 2020. (Mars 2021). Le Gouvernement du Grand-Duché de Luxembourg. Ministère du Travail, de l'Emploi et de l'Économie sociale et solidaire. <https://adem.public.lu/en/publications/adem/2021/rapport-activites-complet-mtees.html>. Accessed 3 Jan.2021.

“Indicateurs de risque de pauvreté (2003-2019).” STATEC (2020). https://statistiques.public.lu/stat/TableViewer/tableViewHTML.aspx?ReportId=12957&IF_Language=fra&MainTheme=3&FldrName=1&RFPath=29. Accessed 3 January 2022.

Health

Health Policy
Score: 8

Luxembourg has one of the best healthcare systems in Europe, based on a high standard of state-funded medical coverage. While 99% of the population is covered by the state healthcare system, about 75% have some extra form of private health insurance. Healthcare is administered by the Ministry of Health, which is responsible for policy, regulation and overseeing services. The majority of funding comes from the health insurance contribution to the National Health Fund. This payment is carried out via Luxembourg's Social Security System, which represents 84% of total public healthcare expenditure. The compulsory insurance scheme covers 80% to 90% of overall healthcare costs. Residents have to pay between 10% and 20% of a general service's costs, up to 20% of prescription costs (60% for non-essential medication), and around €2 a night for hospital stays. The country is one of the lowest healthcare spenders in the EU (just 6.2% of GDP per year), but has one of the highest per capita expenditures (over €5,500 per person per year). After the United States and Switzerland, Luxembourg has the third-most-expensive healthcare services within the OECD, due to high wages, a high ratio of medical equipment to residents, and a low generic substitution rate.

The Grand Duchy's health system has considerable material resources for a country its size. In 2020, the Hospital Federation (FHL) – which includes four hospital centers, six specialized hospital establishments (heart surgery, radiotherapy, neuropsychiatry, post-oncology, geriatrics and functional reeducation), an institution for end-of-life care, and a diagnostics center – had 2,657 beds, an operating budget of €1,182.9 million, and a workforce of approximately 17,595 people, of which 70% are cross-border workers. In 2021, approximately 209,014 workers crossed the Luxembourg border on a daily basis (+2.7% compared with 2020). The coronavirus pandemic showed that the country's medical and hospital sectors are entirely dependent on this cross-border workforce. When France decided on 13 March 2020 to close its border with Luxembourg, the Grand Duchy faced the real risk of “a collapse of the health system.”

In consequence, the government launched the national consultation on health (“Gesondheetsdësch”) in order to develop a strategy addressing the current gaps. Based around the University of Luxembourg, a new system of training for healthcare professionals is to be launched in 2023, offering various levels of qualification (new bachelor-level programs for general and specialized nursing, for midwives, and for technical medical assistants in radiology). The Lycée Technique pour Professions de la Santé (a technical secondary school specializing in health professions) also remains an important player in the field. The reorganization of higher education in the area of health professions will be evaluated in 2028.

The health technology ecosystem is also being reformed, with a focus on diagnostics, digital health, health data analysis and portable medical devices. Its management is conducted by the Luxembourg HealthTech Cluster (HTC), which by 2019 included around 136 specialist public and companies, with 1,600 professionals and a value added of €180 million (0.35% of GDP). The 2021-2025 investment program is focused on the “Südspidol” (total budget of €542 million, 80% funded by the government), which will bring together the hospitals of Esch-sur-Alzette, Dudelange and Niederkorn. The new consortium, which will diminish the operating costs of the three existing hospitals by 15%, will meet the growing healthcare needs of the Greater Region.

Citation:

Danescu, Elena. “Luxembourg Economy.” In Hartly C. (Ed). Western Europe 2022. Western Europe Book Series. Routledge, Abington:UK, 2022. pp. 464-481.

“Cross-border workers: COVID-19 agreements extended until, at least, 31 March 2022.” Loyens % Loeff. <https://www.loyensloeff.com/en/en/news/news-articles/cross-border-workers-covid-19-agreements-extended-until-at-least-31-march-2022-n20159/>. Accessed 3 January 2022.

Bettel, Xavier. “State of the Nation 2021” (12 October 2021). https://gouvernement.lu/en/gouvernement/xavier-bettel/actualites.gouvernement%2Ben%2Bactualites%2Btoutes_actualites%2Bdiscours%2B2021%2B10-octobre%2B12-etat-de-la-nation.html. Accessed 3 January 2022.

“Luxembourg - Südspidol hospital project.” RTL Today (17 September 2021). <https://today.rtl.lu/news/luxembourg/a/1788041.html>. Accessed 3 January 2022.

“Rapport annuel 2020.” Centre Commun de la Sécurité Sociale. (September 2021). <https://ccss.public.lu/fr/actualites/2021/07/15.html>. Accessed 3 January 2022.

“Rapport d’activité du Ministère de la Santé 2020” (August 2021). <https://sante.public.lu/fr/publications/r/rapport-activite-ministere-sante-2020/index.html>. Accessed 3 January 2022.

“Luxembourg Considers Introducing Nursing Degree in response to Labor Shortage.” (8 January 2021). Chronicle.lu. <https://chronicle.lu/category/medical/35164-luxembourg-considers-introducing-nursing-degree-in-response-to-labor-shortage>. Accessed 3 January 2022.

“Stability and Growth Programme of the Grand Duchy of Luxembourg 2021 > 2025”/De Stabilitéits-Programm.”

The Government of the Grand Duchy of Luxembourg. Ministry of Finance. https://ec.europa.eu/info/sites/default/files/2021-luxembourg-stability-programm_e_en.pdf. Accessed 03 Jan.2021.

“National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021.” The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

“State of Health in the EU. Luxembourg: Country Health Profile 2019.” OECD & the European Observatory on Health Systems and Policies & European Union. (2020). https://ec.europa.eu/health/sites/default/files/state/docs/2019_chp_lu_english.pdf. Accessed 3 January 2022.

Families

Family Policy
Score: 9

In Luxembourg, an automatic wage and salary adjustment to consumer prices used to be applied also to pensions and other social transfers. Nevertheless, since 2006 family benefits had been excluded from this mechanism.

The governmental coalition program of 2018 reintroduced regular adjustment of child benefits in line with consumer prices, which is implemented from January 2022 onwards. Through the Children’s Future Fund (Caisse pour l’Avenir des Enfants - CAE - Zukunftskeess), which is a public institution under the Ministry for Family Affairs, Integration and the Greater Region, are granted benefits to parents and children, including family allowance, the back-to-school allowance (allocation de rentrée scolaire), the childbirth allowance, the special supplementary allowance, the parental leave. Early childhood education and care (ECEC) free of charge are made available for low-income households, via child, care vouchers, including free access to crèches for up to 20 hours a week during school terms (46 weeks).

From January 2020, the government increased also the “High-cost-of-living” allowance (Allocation de vie chère [AVC]), which is allotted to low-income households to compensate for high subsistence costs (e.g., energy costs). This subsidy of €1,452/year (for a single person) is increased by €363 for every additional person in the household (with an upper limit of €2,904/year). Due to the coronavirus crisis, the AVC has been doubled only for the year 2020, with a further increase from 1 January 2022 onwards (by €200 for a single person, augmented by €50 for every additional person in the household).

New policies have emerged in the housing sector, especially since rents and prices have been rising dramatically for many years (14.5% in 2020 alone). Thus, alongside the “Housing Pact 2.0” (Pacte logement 2.0) in force since July 2021, the government has announced the construction of 8,200 additional

housing units by public developers, by 2025. Indirect help is also offered, such as subsidized mortgage interest rates, with this depending on the number of children at home.

By international comparison, Luxembourg's tax policy is family-friendly. Women's labor market participation has considerably increased since the launch of the European Employment Strategy. At the same time, the childcare facilities system facilitates women's active life. However, despite a strong increase in recent years, the workforce participation rate among women from 15 to 64 years remains relatively low at 64 % (2020), compared to an EU average of 67.2%, but is higher than OECD average (59.6%).

Luxembourg offers the highest level of child benefits within the European Union, and is one of the four leading EU member states in terms of family benefits overall. It has made sustainable improvements in terms of family-friendly workplace arrangements, while the gender-based job segmentation and gender pay gap have decreased. In 2020, the country ranks 10th in the EU on the Gender Equality Index (with a score 2.4 points above the EU's score).

Citation:

"Récapitulatif: Les nouveaux paramètres sociaux en janvier 2022." PaperJam (4 January 2022). <https://paperjam.lu/article/nouveaux-parametres-sociaux-en>. Accessed 14 January 2022.

"De Budget 2022." Luxembourg's Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

"Nouveautés 2022." Le Gouvernement du Grand-Duché de Luxembourg (30 December 2021). <https://paperjam.lu/article/nouveaux-parametres-sociaux-en>. Accessed 14 January 2022.

"Rapport d'activité 2020 du ministère de la Famille, de l'Intégration et à la Grande Région" (6 June 2021). <https://mfamigr.gouvernement.lu/en/publications.gouvernement%2Ben%2Bpublications%2Brapport-activite%2Bminist-famille-integration-grande-region%2Bmfamigr%2B2020-rapport-activite-mfamigr.html>. Accessed 14 January 2022.

"Children, young people & families." Caritas Luxembourg. <https://www.caritas.lu/en/children-young-people-families/services>. Accessed 14 January 2022.

"Employment and unemployment rate, by sex and age group, quarterly data (2007-2020)." OECD Statistics. <https://stats.oecd.org/index.aspx?queryid=54744>. Accessed 14 January 2022.

"Study to support the evaluation of the EU Strategic Framework on health and safety at work 2014-2020." European Commission (2021). <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8413&furtherPubs=yes>. Accessed 14 January 2022.

"Women in Work Index 2021. The impact of Covid-19 on women in work". <https://www.strategyand.pwc.com/de/en/functions/organisational-strategy/women-in-work.html>. Accessed 14 January 2022.

Pensions

Pension Policy
Score: 7

In Luxembourg there are three types of pension – a public state pension, a company pension and a personal pension. The statutory pension scheme also includes public health insurance and long-term care insurance. Other state pension entitlements include the survivors' pension (which applies in the event of the death of a spouse or legal partner), the child-raising pension and the disability pension (for people under the age of 65 who are unable to work). Cross-border workers are eligible for all aspects of the pension system.

A full pension is possible only if you have contributed for 480 months (meaning 40 years). The retirement age is 65 (both for men and women), but an early retirement system also exists, for those between 57 and 60 (in such cases, payment into the compulsory insurance system of at least 120 months is required). For beneficiaries of an old-age pension affiliated with the National Health Fund (Caisse Nationale de Santé) (CNS), contributions are borne equally by the insured and the National Pension and Insurance Fund (Caisse Nationale d'Assurance Pension) (CNAP).

Luxembourg's pension plans offer one of the highest replacement rates within the OECD, and provide a high living standard for the elderly (maximum monthly pension cannot exceed €8,525.50 in 2020).

One-third of retirees received a full pension (on average of €3,900), and two-thirds received a partial pension (on average of €1,250), in most cases combined with other amounts (deriving from another provision or from working in another country). Due to the annual indexation, pensions were adjusted upward by 1.3% on 1 January 2021 (following a +1.5% increase in 2020). However, pensioners must contribute financially to the healthcare insurance system, and pension benefits are fully taxed.

The coronavirus crisis made it clear that Luxembourg's social security system has long-term sustainability problems, given that it is facing growing pressure due to an aging population. The OECD and the European Commission have urged the Grand Duchy to reform its pension system by taking steps to increase the retirement age in line with increasing life expectancy, and/or diminish the generosity of pensions. Furthermore, neither the economy's overall strength nor the rate of increase in the number of contributors to the system over the decades to come can be predicted with certainty. As previously indicated, several international authorities are warning the country against possible slippage in the pension system. However, the social partners and the state have shown little interest in addressing this problem.

Citation:

“Luxembourg’s tax reform encourages private pensions.” ING Luxembourg. <https://www.ing.lu/content/siteing/en/Individuals/my-money/categories/savings/luxembourg-s-tax-reform-encourages-private-pensions.html>. Accessed 14 January 2022.

«Le premier pilier des pensions doit être fort». Déclaration de Romain Schneider (Ministre de la Sécurité sociale). PapeJam (26 November 2021). <https://paperjam.lu/article/premier-pilier-pensions-doit-e>. Accessed 14 January 2022.

Rapport annuel 2020.” Centre Commun de la Sécurité Sociale. (September 2021). <https://ccss.public.lu/fr/actualites/2021/07/15.html>. Accessed 3 January 2022.

“Pensions at a Glance, 2019.” OECD (2020). <https://www.oecd-ilibrary.org/docserver/451d8676-en.pdf?expires=1642244638&id=id&accname=guest&checksum=6C25EB9964E96F18EE1F7293ECE4B8F2>. Accessed 14 January 2022.

Integration

Integration Policy
Score: 8

Luxembourg’s migrant population has grown continuously since the Second World War. Nowadays, around 85% of migrants are citizens of the European Union, with 90% of resident migrants being of European descent. Most other highly qualified migrants have come either from Russia, Canada or the United States. On 1 January 2021, 47.2% of the total population were foreigners, and 81.6% of this group were EU citizens. The top five most represented nationalities are the Portuguese (38.6%), the French (19.8%), the Belgians (8.2%), the Germans (5.2%) and the Spanish (3.2%). Among third-country nationals, the most common countries of origin are the United Kingdom, China and Montenegro. It is estimated that more than half of Luxembourg’s citizens currently have a migrant background, and that 10% of them have roots in a non-EU nation.

In 2020, of the 11,904 new residence permits issued, approximately 30% were for family reasons, about 25% for work purposes and 16% were for international protection. Among the population receiving protection, 29.9% came from Syria, 21.6% from Eritrea, and 7.9% from Afghanistan.

In Luxembourg, the state, municipalities and civil society work together to help foreigners integrate, under the coordination of the Ministry of Family Affairs, Integration and the Greater Region. The National Council for Foreigners, an institutional consultative body, represents foreigners in Luxembourg. The two main civil society organizations representing migrants’ interests are the Association de Soutien aux Travailleurs Immigrés (ASTI), and the Liaison and Action Committee for Foreigners (CLAE). In early 2021, the government launched a study on racism, and two other studies have also been launched by the EU’s Asylum, Migration and Integration Fund (AMIF) national program.

Foreign children are fully integrated in local elementary schools or high schools. Mediators assist foreign parents and students in their dealings with the education system. Pupils who have not mastered Luxembourgish or German when entering elementary school can take advantage of a certain number of linguistic tutoring hours. Several structures have been set up to welcome and guide new arrivals aged 12 to 24 in Luxembourg. Children between 12 and 15 are given the opportunity to attend special classes called “classes d’insertion” in the capital’s Lycée Technique du Centre, with special programs in French or German, designed to facilitate integration into regular classes. English-speaking and “international” classes also exist within the public school system, as well as technical and professional education classes. Despite this, the average school dropout rate for children of foreign parents is high. To enable migrant employees to learn Luxembourgish, a 200-hour training leave is allowed.

All foreigners, whether they are citizens of the EU or third countries, can vote and run for office in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Conditions for registration have been eased over recent years. However, meetings of local councils are usually held in Luxembourgish (with reports written in German, French or English), which poses an obstacle for many resident foreign citizens.

The Migrant Integration Policy Index 2020 points out that the Grand Duchy’s integration policies shifted from halfway favorable (54/100) to slightly favorable (64/100) for societal integration (above-average for the EU and for Western Europe).

The many cross-border workers in Luxembourg are not taken into account within the CNE (Conseil national pour étrangers, or National Council for Foreigners). However, the creation of a commission specifically dedicated to cross-border workers has very recently been discussed.

Grand Duchy of Luxembourg Statistics Portal. <https://statistiques.public.lu/en/>. Accessed 3 January 2022.

“Main d’œuvre étrangère qualifiée au Luxembourg : le rôle de la politique d’immigration.” Fondatio Idea (2 December 2021). <https://www.fondation-idea.lu/2021/12/02/main-doeuvre-etrangere-qualifiee-au-luxembourg-le-role-de-la-politique-dimmigration/>. Accessed 3 January 2022.

“Données en matière d’asile et protection internationale.” Le Gouvernement du Grand-Duché de Luxembourg. Ministère des Affaires étrangères et européennes. <https://maee.gouvernement.lu/fr/directions-du-ministere/immigration/stats-et-publications.html>. Accessed 3 January 2022.

“Luxembourg in figures 2021” (16.09.2021). <https://statistiques.public.lu/en/publications/series/lux-figures/2021/lux-figures/index.html>. Accessed 3 January 2022.

“Governance of migrant integration in Luxembourg, 2020.” European Commission (2021). https://ec.europa.eu/migrant-integration/country-governance/governance/luxembourg_en. Accessed 3 January 2022.

“Measuring policies to integrate migrants across six continents.” The Migrant Integration Policy Index 2020. <https://www.mipex.eu/key-findings>. Accessed 3 January 2022.

Safe Living

Internal Security
Policy
Score: 8

In Mercer’s 2019 Quality of Living, Luxembourg City was ranked as the safest city in the world in terms of personal security, ahead of Helsinki and the Swiss cities of Basel, Bern and Zurich. In this context, several factors were analyzed: crime rates, law enforcement, security forces, the limits of individual freedom, international relations and press freedom. However, the situation has worsened over the last two years.

According to the 2021 police report, the overall number of crimes in Luxembourg increased by 4% over a year. In 2019, the police recorded 38,800 offenses, the majority of which were crimes against property. The number of crimes against persons increased by 8.9%. Drug-related cases increased substantially. This was particularly true of possession (+35% in 2019), drug use (+51%), and drug trafficking (+21%) offenses. The number of drug seizures carried out in cooperation with the Customs and Excise Agency rose to 1,412 in 2019. Security issues in the neighborhood of Luxembourg’s central railway station (drug, prostitution, general infractions) remain a recurrent problem. The Luxembourg police force aims to recruit more personnel, but faces recruitment difficulties. However, in recent years, a reorganization of the police force has had positive effects.

Citation:

“Luxembourg City wins 2022 Access City Award for becoming more accessible to persons with disabilities.” European Union (December 2021). <https://ec.europa.eu/social/main.jsp?catId=1141>. Accessed 3 January 2022.

“Climate Change Performance Index, 2022” (2022). <https://ccpi.org/country/lux/>. Accessed 3 January 2022.

“Luxembourg in figures 2021” (16.09.2021). <https://statistiques.public.lu/en/publications/series/lux-figures/2021/lux-figures/index.html>. Accessed 3 January 2022.

“OECD Better Life Index 2021.” OECD. <https://www.oecdbetterlifeindex.org/#/111111111111>. Accessed 3 January 2022.

“Freedom House. Countries and Territories, 2021.” (2022). <https://freedomhouse.org/countries/freedom-world/scores>. Accessed 3 January 2022.

“World Happiness Report 2021.” <https://worldhappiness.report/>. Accessed 3 January 2022. Accessed 3 January 2022.

“Rapport d’activités, 2020.” Police grand-ducale (26 October 2021). <https://police.public.lu/en/publications/2021/rapport-activite-2020-police-grand-ducale.html>. Accessed 3 January 2022.

«La situation du quartier Gare est très préoccupante». Luxemburger Wort (6 September 2021). <https://www.wort.lu/fr/luxembourg/la-situation-du-quartier-gare-est-tres-preoccupante->

61365640de135b9236e63c1f. Accessed 3 January 2022.

“Fewer burglaries but more offences last year.” RTL today (27 March 2021). <https://today.rtl.lu/news/luxembourg/a/1696050.html>. Accessed 3 January 2022.

“Corruption Perceptions Index, 2020.” Transparency International. <https://www.transparency.org/en/cpi/2020/index/nzl>. Accessed 3 January 2022.

Global Inequalities

Global Social
Policy
Score: 9

Luxembourg’s development cooperation strategy is titled *The Road to 2030*, and has four areas of focus: 1) access to quality social services; 2) socioeconomic integration of women and youth; 3) inclusive and sustainable growth; and 4) inclusive governance. The strategy also aims to leverage Luxembourg’s comparative advantage as a leading international financial center and in the information and communication technology sector. The development cooperation program is focused on seven partner countries, five of which are in sub-Saharan Africa.

According to the 2021 OECD Cooperation Report, the Grand Duchy’s contribution to official international development assistance amounted to \$450 million in 2020, or 1.02% of its gross national income (GNI), and ranked third among the member countries of the OECD’s Development Assistance Committee. Despite a decrease of 9.2% in real terms in volume in 2020 (due to the drop in the gross national income due to the coronavirus pandemic), the development assistance provided by the Grand Duchy has far surpassed the UN’s industrialized-nation contribution target of 0.7% of GNI. In line with the EU and OECD priorities, Luxembourg’s major areas of involvement are social sectors (including education and training in the fields of healthcare), water treatment, sewage, local economic development and infrastructure construction, and humanitarian support (including emergency assistance and reconstruction aid).

In 2019, Luxembourg provided \$216.5 million in development aid to the multilateral system (a drop of 1.1% from 2018), \$109.6 million of which was allocated to core multilateral activities (through pooled funds and specific-purpose programs and funds). Furthermore, Luxembourg’s total contribution to multilateral organizations in 2019 was mainly allocated to the U.N., the World Bank Group and the European Union institutions, which accounted together for 83% of the country’s total support to the multilateral system. The U.N. system received 49.3%, mainly through earmarked contributions devoted to the U.N. Development Program (.4 million), the U.N. Children’s Fund (.1 million) and the World Food Program (.3 million).

Citation:

“Shaping a Just Digital Transformation. OECD Development Cooperation Report 2021.” OECD (21 December 2021). <https://www.oecd.org/dac/development-cooperation-report-20747721.htm>. Accessed 3 January 2022.

“The Road to 2030. Luxembourg’s General Development Cooperation Strategy.” The Ministry of Foreign and European Affairs (2021). <https://cooperation.gouvernement.lu/dam-assets/politique-cooperation-action-humanitaire/documents-de-reference/strat%C3%A9gie/Strat%C3%A9gie-MAEE-EN.pdf>. Accessed 3 January 2022.

“De Budget 2021. Coopération au développement et à l’action humanitaire.” Le Gouvernement du Grand-Duché de Luxembourg. Ministère des Affaires étrangères et européennes. <https://budget.public.lu/lb/budget2021/am-detail.html?chpt=depenses&dept=1§=17>. Accessed 3 January 2022.

III. Environmental Policies

Environment

Environmental
Policy
Score: 9

According to the Climate Change Performance Index 2022, in which Luxembourg gained three ranks to wind up at 18th place, the Grand Duchy remains a high-performing country with regard to environmental issues. The country performs poorly with regard to greenhouse gas emissions, and at only a medium level with regard to renewable energy and energy use, but it rates high in climate policy overall, which indicates considerable potential for Luxembourg to improve its overall climate change performance.

The 2022 state budget allotted €765 million to investment in the field of climate and environment, and €210 million more will be added by 2024. A total of €1.8 billion is to be applied to implementing the national energy and climate plan. As part of efforts to diminish CO₂ emissions, further investments are planned in the development of the rail and tram network, and in the electromobility sector (€300 million for rail infrastructure in 2022, and €12.6 million annually through 2025 for more electric charging stations). Luxembourg’s national mobility plan has a strong environmental component. On 1 March 2020 all buses, trams and trains became free of charge, making it the first country in the world to introduce free public transport (with a cost for the state of about €40 million per year). The Climate and Energy Fund offers subsidies to companies that reduce their environmental impact via employer mobility. The state also provides financial support for the purchase of e-bikes.

In 2021, under the leadership of Environment Minister Carole Dieschbourg, the government renewed the design of the climate pact (a co-operative

agreement titled “Pacte Climat 2.0”), with the aim of strengthening the leading role of municipalities in climate policy, reducing greenhouse gas emissions and energy use, and stimulating investment at local level. Each participating municipality must commit to hiring a climate adviser, and to implementing an energy management system based on 64 measures divided into six categories (spatial planning and development, municipal buildings, resource management, mobility, internal organization, and cooperation). The state covers the costs of the climate advisers and technical assistance. Luxembourg’s Environmental Protection Fund provides subsidies to municipal projects linked to implementation of the pact.

The government plans to achieve the major goals of the National Climate and Energy Plan (NECP) 2021-2030 (which is a 10-year integrated document mandated by the European Union) through implementation of the following main measures: a CO₂ tax; the electrification of car, bus and truck traffic; the introduction of the A+ energy efficiency standard for new residential buildings; improvement of the “PRIME House” support program; replacement of oil heating with renewable energy sources or connections to heating networks; introduction of the Nearly Zero Energy Standard for functional buildings; and an expansion of heating networks.

In terms of biodiversity, the country’s achievements do not match its ambitions as set out in the two successive National Plans for Nature Conservation for the periods 2007-2011 and 2017-2021. Furthermore, biodiversity has consistently declined in the country for more than four decades. The reasons for this situation include especially the rapid economic growth, urbanization, landscape fragmentation and climate change. Biodiversity concerns are fully integrated in the current National Action Plan for the Promotion of Organic Agriculture (PAN-Bio 2025), that aims to increase the share of organically farmed land in Luxembourg to 20% by 2025, and to consolidate the green orientation of the sectoral policy in this area. Currently, only 5% of the agricultural land in the Grand Duchy is certified as “organic,” while the European average is about 7%. With this new commitment, which is in line with the green Common Agricultural Policy of the EU, Luxembourg is sending a strong political signal to the agricultural sector, suppliers, the retail sector and consumers that the government will demand stronger coordination between the national and local levels.

“Climate Change Performance Index, 2022” (December 2021). <https://ccpi.org/country/lux/>. Accessed 3 January 2022.

“De Budget 2022.” Luxembourg’s Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

“Greening the Luxembourg tax system.” PapeJam (2021). <https://paperjam.lu/article/greening-the-luxembourg-tax-sy>. Accessed 3 January 2022.

“A Climate Pact to strengthen the role of Luxembourg’s municipalities.” OECD. <https://www.oecd.org/climate-action/ipac/practices/a-climate-pact-to-strengthen-the-role-of-luxembourg-s-municipalities-b485676c/>. Accessed January 2022.

“Environmental Performance Reviews : Luxembourg 2020.” OECD Publishing, Paris. <https://doi.org/10.1787/fd9f43e6-en>.

“Luxembourg: national targets and contributions foreseen in the draft National Energy and Climate Plan (2021-2030).” European Commission (2020). https://ec.europa.eu/energy/sites/default/files/documents/necp_factsheet_lu_final.pdf. Accessed 3 January 2022.

“Évaluation de l’impact de la taxe CO2.” STATEC (Novembre 2020). https://statistiques.public.lu/fr/actualites/economie-finances/_onjuncture/2020/11/20201123/index.html. Accessed 3 January 2022.

Global Environmental Protection

Global
Environmental
Policy
Score: 9

At the international level, at the EU and at the yearly COP meetings of the UNFCCC, Luxembourg has positioned itself as a steady supporter of ambitious climate action. In December 2020, Luxembourg adopted its climate law, introduced a climate neutrality target for 2050, a 55% emissions reduction target for 2030 and sectoral climate targets. Achieving these targets will not be easy, as Luxembourg still depends heavily on fuel sales to car and truck drivers passing through Luxembourg. These fuel sales represent a serious issue for Luxembourg’s climate targets, as according to reporting rules defined by the Intergovernmental Panel on Climate Change, fuel sold at Luxembourg’s petrol stations, after having been converted into GHG volumes, is included wholly in Luxembourg’s GHG balance, even though around 70% of the emissions cannot be assigned to vehicles registered in Luxembourg, and are emitted mostly abroad

Alongside Germany, the country has the lowest level of environmental taxes at the EU level (accounting for only 4.4% of total tax revenue). With the introduction of the carbon tax in 2021, Luxembourg took a step toward the increase of environmental taxes. This will be increased progressively from €20/ton of CO₂ in 2021 to €30/ton of CO₂ by 2023. According to STATEC, the Grand Duchy’s carbon tax on its own will not be sufficient to reach the targeted 55% decline in greenhouse gas emissions by 2030.

With no mineral or fossil resources, Luxembourg is a net energy importer, especially from Germany, France, Belgium and the Netherlands. The Grand Duchy is a member of the Pentalateral Energy Forum, which includes six western European countries (Austria, Belgium, Germany, France, Netherlands and Switzerland), and represents a pillar of Luxembourg’s energy security. On 3 February 2021, the Chamber of Deputies adopted a law restructuring the

electricity market with the aim of promoting renewable energy generation and consumption among the citizenry. One month later, the country released its new circular economy strategy, with the goal of improving the use of natural resources and supporting climate targets.

Luxembourg is one of the largest per capita donors of public international climate finance in the world. In July 2021, it was stated that the country had provided €120 million over the 2014-2020 period for adaptation and land-use actions (including the Reduced Emissions from Deforestation and Forest Degradation program (REDD+)) in developing countries. The Grand Duchy will increase its international climate funding to €200 million by 2024. In line with the Sustainable Finance Initiative, Luxembourg was slated to launch its first sustainability bond in 2020 (destined for climate, environment and social issues) worth €1 billion.

Citation:

“Grand Duchy of Luxembourg International Climate Finance Strategy 2021 – 2025.” The Grand Duchy of Luxembourg. Ministry of the Environment, Climate, and Sustainable Development (July 2021). <https://gouvernement.lu/dam-assets/documents/actualites/2021/07-juillet/26-fci-dieschbourg/Strategie-FCI.pdf>. Accessed 14 January 2022.

“Climate action in Luxembourg: Latest state of play 2020.” European Parliament Research Service (2020). [https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI\(2021\)690664_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/690664/EPRS_BRI(2021)690664_EN.pdf). Accessed 14 January 2022.

“Fourth Biennial Report of Luxembourg under the United Nations Framework Convention on Climate Change 2020 Report.” The Grand Duchy of Luxembourg. Ministry of the Environment, Climate, and Sustainable Development (2020). https://www4.unfccc.int/sites/SubmissionsStaging/NationalReports/Documents/845269310_Luxembourg-BR4-2-BR4_LUX_Final_201123.pdf

“Assessment of the final national energy and climate plan of Luxembourg.” European Commission. SWD(2020) (14 October 2020). https://ec.europa.eu/energy/sites/default/files/documents/staff_working_document_assessment_necp_luxembourg_en.pdf. Accessed 14 January 2022.

“Luxembourg 2020. Energy Security Report.” International Energy Agency (2020). https://iea.blob.core.windows.net/assets/8875d562-756c-414c-bc7e-5fc115b1a38c/Luxembourg_2020_Energy_Policy_Review.pdf. Accessed 14 January 2022.

Robust Democracy

Electoral Processes

Candidacy
Procedures
Score: 8

Legislative elections in Luxembourg are governed by the constitution and by electoral law. The country has a unicameral system (Chamber of Deputies), and the length of deputies' term is five years. The country has four electoral districts (South, Center, North and East), and the cities Esch-sur-Alzette, Luxembourg, Diekirch and Grevenmacher are their respective capitals. According to the constitution, the Chamber has 60 seats. Electoral law sets the number of deputies to be elected in each district, as follows: South with 23 deputies, the Center with 21 deputies, the North with nine deputies and the East with seven deputies. Deputies are elected using a list-based voting system, according to the rules of proportional representation, by universal suffrage, with voting being direct and secret.

Citation:

"Press release by the Prime Minister, Minister of State, on the result of the signature collection for a referendum on the proposal to revise Chapter VI of the Constitution." Official elections website of the Grand Duchy of Luxembourg (5 January 2022). <https://elections.public.lu/en/actualites/2022/resultat-signatures-referendum.html>. Accessed 14 January 2022.

"Élections législatives, communales et européennes." Official elections website of the Grand Duchy of Luxembourg. <http://data.legilux.public.lu/file/eli-etat-leg-recueil-elections-20180625-fr-pdf.pdf>. Accessed 14 January 2022.

"Bettel fragt, die Fraktionen antworten." Luxemburger Wort, 4 March 2020.

Media Access
Score: 9

Historically all of Luxembourg's daily newspapers have at least some ties to political parties, reflecting the interests of the publications' owners, and their coverage of election campaigns has tended to be rather biased or partisan. Recent changes are noticeable in this domain. While the Tageblatt is still close to the LSAP and the Zeitung vum Letzebuerger Vollek to the small Luxembourg Communist Party, the Luxemburger Wort, which was always considered to be close to the CSV, has been acquired by the Belgian media company Mediahuis. The Journal, which has close links to the DP, ceased appearing as a daily newspaper and has become an online publication. In addition, to shore up their dwindling readerships, newspapers have adopted a more balanced line in recent years, reducing their political bias, to the benefit of smaller parties and organizations. However, circulation figures continue to

drop at all newspapers. At the same time, new journalistic projects are being created, such as Reporter, an online magazine that aims to offer in-depth journalism and has no advertising.

The public radio broadcaster 100,7 is required to offer independent and impartial coverage by its public service mission. The main private broadcaster, RTL Radio Télé Luxembourg, has to commit to balanced reporting as a condition of its concessionary contract with the state of Luxembourg. During election campaigns, the information and press service of the government provides the political parties with airtime and the opportunity to broadcast radio and television ads. Furthermore, both 100,7 and RTL have to hold roundtables with candidates from all party lists.

Until 2019, the government's Information and Press Service (Service Information et Presse, SIP) was responsible for supervising the coverage of election campaigns among the broadcasters that have a public service mission (radio 100,7 and RTL Radio Télé Luxembourg). However, the Autorité luxembourgeoise indépendante de l'audiovisuel (ALIA) took over this mission during the European election of 2019. On the basis of this experience, the chair of the ALIA has stressed that his body would need increased resources and a clear legal basis to properly carry out its new mission.

Citation:

"Financial support for professional journalism." The Government of the Grand Duchy of Luxembourg. (8 July 2021). https://guichet.public.lu/en/entreprises/sectoriel/medias/subside-presse-en-lign_e.html. Accessed on 14 January 2021.

"Gebt uns die erforderlichen Mittel." Luxemburger Wort (4 February 2022). <https://www.wort.lu/de/politik/mehr-macht-als-nur-vermitteln-duerfen-61fc3745de135b9236aeea84>. Accessed 7 February 2022.

Voting and
Registration
Rights
Score: 8

The voting age is 18, and once a citizen is registered on the electoral lists, voting is mandatory. Voters above the age of 75 are exempt from this obligation. In theory, unjustified abstentions are punishable by a fine; however, this disposition has not been enforced for several decades now. The electoral system is considered to be strong and fair. However, the parliamentary elections held on 14 October 2018 highlighted a number of problems due both to the division of the country into four electoral districts, and to the method of calculation used to determine the allocation of seats. Thus, small parties were at a disadvantage.

Luxembourg's local polls ("élections communales") take place every six years, and are used to elect councilors for each of the country's 102 communes. Foreign nationals are able to participate in the local and European elections, provided that they have resided in the Grand Duchy for five years

and have signed up to vote. In September 2021, Minister for Home Affairs Taina Bofferding, Minister for Family Affairs Corinne Cahen and Minister of Justice Sam Tanson announced changes to the electoral and municipality laws. Thus, the five-year residency requirement for foreign nationals is to be dropped, and the delay to register on the lists is to be reduced to 55 days prior to vote. Foreigners will also be allowed to stand for election at the municipal level if they have lived in the municipality for at least six months. The next legislative and communal elections will both take place in 2023. These changes at the municipal level can be expected to lead to more involvement by foreign residents at the level of municipalities. At the level of the national parliament, the many foreigners living in Luxembourg remain unrepresented.

Citizens are not allowed to observe the process of counting votes. Political parties may, however, nominate witnesses to oversee the vote-counting process.

Citation:

“La loi électorale sera réformée afin de faciliter la participation des citoyens non-luxembourgeois.” Stradalex (2 September 2021). https://www.stradalex.lu/fr/slu_news/document/slu_news_article20210908-1-fr. Accessed 14 January 2022.

“Élections législatives, communales et européennes.” Official elections website of the Grand Duchy of Luxembourg. <http://data.legilux.public.lu/file/eli-etat-leg-recueil-elections-20180625-fr-pd f.pdf>. Accessed 14 January 2022.

“Projet de loi portant modification de la loi électorale modifiée du 18 février 2003.” Chambre des Députés. No.7877. Session ordinaire 2020-2021. https://img.100komma7.lu/uploads/media/default/0002/33/245154_1a2fbd.pdf. Accessed 14 January 2022.

Party Financing
Score: 8

The Political Finance Act of 2007 aims to promote transparency, equal opportunities, independence and the avoidance of conflicts of interest. However, these objectives are only partly achieved in practice. The financial independence of political parties in Luxembourg compared to other countries is one of the strengths of Luxembourg’s party system.

In 2020, parliament approved a reform aiming to improve the system of financing political parties so as to enhance transparency and accountability in the electoral process. Thus, public funding for the political parties increases from 75% to 80% of the parties’ overall revenues. Qualifying political parties receive a lump-sum subsidy of €135,000 per year (instead of the previous €100,000). In addition, each political party receives a further €15,000 (instead of €14,200) per percentage point achieved in the previous national and European election. The state finances all political parties that receive at least 2% of the vote nationwide in national and European elections. The subsidy for political parties that compete only in European elections is €35,000 per year.

The state allocates approximately €2.6 million each year directly to political parties. As a result, state aid accounts for a significant proportion of the total revenue of all the above-mentioned parties.

Citation:

“2.6 millions d’euros d’aides dans la poche des partis.” Luxemburger Wort. (4 May 2021). https://www.wort.lu/fr/luxembourg/2-6-millions-d-euros-d-aides-dans-la-poche-des-partis-60910166de135b9236255618?utm_internal_campaign=magnet_related_articles. Accessed 14 January 2022.

Loi du 15 décembre 2020 portant modification de : 1° la loi modifiée du 21 décembre 2007 portant réglementation du financement des partis politiques; 2° la loi électorale modifiée du 18 février 2003. <https://legilux.public.lu/eli/etat/leg/loi/2020/12/15/a1000/jo>. Accessed 03 Jan.2022.

Popular Decision-Making
Score: 6

The constitution of Luxembourg has allowed referendums since 1919 (Article 51, Paragraph 7). An amended constitutional article introduced the possibility of using a referendum to revise the constitution (Article 114). Thus, direct democracy in the form of referendums is possible, but is not a central aspect of Luxembourg’s political system. A 2005 law outlined the steps needed before a referendum could be held at the national level. The procedure can be initiated either by a parliamentary act or popular initiative. In the latter case, at least 25,000 citizens of Luxembourg must demand a referendum. Since Luxembourg is a small country, this threshold is significant.

Referendums were held in 1919, 1937, 2005 and 2015. All four referendums resulted from parliamentary or governmental initiatives, including the one in 2005 that sought approval for the EU constitutional treaty.

The Local Government Act of 1988 (Article 35) addresses the issue of referendums at the municipal level. One-fifth of registered electors must demand a referendum; local referendums, however, are not binding. The practice is used mostly as a consultative tool which could explain why it is not utilized more frequently. Over the past few years, however, it was used several times to ask citizens of municipalities whether they wanted to merge with another municipality.

Each member of parliament represents an average of just 10,000 citizens, which means citizens have relatively easy access to their representatives. The country’s territorial breakdown produces small units (in 2018, there were a total of 102 communes/municipalities), which all claim to be in direct contact with citizens. On the other hand, Luxembourg is flooded with citizen initiatives, an informal way to impose views on the political establishment, especially regarding environmental issues.

Citizens can submit petitions (written in French, German or Luxembourgish) on the website of the Chamber of Deputies. To ensure that the issue underlying

the petition is publicly debated in parliament, at least 4,500 signatures are required. If that threshold is passed, the petition will be discussed during a public debate, broadcast on ChamberTV and streamed on the parliament website. In 2021, 285 public petitions were submitted to the Chamber of Deputies, one of which was a petition asking for a referendum on the planned revision of the constitution. As the total number of valid signatures (7,413) was much less than 25,000 signatures required, the proposal to hold a referendum on the proposed revision of the constitution was not successful.

Citation:

“Press release by the Prime Minister, Minister of State, on the result of the signature collection for a referendum on the proposal to revise Chapter VI of the Constitution.” Official elections website of the Grand Duchy of Luxembourg (5 January 2022). <https://elections.public.lu/en/actualites/2022/resultat-signatures-referendum.html>. Accessed 14 January 2022.

“The petition website of the Parliament.” Chambre des Députés. <https://www.petitionen.lu/en/>. Accessed 14 January 2022.

Access to Information

Media Freedom
Score: 7

Freedom of the press and the protection of sources is guaranteed by the constitution and a broad legislative framework, and both are generally respected in practice. The Chamber of Deputies, alongside the Press Council of Luxembourg and a number of regulatory bodies including the Independent Luxembourg Broadcasting Authority (ALIA) are involved in ensuring the independence of media. The Press Council, which is a non-governmental association with a good reputation for fairness and integrity, seeks to guarantee the freedom and the quality of the news media, and to improve their accountability. It is also the guardian of the code of ethics for professional journalists, and has the capacity to receive complaints from the public and give its opinion on specific grievances, but lacks coercive power.

In Luxembourg, each political party once had an affiliated newspaper. Although those affiliations ended in 2010, it can be noted that some perceived affinities still persist. Nevertheless, the media operate independently and journalists enjoy a great degree of freedom with respect to the government and the political class. In the 2021 World Press Freedom Index, Luxembourg fell from 17th to 20th place among 180 countries. Early in January 2022, the Luxembourg Association of Professional Journalists (ALJP) appealed to the authorities to protect journalists who have received death threats, mainly originating from militant anti-vaccination campaigners. The Media and Communication Minister strongly condemned these acts, saying that “where there is no independent reporting, human rights are violated.” The issue is also under discussion in the Chamber of Deputies. Although the government intend

to legislate on this subject, such activities are not currently penalized by the existing legal framework.

Citation:

“Conseil de Presse Luxembourg.” <https://www.press.lu/en/who-we-are/history/>. Accessed 26 April 2022

“Journalists association issues appeal following death threats “. RTL Today (07 January 2022). <https://today.rtl.lu/news/luxembourg/a/1843608.html>. Accessed 14 January 2022.

“Freedom in the world: Luxembourg 2021.” Freedom House (2021). <https://freedomhouse.org/country/luxembourg/freedom-world/2021>. Accessed 14 January 2022.

Media Pluralism
Score: 7

The media landscape in Luxembourg is multilingual, multimedia and surprisingly rich given the size of the country and the population. Newspapers and certain online media organizations receive direct and indirect subsidies, in order to make possible a degree of pluralism of the press. The print sector includes five daily newspapers and a number of weekly and/or monthly magazines. There are about seven private radio stations with national coverage, as well as Radio 100,7, which is a public service broadcaster. RTL is Europe’s most important private radio and television broadcaster, and the audiovisual sector is dominated by the group CLT-UFA. RTL Radio Télé Luxembourg carries out a public service mission in exchange for public subsidies. Luxembourg’s media market is regulated by the Independent Luxembourg Broadcasting Authority (ALIA).

The country’s media landscape facilitates the expression of diverse political points of view: conservative, liberal, socialist and communist. Many of Luxembourg’s daily newspapers have links to political parties.

Luxemburger Wort (the country’s largest daily newspaper) is owned by the Saint-Paul group (under the aegis of the Catholic Church), and therefore has had ties to the Christian Social People’s Party. However, in April 2021, the Belgian conglomerate Mediahuis purchased the Saint-Paul group, and has since given priority to more online coverage. Thus, 70 employees (or 20% of the staff of Luxemburger Wort) have lost their jobs, a move criticized by analysts as potentially weakening the country’s media environment.

In 2021, print and digital media were used on a daily basis by 217,000 residents (41.3% of the Luxembourg total population). The market share of L’Essentiel, the most successful of the free papers, had a market share of 29.9% (or 157,000 readers per day) in 2021. Luxemburger Wort (paper and digital) was read by 149,200 persons (28.4% of the population). L’Essentiel and Tageblatt (Luxembourg’s second-largest newspaper, with a market share of about 7.8%) are both published by Editpress, which is jointly owned by the socialist trade union OGBL and the Luxembourg Socialist Workers’ Party.

In 2021, RTL Télé Lëtzebuerg had no domestic competitors in the television market (with a market share of 22.6%), and remains well ahead in the radio market, despite the market's liberalization in the early 1990s and the creation of the public broadcaster Radio 100,7 in 1993. RTL radio reaches the largest audience share (35%), while L'Essentiel Radio was the most listened-to radio service among foreign residents (20.8% daily coverage and 38.2% weekly coverage).

A considerable amount of foreign media is consumed, especially on television. TF1 (France), and ARD and ZDF (Germany) reach more than 10% of the Luxembourg population.

The most important online media presence in Luxembourg is RTL's website, which represents all political views and is nonpartisan (217,000 readers per day, or 41.4%).

According to Media Pluralism Monitor 2020, women have less access to the media than do men (risk rating 81%). There are few women in key positions in the sector, and the Luxembourg public media service does not have a gender equality policy. Furthermore, women experts serve as invited guests on media programs less often do their male counterparts.

Another sensitive issue concentration and competition enforcement among online platforms (risk rating of 96%). The indicator addressing transparency of media ownership scores a medium level of risk (50%), as does the indicator measuring protection of the right to information (45%).

The media is independent of the government, but a wide range of mass media receive public subsidies. The press was particularly affected by the coronavirus crisis, and was therefore given a specific aid program by the government with the aim of "improving the quality of journalism and guaranteeing the pluralism of multilingual media." A new law on subsidies to the press, covering both online media and written press, was adopted on 8 July 2021. Grants are composed of a fixed amount (€200,000) and a variable amount (€30,000 per professional full-time journalist). This aid is also open to monthly publications, the free press, "citizen media," "emerging publishers" and startups in the sector.

"Journalists association issues appeal following death threats ". RTL Today (07 January 2022). <https://today.rtl.lu/news/luxembourg/a/1843608.html>. Accessed 14 January 2022.

"2021 World Press Freedom Index." Reporters Without Borders Report. (2021). <https://rsf.org/en/2021-world-press-freedom-index-journalism-vaccine-against-disinformation-blocked-more-130-countries>. Accessed 14 January 2022.

“Financial support for professional journalism.” The Government of the Grand Duchy of Luxembourg. (8 July 2021). <https://guichet.public.lu/en/entreprises/sectoriel/medias/subside-presse-en-ligne.html>. Accessed on 14 January 2021.

” TNS-ILRES Plurimedia 2021-I.” Edita SA (21 June 2021). <https://www.adada.lu/2021/06/plurimedia-2021-i-les-medias-de-lessentiel-touchent-232-000-personnes-par-jour-au-luxembourg/>. Accessed 14 January 2022.

Kies, Raphaël; Hamdi, Mohamed. “Media Pluralism Monitor 2020 – Monitoring Media Pluralism in the Digital Era. Country Report: Luxembourg.” Centre for Media Pluralism and Media Freedom. Research Project Report. Issue 2827. July 2021. https://cadmus.eui.eu/bitstream/handle/1814/71954/luxembourg_results_mpm_2021_cm_pf.pdf?sequence=1. Accessed 14 January 2021.

“L’audience des médias luxembourgeois à la loupe.” Luxemburger Wort (12 May 2021). <https://www.wort.lu/fr/luxembourg/l-audience-des-medias-luxembourgeois-a-la-loupe-609bca80de135b923600aeb4>. Accessed 14 January 2022.

Règlement du Gouvernement en Conseil du 11 mars 2020 concernant le régime de promotion transitoire du journalisme en ligne. <http://legilux.public.lu/eli/etat/leg/rgc/2020/03/11/a176/jo>. Accessed on 14 January 2022.

Access to
Government
Information
Score: 5

Luxembourg has no freedom of information act or any equivalent legal regulation. In a report published in July 2021, the EU expressed concern over the lack of public access to official government documents in Luxembourg and the risk of a “selective” disclosure of information. In April 2021, the Luxembourg Association of Professional Journalists (ALJP) and its 10 partners, including the European Federation of Journalists (EFJ), launched the one-year campaign “Access to information now!”, advocating for improved access to information and transparency. ALJP stressed the necessity of amending the press law with an article compelling the authorities to provide information to the media within a specific time-frame.

Such a law has been a long-standing demand of media, journalist associations and many NGOs. It is worth noting that the so-called Circulaire Bettel (in force since 2016) forbids any civil servants from speaking to media. Communication with journalists has to pass exclusively through official designated spokespeople. In a meeting with the Association Luxembourgeoise des Journalistes Professionnels (ALJP) held in September 2021, the spokesperson for Media and Communication Minister Xavier Bettel “re-confirmed an openness to potentially revise the current methods of working in regards of access to information if and where deemed necessary [...] together with the Press Council.” However, access to state-held information is not guaranteed, despite repeated requests from the journalists’ union, which opposes the withholding of public information by the authorities on the grounds of protecting personal data.

The above-mentioned EU report noted that Luxembourg’s “framework for the protection of journalists remains robust” and acknowledged the government’s

measures in the past year to strengthen the independence of the media regulator, the ALIA (Autorité luxembourgeoise indépendante de l'audiovisuel).

The Information and Press Service (Service Information et Presse, SIP), created in 1944, is the body responsible for circulating communication from the Luxembourg government. It is attached to the Ministry of State, and is under the direct authority of the prime minister. The Department of Media, Connectivity and Digital Policy, which is also part of the Ministry of State of Luxembourg, supports the development of the media landscape and the high level of network connectivity.

Citation:

The Luxembourg Government. Department of Media, Connectivity and Digital Policy (2022). <https://smc.gouvernement.lu/en/service.html>. Accessed 14 January 2022.

"Bettel vows to improve press access to information." Luxembourg Times (21.09.2021). <https://www.luxtimes.lu/en/luxembourg/bettel-vows-to-improve-press-access-to-information-613b5526de135b9236f9a9da>. Accessed 14 January 2022.

Association luxembourgeoise des journalistes, www.journalist.lu. Accessed 14 January 2022.

Civil Rights and Political Liberties

Civil Rights
Score: 8

Civil rights are officially protected in Luxembourg. All state institutions respect these rights, with a few exceptions. Four institutions are in charge of protecting civil rights: the Constitutional Court, an advisory board on human rights, the National Commission on Data Protection and a parliamentary ombudsman. However, the judiciary system's slow processing of cases has led to concerns over due process and equitable treatment. The European Court of Human Rights in Strasbourg has reprimanded the country on several occasions because of delays in court proceedings. The mediation law grants a maximum of four months for processing, with the aim of speeding up administration procedures. The influence and the number of complaints to the ombudsman's office continues to grow. The institution of the Ombudsman was launched in 2003. The Ombudsman has the mandate to mediate in disputes between citizens and public authorities. Thus, in some cases, a problem can be resolved before it goes to trial.

In the Global Freedom Index 2021, Luxembourg scored 97 out of a possible 100, with a weighting of 38 out of a possible 40 for political rights, and 59 out of a possible 60 for political liberties.

Citation:

"Rapport annuel Ombudsman 2020." Ministère de la Famille, de l'Intégration et de la Grande Région (2021). <https://www.ombudsman.lu/EN/MGDL-001.php>. Accessed 14 January 2022.

“Freedom in the world: Luxembourg 2021.” Freedom House (2021). <https://freedomhouse.org/country/luxembourg/freedom-world/2021>. Accessed 14 January 2022.

Meyers, Paul-Henri/Lorig, Wolfgang H. (2019): Luxemburg, in: Arthur Benz/Stephan Bröchler/Hans-Joachim Lauth (eds.), *Handbuch der europäischen Verfassungsgeschichte im 20. Jahrhundert. Institutionen und Rechtspraxis im gesellschaftlichen Wandel, Band 5: seit 1989*, Bonn, S. 393 - 416.

Political Liberties
Score: 9

In the Democracy Index Report 2020, Luxembourg was ranked 13th worldwide (with an average score of 8.68 out of 10) and was regarded as a full democracy. The three-top ranking countries were Norway (9.81), Iceland (9.37) and Sweden (9.26).

No infringements of citizens’ rights to speak, assemble, organize, worship or petition occurred during the period under review. Political freedoms are guaranteed. All groups of society are depicted in the media and can be heard. Xenophobia and anti-Semitism are consistently punished by the courts. There are restrictions on civil servants’ freedom of expression, even when a civil servant represents civil society. Sanctions against civil servants were lifted by the courts during the period under review.

However, the 2020 report “Coronavirus Pandemic in the EU – Fundamental Rights Implications,” which was drafted by the EU Agency for Fundamental Rights and the University of Luxembourg, stressed that the coronavirus outbreak has generally limited the citizens’ access to courts, and seriously affected particular groups such as homeless, older people and detainees.

Citation:

“Democracy Index 2020. In sickness and in health?.” *The Economist* (February 2021). https://pages.eiu.com/rs/753-RIQ-438/images/democracy-index-2020.pdf?mkt_tok=NjlyLUxNRS03MTgAAAAAYVax8lwqLIZVtbRhWvTRSbdAuvQeFuFAnG6c5odTKThe813J-OVEjC6czHiW. Accessed 14 January 2022.

“Coronavirus pandemic in the EU – Fundamental Rights Implications. Country: Luxembourg.” European Union Agency for Fundamental Rights (FRA) & University of Luxembourg. (4 May 2020).

Non-discrimination
Score: 8

The law of 28 November 2006 on equal treatment condemns discrimination. This applies to all public or private, natural or legal persons, including public bodies.

The Centre for Equal Treatment (Centre pour l’égalité de traitement, CET) was created on 28 November 2006. The CET carries out its work independently. Its purpose is to promote, analyze and monitor equal treatment between all persons without discrimination based on race, ethnicity, sex, sexual orientation, religion or beliefs, disability or age.

In its annual report, the CET highlighted that among the 203 discrimination cases handled in 2020, 49 were focused on people with disabilities, 44 were based on race or ethnicity, 39 dealt with gender discrimination, 12 with sexual orientation, eight with religion and six with age. In addition, 14 cases belonged to the “multiple discrimination” category and 31 to the “other” category. A total of 42 cases were still in progress, while 45 other cases emerged in 2021 related to job offers that did not respect the guidelines for equal treatment.

The Chamber of Employees (Chambre des Salariés) has created the website discrimination.csl.lu, which is entirely dedicated to the issue of discrimination in the workplace, including the legal framework and means of action in the field.

In June 2021, the Luxembourg Institute of Socioeconomic Research (LISER) and the Ministry of Family Affairs, Integration and the Greater Region launched a national survey on racism and ethno-racial discrimination in the country in order to better understand how discrimination due to skin color, nationality, country of origin, surname, religion and so on are rooted in daily life in Luxembourg. The large-scale survey will gather the opinions of adult residents on this issue.

Citation:

“Launch of a national survey on racism and ethno-racial discrimination in Luxembourg.” LISER (18 June 2021). <https://www.liser.lu/?type=news&id=2141>. Accessed 14 January 2022.

“Centre for Equal Treatment.” RTL Today (8 April 2021). <https://today.rtl.lu/news/luxembourg/a/1702399.html>. Accessed 14 January 2022.

Rule of Law

Legal Certainty
Score: 6

While Luxembourg is a constitutional state, citizens are sometimes confronted with judicial vagueness or even a lack of legal guidance in administrative issues. Luxembourg’s administrative culture is based on pragmatism and common sense. This means that some matters are decided on an ad hoc basis, rather than with reference to official or established rules. Most people seem to accept this, trusting that the prevalent legal flexibility leads to regulations or compromises that favor their own interests. Thus, the interpretation of laws can vary.

Discrimination on the basis of race, religion, disability, age, sex, gender identity or sexual orientation is prohibited by law. The rights of LGBT+ people are generally protected and respected. In recent years, women have increased their participation in working life, and have benefited from reductions in the gender pay gap.

Citation:

“Press release by the Prime Minister, Minister of State, on the result of the signature collection for a referendum on the proposal to revise Chapter VI of the Constitution.” Official elections website of the Grand Duchy of Luxembourg (5 January 2022). <https://elections.public.lu/en/actualites/2022/resultat-signatures-referendum.html>. Accessed 14 January 2022.

Trausch, Gilbert (2008): “Die historische Entwicklung des Großherzogtums – ein Essay,” in: Wolfgang H. Lorig/Mario Hirsch (eds.): *Das politische System Luxemburgs: Eine Einführung*, Wiesbaden, pp. 13–30.

Judicial Review
Score: 9

Luxembourg’s judiciary is largely independent of government influence. Judges are appointed by the Grand Duke and enjoy the security of lifetime tenure. In 2020, the Chamber of Deputies debated a constitutional amendment strengthening the independence of judiciary. A Council of Justice was subsequently created with the responsibility of nominating candidates for all judicial posts and establishing ethical standards for judges.

Courts are overloaded, understaffed and slow, taking far too long to settle cases brought before them. The government has begun to address this problem by hiring more judges. Since the creation of independent administrative courts and the Constitutional Court nearly 20 years ago, the number of pending cases has considerably increased. The European Court of Human Rights in Strasbourg frequently criticizes Luxembourg for its lengthy legal procedures.

Legal education, jurisprudence, the regulation of judicial appointments, rational proceedings, professionalism, channels of appeal and court administration are all well established and working. Independence is guaranteed. Citizens in Luxembourg cannot file a constitutional complaint, as citizens can in Germany, for instance. Many citizens in Luxembourg are annoyed that they cannot understand the laws and procedures in court. Many people are not familiar with the standard French used in court. The bad acoustics in Luxembourg City’s courtrooms present another problem. Visitors and journalists regularly fail to understand what is being said in the hall because microphones are not used. The international press has also covered this embarrassing state of affairs.

Since early 2021, the Ministry of Justice has been pursuing an efficiency program aimed at making country’s judicial system faster and more effective. The law of 15 July brought a major reform by implementing the New Code of Civil Procedure with the goal of boosting and simplifying the procedural rules in civil and commercial matters. These long-awaited adjustments are intended to relieve congestion in the district courts, increase the efficiency of court proceedings and enhance the country’s business attractiveness.

The coronavirus pandemic has given a boost to the five-year “paperless justice” project that has been under way since 2018, and which is aimed at integrating digital tools into the justice system, as has been done in France and Belgium. Courts, in cooperation with the Bar Association, have improved digital exchanges and communications. However, the implementation of this project is currently behind schedule.

In January 2022, the minister of justice presented Draft Law 7945 transposing the EU Directive 2019/1937) on the protection of persons who report breaches of law (whistleblowers). The draft law establishes an office for whistleblowing notifications, principally to inform potential whistleblowers of the relevant procedures, and to guide them through the process.

Citation:

“Rule of Law Report. Luxembourg: 2021.” European Commission (2021). <https://ec.europa.eu/info/sites/default/files/lu-input.pdf>. Accessed 14 January 2022.

“Coronavirus pandemic in the EU –Fundamental Rights Implications: Luxembourg.” European Union Agency for Fundamental Rights & University of Luxembourg (4 May 2022).

Trausch, Gilbert (2008): “Die historische Entwicklung des Großherzogtums – ein Essay,” in: Wolfgang H. Lorig/Mario Hirsch (eds.): Das politische System Luxemburgs: Eine Einführung, Wiesbaden, pp. 13–30.

Zenthöfer, Jochen: “Ein Prozess wie im Stummfilm,” Frankfurter Allgemeine Zeitung, 11 April 2017. <http://www.faz.net/aktuell/feuilleton/debatten/prozess-gegen-holocaustleugner-in-luxemburg-14966362.html>. Accessed 22 Oct. 2018.

Sam Tanson a présenté le projet de loi relatif à la protection des personnes qui signalent des violations du droit de l’Union européenne “. Le Gouvernement luxembourgeois (12 January 2022). https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2022/01-janvier/12-tanson-projet-loi-ue.html. Accessed 14 January 2022.

“Projet de Loi 7945.” <https://gouvernement.lu/dam-assets/documents/actualites/2022/01-janvier/12-tanson-projet-loi-ue/Projet-loi-nr7945.pdf>. Accessed 14 January 2022.

“The Law of 15 July 2021 reinforcing the efficiency of the administration of civil and commercial justice – a substantial amendment to the New Civil Procedure Code.” <https://www.dsm.legal/en/the-law-of-15-july-2021-reinforcing-the-efficiency-of-the-administration-of-civil-and-commercial-justice-a-substantial-amendment-to-the-new-civil-procedure-code/>. Accessed 14 January 2022.

Appointment of
Justices
Score: 9

The Constitutional Court of Luxembourg is composed of nine members, all of whom are professional judges. They are appointed by the Grand Duke upon the recommendation of the members of the Superior Court of Justice and the Administrative Court of Appeals, who gather in a joint meeting convened by the president of the Superior Court of Justice. However, the members of these two bodies are appointed by the Grand Duke on the recommendation of the Courts themselves, so their recommendations cannot be viewed as entirely independent. This principle is enshrined in Article 90 of the constitution and has never been questioned. It gives a great degree of independence to the Constitutional Court, as well as to the Superior Court of Justice and the Administrative Court of Appeals.

Luxembourg's constitutional reform calls for the creation of a Supreme Justice Council. This new institution, which will not be a supreme court in the purest sense of the word, is aimed at ensuring the independence of the judiciary and protecting the separation of powers. The council will be composed of six judges, including the president or another judge of the supreme court, the state prosecutor or another judge of the public prosecutor's office, and the president of the administrative court or another judge of that court. In addition, one lawyer will sit on the council as well as two people nominated by parliament based on their skills and expertise in the field, but who are not directly affiliated with the courts.

Citation:

Sauer, Carola. "Luxembourg's constitutional crescendo: will incremental reforms succeed where overhaul failed?" (28 October 2021). <https://constitutionnet.org/news/luxembourgs-constitutional-crescendo-will-incremental-reforms-succeed-where-overhaul-failed>. Accessed 14 January 2022.

"Court and tribunals." The Government of Grand Duchy of Luxembourg. <https://gouvernement.lu/en/systeme-politique/cours-tribunaux.html>. Accessed 14 January 2022.

Loi du 27 juillet 1997 portant organization de la Cour Constitutionnelle.

Loi du 7 novembre 1996 portant organization des juridictions de l'ordre administratif.

Loi du 1er juillet 2005 arrêtant un programme pluriannuel de recrutement dans le cadre de l'organisation judiciaire.

Organisation judiciaire, Textes coordonnés Avril 2009.

Corruption
Prevention
Score: 8

In the 2020 Corruption Perception Index released by Transparency International, Luxembourg was ranked ninth among 180 countries, with a score of 80 out of a possible 100. New Zealand and Denmark (both 88 out of 100) came in at first place, while Finland, Switzerland, Singapore and Sweden (85/100) share second place. Belgium ranked 15th and France 23rd.

In general, corruption is not tolerated in Luxembourg. However, because small gifts may be accepted in some parts of the public administration, a code of conduct for all public servants seems to be necessary. Informal conversations between individual political parties, related officials and representatives of certain economic sectors (e.g., finance and construction) are common.

Political party financing is regulated by law. The names of donors are published. Donations to political parties in Luxembourg are rather uncommon. However, public officials such as ministers often donate a part of their salaries to their parties.

In December 2021, the Chamber of Deputies created for its members a mandatory transparency register. The Group of States against Corruption (GRECO) had pointed out the absence of such a transparency register. Thus, members of parliament are obliged to reveal which interest group

representatives they meet. The register is expected to give citizens an overview as well as an indication of where each member of parliament gets their policy proposals from.

Citation:

“Abgeordnete verabschieden Transparenzregister.” Reporter.lu (10 December 2021). <https://www.reporter.lu/luxemburg-parlament-verabschiedet-transparenzregister/>. Accessed 8 February 2022.

“Corruption Perceptions Index: 2020.” Transparency International (February 2021). <https://www.transparency.org/en/cpi/2020/index/nzl>. Accessed 14 January 2022.

“Luxembourg Corruption Report.” Risk&Compliance Portal (June 2020). <https://www.ganintegrity.com/portal/country-profiles/luxembourg/>. Accessed 14 January 2022.

GRECO, “Fourth evaluation round. Corruption prevention in respect of members of parliament, judges and prosecutors. Second compliance report. Luxembourg.” <https://rm.coe.int/fourth-evaluation-round-corruption-prevention-in-respect-of-members-of/1680a0424d>. Accessed 8 February 2022.

Good Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 5

The country's small size and the consequently small size of its administration do not allow for sufficient strategic planning. Only a few public bodies offer simulations, such as the National Institute of Statistics and Economic Studies Luxembourg (STATEC) and the General Inspectorate of Social Security (Inspection Générale de la Sécurité Sociale, IGSS). The Economic and Social Council (Conseil économique et social), the University of Luxembourg and the public research institute, Luxembourg Institute of Socioeconomic Research (LISER) offer also analyses. The research department of the central bank (Banque Centrale du Luxembourg), the Conseil national des Finances publiques, the general inspectorate of the financial sector (Commission de surveillance du secteur financier, CSSF) focus on economics and finance planning.

The Ministry of State (led by the prime minister, who is also state minister) is tasked with overseeing institutional relations with the Grand Ducal Court, the Chamber of Deputies and the Council of State.

In January 2020, the government created the Luxembourg Sustainable Finance Initiative in conjunction with several partners including Luxembourg for Finance (the agency for the development of the financial center) and the High Council for Sustainable Development (Conseil Supérieur du Développement Durable), an independent civil society body that advises the Luxembourg government about sustainable development matters. The goal is to raise awareness about, promote and help develop sustainable finance initiatives in the Grand Duchy.

In February 2021, the government adopted the Electronic Governance 2021-2025 strategy, jointly developed by the Ministry of Digitalization and the Government IT Centre. This reflection aims to strengthen e-government and enable the transition to digital government within the framework of state modernization strategies.

The COVID-19 crisis created particular challenges for the Scientific Council for Health (Conseil scientifique dans la domaine de la Santé) (founded in 2005).

“Luxembourg Adopts Electronic Governance 2021-25 Strategy.” Chronicle.lu (23 February 2021). <https://chronicle.lu/category/politics/35684-luxembourg-adopts-electronic-governance-2021-25-strategy>. Accessed 14 January 2022.

European Commission, Directorate-General for Structural Reform Support, Moretti, C., Mackie, I., Stimpson, A., Public administrations in the EU Member States : 2020 overview, Publications Office, 2021.

“Autres acteurs.” Le portail des statistiques du Luxembourg. www.statistiques.public.lu/fr/acteurs/autres/index.html. Accessed 14 January 2022.

Banque centrale du Luxembourg. <http://www.bcl.lu/fr/statistiques/index.html>. Accessed 14 January 2022.

Commission de Surveillance du Secteur Financier. www.cssf.lu/en/. Accessed 14 January 2022.

Conseil économique et social. www.ces.public.lu/fr.html. Accessed 14 January 2022.

Conseil national des Finances publiques. <https://cnfp.public.lu/fr.html>. Accessed 14 January 2022.

Conseil scientifique dans le domaine de la Santé. <https://conseil-scientifique.public.lu/fr/groupe-travail.html>. Accessed 14 January 2022.

High Council for Sustainable Development/Nohaltegkeetsrot. <https://gouvernement.lu/en/systeme-politique/conseil-superieur-developpement-durable.html>. Accessed January 2022.

Luxembourg Institute of Socioeconomic Research. www.liser.lu. Accessed 14 January 2022

Luxembourg Sustainable Finance Initiative. <https://lsfi.lu/who-we-are/>. Accessed 14 January 2022.

Expert Advice
Score: 7

Publicly funded research in Luxembourg has developed considerably in recent years. Nowadays, the public research environment is concentrated in Belval, where the University of Luxembourg (founded in 2003), with its three interdisciplinary centers – the Interdisciplinary Centre for Security, Reliability and Trust (SnT), the Luxembourg Center for Systems Biomedicine (LCSB), and the Luxembourg Center for Contemporary and Digital History (C²DH), is based. Several other specialized research centers also exist, including the Luxembourg Institute of Science and Technology (LIST), the Luxembourg Institute of Health (LIH), the Luxembourg Institute of Socioeconomic Research (LISER), the Integrated Biobank of Luxembourg (IBBL) and the Max Planck Institute Luxembourg for International, European and Regulatory Procedural Law. The Luxinnovation and the National Research Fund (FNR) are located on the site.

For major policy reform projects, the government mostly consults highly reputable institutions abroad. This has the advantage that scholarly advice from institutions abroad allows for independent analysis.

Considering the country's small size, links between government and national research facilities are strong. The University of Luxembourg took part in designing and operating the Luxembourg's brand-new supercomputer, MeluXina (inaugurated in June 2021). To contribute to the fight against COVID-19, Research Luxembourg (a consortium consisting of the University of Luxembourg, LIH, LISER, LIST, FNR and the Ministry of Higher Education and Research) launched a national COVID-19 platform to coordinate research projects and collaborations.

Citation:

"COVID-19 taskforce: New national platform, FNR Call in the making." University of Luxembourg. (2020).https://www.uni.lu/universite/news/slideshow/covid_19_taskforce_new_national_platform_fnr_call_in_the_making. Accessed 14 January 2022.

"Third Industrial Revolution Strategy Study for the Grand Duchy of Luxembourg." https://www.troisiemerevolutionindustrielle.lu/wp-content/uploads/2016/11/TIR-Strategy-Study_Short.pdf. Accessed 14 January 2022.

Interministerial Coordination

GO Expertise
Score: 6

The Prime Minister's Office (PMO) employs around 40 civil servants, mostly trained in law, economics and political science. As a result, the PMO does not have sufficient resources to assess all the activities of government ministries. Due to the limited capacities of all ministries, including the PMO, there is no management body or special committee designated to manage interministerial coordination.

Thus, senior civil servants in the ministries prepare a "pré-conseil" or pre-briefing for the weekly meeting of ministers (conseil de gouvernement). All draft bills must be adopted at both stages before being introduced to parliament, as well as revised within these two interministerial meetings. In addition, the Inspectorate General of Finance (Inspection générale des finances, IGF) evaluates draft bills and participates in numerous committees.

Under the aegis of the Ministry of Family Affairs, Integration and the Greater Region, the interministerial committee on integration draws up and monitors the implementation of the National Integration Action Plan concerning the integration of foreigners in the Grand Duchy.

Citation:

“Conseil de gouvernement.” Le portal de l’actualité gouvernementale. https://gouvernement.lu/fr/actualites/conseils_de_gouvernement.html. Accessed 14 January 2022.

“Gouvernement.” Le portal de l’actualité gouvernementale. <https://gouvernement.lu/fr/gouvernement.html>. Accessed 14 January 2020.

“Ministry of Family Affairs, Integration and the Greater Region. The interministerial committee on integration (CII).” Accessed 14 January 2022.

Line Ministries
Score: 8

The Prime Minister’s Office is not legally allowed to be involved in the preparation of bills or proposals by line ministries. Sensitive political proposals are often included in the coalition program. There are no institutionalized mechanisms of coordination between line ministries and there is no unit dealing with policy assessment and evaluation. Informally, however, no sensitive proposal is presented to the Council of Ministers without being approved beforehand by the prime minister. An informal body of ministerial civil servants meets ahead of the Council of Ministers, to prepare the agenda and make adjustments if needed.

In Luxembourg, the prime minister is also usually the minister of state, who “shall supervise the general course of affairs and shall ensure the uphold of the unity of principles which is to be applied in the various parts of the state.” This figure serves as coordinator of the government’s actions and bears significant responsibility for its cohesion.

Citation:

“Ministry of State.” The Luxembourg Government (2021). <https://me.gouvernement.lu/en/le-ministere.html>. Accessed 14 January 2022.

“Arrêté grand-ducal du 5 décembre 2018 portant énumération des Ministères.” <https://legilux.public.lu/eli/etat/leg/agd/2018/12/05/a1097/jo>. Accessed 14 January 2022.

Cabinet
Committees
Score: 8

There are no cabinet committees in the strict sense. The Council of Ministers (Luxembourg’s cabinet) has to rely entirely on the work of line ministries or interministerial groups, if more than one department is concerned. Generally, the Council of Ministers is well prepared, as only bills that have been accepted informally are presented. Moreover, bills must be scrutinized by experts at the Ministry of Finance and the inspector general of finance (Inspection générale des finances. This informal body ensures that coherence prevails. The Prime Minister’s Office has assumed some horizontal competences on issues that concern more than one ministry, notably in the field of administrative simplification, ethical and deontological questions.

There are regular sessions of the government council. The government council includes ministers and sometimes state secretaries, although there are currently

no state secretaries. There are no other cabinet committees outside the government council. Additional cabinet committees do not seem necessary as there are ad hoc meetings between relevant ministers on specific issues. The system is not rigid or predetermined, but works well.

“Government.” The Luxembourg Government. (2021). <https://gouvernement.lu/en/systeme-politique/gouvernement.html>. Accessed 14 January 2022.

“Arrêté grand-ducal du 14 novembre 2014 fixant les règles déontologiques des membres du Gouvernement et leurs devoirs et droits dans l’exercice de la fonction” (Mém. A - 212 du 25 novembre 2014, p. 4161). <https://gouvernement.lu/dam-assets/fr/systeme-politique/gouvernement/rb-code-deontologie/Arrete-grand-ducal-du-14-novembre-2014-fixant-les-regles-deontologiques-des-membres-du-Gouvernement-et-leurs-devoirs-et-droits-dans-l'exercice-de-la-fo.pdf>. Accessed 14 January 2022.

Ministerial
Bureaucracy
Score: 9

Senior ministry officials and interministerial meetings are important for the preparation of draft bills and for cabinet meetings. There is both formal and informal coordination in the conception of new policy, in policy modification or in the conception of a pre-draft bill. As part of the process, interministerial ad hoc groups are formed. Normally, a pre-draft bill is already the result of consultation with social partners and civil society groups. Once the pre-draft bill is published, official consultation rounds start again.

“Le cabinet ministériel.” Le gouvernement luxembourgeois. Ministère de la Fonction publiques (2021). <https://mfp.gouvernement.lu/fr/le-ministere/organisation/departements-ministeriels/cabinet-ministeriel.html>. Accessed 14 January 2022.

Bossaert, Danielle (2019): How size matters. In: forum, 2019, no. 394, pp. 32-34.

Informal
Coordination
Score: 9

There are many opportunities for informal coordination given Luxembourg’s small size, close-knit society and interconnected government administration. Public administration staffers responsible for early policy research and formulation are typically well familiar with representatives of social organizations and members of civil society research institutions. In such a small state, there are many opportunities for informal contact between public servants and experts from research institutions, business and civil society. Senior civil servants are simultaneously responsible for multiple projects, have an enormous workload, and represent the government within a number of different bodies, boards and committees.

Citation:

Bossaert, Danielle (2008): Die Modernisierung der öffentlichen Verwaltung und des öffentlichen Dienstes im Großherzogtum Luxemburg in: Wolfgang H. Lorig (ed.): *Moderne Verwaltung in der Bürgergesellschaft*, Nomos Verlag, Baden-Baden, pp. 298 – 312.

Digitalization for
Interministerial
Coordination
Score: 9

Early in 2021, the government adopted the Electronic Governance 2021-2025 strategy, drawn up jointly by the Ministry for Digitalization and the Government IT Center (CTIE), with the aim of advancing e-government measures and enabling the transition to digital government.

The fundamental goals of digitalization are to facilitate the transition to an efficient paperless administration and to provide an IT environment that is conducive to new working methods reinforcing public confidence in online services operated by the state. Interoperability and standardization are among the key goals.

In the European Commission's 2021 Digital Economy & Society Index (DESI), Luxembourg was ranked eighth out of 27 EU member states, with a score of 59.0.

The Luxembourg government has implemented the GouvCheck system, which ensures the verification of the authenticity of any official document issued in Luxembourg by using a QR code printed on the document, in real time and for free. Thus, it is extremely difficult to commit fraud by printing a fake QR code. To interpret the GouvCheck QR code, users need a smartphone or tablet with a camera, as well as the GouvCheck app, which can be downloaded from the Google Play Store or the Apple App Store. A wide range of documents are provided with a GouvCheck logo including: building permits, residence certificates, certificates of voter registration, criminal record certificates, welcome and integration contracts, certificates of life, hunting permits, fishing licenses, and the proof of payment for passports or identity cards.

Citation:

Digital Economy & Society Index (2021). <https://luxembourg.public.lu/en/invest/competitiveness/desi.html>. Accessed 14 January 2022.

"Electronic Governance 2021-2025' strategy." The Luxembourg Government (2021). https://gouvernement.lu/en/dossiers.gouv_ctie%2Ben%2Bdossiers%2Bstrategie_gouvernance_electronique_2021_2025%2Bstrategie_gouvernance_electronique_2021_2025.html#bloub-1. Accessed 14 January 2022.

Evidence-based Instruments

RIA Application
Score: 5

Luxembourg launched a first stab at regulatory impact assessments (RIAs) at the end of the 1990s, with the goal of simplifying administrative procedures at both the national and European levels. In 2004, the government set up the Plateforme interministérielle de réforme et de simplification administrative, which since 2017 has implemented the so-called Omnibus Bill. Containing 11 laws and two regulations, this is intended to facilitate and speed up planning procedures in 102 municipalities, and introduces a transversal approach to the systematic screening of all administrative procedures. In 2018, the competences of the country's main regulatory oversight body were transferred from the Ministry of the Civil Service and Administrative Reform to the Ministry of Digitalization. The goal was to implement the e-government

strategy, advance administrative reform, promote digital inclusion and integrate new technologies in society.

The new ministry, which is responsible for coordinating the Plateforme interministérielle, is also responsible for a range of other oversight functions, including evaluating regulatory policy, identifying areas in which regulation could be made more effective, and coordinating regulatory policy. The digitalization process is expected to include continuous exchanges between the state, business and the general public. The participatory platform Zesumme Vereinfachen hosts collaborative projects and proposals aimed at administrative simplification, which are analyzed by the Ministry for Digitalization and then processed or discussed with the administration(s) referenced by the proposal that has been submitted. By participating in this process, the citizens can get involved in one or more phases of the project, at their own convenience.

Citation:

“Einfach Lëtzebuerg Action Plan.” <https://digital-luxembourg.public.lu/initiatives/einfach-letzebuerg>. Accessed 14 January 2022.

“OECD Regulatory Policy Outlook 2021.” <https://doi.org/10.1787/38b0fdb1-en>. Accessed 03 May 2022.

Quality of RIA
Process
Score: 2

No open and consultative regulatory impact assessment (RIA) process is currently in place. The procedure requires an interministerial exchange between governmental departments and coordination groups, including the consultation of experts. Impact assessment data originates from internal ministry documents, which may be consulted by the state Council of Ministers and parliamentary members.

Due to administrative simplification efforts in recent years, the government has decided to run two public platforms, www.einfach.lu and www.vosidees.lu. As in most OECD countries, the formal process of developing harmonized standards does not include risk-management procedures. RIAs are not evaluated by an independent body.

In its 2019 evaluation, the OECD has noted that “since 2015, Luxembourg has made some minor improvements to its regulatory management tools. Digital means of consultations are now undertaken in Luxembourg, albeit not systematically... Over time, it will be important to expand the usage of the central website to all regulatory proposals.”

Citation:

“Einfach Lëtzebuerg/Digital Lëtzebuerg.” Le Gouvernement du Grand-Duché de Luxembourg (2022). <https://digital-luxembourg.public.lu/initiatives/einfach-letzebuerg>. Accessed 14 January 2022.

“Indicators of Regulatory Policy and Governance Europe 2019 - Luxembourg.” OECD (2020).

<https://www.oecd.org/gov/regulatory-policy/indicators-of-regulatory-policy-and-governance-2019-luxembourg.pdf>. Accessed 14 January 2022.

“Better Regulation in Europe. Luxembourg.” OECD (2019). <https://www.oecd.org/gov/regulatory-policy/46547003.pdf>. Accessed 14 January 2022.

Bossaert, Danielle: How size matters. The constraints and opportunities of public administration in Luxembourg. In: forum, 2019, no. 394, pp. 39 - 43.

Sustainability
Check
Score: 3

RIA is undertaken for all regulations in Luxembourg, and takes the form of a checklist mainly focusing on administrative burdens and enforcement costs. The 2019 OECD assessment notes that “Luxembourg currently refers to European Commission best practice instead of providing own guidance material.” Thus, the limited current focus of RIA in Luxembourg does not reflect European Commission standards. The assessments adds: “Luxembourg may consider creating bespoke guidance material to enhance domestic support for regulatory policy.” It is therefore essential to agree on regulatory impact assessment (RIA) procedures to “benefit from improved coherence and coordination between ministries, civil society and stakeholders.” Sustainability checks at all levels should be made transparent by establishing harmonized legislation with binding RIA standards.

Citation:

“Indicators of Regulatory Policy and Governance Europe 2019 - Luxembourg.” OECD (2020). <https://www.oecd.org/gov/regulatory-policy/indicators-of-regulatory-policy-and-governance-2019-luxembourg.pdf>. Accessed 14 January 2022.

“Better Regulation in Europe. Luxembourg.” OECD (2019). <https://www.oecd.org/gov/regulatory-policy/46547003.pdf>. Accessed 14 January 2022.

Quality of Ex
Post Evaluation
Score: 2

According to the OECD, “ex post evaluations have been undertaken in Luxembourg although they remain an inconsistently applied regulatory management tool.” However, legislation is rarely modified through a process of ex post evaluation. High-quality evaluation studies are rarely carried out. There is also a shortage of personnel able to design legal texts. Rigorous state-commissioned evaluation of legislation is thus unlikely in the near future.

The Ministry of the Civil Service and Administrative Reform is the central oversight body responsible for quality control of regulatory management tools in Luxembourg. Its oversight functions apply to stakeholder engagement, RIA and ex post evaluations, and the entity is additionally responsible for other functions including the evaluation and coordination of regulatory policy. The Council of State is in charge of providing legal scrutiny of regulatory proposals.

Citation:

“Indicators of Regulatory Policy and Governance Europe 2019 - Luxembourg.” OECD (2020). <https://www.oecd.org/gov/regulatory-policy/indicators-of-regulatory-policy-and-governance-2019-luxembourg.pdf>. Accessed 14 January 2022.

luxembourg.pdf. Accessed 14 January 2022.

“Better Regulation in Europe. Luxembourg.” OECD (2019). <https://www.oecd.org/gov/regulatory-policy/46547003.pdf>. Accessed 14 January 2022.

Societal Consultation

Public
Consultation
Score: 7

Luxembourg is a generally consensus-oriented society, with neo-corporatist traits (the so-called Luxembourg Social Model), which became institutionalized in the aftermath of the steel crisis in the 1970s. When introducing a draft bill to parliament, the government normally launches a broad consultation process. Unions and employers’ organizations are often consulted; draft bills may be submitted to the appropriate professional chamber when they concern their own affiliated people (Chambre des Salariés, Chambre de Commerce, Chambre des Métiers, Chambre des Fonctionnaires et Employés publics and Chambre de l’Agriculture). Civil society groups may also be included in the process, depending on the purpose of the draft bill or the new policy.

The so-called tripartite social model is based on institutionalized and ongoing dialogue between the government, employers and trade unions on important economic and social issues, with the goal of reaching consensus. Nowadays, four institutions engage in this ongoing social dialogue: the Economic Committee, the Economic and Social Council, the Tripartite Coordination Committee, and the Permanent Committee on Labor and Employment. Industry-specific tripartite bodies in some cases hold their own events, such as the Steel Tripartite Conference or the Aviation Tripartite Conference.

However, the prevalence and quality of dialogue between the social partners has declined in recent years. Trade unions have said the national-level social dialogue is not as developed as they would like. In 2020-21, trade unions repeatedly called for a gathering of the tripartite coordination committee to discuss the social impact of the coronavirus pandemic. When the government eventually held a meeting of the tripartite coordination committee in December 2021, the meeting did not respond to the unions’ expectations. The meeting only lasted a few hours, and did not lead to any major outcome, while unions had hoped to discuss a broad range of subjects ranging from housing to tax policies. To express their disapproval, unions did not participate in the press conference that followed the meeting, and instead published a press statement spelling out their disappointment over the government’s perceived disregard of their requests.

Citation:

“Tripartite: Luxembourg’s social model “. <https://luxembourg.public.lu/en/society-and-culture/political-system/tripartite.html>. Accessed 14 January 2022.

OGBL, LCGB, CGFP (2021) Tripartite – eine Nullnummer!, available at: <https://lrgb.lu/de/2021/12/14/tripartite-eine-nullnummer/>

“OGBL, LCGB & CGFP: Tripartite didn’t go anywhere.” RTL Today (15 December 2021). <https://today.rtl.lu/news/luxembourg/a/1833252.html>. Accessed 14 January 2022.

www.vosidees.lu. <https://www.vosidees.lu/>. Accessed 14 January 2022.

OGBL, LCGB, CGFP (2021) Tripartite – eine Nullnummer!, available at: <https://lrgb.lu/de/2021/12/14/tripartite-eine-nullnummer/>

Policy Communication

Coherent
Communication
Score: 8

Political communication in Luxembourg is carried out at several levels (local, national, state, European), and through several channels and tools, including direct communication (press briefings, statements, public debates, meetings with citizens), and indirect communication (websites, press articles, reports, interviews to mass media). In recent years, the use of social media (Twitter, Facebook, Instagram) has significantly expanded.

Press briefings have traditionally been the government’s main method of communicating. Following the Council of Ministers meetings on Fridays, the prime minister holds a weekly public press conference (which is broadcast live on the YouTube channel of the government) intended to communicate the body’s work. Press conferences are also regularly held by ministries, public administrations, government agencies and associations. All ministries have communication services with official press officers (spokespersons), but in most cases it is the ministers themselves who directly give statements to journalists. Government members are encouraged not to voice disagreement in public, so as to give the impression of unanimous decision-making. Reporting directly to the prime minister, the state Press and Information Service (SIP) works to coordinate a coherent and wide-ranging government communication policy.

As part of the Ministry of State, the Department of Media, Connectivity and Digital Policy supports the development of a diverse media landscape, and is in charge of electronic communications and the postal service, and oversees data protection issues.

Every year, the prime minister delivers the State of the Nation speech to the Chamber of Deputies. This constitutes the government’s declaration regarding the economic, social and financial situation in the country. All ministries (including the state minister) release annual reports that are also published on their own websites.

Citation:

The Luxembourg Government. <https://gouvernement.lu/en.html>. Accessed 14 January 2022.

The Luxembourg Government. Information and Presse Service (SIP). <https://sip.gouvernement.lu/en.html>. Accessed 14 January 2022.

“State of the Nation 2021.” Xavier Bettel (12 October 2021). https://gouvernement.lu/en/gouvernement/xavier-bettel/actualites.gouvernement%2Ben%2Bactualites%2Btoutes_actualites%2Bdiscours%2B2021%2B10-octobre%2B12-etat-de-la-nation.html. Accessed 14 January 2022.

Implementation

Government
Effectiveness
Score: 7

In general, the government is able to implement its policy objectives, which are usually outlined in coalition-government programs (the most recent covering the period 2018-2023). This might take longer than planned, given that a policy based on maximum consensus is often cumbersome. But projects are sometimes not only slowed down but delayed indefinitely, especially when powerful lobbies are involved.

Citation:

“Projects within the framework of the National Action Plan for Integration.” The Luxembourg Government. Ministry of Family Affairs, Integration and the Greater Region (13 July 2021). <https://mfamigr.gouvernement.lu/en/le-ministere/attributions/integration/integrationsprojekte/projets.html>. Accessed 14 January 2022.

“Circular Economy Strategy Luxembourg/Strategie Kreeslafwirtschaft Lëtzebuerg.” The Government of the Grand Duchy of Luxembourg (8 February 2021). <https://gouvernement.lu/dam-assets/documents/actualites/2021/02-fevrier/08-strategie-economie-circulaire/Strategy-circular-economy-Luxembourg-022021.pdf>. Accessed 14 January 2022.

“Plan d’action national du Luxembourg pour la mise en oeuvre des Principes directeurs des Nations Unies relatifs aux entreprises et aux droits de l’homme 2020-2022.” Le Gouvernement du Grand-Duché de Luxembourg. Ministère des Affaires étrangères et européennes (2020). https://www.ohchr.org/Documents/Issues/Business/NationalPlans/LuxembourgNP2020-2022_FR.pdf. Accessed 14 January 2022.

“Statement of the Consultative Commission on Human Rights of the Grand-Duché of Luxembourg” (2020). <https://ccdhr.public.lu/dam-assets/fr/avis/2019/Prise-de-position-Entreprises-et-droits-de-l-Homme-version-finale.pdf>. Accessed 14 January 2022.

Ministerial
Compliance
Score: 7

The Luxembourg electoral system combines proportional representation using candidate lists with a type of majoritarian system that allows a voter to pick individual candidates by giving them preferential votes on more than one list.

Consequently, the voters, and not the party, decide on the composition of parliament and even of the government, since the candidates with the best results usually become ministers. This system encourages politicians to pursue personal initiatives, but as they generally address small lobbies, such projects do not typically conflict with the government’s agenda.

Monitoring
Ministries
Score: 6

There is no formal monitoring by the Prime Minister's Office, as no institutional resources exist to carry this out. The small size of the government administration and ongoing discussions between ministers, foster a high level of transparency without the necessity of explicit monitoring tools. In case of conflicts, the prime minister moderates and acts as conciliator.

Citation:

Schroen, Michael (2008): "Das politische System Luxemburgs," in: Wolfgang Ismayr (ed.): Die Politischen Systeme Westeuropas, 4th ed., VS Springer Verlag, Wiesbaden, pp. 483 – 514.

Monitoring
Agencies,
Bureaucracies
Score: 8

Executive agencies and the administration usually lack the autonomy to pursue a course of action independent of guidelines issued by the responsible ministers. Sometimes, the strong personality of an agency head leads to conflict. If this happens, the views of the minister or his key collaborators usually prevail. In the domain of labor, social security and public finance, monitoring is more centralized and effective, since the financial implications for the state are much more consequential. Four agencies that wield considerable influence are the Administration of the Environment (Administration de l'environnement); the Labor and Mines Inspectorate (Inspection du Travail et des Mines, ITM), which is attached to Ministry of Labor, Employment and the Social and Solidarity Economy; the Social Security Inspectorate General (Inspection Générale de la Sécurité Sociale, IGSS), which is attached to the Ministry of Social Security; and the General Inspectorate of Finance (Inspection générale des finances, IGF), which is attached to the Ministry of Finance.

Citation:

"Finances publiques." Ministère des Finances. www.mf.public.lu/finances_publiques/. Accessed 14 January 2022.

"Inspection générale de la sécurité sociale." Ministère de la Sécurité Sociale. www.mss.public.lu/acteurs/igss/ Accessed 14 January 2022.

Inspection générale des finances. www.igf.etat.lu. Accessed 14 January 2022.

Inspection du Travail et des Mines. <https://itm.public.lu/fr/nous-connaître/objectifs-missions.html>. Accessed 14 January 2022.

Task Funding
Score: 8

Since 2018, the Ministry of the Interior has overseen 102 municipalities in Luxembourg, even though as early as 2004, the government promised to carry out a process of merging municipalities. The total number of municipalities was slated to have been winnowed down to 71 in 2017; however, this has not yet happened. This ministry's oversight is paired with substantial financial transfers from the central government to local entities, which, apart from a substantial share in corporate-income-tax revenues, lack autonomous sources of revenue. The largest municipality is the city of Luxembourg, which numbers 124,832 (2022) inhabitants. Two-thirds of local entities have fewer

than 3,000 inhabitants, a size which is believed to be far too small to handle modern political, administrative and technical matters. Over the last decade, this challenge has led to the creation of so-called municipal syndicates, or associations of municipalities (syndicats intercommunaux), whose major purpose is to jointly offer services in areas such as waste management, water supply, and sports and leisure activities. Over the course of the last decade, the number of municipal syndicates has steadily risen. Luxembourg's cities and municipalities are incorporated in an association called SYVICOL.

Major reform discussions and topics currently on the agenda include further redefinition of administrative structures, for instance by continuing the process of municipal mergers (six of them have been implemented so far), and the character of the relations between the central state and the local level, especially with regard to reforming municipal finances to render these entities more stable.

The municipalities' major sources of income include funding from the central state and revenues from the occupational tax (Gewerbsteuer), which is levied at the local level. Since 2017, due to the full budgetary assumption of teachers' salaries, grants to local budgets have been increased, providing municipalities with greater financial and planning security. Despite the financial impact of the coronavirus pandemic on Luxembourg's economy, the 2022 state budget allotted €2.38 billion to the municipalities' general endowment fund (+7.3% compared with 2021, or +11.2% compared with 2019).

Citation:

"De Budget 2022." Luxembourg's Stat Budget 2022 official website. The Government of the Grand Duchy of Luxembourg. <https://budget.public.lu/lb.html>. Accessed 3 January 2022.

"L'État plus généreux avec les communes en 2022." Luxemburger Wort (02.11.2021). <https://www.wort.lu/fr/luxembourg/l-etat-plus-generoux-avec-les-communes-en-2022-6180f97dde135b9236fb053f>. Accessed 14 January 2022.

"Public administration characteristics and performance in EU28: Luxembourg." European Commission. Directorate-General for Employment, Social Affairs and Inclusion Support for developing better country knowledge on public administration and institutional capacity-building" (VC/2016/0492).

Constitutional
Discretion
Score: 7

Local governments increasingly depend on transfers from the central government. Efforts to centralize the regulation of land use have been ongoing for years and continue to drag on as a result of insufficient personnel, changing EU legislation and citizen initiatives. Following a reform of the education system, municipalities lost one of their major prerogatives, which was the autonomous management of primary school (students four to 12 years old) teaching staff. A municipal reform also undermined other aspects of autonomy, as evidenced by a law on emergency services. In return, the government has promised to provide more autonomy through territorial

reforms, especially in the form of expanded financial autonomy and the provision of support for municipal finances through regional funds.

Citation:

Eser, Thimo W./Scholtes, Maryse (2008): Raumentwicklung, Regionalpolitik und Landesplanung, in: Wolfgang H. Lorig/Mario Hirsch (eds.), Das politische System Luxemburgs, Springer VS Verlag, Wiesbaden, pp. 286 – 309.

Syvicol. <https://www.syvicol.lu/fr>. Accessed 14 January 2022.

National
Standards
Score: 8

The Ministry of the Interior provides support to local administrations. As part of a series of territorial reforms, the administration responsible for monitoring municipal finances will be integrated within the existing national Court of Auditors (Cour des Comptes). The government is not entirely free to optimize and improve local government.

State planning has been criticized by municipalities due to the Ministry of the Interior’s failure to publish a land-use plan (“Plan d’aménagement général” or “Flächennutzungsplan,” PAG), which is a technical and complex instrument that guides municipalities’ development activities, but also affects landowners who have acquired land or who want to start construction or renovation work. In 2019, 36 Luxembourg municipalities expressed concern over state-imposed updates to their PAGs, with sometimes significant consequences for property owners.

Even after 15 years, half of the country’s municipalities have yet to adapt their development plans to the law. This is the case for nearly 40 municipalities across the Grand Duchy. As a result, the Ministry of the Interior has taken some of the blame because the new municipal land-use law has proved to be too difficult. A sub-development plan (“Plan d’aménagement particulier” or “Teil-Bebauungsplan,” PAP) ultimately had to be published for all construction projects.

Citation:

“Aménagement communal.” Le gouvernement luxembourgeois. Ministère de l’Intérieur (2022). <https://mint.gouvernement.lu/fr/dossiers/2021/amenagement-communal.html>. Accessed 14 January 2022.

“General development plan: changes ... and consequences!” Editus (2020). <https://www.editus.lu/en/practical-guide/development-and-maintenance-257t/map-of-layouts-general-in-and-change-of-consequences-1112a>. Accessed 14 January 2022.

Effective
Regulatory
Enforcement
Score: 6

There are a number of powerful interest groups in Luxembourg.

Civil servants (Fonctionnaires d’État) affiliated with the CGFP union (Confédération Générale de la Fonction Publique) constitute one such group. Civil servants represent a large part of the electorate in national elections

(foreigners are not allowed to vote). Therefore, it is not easy for a government to make decisions that go against the positions of the CGFP trade union, for fear that the political opposition would immediately take the CGFP's side. As one result, a number of civil servants earn much higher salaries than are paid in comparable private sector positions. In January 2021, about 31,049 people were employed by the Luxembourg government (of which 16,339 were women, or 52.6%), meaning almost 2,000 people were added to the payroll during the pandemic.

One influential subgroup of civil servants are the teachers, who have a strong influence over educational policies. Other powerful interest groups include business associations, insurance companies and the construction industry.

Citation:

“La Fonction publique.” <https://fonction-publique.public.lu/dam-assets/fr/documentation/fonctionpublique/fonction-publique-chiffre-2020.pdf>. Accessed 14 January 2022.

Schroen, Michael (2012): Luxembourg. Interessenvermittlung in einem Kleinstaat, in: Werner Reutter (ed.): Vergleichende Interessengruppen- und Verbändeforschung, 2nd edition, Springer VS, Wiesbaden, pp. 417 – 444.

Adaptability

Domestic
Adaptability
Score: 7

Luxembourg has made progress in implementing European legislation. In terms of the transposition of EU directives, Luxembourg's performance is moderate, yet it has improved in recent years. Given the size of the country, there is limited scope for improving the government administration's human resources. A single civil servant is typically responsible for a number of tasks that would be assigned to an entire team in other EU member states. For example, European Social Fund (ESF) activities fall under the responsibility of only four civil servants who have other responsibilities in addition to European programs. Despite a lack of personnel, work expected by European and supranational institutions is completed.

On 21 March 2020, the Chamber of Deputies approved a law implementing the 6th Directive 2011/16/EU on Administrative Cooperation (“DAC6”), which introduced an automatic exchange of information in relation to cross-border financial arrangements. The law of 10 July implemented a register of fiduciaries and trusts, transposing Article 31 of Directive (EU) 2015/849 as amended by the 5th Anti-Money Laundering Directive (AMLD5). However, in December 2021, the European Commission called on Luxembourg to amend its legislation to correctly transpose the non-deductibility of interest payments rule set by the EU Anti-Tax Avoidance Directive.

International
Coordination
Score: 8

Luxembourg often responds to international requests by launching an ad hoc group. The country has also done well in conforming national law to EU directives, sometimes transposing laws verbatim. However, this does not guarantee that the law will be followed verbatim; differences between de jure and de facto interpretations have emerged.

Luxembourg is mainly involved in international reform initiatives in the framework of the European Union, as well as in the multilateral environment (OECD, ONU, UNESCO), including participation in cooperation for development across the world.

The Sustainable Development Goals of the United Nations' 2030 Agenda (adopted at the 2015 U.N. Summit), have been integrated into the 2021 Grand Duchy's National Reform Program for the first time. The government is working to update its strategic approach with reference to the revised International Climate Finance Strategy (defined by the United Nations Climate Change Conference and the Paris Agreement), the Aichi Biodiversity targets, and the Sendai Framework for Disaster Risk Reduction, which sets standards and goals for climate action and environmental and social protection. The Grand Duchy signed a new strategic framework agreement (2020-2023) that will enable the World Health Organization (WHO) to implement the Thirteenth General Program of Work flexibly and effectively. All this should also contribute to making society more resilient.

According to Luxembourg's development cooperation strategy, entitled "On the road to 2030," the country provided international and multilateral organizations with €19.7 million in 2019 and €24.6 million in 2020. Luxembourg has been an essential supporter of the Global Fund since its inception. With contributions totaling more than €7.85 million to date, the country is one of the most generous donors among the members of the Organization for Economic Cooperation and Development (OECD).

Citation:

"National Plan for a Green, Digital and Inclusive Transition. National Reform Programme of the Grand Duchy of Luxembourg under the European semester 2021." The Government of the Grand Duchy of Luxembourg. https://ec.europa.eu/info/sites/default/files/2021-european-semester-national-reform-programme-luxembourg_en.pdf. Accessed 03 Jan.2022.

"Economic forecast for Luxembourg 2020-2023. European Commission." https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/luxembourg/economic-forecast-luxembourg_en. Accessed 03 Jan.2022.

"How Countries are Performing on the Road to Recovery." World Economic Forum. Special edition 2020. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2020.pdf. Accessed 03 Jan.2022.

The Global Fund. <https://www.theglobalfund.org/en/>. Accessed 14 January 2022.

Organizational Reform

Self-monitoring
Score: 6

In the absence of systematic monitoring of institutional arrangements, the government relies mainly on international expertise. EU and OECD data significantly affects the political agenda, and the implementation of social and economic policies. However, in line with the coalition agreement for the 2018-2023 period, the Grand Duchy embarked on a series of administrative and organizational reforms – the so-called “state modernization.” Public services were encouraged to implement customer/citizen-focused-quality management systems.

The European Commission’s 2018 report entitled “Public administration characteristics and performance in EU28” confirmed the Luxembourg status-quo-oriented administrative tradition. The country scores high on the Uncertainty Avoidance dimension (thus reflecting a certain resistance to new methods and ideas), but also on the Long-term Orientation dimension (which expresses the pragmatism of the public administration and the ability to adapt to change). A comparative review of the Power Distance dimension indicates that Luxembourg’s traditions, like those in Germany and France, retain considerable respect for authorities and hierarchies.

The Grand Duchy is a member of the Open Government Partnership (OGP), which is a multilateral initiative aiming to stimulate governments around the world to make concrete commitments to promote good governance through the use of new technologies. The 2019-2021 National Plan was prepared by a horizontal group (facilitated by the Ministry of Foreign and European Affairs and the “Digital Lëtzebuerg” platform), with the participation of various stakeholders (ministries, administrations, civil society, academia, media). Luxembourg articulates its action around six goals: transparent and open administration, promotion of open data, promoting the use of clear administrative language, information on climate action, establishment of a European center for CiviTech, and establishment of a support program for human rights defenders.

Within the ongoing “Digital Lëtzebuerg” strategy, many actions have already been accomplished. However, due to country’s high-quality technological structure, it should still be possible to further streamline the administrative formalities and procedures that affect users (citizens, businesses, administrations).

“Open Government Partnership. Luxembourg National Action Plan 2019-2021.” The Government of the Grand Duchy of Luxembourg/Open Government Partnership Lëtzebuerg (10 March 2020). https://www.opengovpartnership.org/wp-content/uploads/2019/08/Luxembourg_Action-Plan_2019-2021_EN.pdf. Accessed 14 January 2022.

Institutional
Reform
Score: 7

“Public administration characteristics and performance in EU28: Luxembourg.” European Commission. Directorate-General for Employment, Social Affairs and Inclusion Support for developing better country knowledge on public administration and institutional capacity-building” (VC/2016/0492) (2018).

“Einfach Lëtzebuerg.” The Government of Grand Duchy of Luxembourg. <https://einfach.public.lu/fr.html>. Accessed 14 January 2022.

In 2021, the government launched its Electronic Governance 2021-2025 strategy, which was drawn up jointly by the Ministry for Digitalization and the Government IT Centre (CTIE), with the aim of enhancing e-government mechanisms and enabling the transition to digital government. To achieve this, the government’s IT center is currently bolstering its digital services infrastructures, thus achieving very high levels of security and reliability. Due to the fact that all services provided the Luxembourg public authorities have now been digitized, the application procedure for the various COVID-19 aid schemes was streamlined for citizens and companies alike via the MyGuichet.lu portal.

As a new step related to the administrative reform and simplification process, the national portal for public inquiries, www.enquetes-publiques.lu, which was launched in 2021, provides information about various procedures. Public inquiries are formal and mandatory prior to certain administrative decisions.

Another ambitious reform ongoing since 2010 has been the general opening of the civil service to citizens of the European Union, with the exception of some positions relating to national sovereignty. The change is expected to gradually improve the quality of government administration.

“Electronic Governance 2021-2025’ strategy.” The Luxembourg Government (2021). https://ctie.gouvernement.lu/en/dossiers/strategie_gouvernance_electronique_2021_2025/strategie_gouvernance_electronique_2021_2025.html. Accessed 14 January 2022.

“The national portal for public inquiries.” The Luxembourg Government. Ministry of Digitalization (2021). <https://digital.gouvernement.lu/en/dossiers/2021/pnep.html>. Accessed on 14 January 2022.

II. Executive Accountability

Citizens’ Participatory Competence

Political
Knowledge
Score: 8

In Luxembourg, people can play an active part in democratic life of the country by participating in individual activities (voting, public petitions), or by getting involved in civic associations. Institutions encourage people to take part in public decision-making.

For example, in the 2021 State of the Nation address, the prime minister announced the creation of a Citizen's Council on Climate (composed of a hundred representative members of the population), with the goal of giving people the opportunity to debate climate issues alongside the experts. The starting point for discussions will be the Integrated National Energy and Climate Plan. Xavier Bettel said: "More than ever, we need a social consensus on how we want to tackle the climate crisis together."

Citizen' can submit petitions (written in French, German or Luxembourgish) on the website of the Chamber of Deputies. To ensure acceptance, at least 4,500 signatures are required. Thereafter, the petition will be discussed in a public debate, broadcast on ChamberTV and streamed on the parliament website. In 2021, 285 public petitions were submitted to the Chamber of Deputies, one of which sought to promote a referendum on constitutional matters. As the total number of valid signatures (7,413) was much less than 25,000 signatures required, the proposal to bring the revision of Chapter VI of Luxembourg's constitution to a public vote was not successful.

Other examples of people taking action in Luxembourg include protests over the lack of affordable housing, with several demonstrations held in Esch-sur-Alzette and Luxembourg City in 2020 and 2021, as well as protests bringing together several thousand participants held by Luxembourg's branch of the global environmental movement "Youth for climate," inspired by the Swedish climate activist Greta Thunberg, which carried out climate protests in 2020 and 2021.

However, knowledge of Luxembourgish has an important role in political participation, as most political debates and information distribution takes place in this specific national language. This may make it more difficult for non-speakers to participate in the political sphere.

Citation:

"Press release by the prime minister, Minister of State, on the result of the signature collection for a referendum on the proposal to revise Chapter VI of the Constitution." Official elections website of the Grand Duchy of Luxembourg (5 January 2022). <https://elections.public.lu/en/actualites/2022/resultat-signatures-referendum.html>. Accessed 14 January 2022.

"State of the Nation 2021." Xavier Bettel (12 October 2021). https://gouvernement.lu/en/gouvernement/xavier-bettel/actualites/gouvernement%2B en%2Bactualites%2Btoutes_actualites%2Bdiscours%2B2021%2B10-octobre%2B12-etat-de-nation.html. Accessed 14 January 2022.

"Waves of demonstrations for housing in Luxembourg." DiEM 25 (02.10.2021). <https://diem25.org/luxembourg-tenants-and-activists-join-waves-demonstrations-for-housing/>. Accessed 14 January 2022.

"Le Plan national intégré en matière d'énergie et de climat (PNEC)." Le Gouvernement du Grand-Duché de

Luxembourg (2020). <https://environnement.public.lu/fr/actualites/2020/05/pnec.html>. Accessed 14 January 2022.

“Development of public spaces through civic engagement – Placemaking.” Ville de Luxembourg (2021). <https://www.vdl.lu/en/city/get-involved/development-public-spaces-through-civic-engagement-placemaking>

“The petition website of the Parliament.” Chambre des Députés. <https://www.petitionen.lu/en/>. Accessed 14 January 2022.

XR Luxembourg. <https://www.extinctionrebellion.lu/>. Accessed 14 January 2022.

Open
Government
Score: 8

Luxembourgish government administrations and departments are required to publish their documents online, either on their own websites or on the Luxembourgish data platform (in French and English). This procedure reflects a policy of openness to citizens (be they natural or legal persons) with regards to the documents held by government administrations and departments, communes, public sector establishments, legal persons providing public services, the Chamber of Deputies, the Council of State, the Ombudsman, the Court of Auditors and professional chambers. All such documents are provided free of charge, although a small fee may be requested if copies are issued.

This right does not apply to documents pertaining to foreign relations, Luxembourg national security or public order, the safety of persons or their right to privacy, or financial data such as corporate tax breaks (“rulings”).

In most cases, information is available in French, German and English. However, much of the data is provided only in French, which is not easy to understand for Germanophone citizens. Data in Luxembourgish are made available more and more frequently. Nevertheless, journalists and the public often have difficulties in understanding and evaluating the published data.

Citation:

“La plateforme des données luxembourgeoises.” Le Gouvernement du Grand-Duché de Luxembourg. <https://data.public.lu/fr/>. Accessed 14 January 2022.

Statistics portal: <https://statistiques.public.lu/en/> Accessed 14 January 2022.

Statistikportal des Großherzogtums Luxemburg: <http://adem.public.lu/de/marche-emploi-luxembourg/faits-et-chiffres/statistiques/statec/index.html>. Accessed 14 January 2022.

Legislative Actors’ Resources

Parliamentary
Resources
Score: 8

The members of Luxembourg’s Chamber of Deputies must balance a heavy workload with dual mandates and other professional activities, including municipal councils and/or professional employment. According to the regulations of Luxembourg’s unicameral parliament, members can employ a

personal assistant and recuperate some costs within the limits of eligible expenses. In practice, the parliamentary groups instead employ a pool of assistants who work for all the members of parliament of their group, rather than each member of parliament having his or her own assistant. Members of parliament can consult with external experts as part of the functioning of parliamentary commissions. In addition, they have access to a central state computer system to review databases, surveys, reports, agendas and other important information.

“Réglement de la Chambre des Députés.” Chambre des Députés du Grand-Duché de Luxembourg (16 décembre 2021). <https://www.chd.lu/wps/wcm/connect/public/dadc958b-a532-4acb-ae85-5f7b20ed05a2/Rglement+CHD16122021.pdf?MOD=AJPERES&ContentCache=NONE&CACHE=NONE&CVID=nUw4CwA>. Accessed 14 January 2022.

Bossaert, Danielle (2019): How size matters. In: forum, Kleinstaat Luxemburg, 2019, no. 394, pp. 39-43.

Obtaining
Documents
Score: 8

In general, information flows freely between the government and coalition parties. Following the 2018 legislative elections, the government appointed a minister for relations with parliament (in the person of Marc Hansen), whose job is to foster interinstitutional relations and synergies.

In the cases where such information flows are seen as incomplete, parliamentary questions (questions parlementaires) are a popular and sometimes effective way for members of parliament to obtain information from the government or to gain insight into specific topics. However, many parliamentary questions are answered only partially or inadequately. In Luxembourg, there is no culture that demands inquiries be answered comprehensively. The effect of parliamentary questions on government work is rarely visible. The press is far more effective in creating change, particularly if the national TV broadcaster RTL addresses a political problem.

In the course of the 2019-2020 session, Luxembourg’s deputies submitted 1,679 parliamentary questions to the government (compared with 1,297 questions submitted during the 2018-2019 session). During the coronavirus crisis, 425 parliamentary questions were asked, of which 80 were deemed urgent. Lawmakers also asked 190 urgent questions and 33 so-called enlarged questions, which are debated during the plenaries rather than being answered in writing by the relevant minister. The deputies met for 60 plenary sessions and 687 committee meetings, and spent about seven hours on ministerial question time.

Nevertheless, during the state of emergency related to coronavirus crisis (mid-March until mid-June 2020), the government was entitled to adopt measures unilaterally. Afterward, public health legislation related to the pandemic was adopted by the parliament.

Citation:

“Réglement de la Chambre des Députés.” Chambre des Députés du Grand-Duché de Luxembourg (16 décembre 2021). <https://www.chd.lu/wps/wcm/connect/public/dadc958b-a532-4acb-ae85-5f7b20ed05a2/Reglement+CHD16122021.pdf?MOD=AJPERES&ContentCache=NONE&CACHE=NONE&CVID=nUw4CwA>. Accessed 14 January 2022.

Etgen, Fernand. “La Chambre «sollicitée comme jamais».” Chambre des Députés (12 octobre 2020). https://chd.lu/wps/portal/public/Accueil/Actualite/!ut/p/z1/hY7BCoJAEIafxYNXZ9g1iW4rRhSBoVC211DZVmN1Zd309VvoJBjN7Z__4YBDgXwvpxaWdpW96Vy-c6jR0KSa3YMCab7PEJCL5RIOUHEEG7_AO5q_DEMnc9XEIZxRmKKeEjJKrC4cQIula6-77K-olsJ3linMMIEb-PWjbXDUPPRx3meA6m1VCKodefjmtLo0UKxJGHoCnxt1HRmncBbWCQiw!!/?1dmy&page=6_D2DVRI420G7Q402JEJ7USN38D6&urile=wcm%3apath%3a%2Factualite.public.chd.lu%2Fst-www.chd.lu%2Fsa-actualites%2F0d225221-bb2e-40d2-a573-95b1a621c8a4. Accessed 14 January 2022.

“Parliamentary questions asked by members of parliament in 2019-2020.” Delano (12 October 2020). https://delano.lu/article/delano_parliamentary-questions-asked-mps-2019-2020. Accessed 14 January 2022.

Summoning
Ministers
Score: 9

Interaction between the government and the Chamber of Deputies is generally straightforward. Any deputy parliament can introduce a parliamentary question (written or oral). Questions are addressed to the parliamentary president. Within one month, the responsible minister(s) must respond and deliver detailed information about relevant policy decisions and departmental activities. Questions and answers are fully published on the Chamber of Deputies’ website. On Tuesdays, when the parliament convenes, there may be a lively question and answer session, covering a broad range of relevant issues posted by opposition parties.

In the aftermath of the Court of Auditors report in 2020, the Chamber of Deputies summoned Economy Minister Franz Fayot (LSAP) and Finance Minister Pierre Gramegna (DP) to a hearing in May 2021 concerning the deal between the government and the Greek dairy company Fage. The auditors pointed out irregularities in the sale of the land (negotiations weren’t documented). The transaction was realized by former Economy Minister Étienne Schneider (LSAP). The Chamber also requested explanation from Schneider, who could only be invited and not summoned to attend a hearing. This invitation was the second for Schneider since he left government in early 2020. He was previously called to justify the budget of a military Earth observation satellite, which ended up costing €139 million more than foreseen under plans presented by Schneider in his role as defense minister (2018).

Citation:

“Réglement de la Chambre des Députés.” Chambre des Députés du Grand-Duché de Luxembourg (16 décembre 2021). <https://www.chd.lu/wps/wcm/connect/public/dadc958b-a532-4acb-ae85-5f7b20ed05a2/Reglement+CHD16122021.pdf?MOD=AJPERES&ContentCache=NONE&CACHE=NONE&CVID=nUw4CwA>. Accessed 14 January 2022.

“Parliament wants Schneider hearing over failed Fage project.” Delano (11 May 2021). https://delano.lu/article/delano_parliament-wants-schneider-hearing-over-failed-fage-project. Accessed 14

January 2022.

Schroen, Michael (2008): *Parlament, Regierung und Gesetzgebung*, in: Wolfgang H. Lorig/Mario Hirsch (eds.), *Das politische System Luxemburgs*. Springer VS, Wiesbaden, pp. 106-129.

Summoning
Experts
Score: 9

Consultations with experts and representatives of interest groups take place regularly in the course of various ongoing commission work. Domestic and foreign experts, as well as lobbyists and concerned civil society groups, may be invited to participate in commission meetings. Under particular circumstances of public interest, experts are invited to parliament to introduce subjects and to offer professional opinions.

In the case of important policy reform projects, the government usually asks for advice from reputable foreign institutes, being aware of the limited base of knowledge available within the country. For example, German and Swiss institutes were consulted over psychiatry reforms in healthcare. A similar consultation approach was used for reforming environmental legislation. Such policy projects are implemented by a specific parliamentary commission, with a budgetary allowance made available to support outsourced inquiries. Innovation is often driven by foreign expertise and reports, which overcomes domestic resistance.

A transparency register for deputies that the Group of States against Corruption (GRECO) had asked for on several occasions will require politicians to disclose meetings with representatives and organizations. Every month, each deputy and parliamentary group will have to publicly identify which lobbyists they met with during that time period. The register is expected to help citizens identify the origin of deputies' policy proposals.

Citation:

"MPs to be obligated to register meetings with lobbyists in transparency register." *RTL Today* (23 June 2021). <https://today.rtl.lu/news/luxembourg/a/1743451.html>. Accessed 14 January 2022.

"Mémorial A n° 227 de 2014." *Journal officiel du Grand-Duché de Luxembourg*, 11 Dec. 2014, legilux.public.lu/eli/etat/leg/memorial/2014/227. Accessed 14 January 2022.

Task Area
Congruence
Score: 8

Parliamentary committees and ministries are well coordinated and parliamentary monitoring is satisfactory. Ministers appear regularly before committees and communication is adequate. Although the number of ministries has grown over the years, reaching 20 ministries and 17 ministers, the number of parliamentarians has still not increased beyond 60 members. There are 29 permanent committees and four subcommittees. Each committee has up to 13 members. As such, their workload has expanded considerably in recent years, which has made running standing committees more challenging. In general, members of parliament are often members of more than one committee.

Citation:

“Réglement de la Chambre des Députés.” Chambre des Députés du Grand-Duché de Luxembourg (16 décembre 2021). <https://www.chd.lu/wps/wcm/connect/public/dadc958b-a532-4acb-ae85-5f7b20ed05a2/Rglement+CHD16122021.pdf?MOD=AJPERES&ContentCache=NONE&CACHE=NONE&CVID=nUw4CwA>. Accessed 14 January 2022.

“Public administration characteristics and performance in EU28: Luxembourg.” European Commission. Directorate-General for Employment, Social Affairs and Inclusion Support for developing better country knowledge on public administration and institutional capacity-building” (VC/2016/0492) (2018).

Media

Media Reporting
Score: 8

In Luxembourg, multilingualism (Lëtzebuergesch, French and German, alongside other languages spoken by a multicultural population) influences the consumption of written and audiovisual media. In the written press, German is the most used language, while articles in Lëtzebuergesch are becoming more and more numerous.

The 10 most important media outlets in the country are: RTL Radio, RTL Television, RTL Online, Luxemburger Wort, L’Essentiel (daily free newspaper), Lëtzebuenger Journal (online publication), Le Quotidien, Reporter.lu (online publication) Lëtzebuenger Land and the (state-funded) Radio 100,7. When it comes to special-interest publications, in particular magazines, the Luxembourg public generally turns to the foreign press. Under the authority of the Ministry of State, the Service des Médias et des Communications handles matters of media policy, as well as matters relating to telecommunications policy.

Journalists are mostly generalists with very little opportunity to specialize. On Saturdays, the daily Luxemburger Wort newspaper publishes a section called “Analysis and Opinion.” Legislative plans are discussed on several pages in this section. Contributors include journalists, politicians and civil society representatives.

Media coverage is often reactive, in particular when issues have already reached the public in the form of draft legislation or through parliamentary debate. These latter discussions are public and are conducted in Luxembourgish, as a general rule. The parliamentary sessions are broadcast on Chamber TV (also available online). Debates held by country’s four largest local-government councils (Luxembourg City and Esch/ Alzette, Differdange, Dudelange) can also be followed online.

The public’s degree of interest in political processes and legislative projects is progressing, but remains rather modest. However, the situation is better than in other small European states.

Intra-party
Decision-Making
Score: 8

Parties and Interest Associations

Inner-party democracy takes place with different levels of intensity within the political parties, of which seven are represented in parliament – the Christian Social People’s Party (CSV), the Democratic Party (DP), the Luxembourg Socialist Workers’ Party (LSAP), the Greens (déi Gréng), the Alternative Democratic Reform Party (ADR), The Left (déi Lenk) and the Pirate Party (Piratenpartei). The current three-party coalition involves the DP, the LSAP and the Greens.

The years 2020 and 2021 have been marked by a change in the leadership of the two major political parties CSV and LSAP. A Politmonitor poll from November 2021 showed that the country’s major parties are all losing support, while politicians from smaller parties are gaining popularity.

The leadership of political parties in Luxembourg is determined in accordance with their statutes, which generally prescribe a specific designation procedure following an election procedure held during their congresses, conventions or conferences. These are open, in terms of candidacies and voting, only to their members. Non-members may be invited to participate as observers for the public part of these events. As a general rule, parties are led by a president, one of several vice-presidents, a general secretary and a treasurer. Since 2019, the Greens (a member of the coalition government) have implemented a co-presidency principle that became reality in 2020, when Djuna Bernard and Meris Šehović were elected to these positions during the party’s online congress. Following its leadership difficulties encountered early 2021, the main opposition party – the Christian Social People’s Party (CSV) – also adopted the co-presidency principle, electing Claude Wiseler and Elisabeth Margue at the extraordinary congress held the same year. The political platforms of parties are the result and expression of the internal reflection of their members grouped into specialized committees. These platforms are democratically adopted at the congresses, conventions or conferences. Even if they are not directly involved in drafting these documents, non-members are invited to participate in public debates and their viewpoints and propositions are often considered in order to improve the public appeal of such documents. Beyond the specifics relating to the ideological line of each political party, the platforms on EU topics and those drafted for European elections show a high degree of convergence.

Citation:

« TNS. Politmonitor, 15.11.2021 ».
<https://download.rtl.lu/2021/11/17/3c474b61b5800e0f8f3f4b837421e65f.pdf>. Accessed 14 January 2022.

European Election Database. Norsk Senter For

Forksningsdata.https://o.nsd.no/european_election_database/country/luxembourg/parties.html. Accessed 14 January 2022.

Association
Competence
(Employers &
Unions)
Score: 8

Under Luxembourg’s specific social-partnership model, the government consults with unions, employers’ organizations and professional chambers over draft bills that touch on their members’ interests. Furthermore, all opinions, as well as the modified draft bills, are published on the parliament’s website. Unions and employers’ organizations are consulted in every case; every draft bill is submitted to the appropriate employee organization (Chambre des Salariés) and to employers’ organizations (Chambre de Commerce and Chambre des Métiers) if it concerns their members’ interests. Civil society groups may also be included in the process, depending on the purpose of the draft bill or new policy.

The so-called tripartite social model is based on institutionalized and ongoing dialogue between the government, employers and trade unions on important economic and social issues, with the goal of reaching consensus. Nowadays, five institutions engage in ongoing social dialogue: the Economic Committee, the Economic and Social Council, the Tripartite Coordination Committee, the Permanent Committee on Labor and Employment and the Tripartite Steel Conference (although this latter organization is not continuously active). The most influential trade unions in Luxembourg are the OGBL, the LCGB and the CNFP.

Citation:

“Tripartite: Luxembourg’s social model “. <https://luxembourg.public.lu/en/society-and-culture/political-system/tripartite.html>. Accessed 14 January 2022.

www.vosidees.lu. <https://www.vosidees.lu/>. Accessed 14 January 2022.

Association
Competence
(Others)
Score: 8

Interest groups have and can have an important impact on policymaking. However, drawing on academic knowledge within Luxembourg is limited. Some larger non-governmental organizations maintain small research departments and propagate their opinions through publications (e.g., Caritas, Mouvement Écologique, CEFIS, SOLEP, IDEA Fondation, the Consumers Protection Association) and conferences, by offering comments on draft bills, or by proposing policies.

Interest group communications are often made via social media, as well as through other communication channels. For younger voters, important issues include refugee aid, the lack of affordable housing (i.e., the vacancy report project, “Leerstandsmelder”), heritage protection (including the “Mouvement patrimonial” association) and environmental protection (e.g., refill initiatives). In addition, the Zentrum fir politesch Bildung, together with national and/or international bodies, organizes awareness-raising campaigns for children,

parents, professionals and the general public on a wide range of topics (democracy, citizenship, political behavior, etc.). However, public participation in traditional organizations is on the decline.

Independent Supervisory Bodies

Audit Office
Score: 9

The Chamber of Auditors was upgraded in 1999 to become the Court of Auditors, which today oversees the finances of the state administration. While keeping a low profile, the court effectively controls government spending, including that of ministries, public administration and other state services. It can audit the use of public funds and subsidies granted to public and private entities. The court essentially controls the effectiveness and efficiency of public spending, but it is not authorized to express its opinion on the political wisdom of public spending. Its scrutiny completes the ongoing work done by internal auditors in each ministry. Furthermore, the court's main interlocutor is parliament, and it undertakes cases either voluntarily or upon parliamentary instruction.

Citation:

"Rapports." Cour des Comptes Luxembourg. <https://cour-des-comptes.public.lu/fr/rapports.html>. Accessed 14 January 2022.

Ombuds Office
Score: 9

The Ombuds Office launched in May 2004, and residents have sought guidance from this government office since. The service is typically used more frequently by foreigners than by nationals. Even though the country's labor market is the most transnational in the European Union, there are still numerous obstacles for migrants. Thus, the ombudsperson has for years dealt with a number of migration issues. Like ombuds offices elsewhere, the ombudsperson can issue recommendations to government and parliament, but cannot take issues to court. In addition, the ombudsman is responsible to the parliament.

In 2017, Claudia Monti was appointed to serve as Luxembourg's ombudsperson.

In 2019, she solved over three-quarters of the 975 claims submitted by individuals, while in 2020 she dealt with 914 complaints with a correction rate of 82%. In the context of the coronavirus pandemic, the biggest category of requests (30%) related to the Ministry of Foreign and European Affairs. The second-largest category had to do with the lack of flexibility shown by the Ministry of the Economy in implementing the government aid scheme. The housing crisis remains another big issue (26 complaints), with the point system run by the Housing Fund needing to be revised.

Among the existing institutions offering this form of service – including the Ombuds Office itself, the Office for Children’s Rights, the Office for Equality Rights (based on EU directives 2000/43 and 2000/78) and the Human Rights Commission – the Ombuds Office is best equipped in terms of budget and staff and is most frequently used. The office has a good track record of finding solutions to problems, has issued a number of recommendations and monitors the implementation of the office’s recommendations.

“Public bodies act arbitrarily too often, says ombudsman.” Luxembourg Times (20 April 2021). <https://www.luxtimes.lu/en/luxembourg/public-bodies-act-arbitrarily-too-often-says-ombudsman-607ed392de135b9236d33ad6>. Accessed 14 January 2022.

Ombudsman Luxembourg. <https://www.ombudsman.lu/>. Accessed 14 January 2022.

Data Protection
Authority
Score: 9

The National Data Protection Commission (Commission Nationale pour la Protection des Données, CNPD) is an independent public institution. It is financially and administratively autonomous. It is tasked with assessing the legality of personal data processing, and additionally ensures that personal freedoms and fundamental rights are respected with regard to issues of data protection and privacy.

The legal framework under which the CNPD operates is based on the General Data Protection Regulation (GDPR); the Act of 1 August 2018 on the organization of the National Data Protection Commission and the general data protection framework; the Act of 1 August 2018 on the protection of individuals with regard to the processing of personal data in criminal and national security matters; the Act of 30 May 2005 regarding the specific rules for the protection of privacy in the sector of electronic communications, as well as other texts containing specific provisions on the protection of personal data.

The CNPD operates as a public institution under the supervision of the government minister responsible for data protection. However, it does not have the power to oversee the processing of personal data carried out by courts or the public prosecutor (ministère public), or by national administrative agencies acting in a judicial capacity.

The CNPD publishes an annual report regarding its performance, which is submitted to the government, parliament, the European Commission and the European Data Protection Board.

Citation:

National Commission for Data Protection. Grand Duchy of Luxembourg. <https://cnpd.public.lu/en.html>. Accessed 14 January 2022.

Address | Contact

Bertelsmann Stiftung

Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Christof Schiller

Phone +49 30 275788-138
christof.schiller@bertelsmann-stiftung.de

Dr. Thorsten Hellmann

Phone +49 5241 81-81236
thorsten.hellmann@bertelsmann-stiftung.de

Pia Paulini

Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

Danescu E., Clément F., Thomas A. & N. Bandelow (2022).
Luxembourg Report. Sustainable Governance Indicators.
Bertelsmann Stiftung: Gütersloh.
<https://doi.org/10.11586/2022106>

As a living document, this report is updated and revised
on an annual basis. The authors cited here are the most
recent authors to have contributed to this report.

Previous report versions can be accessed here:
[SGI 2022 | Publications \(sgi-network.org\)](https://www.sgi-network.org)

www.bertelsmann-stiftung.de
www.sgi-network.org