

SGI

Sustainable
Governance
Indicators

2015 Luxembourg Report

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Executive Summary

Between 2009 and 2013, Luxembourg's citizens effectively lost trust in their government. Following the intelligence-service affair (Service de Renseignement de l'État, SREL) in July 2013, Jean-Claude Juncker's government resigned and called for snap elections. This was in part due to public pressure, but was primarily because a key coalition partner no longer supported the Juncker-led majority. Although the Conservative Party under Juncker came out ahead in the early parliamentary elections in October 2013, the party failed to form a governing coalition, as its former alliance partner, the Lëtzebuerger Sozialistesche Arbechterpartei (LSAP), decided to form a coalition instead with the liberal Demokratesch Partei (DP) and the Greens (Déi Gréng). After 19 years in office, Europe's longest-serving leader and his Christian Social People's party (CSV) were thus relegated to the opposition benches.

After his political defeat on the national level, former Prime Minister Juncker was confirmed as the new president of the European Commission on 15 July 2014. This enabled Juncker to continue his political career, influencing European policies and hence national policies in his native country Luxembourg.

The liberal DP, the center-left LSAP and the Greens formed a new three-party government coalition. The so-called Gambia Coalition (blue, red, green), led by new Prime Minister Xavier Bettel (DP), brought a new generation of leaders into power. The new coalition wants to continue to pursue the course of fiscal austerity set by the previous government, with the aim of securing long-term economic growth and social cohesion. Therefore, these early elections will probably not result in further radical changes. Moreover, the new government needs time to implement a considerable package of spending reductions that will enable it to pursue its liberal policy goals. The continuing effort to consolidate the pension system will require a jobs-intensive economic growth path closely aligned to effective migration management, thus ultimately leading to a higher national level of employment. Given the country's dire financial situation, Prime Minister Bettel has largely sought to maintain his predecessor's restructuring course.

For more than three decades, Luxembourg's GDP growth and job-creation rates ranked the country among the European Union's top performers. Yet both rates have decreased considerably in recent years. During the review period, concerns over the competitiveness of Luxembourg's economy played a key role in the popular discourse. Contrary to predictions, the growth rate in Luxembourg did not rise, and the country continues to struggle with the effects of the financial crisis.

The financial crisis demonstrated once again how vulnerable Luxembourg's economy has become as a result of its focus on the financial sector. The country's substantial fiscal imbalances also imply potential risks to long-term macroeconomic solidity. Since 2010, tripartite negotiations between the government, employers' organizations and trade unions failed to produce desired compromises. In response, the government replaced these talks with bilateral consultations. While the country's traditional mode of collaboration between social partners and the government proved effective during times of prosperity, such tripartite talks have not proven to be an efficient basis for determining future policy during the recent years of crisis and austerity.

The financial crisis affected Luxembourg later than it did other European countries. Since 2009, certain groups have suffered some job losses, but these numbers didn't immediately affect national employment statistics. The most seriously affected were workers with interim agencies (mainly cross-border commuters) and cross-border commuters in regular employment. Some companies closed as a result of the crisis, and the financial sector came under pressure but still continued to generate positive results while cutting back on higher-paid staff.

Luxembourg's strong economic performance over the years gave authorities the means to build an outstanding welfare system, with generous insurance plans, benefit programs and services, as seen within the recently expanded health care sector. Replacement-revenue levels exceed Scandinavian standards. In recent years, Luxembourg's traditional corporatist philosophy has become more and more universal, with liberal views increasingly rare. The welfare state has consequently expanded over the past two decades, even as neighboring countries were cutting back benefits. In this sector, Luxembourg has not yet enacted any rigorous austerity policies, but has adopted only minor changes to the country's pension regime and general employment rules.

Legislation regarding the automatic exchange of information in banking poses an interesting challenge for the country. Authorities have argued – perhaps without full justification – that almost 150 banks are prepared for the end of banking secrecy, while the bankers' association (Association des Banques et

Banquiers, Luxembourg, ABL) has attempted to minimize the expected impact of the automatic exchange of information on their businesses.

The degree of democratic representation is low among Luxembourg's resident population. The country had a population of 549,700 people in 2014, 45% of which were foreigners, and cannot vote in national elections. The economy is essentially supported by this group, which includes commuters and resident migrants at all levels. Last year, 13,000 immigrants arrived in Luxembourg.

Long-term competitiveness needs to be improved by further reforming the education system. As a first step, on 1 January 2015, a special tax of 0.5% will be imposed on wages, pensions and other income, earmarked specifically for the purpose of supporting education and family policies. To increase the employment rate among women, the government has said it would provide free child care for children aged one to three.

The availability of affordable, high-quality housing has been a growing problem for decades. There is an insufficiency of living space, with a very limited stock of rental properties and high real estate prices. The government thus announced that it would promote the construction of 11,000 new apartments in order to help support continuing migration flows and population growth. Some municipalities have decided to impose a special tax on unoccupied houses in order to create disincentives to leaving spaces empty, and thus encourage existing residential property to be rented or sold.

Employers and non-governmental organizations (NGOs) have lobbied the government to allow resident migrants to vote in national elections, with the aim of reconciling the "pays réel" with the "pays legal." Luxembourg may be the only country in Europe to attempt such a widening of the electoral franchise.

While Luxembourg cannot claim a large stock of domestic expertise on important policy and economic issues, the government, social partners and civil society organizations seek expertise from abroad on important issues.

Luxembourg's purchasing power exceeds even that within Scandinavian countries; however, poverty levels are high before social transfers. After transfers, Luxembourg performs somewhat better, yet in terms of Gini index scores, Scandinavian countries demonstrate a more egalitarian post-social-transfer outcome despite Luxembourg's strong welfare system.

Key Challenges

Luxembourg performed relatively well in the global financial crisis and showed rising tax revenues in the current year. However, repeated crises have tested the country's resilience, and even disregarding the repercussions of the financial crisis, a small country such as Luxembourg would necessarily face a number of global economic changes over the next years. Therefore, the future of the country's so-called niche policies and the competitiveness of its economy are key concerns.

Internal challenges include high wages that are linked to the country's salary-index mechanism (one of several automatic systems with financial impact), an expensive education system, generous welfare provisions and the ongoing need for a pension reform. Moreover, the country must find a way to manage migration flows and employment growth sustainably, while making necessary infrastructure investments. These demands have in sum resulted in a tremendous need for austerity measures with cuts in public spending in order to consolidate the social-security system, and thus ensure long-term stability and sustainability. Additional issues currently being dealt with include a change in e-commerce VAT rules, adjustments to tax policy, the implementation of the automatic information-exchange program on capital income within the banking sector, and a general 2% increase in VAT.

The Luxembourg Cluster Initiative, led by the national research agency, Luxinnovation, has identified several sectors as important for the future sustainable development of Luxembourg's economy, including health care and biotechnology, information and communication technology (ICT), materials technology, space technology, logistics, maritime activities and the establishment of alternative investment funds including private equity funds. Therefore, there is broad consensus that public spending on research and development (R&D) must increase significantly and that Luxembourg's competitiveness must be improved in order to boost economic growth rates.

Luxembourg's domestic labor market is the OECD most transnational; yet it is also highly segmented, as private-sector firms are primarily run by foreigners (80%), while the public sector is run by nationals (90%). The European Court of Justice has ruled that Luxembourg must open up employment in the public sector in order to end discrimination against EU citizens. This may ultimately improve the performance (in area such as analysis, planning and management) of the public administration.

Including non-nationals in the democratic process would improve parliament's representative mix, and would strengthen non-nationals' identification with "their" country. Offering non-natives the opportunity to obtain Luxembourgish nationality or even dual citizenship are obviously not the only tools through which to foster inclusivity. Non-nationals' desire to participate has been evident in the launch of civil-society initiatives that concern the country's future. For this reason, the new government called a consultative referendum concerning the introduction of voting rights for foreigners, scheduled as of the time of writing for June 2015. The referendum was also slated to include two other questions: whether ministers' term of service should be limited to two consecutive legislative terms, and whether the right to vote should be offered at 16 years of age.

According to the OECD and the European Commission, Luxembourg's generous welfare provisions – primarily in the area of pensions, but also within the health care sector – need to be revised and reduced through a package of retrenchment policies if they are to become sustainable. For years, the OECD and the European Commission have criticized Luxembourg's pension system, as it is founded on overly optimistic economic-growth projections of 3% and requires the rejuvenating effect of migration inflows. Luxembourg did enjoy these conditions for decades, avoiding the pressures of an aging population being felt in other European countries, but pressure is now rising fast. Numerous incentives for early retirement also need to be diminished, and the populace needs to come to terms with full and longer participation in the labor market. Migration and rising employment rates are unlikely to fully counter the structural problems posed by demographic change over the long term. However, any reform able to produce a sustainable pension system would need strong political commitment to succeed.

The national education system presents another persistent challenge, with its trilingual character posing difficulties both to nationals and foreigners. During the past 15 years several school reforms have sought to ease the integration of migrant children within this multilingual system, and to diminish the importance of language facility in determining a student's appropriate school level.

Nationals have struggled to maintain labor-market competitiveness for years, as cross-border commuters and migrants have accepted lower wages, offered a greater degree of flexibility, and have often brought levels of education similar to or even higher than those attained by natives. This has led to a spiraling effect, with the successful performance of migrants and commuters in private firms leading to the recruitment of additional non-natives, resulting in still-stronger competition for natives. The new government has said it intends to establish a new sustainable family policy, one of the top priorities of its coalition program.

Policy Performance

I. Economic Policies

Economy

Economic
Policy
Score: 7

Luxembourg has been ranked highly on international competitiveness indices. In the Global Competitiveness Report 2014 – 2015, Luxembourg jumped to position 19 out of 144 countries, a rise of three places compared to the previous year. However, some indicators have been less well evaluated. The World Economic Forum awarded Luxembourg a poor rating both the “restrictive labor regulations” and “inadequately educated workforce” categories.

Following a deterioration in competitiveness in 2013 as ranked by the International Institute for Management Development’s index, Luxembourg regained its 2011 level during the period under review here (rising from 13th place in 2013 to 11th place in 2014). The country scored positively with regard to policy stability and predictability, a competitive tax regime, a skilled labor force, a predictable legal framework and a business-friendly environment. However, the policy mandating the automatic exchange of information on capital income (FATCA) will be implemented in January 2015, and is expected to impact the financial sector, which provides a third of Luxembourg’s GDP. The European Union has also modified its VAT regime for electronic commerce to the detriment of Luxembourg, which is home to many e-commerce companies because of its favorable tax rates. This will lead to a loss of tax revenue in 2015 (although following negotiations with the EU Commission, this policy will be implemented incrementally through 2018), obliging the government to increase its general VAT rates. New hubs and clusters have been created in an effort to create new revenue sources as the financial sector’s power diminishes. The Luxembourg Cluster Initiative is focused on high-priority sectors for the Luxembourg economy, including life sciences, eco-technology, information and communication technology, materials and production technologies, space technology, logistics and maritime activities.

To grow, Luxembourg needs to expand its labor force with highly skilled workers. According to employers’ organizations, the government needs to focus on accelerating

the pace of administrative work and procedures, as well on reforming the automatic salary index mechanism, which raises wages automatically according to inflation rates.

The country's generous welfare model has to be reformed to adapt to a reality of more modest public resources and budgets. In its evaluation of Luxembourg's Stability Program 2012 – 2015, the European Commission agreed with this macroeconomic scenario, it also highlighted concerns over the country's overly optimistic economic-growth outlook and its inability to address early retirement and pension reform.

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Labor Markets

Labor
Market
Policy
Score: 7

The gradual loss of industrial jobs in Luxembourg was more than compensated over time by a gain in services. More moderate wage development has been made possible by the postponing of a new index tranche (January 2012). Luxembourg's labor market is highly regulated, yet too many incentives in the marketplace result in high early exit rates. Only 28.4 % of the workforce is Luxembourg nationals, while more than 44.4% is so-called transborder commuters (frontaliers), a circumstance that guarantees high flexibility and short-term fluctuation in the labor market. Because of the steady growth of the resident population via a high inflow of economic migrants and corresponding national employment, the unemployment rate has increased only moderately to 7.2% in August 2014. However, in June 2014, over 377,000 people were employed in Luxembourg.

Job-creation measures have increased about 12% as compared to 2013. In September 2014, along with 18,000 unemployed people, more than 5,000 people took part in in reintegration and training programs. Employment services offices have been strengthened and regional hubs have been established in recent years. Reintegration grants are being reduced, and inspections should be strengthened next year.

After three decades of strong economic growth and modest GDP growth, the period under review saw even highly skilled workers in the rather stable financial sector losing their jobs. Those who suffered first as a result of the global crisis were workers with

limited employment contracts and those with the shortest work records at a firm, such as cross-border commuters and those who worked for temporary agencies. Luxembourg employment protections are significant for full-time employees. Within the cross-border labor market, commuters from within so-called Greater Region – which includes the adjacent regions of Belgium, Germany and France along with Luxembourg itself – are crucial, as these groups do not necessarily show up in unemployment statistics. As part of EU regulation 883/2004, which covers the coordination of social-security systems within the European Union, Luxembourg has to reimburse the member state in which a formerly commuting worker is resident for the first three months' payments of unemployment benefits (which are handled by and paid according to the laws of the country in which the newly unemployed individual's is resident).

The government has enacted a plan to help boost youth employment (Plan d'action en faveur de l'emploi des jeunes), with a particular focus on young graduates having trouble finding work. The state Employment Agency has also responded with new measures for young university graduates. Other initiatives include a youth-employment center (established in 2012), strategic plans to support and promote lifelong-learning programs, and the establishment of regional employment services. Luxembourg has lower youth unemployment rates (15.5% in August 2014) than do many other EU countries). Luxembourg has already implemented the European youth guarantee, which seeks to make a long-term impact on disadvantaged young people's access to the labor market. The labor-market participation rate among women, at 63.9%, remains below the EU average.

Because of a significant expansion in social care services for children and the elderly as well as the implementation of the European Employment Strategy, more women have entered the workforce during the period. The employment rate of workers 55 years old or older, however, is 40.5%, which is far below the EU average and national goals – a situation that is maintained by the many incentives for older workers to leave the labor market.

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Taxes

Tax Policy
Score: 7

Luxembourg was particularly affected by the financial crisis and its public deficit has grown. From 2011 to 2013, the deficit rose from 18.2% to 23.1% of GDP. GDP growth in 2013 was 2.1%, compared to 3.1% in 2010 and -0.2% in 2012. Luxembourg responded to the crisis with fiscal adjustments, including increasing the withholding tax to 35% in 2011, and in 2013, increasing a special solidarity tax, which is paid on income tax liability, from 5% to 7% (or to 9% for high-income earners and commercial entities). With the change in tax law in 2014, withholding tax on capital is no longer refundable. In 2011, the top tax rate was increased by 1% to 40%.

In December 2011, the government decided to suspend the automatic wage indexation mechanism and to allow for only one annual increase. Furthermore, the composition of the index will be changed. According to Prime Minister Bettel, the reforms to the wage-indexation system imposed during the financial crisis, in which there will be a maximum of one wage adjustment per year (ordinarily, the system adjusts wages every time the CPI rises by more than 25%), will continue in 2015.

A PriceWaterhouseCoopers (PWC) 2014 business report ranked Luxembourg favorably. At 20.7%, the total tax rate (TTC) after deductions and exemptions is the second-lowest among European and European Free Trade Association countries. Luxembourg's taxation system is still attractive for businesses, and only some 20% of companies actually pay business tax. Property tax rates are the lowest in the EU-28 aside from Malta and Croatia. To maintain the competitiveness of the financial sector, the government decided not to introduce a tax on financial transactions (the Tobin tax). Luxembourg is known for easy access to government bodies and competitive tax burdens, as it has sought to maintain an attractive tax environment.

Supported by the consumption of cross-border commuters, around 26% of the state budget comes from VAT revenue. This is an important revenue source, with Luxembourg achieving a VAT revenue ratio of almost 1.13 (2012) 100%. With a 10.8% capital-tax rate to GDP (2012), Luxembourg has the highest capital-tax to GDP ratio in EU-28. A total of 27.5% of total taxation in 2012 was related to taxes on capital. This shows the size and systemic importance of the financial sector in Luxembourg.

The EU Commission has modified Luxembourg's business-friendly e-commerce VAT regime, leading to a decline in revenues in this area in 2015. To improve public finances, Luxembourg is implementing new tax rates. The reduced tax rate will increase from 6% to 8%, the parking-tax rate (applied principally to fuel products) will increase from 12% to 14%, and the general VAT rate will rise from 15% to 17%. Luxembourg nevertheless continues to have the lowest VAT rate in Europe. Taking into account the impact of the higher VAT, which went into effect 1 January 2015, the inflation rate is

expected to peak in 2015, reaching an annual average rate of 2.7%.

In October 2014, Prime Minister Bettel announced a major tax reform, seeking to improve coherency in the individual- and corporate-tax systems. The government has also implemented restructuring measures seeking to improve the country's economic attractiveness for foreign investors. Luxembourg extended an exceptional tax deduction for eligible costs of highly skilled migrant workers. International companies can deduct expenses over a period of five years. Furthermore, in 2015 VAT declarations will be simplified by an electronic information system (eVAT). In September 2014, Luxembourg introduced a VAT-free-zone regime (Freeport, at Luxembourg airport). As a new example of niche policy, the Luxembourg financial center has been designed to host added-value activities in Europe, and has already become the most important trading center for the so-called Renminbi trade (RMB). Luxembourg is the second most important location for investment funds worldwide after the United States. In August 2014, the Luxembourg investment fund industry was home to €2.97 trillion in net assets, across 13801 fund units.

In 2014, the so-called Lux-leaks scandal on tax rulings threw Luxembourg into the international news for weeks. The EU Commission mounted further investigations (Fiat and Amazon) into tax rulings, seeking to prevent conditions of unfair competition, which is externally regarded as state aid. The European Union is working with national tax authorities to improve coordination and harmonize the taxation systems of the so-called Sociétés 6. The outcomes of these proceedings and upcoming audits within new framework have not yet been determined.

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Budgets

Budgetary
Policy
Score: 8

Luxembourg's economy has been based on economic niches supported through short-term regulatory policy. The state budget, as well as the budget for the country's generous welfare state, has been dependent on a pattern of continuous economic growth, producing consistent revenues from the financial sector, and in recent years from e-commerce. However, these funds can no longer be guaranteed on a long-term basis, as the future of these niches is uncertain. For example, Luxembourg received comparatively substantial VAT revenues from the e-commerce sector. However, due to EU harmonization, the country's special taxation regulations for e-commerce are effectively ending in 2015. Meanwhile, while new levels of transparency regarding capital income will also be required from 2015 onward (as part of the Fair and Accurate Credit Transaction Act – FATCA, as well as a new EU directive). Both changes will make Luxembourg less economically attractive as a base for the activity involved. The recent announcement by the minister of finance that Luxembourg is ready to accept an automatic information exchange is also likely to have a dampening effect on the country's financial sector.

Individual tax rates and low indirect labor costs (third lowest in the EU-27 in 2013, following Malta and Denmark) keep Luxembourg attractive for international companies. Most enterprises pay low taxes, with only 20% of companies paying business tax. However, changes are planned following the current review period. Rules governing stock options (given as employee bonuses) will change, and a minimum tax on holding companies (Sociétés de Participations Financières) is slated to be introduced. In addition, the government plans to abolish the tax table's automatic inflation adjustment, a law which hasn't been applied in recent years. The problem of tax arrears needs to be solved through the use of a modern, computerized tax administration.

From 2008 to 2014, Luxembourg's public debt rose from 13.5% to 22.8% of GDP, or €0.48 trillion. The government's provision of guarantees for two Luxembourg banks (Banque Générale de Luxembourg and Banque Internationale à Luxembourg), amounting to a total of more than €4.5 billion, particularly affected public finances. The consolidated public deficit amounted to 1.7% of GDP in 2013, decreasing less than expected given GDP growth in Luxembourg that was stronger than in most other European countries. The small country's main concern is the challenge of predicting how the economic crisis will play out in other EU countries.

In October 2014, the new government announced a "Future Fund," a package that

included 258 economic measures and a minimum annual contribution of €50 million. This special fund is slated to run for more than 20 years, until it accumulates at least €1 billion, and will be used to fund intergenerational projects.

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Research and Innovation

R&I Policy
Score: 6

Luxembourg falls below the European average for research and development investment, having spent 1.63% of GDP for its purpose in 2012 (EU-27 average: 2%). The country thus needs to improve research efforts. Luxembourg's four public research centers (now three, thanks to mergers) have lagged far behind international academic standards for decades.

Improvements in research policy over the past 20 years have included the launch of a national funding program (Fonds National de la Recherche) in 1999, the foundation of the University of Luxembourg in 2003 and the creation of a general public scholarship scheme that replaced the child-benefits program in 2010. Luxembourg's university has persisted in a mode of continuous expansion, and will progressively move into the new Campus City of Science in Esch-Beval. The House of Innovation already offers space for 500 scientists and researchers from CRP-Henri Tudor, Luxinnovation and the Dr. Widong Centre. Unfortunately, government funding will decrease in 2015, totaling €105 million less than the university applied for. Consequently, the institution is seeking external funding. Conceding that a strong ICT based information society will be necessary to be competitive in global markets, Prime Minister Xavier Bettel introduced the "Digital Lëtzebuerg" initiative in October 2014, with the aim of strengthening ICT capacities over the long term, both for citizens and in the economy as a whole.

The Chair on Social Business and Social Management of the University of Luxembourg will open new perspectives and seek innovative answers to societal challenges, promote social enterprises and help stimulate start-ups, thus addressing economic, political and social development as it seeks to enhance economic sustainability.

In its Europe 2020 Strategy, the Luxembourgish government set a goal of raising public expenditure on research and innovation from between 2.3% and 2.6% of GDP, with 0.7 to 0.8 percentage points of this earmarked for public use (starting from 0.62 in 2013) and 1.5 to 1.9 percentage points earmarked for private research. The overall European goal is 3% of GDP. In 2014, the Société Nationale de Crédit et d'Investissement (SNCI) set up a new research fund. Small and medium-sized companies are provided with financial incentives designed to support R&D business projects in Luxembourg.

Citation:

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<http://www.snci.lu/files/55293.pdf>
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Global Financial System

Stabilizing
Global
Financial
Markets
Score: 6

Since the opening and creation of the single European market in the 1970s, Luxembourg has been the most important actor in the European debt-capital market, playing a major role in stimulating the international financial architecture. In the 2014 Global Financial Centres Index rankings, Luxembourg lost three places, achieving fourth place among the financial centers in Europe. In the new EU Competitiveness Scoreboard 2014, Luxembourg was ranked 6th overall among the EU-28 (previous year: 13th place). The country's economic freedom score was unchanged from the previous year, at place 16. In the World Bank Doing Business 2015 report, Luxembourg was ranked only at position 59, behind Belgium (42), France (31) and Germany (14). Reflected in these rankings is the perception that Luxembourg is not an innovation leader, and has difficulties in encouraging start-ups and creating jobs.

Luxembourg is a major financial center, with the banking and financial-services industry contributing an estimated 30% of GDP or more. Consequently, the country was exposed to the effects of the economic crisis within the European Union. Luxembourg's treatment of offshore accounts and capital deposited by non-resident customers came under international scrutiny during the period. Yet issues with banking secrecy will essentially come to a close in 2015, when all EU member states are expected to move to a system of automatic information exchange. Since its commitment to the international

standards on this issue, established by a G-20 meeting in March 2009, Luxembourg has as required created a large number of bilateral information-exchange mechanisms for tax purposes. In early 2013, however, Luxembourg refused to endorse a financial-transactions tax that was agreed upon by a majority of EU member states. Under the pressure of the U.S. Foreign Account Tax Compliance Act (FATCA) and the new EU rules, Luxembourg promised in October 2014 to implement full and permanent tax transparency, after conducting negotiations began in 2012. The government and the banking industry say they are confident that the change will not have a large negative impact on the activities of the country's financial sector, as some regulations have been long anticipated, and many have already been enacted since 2009 as part of OECD standards.

Citation:

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II. Social Policies

Education

Education
Policy
Score: 4

The country's education policy must deal with the challenges of a multilingual society and a high proportion of migrant students. The education system is particularly marked by its insistence on early selection: after six years of primary school, students face a crucial junction and must choose one of two academic tracks, general or technical. There is a marked division between Luxembourg nationals and migrant students, as generally migrants (especially the Portuguese minority) struggle with languages and are more often tracked to the technical level (secondaire technique), which affects their progress toward a university education. To avoid this, often more affluent migrants will send their children to a reputable international school. This leads to yet another division between higher-income and lower-income migrants.

The share of early school or training-program leavers fell during the period under review, leaving Luxembourg in fifth place on this measure within the EU-28. This share fell from 8.6% in 2012 to 6.1% in 2013. Reforms introduced on this issue (Second Chance School and new social assistance programs) in recent years are having a

strongly positive effect. From 2010 to 2012, the proportion of students going on to tertiary education has increased. In contrast, the share of people with upper-secondary education has declined. In contrast to other EU countries, the rates for upper secondary and tertiary education in Luxembourg are similar. But only 25% of Luxembourg's students will graduate "for the first time from tertiary-type A programs during their lifetime" (OECD 2014:76) and less than 30% will enter tertiary education programs.

According to OECD data (Education at a Glance 2014), Luxembourg has the OECD's highest level of expenditure per student by educational institutions (more than \$23,000 at the primary level and more than \$16,000 at the secondary level), and the smallest average class size (16 students). In addition, between 2008 and 2012, average salaries for primary-education teachers increased dramatically, by 40.8%. This is mostly due to the fact that the 2009 law reforming basic education introduced an increase in teachers' salaries. Yet despite its high costs, the education system largely performs below the OECD average.

In the last PISA study, Luxembourg showed the largest gender differences of any country measured. Boys outperformed girls in mathematics (by 25 points) and in natural science (15 points), while girls obtained better results in reading (PISA 2012). In mathematics specifically, Luxembourg showed the most pronounced differences between boys and girls among the OECD countries. In Luxembourg it is common for students to repeat one or more years of school, leaving school with an average of two years delay. A total of 70% of students have to retake at least one school year. The excessive length of studies and the delayed onset of working life are certainly problems that must be urgently addressed. Furthermore, only 20% of young adults complete type A tertiary education degrees before their 30th birthday.

In 2009, the government introduced primary-school reforms including a new competence-based curriculum, performance monitoring and a tutorial system. Secondary-school teachers were required to teach 15% more hours in 2012 as compared to 2005. A government action plan (Plan d'encadrement périscolaire) released during the period under review set new educational goals, mainly through a close collaboration between school and after-school care facilities, including sharing of premises, staff and equipment.

Plans for secondary school reforms were launched after primary school reforms, and focused on a concept of improving a student's skill base (socles de compétences) along with more balanced language expectations. Following a year of intensive negotiation and internal debate, the draft bill was introduced to parliament. Ongoing negotiations with the unions have not produced satisfactory agreement.

Citation:

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<http://www.men.public.lu/catalogue-publications/systeme-educatif/dossiers-presse/2013-2014/131203-pisa.pdf>
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<http://www.oecdbetterlifeindex.org/countries/luxembourg/>
<http://www.oecd-ilibrary.org/docserver/download/9810131ec011.pdf?expires=1422976094&id=id&accname=guest&checksum=5D5D1962E8CE11EE6EF9594E24240468>
<http://www.statistiques.public.lu/fr/publications/thematique/conditions-sociales/enseignement-en-chiffres/enseignement-en-chiffres.pdf>
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Social Inclusion

Social
 Inclusion
 Policy
 Score: 9

Luxembourg's welfare system is possibly one of the most substantial and comprehensive in Europe. While other countries in recent years have curtailed welfare benefits, Luxembourg has in contrast expanded its system over the past 30 years. Since 1986, Luxembourg has offered a guaranteed minimum income (revenu minimum garanti, RMG) to ensure all residents have sufficient revenue (European Union and European Economic Area states since 2001) who are older than 24 (with certain exceptions, such as one-parent families and the disabled). Although the youth unemployment rate is 18%, unemployed youth who are under 24 years old receive no financial support.

Luxembourg has a high rate of poverty risk before social transfers (45.8%) and a relatively modest poverty risk after transfers (15.9% in 2013). Income inequality (Gini coefficient in 2011: 0.28) is lower than the EU average and lower than in other countries, such as the United Kingdom, Switzerland, France and Germany. The country's social assistance services primarily concentrates on large families and single parents. Nevertheless, it is worth emphasizing that the poverty risk for single-parent families in Luxembourg has risen dramatically from 25.2% in 2003 to 46.9% in 2012.

Thanks to previously sustainable growth rates, Luxembourg ranks as a wealthy welfare state in international comparisons, achieving high positions (21) in the 2012 and 2013 U.N. Human Development Index (HDI). However, it remains behind neighbor countries France and Germany in terms of overall HDI ranking. It is also important to note that Luxembourg's international rankings with regard to education and skills, and personal safety are lower than the OECD average, while life expectancy (81 years) is only one year higher than the OECD average.

In 1989, Luxembourg adopted a system of care insurance (assurance dépendance) that is considered one of the most generous schemes worldwide. It includes cash benefits and benefits in kind that give priority to caring for the elderly and disabled at home. Institutional care is also provided for without requiring out-of-pocket payments. Other allowances provide the necessary means for long-term institutional care.

Child-care services up through the 1990s, while available, were not as extensive and were seen as one of the reasons for Luxembourg's low rate of female employment, even though employment rates among women have risen in recent years. Since the enactment of the EU Employment Strategy, Luxembourg has since expanded child care services and now offers some of the highest child benefits within the European Union. Child care service provisions are also partly financed by the state.

In 2011, welfare expenditures on social protection totaled 22.5% of GDP. Rising unemployment and higher costs of living, mainly housing, resulted in a 40% increase in welfare recipients between 2008 and 2012. A new housing allowance will be introduced in 2014. The government in 2011 established a system of regional social services offices. Since that time, the number of social aid applications have increased at the local level.

Citation:

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<http://www.gouvernement.lu/3680390/cg.pdf>

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Health

Health
Policy
Score: 8

Luxembourg's well-equipped hospitals offer a wide range of services, including high-end, expensive treatments, and waiting lists are rare, except for some services that are highly demanded, like MRI. Luxembourg also has the highest share of patient transfers to other countries for treatment within the European Union. Due to the country's small size and the absence of a university hospital, it is not possible to provide every medical specialization. Necessary medical transfers to neighboring countries have the side effect of being beneficial for the finances of the state health-insurance program, as those services are in general less expensive abroad.

Drawbacks to the Luxembourg system include the aforementioned lack of a university hospital and the individual nature of doctor's contracts and treatment responsibilities. Most resident general practitioners and medical specialists sign contracts with individual hospitals and are responsible only for a certain number of patients (Belegbetten), which prevents any sort of group or collective treatment options. Some hospitals have organized in such a fashion as to keep doctors' offices "in house," but this has not changed their status as independent actors (Belegarzt).

Luxembourg's system of health insurance providers has been gradually unified; in January 2009, of the nine – typically corporatist – providers, six were merged into a single national health insurance (Caisse nationale de santé). The remaining three independent schemes are for civil servants, and while they operate independently, they offer the same coverage and tariffs for health care provisions. The overall objective is to end up with a universal system; the system up to now functions with equal contributions from employees and employers, plus an important contribution from the state. The same tariff structures exist for all doctors and patients (including for the three independent insurance programs). Access to treatment under the Luxembourg health care system is limited to contributors (employees, employers and their co-insured family members) only. It excludes newcomers without a work contract or those who do not have another form of voluntary insurance coverage. Applicants for international protection are insured via the competent ministry. Furthermore, Luxembourg's national insurer offers generous reimbursements; out-of-pocket expenses for patients in Luxembourg are the lowest within the OECD.

However, Luxembourg's health care system is also considered one of the most expensive within the OECD countries, ranked fourth after Switzerland, Norway and the United States. The reasons for this include the country's high wages, the high ratio of technical medical equipment to residents and the low out-of-pocket costs for patients. Furthermore, authorities for years have tried to limit general provisions offered by all hospitals, instead offering incentives to limit treatment in specialized centers, for example. The proposed introduction of the psychotherapists' law will improve the provision of health care, but also implies additional charges. While necessary health care reforms have been initiated, most of the details are still far from being implemented. During the coming year, the new government is expected to swiftly implement a comprehensive reform of the health-insurance system (for example, introducing digital patient files, a primary-doctor principle and state grants for sickness benefits) with the aim of improving the long-term budgetary sustainability the health care and statutory nursing care systems.

Citation:

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Families

Family
Policy
Score: 9

Luxembourg's corporatist welfare regime has gradually evolved over the years to a more universal system with a high degree of defamilialization. One indicator is the shift from a predominant transfer system to transfer and service system, with specific provisions for children and the elderly. Luxembourg has positively responded to its changing demographics by adapting family policy measures. In this context, the government has pushed for policy to offer a wide range of child-rearing allowances and child-care services, such as child benefits, maternity leave, parental leave, birth and post-birth allowances. Furthermore, indirect help is also offered, such as subsidized mortgage interest rates depending on the number of children in the home. In general, Luxembourg offers the highest child benefits within the European Union. Luxembourg through its evolved child care provisions has considerably improved the labor market involvement of women, and is one of four leading member states in terms of offering a full "family benefit package."

When compared internationally, Luxembourg's tax policy is family-friendly. Women's labor market participation has increased considerably since the launch of the European Employment Strategy. In parallel, the government has invested in child care facilities to increase the female employment rate. This contains also sustainable improvements in family-friendly workplace arrangements. Gender-based job segmentation and the gender pay gap, while still existing, have decreased. In general female participation in the workforce is still low. The OECD and the European Commission have pointed out that Luxembourg's low female employment rate (63.9% in 2013) ranks it 12th in the EU-28.

Luxembourg's public child care institutions include the "maisons relais" or general daycare centers (initially a Social Fund project, which has since been mainstreamed); the "education précoce," a third pre-school year (initially also a project of a migrants' lobby organization, that also has been mainstreamed); and "foyers de jour" or after-school centers. As of 2013, public child care provisions were available for 46,377 places for children aged three months to 12 years (or 50.2% of children aged 0 to 14 years) as opposed to 7,712 places in 2009 (or 8.7% of children aged 0 to 14 years). Thus European employment policies have given the system in Luxembourg a significant push toward offering more general child care provisions.

The 2015 budget introduced a reform of family policies aimed at administrative simplification. There will now be one fixed subsidy per child regardless of the family composition. Child bonuses and child allowances will be paid in one sum. The government also plans to cut the education and maternity allowances as part of this new coherent family policy. To compensate for this decline in financial support, the coalition is introducing a 0.5% supplementary tax to provide free child care facilities for one- to three-year-olds, early language support, and intercultural education for migrants.

Citation:

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Pensions

Pension
Policy
Score: 7

Luxembourg's pension plans offer one of the highest replacement rates within the OECD (2012) and provide a high living standard for the elderly. In 1999 Luxembourg started urgent reforms of the social security system that offers a broad scope of services and requires no out-of-pocket expenditure for benefits such as health care. The country's package of services for the elderly (health care insurance and other allowances) is one of the most substantial and generous in the world. The rate of old-age poverty is lower than that for families, and even more so if single-parent families are considered. Pensioners must contribute financially to the health care insurance system, however, and are fully taxed.

In 2012, the country's pension fund comprised a still-growing reserve of 3.8 times annual expenses. Luxembourg's old-age dependency ratio in the private sector was at its most ideal in 2008 with 38.6 pensioners to 100 contributors, yet in 2011 fell to 40.1 pensioners per 100 contributors. For civil servants in 2005 the ratio was 51.6 pensioners per 100 contributors. The public sector, of which 90% is Luxembourg nationals, is suffering from an inevitable ageing effect; furthermore, in this sector wages and pensions are significantly higher than in the private sector.

Luxembourg also offers by far the highest minimal pension benefit with a monthly sum of €1,661.58 as of 2013. In light of the long-term sustainability of such a system, the OECD and the European Commission have urged radical pension system reform. In 2012 the government introduced a number of changes, including a gradual increase in the number of contribution years to 43 to earn the same level of benefits, as well as a reduction in benefits for those who have only contributed to the system for 40 years; indexing pension payments only to inflation rather than to nominal wages, in the event that reserves proved insufficient; and a gradual increase in the rate of pension contributions from 24% to 30% of gross wages and other income. Yet the pension

reforms, which came into force on 1 January 2013, are benefiting from the favorable macroeconomic environment. The reforms were based on an estimated GDP growth rate of 3%, which is unlikely to be continued in the future. GDP growth was estimated at 3.2% and employment growth at 1.9% in 2014. Further measures must be taken to guarantee long-term financial stability through 2050.

Citation:

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Integration

Integration
Policy
Score: 8

Luxembourg's migrant population since World War II has grown continuously; today some 85% of migrants are citizens of the European Union, while overall 92% are of European extraction, with the remaining highly qualified migrants from Japan, the United States, Canada and other countries. Luxembourg claims one of the highest performing migration populations, with an outstanding share of economic immigrants among OECD countries and a very small group of economically weak third-country nationals. Some 50% of the total resident population in Luxembourg is immigrant-based, and as of 2008 the government significantly revised its immigration and integration policy. Furthermore, in 2010 the government introduced a national action plan to better integrate the immigrant populations as well as combat discrimination (Plan d'action national d'intégration et de lutte contre les discriminations). In addition, Luxembourg has improved consultation mechanisms with migrants and pursued stronger democratic principles with regard to migrant issues. A national body focusing on migrant issues (Conseil national pour étrangers) had its first session in March 2012, and in September 2012 members elected a president and vice-president.

Every municipality is as of the review period required to establish a integration commission (Commissions consultatives communales d'intégration, CCI) that accurately represents the region's migrant mix. As these bodies are fairly new, no detailed evaluation is yet available.

In 2010, the Migrant Integration Policy Index gave Luxembourg an overall score of 59 (55 in 2007), ranking the country 11th out of 35 nations examined. Migrant children are fully integrated into the local primary-school or secondary-school system. Children between 12 and 15 who have recently migrated to Luxembourg are given the opportunity to attend a special class 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 at a later date. Children of foreign origin have high average failure rates, a fact closely associated with the bilingual school system. As part of its evaluation through the Program for International Student Assessment (PISA), Luxembourg is regularly criticized for its low performance regarding the integration of migrant children.

Luxembourg has also for some time been criticized by chambers of commerce and non-governmental organizations over the representative makeup of parliament, as it does not include representatives for migrants or cross-border commuters, who constitute 80% of the labor market and are the main driving force of the “national” economy and nearly half the country’s population. Thus, the national Chamber of Commerce and one of the most powerful migrant lobbying groups (Association de Soutien aux Travailleurs Immigrés, ASTI) have pushed for the participation of migrants in national elections, a request that is unprecedented within the European Union. The government plans to carry out a consultative referendum on voting rights for foreigners in 2015.

Citation:

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Safe Living

Safe
Living
Conditions
Score: 7

While Luxembourg no longer scores among the very top cities in Mercer’s Quality of Living survey, the capital as of 2012 is ranked 19th worldwide with regard to standards of living and personal security.

As of 2000 the government merged the police and the gendarmerie to create the Police Grand-Ducale, cutting administration staff strengthening the forces overall, resulting in an improvement in crime clearance rates.

One ongoing focus is the continuous education and training of police officers as an important method in adjusting to new criminal methods and activities. An additional

goal is to strengthen international cooperation and bilateral agreements in combating cross-border crime. Sustained efforts remain necessary to prevent activities such as money laundering, other financial crimes and terrorism. In 2013, 165 people were convicted of money laundering, 14% more than in the prior year.

Although the number of police officers has increased every year, the crime rate is also rising continuously. The national police force was increased to 1,762 police officers and 227 civil officers as of 2013. According to 2013 statistics, the crime rate rose 3.75% as compared to 2012, with 7,440 crimes per 100,000 residents. Drug-related crime and robberies (+37%) have climbed faster (with respect to total number of cases) than other crime. Vandalism, however, has fallen (-8.6% in 2013), and Luxembourg's prisoner population increased only slightly, by 2.5% compared to the previous year (2012: 679; 2013: 697). This was slightly above the EU-28 average for 2012.

Increasing criminality in Luxembourg not only results in rising costs, but also decreases subjective and objective safety. A recent survey showed that 34% of population "believed they could be burgled during the next year and more than a third (37 percent) of people living in houses believed they were at risk" (Wort 2014).

Citation:

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=crim_pris&lang=en

<http://www.internationalhradviser.co.uk/storage/downloads/2012%20Quality%20Of%20Living%20Worldwide%20City%20Rankings%20Survey.pdf>

<http://www.justice.public.lu/fr/publications/rapport-activites-crf/rapport-crf-2013.pdf>

<http://www.police.public.lu/fr/publications/statistiques-2013/presentation-statistiques-2013.pdf>

<http://www.statistiques.public.lu/catalogue-publications/regards/2014/PDF-08-2014.pdf>

<http://www.statistiques.public.lu/fr/actualites/conditions-sociales/justice/2014/04/20140423/CommuniquePolice.pdf>

<http://www.wort.lu/de/lokales/kriminalitaet-10-prozent-mehr-einbrueche-in-luxemburg-542bb629b9b398870806f397>

<http://www.wort.lu/en/luxembourg/statec-report-1-in-3-residents-expects-to-be-burgled-54118172b9b3988708062fad>

Global Inequalities

Global
Social
Policy
Score: 9

Luxembourg contributes approximately 1% of its GDP to official development assistance efforts and could serve as a model for sustainable development. The country has a sustainable development aid policy focused on energy-saving programs, and which could help to achieve effective carbon-emission reductions in beneficiary countries.

Since 2000, the country's development agency, Luxembourg Development Cooperation (Lux-Development), has exceeded the U.N. target for industrialized nations of earmarking 0.7% of GDP for development projects. Coming just after Norway (1.02% of GDP) and Sweden (1%), Luxembourg spent 0.97% of GDP (€399 million) on public development-assistance funding in 2013. Despite the still-strained state budget and fiscal tightening, Luxembourg did not forecast a reduction in development-aid spending

2015, with this continuing to be at 1% of gross national income. The NGO umbrella organization CERCLE has pointed out, that budgetary rigor will also apply to NGO development aid policy in the coming years, reducing national co-financing costs along with NGO administrative costs.

Luxembourg plays an important role in the microfinance sector, hosting firms that offer a full range of microfinance products, and supporting more than 50% of the global funds in this area. From 2013 to 2015, Luxembourg will serve as a non-permanent member of the U.N. Security Council, elected in part on the basis of its strong contribution to cooperation policies.

Luxembourg's development assistance focuses on training, health care, water treatment, sewage, local development and infrastructure projects, with a focus on local initiative through offering education and training programs. Some 15% of the cooperation budget is given for humanitarian help, which includes emergency assistance and reconstruction aid, based on EU and OECD guidelines.

Since 1992, Lux-Development has been responsible for the design and implementation of two-thirds of the country's development budget. Furthermore, 20% of the budget is reserved for projects in cooperation with 97 approved NGOs, which work in concert with the cooperation and humanitarian action government minister. In 1992 Luxembourg joined the Development Assistance Committee (DAC) of the OECD, supporting bilateral cooperation and monitoring aid flows, allowing Luxembourg to work often with other European countries. Luxembourg has also implemented guidelines set by the OECD and the European Union to stop tax evasion from developing countries. The recent DAC peer review recommended the promotion of policy coherence over development issues and the improvement of coordination between state departments and Lux-Development for more positive results.

Citation:

<http://cercle.lu/le-zukunftspak-menace-lavenir-des-ong-de-developpement/>

<http://www.cooperation.lu/2011/>

http://www.cooperation.lu/_dbfiles/lacentrale_files/400/404/MAE-2011.pdf

<http://cooperation.mae.lu/fr/Partenaires-de-la-Cooperation-luxembourgeoise/Liens-vers-les-ONG-partenaires>

<https://euaidexplorer.jrc.ec.europa.eu/AidOverview.do>

<http://www.globalpolicyjournal.com/blog/01/05/2014/worlds-top-donor>

<http://www.oecd.org/dac/peer-reviews/luxembourg.htm>

For further informations: <http://www.taxjustice.net>

III. Environmental Policies

Environment

Environmental Policy
Score: 6

Luxembourg has during the period focused efforts toward protecting water resources and curbing emissions with a series of governmental measures that have helped improve conditions. However, efforts such as reducing carbon emissions caused partly by the phenomenon of “fuel tourism” – cross-border commuters that benefit from lower fuel prices – and the progressive improvement of the water quality of rivers and lakes need to be continued. Luxembourg’s pledge per the Kyoto Protocol to reduce carbon emissions by 28% by 2012 has been hampered by tax revenues from fuel tourism (€1.15 billion tax revenue a year), which has led to high carbon emissions and the negation of emissions policies. Also, the country’s dynamic economic growth has also been cited as a reason for increasing carbon emissions.

Luxembourg claims the highest energy consumption per capita, the highest vehicle density and renewal rate of passenger cars (14.3%) in Europe. Despite the controversial debate over environmental liability, Luxembourg was the only EU country to reduce its biofuel ratio in 2012.

What’s more, according to EU environmental statistics, at 2.1% Luxembourg also claims the lowest share of consumption of renewable resources and only 36% of the country’s wastewater is treated in modern triple-phase sewage treatment plants. In 2011, the government was condemned for a second time by the European Court of Justice for “failing in its obligation to treat and dispose of urban waste water.” Although Luxembourg committed to the OECD Pesticide Risk Reduction Project, it was not implemented until 2012. Moreover, public transport in the country has to be reinforced in the context of an overall policy on sustainable mobility.

Luxembourg’s water systems are of comparatively poor quality (contaminated with pesticides, etc.), with only 7% of its rivers and streams in “good” condition. There is a problem with waste-water treatment and also drinking-water supply if summers are very dry. Monitoring of water systems is regarded as being insufficient.

Although the country’s per capita water consumption has decreased, in comparison to average use in the European Union, levels are still high. The European Commission has pointed out that Luxembourg’s low fresh-water abstraction rate (91 cubic meters in 2011) ranks second in the EU-28. Moreover, with 687 kilograms of waste per year per person (2011), Luxembourg’s waste volume is one of the highest in the OECD (OECD average: 540 kilograms).

As of 2011, Luxembourg showed Europe's highest degree of landscape fragmentation, fostering concerns over the country's biodiversity, with many animal and plant species regarded as being in danger of extinction. In 2012, about 34% of the 1,323 native flowering plants, around 54% of mammals and 24% of breeding birds were considered at risk.

The country's environmental policy thus faces some major challenges. Programs implemented during the period and looking forward addressed or will address issues surrounding the country's high recovery and recycling rate; new assessments of environmental sustainability questions; the achievement of sustainable protected forests reserves; monitoring nature conservation programs; the enlargement of energy counseling; a decrease in average per capita water consumption; the reduction of tax-privileged mileage allowances; and the implementation of an indicator-based biodiversity monitoring framework.

Citation:

http://apis.lu/files/Dossier_MECO_FUAL.pdf

http://www.environnement.public.lu/developpement_durable/dossiers/pnnd_2010/PNDD.pdf

http://www.environnement.public.lu/conserv_nature/Observatoire/rapport/PKRappOBS2012.pdf

http://www.environnement.public.lu/conserv_nature/biodiv/de/luxembourg

http://europa.eu/rapid/press-release_IP-11-1273_en.htm

<http://www.greng.lu/sites/greng/files/20120709-PK%20Sauer-Waasser-Velo-final%20.pdf>

<https://www.gouvernement.lu/3595282/26-dieschbourg-revue?context=3316826>

<http://www.statistiques.public.lu/fr/actualites/economie-finances/comptes-finances/2014/08/20140806/20140806.pdf>

<http://www.statistiques.public.lu/catalogue-publications/luxembourg/2012/PDF-18-12.pdf>

<http://www.statistiques.public.lu/catalogue-publications/economie-statistiques/2014/76-2014.pdf>

<http://www.wort.lu/en/politics/emissions-vs-tax-revenue-the-pros-and-cons-of-fuel-tourism-53df4e68b9b398870804fcb3>

<http://www.wort.lu/de/view/luxembourg-tut-sich-schwer-mit-dem-gewaesserschutz-5109ec4fe4b04af8b813ce57>

<http://www.wort.lu/en/luxembourg/ministry-says-water-safe-for-consumption-pesticide-pollution-exceeds-eu-norms-5436bba6b9b3988708074791>

Global Environmental Protection

Global
Environmental Policy
Score: 7

Luxembourg was one of the first countries to complete an ecological footprint report, published in 2010 by the High Council for Sustainable Development (Conseil Supérieur pour un Développement Durable). Measuring sustainability, the ecological footprint report indicated that Luxembourg requires twice the amount of agricultural land and water to compensate for the resources consumed through the country's high economic growth, high volume of road traffic and fuel sales to non-residents.

Fuel price alignment is however not considered to be a solution, and will only transfer carbon emissions to neighboring countries. Instead, the government has to provide adequate public transportation for cross-border commuters who currently drive to work. After considerable discussions, the government decided to create a quite expensive tramway project in the capital to provide a more sustainable and eco-friendly public

transport system. For many years, there have also been discussions about sustainable and convenient international public-transportation systems that might serve to reduce transborder emissions.

Luxembourg needs to expand its renewable energy production. Biofuel production does not provide a long-term solution, as this simply relocates an environmental problem to another country, especially emerging ones.

Citation:

http://www.environnement.public.lu/developpement_durable/dossiers/pndd_2010/PNDD.pdf

<https://www.gouvernement.lu/3595282/26-dieschbourg-revue?context=3316826>

<http://www.greng.lu/sites/greng/files/20120910-PKAgrofuelsfinal.pdf>

http://www.myfootprint.lu/files/download.php?file=CSDD_Brochure_Interieur_2013_PROD_BasseDef.pdf

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

Electoral law presents no restrictions in registering a party for election. There are no restrictions regarding candidates, except the provision that those deprived of their civic and political rights by a judicial decision are prevented from running. Candidate lists, complete or partial, are proposed for each of the four electoral districts by political parties, associations of candidates or individuals. The lists are supported either by 100 voters registered in the district, by an elected member of parliament from the district, or by three members of municipal councils. The electoral lists can consist of single individuals who are not affiliated to a political party; a quite frequent phenomenon. Typically in this case single issues are the motivation. The total number of candidates on a list cannot exceed the number of seats to be allocated in the district.

Citation:

http://www.chd.lu/wps/PA_Archive/FTSShowAttachment?mime=application%2fpdf&id=923883&fn=923883.pdf

<http://www.gouvernement.lu/1719337/systeme-electoral>

<http://www.legilux.public.lu/leg/textescoordonnes/recueils/ELECTIONS/Elections.pdf>

<http://www.luxembourg.public.lu/catalogue/medias/ap-medias/AP-Medias-2013-DE.pdf>

Media Access
Score: 8

All newspapers have more or less close ties to political parties, reflecting the ownership of the publications. They tend to be biased or rather partisan, especially during election campaigns. This gives an obvious advantage to large parties, especially the Christian Social People's Party (CSV), which can count on the support of a newspaper group connected to the largest newspaper Luxemburger Wort, owned by the Catholic Church, which more or less dominates print media. To bolster a dwindling readership, newspapers have adopted a more balanced line over recent years, reducing at the same time their political bias to the benefit of smaller parties and organizations. As there are no significant public broadcasters, the main private broadcaster Radio Télé Luxembourg (RTL) has guarantee more or less balanced reporting according to its concession contract with the state of Luxembourg. During election campaigns parliament provides the political party lists with airtime and the opportunity to broadcast television ads on essentially equal footing. The government organizes roundtables with candidates from all the lists. The financing of election campaigns, especially the distribution of promotional leaflets by mail, is regulated by law.

The media market is becoming more pluralistic. Reports and comments in print media

are less partisan than previously, and more media essentially distances itself from party influence. The government expects to revise press subsidiaries in the near future, with the aim of redistributing financial aid to support online media as a supplement to classic print media.

Citation:

<http://www.eurotopics.net/fr/home/medienlandschaft/luxmdn/>

<http://www.luxembourg.public.lu/catalogue/medias/ap-medias/AP-Medias-2013-DE.pdf>

<http://www.luxembourg.public.lu/fr/culture/medias/presse-ecrite/index.html>

Voting and
Registrations
Rights
Score: 8

Voting is compulsory in Luxembourg for those listed on the electoral register. To vote, one is required to be a national of Luxembourg, be at least 18 years old on the day of elections, have full civil and political rights and live in the country. Citizens living abroad temporarily or those over the age of 75 can vote by mail. There is no observable discrimination as part of the voting process. The Luxembourgish government wants to encourage political participation among young people by lowering the voting age to 16 years, an issue that was slated for inclusion in the consultative referendum of June 2015.

Experts have consistently criticized the representative makeup of parliament as insufficient, as it does not include migrants and cross-border commuters who constitute 80% of the labor force in the private sector and who are the main driving force of the national economy. Some 45% of the resident population may not vote in national elections as they are not Luxembourg nationals. Of those, 85% are EU citizens and are entitled to participate in European elections and in municipal elections. All foreigners, EU citizens as well as citizens from third countries, have the right to participate in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Inscription conditions have been eased over the years. However, non-nationals' interest in political participation at the local level remains low. In the 2011 municipal elections, only 16.9% of those eligible to vote actually took part. The Chamber of Commerce and the Support Association for Immigrant Workers (Association de Soutien aux Travailleurs Imigrés, ASTI), promote the participation of migrants within national elections. During the period, voting rights for resident foreigners in parliamentary elections became a cross-party issue (with some exceptions). For this reason, on the basis of the coalition agreement, the introduction of voting rights for foreigners was slated to be addressed in the scheduled June 2015 referendum, as this was seen as an opportunity to create equal participation rights in national politics.

Citation:

<http://www.asti.lu/wp-content/uploads/2014/09/Wiseler.pdf>

<http://www.gouvernement.lu/1719337/systeme-electoral>

<http://www.gouvernement.lu/3322796/Programme-gouvernemental.pdf>

<http://www.statistiques.public.lu/fr/actualites/conditions-sociales/politique/2013/05/20130130/red17.pdf>

Party
Financing
Score: 8

Party financing is regulated by the law passed on 21 December 2007, and the law's implementation was positively evaluated by the Group of States against Corruption (GRECO), established by the Council of Europe. While the law introduced rules on transparency and monitoring, as well as penalties for breaking the law, a GRECO report said that "(...) some gaps still remain, in so far as insufficient account was taken of the financing of election campaigns and of candidates for election." The impact of improvements to the law made during the period to improve transparency, monitoring by the Court of Auditors and sanctions still need to be determined.

The GRECO Evaluation Team (GET) has complained about the lack of a uniform assessment method to evaluate various services and benefits in kind, such as positive coverage by partisan media during the election campaign. The GET demands a system of "effective, proportionate and dissuasive penalties" for those who break the law. Despite the new law, GET has pointed out that political parties still have no specific legal status. The major finding of the evaluation was the lack of public control over political party accounts, as the parties often have had difficulties setting up an accounting system. Most of the issues raised in the GRECO report have been since corrected through more legislation. Political parties must ultimately pay more attention to such concerns.

Citation:

<http://www.legilux.public.lu/leg/a/archives/2011/0261/2011A4326A.html>

GRECO, Evaluation Report on Luxembourg on the "Transparency of Political Party Funding," Strasbourg, 13 June 2008, in:

http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEva%282007%296_Luxembourg_One_EN.pdf

Popular
Decision-
Making
Score: 5

Since 1919, the constitution has allowed referenda (Article 51, Paragraph 7). A modification of the constitutional article introduced the possibility to use a referendum for the purpose of revising the constitution (Article 114). Direct democracy in the form of referenda is possible, but is not a prominent characteristic of the Luxembourg political system. A 2005 law outlined the steps for a referendum held at the national level. A procedure can be initiated either by a parliamentary act or by popular initiative. In this case, 25,000 Luxembourg citizens must ask for a referendum to be held. As Luxembourg is a small country, this threshold is significant, and may explain why only four referenda have taken place since 1919. All referenda resulted from parliamentary or governmental initiatives, including the most recent one in 2005 that sought approval of the EU constitutional treaty. The 2005 law has to be amended in order to create a coordinating office. The next consultative referendum was slated to take place on 7 June 2015.

The Local Government Act of 1988 (Article 35) addresses the issue of referenda at the municipal level. One-fifth of registered electors have to ask for a referendum; however, local referenda 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 or not.

Each member of parliament (MP) represents an average of 10,000 citizens; the government and administration pride themselves on being uncomplicated and offering simple access for citizens. The country's territorial breakdown has resulted in small units (there are 106 communes/municipalities) that all claim to be in direct contact with citizens. On the other hand, Luxembourg is also awash in citizens' initiatives, an informal way to impose views on the political establishment, especially regarding environmental issues.

Citizen participation has been increased by a new process for online petitions. Online petitions with at least 4,500 signatures must be forwarded to parliament's petitions commission, as well as to a parliamentary commission for further debates. By the end of 2014, 475 e-petitions had been submitted.

Citation:

<http://www.chd.lu/wps/portal/public/DepotPetition>

<http://www.chd.lu/wps/portal/public/RolePetition>

http://chd.lu/wps/PA_RoleEtendu/FTSByteServingServletImpl/?path=/export/exped/sexdpata/Mag/149/393/134982.pdf

<http://www.legilux.public.lu/leg/a/archives/2005/0027/a027.pdf>

<http://www.legilux.public.lu/leg/a/archives/2013/0167/a167.pdf>

Access to Information

Media
Freedom
Score: 9

The country's media audience is small; the pluralistic media landscape is maintained mostly through generous direct and indirect press subsidies, from which the two big newspapers in Luxembourg mainly profit. One could argue that subsidies are an indirect way of influencing media coverage, however, the government respects the independence of the media. The rules for granting subsidies are transparent, and not a subject of political debate.

Following Luxembourg's condemnation by the European Court of Justice in an affair related to the *Contacto* journal's investigative journalism, the country has returned to 4th place in the Reporters Without Borders' Press Freedom Index, the best result outside the Scandinavian countries. Moreover, following reformation of the Electronic Media Act in 2013, the new government will spend a greater part of its press subsidies on promoting online media.

Citation:

<http://www.legilux.public.lu/leg/a/archives/2004/0085/a085.pdf#page=2>

<http://www.legilux.public.lu/leg/a/archives/2010/0241/a241.pdf>

<http://www.luxembourg.public.lu/catalogue/medias/ap-medias/AP-Medias-2013-DE.pdf>

<http://rsf.org/index2014/en-index2014.php#>

<http://www.tageblatt.lu/nachrichten/luxemburg/story/Zukunftspaket-mit-258-Mae-nahmen-20169120>

Media
Pluralism
Score: 7

Luxembourg's six daily newspapers are more or less closely controlled by political parties. One of the six dailies, La Voix, a French language supplement of the leading paper, Luxemburger Wort, was shuttered in fall 2012. There is a marked imbalance of strength and influence among newspapers, which generally reflects the strength of their political sponsors. The Luxemburger Wort is owned by the Catholic Church and thus has ties to the Christian Social People's Party (CSV). In 2011, it had a circulation of 69,843 copies, an overwhelming number considering Luxembourg's population of 500,000, a figure also larger than the combined circulation of its competitors.

The media landscape in 2007 was shaken up after the creation of two free daily sheets. The market share of the Luxemburger Wort fell to 39%, while that of L'Essentiel, the most successful of the free papers, rose to around 29% in 2014. L'Essentiel is published by Editpress, publisher also of the Tageblatt (the country's second largest newspaper with a market share of about 9.3%), and has ties to the Luxembourg Socialist Workers' Party (LSAP) and the socialist trade union, OGB-L. The conservative media group Saint-Paul, publisher of the Luxemburger Wort, is losing ground on increased competition and societal changes. Not only did it close La Voix, it abandoned the free-paper market by closing its own paper, Point24 in December 2012. Moves such as these, in addition to a drastic restructuring at the Luxemburger Wort, are clear signs of change in Luxembourg's media market.

Radio Télé Luxembourg (RTL) has no competitors in the television market and it remains well ahead in radio, despite the liberalization launched in the early 1990s. Its radio audience share (39.1%) is almost twice as high as that of second-ranking Elodoradio, which has just 19.6%. The Chamber TV parliamentary channel transmits live parliamentary sessions, as well as a weekly background information and news program on Mondays. It is owned by the Chambre des Députés and broadcasts only during those specific occasions.

Citation:

<http://www.eurotopics.net/fr/home/medienlandschaft/luxmdn/>

<http://www.ipl.lu>

<http://www.luxembourg.public.lu/catalogue/medias/ap-medias/AP-Medias-2013-DE.pdf>

<http://www.luxembourg.public.lu/fr/culture/medias/presse-ecrite/index.html>

https://www.tns-ilres.com/cms/_tnsNewsAttachments/Communiquede_presse_etudeplurimedia_2014.pdf

Access to
Government
Information
Score: 6

Luxembourg has no freedom of information act nor equivalent legal regulation. Such a law has been called for by journalist associations and many NGOs as well as by Regulation No. 1049/2001 of the European Commission. The government cultivates a certain culture of secrecy; a directive issued in 1987 requires civil servants to get the authorization of their respective minister before releasing any information. Numerous advisory bodies, which include representatives from interest groups, usually serve as a channel to spread the government's message well ahead of official notification to parliament or the professional chambers. Basically, it is up to the government to decide

what becomes public, and when. The previous government promised to draft a law that was inspired by information practices in neighboring countries as well as on Council of Europe recommendations. The draft law presented in 2014 was not up to expectations, however.

The most effective way to get information from the government remains the so-called parliamentary query (question parlementaire). The government is required to provide an answer within a month, or even within a week in case of urgency. This instrument is widely used by members of parliament, and during the 2012 – 2013 parliamentary session, 549 questions were filed. Often MPs are used by interested parties, lobbies or associations to discover the government's intentions using the parliamentary query. MP questions and government answers are published in the regular account of parliament's activities (Compte rendu des séances publiques).

Citation:

http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/Rapport_2012-2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9c6ed2c
http://www.europarl.europa.eu/register/pdf/r1049_en.pdf

<http://www.journalist.lu/>

<http://www.legilux.public.lu/leg/a/archives/2004/0085/a085.pdf#page=2>

<http://www.luxembourg.public.lu/catalogue/medias/ap-medias/AP-Medias-2013-DE.pdf>

Regarding parliamentary queries see: Section 80 of the standing orders: Règlement de la Chambre des Députés, Mémorial A, N° 206, 26.11.2007

Website of the Parliament (www.chd.lu) gives a detailed online account of the dialogue between MPs and the government.

Civil Rights and Political Liberties

Civil Rights
Score: 8

Civil rights are effectively protected in Luxembourg and all state institutions respect these rights with some exceptions. Four institutions are in charge of civil rights' protections: the Constitutional Court, an advisory board on human rights, the National Commission on Data Protection and a parliamentary ombudsman. However, the judiciary system's overload and subsequently slow case processing has triggered concerns over due process and equitable treatment. The European Court of Human Rights in Strasbourg has reprimanded the country on several occasions as a result of delays in the court system. The mediation law provides for processing within a maximum of four months, with the aim of speeding up administration procedures. The influence of and the number of complaints to the Ombudsman Office continues to grow, with 507 complaints in 2013, and the rate of favorable rulings or settlements remains high (80.39%). These high figures show both the efficiency and the necessity of this institution. Three EU directives concerning the right to have an interpreter and legal representation for detainees and prisoners, as well as the right to inspect relevant files, are expected to be implemented.

Citation:

<http://www.legilux.public.lu/leg/a/archives/2003/0128/a128.pdf#page=2>

http://www.ombudsman.lu/doc/doc_downloads_152.pdf

<http://www.tageblatt.lu/nachrichten/luxemburg/story/26766397>

For further informations: see section D 3.3

Political
Liberties
Score: 9

No infringements of a citizen's right to speak, assemble, organize, worship or petition occurred during the period. Some court cases have dealt with xenophobic and racist speech, especially online.

Anticlerical forces in the country have demanded the separation of church and state, and criticize state subsidies for churches, particularly the Catholic Church, which is the dominant faith in Luxembourg. As a reaction to this, the 2009 government program promised the creation of so-called houses of secularism, following the Belgian model. The extension of public funding to other denominations such as Islam is upcoming; Protestant and Jewish organizations already benefit from public funding. Initially, the coalition intended to include a question in the June 2015 referendum relating to the funding of the churches, introducing a church-tax system in Luxembourg. In January 2015, however, the government concluded an agreement with the various religious communities in Luxembourg that enabled this issue to be removed from the referendum.

Citation:

<http://www.lesentiel.lu/de/news/luxemburg/story/19528954>

<http://www.wort.lu/en/politics/foreigner-voting-rights-referendum-questions-drafted-543c025bb9b39887080772de>

<http://www.wort.lu/en/politics/church-and-state-religion-is-private-says-luxembourg-pm-54128b3eb9b3988708063816>

Non-
discrimination
Score: 8

The Migrant Integration Policy Index (MIPEX) gives Luxembourg a score of 48 on its anti-discrimination policies. The two EU anti-discrimination directives (2000/43 and 2000/78) have been transposed after years of debate with the act of 28 November 2006, establishing a Center of Equal Treatment (Centre pour l'égalité de traitement, CET) which opened in October 2008. The act includes the EU definitions of discrimination, but sometimes the wording is different, such as: "political views or religion" versus "la religion et les convictions." Other bodies such as the Ombuds Council for the Right of the Child (Ombuds-comité fir d'Rechter vum Kand, law of 22 July 2002) have existed since January 2003; the Ombudsman Office was established by law on 22 August 2003 and began operations in May 2004.

The subject of migration is often debated. Considering that most migration is essentially European (90%) and of the Christian faith, migration issues have caused fewer conflicts on ethnic concerns than in neighboring countries. After the country adopted the U.N. Convention on the Rights of Persons with Disabilities, in addition to an action plan in 2011, complaints on discrimination on the grounds of physical or mental disability have increased. This has highlighted the need for Luxembourg to more actively push inclusion policies.

Citation:

Ombudsman Rapport 2013. Rapport d'activité 2013

<http://www.legilux.public.lu/leg/a/archives/2006/0207/a207.pdf>http://www.mipex.eu/sites/default/files/downloads/mipex_iii_de.pdfFor further informations: <http://cet.lu/en/>**Rule of Law**

Legal
Certainty
Score: 6

While Luxembourg is a constitutional state, citizens are often 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 rather than judicial subtleties, which means often that some matters are decided ad hoc and not necessarily with reference to official or established rules. Most people seem to accept this, trusting that the prevalent legal flexibility leads to accommodations or compromises that favor their own interests.

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 a constitutional court 15 years ago, the number of pending cases has increased considerably. This situation underlines Luxembourg's weak legal culture and a lack of respect for due process. The European Court of Human Rights in Strasbourg frequently criticizes Luxembourg for its lengthy legal procedures.

Citation:

Trausch, G. (2008), Die historische Entwicklung des Großherzogtums - ein Essay, in: Lorig, W. H./Hirsch, M. (Ed.), Das politische System Luxemburgs. Eine Einführung. VS Verlag für Sozialwissenschaften, Wiesbaden, pp13-30

http://www.forum.lu/pdf/artikel/7692_332_Camest.pdf

Judicial
Review
Score: 9

The existence of administrative jurisdictions and the Constitutional Court guarantee an independent review of executive and administrative acts. The Administrative Court and the Administrative Court of Appeals are legal bodies with a heavy case load; annual reports quote more than 900 judgments by the Administrative Court from 2012 to 2013 and 292 judgments by the Administrative Court of Appeals in the same period. These judgments and appeals indicate that judicial review is actively pursued in Luxembourg.

Citation:

Cour administrative du Grand-Duché du Luxembourg (2013), Partie III - Rapports d'activité des juridictions administratives, Luxembourg, <http://www.justice.public.lu/fr/publications/rapport-activites-administratives/rapports-juridictions-adm-2013.pdf>

Appointment
of Justices
Score: 9

The Constitutional Court is composed of nine members, all professional judges. They are appointed by the Grand Duke on 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. These two jurisdictions are appointed by the Grand Duke on the recommendation of the Court itself, so their recruitment is co-opted. 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. The government plans to delegate the task of nominating and promoting judges to a standing body, the higher judicial council (Conseil supérieur de la magistrature, CSM), based on the French model. This decision is not likely to change the process from the present ad hoc system, since the composition of the CSM is likely to reflect existing practices which have ensured a high degree of independence and transparency in the selection process.

Citation:

Loi du 27 juillet 1997 portant organisation de la Cour Constitutionnelle

Loi du 7 novembre 1996 portant organisation 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

<http://www.forum.lu/constitution/index.php/dokumente/die-aktuelle-verfassung/>

<http://www.legilux.public.lu/leg/textescoordonnes/recueils/Constitution/Constitution.pdf>

Corruption
Prevention
Score: 8

After a parliamentary inquiry into a large building project in Wicrange in 2012 where government ministers and the prime minister were suspected of improperly favoring a bidding company, the government proposed in April 2013 a deontological code, with reference to existing codes such as that of European Commission. The text defines the type of gifts or favors a minister is allowed to receive and those which might influence his decision-making and are thus prohibited. The text also outlines what type of professional activity a minister can take up at the end of his mandate. The overall objective is to avoid conflicts of interests. Additionally, a “comité d'éthique” or ethics committee will offer opinions concerning the interpretation of specific situations. The revised text was signed by each minister and came into force in July 2014. Transparency International Luxembourg supports the code of conduct, giving credibility to the ministers. But steps need to be taken to ensure sanctions will be imposed on the parties concerned, and adjustments are still needed.

Citation:

<http://www.gouvernement.lu/3871867/Dossier-de-presse-Code-de-deontologie-22-7-14doc.pdf>

<http://www.gouvernement.lu/3870893/22-braz-code>

For further informations: www.transparency.lu

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 4

Luxembourg's small size, and thus the small size of its administration, does not allow for sufficient strategic planning capacity. Some public bodies, 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) offer simulations. The state economic and social council (Conseil économique et social) and the public research institute CEPS/INSTEAD offer more qualitative analyses. The research department of the central bank (Banque Centrale du Luxembourg) and the financial sector's general inspectorate (Commission de surveillance du secteur financier, CSSF) focus on economics and finance planning. While these institutions are state-financed, they still are not sufficiently equipped to offer long-term planning activities. Reports by the Conseil économique et social are partly written by civil servants of the respective ministry departments. Strategic planning is mostly done, if not commissioned, by institutions abroad, which offers the advantage of independence and guidance via international standards. Once a report is submitted, negotiations begin between the minister and promoters; the final compromise is a draft of the project designed abroad.

Citation:

<http://www.statistiques.public.lu/fr/acteurs/autres/index.html>

For further informations: <http://www.bcl.lu/fr/index.php>

<http://www.ces.public.lu/fr/index.html>

<http://www.ceps.lu/>

Scholarly
Advice
Score: 7

Luxembourg's main research institutions have been founded only recently: the national university was founded in 2003 and the three national research centers (CRP-Gabriel Lippmann, CRP-Henri Tudor, CRP-Santé) in 1999. The House of Innovation already provides space for 500 scientists and researchers from CRP-Henri Tudor, Luxinnovation and the Dr. Widong Centre in Esch-Beval.

For major policy reform projects, the government mostly consults highly reputed institutions abroad. Commissioning scholarly advice from institutions abroad favors independent analysis. Given the country's small size and the personal links between government and national research facilities, there are strong links between the institutes and governmental bodies which do not favor independence.

Citation:

Grubb, D. (2007), Audit du service public de l'emploi au Luxembourg, <http://www.oecd.org/fr/els/39424034.pdf>
 Rössler, W. (2009), Psychiatrie Luxemburg. Stand der Umsetzung der Empfehlungen der Planungsstudie 2005, <http://www.sante.public.lu/publications/systeme-sante/politique-nationale-sante/rapport-rossler-psychiatrie-luxembourg-2009/rapport-rossler-psychiatrie-luxembourg-2009.pdf>
 Rössler, W. et al. (1993), Gemeindepsychiatrie, Grundlagen und Leitlinien. Planungsstudie Luxemburg, Innsbruck
 Zanardelli, M./ Brosius, J. (2009), Pratiques des entreprises du secteur privé en matière de prospection de candidats à l'embauche, in: CEPS/INSTEAD, Population & Emploi, no. 44, Luxembourg

Interministerial Coordination

GO Expertise
Score: 6

The Prime Minister's Office (PMO) employs around 40 civil servants, primarily trained in law, economics and political sciences. 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 specific capacity and no special committee designated to manage inter-ministerial coordination. 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 have to be adopted at both stages before being introduced to parliament, and all draft bills are revised within these two interministerial meetings. The Inspectorate General of Finance (Inspection générale des finances, IGF) evaluates draft bills and participates in numerous committees.

Citation:

<http://www.igf.etat.lu/>
 OECD (2013), OECD Journal on Budgeting, 2012/Supplement 1, Paris
<http://www.gouvernement.lu/1719191/conseil-gouv>

GO
Gatekeeping
Score: 8

The long period of leadership of Prime Minister Jean-Claude Juncker (in office 1995 – 2013) gave him the authority to reject policy proposals or inspire new policy projects. The prime minister in general is able to withdraw a project or a draft bill also without formal procedures. The prime minister also acts as a first among equals (*primus inter pares*) and therefore should be reluctant to interfere in dossiers handled above all by ministries held by the government coalition partner. Consultative bodies, interministerial meetings and the Inspection General of Finance (Inspection générale des finances, IGF), which is affiliated with the budget ministry, function as arbiters in policymaking.

Citation:

<http://www.legilux.public.lu/leg/a/archives/2009/0173/a173.pdf#page=2>

http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL1/GOUVERNEMENT.pdf

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. There are no institutionalized mechanisms of coordination between line ministries and 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. Even though, since 2009, the prime minister no longer holds the strategic finance portfolio, his central role in governance has not been weakened.

Citation:

Arrêté grand-ducal du 27 juillet 2009 portant constitution des ministères

<http://www.gouvernement.lu/1719075/gouvernement>

http://www.gouvernement.lu/3723809/SIP_Gouvernement_2013_EN.pdf

Cabinet

Committees

Score: 8

There are no cabinet committees in a strict sense. The Council of Ministers (Luxembourg's cabinet) has to rely entirely on the work of line ministries or inter-ministerial 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 have to be scrutinized by experts at the Ministry of Finance and the inspector general of finance (Inspection générale des finances), made up of senior civil servants and chaired by the secretary general of the Council of Ministers; this informal body insures 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.

Citation:

<http://www.gouvernement.lu/1719075/gouvernement>

<http://www.gouvernement.lu/482644/systeme-politique>

Ministerial

Bureaucracy

Score: 9

Senior ministry officials and interministerial meetings are important in 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, inter-ministerial 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.

Citation:

<http://www.luxembourg.public.lu/fr/politique/institutions-politiques/gouvernement/index.html>

http://www.forum.lu/pdf/artikel/7693_332_ThomasSchmit.pdf

Informal
Coordination
Score: 9

There are many opportunities for informal coordination, given Luxembourg's small size and its close-knit society and government administration. Those in public administration responsible for early policy research and formulation are well familiar with representatives of social organizations and members of civil society research institutions. There are many occasions for informal contact between public servants and experts from research institutions, businesses and civil society. Senior civil servants are responsible for various projects at the same time, have a huge workload and represent the government within different bodies, boards and committees. After the inauguration of the new government in December 2013 there were problems with interministerial coordination for the first time.

Evidence-based Instruments

RIA
Application
Score: 4

At the end of the 1990s, Luxembourg launched its first draft for regulatory impact assessments (RIAs) to simplify administrative procedures at both the national and European levels. Since 2004, the government has systematized the potential impact of legislative proposals by aligning legislative and administrative processes under the responsibility of the competent authority, the Committee for Administrative Simplification (Comité à la Simplification Administrative, CSA).

All draft bills as of 2009 must pass through a regulatory impact assessment. Within eight weeks before adoption of a draft bill, the government has to carry out consultations with stakeholders, considering their expertise and responding to requests. Based on adequate analysis, a draft bill is adapted, completed and submitted to parliament. The impact assessment is necessarily attached to legislation or regulation submitted to the Council of Ministers. Prior to submission, the secretariat of the Council forwards a copy to the CSA, which prepares a formal statement to the Council.

The standard form of evaluation of impact ("fiche d'évaluation d'impact") was revised in 2010 to include gender mainstreaming principles. It enabled a close cooperation with the Ministry for Equal Opportunities. Although regulatory impact assessment schemes have been instituted for some years, there is still room for improvement, especially in making such evidence-based instruments more widespread. Further improvements should be implemented through an ex-ante verification process on a national and a European level.

<http://www.ceps.be/files/book/1291.pdf>

<http://www.fonction-publique.public.lu/fr/publications/brochures/caf/brochure-CAF.pdf>

http://www.fonction-publique.public.lu/fr/structure-organisationnelle/plateforme-interministerielle/Plateforme_rsa.pdf

<http://www.oecd.org/regreform/regulatory-policy/40984990.pdf>

http://www.simplification.public.lu/Rapport_Mieux_1_gif_rer_en_Europe_-_Luxembourg_2010.pdf

http://www.simplification.public.lu/archives/Documents/procedure_analyse_flux/Fil_conducteur_de_la_fiche_d_valuation_d_impact.pdf

Quality of RIA
Process
Score: 2

There is no open consultation on regulatory impact assessment (RIA) specifications. The procedure requires an inter-ministerial exchange between governmental departments and coordination groups with the consultation of experts. Impact assessment data comes from internal ministry documents, which may be consulted by the state Council of Ministers and parliamentary members.

Unlike parliamentary procedures, there is no general public access to RIA documents and evaluations are not intended for publication. As in most OECD countries, there is no risk management in the formal process of developing harmonized standards. A RIA evaluation by an independent body is still lacking.

Since the general introduction of RIAs in 2009, there is not enough transparency and participation of civil society in the process. Significant efforts should be made to increase the involvement of stakeholders.

Citation:

http://www.fonction-publique.public.lu/fr/structure-organisationnelle/plateforme-interministerielle/Plateforme_rsa.pdf
<http://www.oecd.org/regreform/regulatory-policy/40984990.pdf>
<http://www.simplification.public.lu>

Sustainability
Check
Score: 3

There is no systematic sustainability assessment process in Luxembourg. The government plans to introduce effective sustainability checks and the systematic monitoring of relevant administrative and legislative acts. In general, sustainable development and sustainable decision-making needs to be implemented at all levels (economic, social and environmental) to evaluate the impact of policies and policy side effects. It is essential that regulatory impact assessment (RIA) procedures have been agreed to benefit from greater coherence and coordination between ministries, civil society and stakeholders. Luxembourg has to mainstream sustainability checks at all levels by establishing harmonized legislation with binding RIA standards.

Citation:

<http://www.gouvernement.lu/3594916/territoire.pdf>

Societal Consultation

Negotiating
Public Support
Score: 8

Luxembourg is a 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. When introducing a draft bill to parliament, the government normally launches a broad consultation process. Unions and employers' organizations are consulted in any case; every draft bill is submitted to the respective organization of employees (Chambre des Salariés) and to employers' organizations (Chambre de Commerce and Chambre des Métiers).

Depending on the purpose of the draft bill or the new policy, civil society is included in the process. However, the tripartite system is considered to have failed since 2010, as the three partners have been unable to reach agreement on critical issues.

Citation:

<http://www.luxembourg.public.lu/fr/politique/concertation/modele-social/index.html>

Clément, F. (2012), Consociativisme et dialogue social. Les relations professionnelles au Grand-Duché de Luxembourg, Saarbrücken

Hirsch, M. (2012), Sind Konkordanz-, Konsens- und Drei-Partnermodelle "Schönwetter-Veranstaltungen"? Das Beispiel Luxemburg, in: Köpplé, S./ Kranenpohl, U. (Ed.), Konkordanzdemokratie. Ein Demokratietyp der Vergangenheit? Baden-Baden, pp. 117-132

<http://www.land.lu/2013/01/18/ruf-nach-leadership/>

http://www.legilux.public.lu/ldp/2013/20130024_L.pdf

Policy Communication

Coherent
Communication
Score: 8

After Council of Ministers meetings on Fridays, the prime minister holds a public press conference to communicate the body's work effectively and coherently. This weekly press briefing had been the government's main method of communicating. Whereas public press briefings under former Prime Minister Juncker were rare in recent years, public relations have been given more importance under the new coalition.

Aside from the prime minister, no government member has a press officer. Reporting directly to the prime minister, the state Press and Information Service (SIP) works to coordinate a coherent and wide-ranging government communication policy. Government members are encouraged not to voice disagreement in public so as to give the impression of unanimous decision-making. The search for consensus is one of the main traditions in Luxembourg government. In 2010, however, ministers spoke out publically over austerity, a policy that the coalition began modifying shortly after the beginning of this parliamentary term.

During the years of the Luxembourg Socialist Workers' Party (LSAP) and the Christian Social People's Party (CSV) coalition, the press reported that there were some disagreement between government members, but this was never expressed explicitly by government members.

Citation:

<https://www.gouvernement.lu/4021433/attributions>

For further information: <http://www.gouvernement.lu/971432/sip>

Implementation

Government
Efficiency
Score: 7

In general, the government can implement its policy objectives, usually outlined in electoral promises or coalition government programs. 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. This is particularly the case for major infrastructural or zoning projects, such as the tramway system for the city of Luxembourg, which was under discussion for 25 years before agreement was reached in 2013. A law proposal that was already very far advanced was postponed before the 1999 election. Since then, different variants have been discussed, studies have been carried out and construction on the first elements of the tram project has started.

Citation:

<http://www.wort.lu/fr/view/un-tram-a-luxembourg-en-2017-4feadec6e4b026f9aa61740e>
<http://www.wort.lu/fr/luxembourg/feu-vert-pour-le-tram-qui-reliera-la-gare-centrale-a-luxexpo-52468871e4b0970ab1696d8b>
<http://www.wort.lu/en/politics/central-train-station-to-luxexpo-parliament-votes-for-the-tram-5390279cb9b398870803124a>
<http://www.luxtram.lu/>

Ministerial
Compliance
Score: 7

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

Consequently, the voter, and not the party, decides the composition of parliament and even of the government, since those candidates with the best results usually become ministers. This system encourages politicians to take personal initiatives, but as they generally address small lobbies, such projects do not conflict with the government's agenda.

“Go-it-alone” actions are not uncommon, because ministers and candidates want to raise their profile to benefit precisely from these personal votes that ultimately make the difference. Especially in pre-electoral periods, this kind of deviant behavior is quite frequent. Ministers are usually allowed to pursue their pet topics, provided they manage to convince their colleagues in government and the prime minister.

Citation:

<http://cbiver.eu/2013/10/das-wahlsystem-in-luxemburg/>
 Fehlen, F. (2013), Wahlsystem und politische Kultur, in: Forum, Nr. 332, S. 41-46

Monitoring
Ministries
Score: 6

There is no formal monitoring by the Prime Minister's Office as no institutional resources exist to carry it out. The small size of the government administration and permanent 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.

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 does happen, the views of the minister or his key collaborators usually prevail. In the domain of social security and public finance, monitoring is more centralized and effective, since the financial implications for the state are much more consequential. The two agencies that wield considerable control if not outright veto powers are 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:

<http://www.mss.public.lu/acteurs/igss/>

<http://www.igf.etat.lu/>

Task Funding
Score: 7

As of 2012, the Ministry of the Interior supervises 106 municipalities in Luxembourg. This supervision is matched by substantial financial transfers from the central government to local entities, which, apart from a substantial share in corporate tax revenues, lack autonomous sources of revenue. 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 requirements. By 2017, the number of local entities is planned to be reduced to 71. However, the new government has weakened this goal, as it does not subscribe to a top-down strategy for municipal mergers. The aim is to have no municipality under 3,000 inhabitants, thus reducing operational costs and improving administrative and technical efficiency. Municipalities frequently complain that funding from the central government is insufficient. The government has used financial transfers to overcome local resistance to municipality mergers. So-called municipal associations (syndicats intercommunaux) exist in fields such as culture and sports to help improve the quality of local government.

Citation:

Halsdorf, J.-M. (2013), Die Kommunal- und Verwaltungsreform im Großherzogtum Luxemburg - Grundzüge und Perspektiven, in: Junkernheinrich, M./ Lorig, W. H. (Ed.): Kommunalreformen in Deutschland, Baden-Baden, pp. 445-462

<http://www.gouvernement.lu/3673077/25-conseil>

http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL_8/ORGANISATION/TXT_ORGANIQ.pdf

<http://www.syvicol.lu>

Constitutional
Discretion
Score: 7

Local government depends increasingly on transfers from the central government. Land-use regulation was centralized during the review period; yet a serious conflict between local interests and the aims of the government's transport and land-use planning body (Integrierte Verkehrs- und Landesplanung, IVL) occurred when the construction of a large business center in a rural region near the capital was not authorized.

With education reforms, municipalities lost one of their major prerogatives, which was the autonomous management of teaching staff in primary schooling (students four to 12 years old). In return, the government promises more autonomy as a result of territorial reform, especially more financial autonomy and the backing of municipal finances through regional funds.

Citation:

<http://www.land.lu/2013/02/08/der-tanz-beginnt%E2%80%A9/>

http://www.forum.lu/pdf/artikel/7660_330_Eicher.pdf

National
Standards
Score: 9

The Ministry of Interior supports local administration. As part of territorial reforms, the administration responsible for monitoring municipal finances will be integrated within the existing national Auditing Court (Cour des Comptes). The government is not entirely free to streamline and improve local government. More than 70% of members of parliament also have a local mandate and as of 2013, 17 worked as city mayors. This is a reason why conflicts of interests between national and local mandates sometimes arise in parliamentary processes, depending on the issues being discussed.

Citation:

<http://www.tageblatt.lu/nachrichten/luxemburg/story/31314170>

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 has improved over past review periods. Given the size of the country, there is limited scope for improved human resources within government administration. Usually a single civil servant is responsible for a number of tasks where in other member states an entire team would be available. 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, however, work expected by European and supranational institutions is completed. The government presented its national plan (Luxembourg 2020. Plan national pour une croissance intelligente, durable et inclusive) in April 2013, in which budgetary mechanisms are adapted.

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. This does not however guarantee that the law will be followed verbatim; differences of de jure and de facto understandings have emerged.

Citation:

Hartmann-Hirsch, C. (2013), Europeanization, Internationalization of Family Reunion Policies: an Unusual Situation in Luxembourg, in: Geisen, Th./Studer, T./Yildiz, E. (Ed.), Migration, Familie und Gesellschaft. Beiträge zu Theorie, Kultur und Politik, Wiesbaden

http://ec.europa.eu/dgs/secretariat_general/eu2020/docs/luxembourg_gov_fr.pdf

http://ec.europa.eu/europe2020/pdf/csr2014/annex32014_luxembourg_en.pdf

http://ec.europa.eu/europe2020/pdf/csr2014/sp2014_luxembourg_en.pdf

http://ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_luxembourg_en.pdf

http://ec.europa.eu/europe2020/pdf/csr2014/eccom2014_en.pdf

http://ec.europa.eu/europe2020/europe-2020-in-your-country/luxembourg/national-reform-programme/index_en.htm

http://ec.europa.eu/internal_market/score/docs/score26_en.pdf

http://www.mf.public.lu/publications/divers/previsions_fin_180412.pdf

http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf

International
Coordination
Score: 8

Luxembourg is mainly involved in international reform initiatives in cooperation with the European Union. The legal framework for the launch of the European Citizens' Initiative was passed by parliament in 2012.

Luxembourg is ranked highly within the European Union for the inclusiveness of its welfare benefits, as its programs are both generous and wide-ranging. However, with a Gini coefficient of 30.4, Luxembourg is only a middling performer within the EU-28 (which has an average Gini coefficient of 30.5). The generous of social transfers and the high share of social transfers relative to total income not only reduce poverty risks, but also sustainably strengthen social cohesion.

The country's Gini index highlights the positive effects of government transfer policies. Luxembourg however supports a number of labor market protection measures and unsustainable pension policies; both provide incentives to leave the labor market and to opt for replacement revenues. Attitudes of the insured and mainly those of residents and nationals are partly still those of consumers of welfare provisions; the system's main weakness is the "early exit" attitude which is expressed by many in the active resident population.

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12&lang=de

<http://www.chd.lu/wps/portal/public/RoleEtendu?action=doDocpaDetails&id=6325>

http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_luxembourg_en.pdf

<http://www.gini-research.org/system/uploads/456/original/Luxembourg.pdf?1372249144>

http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf

http://www.oecd.org/eco/surveys/Lux_overview_Eng%202012.pdf

For further informations: Mutual Information System on Social Protection in the Member States of the European union, MISSOC data

Organizational Reform

Self-monitoring
Score: 5

In the absence of systematic monitoring of institutional arrangements, the government mainly relies on international expertise. The 2007 OECD country report on research and innovation led to the creation of a higher research and innovation committee, and then to the 2013 updated ERAWATCH assessment of research systems and policies.

An example for best practices is the 2006 Council of Europe report, “Profile of the Luxembourgish educational linguistic policy,” a two-year investigation involving national stakeholders. The report did affect policymaking and led to the reform of language teaching in 2009. The OECD audit over the country’s labor market administration (L’Agence pour le développement de l’emploi, ADEM), with the background of a rising jobless rate, resulted in a draft bill adopted in 2012. Self-monitoring seems to be beyond the capacity of government authorities. It has also become clear that sustainable changes would require the creation of in-house analysis, planning and prospective capacities. No ministry and other administration can fulfill these requirements.

http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/lu/country

<http://www.oecd.org/luxembourg/sti-outlook-2012-luxembourg.pdf>

Shewbridge, C./Ehren, M./Santiago, P./Tamassia, C. (2012), OECD Reviews of Evaluation and Assessment in Education LUXEMBOURG, Paris (internet document: <http://www.oecd.org/edu/school/OECD%20Reviews%20of%20Evaluation%20and%20Assessment%20in%20Education%20-%20Luxembourg.pdf>)

Institutional
Reform
Score: 7

The previous government’s 2009 program outlined a series of administrative reforms. One of the most ambitious, the general opening of the civil service to citizens of the European Union, with the exception of some positions relating to national sovereignty, came into effect on 1 January 2010. The change is expected to gradually improve the quality of government administration, but the number of EU citizens hired remains low at approximately 5%, especially in the higher ranks. This is due to a compulsory language test in the three national languages, which limits the number of applications from non-nationals who aren’t fluent in all of these languages. Other reforms are directed to the area of e-government, such as a planned implementation of electronic internal and external document exchange. To date, Luxembourg has neither an overall e-government law nor specific freedom-of-information legislation.

Citation:

Loi du 18 décembre 2009

http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?doc_id=5561

http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?doc_id=6459

http://www.epractice.eu/files/eGov%20in%20LU%20-%20May%202014%20-%20v.16.0_0.pdf

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 8

Citizens are expected to have a good command of the three official languages: Luxembourgish, French and German, in order to facilitate social inclusion. About 45% of residents are foreigners, and multilingualism is the “compétence légitime” in Luxembourg. However, knowledge of Luxembourgish has a prominent role in political participation, as most political debate 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. Foreigners have expressed a distinct wish to participate more substantially in policy development. This interest in Luxembourg's public life and political commitment depends on political empowerment and active participation in social life. Hence, not only voting rights but also the distribution of multilingual political information is extremely important in promoting active political participation and enabling influence in decision-making.

Citation:

Fetzer, J. S. (2011), Luxembourg as an Immigration Success Story. The Grand Duchy in Pan-European Perspective, Lanham, Boulder, New York, Toronto, Plymouth (UK)

Stoldt, J. (2012), Mehr Demokratie wagen?, in: Forum, November, pp. 19-20

<http://www.2030.lu/en/home/>

http://ec.europa.eu/public_opinion/archives/ebs/ebs_386_en.pdf

<http://www.statistiques.public.lu/fr/actualites/population/travail/2013/03/20130308/20130308.pdf>

[http://www.statistiques.public.lu/fr/actualites/conditions-](http://www.statistiques.public.lu/fr/actualites/conditions-sociales/politique/2013/05/20130130/presentationetudeCEFIS.pdf)

[sociales/politique/2013/05/20130130/presentationetudeCEFIS.pdf](http://www.statistiques.public.lu/fr/actualites/conditions-sociales/politique/2013/05/20130130/presentationetudeCEFIS.pdf)

Willems, H. (2012), Bestimmungsfaktoren und Probleme der politischen Partizipation von Migranten.

<http://www.landtag.rlp.de/landtag/vorlagen/2-57-16.pdf>

Legislative Actors' Resources

Parliamentary
Resources
Score: 8

Luxembourg members of parliament (MPs) balance a heavy workload with dual mandates and other professional activities, including municipal councils and/or professional employment. According to the regulations of the unicameral Chamber of Deputies, 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 MPs of their group, rather than each MP having his or her own assistant. MPs can consult with external experts as part of the functioning of parliamentary commissions. They have access to a central state computer system to review databases, surveys, reports, agendas and other

important information.

Citation:

Règlement de la Chambre des Députés du 6.12.2012

http://www.legilux.public.lu/leg/textescoordonnes/guides/procedure_leg_regl/0_SOMMAIRE.pdf

Obtaining
Documents
Score: 8

In general, information flows freely between the government and parliament. In the cases where such flows are seen as incomplete, parliamentary queries (questions parlementaires) are a popular and effective way for members of parliament to obtain information from the government or to gain insight into specific topics. There is no deliberate withholding of information within the parliament itself, as the opposition parties of today may be tomorrow's coalition partner. However, a few restrictions exist concerning sensitive issues or classified information. Recently, this has been the case with the scandals over the state's Secret Service (Service de renseignement de l'Etat luxembourgeois, SREL). Parliament is not duly and regularly informed about the functioning of the SREL, despite the fact that a parliamentary enquiry committee had been formed at the end of 2012 to review SREL activities that occurred 20 years ago.

Citation:

Urbany, S. (2013), Nach der Gangsterjagd. SREL-Untersuchungskommission. Eine Zwischenbilanz,

http://www.forum.lu/pdf/artikel/7582_327_Urbany.pdf

<http://www.luxembourg.public.lu/catalogue/generalites/tout-savoir/tout-savoir-2010-DE.pdf>

Kirps, J. (2014), La passion du secret, in: forum, no. 337, pp. 20-21

Summoning
Ministers
Score: 9

Interaction between the executive and the parliament is generally straightforward. Every member of parliament (MP) can introduce parliamentary questions (both written and oral) to ministers. Questions are addressed to the parliamentary president. Within one month, the responsible ministers have to respond and deliver more or less detailed information about policy decisions or activities of their departments. Questions and answers are fully published on the Chamber of Deputies website. On Tuesdays, when the parliament convenes, there can be a lively question and answer session covering a broad range of relevant issues posted by opposition parties.

In the 2012 – 2013 parliamentary period, 549 questions were submitted. In addition to the unrestricted exercise of parliamentary questions, informal exchanges between ministers and MPs are frequent. In the last 30 years, only four investigative parliamentary committees were put in place. In this case, parliament enjoys extensive rights, comparable to those of an investigating judge.

Citation:

Lijphardt, A. (1999), Patterns of Democracy, Yale University

<http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/R>

apport_2012-

2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9c6ed2c

<http://www.wort.lu/de/lokales/fragestunde-im-parlament-kein-schuldirektor-in-sicht-4fd805c3e4b078f0332c0727>

Summoning
Experts
Score: 9

Consultation with experts and representatives of interest groups regularly takes place in the course of various standing commissions' work. Domestic and foreign experts as well as other lobbyists and concerned groups in civil society 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 knowledge within the country. (For example, a German and then a Swiss institute were consulted over psychiatry reforms in health care.) Such policy projects are implemented by a specific parliamentary commission, and a budget allowance was made to support outsourcing. For example, at the beginning of the legislative period 2013, an audit company was engaged to develop a multi-year budget plan, specifically looking for potential savings.

Citation:

Règlement de la Chambre des Députés du 6.12.2012

<http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/R>

apport_2012-

2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9c6ed2c

Task Area
Congruence
Score: 8

Parliamentary committees and ministries are well coordinated and parliamentary monitoring is satisfactory. Ministers appear regularly before committees in charge of their field, and communication is good. Although the number of ministries has grown over the years to reach 20 ministries and 15 ministers, the number of parliamentarians has still not increased beyond 60 members. Each committee has just 12 members. Over the years their workload has expanded considerably, which has made running standing committees more challenging. MPs are often members of more than one committee.

<http://www.gouvernement.lu/3313489/20131204->

OECD (2010), Better Regulation in Europe: Luxembourg, <http://www.oecd.org/gov/regulatory-policy/betterregulationineuropeluxembourg.htm>

Audit Office
Score: 9

The Chamber of Auditors was upgraded in 1999 to become the Court of Auditors, which manages the finances of state administration. While keeping a low profile, the Court acts to effectively control 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 works to control the effectiveness and efficiency of public spending, yet 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. The Court's main interlocutor is parliament, and it takes on cases or projects on its own or through parliamentary instructions.

Ombuds Office
Score: 9

Citation:

Annual reports and special reports are accessible: <http://www.cour-des-comptes.lu/cour/fr/en/index.html>

Since the launch of the Ombuds Office in May 2004, residents, among them more foreigners than nationals, have sought guidance from this government office. The ombudsman deals with some 900 requests per year and issues recommendations to the government and parliament, but cannot bring issues to the courts, similar to other ombuds institutions. The ombudsman is responsible to the parliament. The first ombudsman of Luxembourg, Marc Fischbach, was a former minister and a former judge at the Human Rights Court of the Council of Europe.

Luxembourg nationals have plenty of recourse when problems with government administration arise, but the situation is not as smooth for foreigners. Even though the country's labor market is the most transnational in the European Union, there are still numerous obstacles for Luxembourg migrants. Thus for years, the ombudsman dealt with a number of migration issues.

Among the existing institutions that offer ombuds services (the Ombuds Office, 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. One of the factors for the office's success might be the preference of citizens to use mediation instead of the courts, a typical occurrence in societies with a strong tradition of consensus. Since February 2012, former Member of Parliament and Secretary of State Lydie Err has assumed the role of ombudsman.

Citation:

http://www.ombudsman.lu/doc/doc_accueil_151.pdf

http://www.ombudsman.lu/doc/doc_loi_31.pdf

<http://www.editus.lu/fr/mediateur-du-gd-du-luxembourg-ombudsman-luxembourg-371077>

<http://www.tageblatt.lu/nachrichten/luxemburg/story/96646291>

Media

Media
Reporting
Score: 7

Luxembourg media outlets offer quality reporting on public affairs. All parliamentary debates are conducted in Luxembourgish and in public. Parliamentary meetings are broadcast on the television channel Chamber TV (also available online), and the activities of the country's two largest local councils (Luxembourg City and Esch/Alzette) can be followed online. Ministers' weekly public press briefings are given more importance than under the previous administration.

In daily and weekly papers, articles are written in the three official languages (Luxembourgish, French and German), and sometimes in English as well. Certain newspapers are printed only in French; an English-language monthly journal is also published. Moreover, the government is reforming the press-subsidy system to include online media in recognition of the shifting media landscape.

Media coverage is often reactive, when issues have already reached the public in the form of draft legislation or through parliamentary debate. Reporters tend not to inquire into the preparatory stages of public policy. But quite often media outlets are used as instruments by interest groups or lobbyists looking to influence government decision-making in its early stages. Such procedures often have a strong influence on government thinking, as political actors need to take into account views and opinions that are published in the media.

Reporting has during the period lost some of its partisan bias. Most media outlets, especially newspapers, have adopted more balanced reporting to preserve or enlarge their audience. The media does play an important role in uncovering information behind government scandals or issues. One example of this is the extensive media coverage of the so-called Bommeleer affair (a series of bombings of public infrastructure in the 1980s) that late in the review period was finally brought to court. Another issue that received serious media coverage is allegations of dubious activities of the state Secret Service (SREL), events which were the subject of a special parliamentary inquiry committee. In these two events, media outlets played an active role in bringing light to issues that were not made clear by public prosecutors.

Citation:

<http://www.esch.lu/laville/viepolitique/Pages/seances-publiques.aspx>

<http://www.land.lu/2013/04/26/unter-dem-tresen-des-csv-staats%e2%80%a9/>

<http://www.wort.lu/de/view/das-bommeleer-dossier-5092c3a9e4b0fe37043e8be8>

<http://www.eurotopics.net/de/home/medienlandschaft/luxmdn/>

Parties and Interest Associations

Intra-party
Democracy
Score: 8

Inner-party democracy has different levels of intensity within the four major political parties, the CSV, the DP, the LSAP and Déi Gréng. The CSV has used its current oppositional role to pursue an internal modernization process while remaining faithful to its core principles. The party is engaging in internal structural reforms, while seeking to integrate more individual members and opinions into the process. However, since the end of 2013, a small group of CSV politicians known as the “Dräikinnegrupp” has demanded an even stronger reorientation. This group has focused on strengthening internal dialogue and moving toward a grassroots democracy, and has called for a new culture of participation.

The social-democratic LSAP has expressed a clear determination to deepen its

grassroots approach in the future. Internal party democracy for the liberal DP is limited by the power of the board of directors (“Comité des directeurs”), which makes most of the crucial decisions. Déi Gréng recently avowed a clear commitment to its grassroots movement, a principle that it has followed since the party’s foundation. At its convention in 2009, a majority of party members rejected a proposal to create a board of directors.

Citation:

Stoldt, J. (2015), Welche Zukunft für die Volksparteien? Forum, no. 348, pp 7-9
 Schroen, M. (2003): Das politische System Luxemburgs, in: Ismayr, W. (Ed.), Die politischen Systeme Westeuropas, Opladen: Leske + Budrich, pp. 415-444, p. 435
 Trausch, G. (Ed.) (2008), CSV - Spiegelbild eines Landes und seiner Politik? Luxembourg
<http://www.land.lu/2011/05/19/der-linke-flugel-der-lsap/>
http://www.lsap.lu/lsap_ShowDoc_Lsap-leitet-partei-internen-reformprozess-ein.2087-27-2.html
<http://www.wort.lu/de/politik/eine-analyse-ueber-den-ist-zustand-bei-der-dp-die-partei-und-der-premier-54380a37b9b39887080751fe>
<http://www.wort.lu/de/lokales/die-basis-hatte-ein-woertchen-mitzureden-4f61e50ae4b0860580ab7084>
<http://www.wort.lu/en/politics/winning-back-support-csv-vows-fresh-start-for-new-year-54af81ab0c88b46a8ce50ff3>
<http://www.wort.lu/en/luxembourg/no-radical-renewal-for-the-csv-5300d522e4b0f989a09f27d4>
<http://www.wort.lu/de/politik/serge-wilmes-zum-reformationsprozess-in-der-csv-evoluzzer-statt-revoluzzer-54c3970b0c88b46a8ce521c8>
<http://www.wort.lu/de/politik/die-csv-zwischen-kritik-und-reform-die-rebellen-die-keine-sein-wollen-54b305830c88b46a8ce5138d>
<http://www.dp.lu/parti.php?lang=1>
<http://www.rtl.lu/letzebuerg/597989.html>
<http://www.wort.lu/de/politik/csv-auf-internem-reformkurs-weg-vom-image-der-staatspartei-54aea1440c88b46a8ce50af8>
<http://www.greng.lu/organigramme>

Association
 Competence
 (Business)
 Score: 8

Given Luxembourg’s specific social partnership model, the government must consult with unions and employers’ organizations over each draft bill. They are asked to produce an opinion on the bill, and all opinions as well as the modified draft bills are published on parliament’s website. The two employers’ organizations (the Chambre de Commerce and the Chambre des Métiers) as well as the Luxembourg business union (Union des entreprises Luxembourgeoises, UEL) support a research unit, enabling them to produce opinions on draft bills, to organize conferences and to draft future government bills.

Trade unions share this approach. Mainly through the Parliamentary Act of 15 May 2008 (“statut unique”), the impact of trade unions increased as there is just one employee union (Chambre des salaires) instead of the previous two (one for manual workers and one for white-collar workers). All citizens working in Luxembourg have to become members and contribute to this organization – a keystone of Luxembourg’s neo-corporatist policy tradition. Both social partners commission expert advice and policy briefings either abroad or in Luxembourg, and each respectively prepares position papers on the basis of their own capacities.

Association
Compentence
(Others)
Score: 8

Citation:

<http://www.cc.lu/actualites/detail/conference-chambre-de-commerce-chambre-des-metiers-et-lasti-1/>

<http://www.csl.lu/>

<http://www.legilux.public.lu/leg/a/archives/2008/0060/2008A0790A.html>

<http://www.legilux.public.lu/leg/projets/archives/2007/2007P0225.html>

http://www.uel.lu/images/stories/Documents_public/Annuaire2013-documentdef.pdf

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 a small research department (e.g., Caritas) and express opinions through publications (the Caritas annual almanac) and conferences, or through offering comments on draft bills or proposing policies. Voluntary working groups that act essentially as think tanks have become more popular during the review period, and many have chosen the future of Luxembourg as their focus: La Société Luxembourgeoise de l'Evaluation et de la Prospective (SOLEP), Luxembourg 2030 and “5 vir 12.”

These groups have considerable impact, given the government’s practice of consulting all social partners and the overall small size of Luxembourg. However, efforts to draw on academic skills remain limited.

Citation:

<http://5minutes.rtl.lu/fr/actualite/luxembourg/415157.html>

<http://www.2030.lu/en/home/>

<http://www.caritas.lu/content/download/568/3026/version/3/file/Caritas+Sozialalmanach+2013.pdf>

For further informations: www.solep.lu

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