

SGI-Report

Luxembourg 2017

Executive Summary

Luxembourg is a founding member state of the United Nations in 1945, as well as the European Coal and Steel Community in 1950 and the European Economic Community in 1957. Furthermore, Luxembourg, similar to Brussels and Strasbourg, is one of Europe's three European capitals. Luxembourg plays a key role as the headquarters of many European institutions, such as the Secretariat of the European Parliament, the European Court of Justice, EUROSTAT, the European Investment Bank, the European Stability Mechanism and some Commission services. Important European ministerial meetings are hosted in the Grand Duchy and around 11,000 EU officials are working in Luxembourg.

The demographic development of Luxembourg differs from most other EU Member States by a persistently high migration rate. The population is growing and despite a concomitant rejuvenation, the population is aging and its composition becomes more heterogeneous. With a population change rate of 22.9 (per 1,000 inhabitants/ year), Luxembourg is an exception in the European Union. Since 2012, the Grand Duchy has a leading position in population change per 1,000 inhabitants. A low average age of 39.2 years (behind Ireland and Cyprus) also supports a dynamic population development.

The economic environment is improving and Luxembourg is benefiting twofold: The domestic demand and the number of employees is continuing to grow. With 4.4% in the second quarter of 2016, the GDP in Luxembourg is nevertheless reaching a high level. The country experienced real GDP growth of 4.8% in 2015 which is higher than the euro area average. This is an increase of -0.8% in comparison to 2012. In 2015, a 2% increase in VAT rates was implemented to compensate for the decline in e-commerce revenues. Since 2012, the return of growth has been accompanied by a sustained workforce expansion rate of approximately 2.5% per year.

Luxembourg's strong economic performance and competitive advantages of fiscal stability over the years, gave authorities the means to build an outstanding welfare system with generous insurance plans, benefit schemes and services, such as the recently expanded health care sector. Levels of replacement revenues exceed Scandinavian standards. In recent years Luxembourg's traditional corporatist philosophy has become more and more universal, with liberal views becoming increasingly rare. The welfare state has expanded over the past two decades, while at the same time neighboring countries were cutting back benefits. Luxembourg has not yet enacted any rigorous austerity policies. It only has adopted minor changes to the country's pension regime and general employment rules in upcoming years.

Luxembourg has generated an excellent, but also cost-intensive social and health security system, which also exceeds the Scandinavian ones. The welfare state has gradually been expanded, even when neighboring countries already reduced their social expenses. Despite the strong economic growth and low public debt, sustainable budget management is becoming increasingly important. Thus, geopolitical instabilities (monetary policy, emerging countries, wars and upheavals, etc.) are affecting Luxembourg because its open economy is increasingly depending on global developments. With a fiscal consolidation launched in 2013, Luxembourg firstly imposed austerity budget plans to sustain the social security system in the long term and reinforced the reform of the pension scheme. At the same time, high public investments are promoting internal markets to maintain competitiveness and economic growth, as well as to attract innovative investments and businesses over the upcoming years.

The LuxLeaks tax-shelter scandal, a dominant topic during the period under review, threw Luxembourg into the international news. Multinational companies had negotiated low tax rates (often less than 2% instead of an average of 29.22%) in return for locating premises in Luxembourg.

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Key Challenges

Luxembourg has an A3-Rating with a stable outlook. Among important criteria is the political stability of Luxembourg at the heart of Europe and an internationally connected financial high-tech center with an efficient public administration. Challenges are: further development of innovative niche products, diversification of the economy and markets, ICT synergies with the banking sector, improving reputation through new image campaigns, opening up of new markets through digitization, exploration of new FinTech products, expansion of the virtual currency market and blockchain. LuxLeaks and “Panama Papers” again demonstrated how vulnerable Luxembourg has become as a result of its focus on the financial sector.

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. According to the OECD and the European Commission, Luxembourg’s generous welfare provisions – primarily in the area of early retirement, people with work incapacities, but also within the health care sector – need to be revised and reduced if they are to become sustainable.

Luxembourg falls below the European average in terms of research and development investment, having spent only 1.3% of its GDP for this purpose in 2015 (compared to a target of over 2.3%). The Luxembourg Cluster Initiative, led by the national research agency, Luxinnovation, has identified seven 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. There is therefore a 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. Major public investments are expected in the coming years, particularly in the areas of infrastructure, environment and housing. In fact, an increase of 18% in public investment spending is planned for 2016 alone.

Forecasts indicate that Luxembourg’s population is significantly increasing to 1.1 million inhabitants in 2060. On the one hand, this strong population growth is stabilizing the social security system, especially the pension scheme. On the other hand, the scenario is a great challenge because of the coexistence of generations and nations in a crowded area. Luxembourg is benefiting from a previously constant and slightly rising birth rate, falling death rates and a growing life expectancy. Due to the strong migration, more than 576,000 people are living in the Grand Duchy at the end of 2015. These challenges are in particular concerning for the booming centers of Nordstadt, Luxembourg City and Esch/ Beval. Further growth will have to solve traffic congestion and densification of living space by ensuring a better quality of life to urban citizens. There is an insufficiency of living space, with a very limited stock of rental properties and high real-estate prices.

Employers and non-governmental organizations (NGOs) have lobbied the government to allow resident migrants to vote in national elections, with the aim of reconciling legal rights with the reality of the country’s population. But the clear rejection (78.02%) of full foreigner-voting rights in the referendum of June 2015, put at least a temporary end to the project. In partial response, the government announced a new legislative initiative facilitating access to Luxembourgish nationality. Including non-nationals in the democratic process would improve parliament’s representative mix, and would strengthen non-nationals’ identification with the Grand Duchy of Luxembourg. Offering non-natives the opportunity to obtain Luxembourgish nationality or even dual citizenship are obviously not the only tools to foster inclusivity.

One serious environmental problem is eutrophication and many sources of water supply are at risk. The country’s most pressing environmental-policy challenges include the improvement of water quality, avoiding water pollution through pesticide and fertilizer, and in

particular the need to construct waste water treatment plants.

The national education system presents another persistent challenge, with its trilingual character posing difficulties both to nationals and foreigners. Moreover, the country's PISA test scores rank below the OECD average. During the past 15 years, several school reforms have sought to ease migrant children's integration within this multilingual system, while diminishing the importance of language facility in determining students' appropriate school levels. Long-term competitiveness needs to be improved through further education system reform. The government is currently working on 85 school reform projects.

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Policy Performance

PA | Economic Policies

P1 | Economy

Luxembourg, as a small, open economy, has been for some time ranked high on international competitiveness indices. As in the previous year, Luxembourg still ranks on the 20th position out of 140 countries in the International Institute for Management Development's (IMD) index (World Economic Forum 2016). The country scored excellent on "Macroeconomic environment" (7th position), "Goods market efficiency" (4th position) and "Technological readiness" (2nd position). On the other hand, Luxembourg underperformed in "Health and primary education" (position 43) and "Higher education and training" (position 47) which are important for competitiveness, employability and job creation.

However, the Foreign Account Tax Compliance Act (FATCA), which implemented an automatic exchange of information on capital income and the modified VAT regime for electronic commerce, have both serious impacts on the country's budgets. Due to e-commerce companies tax of about €650 million in 2015 (although following negotiations with the EU Commission, this policy will be implemented incrementally through 2018), the government increased its general VAT rates. Thus, Luxembourg is facing massive challenges: New hubs and business clusters have been created in an effort to generate new revenue sources.

The country's generous welfare model has to be reformed to adapt to a reality of more modest public resources and budgets. In the long-term view, Luxembourg appears to face medium level fiscal sustainability risks. The European Commission agreed with this macroeconomic scenario in its evaluation of Luxembourg's Stability Program 2020, highlighting concerns over the country's overly optimistic economic-growth outlook and its inability to address age-related expenditures.

The financial sector has still an importance for economic growth and sustainable development. Unfortunately, the number of cross-border workers is still rising faster than resident workers. To expand national labor force, Luxembourg is planning to change its immigration and naturalization policy in 2017.

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P2 | Labor Markets

P2.1 | Labor Market Policy

8

The financial crisis affected Luxembourg to a later time than it did other European countries. However, 416,986 people were employed in August 2016. The labor market is particularly volatile, especially with regard to the number of foreign workers. Within the cross-border labor market, commuters from within the so-called “Greater Region” – which includes the adjacent regions of Belgium, Germany and France along with Luxembourg itself – are crucial. Compared to the same period in 2015, about 12,000 new permanent employees were paying compulsory social-security contributions in August 2016. Thus, thanks to its continuous growth, Luxembourg has seen a steady increase in jobs.

In first semester 2016, only 27.3% (compared to 27.8% in the previous year) of the workforce were Luxembourg nationals, while 45.1% were so called cross-border commuters (frontaliers), a circumstance that guarantees high flexibility and short-term fluctuations in the labor market. Within the cross-border labor market, commuters from within the “Greater Region” are crucial.

The ongoing restructuring of the employment agency has positive impact. Because of the steady growth of the resident population, thanks to a high inflow of economic migrants, along with corresponding national job growth, the unemployment rate decreased to 6.4% in August 2016. In the same month, about 17,000 people (4.6% less than last year) were reported as seeking employment. Among the unemployed, 47.7% had been out of work for longer than 12 months and 40,8% of all unemployed were deemed to hold low levels of education. Nevertheless, it must be taken into account that about 3000 foreign unemployed cross-border workers, benefiting from their state of residence, are recorded separately in this statistics.

The employment rate among workers who are 55 years old or older, is 38.4% (compared to 42.5% in 2015), which is far below the EU average (53.3 %) and the country’s own national

goals. This situation is exacerbated by the many incentives for older workers to leave the labor market early. About 5,000 people have taken part in reintegration and training programs in August 2016 (6% less than in the previous year). However, these important measures are only initial steps, as unemployment cannot be reduced substantially in the absence of long-term opportunities. Training must thus lead to permanent jobs. While 90% of the activation budget goes into employment incentives, only 10% are used for training and education. Because of this reason, the administration has indicated that it intends to strengthen training measures for the unemployed.

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P3 | Taxes

P3.1 | Tax Policy

6

During the last years, Luxembourg has struggled with the new EU and OECD tax regulations that have made it difficult for Luxembourg to maintain its former, largely secret and advantageous tax deals for companies. However, after a series of delaying tactics, the country accepted the new international transparency rules, seeking to avoid greater damage to Luxembourg's role as a financial center, and to the state budget as a whole.

Most global players in the country had negotiated positions that exempted them from corporate income taxes (2016: 21%), municipal business taxes (6.75%), a special contribution (7%), and net wealth taxes (0.5%). Its tax deals so far, include more than 50,000 companies (though only 340 were named in the leaked PricewaterhouseCoopers "Luxleaks" documents) that have sought to reduce global tax bills by channeling profits through Luxembourg. Oddly, Fiat Finance Europe's landmark conviction is in some degree beneficial to Luxembourg, as the penalty payment (€20 million – €30 million) goes to the state treasury. The effects of these proceedings and ongoing audits under the new rules will have a major impact on state revenues over the long term. The European Union and the OECD are working on addressing harmful tax competition by harmonizing taxation systems in Europe. After being listed as a tax haven in 2013, the Global Forum removed Luxembourg from its blacklist in October 2015.

Previously, the EU Commission imposed new e-commerce rules that undermined Luxembourg's previously business-friendly e-commerce VAT regime. This led to a decline in revenues of approximately €650 million in 2015. To improve public finances, Luxembourg has implemented new tax rates. Several previously reduced tax rates were increased and the general VAT rose from 15% to 17%. Nevertheless, Luxembourg still continues to have the lowest VAT rate in Europe. Taking into account the impact of the higher VAT and low interest rates, the inflation rate will only increase slightly.

Important milestones included the announcement of a major tax reform in 2014, which was voted on in December 2016, focusing on coherency in the individual and corporate tax systems. The government has also implemented restructuring measures, seeking to increase the country's economic attractiveness to foreign investors. Furthermore, in 2015, VAT declarations were simplified by the introduction of an electronic information system (eVAT). In September 2014, Luxembourg introduced a Freeport (VAT free zone regime) at Luxembourg airport and reduced tax rates on imports and intra-EU acquisitions of antiques, art and collectibles by 8%. In 2016, Bitstamp opened the first EU compliant bitcoin exchange (EUR and Bitcoin) in Luxembourg and is planning to offer legal services in electronic payments.

As the company has sought niches, Luxembourg's financial center has already become the most important locus of the so called Renminbi trade (RMB). Luxembourg's global fund management industry is the second most important location for investment funds worldwide after the United States. In June 2016, the Luxembourg investment fund industry was home to €3,461 trillion in net assets, with 3,887 funds (and 14,208 fund units). Following a massive slump in the previous year, in the first semester of 2016, Luxembourg's investment funds deposits increased by 2.7%. Furthermore, Luxembourg occupies a leading position in Europe in terms of responsible investment fund management. Overall, the number of employees in the financial sector rose from 44,038 (2014) to 45,097 in June 2016.

A PriceWaterhouseCoopers (PWC) 2015 business report ranked Luxembourg favorably. The total tax rate (TTC) after deductions and exemptions, at 20.2% (2014: 20.7%), is the second lowest (behind Croatia) among European and European Free Trade Association countries.

Luxembourg's taxation system is still attractive for businesses, with only around 20% of companies actually paying business tax. In general, property taxes accounted for 1.3 % of GDP in 2012 and represent 3.3 % of tax revenue. At 0.1% of GDP, recurrent property taxes form the lowest GDP share in the EU-28, aside from Malta and Croatia. But in terms of administration, Luxembourg and Cyprus are lagging behind in comparison with other OECD states.

Luxembourg has the highest capital-tax-to-GDP ratio in the EU-28. This shows the size and systemic importance of the financial sector in Luxembourg. To maintain the competitiveness of the financial sector, the government has decided not to introduce a tax on financial transactions (the Tobin tax).

However, Luxembourg is implementing an overall tax reform in 2017. Following international tax competition, Luxembourg intends a 2% reduction of corporation tax in 2017 (19%) with a further, significant reduction in 2018 (18%). In return, the middle class benefits from income tax breaks (i.e. higher tax allowances and tax reductions).

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P4 | Budgets

P4.1 | Budgetary Policy

9

Starting from a position of relatively low public debt, from 2013 to 2015, the consolidated public debt decreased from 23.3% to 21.4% of GDP. After four years of broadly successful fiscal consolidation and high economic growth, in 2017 the deficit of the draft budget will increase to almost one billion, leading to rising public debt. Supported by strong population growth and ongoing investment boom, Luxembourg continues to post growth and holds top position along with Malta and Ireland within the EU28. According to Eurostat data, Luxembourg’s fiscal situation is expected to stabilize further. The cost of structural investments are considerably higher (+14%) than last year (EUR 2.229 billion in 2016 against EUR 1.955 in 2015).

Despite the loss of e-commerce tax revenue in 2015, Luxembourg’s government revenues increased significantly in 2015. In 2015, 20% of budget revenues came from the banking sector. If employee income tax and other taxes are taken into account, the overall impact by financial institutions is about 25%. This indicates the importance of Luxembourg’s the financial services segment. In 2015, Luxembourg was able to achieve a structural surplus and a certain safety margin. According to new calculations, the general account reported a deficit of €176 million, against €841 million provided in the draft budget.

The automatic information exchange, which will be implemented in 2017, will (among other effects) reduce opportunities for tax minimization and will likely have a dampening effect on the country’s financial sector.

Nevertheless, individual tax rates and low indirect labor costs keep Luxembourg attractive for international companies.

In 2017, public investments are expected to increase by 100 million to €2.3 billion. The government continues to increase investment in housing, as well as in teaching and research, which is essential for modernizing the country’s infrastructure.

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P5 | Research and Innovation

P5.1 | R&I Policy

7

In its Europe 2020 Strategy, the Luxembourgish government set a goal of raising public expenditure on research and innovation to between 2.3% and 2.6% of GDP, with 0.7 to 0.9 percentage points of this earmarked for public use (0.73% in 2015) and 1.6 to 1.7 percentage points earmarked for private research. The overall European goal is 3% of GDP.

With 59.5% of the workforce working in jobs demanding high levels of education and skills, Luxembourg has the highest share in the WEF's 2016 rankings. More than 40% of the working age population holds tertiary education degrees and/or is employed in the science and technology sector. This potential should help to create synergies between public research and industry. Nevertheless, Luxembourg lost its leading position (Top 10) and ranks 12th among 128 countries in the Global Innovation Index.

The new Belval campus, designed for 7,000 students, 3,000 researchers and 6,000 inhabitants, is one of the largest urban conversion projects in Europe. In 2016, more than 1600 employees and 3,000 students were teaching, learning and working in this modern location. The 2016 OECD evaluation recommends better impact control and further investments in the Belval campus.

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P6 | Global Financial System

P6.1 | Stabilizing Global Financial Markets

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.

Luxembourg performed relatively well in the global financial crisis. After saving two domestic systemically important banks (Dexia and Fortis), Luxembourg again experienced rising tax revenues in recent years. But as a small country, Luxembourg’s economy remains strongly influenced by the general economic climate and international trends.

Luxembourg is a major financial center, with the banking and financial services industry, contributing (including secondary effects) an estimated 30% or more to the GDP.

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 that period.

The country’s economic freedom score declined from rank 16 the previous year, to rank 19 in 2016. In the World Bank Doing Business 2016 report, Luxembourg was ranked at position 61, behind Greece at 60th place and far behind neighboring countries Belgium (43), France (27), Germany (15). Reflected in these rankings is the perception that Luxembourg has difficulties in encouraging start-ups and creating new professions. After losing two places in 2015, Luxembourg reinstated its former third position among Europe’s financial centers and was ranked on place 12 globally in the 2016 Global Financial Centers Index ranking.

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PB | Social Policies

P7 | Education

P7.1 | Education Policy

5

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 migrants generally (especially the Portuguese minority) struggle with languages and often end up in the technical level (secondaire technique), which affects their progress toward a university education. Recent studies have shown that migrants are four times less likely to transfer to the higher level university-oriented school track (enseignement secondaire) than Luxembourgish nationals. To avoid this, often more affluent migrants will send their children to a reputable international school. This leads to yet another division between high-income and low-income migrants. A reform of the secondary school is currently in preparation for the year 2017.

Luxembourg has the highest mobility of students, acquiring new knowledge and languages abroad. 68% of tertiary students study abroad, whereas 57% (2013: 54%) of students enrolled at the university in Luxembourg are foreigners. According to OECD data (Education at a Glance), Luxembourg has the OECD's highest level of expenditure on educational institutions per student (42,435 \$ per person and year 2016), and the smallest average class size (primary 15 and secondary 19 students).

The increase in student numbers (+10% in the last 5 years) is a challenging task and requires more schools. In addition to an expansion of infrastructure, a sufficient number of qualified teachers with expertise improving the integration of pupils with special needs have to be continuously recruited in the coming years.

Key items here include a new Luxembourg Center for Educational Testing (LUCET) which is linked to teacher training institutes, increased school autonomy in association with individual institutional development plans, two new institutes for treating learning disabilities and behavior problems, a new center for political education, improvements in connections between kindergarten and primary school, efforts to ease inter-school and post-school transitions, policies making schools and teaching more flexible, increasing the number of yearly training hours for teachers (2017: 16), an initiative promoting native language instruction, and start of a (free of charge) International School in Differdange 2016.

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P8 | Social Inclusion

P8.1 | Social Inclusion Policy

9

Luxembourg's strong economic performance over the last three decades has given 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. The welfare state has consequently expanded since the 1970s, even when neighboring countries started to cut back benefits.

During the past 10 years alone, rental prices have risen by 43%. The government recognizes the problem and is promoting the construction of about 11,000 new housing units to support continuing migration flows and population growth (about 2% last year). This program has a budget of about €600 million for the period of 2010 until 2025. Despite the scarcity of social housing, only 29% of the new housing units are intended for renting and 81% of the stock is for sale to low-income groups. This excludes the working poor and welfare beneficiaries with low credit ratings.

A new housing allowance, although it has been delayed, was introduced in 2016. About 19,000 low-income households would benefit from this subsidy, amounting to a monthly €124 for a single household and a 174€ for a family with 2 children. This underlines the crucial importance of social housing, especially with regard to providing affordable rentals for low-income people.

Nevertheless, the quantity of social housing is still below the European average. Some municipalities have decided to impose a special tax on unoccupied houses in order to create disincentives for leaving spaces empty, and thus encouraging existing residential property to be rented or sold. In addition to programs on the local level, public social housing companies (Fonds du Logement and SNHBM) are intensifying their activities. The National Housing Fund was recently exposed to criticism following an audit and is currently being reformed with an eye to establishing effective quality control measures.

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P9 | Health

P9.1 | Health Policy

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. Luxembourg also has the highest share of patient transfers to other countries for treatments 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 single medical treatment. 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 of 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 only responsible for a certain number of patients (Belegbetten), which prevents any sort of group or collective treatment options. Therefore, some hospitals have organized in such a way that they keep doctors' offices “in house”, but this does not change their status as independent physicians (Belegarzt).

However, with yearly \$5,160 per person, Luxembourg's health care system is considered one of the most expensive within the OECD-countries, ranking on 7th place. The reasons for this are among others, 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 have tried for years to limit the scope of various treatments offered by all hospitals, instead offering incentives to be treated in specialized centers, for example.

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P10 | Families

P10.1 | Family Policy

8

Luxembourg's corporatist welfare regime has gradually evolved over the years to a more universal system with a high degree of defamiliarization. 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 policies 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 at home. In general, Luxembourg offers the highest level of child benefits within the European Union. Today, it is one of the four leading EU member states in terms of family benefits. It has made sustainable improvements in terms of family-friendly workplace arrangements, while gender-based job segmentation and the gender pay gap have decreased.

When compared internationally, Luxembourg's tax policy is family-friendly. Women's labor-market participation has considerably increased since the launch of the European Employment Strategy. At the same time, the government has invested heavily in child-care facilities, with the aim of making it easier for women to work.

Yet despite a strong increase in recent years, the women's workforce participation rate is still comparatively low with 65%, ranking only 17th in Europe (EU-28 average: 64.3%).

Luxembourg's public child-care institutions include the "Maisons Relais" or general daycare centers; the "éducation précoce," a third preschool year and "foyers de jour" or after-school centers. Since August 2016, there will be one fixed allowance per child, regardless of the family composition. Child bonuses and child allowances will be paid in one sum, €265 per child. The government also plans to cut education and maternity allowances as part of this new coherent family policy. The Chamber of Labor (CSL) has criticized this new policy, noting that a family with two children would lose 19% of its annual benefits through the 2016 reform. To compensate for this decline in financial support, the government partly offers free child-care facilities for one to three-year-olds, early language support, and intercultural education for migrants.

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P11 | Pensions

P11.1 | Pension Policy

7

Luxembourg's pension plans offer one of the highest replacement rates within the OECD and provide a high living standard for the elderly. The poverty in old age rate is lower than that for families and even more so if single parent families are considered. However, pensioners must financially contribute to the health care insurance system and are fully taxed.

Luxembourg has not yet enacted a rigorous austerity policy, but has adopted some changes to the country's pension regime and general employment rules. With an eye to ensuring the long-term sustainability of this system, the OECD and the European Commission have urged pension-system reform.

The financing of the pension system is based on a sustainable population growth. But this population growth is linked to immigration and positive economic developments. Whether the economy and thus the number of contributors will grow in the upcoming decades is still

uncertain.

Citation:

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P12 | Integration

P12.1 | Integration Policy

8

Since the Second World War, Luxembourg's migrant population has grown continuously. Today, around 85% of migrants are citizens of the European Union, while overall 91% are of European descent and the remaining highly qualified migrants coming from Japan, the United States, Canada and other countries. Luxembourg has one of the highest economically performing migration populations, with an outstanding share of economic immigrants among OECD countries and a very small group of economically weak third country nationals. More than 50% of the total resident population in Luxembourg has a migrant background.

All foreigners, EU citizens and third-country citizens can vote and run for office in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Conditions for the inscription have been eased over the years. However, the fact that the meetings of local councils are held in Luxembourgish (with written reports in German, French, or English), constitutes an impediment for resident foreign citizens. Non-nationals' interest in political participation at the local level remains low. During the period under review, voting rights for resident foreigners in parliamentary elections was a cross-party issue, which ultimately was put to public vote in the June 2015 consultative referendum. However, an absolute majority of 78.02% voted against granting full foreigner voting rights, putting a preliminary end to this ambitious project. The next referendum is not expected before 2017. In light of this experience, the government wants to implement a new Naturalization Act in 2017 to facilitate foreigners' civil participation in public life.

Citation:

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P13 | Safe Living

P13.1 | Safe Living Conditions

8

In 2016, Luxembourg again ranks 19th worldwide with regard to standards of living and personal security in Mercer’s Quality of Living survey, while the capital takes first place as safest destination for international assignments. To enhance security and trust-building, 100 police officer will be recruited in 2017 to combat crime and regain public confidence. In addition, the implementation of the ongoing police reform is making progress. 51 police stations have to be merged into larger units for more efficient police work.

Citation:

Rapport d’activité 2015 de la police grand ducale. Le gouvernement du Grand-Duché de Luxembourg, 2016. www.police.public.lu/fr/publications/statistiques-2015/rapport-activite-2015.pdf. Accessed 21 Feb. 2017.

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P14 | Global Inequalities

P14.1 | Global Social Policy

9

The Ministry of Foreign and European Affairs manages almost 74% of the total budget, while the remaining 19.35% of Luxembourg's ODA are managed by 91 accredited NGOs.

Since 2000, the country's development agency, Luxembourg Development Cooperation (Lux-Development), has exceeded the U.N. industrialized nation contribution target of 0.7% of GDP for development projects. The country has focused its sustainable development aid policy on poverty eradication and energy saving programs, as well as on other programs that could help to reduce carbon emissions in beneficiary countries.

NGO umbrella organization CERCLE has pointed out, that budgetary rigor will also apply to NGO development aid policies in the upcoming years, reducing national co-financing costs along with NGO administrative costs.

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

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.

Citation:

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PC | Environmental Policies

P15 | Environment

P15.1 | Environmental Policy

7

During the period under review, Luxembourg has made efforts to protect water resources and curb emissions through a series of governmental measures. However, efforts such as reducing carbon emissions, caused partly by the phenomenon of “fuel tourism” by cross-border commuters, as well as the progressive improvement of the water quality of rivers and lakes, need to be continued. A new drinking water plant with a daily capacity of 110,000 cm³ is to be built in a joint venture.

Luxembourg’s Kyoto Protocol pledge to reduce carbon emissions by 28% by 2012, was hampered by tax revenues from fuel tourism, which led to high carbon emissions and the negation of emissions policies. In addition, the country’s dynamic economic growth and new car leasing by cross-border workers, have also been cited as a reason for increased carbon emissions. Luxembourg has Europe’s highest energy consumption per capita, the highest vehicle density (660 vehicles per 1,000 people in 2014) and the highest renewal rate of passenger cars (12.5%). Despite the contentious debate over environmental liability, Luxembourg was the only EU country to reduce its biofuel ratio in 2012. From 2015 until 2020, Luxembourg is slated to pay an annual contribution of €5 million into the Green Climate Fund, which was born out of the Kyoto Protocol.

Luxembourg also has the lowest share of renewable resources consumption (2.1%) in the EU, while only 36% of the country’s wastewater is treated in modern triple-phase sewage treatment plants. In 2011, European Court of Justice ruled against the government for a second time for “failing in its obligation to treat and dispose of urban waste water.” As a result, since 2013, Luxembourg paid a fine of €2,800 per day. The government has thus prioritized expenditure for the construction of wastewater treatment plants. The 2016 budget allocates €110 million for significant investments in new sewage treatment installations.

Almost 60% of the country’s deep wells have pesticide residues, especially in the south of the country. Although Luxembourg committed to the OECD and EU Pesticide Risk Reduction Project, the government belatedly implemented it, with the result that the community framework for the sustainable use of plant protection products (2009/128/EG) directive entered into national law only in December 2014.

There are problems with waste water treatment and drinking water supplies if summers are very dry. The monitoring of water systems is seen as insufficient. To improve drinking water quality, the environmental administration designated 80 drinking water protection areas and 42 communes banned pesticides since 2016.

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 are looking forward to 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 counselling; 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:

Green Climate Fund: <http://www.greenclimate.fund/contributions/pledge-tracker/#states>

Plant Protection National Action Plan:

http://ec.europa.eu/food/plant/docs/pesticides_sup_nap_luxembourg_en.pdf

Mesures pour assurer la qualité de l'eau potable: <http://www.gouvernement.lu/4444990/12-qualite-eau?context=3393616>

P16 | Global Environmental Protection

P16.1 | Global Environmental Policy

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. The first tram in the capital is expected to be ready in 2017, 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. Moreover, public transportation in the country has to be expanded in the context of an overall sustainable mobility policy.

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 other countries, especially emerging ones.

Citation:

Der Ökologische Fußabdruck Luxemburgs. Conseil supérieur pour un développement

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Democracy

D1 | Electoral Processes

D1.1 | Candidacy Procedures

10

The electoral law in Luxembourg presents no restrictions in the registration of 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 who are registered in the district, by an elected member of parliament from the district, or by three members of the municipal councils. The electoral lists can consist of single individuals who are not affiliated with a political party. Typically, single issues are the motivation in these cases. The total number of candidates on a list cannot exceed the number of seats to be allocated in the district.

Citation:

“Chambre Des Députés - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu, 10 Sept. 2014, www.gouvernement.lu/1719091/chambre-deputes. Accessed 21 Feb. 2017.

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D1.2 | Media Access

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. While Luxembourgish Wort was always close to the Christian Social People's Party (CSV), Tageblatt is considered to be affiliated with the Luxembourg Socialist Workers' Party (LSAP) and the Journal has a close link to the Democratic Party (DP). To counter a dwindling readership, newspapers have adopted a more balanced line over the recent years, reducing their political bias to the benefit of smaller parties and organizations at the same time. Since there are no significant public broadcasters, the main private broadcaster Radio Télé Luxembourg (RTL) guarantees 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. Furthermore, the government organizes roundtables with candidates from all 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 distances itself from party influence. The government expects to revise press subsidies in the near future, with the aim of redistributing financial aid to support online media as a supplement to classic print media.

Citation:

“Luxemburger Wort - Jetzt Doch Aufstockung Der Pressehilfe?” Wort.lu, 17 Sept. 2015, www.wort.lu/de/politik/medien-jetzt-doch-aufstockung-der-pressehilfe-55fa88ed0c88b46a8ce6030d. Accessed 21 Feb. 2017.

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D1.3 | Voting and Registration Rights

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 election and have full civil and political rights. Citizens living temporarily abroad have the possibility to cast their vote by postal vote and citizens over the age of 75 are exempted from casting their vote. There are no perceptible forms of discrimination within the voting process. The Luxembourgish government sought to encourage political participation among young people by lowering the voting age to 16 years, but this proposal was rejected (by a substantial majority of 80.87%) in the consultative referendum of June 2015.

Experts have constantly criticized the representative makeup of parliament as insufficient,

since 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. Around 47% of the resident population may not vote in national elections as they are not Luxembourg nationals. 90% of those are EU citizens and are entitled to participate in European elections and 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. Conditions for the inscription have been eased over the years. However, non-nationals' interest in political participation at the local level remains low.

Citation:

“Le Gouvernement Du Grand-Duché Du Luxembourg Prend Acte Des Résultats Du Référendum Sur Des Questions Constitutionnelles - Gouvernement.lu.” Gouvernement.lu, 7 June 2015, www.gouvernement.lu/4925351/07-ref. Accessed 21 Feb. 2017.

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D1.4 | Party Financing

8

Party financing is regulated by a law passed on December 21, 2007. The implementation of the law was positively evaluated by the Group of States against Corruption (GRECO) which was 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 mentioned 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 the improvements on the law, made during the period to improve transparency, monitoring of 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, since 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. However, political parties must ultimately pay more attention to such concerns. Due to the complexity

of the legislative changes, the implementation of additional measures has been delayed. The fourth GET evaluation again called for the rapid implementation of as yet 13 anti-corruption recommendations as national law.

Citation:

GRECO, Evaluation Report on Luxembourg on the “Transparency of Political Party Funding,” Strasbourg, 13 June 2008

“LUXEMBOURG EU Anti-Corruption Report.” European Commission, 3 Feb. 2014, ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/corruption/anti-corruption-report/docs/2014_acr_luxembourg_chapter_en.pdf. Accessed 21 Feb. 2017.

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D1.5 | Popular Decision-Making

6

Since 1919, the constitution 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 needed for a referendum to be held at national level. The procedure can be initiated either by a parliamentary act or by popular initiative. In this case, 25,000 Luxembourg citizens have to ask for a referendum to be held. Since Luxembourg is a small country, this threshold is significant and may explain why only five referenda have taken place since 1919. All referenda resulted from parliamentary or governmental initiatives, including the one in 2005 that sought approval for the EU constitutional treaty.

The first consultative referendum took place on June 7, 2015. In this referendum, all three reform proposals were rejected by very large majorities. The result clearly showed popular discontentment over government. The reasons are diverse and can be summarized as follows: Although the government had dedicated itself to facilitating more active citizen participation, as it took power in December 2013, this unfortunately was not a referendum with high participation. Despite previous announcements of the referendum’s contents, one of the issues, namely dealing with the separation of church and state, was withdrawn. In general, there were insufficient information and discussions on the referendum’s contents from the start; in particular, the government’s degree of communication and dialogue with citizens was inadequate. Ultimately, the government did not exert itself broadly enough to win the support of the voters.

The Local Government Act of 1988 (Article 35) addresses the issue of referenda at the municipal level. One fifth of registered electors need 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 just 10,000 citizens; which means citizens have relatively easy access to legislators. The country’s territorial breakdown produces small units (there are 105 communes/ municipalities) which all claim to be in direct contact with citizens. On the other hand, Luxembourg is flooded with initiatives of citizens, an informal way to impose views on the political establishment, especially regarding environmental issues.

Citizen participation increased due to a new process of online petitions. Online petitions with at least 4,500 signatures must be forwarded to the parliament's petitions commission, as well as to a parliamentary commission for further debates. In the past parliamentary year 2015/2016, 160 petitions were submitted of which 13 petitions obtained the required number of signatures.

Citation:

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D2 | Access to Information

D2.1 | Media Freedom

8

The country's media audience is small; the pluralistic media landscape is maintained mostly through generous direct and indirect press subsidies, of which the two big newspapers in Luxembourg mainly profit. One could argue that subsidies are an indirect way of influencing the media coverage, however, the government respects the independence of the media. The rules for granting subsidies are transparent and not subject of political debate. Moreover, following the reformation of the Electronic Media Act in 2013, the new government decided to allocate a greater part of its press subsidies to online media.

Following Luxembourg's condemnation by the European Court of Justice in an affair related to the Contacto journal's investigative journalism in 2009, the country has returned to fourth place in the Press Freedom Index of 2012 by Reporters Without Borders. However, the tax avoidance scandal which brought Luxembourg into the international news, was felt even within the realm of media freedom. As result of the government's decision to charge journalist Edouard Perrin with complicity in the leaks, which originated from confidential PricewaterhouseCoopers documents, the country fell on 15th place in the World Press Freedom Index of 2016.

Citation:

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D2.2 | Media Pluralism

7

All of Luxembourg’s six daily newspapers have links of some sort to political parties. One of the six dailies, La Voix, a French language supplement of the leading paper, Luxembourger Wort, was shut down in fall 2012. There is a marked imbalance of strength and influence among newspapers, which generally reflects the strength of their political sponsors. The Luxembourger Wort is owned by the Catholic Church and therefore has ties to the Christian Social People’s Party (CSV). In 2015, it had a circulation of 70,410 copies, an overwhelming number, considering Luxembourg’s population of 565,000. This figure is also larger than the combined circulation of its competitors.

The media landscape was shaken up after the creation of two free daily newspapers. The market share of the Luxembourger Wort fell to 35.4%, while that of L’Essentiel, the most successful of the free papers, recorded a share of 26,7% in 2015. L’Essentiel is published by Editpress, which is also publisher of the Tageblatt (the country’s second-largest newspaper, with a market share of about 9.9%) 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 Luxembourger Wort, is losing ground because of increased competition and societal changes. Not only did it shut down La Voix, it also abandoned the free newspaper market by closing down its own paper, Point24 in December 2012. Developments such as these, in addition to a restructuring at the Luxembourger Wort, are signs of change in the 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 which also led to the creation of radio 100.7. Its radio audience share (37.3% in 2015) is almost twice as high as that of second ranking Elodoradio with just 22%. The Chamber TV parliamentary channel transmits live parliamentary sessions, as well as weekly background information and news program on Mondays. It is owned by the Chamber of Deputies and only broadcasts on those specific occasions.

Citation:

Brömmel, Christa. “Luxembourg Rapport national.” cnfl, 2015, www.cnfl.lu/site/GMMP_LU_rapport%20final%202015.pdf. Accessed 21 Feb. 2017.

“Etude TNS ILRES PLURIMEDIA LUXEMBOURG 2016.” Accueil | Paperjam News, 2016, paperjam.lu/sites/default/files/etudeplurimedia_2016.pdf. Accessed 21 Feb. 2017.

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D2.3 | Access to Government Information

6

Luxembourg has no freedom of information act or any equivalent legal regulation. Such law has been called upon 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 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 messages of the government well ahead of official notifications to the 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 of neighboring countries, as well as by recommendations of the Council of Europe. However, the draft law presented by the new government in 2014, did not meet information access advocates' expectations.

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. Interested parties, lobbies and associations often enlist MPs and make use of the parliamentary query process to discover the government's intentions on issues of relevant to them. MPs questions and government answers are published in the regular account of parliament's activities (Compte rendu des séances publiques), in press releases and on the webpage of the Chamber of Deputies.

Citation:

“Mémorial A n° 69 de 2010.” Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 30 Apr. 2010, www.legilux.public.lu/leg/a/archives/2010/0069/a069.pdf#page=15. Accessed 21 Feb. 2017.

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D3 | Civil Rights and Political Liberties

D3.1 | Civil Rights

8

Civil rights are officially protected in Luxembourg and all state institutions respect these rights with some exceptions. Four institutions are in charge of civil rights protection: 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 the subsequently slow processing of cases, has triggered concerns over the process and equitable treatment. The European Court of Human Rights in Strasbourg has reprimanded the country on several occasions because of delays in the court system. The mediation law grants a maximum of four months for processing, with the aim of speeding up administration procedures. The influence and the number of complaints to the Ombudsman Office continues to grow, with a total of 743 complaints in 2015 (2014: 689). The rate of favorable rulings or settlements is high with 84.21%, compared to 85.52% in 2014. These high figures show both, the efficiency and the necessity of this institution. Due to overcrowded prison, in 2022 a new remand prison will be opened. Furthermore, 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:

"Accès aux documents administratifs." Chambre Des Salariés, 5 Feb. 2013, www.csl.lu/component/rubberdoc/doc/1671/raw. Accessed 21 Feb. 2017.

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D3.2 | Political Liberties

9

No infringements of the 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 criticized state subsidies for churches, particularly the Catholic Church, which is the dominant faith in Luxembourg. Protestant and Jewish organizations already benefit from public funding. As response to this, the 2009 government program promised the creation of so-called houses of secularism, following the Belgian model. Since 2016, after a period of receiving very low subsidies, the Islamic Religious Community, Anglican Community and the Orthodox Church received public funding. Initially, the government coalition intended to include a question in the June 2015 referendum, relating to the funding of the churches and the introduction of a church tax system in Luxembourg. In January 2015, however, the government settled on an agreement with the various religious communities in Luxembourg which removed this issue from the referendum.

Citation:

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D3.3 | Non-discrimination

8

Fundamental human and civil rights are anchored in Luxembourg's constitution. Anti-discrimination efforts are overseen both by public authorities and non-governmental organizations.

The recent 2015 Migrant Integration Policy Index (MIPEX) gives Luxembourg a low score of 57 points with regard to its anti-discrimination policies (2014: 49). Two EU anti-discrimination directives (2000/43 and 2000/78) were adapted after years of debate in the form of an act passed on the 28th November 2006, establishing a Center of Equal Treatment (Centre pour l'égalité de traitement, CET) which opened in October 2008. The act includes EU definitions of discrimination. 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 the 22th August 2003 and began operations in May 2004.

Migration is an issue which is often debated. Considering that most migration is essentially European (90%) and of Christian faith, migration issues have caused fewer conflicts and 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, incidents of discrimination and complaints related to physical or mental disabilities have increased. This highlights the need to intensify inclusion policies.

Citation:

"Accueil." CNFL, 21 Feb. 2017, www.cnfl.lu/site. Accessed 21 Feb. 2017.

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Further information:

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D4 | Rule of Law

D4.1 | Legal Certainty

6

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

The government is working on a complete update of the constitution. Already in 2009, the Christian Social People's Party (CSV) had stated in its election program, that they would submit the new reform of the national constitution “to the people by a referendum”. The referendum on the constitutional reform, which was already planned in 2012, might now be delayed until 2019.

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

Citation:

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D4.2 | Judicial Review

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 heavy case loads; annual reports cite

more than 1,000 judgments by the Administrative Court in the period between 2014 and 2015, as well as 288 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:

“Europäisches Justizportal Gerichtsorganisation.” European Justice, 4 Feb. 2015, e-justice.europa.eu/content_judicial_systems_in_member_states-16-lu-de.do. Accessed 21 Feb. 2017.

“RAPPORTS DES JURIDICTIONS ADMINISTRATIVES.” La Justice // Luxembourg - Accueil, 14 Oct. 2015, www.justice.public.lu/fr/publications/rapport-activites-administratives/rapports-juridictions-adm-2015.pdf. Accessed 21 Feb. 2017.

D4.3 | Appointment of Justices

9

The Constitutional Court of Luxembourg is composed of nine members, all professional judges. They are appointed by the Grand Duke on recommendation of 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 (due to the Law Project of 2013) 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 of 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:

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D4.4 | Corruption Prevention

8

After a parliamentary inquiry of a large building project in Wickrange in 2012, in which government ministers and the prime minister were suspected of improperly favoring a company, the government proposed a deontological code in April 2013, with reference to existing codes such as the one 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 ethical code also outlines what type of professional activities a minister can take up at after his mandate. The overall objective is to avoid conflicts of interests. In addition, an ethics committee will offer opinions concerning the interpretation of specific situations. The revised text was signed by each minister and came into force in December 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.

The fourth European evaluation of the Group of States against Corruption (GRECO) called for the rapid implementation of the group's anti-corruption guidelines, in order to prevent corruption within the public authorities. Only one of the group's 14 recommendations has been implemented into national law so far and other directives have not been transposed or have been only partially implemented yet.

Citation:

"2014 Corruption Perceptions Index – Results." Transparency International - The Global Anti-Corruption Coalition, 2014, www.transparency.org/cpi2014/results. Accessed 21 Feb. 2017.

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"Corruption Perceptions Index – 2012." Transparency International - The Global Anti-Corruption Coalition, 2012, www.transparency.org/cpi2012. Accessed 21 Feb. 2017.

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Governance

Executive Capacity

GA | Steering Capability

G1 | Strategic Capacity

G1.1 | Strategic Planning

4

Luxembourg's small size and thus the small size of its administration, does not allow for sufficient strategic planning capacity. A few public bodies offer simulations, such as the

National Institute of Statistics and Economic Studies Luxembourg (STATEC) and the General Inspectorate of Social Security (Inspection Générale de la Sécurité Sociale, IGSS). The State Economic and Social Council (Conseil économique et social) and the merged public research institute LISER offer more qualitative analyses. The research department of the central bank (Banque Centrale du Luxembourg) and the general inspectorate of the financial sector (Commission de surveillance du secteur financier, CSSF), focus on economics and finance planning. While these institutions are state-financed, they are nevertheless not sufficiently equipped to offer long-term planning activities. State Economic and Social Council reports are partly written by civil servants of the relevant ministry departments. Strategic planning is mostly done, if not commissioned, by institutions abroad, which offer 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:

“Autres Acteurs - Statistiques // Luxembourg - Acteurs.” Statistiques // Luxembourg - Accueil, 19 Apr. 2016, www.statistiques.public.lu/fr/acteurs/autres/index.html. Accessed 21 Feb. 2017.

“Home: Commission De Surveillance Du Secteur Financier (CSSF).” Home: Commission De Surveillance Du Secteur Financier (CSSF), www.cssf.lu/en. Accessed 21 Feb. 2017.

G1.2 | Scholarly Advice

7

Luxembourg’s main research institutions have been founded only recently. For instance, the national university was founded in 2003. Furthermore, three national research centers (CRP-Gabriel Lippmann, CRP-Henri Tudor, CRP-Santé) were founded in 1999 and later combined into two research centers: Luxembourg Institute of Science and Technology (List) and Luxembourg Institute of Socio-Economic Research (LISER). The House of Innovation also provides space for about 500 scientists and researchers from CRP-Henri Tudor, Luxinnovation and the Dr. Widong Center in Esch-Beval.

For major policy reform projects, the government mostly consults highly reputed institutions abroad. Receiving scholarly advice from institutions abroad favors independent analyses. Considering the country’s small size, links between government and national research facilities are close.

Citation:

“Annuaire De La Compétitivité 2015 : Un Peu Mieux, Mais Est-ce Durable ?” Accueil, 2015, www.uel.lu/410-annuaire-de-la-competitivite-2015. Accessed 21 Feb. 2017.

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G2 | Interministerial Coordination

G2.1 | GO Expertise

6

The Prime Minister's Office (PMO) employs around 40 civil servants, mostly trained in law, economics and political sciences. As a result, the PMO does not have sufficient resources to assess all the activities of government ministries. Due to the limited capacities of all ministries, including the PMO, there is no management body or special committee designated to manage interministerial coordination. After the inauguration of the new government in December 2013, interministerial coordination presented some difficulties. 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, as well as revised within these two interministerial meetings. The Inspectorate General of Finance (Inspection générale des finances, IGF) evaluates the draft bills and participates in numerous committees.

Citation:

"Conseil De Gouvernement - Gouvernement.lu // L'actualité Du Gouvernement Du Luxembourg." Gouvernement.lu, 5 Feb. 2014, www.gouvernement.lu/1719191/conseil-gouv. Accessed 21 Feb. 2017.

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"Ministère De La Sécurité Sociale Du Grand-Duché De Luxembourg - Inspection Générale De La Sécurité Sociale." Ministère De La Sécurité Sociale Du Grand-Duché De Luxembourg - Accueil, 11 Jan. 2017, www.mss.public.lu/acteurs/igss/index.html. Accessed 21 Feb. 2017.

OECD (2013), OECD Journal on Budgeting, 2012/Supplement 1, Paris

G2.2 | GO Gatekeeping

8

The long period of leadership of former Prime Minister Jean-Claude Juncker (in office 1995 – 2013) gave him the authority to reject policy proposals or inspire new policy projects. In general, the prime minister is able to withdraw a project or a draft bill without formal procedures. However, he or she acts as first among equals (*primus inter pares*), and therefore should be reluctant to interfere, particularly in dossiers handled by ministries which are 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:

"Mémorial A n° 173 de 2009." Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 29 July 2009, www.legilux.public.lu/leg/a/archives/2009/0173/a173.pdf#page=2. Accessed 21 Feb. 2017.

G2.3 | Line Ministries

8

The Prime Minister's Office is not legally allowed to be involved in the preparation of bills or proposals by line ministries. Sensitive political proposals are often contained in the coalition program. There are no institutionalized mechanisms of coordination between line ministries

and there is no unit dealing with policy assessment and evaluation. Informally, however, no sensitive proposal is presented to the Council of Ministers without being approved beforehand by the prime minister. An informal body of ministerial civil servants meets ahead of the Council of Ministers, to prepare the agenda and make adjustments if needed. Even though the prime minister has not held the influential finance portfolio since 2009, his central role in the governance process has not been weakened.

Citation:

“Arrêté Grand-ducal Du 28 Janvier 2015 Portant Constitution Des Ministères. - Legilux.” Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 28 Jan. 2015, eli.legilux.public.lu/eli/etat/leg/agd/2015/01/28/n1/jo. Accessed 21 Feb. 2017.

“Gouvernement - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu, 10 Sept. 2014, www.gouvernement.lu/1719075/gouvernement. Accessed 21 Feb. 2017.

“THE GRAND DUCHY OF LUXEMBOURG.” Gouvernement.lu, 2013, www.gouvernement.lu/3723809/SIP_Gouvernement_2016_EN. Accessed 21 Feb. 2017.

G2.4 | Cabinet Committees

8

There are no cabinet committees, in the strict sense. The Council of Ministers (Luxembourg’s cabinet) has to rely entirely on the work of line ministries or 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) who are 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:

“Gouvernement - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu, 10 Sept. 2014, www.gouvernement.lu/1719075/gouvernement. Accessed 21 Feb. 2017.

“Inspection générale des finances.” Notitle, 2017, www.igf.etat.lu/. Accessed 21 Feb. 2017.

“Système Politique - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 5 July 2015, www.gouvernement.lu/482644/systeme-politique. Accessed 21 Feb. 2017.

G2.5 | Ministerial Bureaucracy

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:

“Système Politique.” Luxembourg, 7 Apr. 2015, www.luxembourg.public.lu/fr/politique/institutions-politiques/gouvernement/index.html.

Accessed 21 Feb. 2017.

Thomas, Bernard. "Die Unentbehrlichen." Forum.lu – Für Politik, Gesellschaft Und Kultur in Luxemburg, Sept. 2013, www.forum.lu/pdf/artikel/7693_332_ThomasSchmit.pdf. Accessed 21 Feb. 2017.

G2.6 | Informal Coordination

9

There are many opportunities for informal coordination, given Luxembourg's small size, 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 opportunities for informal contact between public servants and experts from research institutions, businesses and civil society. Senior civil servants simultaneously responsible for various projects, have a enormous workload and represent the government within different bodies, boards and committees.

G3 | Evidence-based Instruments

G3.1 | RIA Application

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 a competent authority, the Plateforme interministérielle de réforme et de simplification administrative. Furthermore, the so-called "Omnibus bill" is in parliamentary procedure and is supposed to be voted in the beginning of 2017.

Since 2009, all draft bills have been required to undergo 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 analyses, 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 interministerial platform, which prepares a formal statement to the Council.

The standard impact evaluation form (a checklist form, or "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 programs 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 European level.

Citation:

"Building an Institutional Framework for Regulatory Impact Analysis (RIA)." OECD.org - OECD, 2008, www.oecd.org/regreform/regulatory-policy/40984990.pdf. Accessed 21 Feb. 2017.

"Gestion De La Qualité Sur Base Du Modèle D'auto-évaluation CAF." Portail De La Fonction Publique // Luxembourg, 2 Apr. 2015, www.fonction-publique.public.lu/fr/modernisation-etat/qualite-publique/gestion-qualite-base-caf/. Accessed 21 Feb. 2017.

"Improving Public Organisations through Self-Assessment." EIPA - Welcome to EIPA, 2013,

www.eipa.eu/files/File/CAF/CAF_2013.pdf. Accessed 21 Feb. 2017.

“L’amélioration des organisations publiques par l’auto-évaluation.” Portail De La Fonction Publique // Luxembourg, 2013, www.fonction-publique.public.lu/fr/publications/brochures/caf/brochure-CAF.pdf. Accessed 21 Feb. 2017.

“Modernisation De L’Etat.” Portail De La Fonction Publique // Luxembourg, 1 Apr. 2014, www.fonction-publique.public.lu/fr/modernisation-etat/index.html. Accessed 21 Feb. 2017.
“OECD Regulatory Policy Outlook 2015 Luxembourg.” OECD.org - OECD, 2015, www.oecd.org/gov/regulatory-policy/Luxembourg-web.pdf. Accessed 21 Feb. 2017.

G3.2 | Quality of RIA Process

2

An open consultation on regulatory impact assessment (RIA) specifications does not exist. The procedure requires an interministerial exchange between governmental departments and coordination groups, including a consultation of experts. Impact assessment data originates 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. RIAs are not evaluated by an independent body.

Since the general introduction of RIAs in 2009, there has not been enough transparency or civil society participation in the process. Efforts should be made to increase the involvement of stakeholders.

Citation:

“Modernisation de L’état.” Modernisation De L’Etat - Portail De La Fonction Publique // Luxembourg, 1 Apr. 2014, www.simplification.public.lu/Rapport_Mieux_l_gif_rer_en_Europe_-_Luxembourg_2010.pdf. Accessed 21 Feb. 2017.

“Modernisation de L’état.” Modernisation De L’Etat - Portail De La Fonction Publique // Luxembourg, 1 Apr. 2014, www.simplification.public.lu. Accessed 21 Feb. 2017.

“PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT.” OECD.org - OECD, 1 Apr. 2015, www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/RPC%282015%294&docLanguage=En. Accessed 21 Feb. 2017.

“Résultat(s) De Votre Recherche.” Portail De La Fonction Publique // Luxembourg, www.fonction-publique.public.lu/fr/support/recherche/index.php?q=plateforme+interministerielle. Accessed 21 Feb. 2017.

G3.3 | Sustainability Check

3

A systematic sustainability assessment process does not exist in Luxembourg. The government plans to introduce effective sustainability checks and the systematic monitoring of relevant administrative and legislative acts. In general, the impact of policies and policy side effects at all levels (economic, social and environmental), need to be evaluated with reference to principles of sustainable development and sustainable decision-making. It is essential to agree on Regulatory impact assessment (RIA) procedures to “benefit from

improved coherence and coordination between ministries, civil society and stakeholders.” Luxembourg has to make sustainability checks at all levels transparent by establishing harmonized legislation with binding RIA standards.

Citation:

“Mémorial A n° 102 de 2004.” Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 2 July 2004, www.legilux.public.lu/leg/a/archives/2004/0102/a102.pdf#page=2#page=2. Accessed 21 Feb. 2017.

“Portail De L’Environnement Du Grand-duché De Luxembourg : Développement Durable.” Portail De L’Environnement Du Grand-duché De Luxembourg : Home, 20 Sept. 2016, www.environnement.public.lu/developpement_durable/. Accessed 21 Feb. 2017.

G4 | Societal Consultation

G4.1 | Negotiating Public Support

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 single 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. Nevertheless, the tripartite system is considered to have failed in 2010, when the three partners were unable to reach an agreement on critical issues. However, the new government relaunched the social dialogue with employers and employees and the process has since then functioned reasonably well.

Citation:

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

Hilgert, Romain. “Ruf Nach Leadership | D’Lëtzebuerger Land.” D’Lëtzebuerger Land, 18 Feb. 2013, www.land.lu/2013/01/18/ruf-nach-leadership/. Accessed 21 Feb. 2017.

Hirsch, M. (2012), Sind Konkordanz-, Konsens- und Drei-Partnermodelle “Schönwetter-Veranstaltungen”? Das Beispiel Luxembourg, in: Köpplé, S./

Kranenpohl, U. (Ed.), *Konkordanzdemokratie. Ein Demokratietyp der Vergangenheit?* Baden-Baden, pp. 117-132

“Mémorial A n° 144 de 2015.” Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 27 July 2015, www.legilux.public.lu/leg/a/archives/2015/0144/a144.pdf. Accessed 21 Feb. 2017.

“Système Politique.” Luxembourg, 7 Apr. 2015, www.luxembourg.public.lu/fr/politique/concertation/modele-social/index.html. Accessed 21 Feb. 2017.

“Xavier Bettel Au Sujet Des Défis Du Nouveau Gouvernement - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 18 Dec. 2013, www.gouvernement.lu/3370722/16-bettel-tageblatt. Accessed 21 Feb. 2017.

G5 | Policy Communication

G5.1 | Coherent Communication

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 toward the end of his administration, at least at the beginning, 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 make the impression of unanimous decision-making.

Citation:

"Attributions - Gouvernement.lu // L'actualité Du Gouvernement Du Luxembourg." Gouvernement.lu, 11 May 2016, www.gouvernement.lu/4021433/attributions. Accessed 21 Feb. 2017.

Weitere Informationen:

"Die acht größten Kommunikationspannen der Regierung." 27 April 2015. Luxemburger Wort . 21 February 2017. .

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GB | Policy Implementation

G6 | Implementation

G6.1 | Government Efficiency

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 aspects have been discussed, studies have been carried out and constructions on the first elements of the tram project have started.

Citation:

"Luxemburger Wort - Parliament Votes for the Tram." Wort.lu, 5 June 2014, www.wort.lu/en/politics/central-train-station-to-luxexpo-parliament-votes-for-the-tram-5390279cb9b398870803124a. Accessed 21 Feb. 2017.

“Luxemburger Wort - Un Tram À Luxembourg En 2017.” Wort.lu, www.wort.lu/fr/view/un-tram-a-luxembourg-en-2017-4feadec6e4b026f9aa61740e. Accessed 21 Feb. 2017.

G6.2a | Ministerial Compliance

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

“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:

Fehlen, Fernand. Forum.lu – Für Politik, Gesellschaft Und Kultur in Luxemburg, Nov. 2013, www.forum.lu/pdf/artikel/7726_334_Fehlen.pdf. Accessed 21 Feb. 2017.

“Search Results for “das Wahlsystem” – Claude Biver.” Claude Biver – Cbiver.eu, cbiver, 11 Oct. 2013, cbiver.eu/?s=das+Wahlsystem. Accessed 21 Feb. 2017.

“Wahlsystem - Luxemburg.” Luxembourg, 27 Apr. 2015, www.luxembourg.public.lu/de/le-grand-duche-se-presente/systeme-politique/systeme-electoral. Accessed 21 Feb. 2017.

“Wahlsystem und politische Kultur.” Forum.lu – Für Politik, Gesellschaft Und Kultur in Luxemburg, Sept. 2013, www.forum.lu/wp-content/uploads/2015/11/7695_332_Fehlen.pdf. Accessed 21 Feb. 2017.

G6.2b | Monitoring Ministries

6

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

Citation:

Schroen, M. (2009), Das politische System Luxembourgs, in: Ismayr, W. (ed.), Die politischen Systeme Westeuropas, Wiesbaden, pp. 483-514.

G6.2c | Monitoring Agencies, Bureaucracies

8

Executive agencies and the administration usually lack the autonomy to pursue a course of action independent of guidelines issued by the responsible ministers. Sometimes the strong personality of an agency head leads to conflict. If this happens, the views of the minister or his key collaborators usually prevail. In the domain of 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, although 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:

“Inspection générale des finances.” Notitle, 2017, www.igf.etat.lu/. Accessed 21 Feb. 2017.

“Ministère De La Sécurité Sociale Du Grand-Duché De Luxembourg - Inspection Générale De La Sécurité Sociale.” Ministère De La Sécurité Sociale Du Grand-Duché De Luxembourg - Accueil, 11 Jan. 2017, www.mss.public.lu/acteurs/igss/. Accessed 21 Feb. 2017.

“Ministère Des Finances / Luxembourg - Finances Publiques.” Ministère Des Finances / Luxembourg - Accueil, 21 July 2014, www.mf.public.lu/finances_publicues/. Accessed 21 Feb. 2017.

G6.3a | Task Funding

7

Since 2015, the Ministry of the Interior has overseen 105 municipalities in Luxembourg. This supervision is paired with substantial financial transfers from the central government to local entities, which, apart from a substantial share in corporate income tax (CIT) 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 matters. By 2017, the number of local municipalities is planned to be reduced to 71. However, the new government has weakened the actual goal, as it does not correspond 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 improving the quality of local governments. According to uniform criteria of all municipals, efforts to reform the municipal finance system have been driven forward to provide the municipalities prospects and planning security. Therefore, in December 2016, parliament voted in favor of a reform of the municipal finance system.

Citation:

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

“Luxemburger Wort - Kersch Macht Ernst.” Wort.lu, 5 July 2016, www.wort.lu/de/politik/reform-der-gemeindefinanzen-kersch-macht-ernst-577b61f5ac730ff4e7f6304d. Accessed 21 Feb. 2017.

“Résumé Des Travaux Du 25 Avril 2014 - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 25 Apr. 2014, www.gouvernement.lu/3673077/25-conseil. Accessed 21 Feb. 2017.

G6.3b | Constitutional Discretion

7

Local government increasingly depends on transfers from the central government. Land use regulation was centralized during the review period. Nevertheless, 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 the pass of

education reforms, municipalities lost one of their major prerogatives, which was the autonomous management of primary school (students four to 12 years old) teaching staff. In return, the government has promised to provide more autonomy, through territorial reform, especially in the form of expanded financial autonomy and the provision of support for municipal finances through regional funds.

Citation:

Eser, Th. W./Scholtes, M. (2008), Raumentwicklung, Regionalpolitik und Landesplanung, in: Lorig, W./Hirsch, M. (ed.), Das politische System Luxembourgs, Wiesbaden, pp. 286-309.

Feist, Peter. "Der Tanz Beginnt | D'Lëtzebuerger Land." D'Lëtzebuerger Land, 8 Feb. 2013, www.land.lu/2013/02/08/der-tanz-beginnt%E2%80%A9/. Accessed 21 Mar. 2017.

"Schlecht gerüstet." Forum.lu – Für Politik, Gesellschaft Und Kultur in Luxemburg, June 2013, www.forum.lu/pdf/artikel/7660_330_Eicher.pdf. Accessed 21 Feb. 2017.

G6.3c | National Standards

9

The Ministry of the 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 optimize and improve local government. More than one third of members of parliament also have a local mandate, and as of 2013, 17 worked as city mayors. This for instance is one reason why conflicts of interests between national and local mandates sometimes arise in parliamentary processes, depending on the issues being discussed. The government has expressed in its program of 2013, that dual mandates should not longer be allowed. But a reform was not yet conducted.

Citation:

"Kein Gläserner Abgeordneter." Tageblatt, 9 Jan. 2013, www.tageblatt.lu/nachrichten/Luxembourg/story/31314170. Accessed 21 Feb. 2017.

"Luxemburger Wort - D'Ä©putÄ©-maire: Deux Mandats Qui Ne Seront Plus Cumulables Au Luxembourg." Wort.lu, 9 Dec. 2013, www.wort.lu/fr/luxembourg/depute-maire-deux-mandats-qui-ne-seront-plus-cumulables-au-luxembourg-52a59f5de4b010cbc9a3834b. Accessed 21 Feb. 2017.

Théry, Patrick. "Werden Doppelmandate Abgeschafft?" L'essentiel Auf Deutsch, 7 Mar. 2017, www.lessentiel.lu/de/luxembourg/story/19791348. Accessed 21 Feb. 2017.

GC | Institutional Learning

G7 | Adaptability

G7.1 | Domestic Adaptability

7

Luxembourg has made progress in implementing European legislation. In terms of the transposition of EU directives, Luxembourg's performance is moderate, yet it has improved in recent years. Given the size of the country, there is limited scope for improving the government administration's human resources. A single civil servant is typically responsible for a number of tasks that would be assigned to an entire team in other EU member states. For example, European Social Fund (ESF) activities fall under the responsibility of only four civil servants who have other responsibilities in addition to European programs. Despite a lack of personnel, work expected by European and supranational institutions is completed. 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. However, this does not guarantee that the law will be followed verbatim; differences between de jure and de facto interpretations have emerged.

Citation:

“Bilan Compétitivité 2015: Stabilité Dans Un Environnement à Risques - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 22 Oct. 2015, www.gouvernement.lu/5363183/22-closer-competitivite. Accessed 21 Feb. 2017.

“Building Growth.” European Commission | Choose Your Language | Choisir Une Langue | Wählen Sie Eine Sprache, 2 June 2014, ec.europa.eu/europe2020/pdf/csr2014/eccom2014_en.pdf. Accessed 21 Feb. 2017.

“Europe 2020 in Luxembourg - European Commission.” European Commission | Choose Your Language | Choisir Une Langue | Wählen Sie Eine Sprache, 5 June 2015, ec.europa.eu/europe2020/europe-2020-in-your-country/luxembourg/national-reform-programme/index_en.htm. Accessed 21 Feb. 2017.

“EVOLUTION DES FINANCES PUBLIQUES.” Ministère Des Finances / Luxembourg - Accueil, 20 Mar. 2012, www.mf.public.lu/publications/divers/previsions_fin_180412.pdf. Accessed 21 Feb. 2017.

“Ministère Des Finances / Luxembourg – Accueil”, 29 May 2015, www.mf.public.lu/publications/programme/16th_update_stability_growth_programme.pdf. Accessed 21 Feb. 2017.

“National Europe 2020 targets and key commitments.” European Commission | Choose Your Language | Choisir Une Langue | Wählen Sie Eine Sprache, 2014, ec.europa.eu/europe2020/pdf/csr2014/annex32014_luxembourg_en.pdf. Accessed 21 Feb. 2017.

“National plan for smart, sustainable and inclusive growth.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 29 Apr. 2016, www.gouvernement.lu/5978972/2016-pnr-luxembourg-en.pdf. Accessed 21 Feb. 2017.

“Official Journal of the European Union.” European Commission | Choose Your Language | Choisir Une Langue | Wählen Sie Eine Sprache, 29 July 2014, ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_luxembourg_en.pdf. Accessed 21 Feb. 2017.

“Pierre Gramegna Présente Le Programme De Stabilité Et De Croissance Et Le Programme National De Réforme - Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg.” Gouvernement.lu // L’actualité Du Gouvernement Du Luxembourg - Accueil, 30 Apr. 2015, www.gouvernement.lu/4789506/30-gramegna-stabilite. Accessed 21 Feb. 2017.

“Secrétariat général.” European Commission | Choose Your Language | Choisir Une Langue | Wählen Sie Eine Sprache, ec.europa.eu/dgs/secretariat_general/eu2020/docs/luxembourg_gov_fr.pdf. Accessed 21 Feb. 2017.

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 the parliament in 2012.

Luxembourg is ranked high within the European Union for the inclusiveness of its welfare benefits, as its programs are both generous and wide-ranging. However, with a Gini index coefficient of 28.5 in 2015, Luxembourg is a middling performer within the EU-28 (which has an average Gini index coefficient of 31). The generous social transfers and the high share of social transfers in relation to the total income, not only reduce poverty risks, but also sustainably strengthen social cohesion.

The country's Gini index score highlights the positive effects of the government transfer policies. However, Luxembourg also retains a number of labor market protection measures and unsustainable pension policies; both provide incentives to leave the labor market early and opt instead for replacement revenues. Attitudes of the insured – mainly 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 residents.

Citation:

"EU-SILC survey." 2016, ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tessi190. Accessed 21 Feb. 2017.

"Mémorial A n° 61 de 2012." Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 29 Mar. 2012, www.legilux.public.lu/leg/a/archives/2012/0061/a061.pdf. Accessed 21 Feb. 2017.

"National plan for smart, sustainable and inclusive growth." 2014, ec.europa.eu/europe2020/pdf/csr2014/nrp2014_luxembourg_en.pdf. Accessed 21 Feb. 2017.

Weitere Informationen:

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G8 | Organizational Reform

G8.1 | Self-monitoring

5

In the absence of systematic monitoring of institutional arrangements, the government relies mainly on international expertise. EU and OECD data have significant impact, with regard to changes in the political agenda and the implementation of social and economic policies. For example, the 2007 OECD country report on research and innovation, led to the creation of a higher research and innovation committee and subsequently to the updated ERAWATCH assessment of research systems and policies in 2013.

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 led to the reform of language teaching in 2009. The OECD audit of the country's public employment service (L'Agence pour le développement de l'emploi, ADEM), against 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 and forward-looking planning capacities. No ministry or administration is currently able to fulfil these requirements.

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G8.2 | Institutional Reform

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 January 1, 2010. The change is expected to gradually improve the quality of government administration. Nevertheless, 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 (Luxembourgish, French, German), 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:

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Executive Accountability

GD | Citizens

G9 | Citizens' Participatory Competence

G9.1 | Policy Knowledge

8

Citizens are expected to have sufficient knowledge of the three official languages of Luxembourg, in order to facilitate social inclusion. About 47% of residents are foreigners and multilingualism is the “compétence légitime” in Luxembourg. However, knowledge of Luxembourgish has an important role in political participation, as most political debates and information distribution takes place in this specific national language. This may make it more difficult for non-speakers to participate in the political sphere. 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:

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GE | Legislature

G10 | Legislative Actors' Resources

G10.1 | Parliamentary Resources

8

Luxembourg's members of parliament (MPs) have to 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. In addition, they have access to a central state computer system to review databases, surveys, reports, agendas and other important information.

Citation:

Reimen, F./Krecké, J. (1999), Die Abgeordnetenversammlung des Großherzogtums Luxemburg, Luxembourg

G10.2 | Obtaining Documents

8

In general, information flows freely between the government and coalition parties. 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. Furthermore, the prerogative to conduct parliamentary inquiries (enquête parlementaire), according to Article 64 (in conjunction with Article 70) of the constitution, gives the parliament oversight power over the government. Since 1980, the parliament has established four committees of inquiry (in 1980, 1989, 2003 and 2012).

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. For instance, this has been the case with the scandals over the state's secret service (Service de renseignement de l'Etat luxembourgeois, SREL). The Parliamentary Oversight Commission for the State Secret Service (Commission de Contrôle parlementaire du Service de Renseignement de l'Etat) oversees the functioning of the SREL on behalf of the Chamber of Deputies.

Citation:

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G10.3 | Summoning Ministers

9

Interaction between the executive and the parliament is generally straightforward. Every single 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 might be a lively question and answer session, covering a broad range of relevant issues posted by opposition parties.

In the 2014 – 2015 parliamentary period, 887 questions (previous year: 611) 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. (2012), *Patterns of Democracy*, Yale University

“Rapport d’activité 2015.” Le Gouvernement. March 2015.

www.gouvernement.lu/5870220/2015-rapport-activite-etat.pdf

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G10.4 | Summoning Experts

9

Consultation with experts and representatives of interest groups, regularly takes place in the course of various ongoing commission 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 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 the outsourced inquiry. Innovation is often driven by foreign expertise and reports, thus overcoming domestic resistance.

For instance, in April 2014, OECD experts invited by the parliament’s Commission on Higher Education, Research, Media and Communications were asked to provide a new report reviewing innovation policy. This OECD report, published in April 2015, recommends a new strategy involving both diversification and consolidation.

Citation:

G10.5 | Task Area Congruence

8

Parliamentary committees and ministries are well coordinated and parliamentary monitoring is satisfactory. Ministers, in charge of their field, appear regularly before committees and communication is sufficient. Although the number of ministries has grown over the years, reaching 20 ministries and 15 ministers, the number of parliamentarians has still not increased beyond 60 members. Each committee has up to 13 members. Therefore, their workload, over the recent years, has expanded considerably, which has made running standing committees more challenging. In general, MPs are often members of more than one committee.

Citation:

“Ministres.” 2015. Gouvernement.lu.

www.gouvernement.lu/3596522/20140328- OECD (2010), *Better Regulation in Europe: Luxembourg*. Accessed 21 February 2017.

G10.6 | Audit Office

9

The Chamber of Auditors was upgraded in 1999 to become the Court of Auditors which manages the finances of the state administration. While keeping a low profile, the Court effectively controls government spending, including that of ministries, public administration and other state services. It can audit the use of public funds and subsidies granted to public

and private entities. The Court essentially controls the effectiveness and efficiency of public spending, 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. Furthermore, the Court's main interlocutor is parliament and it takes on cases or projects on its own or through parliamentary instructions.

Citation:

"Rapports." Cour Des Comptes, 7 Mar. 2014, www.cour-des-comptes.lu/rapports/index.html. Accessed 21 Feb. 2017.

G10.7 | Ombuds Office

9

Since the launch of the Ombuds Office in May 2004, residents – typically more foreigners than nationals – have sought guidance from this government office. The ombudsman deals with around 700 requests per year (2015: 743) and issues recommendations to the government and parliament, but cannot bring issues to the courts, similar to other ombuds institutions. In addition, 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 the government administration arise, but the situation is not as simple 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, the ombudsman has for years 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 reasons for the office's success might be the preference of citizens to use mediation, instead of contention, 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:

"Memorial Journal Officiel du Grand-Duché de Luxembourg." Ombudsman, 3 Sept. 2003, www.ombudsman.lu/doc/doc_loi_31.pdf. Accessed 21 Feb. 2017.

GF | Intermediary Organizations

G11 | Media

G11.1 | Media Reporting

7

Luxembourg's media outlets offer quality reporting on public affairs. All parliamentary debates are conducted in Luxembourgish and in public. Parliamentary meetings are broadcasted on the television channel Chamber TV (also available online) and the debates of the country's four largest local councils (Luxembourg City and Esch/ Alzette, Differdange, Dudelange) can be followed online. Furthermore, the 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; although 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. Furthermore, media outlets are quite often used as instruments by interest groups or lobbyists seeking 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. In addition, since the election campaign of 2013, the impact of social media in Luxembourg has become more important, due to its rising number of social media users and its high potential of influence in politics.

Reporting has 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 is the extensive media coverage of the so-called Bommeleer affair (a series of bombings of public infrastructure in the 1980s) that was finally brought to court. Allegations of dubious activities of the State Secret Service (SREL) also received extensive media coverage and were subsequently the subject of a special parliamentary inquiry. In these two events, media outlets played an crucial role in bringing light to issues that were not made clear by public prosecutors.

Citation:

Hilbert, Romain. "Unter Dem Tresen Des CSV-Staats | D'Lëtzebuenger Land." D'Lëtzebuenger Land, 26 Apr. 2013, www.land.lu/2013/04/26/unter-dem-tresen-des-csv-staats%e2%80%a9/. Accessed 21 Feb. 2017.

Kohler, Maria. "LFM - Luxemburg." IfM - mediadb.eu, 24 Apr. 2015, www.mediadb.eu/de/europa/luxemburg.html. Accessed 21 Feb. 2017.

G12 | Parties and Interest Associations

G12.1 | Intra-party Democracy

8

Inner-party democracy has different levels of intensity within the four major political parties CSV, DP, 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 CSV adopted new internal governance statutes in December 2015.

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 a board of directors ("Comité directeur"), which makes most of the crucial decisions. Déi Gréng recently avowed a clear commitment to its grassroots movement, a principle 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:

Bumb, Christoph. "Luxemburger Wort - Die Rebellen, Die Keine Sein Wollen." Wort.lu, 12 Jan. 2015, www.wort.lu/de/politik/die-csv-zwischen-kritik-und-reform-die-rebellen-die-keine-sein-wollen-54b305830c88b46a8ce5138d. Accessed 21 Feb. 2017.

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"LSAP-Präsidium Strebt Neues Mandat an | LSAP D'Sozialisten." LSAP D'Sozialisten | Mir Paken Et Un, 16 Mar. 2016, www.lsap.lu/lsap-prasidium-strebt-neues-mandat-an/. Accessed 21 Feb. 2017.

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G12.2 | Association Competence (Business)

8

Given Luxembourg's specific social partnership model, the government in general consults with unions, employers' organizations and professional chambers over each draft bill. Furthermore, all opinions, as well as the modified draft bills, are published on the 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. The impact of trade unions increased as a result of the Parliamentary Act of 15 May 2008 ("statut unique"), which created just a single employees' union (Chambre des Salariés) in place of the previous two (one for manual workers and one for white-collar workers). All citizens working in Luxembourg, except public servants, are automatically 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 both prepare position papers on the basis of their own resources.

Citation:

"L'UEL Lance Son Nouveau Site « Compétitivité - Tableau De Bord »." Accueil, www.uel.lu/445-l-uel-lance-son-nouveau-site-competitivite-tableau-de-bord. Accessed 21 Feb. 2017.

"L'UEL LANCE SON NOUVEAU SITE." Journal Officiel Du Grand-Duché De Luxembourg - Legilux, www.legilux.public.lu/leg/a/archives/2008/0060/a060.pdf#page=2. Accessed 21 Feb. 2017.

“Mémorial A n° 60 de 2008.” Journal Officiel Du Grand-Duché De Luxembourg - Legilux, 15 May 2008, www.legilux.public.lu/leg/a/archives/2008/0060/a060.pdf#page=2. Accessed 21 Feb. 2017.

G12.3 | Association Competence (Others)

8

Interest groups have and can have an important impact on policymaking. However, drawing on academic knowledge within Luxembourg is limited. Some larger non-governmental organizations maintain small research departments and propagate their opinions through publications (Caritas, Mouvement Écologique, CEFIS, SOLEP, etc.) and conferences, by offering comments on draft bills, or by 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; these groups include La Société Luxembourgeoise de l'Evaluation et de la Prospective (SOLEP), Luxembourg 2030, and 5 vir 12.

These groups have considerable impact, considering the government's practice of consulting all social partners and the overall small size of Luxembourg. However, they make little use of academic resources.

Citation:

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