

SGI Sustainable
Governance
Indicators

2014 Luxembourg Report

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Executive Summary

For more than three decades, Luxembourg's GDP growth rate as well as rate of job creation was ranked among the top performers in the European Union. Yet both have since decreased considerably and during the review period, a key theme was concerns over the competitiveness of Luxembourg's economy.

Since 2010, tripartite negotiations – between the government, employers' organizations and trade unions – failed to produce desired compromises. The government in response replaced these talks with bilateral consultations. While the country's traditional collaboration between social partners and the government had proven itself effective during times of growing prosperity, in times of crisis and austerity, such tripartite talks have not proven to be an efficient basis for determining future policy.

Luxembourg's strong economic performance over 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, and could easily be seen as an incentive to leave professional activity. In recent years Luxembourg's traditional corporatist philosophy has become more and more universal, with liberal views 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 (leading up to elections scheduled for May 2014) but has adopted only minor changes to the country's pension regime and general employment rules.

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

Legislation regarding the automatic exchange of information in banking however poses an interesting challenge for this sector. Authorities have pretended that banks are prepared for the end of banking secrecy, while the bankers' association (Association des Banques et Banquiers, Luxembourg, ABBL) has highlighted future opportunities, in an attempt to minimize the expected impact of the automatic exchange of information on their businesses.

Democratic representation is low among Luxembourg's resident population, 45% of which are foreigners; the economy is essentially supported by this group, which includes commuters and resident migrants at all levels. Employers and non-governmental organizations (NGOs) have made a plea to the government to allow resident migrants to vote in national elections, with the aim of reconciling the "pays réel" with the "pays legal." Luxembourg may be the only country in Europe to attempt such a widening of the electoral population. While Luxembourg cannot claim a large cache of internal expertise, the government, social partners and civil society organizations do seek on important issues expertise from abroad.

A number of groups within Luxembourg are working to formulate a plan for the country's future, as general information about how well or poorly Luxembourg fares on many issues is surprisingly lacking. Issues concerning welfare, technological expertise, the country's ratio of professionals to general population need further research. Interestingly, Luxembourg's existing purchasing power exceeds even Scandinavian countries; yet poverty levels are high before social transfers. After transfers, however, Luxembourg performs better yet not perhaps as well as one would imagine, given its strong welfare state. In terms of Gini scores, Scandinavian countries score better.

Key Challenges

Isolating the effects of the global financial crisis, a small country such as Luxembourg will face a number of specific challenges in the near future. The competitiveness of Luxembourg's economy is a key concern. Internal issues include high wages that are linked to the country's salary index mechanism (similar to other automatic financial adaptations); generous welfare provisions; and failed tripartite negotiations during the review period. External issues include the change to VAT rules for e-commerce and the implementation of the automatic information exchange on capital income for the banking sector.

These issues have during the period inspired the need to discover new economic niches to help replace the considerable contribution of these sectors to the public budget. The Luxembourg Cluster Initiative, powered by the national research agency, Luxinnovation, identified several sectors as important for the future sustainable development of Luxembourg's economy: health care and biotechnology, information and communication technology, materials technology, space technology, logistics, maritime activities and the establishment of alternative investment funds, including private equity funds.

Luxembourg's domestic labor market is the most transnational among OECD states; yet it is also highly segmented, as the private sector is run by foreigners (80%) and the public sector is run by nationals (90%). The European Court of Justice has required that Luxembourg open up employment in the public sector to address the discrimination of EU citizens. This could also improve the performance (be it analysis, planning or management) of public administration.

Including non-nationals in the democratic process would improve parliament's representative mix and would strengthen non-nationals' identification with "their" country. Citizenship is obviously not the only tool to foster inclusivity. The wish of non-nationals to participate has been evident with the launch of civil society initiatives that concern the country's future.

Luxembourg's outstanding yet overly generous welfare provisions – mainly pensions but also in health care – need to be revised as well as reduced through a package of retrenchment policies. For years now the OECD and the European Commission have criticized Luxembourg's pension system, as it is founded on overly optimistic economic growth projections and the rejuvenating effect of migration inflows, which Luxembourg did enjoy for decades, avoiding the pressures of an aging population like in other European countries. Numerous incentives for early retirement also need to be tackled; in general, the populace needs to come to terms with full and longer participation in the labor market.

But the overall mentality in Luxembourg remains corporatist. Before scheduled elections in June 2014, the government will probably not pursue bold reforms in these areas. Additionally, schools reform is badly needed to provide Luxembourg's youth with the necessary skills to enter the country's highly competitive labor market. For years nationals have lost out as cross-border commuters and migrants accept lower wages, offer higher flexibility and have often higher levels of education. As more migrants and commuters are hired in private firms, this leads to the recruitment of more of the same, and nationals lose out. Thus, the schools reform needs to be implemented.

Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 7

Luxembourg has been for some time ranked highly on international competitiveness indices, but during the review period its position has slipped. The International Institute for Management Development's (IMD) index from position 11 (2011) to 13 (2013). The country's scored positively on policy stability and predictability, a competitive tax regime, a skilled labor force, a predictable legal framework and a business-friendly environment. Yet the automatic information exchange on capital income will be implemented in January 2015 and is expected to impact the financial sector, which provides a third of Luxembourg's GDP. The European Union is also in the process of modifying the VAT regime for electronic commerce to the detriment of Luxembourg, which is home to many e-commerce companies because of its favorable tax rates. This will lead to a loss of tax revenue, obliging the government to increase its general VAT rates. New hubs and clusters have been created in an effort to add new revenue sources as the financial sector's power diminishes. The Luxembourg Cluster Initiative covers priority sectors for the Luxembourg economy: life sciences, eco-technology, information and communication technology, materials and production technologies, space technology, logistics and maritime activities.

To grow, Luxembourg needs to increase its labor force with highly skilled workers. According to employers' organizations, the government needs to focus policy on accelerating administrative work and procedures as well as tackling the country's excessive inflation rate through the abolishing of the automatic salary index mechanism, which raises wages automatically according to inflation rates. This would also help the unemployed get back to work as well as encourage other reforms of the education system and of pensions.

The country's generous welfare model has to be reformed to adapt to a reality of more modest public resources and budgets. While the European Commission in its evaluation of Luxembourg's Stability Program 2012 – 2015 agreed with this macroeconomic scenario, it highlighted concerns over the country's overly optimistic economic growth outlook and its inability to address early retirement and pension reform, not to mention for more in terms of the limited application of the country's salary index mechanism.

Citation:

Observatoire de la compétitivité: économie de la connaissance:

http://www.odc.public.lu/indicateurs/tableau_de_bord/index.html

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Evaluation by the Commission (July 2012):

<http://register.consilium.europa.eu/pdf/fr/12/st11/st11263.fr12.pdf>

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Fontagné, L. (2009), Perspectives de Politique Economique. Bilan Compétitivité 2008:

http://www.odc.public.lu/publications/perspectives/PPE_011bis.pdf

<http://www.luxinnovation.lu/Services/Luxembourg-Cluster-Initiative>

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Labor Markets

Labor Market Policy
Score: 7

The gradual loss of industrial jobs in Luxembourg was more than compensated over time by a gain in services. More moderate wage development has been made possible by the postponing of a new index tranche (January 2012). Luxembourg's labor market is highly regulated, yet too many incentives in the marketplace result in high early exit rates. Only 29% of the workforce is Luxembourg nationals, while more than 43% is so-called transborder commuters (frontaliers), a circumstance that guarantees high flexibility and short-term fluctuation in the labor market. Because of the steady growth of the resident population via a high inflow of economic migrants and corresponding national employment, the unemployment rate has increased only moderately to 6.7% as of May 2013.

After three decades of strong economic growth and modest GDP growth, the period under review saw even qualified workers losing their jobs. Those who suffered first as a result of the global crisis were workers with limited employment contracts and those with the shortest work records at a firm, such as those who worked for interim agencies and cross-border commuters. Luxembourg employment protections are significant for full-time employees. For the cross-border labor market, commuter transfers from the units of the Greater Region – which includes aside from Luxembourg the adjacent regions

of Belgium, Germany and France – are crucial, as these groups do not necessarily show up in unemployment statistics. As part of EU regulation 883/2004, which covers the coordination of social security systems within the European Union, Luxembourg has to reimburse the member state for the first three months' payments of unemployment benefits (which is handled by and paid according to the laws of the country in question).

Luxembourg's youth unemployment levels are low compared with the rest of the European Union (18.2% as of April 2013), yet the government has still enacted a plan to help boost youth employment (Plan d'action en faveur de l'emploi des jeunes) to especially assist young graduates having trouble adjusting to working life. The state Employment Agency has also responded with new measures for young university graduates. Other initiatives include a youth-employment center (established in 2012), strategic plans to push lifelong learning programs and regional employment services.

Because of a significant expansion in social care services for children and the elderly as well as the implementation of the European Employment Strategy, more women have entered the workforce during the period. The employment rate of workers 50 years old or older, however, is 40%, which is far below the EU average and national goals – a situation that is maintained by the many incentives for older workers to leave the labor market.

Citation:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=tps00060&plugin=1>
<http://epp.eurostat.ec.europa.eu/tgm/graph.do?tab=graph&plugin=1&language=de&pcode=tsdde100&toolbo>
 x=type

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:166:0001:0123:en:PDF>

http://www.adem.public.lu/actualites/2013/02/news_01_13/bulletin_emploi_janvier_2013.pdf

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http://www.odc.public.lu/actualites/2010/05/Rapport_OCDE_2010/Policy_brief_2010_EN.pdf

OECD (2012), Economic Surveys Luxembourg December 2012. Overview:

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

EU Commission

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=de&pcode=tsdec460&plugin=1>

Luxembourg 2020, Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2013; Plan national pour une croissance intelligente, durable et inclusive:

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

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<http://register.consilium.europa.eu/pdf/fr/12/st11/st11263.fr12.pdf>

Hartmann-Hirsch, C. (2010), A propos de la transnationalisation du marché de l'emploi: Est-elle "policy driven" ou "market driven"?, in: ASTI 30+. 30 ans de migrations, 30 ans de recherches, 30 ans d'engagements, édité sous la direction de Michel Pauly pour le compte de l'Association de Soutien aux Travailleurs Immigrés (ASTI), Luxembourg, pp. 124 – 137.

Taxes

Tax Policy
Score: 7

Luxembourg was particularly affected by the financial crisis and its public deficit has grown. From 2011 to 2013, the deficit rose from 18.2% to 23.6% of GDP. GDP growth in 2012 was 1%, from 3.5% in 2010. Luxembourg responded to the crisis with fiscal adjustments, including increasing the withholding tax to 35% in 2011, and in 2013, increasing a special solidarity tax, which is paid on income tax liability, from 5% to 7% (or to 9% for high-income earners and commercial entities). In December 2011, the government decided to suspend the automatic wage indexation mechanism and to allow for only one annual increase. Furthermore, the composition of the index will be changed. In 2011, the top tax rate was increased by 1% to 40%.

A PriceWaterhouseCoopers (PWC) 2012 business report ranked Luxembourg favorably. At 21%, the total tax rate (after deductions and exemptions) is the lowest among European and European Free Trade Association countries. Luxembourg's taxation system is still attractive for businesses, and only some 20% of companies actually pay business tax. To maintain the competitiveness of the financial sector, the government decided not to introduce a tax on financial transactions (the Tobin tax). At 15%, Luxembourg offers the lowest VAT in Europe; supported by the consumption of cross-border commuters, around 24% of the state budget comes from VAT revenue.

The government has also taken some restructuring measures to improve the country's economic attractiveness to foreign investors. Luxembourg extended an exceptional tax deduction for eligible costs of highly skilled migrant workers. International companies can deduct expenses over a period of five years. Furthermore, in 2013 VAT declarations will be simplified by an electronic information system (eVAT).

Citation:

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Budgets

Budgetary Policy
Score: 8

From 2008 to 2012, Luxembourg's public debt rose from 13.5% to 20.9% of GDP or €9 billion. The government's guarantee of two Luxembourg banks (Banque Générale de Luxembourg and Banque Internationale à Luxembourg) for more than €4.5 billion particularly affected public finances. The public deficit in 2013 edged close to the 3% threshold of GDP. But when compared to other EU members, Luxembourg's finances are still stable and it remains the richest country in the OECD. The small country's main concern is the challenge of predicting how the economic crisis will play out in other EU countries.

The growth potential of Luxembourg's economy is based on short-term regulatory niches. The state budget, as well as the budget for the country's generous welfare state, is based on a pattern of continuous economic growth from consistent revenues from the financial sector and in recent years, from e-commerce. This of course cannot any longer be guaranteed on a long-term basis, as the future of these regulatory niches is uncertain. As part of the progress toward harmonization, the special taxation regulations over e-commerce essentially end in 2015, while new levels of transparency over capital income will also be required from 2015 onward (as part of the Fair and Accurate Credit Transaction Act (FATCA) as well as a new EU directive) – both of which will make Luxembourg less economically attractive. The recent announcement by the minister of finance that Luxembourg is ready to accept an automatic information exchange is also likely to dampen the country's financial sector.

Individual tax rates and low indirect labor costs (lowest within the EU-15) keep Luxembourg attractive for foreign industrial companies and international companies. Most enterprises pay few taxes, with only 20% of companies paying business tax. But changes are planned following the review period. Rules over stock options (given as employee bonuses) will change and a minimum tax on holding companies (sociétés de participations financières) is scheduled to be introduced. For the first time, all trading companies now pay taxes. In addition, the government plans to introduce a minimum tax for automobiles and to abolish the automatic inflation adjustment of the tax table. The problem of tax arrears needs to be solved through a modern, computerized tax administration.

Citation:

<http://chd.lu/wps/portal/public/RoleEtendu?action=doDocpaDetails&backto=/wps/portal/public/LesRapportsPublies&id=6500#>

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http://www.gouvernement.lu/salle_presse/communiqués/2013/04-avril/10-finances/faq.pdf

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BJ-13-003/EN/KS-BJ-13-003-EN.PDF

http://ec.europa.eu/europe2020/pdf/nd/nrp2012_luxembourg_en.pdf

http://www.forum.lu/pdf/artikel/6751_294_Winkin.pdf

Research and Innovation

R&I Policy
Score: 6

Luxembourg when compared to European levels still falls below the average for research and development investment, spending 1.63% of GDP in 2012 (EU-27 average: 2%). The country needs to improve research efforts. For decades already, Luxembourg's four public research centers (now three as two have merged) produced studies yet lagged far behind international academic standards. Public spending was low. Improvements over the past 20 years have included the launching of a national funding program (Fonds National de la Recherche) in 1999, the founding of the University of Luxembourg in 2003 and the creating of a general public scholarship scheme that replaced child benefits in 2010.

Government objectives are to raise public expenditure on research and innovation from between 2.3% and 2.6% of GDP, with 0.7% to 0.8% earmarked for public use and 1.5% to 1.9% earmarked for private research. The European goal is 3% of GDP.

Citation:

Luxembourg 2020, Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 20:

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Global Financial System

Stabilizing Global
Financial Markets
Score: 6

Luxembourg is a major financial center; the contribution of the banking and financial services industry to GDP is estimated above 30%. Yet Luxembourg too felt the effects of the economic crisis within the European Union. In dealing with offshore accounts and just how capital deposited by non-resident

customers should be treated, Luxembourg has come under scrutiny during the period. Yet issues with banking secrecy will essentially come to a close in 2015 when all EU member states are expected to move to a system of automatic information exchange. Since its commitment to the international standard established by a G-20 meeting in March 2009, Luxembourg has concluded, as required, a large number of bilateral information exchange mechanisms for tax purposes. Under the pressure of the U.S. Foreign Account Tax Compliance Act (FATCA) and the new EU rules, Luxembourg announced publicly in April 2013 that it would agree to the automated system early, by the end of 2014. The government and the banking industry say they are confident that the change will not have a large negative impact on the activities of the country's financial sector, as some regulations have been long anticipated, and many have already been enacted since 2009 as part of OECD standards. In early 2013, however, Luxembourg refused to endorse a financial transaction tax that was agreed upon by a majority of EU member states.

Citation:

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OECD (2012): Science and Innovation Country Notes, Brüssel: <http://www.oecd.org/sti/inno/46665252.pdf>

II. Social Policies

Education

Education Policy
Score: 4

The country's education policy must deal with the challenges of a multilingual society and a high proportion of migrant students. The education system is particularly marked by its insistence on early selection: after six years of primary school, students face a crucial junction and must choose one of two academic tracks, general or technical. There is a marked division between Luxembourg nationals and migrant students, as generally migrants (especially the Portuguese minority) struggle with languages and are more often tracked to the technical level (secondaire technique), which affects their progress toward a university education. To avoid this, often more affluent migrants will send their children to a reputable international school. This leads to yet another division between higher-income and lower-income migrants. According to the last PISA study (2009), girls outperform boys in reading while boys get better results in mathematics and science. According to OECD data (education at a glance), Luxembourg spends the most per student at €18,858 per year, per student yet

has one of the highest dropout rates. The OECD Review of Evaluation and Assessment in Education also identified “a major performance disadvantage for students with an immigrant background.”

In 2009 the government introduced primary school reforms, including a new competence-based curriculum, performance monitoring and a tutorial system. A government action plan (Plan d’encadrement périscolaire) during the period has set out a goal of new educational opportunities, mainly through a close collaboration between school and after-school care, with the sharing of premises, staff and equipment.

Plans for secondary school reforms were launched after primary school reforms, and focused on a concept of improving a student’s skill base (socles de compétences) along with more balanced language expectations. Following a year of intensive negotiation and internal debate, the draft bill was introduced to parliament.

Citation:

http://www.men.public.lu/publications/etudes_statistiques/etudes_internationales/101207_pisa2009_rapport_national_all/101207_rapport_pisa_2009.pdf

<http://www.statistiques.public.lu/fr/publications/thematique/conditions-sociales/enseignement-en-chiffres/enseignement-en-chiffres.pdf>

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Social Inclusion

Social Inclusion
Policy
Score: 9

Luxembourg’s welfare system is possibly one of the most substantial and comprehensive in Europe. While other countries in recent years have curtailed welfare benefits, Luxembourg has in contrast expanded its system over the past 30 years. Since 1986, Luxembourg has offered a guaranteed minimum income (revenu minimum garanti, RMG) to ensure all residents have sufficient revenue (European Union and European Economic Area states since 2001) who are older than 24 (with certain exceptions, such as one-parent families and the disabled). Although the youth unemployment rate is 18%, unemployed youth

who are under 24 years old receive no financial support.

Luxembourg has a high rate of poverty risk before social transfers (43.8%) and a relatively modest poverty risk after transfers (13.6% in 2011). Income inequality (Gini coefficient in 2011: 0.27) is lower than the EU average and lower than in other countries, such as the United Kingdom, Switzerland, France and Germany.

The country's social assistance services compensates mainly for the lower revenues earned by large families or single parents.

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

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

In 2011, welfare expenditures covering all social services totaled 18% of GDP. Rising unemployment and higher costs of living, mainly housing, resulted in a 40% increase in welfare recipients between 2008 and 2012. A new housing allowance will be introduced in 2013. The government in 2011 established a system of regional social services offices.

Citation:

<http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do;jsessionid=9ea7d07d30d6808b0a0c65954acda3fbed52d04d2295.e340aN8PchaTby0Lc3aNchuMc34Me0>

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

housing benefit in order to ensure a decent existence for persons lacking sufficient resources

http://www.centrest.lu/resources/Fichiers-PDF/AideSocialeA206_2010.pdf

KPMG (2013), Luxembourg - Income Tax

<http://www.kpmg.com/global/en/issuesandinsights/articlespublications/taxation-international-executives/luxembourg/pages/income-tax.aspx>

Health

Health Policy
Score: 8

Luxembourg's well-equipped hospitals offer a wide range of services, including high-end, expensive treatments, and waiting lists are rare. Interestingly, Luxembourg also has the highest share of patient transfers to other countries for treatment within the European Union; the country has no university hospital and as provisions in general are less expensive abroad, such transfers are in essence a net positive for the state health insurance scheme.

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

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

However, Luxembourg's health care system is also considered one of the most expensive within the OECD countries, ranked fourth after Switzerland, Norway and the United States. The reasons for this include the country's high wages, the high ratio of technical medical equipment to residents and the low out-of-pocket costs for patients. Furthermore, authorities for years have tried to limit

general provisions offered by all hospitals, instead offering incentives to limit treatment in specialized centers, for example.

Citation:

Act of 15 May 2008: Introduction d'un statute unique, Luxembourg: <http://www.legilux.public.lu/leg/a/archives/2008/0060/2008A0790A.html>

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Families

Family Policy
Score: 9

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

When compared internationally, Luxembourg's tax policy is family-friendly. Women's labor market participation has increased considerably since the launch of the European Employment Strategy. In parallel, the government has invested in child care facilities to increase the female employment rate. This contains also sustainable improvements in family-friendly workplace arrangements. Gender-based job segmentation and the gender pay gap, while still existing, have decreased.

In general female participation in the workforce is still low. The OECD and the European Commission have pointed out that Luxembourg's low female employment rate (61.9% in 2011) ranks it 16th in the EU-27.

Luxembourg's public child care institutions include the "maisons relais" or general daycare centers (initially a Social Fund project, which has since been mainstreamed); the "education précoce," a third pre-school year (initially also a project of a migrants' lobby organization, that also has been mainstreamed); and "foyers de jour," or after-school centers. As of 2012, public child care provisions were available for 42,582 places for children aged three months to 12 years (or 47.4% of children aged 0 to 14 years) as opposed to 7,712 places in 2009 (or 8.7% of children aged 0 to 14 years). Thus European employment policies have given the system in Luxembourg a significant push toward offering more general child care provisions.

Citation:

Bradshaw, J., Finch, N. (no year), A Comparison of Child Benefit Packages in 22 Countries, Department for Work and Pensions Research Report no. 174:

<http://research.dwp.gov.uk/asd/asd5/174summ.pdf>

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[/2011/femmes_et_hommes_marche_emploi/Les_femmes_et_les_hommes_sur_le_marche_de_l_emploi.pdf](http://www.mega.public.lu/publications/1_brochures/2011/femmes_et_hommes_marche_emploi/Les_femmes_et_les_hommes_sur_le_marche_de_l_emploi.pdf)

Guastalli, E., Lejealle, B., Vanni, L. (2010), footnote 135

Bousselin, A., Ray, J.-C. (2011), Participation des mères au marché du travail et disponibilité locale des services collectifs au Luxembourg, Esch/Alzette: <http://www.ceps.lu/?type=module&id=104&tmp=1683>

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Moss, P. (1988), Childcare and equality of opportunity, consolidated report to the European Commission:

http://ec.europa.eu/employment_social/empl_portal/SSRinEU/Your%20social%20security%20rights%20in%20Luxembourg_en.pdf

<http://epp.eurostat.ec.europa.eu/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tsdec420&language=de>

http://ec.europa.eu/europe2020/pdf/themes/23_labour_market_participation_of_women.pdf

http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Fertility_statistics

http://www.mfi.public.lu/publications/rapports-activite/rapp_act_2012.pdf

European Commission (2012), Employment, Social Affairs & Inclusion: <http://ec.europa.eu/social/main.jsp?langId=en&catId=101>

Pensions

Pension Policy
Score: 7

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

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

Luxembourg also offers by far the highest minimal pension benefit with a monthly sum of €1,661.58 as of 2013. In light of the long-term sustainability of such a system, the OECD and the European Commission have urged radical pension system reform. In 2012 the government introduced a number of changes, including a gradual increase in the number of contribution years to 43 to earn the same level of benefits, as well as a reduction in benefits for those who have only contributed to the system for 40 years; indexing pension payments only to inflation rather than to nominal wages, in the event that reserves proved insufficient; and a gradual increase in the rate of pension contributions from 24% to 30% of gross wages and other income. Yet the 2012 reforms were seen as insufficient as the plan was based on GDP growth of 3% and employment growth of 1.5%. The OECD has argued that more substantive reform is necessary, and that incentives to retire early should be abolished.

Citation:

Hartmann-Hirsch, C. (2010), The State of the Luxembourg's Welfare State: the Effects of the Crisis on a Corporatist Model Shifting to a Universalistic Model. Working paper no. 2010-44: <http://www.statistiques.public.lu/catalogue-publications/workingpapers-CEPS/2010/44-2010.pdf>

OECD (2010), Economic Survey of Luxembourg: http://www.odc.public.lu/actualites/2010/05/Rapport_OCDE_2010/Policy_brief_2010_EN.pdf

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Pension reform: http://www.gouvernement.lu/dossiers/social_emploi/reforme-systeme-pension/

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Luxembourg (2020), Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2013: http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf

Integration

Integration Policy
Score: 8

Luxembourg's migrant population since World War II has grown continuously; today some 85% of migrants are citizens of the European Union, while overall 92% are of European extraction, with the remaining highly qualified migrants from Japan, the United States, Canada and other countries. Luxembourg claims

one of the highest performing migration populations, with an outstanding share of economic immigrants among OECD countries and a very small group of economically weak third-country nationals. Some 50% of the total resident population in Luxembourg is immigrant-based, and as of 2008 the government significantly revised its immigration and integration policy. Furthermore, in 2010 the government introduced a national action plan to better integrate the immigrant populations as well as combat discrimination (Plan d'action national d'intégration et de lutte contre les discriminations). In addition, Luxembourg has improved consultation mechanisms with migrants and pursued stronger democratic principles with regard to migrant issues. A national body focusing on migrant issues (Conseil national pour étrangers) had its first session in March 2012, and in September 2012 members elected a president and vice-president.

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

The Migrant Integration Policy Index in 2010 gave Luxembourg an overall score of 59 (55 in 2007), ranked 11 out of 35 countries.

Luxembourg allows migrant children to attend school without highlighting the migrant status of parents. Children in Luxembourg of foreign extraction however have on average high failure rates; Luxembourg is regularly criticized as part of its Program for International Student Assessment (PISA) evaluation for its low performance regarding the integration of migrant children.

Luxembourg has also for some time been criticized by chambers of commerce and non-governmental organizations over the representative makeup of parliament, as it does not include representatives for migrants or cross-border commuters, who constitute the 80% of the labor market and who are the main driving force of the "national" economy. Thus, the national Chamber of Commerce and one of the most powerful migrant lobbying groups (Association de Soutien aux Travailleurs Immigrés, ASTI) have pushed for the participation of migrants in national elections, a request that is unprecedented within the European Union. This step is seen as a way to temper the significant influence of civil servants in parliament as well as stem the continued benefits this group receives from the government (Luxembourg's public service is known for its high wages).

Citation:

Office Luxembourgeois de l'Accueil et de l'Intégration (November 2010) Plan d'action d'intégration (NAPICD), Luxembourg, available at:

http://www.olai.public.lu/fr/publications/programmes-planactions-campagnes/plan/olai_plan_daction_fr.pdf

MIPEX (2010), Migrant Integration Policy Index. British Council at

Migration Policy Group, 2011: <http://www.mipex.eu/play/map.php>

National elections: <http://www.asti.lu/2013/01/30/conference-quel-droit-de-vote-pour-les-etrangers-au-luxembourg-2/>

OECD (2009), Social, Employment and Migration Working Papers, no. 79, Paris: <http://ideas.repec.org/p/oec/elsaab/79-en.html>

Clément, F., Hartmann-Hirsch, C. (2011), The Grand Duchy of Luxembourg: A first Glance on Cross-border Workers and Immigrants in a small Member State, in: Christa Larsen, Ruth Hasberg,

Alfons Schmid, Marc Bittner, Franz Clément (eds.), Measuring Geographical Mobility in Regional Labour Market Monitoring – State of the Art and Perspective, München/Mering, pp. 15–28

Safe Living

Safe Living
Conditions
Score: 8

While Luxembourg no longer scores among the very top cities in Mercer's Quality of Living survey, the capital as of 2012 is ranked nineteenth worldwide on standards of living and personal security.

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

Yet even though the national police force staff was increased to 1,660 agents and 240 officers, crime as of the review period is still rising. According to 2012 statistics, the crime rate rose 2.81% from 2011, with 7,171 crimes per 100,000 residents. Car thefts, however, have fallen, and Luxembourg's prisoner population has remained constant (663 prisoners) which is only slightly above the EU-27 average for 2012.

One ongoing focus is the continuous education and training of police officers as an important method in adjusting to new criminal methods and activities and to strengthen international cooperation and bilateral agreements in combating cross-border crime. Sustained efforts remain necessary to prevent issues such as money laundering, other financial crimes and terrorism.

Citation:

<http://www.statistiques.public.lu/fr/actualites/conditions-sociales/justice/2013/03/20130307/20130307.pdf>

<http://www.wort.lu/de/view/kriminalitaet-weiter-auf-dem-vormarsch-513879c2e4b068c0dfd53e1f>

<http://epp.eurostat.ec.europa.eu/portal/page/portal/crime/data/database>

<http://www.abbl.lu/statistics/luxembourg-international-rankings>

<http://www.mercer.com/press-releases/quality-of-living-report-2012#Europe>

Tageblatt.lu (2012), Die Kriminalität steigt: <http://www.tageblatt.lu/nachrichten/luxembourg/story/17550916>

Global Inequalities

Global Social Policy
Score: 9

Since 2000, the country's development agency, Luxembourg Development Cooperation (Lux-Development), has as part of its efforts exceeded the U.N. target for industrialized nations of earmarking 0.7% of GDP toward development projects. After Norway (1.02%) and Sweden (1%), Luxembourg spent 0.97% of GDP (€317 million) in public development assistance in 2012.

Luxembourg plays an important role in micro-financing, hosting firms that offer a full range of micro-financial products and support more than 50% of global funds. From 2013 to 2015 Luxembourg will be a non-permanent member of the U.N. Security Council, elected in part on its strong contributions to cooperation policies.

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

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

Citation:

<http://cooperation.mae.lu/fr/Partenaires-de-la-Cooperation-luxembourgeoise/Liens-vers-les-ONG-partenaires>
Direction de la Coopération au Développement (2012): Coopération au développement et Action humanitaire. Rapport Annuel 2011: <http://www.cooperation.lu/2011/>
http://www.cooperation.lu/_dbfiles/lacentrale_files/400/404/MAE-2011.pdf
<http://www.alfi.lu/setting-luxembourg/microfinance-investment-vehicles>
<http://www.taxjustice.net>
<http://www.oecd.org/dac/peer-reviews/luxembourg.htm>

III. Environmental Policies

Environment

Environmental
Policy
Score: 6

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

Luxembourg claims the highest energy consumption per capita, the highest vehicle density and renewal rate of passenger cars (14.3%) in Europe.

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

Luxembourg has significant ground water resources, but only 7% of its rivers and streams are in a “good” state. As of 2011, Luxembourg is the European “champion” in landscape fragmentation, fostering concerns over the country’s biodiversity, with many animal and plant species regarded as 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.

Although the country's per capita water consumption has decreased, in comparison to average use in the European Union, levels are still high. Moreover, with 687 kilograms of waste per year per person (2011), Luxembourg's waste volume is one of the highest in the OECD (OECD average: 540 kilograms).

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

Citation:

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DK-11-001/EN/KS-DK-11-001-EN.PDF

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

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

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

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

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

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

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

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

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-DK-11-001/EN/KS-DK-11-001-EN.PDF

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

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

Global Environmental Protection

Global
Environmental
Policy
Score: 7

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

Fuel price alignment is however not 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. A sustainable and convenient international public transportation system would do much to help reduce transborder emissions.

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

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

Citation:

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

<http://www.myfootprint.lu>

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

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 10

Electoral law presents no restrictions in registering a party for election. There are no restrictions regarding candidates, except the provision that those deprived of their civic and political rights by a judicial decision are prevented from running. Candidate lists, complete or partial, are proposed for each of the four electoral districts by political parties, associations of candidates or individuals. The lists are supported either by 150 voters registered in the district, by an elected member of parliament from the district, or by three members of municipal councils. The electoral lists can consist of single individuals who are not affiliated to a political party; a quite frequent phenomenon. Typically in this case single issues are the motivation. The total number of candidates on a list cannot exceed the number of seats to be allocated.

Citation:
Loi électorale du 18 février 2003

Media Access
Score: 7

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

leaflets by mail, is regulated by law.

The media market is becoming more pluralistic. Reports and comments in print media are less partisan than previously, and more media essentially distances itself from party influence.

Citation:

Loi électorale du 18 février 2003

Voting and
Registrations Rights
Score: 8

Voting is compulsory in Luxembourg for those listed on the electoral register. To vote, one is required to be a national of Luxembourg, be at least 18 years old on the day of elections, have full civil and political rights and live in the country. Citizens living abroad temporarily or those over the age of 75 can vote by mail. There is no observable discrimination as part of the voting process.

Experts have consistently criticized the representative makeup of parliament as insufficient, as it does not include migrants and cross-border commuters who constitute 80% of the labor force in the private sector and who are the main driving force of the national economy. Some 45% of the resident population may not vote in national elections as they are not Luxembourg nationals. Of those, 85% are EU citizens and are entitled to participate in European elections and in municipal elections. All foreigners, EU citizens as well as citizens from third countries, have the right to participate in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Inscription conditions have been eased over the years. However, non-nationals' interest in political participation at the local level remains low. In the 2011 municipal elections, only 16.9% of those eligible to vote actually took part. The Chamber of Commerce and the Support Association for Immigrant Workers (Association de Soutien aux Travailleurs Imigrés, ASTI), promote the participation of migrants within national elections. During the period, voting rights for resident foreigners in parliamentary elections became a hotly debated issue, opposed by established parties and favored only by the Greens (Déi Gréng) and the Left party (Déi Lénk).

Citation:

<http://www.gouvernement.lu/dossiers/elections/systeme-electoral/index.html>

Party Financing
Score: 8

Party financing is regulated by the law passed on 21 December 2007, and the law's implementation was positively evaluated by the Group of States against Corruption (GRECO), established by the Council of Europe. While the law introduced rules on transparency and monitoring, as well as penalties for breaking the law, a GRECO report said that "...some gaps still remain, in so far

as insufficient account was taken of the financing of election campaigns and of candidates for election (...).” The impact of improvements to the law made during the period to improve transparency, monitoring by the Court of Auditors and sanctions still need to be determined.

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

Citation:

Loi du 21 décembre 2007 portant réglementation du financement des partis politiques

GRECO, Evaluation Report on Luxembourg on the “Transparency of Political Party Funding”, Strasbourg, 13 June 2008
[http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2007\)6_Luxembourg_Two_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2007)6_Luxembourg_Two_EN.pdf)

Popular Decision-Making
 Score: 4

Direct democracy in the form of referenda is not a prominent characteristics of the Luxembourg political system. A member of parliament (MP) represents on average 10,000 citizens; the government and administration pride themselves on being uncomplicated and offering simple access for citizens; and the country’s territorial breakdown has resulted in small units (there are about 100 communes/municipalities) which all claim to be in direct contact with citizens. On the other hand, Luxembourg is also awash in citizens’ initiatives, an informal way to impose views on the political establishment, especially regarding environmental issues. The constitution since 1919 allows the possibility of referenda (Article 51, Paragraph 7). A modification to the constitutional article introduced the possibility to use a referendum for the purpose of revising the constitution (Article 114).

A 2005 law outlined the steps for a referendum held at the national level. A procedure can be initiated either by a parliamentary act or by popular initiative. In this case, 25,000 Luxembourg citizens must ask for a referendum to be held. As Luxembourg is a small country, this threshold is significant, which may explain why since 1919 only four referenda have taken place. All were the result of a parliamentary or governmental initiative, including the most recent one in 2005 that sought the approval of the EU constitutional treaty.

The Local Government Act of 1988 (Article 35) addresses the issue of referendum at the municipal level. One-fifth of registered electors have to ask for a referendum; yet importantly, a local referendum is not binding. Its use as mostly a consultative tool could explain why it is not used more frequently.

Citation:

Loi du 4 février 2005 concernant le referendum au niveau national.

Loi du 13 décembre 1988 concernant les communes.

Access to Information

Media Freedom
Score: 9

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

Media Pluralism
Score: 7

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

The media landscape in 2007 was shaken up after the creation of two free daily sheets. The market share of the *Luxemburger Wort* fell to 43%, while that of *L'Essentiel*, the most successful of the free papers, rose above 30% in 2012. *L'Essentiel* is published by Editpress, publisher also of the *Tageblatt* (the country's second largest newspaper with a market share of about 25%), and has ties to the Luxembourg Socialist Workers' Party (LSAP) and the socialist trade union, OGB-L. The conservative media group Saint-Paul, publisher of the *Luxemburger Wort*, is losing ground on increased competition and societal changes. Not only did it close *La Voix*, it abandoned the free-paper market by closing its own paper, *Point24* in December 2012. Moves such as these, in addition to a drastic restructuring at the *Luxemburger Wort*, are clear signs of change in Luxembourg's media market.

Radio Télé Luxembourg (RTL) has no competitors in the television market and it remains well ahead in radio, despite the liberalization launched in the early 1990s. Its audience share is 4.5 times that of The New Radio (Den neien Radio, DNR), which is close to the Luxemburger Wort.

Citation:
Summary of the TNS media market analysis:
http://www.ipl.lu/forcedownload.php?iddownload=46&type=_pdf_

Access to
Government
Information
Score: 6

Luxembourg has no freedom of information act nor equivalent legal regulation. Such a law has been called for by journalist associations and many NGOs as well as by Regulation No. 1049/2001 of the European Commission. The government cultivates a certain culture of secrecy; a directive issued in 1987 requires civil servants to get the authorization of their respective minister before releasing any information. Numerous advisory bodies, which include representatives from interest groups, usually serve as a channel to spread the government's message well ahead of official notification to parliament or the professional chambers. Basically, it is up to the government to decide what becomes public, and when. The government (in office since 2009) had promised to draft a law that was inspired by information practices in neighboring countries as well as on Council of Europe recommendations. In spring 2013 however the presented draft law was not up to 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 parliamentary session from 2011 to 2012, some 650 questions were filed. Often MPs are used by interested parties, lobbies or associations to discover the government's intentions using the parliamentary query. MP questions and government answers are published in the regular account of parliament's activities (Compte rendu des séances publiques).

Citation:
Regarding parliamentary queries see : Section 80 of the standing orders: Règlement de la Chambre des Députés, Mémorial A — N° 206, 26 novembre 2007
Chambre des Députés, Rapport d'activité de la session parlementaire 2011-2012:
www.gouvernement.lu
Website of the Parliament (www.chd.lu) gives a detailed online account of the dialogue between MPs and the government.
Regulation (EC) (2001), no. 1049 regarding public access to European Parliament, Council and Commission documents: http://www.europarl.europa.eu/register/pdf/r1049_en.pdf

Civil Rights and Political Liberties

Civil Rights
Score: 8

Civil rights are effectively protected in Luxembourg and all state institutions respect these rights with some exceptions. Four institutions are in charge of civil rights' protections: the Constitutional Court, an advisory board on human rights, the National Commission on Data Protection and a parliamentary ombudsman. However, the judiciary system's overload and subsequently slow case processing has triggered concerns over due process and equitable treatment. The European Court of Human Rights in Strasbourg has reprimanded the country on several occasions as a result of delays in the court system. The influence of and the number of complaints to the Ombudsman Office continues to grow, with close to 1,000 complaints per year, and the rate of favorable rulings or settlements remains high (about 80%). These high figures show both the efficiency and the necessity of this institution.

Citation:

Ombudsman, Rapport 2011/2012, Rapport d'activité du 1er octobre 2011 au 31 décembre 2012: www.ombudsman.lu/doc/doc_accueil_143.pdf
see section D 3.3

Political Liberties
Score: 9

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

Anticlerical forces in the country have demanded the separation of church and state, and criticize state subsidies for churches, particularly the Catholic Church, which is the dominant faith in Luxembourg. As a reaction to this, the 2009 government program promised the creation of so-called houses of secularism, following the Belgian model. The extension of public funding to other denominations such as Islam is upcoming; Protestant and Jewish organizations already benefit from public funding.

Non-discrimination
Score: 8

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

existed since January 2003; the Ombudsman Office was established by law on 22 August 2003 and began operations in May 2004.

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

Citation:

Act of 29 November 2006: <http://www.legilux.public.lu/leg/a/archives/2006/0207/a207.pdf>

<http://www.ork.lu/PDFs/Rapport2012.pdf>

Ombudsman Rapport 2011/2012. Rapport d'activité du 1er octobre 2011 au 31 décembre 2012: http://www.ombudsman.lu/doc/doc_accueil_143.pdf.pdf

Migrant Integration Policy Index. British Council et Migration Policy Group, 2011 : <http://www.mipex.eu/play/map.php>

<http://www.cet.lu>

Rule of Law

Legal Certainty
Score: 6

While Luxembourg is a constitutional state, citizens are often confronted with judicial vagueness or even a lack of legal guidance in administrative issues. Luxembourg's administrative culture is based on pragmatism and common sense rather than judicial subtleties, which means often that some matters are decided ad hoc and not necessarily with reference to official or established rules. Most people seem to accept this, trusting that the prevalent legal flexibility leads to accommodations or compromises that favor their own interests.

Courts are overloaded, understaffed and slow, taking far too long to settle cases brought before them. The government has begun to address this problem by hiring more judges. Since the creation of independent administrative courts and a constitutional court 15 years ago, the number of pending cases has increased considerably. This situation underlines Luxembourg's weak legal culture and lack of respect for due process, a key requirement for an effective judicial system per the European Court of Human Rights; Strasbourg frequently criticizes Luxembourg for its lengthy legal procedures.

Citation:

<http://www.tagesspiegel.de/politik/menschengerichtshof-eu-ruegt-deutschland-wegen-ueberlanger-verfahren/1917392.html>

Judicial Review
Score: 9

The existence of administrative jurisdictions and the Constitutional Court guarantee an independent review of executive and administrative acts. The Administrative Court and the Administrative Court of Appeals are legal bodies with a heavy case load; annual reports quote more than 900 judgments by the Administrative Court from 2011 to 2012 and 269 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:
Rapport d'activité du Ministère de la Justice 2012:
http://www.gouvernement.lu/publikations/informations_gouvernementales/rapports_activite/rapports-acitivite-2012/15-justice/just.pdf

Appointment of
Justices
Score: 9

The Constitutional Court is composed of nine members, all professional judges. They are appointed by the Grand Duke on the recommendation of the members of the Superior Court of Justice and the Administrative Court of Appeals, who gather in a joint meeting convened by the President of the Superior Court of Justice. These two jurisdictions are appointed by the Grand Duke on the recommendation of the Court itself, so their recruitment is co-opted. This principle is enshrined in Article 90 of the constitution and has never been questioned. It gives a great degree of independence to the Constitutional Court as well as to the Superior Court of Justice and the Administrative Court of Appeals. The government plans to delegate the task of nominating and promoting judges to a standing body, the higher judicial council (Conseil supérieur de la magistrature, CSM), based on the French model. This decision is not likely to change the process from the present ad hoc system, since the composition of the CSM is likely to reflect existing practices which have ensured a high degree of independence and transparency in the selection process.

Citation:
Constitution du Grand-Duchée de Luxembourg 2009:
<http://www.gouvernement.lu/gouvernement/constitution-luxembourgoiese.pdf>
Loi du 27 juillet 1997 portant organisation de la Cour Constitutionnelle
Loi du 7 novembre 1996 portant organisation des juridictions de l'ordre administratif
Loi du 1er juillet 2005 arrêtant un programme pluriannuel de recrutement dans le cadre de l'organisation judiciaire.
Organisation judiciaire, Textes coordonnés Avril 2009

Corruption
Prevention
Score: 8

After a parliamentary inquiry into a large building project in Wicrange in 2012 where government ministers and the prime minister were suspected of improperly favoring a bidding company, the government proposed in April 2013 a deontological code, with reference to existing codes such as that of

European Commission. The text defines the type of gifts or favors a minister is allowed to receive and those which might influence his decision-making and are thus prohibited. The text also outlines what type of professional activity a minister can take up at the end of his mandate. The overall objective is to avoid conflicts of interests.

Additionally, a “comité d’éthique” or ethics committee will offer opinions concerning the interpretation of specific situations. The text is to be signed by each minister and go into force in January 2014.

Citation:

Dossier de presse: http://www.gouvernement.lu/salle_presse/communiqués/2013/03-mars/12-biltgen/

Governance

I. Executive Capacity

Strategic Capacity

Strategic Planning
Score: 4

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

Citation:

<http://www.statistiques.public.lu/en/actors/statec/index.html>

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

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

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

Scholarly Advice
Score: 7

Luxembourg's main research institutions have been founded only recently: the national university was founded in 2003 and the three national research centers (CRP-Gabriel Lippmann, CRP-Henri Tudor, CRP-Santé) in 1999. For major policy reform projects, the government mostly consults highly reputed institutions abroad. Commissioning scholarly advice from institutions abroad

favors independent analysis. Given the country's small size and the personal links between government and national research facilities, there are strong links between the institutes and governmental bodies which do not favor independence.

Citation:

Grubb, D. (2007), Audit du service public de l'emploi au Luxembourg: <http://www.oecd.org/fr/els/39424034.pdf>

Zanardelli, M., Brosius, J. (2009), Pratiques des entreprises du secteur privé en matière de prospection de candidats à l'embauche, in: CEPS/INSTEAD, Population & Emploi, no. 44, Luxembourg

Rössler, W. (2009), Psychiatrie Luxemburg. Stand der Umsetzung der Empfehlungen der Planungsstudie 2005: <http://www.sante.public.lu/fr/catalogue-publications/systeme-sante/politique-nationale-sante/rapport-rossler-psychiatrie-luxembourg-2009/index.html>

Rössler, W. et al. (1993), Gemeindepsychiatrie, Grundlagen und Leitlinien. Planungsstudie Luxemburg, Innsbruck

Interministerial Coordination

GO Expertise
Score: 6

The Prime Minister's Office (PMO) employs around 40 civil servants, primarily trained in law, economics and political sciences. The PMO does not have sufficient resources to assess all the activities of government ministries. Due to the limited capacities of all ministries including the PMO, there is no specific capacity and no special committee designated to manage interministerial coordination. Senior civil servants in the ministries prepare a "pré-conseil" or pre-briefing for the weekly meeting of ministers (conseil de gouvernement). All draft bills have to be adopted at both stages before being introduced to parliament, and all draft bills are revised within these two interministerial meetings. The Inspectorate General of Finance (Inspection générale des finances, IGF) evaluates draft bills and participates in numerous committees.

GO Gatekeeping
Score: 9

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

Citation:

<http://www.gouvernement.lu/gouvernement/membres-gouvernement-2009/>

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

http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL_1/GOUVERNEMENT.pdf

Line Ministries
Score: 8

The Prime Minister's Office is not legally allowed to be involved in the preparation of bills or proposals by line ministries. There are no institutionalized mechanisms of coordination between line ministries and no unit dealing with policy assessment and evaluation. Informally however, no sensitive proposal is presented to the Council of Ministers without being approved beforehand by the prime minister. An informal body of ministerial civil servants meets ahead of the Council of Ministers, to prepare the agenda and make adjustments if needed. Even though, since 2009, the prime minister no longer holds the strategic finance portfolio, his central role in governance has not been weakened.

Citation:

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

<http://www.gouvernement.lu/gouvernement/membres-gouvernement-2009/>

Cabinet Committees
Score: 8

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

Ministerial
Bureaucracy
Score: 9

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

Citation:

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

http://www.gouvernement.lu/publications/luxembourg/guide_redaction/

Informal Coordination
Score: 10

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

Evidence-based Instruments

RIA Application
Score: 3

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

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

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

Citation:

http://www.simplification.public.lu/archives/Documents/procedure_analyse_flux/Fil_conducteur_de_la_fiche_d_evaluation_d_impact.pdf
http://www.simplification.public.lu/Rapport_Mieux_1_gif_rer_en_Europe_-_Luxembourg_2010.pdf

Quality of RIA
Process
Score: 2

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

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

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

Citation:
<http://www.simplification.public.lu>

Sustainability Check
Score: 3

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

Citation:
http://www.gouvernement.lu/publications/informations_gouvernementales/rapports_activite/rapports-activite-2012/06-mddi/env.pdf

Societal Consultation

Negotiating Public
Support
Score: 8

Luxembourg is a consensus-oriented society with a well-known model of neo-corporatism (the Luxembourg Model), which became institutionalized in the aftermath of the steel crisis in the 1970s. When introducing a draft bill to

parliament, the government normally launches a broad consultation process. Unions and employers' organizations are consulted in any case; every draft bill is submitted to the respective organization of employees (Chambre des Salariés) and to employers' organizations (Chambre de Commerce and Chambre des Métiers). Depending on the purpose of the draft bill or the new policy, civil society is included in the process.

Citation:

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

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

<http://www.land.lu/2010/04/22/offene-tripartite/>

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

Policy Communication

Coherent
Communication
Score: 8

After Council of Ministers meetings on Fridays, the prime minister usually holds a press conference to communicate the body's work effectively and coherently to the public. This weekly press briefing had been the government's main method of communicating, but has in recent years become a rarer event. Neither the prime minister nor Council members have a press officer. Reporting directly to the prime minister, the state Press and Information Service (SIP) works to coordinate a coherent and wide-ranging government communication policy. Government members are encouraged not to voice disagreement in public so as to give the impression of unanimous decision-making. The search for consensus is one of the main traditions in Luxembourg government. In 2010 however ministers became outspoken over austerity policies. During the coalition years of the Luxembourg Socialist Workers' Party (LSAP) and the Christian Social People's Party (CSV), the press reported that there were some disagreement between government members, but such was never expressed explicitly by government members.

Citation:

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

<http://www.land.lu/2012/11/09/die-fronde/>

Implementation

Government
Efficiency
Score: 7

In general, the government can implement its policy objectives, usually outlined in electoral promises or coalition government programs. This might

take longer than planned, given that a policy based on maximum consensus is often cumbersome. But projects are sometimes not only slowed down but delayed indefinitely, especially when powerful lobbies are involved. This is particularly the case for major infrastructural or zoning projects, such as a tramway system for the city of Luxembourg, which has been under discussion since the 1990s. A law proposal that was already very far advanced was postponed before the 1999 election, as the Christian democrats were afraid of the reactions of some local business lobbies. Since then, different variants have been discussed, studies have been carried out and it has been decided to go ahead with the tram in principle.

Citation:

<http://www.wort.lu/fr/view/un-tram-a-luxembourg-en-2017-4feadec6e4b026f9aa61740e>

Ministerial
Compliance
Score: 7

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

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

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

Monitoring Ministries
Score: 6

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

Monitoring Agencies,
Bureaucracies
Score: 8

Executive agencies and the administration usually lack the autonomy to pursue a course of action independent of guidelines issued by the responsible ministers. Sometimes the strong personality of an agency head leads to conflict. If this does happen, the views of the minister or his key collaborators usually prevail. In the domain of social security and public finance, monitoring is more centralized and effective, since the financial implications

for the state are much more consequential. The two agencies that wield considerable control if not outright veto powers are the Social Security Inspectorate General (Inspection Générale de la Sécurité Sociale, IGSS), which is attached to the Ministry of Social Security, and the General Inspectorate of Finance (Inspection générale des finances, IGF), which is attached to the Ministry of Finance.

Task Funding
Score: 7

As of 2012, the Ministry of the Interior supervises 106 municipalities in Luxembourg. This supervision is matched by substantial financial transfers from the central government to local entities, which, apart from a substantial share in corporate tax revenues, lack autonomous sources of revenue. Two-thirds of local entities have fewer than 3,000 inhabitants, a size which is believed to be far too small to handle modern political, administrative and technical requirements. By 2017, the number of local entities is planned to be reduced to 71. The aim is to have no municipality under 3,000 inhabitants to reduce operational costs and improve administrative and technical efficiency. Municipalities frequently complain that funding from the central government is insufficient. The government has used financial transfers to overcome local resistance to municipality mergers. So-called municipal associations (syndicats intercommunaux) exist in fields such as culture and sports to help improve the quality of local government.

Citation:

http://www.gouvernement.lu/salle_presse/actualite/2009/03-mars/10-halsdorf-communes/index.html

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

Constitutional
Discretion
Score: 7

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

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

Citation:

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

National Standards
Score: 9

The Ministry of Interior supports local administration. As part of territorial reforms, the administration responsible for monitoring municipal finances will be integrated within the existing national Auditing Court (Cour des Comptes). The government is not entirely free to streamline and improve local government. More than 70% of members of parliament also have a local mandate and 17 work as city mayors; conflicts of interests do arise.

Adaptability

Domestic
Adaptability
Score: 7

Luxembourg has made progress in implementing European legislation. In terms of the transposition of EU directives, Luxembourg's performance is moderate yet has improved over past review periods. Given the size of the country, there is limited scope for improved human resources within government administration. Usually a single civil servant is responsible for a number of tasks where in other member states an entire team would be available. European Social Fund (ESF) activities fall under the responsibility of only two civil servants who have other responsibilities in addition to European programs. Despite a lack of personnel, however, work expected by European and supranational institutions is completed. The government presented its national plan (Luxembourg 2020. Plan national pour une croissance intelligente, durable et inclusive) in April 2013, in which budgetary mechanisms are adapted.

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

Citation:

Luxembourg (2010): Plan national pour une croissance intelligente, durable et inclusive. Programme national de réforme du Grand-Duché de Luxembourg dans le cadre du semestre européen 2013: http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf
NOTE DU COMITE DE PREVISION, PREVISIONS MACROECONOMIQUES ET EVOLUTION DES FINANCES PUBLIQUES (2011-2015): http://www.mf.public.lu/publications/divers/previsions_fin_180412.pdf
Internal Market Scorebook 26: http://ec.europa.eu/internal_market/score/docs/score26_en.pdf
Hartmann-Hirsch, C. (2013), Europeanization, Internationalization of Family Reunion Policies: an Unusual Situation in Luxembourg, in: Geisen, Th./Studer, T./Yildiz, E. (Hrsg.), Migration, Familie und Gesellschaft. Beiträge zu Theorie, Kultur und Politik, Wiesbaden

International
Coordination
Score: 8

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

Luxembourg is ranked highly within the European Union for the inclusiveness of its welfare benefits, as its programs are both generous and wide-ranging.

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

Citation:

(1) Cf. Mutual Information System on Social Protection in the Member States of the European union, MISSOC data

Luxembourg 2020, National Plan for smart, sustainable and inclusive growth: <http://www.public.lu/catalogue-publications/rdi-luxembourg/politique/promramme-national-reforme-2012-en.pdf>

Plan national pour une croissance intelligente, durable et inclusive:

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

OECD (2012), Economic Surveys: Luxembourg. December 2012. Overview, Paris:

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

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

Organizational Reform

Self-monitoring
Score: 5

In the absence of systematic monitoring of institutional arrangements, the government mainly relies on international expertise. The 2007 OECD country report on research and innovation led to the creation of a higher research and innovation committee, and then to the more recent 2009 ERAWATCH assessment of research systems and policies.

An example for best practices is the 2006 Council of Europe report, "Profile of the Luxembourgish educational linguistic policy," a two-year investigation involving national stakeholders. The report did affect policymaking and led to the reform of language teaching in 2009. The OECD audit over the country's labor market administration (L'Agence pour le développement de l'emploi, ADEM), with the background of a rising jobless rate, resulted in a draft bill adopted in 2012. Self-monitoring seems to be beyond the capacity of government authorities. It has also become clear that sustainable changes

would require the creation of in-house analysis, planning and prospective capacities. No ministry and other administration can fulfill these requirements.

Citation:

ERAWATCH Full country report 2008: An assessment of research system and policies:
<http://cordis.europa.eu/erawatch/index>

http://www.men.public.lu/publications/syst_educatif_luxbg/langues/

OECD (2012), Science and Innovation Luxembourg: <http://www.oecd.org/luxembourg/sti-outlook-2012-luxembourg.pdf>

Institutional Reform
 Score: 7

The government's 2009 program outlined a series of administrative reforms. One of the most ambitious, the general opening of the civil service to citizens of the European Union, with the exception of some positions relating to national sovereignty, came into effect on 1 January 2010. The change is expected to gradually improve the quality of government administration, but the number of EU citizens hired remains low at approximately 5%, especially in the higher ranks. Other reforms involve e-government, such as the planned implementation of electronic internal and external document exchange.

Citation:

Loi du 18 décembre 2009

E-government in Luxembourg (2009), edition 12.1: <http://ec.europa.eu/idabc/servlets/Doc5fa7-2.pdf?id=32609>

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
 Score: 8

As a condition for political understanding and participation, citizens should have a good command of the three official languages: Luxembourgish, French and German. These language skills indeed correlate with societal and political participation. Some 43% of residents are foreigners and multilingualism is the "compétence légitime" in Luxembourg. There is a distinct wish of foreigners to participate in policy planning through the three initiatives: Luxembourg 2030, Société Luxembourgeoise de l'Evaluation et de la Prospective (SOLEP) and "5 fir 12." The interest in Luxembourg's public life and political commitment depends on political empowerment and active participation in social life. Hence, voting rights are extremely important because an active influence in decision-making promotes interest and commitment.

Citation:

CEFIS (2011), Bilan des inscriptions sur les listes électorales communales 26 septembre 2011

http://cefis.lu/files/confe0301rence-presse-2011_mise-en-page.pdf

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Legislative Actors' Resources

Parliamentary
Resources
Score: 8

Luxembourg members of parliament (MPs) balance a heavy workload with dual mandates and other professional activities, including municipal councils and/or professional employment. According to the regulations of the unicameral Chamber of Deputies, members can employ a personal assistant and recuperate some costs within the limits of eligible expenses. MPs can consult with external experts as part of the functioning of parliamentary commissions. MPs have access to a central state computer system to review databases, surveys, reports, agendas and other important information.

Citation:

Règlement de la Chambre des Députés du 6.12.2012

Obtaining Documents
Score: 9

Information flows freely between the government and parliament. There is no withholding of information in parliament, as opposition members one day may be tomorrow's coalition partner. 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. Even with respect to sensitive issues, only few restrictions exist. Recent scandals over the state Secret Service (Service de renseignement de l'Etat luxembourgeois, SREL) have shown that there are some domains where the free flow of information is not guaranteed. Parliament is not duly and regularly informed about the functioning of the SREL, despite the fact that a parliamentary enquiry committee had been formed at the end of 2012 to review SREL activities that occurred 20 years ago.

Citation:

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

Urbany S. (2013), Nach der Gangsterjagd. SREL-Untersuchungskommission. Eine Zwischenbilanz: http://www.forum.lu/pdf/artikel/7582_327_Urbany.pdf

Summoning Ministers
Score: 9

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

Throughout the parliamentary period of 2011 and 2012, 650 questions were submitted. In addition to the unrestricted exercise of parliamentary questions, spontaneous 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:

www.chd.lu

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

Summoning Experts
Score: 9

The consultation of experts and representatives of interest groups regularly takes place in the work of different standing commissions. Domestic and foreign experts as well as other lobbyists and concerned groups in civil society may be invited to participate in commission meetings. Under particular circumstances of public interest, experts are invited to parliament to introduce subjects and to offer professional opinions.

In the case of important policy reform projects, the government usually asks for advice from reputable foreign institutes, being aware of the limited knowledge within the country. (For example, a German and then a Swiss institute were consulted over psychiatry reforms in health care.) Such policy projects are implemented by a specific parliamentary commission, and a budget allowance was made to support outsourcing.

Citation:

Rapport d'activité de la session parlementaire 2011-2012

Règlement de la Chambre des Députés du 6.12.2012

Task Area
Congruence
Score: 8

Parliamentary committees and ministries are well coordinated and parliamentary monitoring is satisfactory. Ministers appear regularly before committees in charge of their field, and communication is good. With a

growing number of ministries (19 at the time of writing) and ministers (15 at the time of writing) over the years, the number of parliamentarians has still not increased (60). In each committee, only 12 members of parliament work together; over the years their workload has expanded considerably, which has made the running of standing committees more challenging. Multiple memberships of MPs in committees are a common practice.

Audit Office
Score: 9

The Chamber of Auditors was upgraded in 1999 to become the Court of Auditors, which manages the finances of state administration. While keeping a low profile, the Court acts to effectively control government spending, including that of ministries, public administration and other state services. It can audit the use of public funds and subsidies granted to public and private entities. The Court essentially works to control the effectiveness and efficiency of public spending, yet it is not authorized to express its opinion on the political wisdom of public spending. Its scrutiny completes the ongoing work done by internal auditors in each ministry. The Court's main interlocutor is parliament, and it takes on cases or projects on its own or through parliamentary instructions.

Citation:

Annual reports and special reports are accessible: www.courdescomptes.lu

Ombuds Office
Score: 9

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

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

Among the existing institutions that offer ombuds services (the Ombuds Office, the office for children's rights, the office for equality rights (based on EU directives 2000/43 and 2000/78) and the human rights commission), the Ombuds Office is best equipped in terms of budget and staff and is most frequently used. The office has a good track record of finding solutions to

problems, has issued a number of recommendations and monitors the implementation of the office's recommendations. One of the factors for the office's success might be the preference of citizens to use mediation instead of the courts, a typical occurrence in societies with a strong tradition of consensus. Since February 2012, former Member of Parliament and Secretary of State Lydie Err has assumed the role of ombudsman.

Citation:

<http://www.ombudsman.lu/equipe.html>

Media

Media Reporting
Score: 7

Luxembourg media outlets offer quality reporting on public affairs. All parliamentary debates are conducted in Luxembourgish and in public. Parliamentary meetings are broadcast on the television channel Chamber TV, and the activities of the country's two largest local councils can be followed online. In daily and weekly papers, articles are written in the three official languages (Luxembourgish, French and German) plus sometimes in English. Certain newspapers are printed only in French; an English-language monthly journal is also published.

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

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

Citation:

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

<http://www.land.lu/2013/04/26/unter-dem-tresen-des-csv-staats%E2%80%A9/>

Parties and Interest Associations

Intra-party
Democracy
Score: 8

The internal democratic practices of all political parties in Luxembourg is inclusive and functions well. Party members can participate in party matters without barriers and in the selection of candidates if they so desire. Annual party conferences are well-attended and are often characterized by intense debates. An indicator to support the health of intra-party democracy is the fact that not infrequently proposals made by party leadership regarding candidates especially are often overturned by the rank and file.

Citation:

<http://www.land.lu/2011/05/19/der-linke-flugel-der-lsap/>

Association
Competence
(Business)
Score: 8

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

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

Citation:

UEL (2010), Annuaire de la compétitivité 2010.

UEL (2010), Comment sortir ensemble de la crise.

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

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

Act of 15 May 2008: <http://www.legilux.public.lu/leg/a/archives/2008/0060/2008A0790A.html>

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

Association
Competence
(Others)
Score: 8

Interest groups have and can have an important impact on policymaking. However, drawing on academic knowledge within Luxembourg is limited. Some larger non-governmental organizations maintain a small research department (e.g., Caritas) and express opinions through publications (the Caritas annual almanac) and conferences, or through offering comments on draft bills or proposing policies. Voluntary working groups that act essentially as think tanks have become more popular during the review period, and many have chosen the future of Luxembourg as their focus (La Société Luxembourgeoise de l'Evaluation et de la Prospective (SOLEP), Luxembourg 2030 and "5 vir 12").

These groups have considerable impact, given the government's built-in practice of consulting all social partners and the overall small size of Luxembourg. However, drawing on academic skills is limited.

Citation:

Caritas (2013), Almanach 2013: <http://www.wort.lu/fr/view/almanach-social-2013-de-caritas-a-l-etat-de-prendre-ses-responsabilites-51629aa1e4b0f5e96c0c817c>

Société luxembourgeoise de l'Evaluation et de la Prospective (SOLEP): www.solep.lu

5 vir 12 (five to twelve): <http://5minutes.rtl.lu/fr/actualite/luxembourg/415157.html>

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

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