Luxembourg Report

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Sustainable Governance Indicators 2016

SGI Sustainable Governance Indicators

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Executive Summary

Luxembourg's economy weathered the financial crisis quite well, and is continuing to show growth. The country experienced real GDP growth of 4.8% in 2015, which is higher than the euro-area average. This was up from -0.8% in 2012. In 2015, a 2% increase in VAT rates was implemented to compensate for the decline in e-commerce revenues. Since 2012, the return to growth has been accompanied by a sustained workforce-expansion rate of approximately 2.5% per year.

Luxembourg's strong economic performance over the last three decades has given authorities the means to build an outstanding welfare system, with generous insurance plans, benefit programs and services, as seen within the recently expanded health care sector. Replacement-revenue levels exceed Scandinavian standards. The welfare state has consequently expanded since 1970, even as neighboring countries have cut benefits. In this sector, Luxembourg has not yet enacted a rigorous austerity policy, but has adopted some changes to the country's pension regime and general employment rules. With an eye to ensuring the long-term sustainability of this system, the OECD and the European Commission have urged radical pension-system reform. However, poverty levels are quite high before social transfers. Luxembourg performs better after transfers; however, Scandinavian countries demonstrate a more egalitarian post-social-transfer performance in terms of Gini index scores despite Luxembourg's strong welfare system.

Despite the still-formidable economic climate and the resilience of public finances, some clouds are appearing on the horizon. Luxembourg's extremely open economy is strongly affected by uncertainty within the global economic outlook (regarding monetary policy, emerging economies' performance, geopolitical upheavals, etc.), being essentially driven by the international market. Therefore, caution and long-term budgeting is necessary, because e-commerce revenues and excise duties fell sharply during the first six months of 2015, with the impact of lower revenues from fuel sales also having an effect. The population increase and rise in the number of jobs mean that investments need to be strengthened. Major public investments are expected in the coming years, particularly in the areas of infrastructure, environment and housing; indeed, an increase of 18% in public-investment spending is planned for 2016 alone.

The LuxLeaks tax-shelter scandal, a dominant topic during the period under review, threw Luxembourg into the international news. Multinational companies had negotiated low tax rates (often less than 2% instead of an average of 29.22%) in return for locating premises in Luxembourg. Luxembourg is not unique in Europe for offering such preferential treatment, but had relied to a great extent on exceptional tax incentives to attract major companies. The scandal came at an inopportune time, as Luxembourg took over the presidency of the EU Council during the Commission's investigation into the issue. European Commission President Jean-Claude Juncker, Luxembourg's former prime minister, came under tremendous pressure as a result. After careful consideration, the European Commission ruled in October 2015, that Luxembourg (along with other countries with preferential tax regimes) had granted selective tax advantages to Fiat Finance Europe.

Marking a turning point, the European Commission requested that national tax authorities harmonize their taxation systems, and mounted further investigations into national tax policies, seeking to prevent conditions of unfair competition, or what is externally regarded as illegal state aid. The investigation has now been expanded to include many EU countries, with worldwide calls for the creation of common rules and the closure of tax loopholes intensifying. However, Luxembourg has played an unambiguously leading role in providing tax such advantages. According to some estimates, more than 50,000 companies have reduced their global tax bills by channeling profits through Luxembourg in return for favorable tax deals. Curiously, the landmark conviction of Fiat Finance Europe has proved beneficial for Luxembourg, as the penalty payment (€20 million – €30 million) goes to the state treasury. In sum, the restructuring of Luxembourg's fiscal landscape can no longer rely on these opportunities for tax minimization. In the opinion of experts, the effects of these proceedings and ongoing audits within the new framework will have a long term impact on state revenues. Another fiscal issue emerges from the fact that 30% of the country's tax revenue comes from indirect taxes (especially VAT receipts).

In 2015, Luxembourg was affected by an EU-level change in e-commerce taxation regimes, which again had a structurally negative impact on public revenues. Policymakers have sought to compensate for this loss, which amounted to an annual €800 million, through an increase in VAT rates. In general, Luxembourg is known for its expertise in exploiting the full available spectrum of financing instruments, as well as for the rapid application of EU directives through the smart adjustment of national regulations.

The LuxLeaks scandal once again demonstrated how vulnerable

Luxembourg's economy has become as a result of its focus on the financial sector. The country's substantial fiscal imbalances also imply potential risks to long-term macroeconomic solidity. For Luxembourg, financial services have been strategically significant revenue sources and a key pillar of economic growth, investment and stability. For this reason, Luxembourg will continue to pursue every niche possible. Yet structural reforms must be pursued; for example, the welfare system must be reformed in order to address the impact of aging populations, and the economy must be further diversified (with a particular focus on innovative industries) given the new volatility of tax revenue deriving from the financial sector.

Citation:
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Key Challenges

Current challenges in Luxembourg include an expensive education system, the need to finance generous welfare provisions, the need to reform the pension system further, and ongoing changes in the global fiscal landscape.

According to the OECD and the European Commission, Luxembourg's generous welfare provisions – primarily in the area of early retirement, but also within the health care sector – need to be revised and reduced if they are to become sustainable. The OECD and the European Commission have criticized Luxembourg's pension system for years, as it is founded on overly optimistic annual economic-growth projections of 3%, and requires the rejuvenating effect of migration inflows. Luxembourg did enjoy these conditions for decades, avoiding the aging-population pressures already felt in other European countries, but pressure is today rising fast. Substantial incentives for early retirement need to be diminished, and the populace needs to come to terms with full and longer participation in the labor market. Migration and rising employment rates are unlikely to fully counter the structural problems posed by demographic changes over the long term.

However, any reform able to produce a sustainable pension system would need strong political commitment to succeed. Moreover, the country must find a way to manage migration flows and employment growth sustainably while simultaneously making necessary infrastructure investments. These demands have resulted in a need for austerity measures in order to consolidate the social-security system, thus ensuring long-term stability and sustainability.

Despite these factors, the new government is swiftly expected to implement a comprehensive reform of the country's health-insurance system (for example by introducing digital patient files, a primary-doctor principle and a performance-oriented fee-per-case system) with the aim of improving long-term budgetary sustainability within the health care and statutory nursing care systems.

The country is also currently dealing with the aftereffects of the European Union's change in e-commerce VAT rules, which is leading to substantial loss in revenues, as well as the ongoing international scrutiny of the advantageous taxation deals that had formed a cornerstone of Luxembourg's appeal to international corporations. The future of the country's so-called niche policies and the competitiveness of its economy are thus key concerns.

Luxembourg falls below the European average in terms of research and development investment, having spent 1.3% of its GDP for this purpose in 2015 (compared to a target of over 2.3%). The Luxembourg Cluster Initiative, led by the national research agency, Luxinnovation, has identified seven sectors as important for the future sustainable development of Luxembourg's economy, including health care and biotechnology, information and communication technology (ICT), materials technology, space technology, logistics, maritime activities, and the establishment of alternative investment funds including private-equity funds. There is therefore broad consensus that public spending on research and development (R&D) must increase significantly, and that Luxembourg's competitiveness must be improved in order to boost economic-growth rates.

Luxembourg must invest larger sums in research and development with an objective and impact-oriented oversight system. International rankings reveal the fact that Luxembourg is not an innovation leader, and has difficulties in encouraging start-ups in part due to a lack of venture capital. This makes targeted economic diversification more difficult.

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

The degree of democratic representation is low among Luxembourg's resident population. The country's population numbered 562,958 people in 2014 (100,000 more than 10 years previously), about 46% of whom were foreigners who cannot vote in national elections. However, EU citizens as well as citizens from third countries have the right to participate in local elections, vote and run for mayoral positions. The economy is essentially supported by this large group of noncitizens, which includes commuters and resident migrants at all levels. Last year, 22,332 immigrants arrived in Luxembourg – an increase of more than 11,000 people over 2014 – while 11,283 left the country.

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

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

The country's most pressing environmental-policy challenges include the improvement of water quality and the need to construct of wastewater-

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

The new government intends to establish a sustainable family policy, one of the top priorities of its coalition program in 2013. Therefore, on 1 January 2015, a special tax of 0.5% was imposed on wages, pensions and other income, earmarked specifically for the purpose of supporting education and family policies. Within the scope of the "Chèque-Service Accueil" scheme, the government contributes an annual €313 million (2016) toward child care costs. Moreover, with the goal of increasing the employment rate among women, the government intends to provide free child care for one- to three-year-olds in 2016, as well as bilingual (French and Luxembourgish) early-childhood education (for one- to four-year-olds) starting in 2017. A needed reform of regulations protecting minors is still awaiting implementation.

Supported by the sustained economic upturn, Luxembourg is on the right track to correcting its excessive expenditures and creating viable long-term social, economic and environmental perspectives. To reduce vulnerabilities, structural-reform efforts must be continued, and further efforts will be needed to achieve long-term targets in a generally volatile economic environment.

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Policy Performance

I. Economic Policies

Economy

Economic Policy
Score: 7

Luxembourg has been ranked highly on international competitiveness indices. In the Global Competitiveness Report 2015 – 2016, Luxembourg decreased one place to position 20 out of 140 countries. However, the countries receives less stellar evaluations on other indicators. The World Economic Forum awarded Luxembourg a poor rating in both the “inadequately educated workforce” and “restrictive labor regulations” categories.

Following a deterioration in competitiveness in 2013 as ranked by the International Institute for Management Development’s index, Luxembourg made a very strong move to the top from 11th place in 2014 to sixth place in 2015. The country scored positively with regard to policy stability and predictability, a competitive tax regime, a skilled labor force, a predictable legal framework and a business-friendly environment. The “impact of business efficiency” indicator recorded one of the largest gains, from 14th to fourth place.

However, the Foreign Account Tax Compliance Act (FATCA), the recently implemented automatic exchange of information on capital income, has had a serious impact on the country’s financial sector, which provides a third of Luxembourg’s GDP. The European Union has also modified its VAT regime for electronic commerce to the detriment of Luxembourg, which has been home to many e-commerce companies due to its favorable tax rates. This led to a loss of about €650 million in tax revenue in 2015 (although following negotiations with the EU Commission, this policy will be implemented incrementally through 2018), obliging the government to increase its general VAT rates. Thus, Luxembourg is facing massive challenges: New hubs and business clusters have been created in an effort to generate new revenue sources. The Luxembourg Cluster Initiative, for example, is focused on several high-priority economic sectors. Luxembourg has 19 data new centers; however, they still need to be closely connected with cluster initiatives to ensure that the investments yield results and that ICT companies actually use the data hubs. Moreover, the available amounts of venture capital, private financing and start-up investment financing are rather low in international comparison, and need to be reinforced. Therefore, the state lending agency (SNCI) is intensifying its activities. E-government applications have streamlined some operational processes, such as the introduction of new online tax returns for companies in October 2015.

To grow, Luxembourg must expand its labor force with highly skilled workers. According to employers' organizations, the government must continue to focus on accelerating the pace of administrative work and procedures, as well on reforming the automatic salary index mechanism, which raises wages automatically in parallel with inflation rates.

The country's generous welfare model has to be reformed to adapt to a reality of more modest public resources and budgets. In the long-term view, Luxembourg appears to face a medium level of fiscal sustainability risks. The European Commission agreed with this macroeconomic scenario in its evaluation of Luxembourg's Stability Program 2012 – 2015, highlighting concerns over the country's overly optimistic economic-growth outlook and its inability to address age-related expenditures.

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Labor Markets

Labor Market Policy
Score: 8

The financial crisis affected Luxembourg later than it did other European countries. Since 2009, certain groups have suffered some job losses, but these numbers did not immediately affect national employment statistics. However, over 384,000 people were employed in September 2015. Compared to the same period in 2014, about 10,000 new permanent employees were paying compulsory social-security contributions in September 2015. Thus, thanks to its

continuous growth, Luxembourg has seen a steady increase in jobs.
Luxembourg's labor market shows considerable labor mobility. Due to flexible contracting, 120,000 new employment agreements were made in 2014. In the second quarter of 2015 only 27.8% (compared to 28.4% in the previous year) of the workforce were Luxembourg nationals, while 44.7% were so-called transborder commuters (frontaliers), a circumstance that guarantees high flexibility and short-term fluctuations in the labor market.

The labor market is particularly volatile, especially with regard to the number of foreign workers. Within the cross-border labor market, commuters from within so-called Greater Region – which includes the adjacent regions of Belgium, Germany and France along with Luxembourg itself – are crucial. Since 2013, these non-national groups have been recorded separately in unemployment statistics. As part of EU regulation 883/2004, which covers the coordination of social-security systems within the European Union, Luxembourg has to reimburse the member state in which a formerly commuting worker is resident for the first three months' payments of unemployment benefits (which are handled by and paid according to the laws of the country in which the newly unemployed individual is resident).

A restructuring of the employment agency has shown positive effects. Reintegration grants have been cut, and staff members are focused more heavily on advisory services and tailored activation measures.
Because of the steady growth of the resident population thanks to a high inflow of economic migrants, along with corresponding national job growth, the unemployment rate decreased to 6.7% in September 2015. In this month, about 18,000 people (5.2% less than last year) were reported as seeking employment. Among the unemployed, 45.5% had been out of work longer than 12 months and 43% of all unemployed were deemed to hold low levels of education. The employment rate among workers 55 years old or older is 42.5% (compared to 40.5% in 2013), far below both the EU average (51.8%) and the country's own national goals. This situation is exacerbated by the many incentives for older workers to leave the labor market. About 5,400 people annually have taken part in reintegration and training programs (an increase of 7.3% over the last 12 months). However, these important measures are only initial steps, as unemployment cannot be reduced substantially in the absence of long-term opportunities. Training must thus lead to permanent jobs. While 90% of the activation budget goes into employment incentives, only 10% are used for training and education. For this reason, the administration has indicated it intends to strengthen training measures for the unemployed. Furthermore, the Chamber of Craft and Commerce, working jointly with the Employment Office, plans to create 5,000 new jobs and strengthen job-placement services.
The government has enacted a plan to help boost youth employment (Plan

d'action en faveur de l'emploi des jeunes), with a particular focus on young graduates having trouble finding work. The state Employment Agency has also responded with new measures for young university graduates. Other initiatives include a youth-employment center (established in 2012), strategic plans to support and promote lifelong-learning programs and the establishment of regional employment services. On the other hand Luxembourg cannot solve the high rate (22.6% in 2014) of youth unemployment, but it is still lower than many other EU countries. The government has already implemented the European youth guarantee, which seeks to make a long-term impact on disadvantaged young people's access to the labor market.

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 entered the workforce during the period under review. The female employment rate has increased to 65.5% (up nine percentage points since 2004). Nevertheless, Luxembourg is only just a middling performer in this regard, ranking 15th among the EU-28.

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Taxes

Tax Policy
Score: 6

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

In 2013, the OECD delivered a set of recommendations for reforming favorable tax policies and against fiscal misapplication by tackling so-called base erosion and profit shifting (BEPS) activities, which enable companies to avoid taxation by seeking low- or no-tax environment. The leak of documents detailing hundreds of Luxembourg's secret tax rulings (LuxLeaks) in late 2014 threw Luxembourg into the international news. Through these documents, it became clear that multinational companies had negotiated vastly lower tax rates in Luxembourg (less than 2% instead of an international average of 29.22%) than they would receive elsewhere. In October 2015, the European Commission issued a precedent-setting ruling that Luxembourg had granted selective tax advantages to Fiat Finance Europe. In fact most global players in the country had negotiated positions that exempted them from corporate-income taxes (21%), municipal business taxes (6.75%), a 7% special contribution, and net wealth taxes (0.5%).

Luxembourg is hardly Europe's only state offering offshore tax advantages, but it has been a leader in exploiting this form of tax-driven incentives. The scandal came at an inopportune time, as Luxembourg took over the presidency of the EU Council during the Commission's investigation into the issue. European Commission President Jean-Claude Juncker, Luxembourg's former prime minister, came under tremendous pressure as a result.

Marking a turning point, the European Commission has requested that national tax authorities harmonize their taxation systems, and has mounted further investigations into advantageous tax rulings that might be deemed illegal state aid. The investigation has now expanded to include many EU countries, with worldwide calls for the creation of common rules and the closure of tax loopholes intensifying. However, Luxembourg has played a leading role in offering tax advantages. Its tax deals so far include more than 50,000 companies (though only 340 were named in the leaked PricewaterhouseCoopers "Luxleaks" documents) that have sought to reduce global tax bills by channeling profits through Luxembourg. Oddly, Fiat Finance Europe's landmark conviction is in some degree beneficial to Luxembourg, as the penalty payment (€20 million ¬– €30 million) goes to the state treasury. The effects of these proceedings and ongoing audits under the new rules will have a major impact on state revenues over the long term. The European Union and the OECD are working to address harmful tax competition by harmonizing taxation systems in Europe. After being listed as a tax haven in 2013, the Global Forum removed Luxembourg from its blacklist in October 2015.

Previously, the EU Commission imposed new e-commerce rules that undermined Luxembourg's previously business-friendly e-commerce VAT regime. This led to a decline in revenues of approximately €650 million in 2015.

To improve public finances, Luxembourg has implemented new tax rates. The reduced tax rate was increased from 6% to 8%, the parking-tax rate (applied principally to fuel products) increased from 12% to 14%, and the general VAT rose from 15% to 17%. Nevertheless, Luxembourg continues to have the lowest VAT rate in Europe. Taking into account the impact of the higher VAT and low interest rates, the inflation rate will increase only slightly.

Important milestones included the announcement of a major tax reform in 2014, seeking to improve coherency in the individual- and corporate-tax systems. The government has also implemented restructuring measures seeking to increase the country's economic attractiveness to foreign investors. Furthermore, in 2015, VAT declarations were simplified by the introduction of an electronic information system (eVAT). Additionally, Luxembourg introduced a VAT-free-zone regime (Freeport, at Luxembourg airport) in September 2014. The number of employees in the financial sector has remained unchanged in recent years, at roughly 40,000.

As the company has sought niches, Luxembourg's financial center has already become the most important locus of the so-called Renminbi trade (RMB). Luxembourg's global fund-management industry is the second most important location for investment funds worldwide after the United States. In August 2015, the Luxembourg investment-fund industry was home to €3,423 trillion in net assets, with 3,891 funds (and 14,063 fund units). That represents a strong overall growth of 15.23% compared to the same month of the previous year. Specialized investment funds (SIF) represented about 11% of total assets, or €348 billion, in December 2014. Responsible investment funds account for €130 billion; with a market share of 30%, Luxembourg occupies a leading position in Europe in terms of responsible investment fund management.

A PriceWaterhouseCoopers (PWC) 2015 business report ranked Luxembourg favorably. The total tax rate (TTC) after deductions and exemptions, at 20.2% (2014: 20.7%), is the second-lowest (behind Croatia) among European and European Free Trade Association countries. Luxembourg's taxation system is still attractive for businesses, with only some 20% of companies actually paying business tax. In general, property taxes accounted for 1.3 % of GDP in 2012 and represent 3.3 % of tax revenue. At 0.1% of GDP, recurrent property taxes form the lowest GDP share in the EU-28 aside from Malta and Croatia.

Luxembourg has the highest capital-tax-to-GDP ratio in the EU-28. A total of 27.5% of total taxation in 2012 was related to taxes on capital. This shows the size and systemic importance of the financial sector in Luxembourg.
To maintain the competitiveness of the financial sector, the government has decided not to introduce a tax on financial transactions (the Tobin tax).

Luxembourg is known for easy access to government bodies and competitive tax burdens, as it has sought to maintain an attractive tax environment.

From 2008 to 2014, Luxembourg's consolidated public debt rose from 14.4% to 23.6% of GDP. The government's provision of guarantees for Luxembourg banks, amounting to a total of more than €2.5 billion, strongly affected public finances. The consolidated public deficit amounted to 1.7% of GDP in 2013, decreasing less than expected given that GDP growth in Luxembourg was stronger than in most other European countries. The small country's main concern is the challenge of predicting how the economic crisis will play out in other EU countries.

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Budgets

Budgetary Policy
Score: 9

Luxembourg weathered the financial crisis well, and continues to post growth. From 2007 to 2014, the consolidated public debt rose slightly from 7.2% to 23.6% of GDP. Luxembourg exhibited stable GDP growth (stronger than in most other European countries) of 4.3% in 2013 and about 4.1% in 2014, compared to -0.8% in 2012. According to Eurostat data, Luxembourg's fiscal situation is expected to stabilize further in 2015, and the government has indicated it would make efforts to reduce the deficit in the coming years.

Despite the loss of e-commerce tax revenue in 2015, Luxembourg's government revenues increased significantly in the first half of 2015. The annual subscription tax (taxe d'abonnement) received from investment funds and specialized investment funds (common funds and investment companies since 2007 for wealth and asset management) increased by 22.7% (€128.6 million) during the first three quarters of 2015, compared to the same period in the previous year. This indicates the importance of Luxembourg's financial services segment. However, the country's substantial fiscal imbalances also imply potential risks to long-term macroeconomic solidity. In 2014, Luxembourg was able to show a structural surplus and a certain safety margin. According to new calculations, the general account reported a deficit of €142 million, against €172 million provided in the draft budget.

Luxembourg's economy is still based on economic niches supported through short-term regulatory policy. The state budget, as well as the budget for the country's generous welfare state, has been dependent on a pattern of continuous economic growth, producing consistent revenues from the financial sector, and in recent years from e-commerce. However, these funds can no longer be guaranteed on a long-term basis, as the future of these niches is uncertain. For example, Luxembourg received comparatively substantial VAT revenues from the e-commerce sector. However, due to EU harmonization, the country's special taxation regulations for e-commerce are effectively ending in 2015. While new levels of transparency regarding capital income will also be required from 2015 onward (as part of the Foreign Account Tax Compliance Act, or FATCA) and the new OECD policy supporting tax harmonization and transparency with the aim of preventing tax-loophole shopping. Both changes will make Luxembourg less economically attractive as a base for the activity involved. The automatic information exchange being implemented in 2017 will (among other effects) reduce opportunities for tax minimization and will likely have a dampening effect on the country's financial sector.

Individual tax rates and low indirect labor costs (third lowest in the EU-27 in 2013, following Malta and Denmark) keep Luxembourg attractive for international companies. Most enterprises pay low taxes, with only 20% of companies paying business tax. However, changes are planned following the current review period. Rules governing stock options (given as employee

bonuses) will change, and a minimum tax on holding companies (Sociétés de Participations Financières) is slated to be introduced.
In 2014, the government launched a comprehensive spending review for the purposes of reforming budgetary procedure and improving the impact of public expenditure (especially infrastructure projects). Moreover, in 2015 the government introduced a "Future Fund," a package that included 258 economic measures and a minimum annual contribution of €50 million. This special fund is slated to run for more than 20 years, until it accumulates at least €1 billon, and will be used to fund intergenerational projects.
Structural issues represent ongoing challenges. Luxembourg is strongly affected by European policies (for instance competition law, tax regulation and taxation of e-commerce). E-commerce revenues fell sharply during the first six months of 2015 after the implementation of the new EU e-commerce taxation rules. The LuxLeaks affair demonstrated how vulnerable Luxembourg's economy is as a result of its focus on the financial sector.

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Research and Innovation

R&I Policy
Score: 7

In its Europe 2020 Strategy, the Luxembourgish government set a goal of raising public expenditure on research and innovation to between 2.3% and 2.6% of GDP, with 0.7 to 0.8 percentage points of this earmarked for public use (starting from 0.62% in 2013) and 1.5 to 1.9 percentage points earmarked for private research. The overall European goal is 3% of GDP. In 2014, the Société Nationale de Crédit et d'Investissement (SNCI) set up a new research fund. Small and medium-sized companies (SME) are provided with financial incentives designed to support R&D business projects in Luxembourg. To encourage SME investments in research and innovation, the fund provides grants of €150 million over five years. Furthermore, the Chair on Social Business and Social Management of the University of Luxembourg will promote social enterprises and help stimulate start-ups, seeking to enhance economic sustainability and build links to public research and innovation projects. Broadband infrastructure has been expanded to reach 93% of households in 2014.

With 59.6% of the workforce deemed high-skilled, Luxembourg has the highest such share in the WEF's 2015 rankings. More than 40% of the working-age population holds tertiary education degrees and/or is employed in the science and technology sector. This potential should help to create synergies between public research and industry. Luxembourg is ranked 9th among143 countries in the Global Innovation Index.

Improvements in research policy over the past 20 years have included the launch of a national funding program (Fonds National de la Recherche) in 1999, the foundation of the University of Luxembourg in 2003 and the creation of a general public scholarship scheme that replaced the child-benefits program in 2010. Luxembourg's university has steadily expanded, with a move into the new Campus City of Science in Esch-Belval promising an enhanced research focus.

The new Belval campus, designed for 7,000 students, 3,000 researchers and 6,000 inhabitants, is one of the largest urban-conversion projects in Europe. In 2015, more than 830 employees and 2,000 students moved to the new location. At the House of Innovation alone more than 500 scientists, researchers and international specialists from CRP-Henri Tudor, Luxinnovation and the Dr. Widong Center carry out applied research. Furthermore two interdisciplinary hubs (in the areas of biomedicine and IT security) work on fundamental research and strategic business partnerships.

The University of Luxembourg was ranked 193rd in a recent global university ranking (World University Rankings 2015 – 2016), and 98th among Europe's top 100.

Prime Minister Xavier Bettel introduced the "Digital Lëtzebuerg" initiative in October 2014, with the aim of strengthening ICT capacities over the long term, both for citizens and in the economy as a whole. Public spending on research and development must increase strongly to sustainable achieve these goals. In addition, public research funding must be evaluated more carefully on the basis of impact and efficiency. According to a recent OECD follow-up innovation report, the research and innovation landscape in Luxembourg has shown promising development, with the National Research Institutes already acting as important research support instruments. The report recommends better impact control and further investments in Belval campus. R&D and cluster policies must be further evaluated on the basis of economic impact and effectiveness.

In May 2013, the former government commissioned a team of researchers to clarify the role of the Luxembourgish public administration during the Second World War. In a study published in February 2015, the historians came to the conclusion that the occupation government was partly responsible for the deportation of Jewish citizens. After the release of the report, the government publicly apologized as a symbolic act to the Jewish community.

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Global Financial System

Stabilizing Global Financial Markets
Score: 6

Since the opening and creation of the single European market in the 1970s, Luxembourg has been the most important actor in the European debt-capital market, playing a major role in stimulating the international financial architecture.
Luxembourg performed relatively well in the global financial crisis. After saving two domestic systemically relevant banks (Dexia and Fortis), Luxembourg again showed rising tax revenues in 2015. But as a small country, Luxembourg’s economy remains strongly influenced by the general economic climate and international trends.
Luxembourg is a major financial center, with the banking and financial-services industry contributing an estimated 30% of GDP or more. Consequently, the country was exposed to the effects of the economic crisis within the European Union. Luxembourg’s treatment of offshore accounts and capital deposited by non-resident customers came under international scrutiny during the period. Yet issues with banking secrecy will essentially come to a close in 2015, when all EU member states are expected to move to a system of automatic information exchange. Since its commitment to the international standards on this issue, established by a G-20 meeting in March 2009, Luxembourg has created a large number of bilateral information-exchange mechanisms for tax purposes. In early

2013, however, Luxembourg refused to endorse a financial-transactions tax that was agreed upon by a majority of EU member states. Under the pressure of the U.S. Foreign Account Tax Compliance Act (FATCA) and the new EU rules, Luxembourg promised in October 2014 to implement full and permanent tax transparency and the Common Reporting Standard (CRS). 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 the new EU Competitiveness Scoreboard 2014, Luxembourg was ranked sixth overall among the EU-28 (previous year: 13th place). The country's economic-freedom score was unchanged from the previous year, at rank 16. In the World Bank Doing Business 2016 report, Luxembourg was ranked at only position 61, behind Greece at 60th place and far behind neighbor countries Belgium (43), France (27), Germany (15). Reflected in these rankings is the perception that Luxembourg is not an innovation leader, and has difficulties in encouraging start-ups and creating jobs. This has had substantial impact on the targeted diversification of the economy. In the 2015 Global Financial Centers Index rankings, Luxembourg lost two places in global ranking, taking fifth place among Europe's financial centers. In the assessment of "business environment" and "infrastructure," Luxembourg fell into the top eight globally, performing very well within its niches.

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II. Social Policies

Education

Education Policy
Score: 5

The country's education policy must deal with the challenges of a multilingual society and a high proportion of migrant students (about 50%). 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. Recent studies have shown that migrants are four times less likely to transfer to the higher-level, university-oriented school track (enseignement secondaire) than are Luxembourgish nationals. To avoid this, often more affluent migrants will send their children to a reputable international school. This leads to yet another division between higher-income and lower-income migrants.

According to OECD data (Education at a Glance 2014), Luxembourg has the OECD's highest level of expenditure per student by educational institutions (more than $23,000 at the primary level and more than $16,000 at the secondary level), and the smallest average class size (16 students). In addition, between 2008 and 2012, average salaries for primary-education teachers increased dramatically, by 40.8%. This is mostly due to the fact that the 2009 law reforming basic education introduced an increase in teachers' salaries. In 2009, the government introduced primary-school reforms, including a new competence-based curriculum, performance monitoring and a tutorial system. Secondary-school teachers were required to teach 15% more hours in 2012 as compared to 2005.

However, in the PISA 2012 study, Luxembourg showed the largest gender differences of any country measured. Boys outperformed girls in mathematics (by 25 points) and in natural science (15 points), while girls obtained better results in reading. In mathematics specifically, Luxembourg showed the most pronounced differences between boys and girls among the OECD countries. In Luxembourg some students repeat one or more years of school, leaving school with an average of two years delay. A total of 61% of EST students (Enseignement Secondaire Technique) had to retake at least one school year in 2013 – 2014. The excessive length of studies and the delayed onset of working life are certainly problems that must be urgently addressed. Furthermore, only 20% of young adults complete type A tertiary education degrees before their 30th birthday.

However, students on average are achieving better educational qualifications than in former periods. From 2010 to 2014, the proportion of students going on to tertiary education has increased. The share of people with upper-secondary education (2013: 38.6%) declined to 35.5% in 2014, while the share of those with tertiary education rose to 39.6%. Furthermore, the share of early school or training-program leavers fell during the period under review, leaving Luxembourg in seventh place on this measure within the EU-28. This share fell 6.1% in 2014 (2012: 8.1%). Reforms introduced in recent years on this issue (Second Chance School and new social-assistance programs) are having a strongly positive effect, significantly reducing early school leaving and improving social cohesion.

The Ministry of Education’s first educational report (2015) calls for better transitions between different school types, more education at the preschool and kindergarten levels, additional measures in the form of multidisciplinary teams and strategies for the “No Child Left Behind Act” aimed at realizing students’ educational potentials and promoting inclusive schooling.

A government action plan (Plan d’Encadrement Périscolaire) released during the period under review set new educational goals, mainly through a close collaboration between school and after-school care facilities, including sharing of premises, staff and equipment.

Plans for secondary-school reforms were launched after primary-school reforms, focusing on improving student’s skill bases (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 in 2013. Ongoing negotiations with the unions have produced some satisfactory agreement.

The government is engaged on 85 reform projects as a whole. Key items here include a new Luxembourg Center for Educational Testing (LUCET) linked to teacher-training institutes, increases in school autonomy in association with individual institutional development plans, two new institutes for treating learning disabilities and behavior problems, a new center for political education, improvements in connections between kindergarten and primary school, efforts to ease inter-school and post-school transitions, policies making schools and teaching more flexible, an initiative promoting native-language instruction, and the creation of a (free) International School. Despite resistance and lengthy negotiations, there is a strong governmental will for change.

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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) system to ensure all residents older than 24 (with certain exceptions, such as one-parent families and the disabled) have sufficient income to live (since 2001, this has only included citizens of European Union and European Economic Area states). The number of RMG recipients has remained stable in recent years, with about 4,000 new applications and a total of 9,209 households receiving the benefits. The government began establishing regional social-services (Office Social) offices in 2011, with 30 created by 2013. Since that time, the number of social-aid applications has increased at the local level. The government intends to reform the 1999 RMG law in order to reduce the poverty risk of young adults (under 25 years of age, in a single household).
Thanks to previously sustainable growth rates, Luxembourg ranks as a wealthy welfare state in international comparison, achieving high positions (21) in the 2013 and 2014 U.N. Human Development Index (HDI). However, it remains behind neighbor countries France and Germany in terms of overall HDI ranking. Luxembourg's international rankings with regard to education and skills, and personal safety are lower than the OECD average, while life expectancy (81 years) is only one year higher than the OECD average.

Luxembourg has a high at-risk-of-poverty rate before social transfers (63.2%) and a relatively modest poverty risk after transfers (19% in 2014). Income inequality (Gini coefficient in 2014: 28.7) is lower than the EU average (31) and lower than in other countries, such as the United Kingdom (31.6), France (29.2) and Germany (30.7). The country's social assistance services primarily concentrates on large families and single parents. Nevertheless, it is worth emphasizing that the poverty risk for single-parent families in Luxembourg has risen dramatically from 25.2% in 2003 to 46.1% in 2013.
Child-care services up through the 1990s, while available, were not as extensive

as they are today. Employment rates among women have risen in recent years. Since the enactment of the EU Employment Strategy, Luxembourg has significantly expanded child-care services, and now offers some of the most generous child benefits within the European Union. Child-care service provisions are also partly financed by the state.

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

In 2013, welfare expenditures on social protection totaled 24.4% of GDP (2012: 23.3%). Those who have left school early, have low vocational skill levels, or who work in low-wage sectors (working poor) frequently make use of social assistance. The average unemployment rate among adults with low-level qualifications rose more than 7 percentage points between 2000 and 2013. The OECD notes that 80% of the overall unemployment rate has structural grounds. Rising unemployment rates and higher living costs, mainly associated with housing, resulted in a 40% increase in welfare recipients between 2008 and 2012.

During the past 10 years alone, rental prices have risen by 43%. The government recognizes the problem and is promoting the construction of about 11,000 new housing units to support continuing migration flows and population growth (about 2% last year). This program has a budget of about €600 million from 2010 to 2025. Despite the scarcity of social housing, only 29% of the new housing units are intended for renting and 81% of the stock is for sale to low-income groups. This excludes the working poor and welfare beneficiaries with low credit ratings. Although it has been delayed, a new housing allowance will be introduced in 2016. About 19,000 low-income households would benefit from this subsidy, amounting to a monthly average of €126. This underlines the crucial importance of social housing, especially with regard to providing affordable rentals for low-income people.

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

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Health

Health Policy
Score: 8

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

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

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

However, Luxembourg's health care system is also considered one of the most expensive within the OECD countries, ranked fourth after Switzerland, Norway and the United States. The reasons for this include the country's high wages, the high ratio of technical medical equipment to residents and the low out-of-pocket costs for patients. Furthermore, authorities for years have tried to limit general provisions offered by all hospitals, instead offering incentives to limit treatment in specialized centers, for example. Another indicator is average treatment duration. At 7.35 days in 2013, Luxembourg has the highest average length of hospital stay in the European Union.

The introduction of the psychotherapists' law will improve the provision of health care, but also implies additional charges. While necessary health care reforms have been initiated, most of the details are still far from being implemented. Due to the favorable labor market and sustainable economic growth, the country's health-insurance funds recorded a net profit of 18% in 2015. Despite these factors, the new government is expected to swiftly implement a comprehensive reform of the health-insurance system (for example, introducing digital patient files, a primary-doctor principle and a performance-oriented fee-per-case system) with the aim of improving long-term budgetary sustainability within the health care and statutory nursing care systems.

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Families

Family Policy
Score: 8

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 per home. In general, Luxembourg offers the highest level of child benefits within the European Union. It is today one of the four leading EU member states in terms of family benefits. It has made sustainable improvements in terms of family-friendly workplace arrangements, while gender-based job segmentation and the gender pay gap, while still existing, have decreased.

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 heavily in child-care facilities, with the aim of making it easier for women to work. Yet despite a strong increase in recent years, women’s workforce participation rate is still comparatively low, ranking only 15th in the EU-28 at 65.5%.

Luxembourg’s public child-care institutions include the “Maisons Relais” or general daycare centers; the “éducation précoce,” a third preschool year and “foyers de jour” or after-school centers. As of 2014, a total of 49,208 public child-care places were available (2009: 24,648; 2013: 46,377) for children aged three months to 12 years (or 52.2% of children aged 0 to 14 years), compared to just 7,712 places in 2009 (or 8.7% of children aged 0 to 14 years). Thus European employment policies have given Luxembourg a significant push toward broadening its child-care provisions.

The 2015 budget introduced a reform of family policies aimed at administrative simplification. Furthermore, in 2016, there will be one fixed subsidy per child regardless of the family composition. Child bonuses and child allowances will be paid in one sum, €265 per child. The government also plans to cut education and maternity allowances as part of this new coherent family policy. The Chamber of Labor (CSL) has criticized this new policy, noting that a family with two children would lose 19% of its annual benefits through the 2016 reform. To compensate for this decline in financial support, the government introduced a 0.5% supplementary tax earmarked for providing free child-care facilities for one- to three-year-olds, early language support, and intercultural education for migrants.

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Pensions

Pension Policy
Score: 7

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

In 2014, the country’s pension fund comprised a still-growing reserve of four times annual expenses. Luxembourg’s old-age dependency ratio in the private sector was at its most ideal in 2013 with 41.3 pensioners to 100 contributors, yet in 2011 fell to 40.1 pensioners per 100 contributors. The public sector, which is comprised of 90% Luxembourg nationals, is suffering from an inevitable aging effect; furthermore, wages and pensions in this sector are significantly higher than in the private sector. In December 2013, the average level of monthly pension payments was €2,159.29 for men and €1,457.91 for women, thus under the minimum income. This is important, because almost 45% of retirees (total: 155,000) today live in their home countries. These so-called cross-border retirees mostly had incomplete insurance careers, and received only 25% (€808 million) of the total retirement payments (€3,438 million) in 2013. This is going to change, and pension fund expenditures are expected to increase rapidly.

In light of the long-term sustainability of such a system, the OECD and the European Commission have urged radical pension system reform. In 2012 the government introduced a number of changes, including a gradual increase in the number of contribution years to 43 to earn the same level of benefits, as well as a reduction in benefits for those who have only contributed to the system for 40 years; indexing pension payments only to inflation rather than to nominal wages, in the event that reserves proved insufficient; and a gradual increase in the rate of pension contributions from 24% to 30% of gross wages and other income. Yet the pension reforms, which came into force on 1 January 2013, are benefiting from the favorable macroeconomic environment. The reforms were based on an estimated GDP growth rate of 3%, which is unlikely to be continued in the future. However, GDP growth was 4.8% in 2015, compared to -0.8% in 2012. Further measures must be taken to guarantee long-term financial stability through 2050.

Integration

Integration Policy
Score: 8

Luxembourg’s migrant population since the Second World War 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 coming 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 an integration commission (Commissions consultatives communales d’intégration, CCI) that accurately represents the region’s migrant mix. As these bodies are fairly new, no detailed evaluation is yet available.

In 2014, the Migrant Integration Policy Index gave Luxembourg an overall score of 57 (59 in 2010), ranking the country 15th out of 35 nations examined. Migrant children are fully integrated into the local primary-school or secondary-school system. Children between 12 and 15 who have recently migrated to Luxembourg are given the opportunity to attend a special class called “classes d’insertion” in the capital’s Lycée Technique du Centre, with special programs in French or German designed to facilitate integration into regular classes at a later date. Children of foreign origin have high average failure rates, a fact closely associated with the bilingual school system. As part of its evaluation though the Program for International Student Assessment (PISA), Luxembourg is regularly criticized for its low performance regarding the integration of migrant children.

All foreigners, EU citizens and third-country citizens can vote and run for office in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Inscription conditions have been eased over the years. However, the fact that the meetings of local councils are held in Luxembourgish (with written reports in German, English, or French) constitutes

an impediment for resident aliens.
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. Luxembourg has also for some time been criticized by chambers of commerce and non-governmental organizations over the representative makeup of parliament, as it does not include representatives for migrants or cross-border commuters, who constitute 80% of the labor market and are the main driving force of the "national" economy and nearly half the country's population. Thus, the national Chamber of Commerce and one of the most powerful migrant lobbying groups (Association de Soutien aux Travailleurs Immigrés, ASTI) have pushed for the participation of migrants in national elections, a request that is unprecedented within the European Union. During the period under review, voting rights for resident foreigners in parliamentary elections was a cross-party issue, and an issue put to public vote in the June 2015 consultative referendum. However, an absolute majority of 78.02% voted against creating full foreigner voting rights, putting a preliminary end to this ambitious project. The next referendum is not expected before 2017. In light of this experience, the government wants to accelerate the passage of a new Naturalization Act to facilitate foreigners' civil participation in public life.

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Safe Living

Safe Living Conditions
Score: 7

While Luxembourg no longer scores among the very top cities in Mercer's Quality of Living survey, the capital was ranked 19th worldwide in 2015 with regard to standards of living and personal security, holding the position attained in recent years.

As of 2000 the government merged the police and the gendarmerie to create the Police Grand-Ducale, cutting administration staff, strengthening the forces overall, resulting in an improvement in crime clearance rates. One ongoing focus is on the continuous education and training of police officers as an

important means of adapting to new criminal methods and activities. An additional goal is to strengthen international cooperation and bilateral agreements in combating cross-border crime. Sustained efforts remain necessary to prevent activities such as money laundering, other financial crimes and terrorism. The number of international crime offenses reported to Europol rose to 5,660 in 2015. Although the number of police officers has increased every year, the crime rate is also rising continuously. The national police force showed a modest increase to a total of 1,784 police officers and 240 civil officers in 2014. According to 2014 statistics, the crime rate rose 5% as compared to 2013, with 7,839 crimes per 100,000 residents. The number of all recorded crimes increased from 39,957 in 2013 to 43,078 in 2014.
While the number of burglaries decreased during the first nine months of 2015 by 20% in comparison to 2014, drug-related crime (+30% as a result of intensified controls) and reported violence (+8.5%) have climbed again faster (with respect to total number of cases) than other crimes. Vandalism rose by 1.5% in 2014, while Luxembourg's prisoner population increased only slightly, by 2.5% compared to the previous year (2012: total population of 679; 2013: 697).

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

Citation:
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Global Inequalities

Global Social Policy
Score: 9

For several years, Luxembourg has contributed approximately 1% of its GDP to official development-assistance efforts. The country has focused its sustainable development-aid policy on poverty eradication and energy-saving programs, as well as on other programs that could help reduce carbon emissions in beneficiary countries.

Since 2000, the country's development agency, Luxembourg Development Cooperation (Lux-Development), has exceeded the U.N. industrialized-nation

contribution target of 0.7% of GDP for development projects. Trailing Sweden (1.1%), Luxembourg spent 1.07% of GDP on public development-assistance funding in 2014 (EU-28 average: 0.41%). Despite the still-strained state budget and fiscal tightening, Luxembourg did not forecast a reduction in development-aid spending 2015, with this continuing to be at 1% of gross national income. The NGO umbrella organization CERCLE has pointed out, that budgetary rigor will also apply to NGO development aid policy in the coming years, reducing national co-financing costs along with NGO administrative costs.
Luxembourg's development assistance focuses on training, health care, water-treatment, sewage, local-development and infrastructure projects, with a focus on supporting local initiatives 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.

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

Lux-Development has been responsible for the design and implementation of the country's development budget (€318 million in 2014) since 1992. Furthermore, about 17% of official development assistance is reserved for projects in cooperation with 95 approved NGOs, which work in concert with the government minister responsible for cooperation and humanitarian action. In 1992, Luxembourg joined the Development Assistance Committee (DAC) of the OECD, which supports bilateral cooperation and monitors aid flows; this allows Luxembourg to work with other European countries on a regular basis. Luxembourg conducts multilateral cooperation together with international organizations. A total of €70 million of the country's official development aid (ODA) is intended for international organizations.

A recent DAC peer review recommended that policy coherence in the area of development issues be given a higher priority, and that coordination between state departments and Lux-Development be improved. Luxembourg has also implemented guidelines set by the OECD and the European Union to stop tax evasion on the part of developing countries or its citizens, although Luxembourg is one of the leading countries with regard to offering an advantageous tax home to companies seeking to avoid taxes.

Citation:
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III. Enviromental Policies

Environment

Environmental Policy
Score: 7

During the period under review, Luxembourg has made efforts to protect water resources and curb emissions through a series of governmental measures. However, efforts such as reducing carbon emissions caused partly by the phenomenon of “fuel tourism” by cross-border commuters, as well as the progressive improvement of the water quality of rivers and lakes need to be continued. Luxembourg’s Kyoto Protocol pledge to reduce carbon emissions by 28% by 2012 was hampered by tax revenues from fuel tourism, which led to high carbon emissions and the negation of emissions policies. In addition, the country’s dynamic economic growth and new car leasing by cross-border workers has also been cited as a reason for increasing carbon emissions. Luxembourg shows Europe’s highest energy consumption per capita, the highest vehicle density (660 vehicles per 1,000 people in 2014) and highest renewal rate of passenger cars (12.5%). Despite the contentious debate over environmental liability, Luxembourg was the only EU country to reduce its biofuel ratio in 2012. From 2015 until 2020, Luxembourg is slated to pay an annual contribution of €5 million into the Green Climate Fund, which was born out of the Kyoto Protocol.

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

Luxembourg’s water systems are of comparatively poor quality (contaminated with pesticides, etc.), with only 7% of its rivers and streams in “good” condition. There are problems with waste-water treatment and drinking-water supplies if summers are very dry. Monitoring of water systems is regarded as insufficient. To improve drinking-water quality, the environmental administration planned to designate 80 drinking-water protection areas in 2015.

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

For several years, the Ministry of Sustainable Development (Département de l’environnement) has promoted a campaign to reduce the use of pesticides, particularly in communal areas and private gardens. In 2015, 75% of Luxembourg’s municipalities committed themselves to reducing the use of pesticides. But obligations to environmental protection usually refer to the public and private use of pesticides, and do not focus enough on agriculture, the largest contributor. After pesticides contaminated much of the country’s groundwater in 2014, the government decided to ban the use of two pesticides, Métolachlore in general and Métazachlore in certain areas.

Although the country’s per capita water consumption has decreased, levels are still high by cross-EU standards. Luxembourg’s annual per capita fresh-water abstraction rate (private water consumption) has diminished quite considerably by 12%, for an average of 80.35 cubic meters, compared to 85 cubic meters in 2012. On the other hand, with 653 kilograms of yearly municipal waste generated per person in 2013 (687 in 2011), Luxembourg takes second place behind the EU-28’s top country, Denmark.

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

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

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Global Environmental Protection

Global Environmental Policy
Score: 7

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

Fuel price alignment is however not considered to be a solution, and will only transfer carbon emissions to neighboring countries. Instead, the government has to provide adequate public transportation for cross-border commuters who currently drive to work. After considerable discussions, the government decided to create a quite expensive tramway project in the capital to provide a more sustainable and eco-friendly public transport system. For many years, there have also been discussions about sustainable and convenient international public-transportation systems that might serve to reduce transborder emissions. Moreover, public transportation in the country has to be expanded in the context of an overall sustainable-mobility policy.

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

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Quality of Democracy

Electoral Processes

Candidacy Procedures
Score: 10

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

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http://www.legilux.public.lu/leg/a/archives/2009/0166/a166.pdf#page=5#page=2

Media Access
Score: 8

All newspapers have more or less close ties to political parties, reflecting the ownership of the publications. They tend to be biased or rather partisan, especially during election campaigns. While Luxembourger Wort was always close to the Christian Social People’s Party (CSV), Tageblatt is considered to be connected to the Luxembourg Socialist Workers’ Party (LSAP), and the Journal has a close link to the Democratic Party (DP). 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) guarantees more or less balanced reporting according to its concession contract with the state of Luxembourg. During election campaigns parliament provides the political party lists with airtime and the opportunity to broadcast television ads on essentially equal footing. The government organizes roundtables with candidates from all the lists. The financing of election campaigns, especially the distribution of promotional leaflets by mail, is regulated by law.

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

Citation:
http://www.eurotopics.net/fr/home/medienlandschaft/luxmdn/
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http://www.wort.lu/de/politik/medien-jetzt-doch-aufstockung-der-pressehilfe-55fa88ed0c88b46a8ce6030d
http://www.luxembourg.public.lu/fr/publications/e/ap-medias/AP-Medias-2013-FR.pdf
http://www.forum.lu/pdf/artikel/8192_355_STOLDT_J%C3%BCrgen.pdf

Voting and Registrations Rights
Score: 8

Voting is compulsory in Luxembourg for those listed on the electoral register. To vote, one is required to be a national of Luxembourg, be at least 18 years old on the day of elections, have full civil and political rights and live in the country. Citizens living abroad temporarily or those over the age of 75 can vote by mail. There is no observable discrimination as part of the voting process. The Luxembourgish government sought to encourage political participation among young people by lowering the voting age to 16 years, but this proposal was rejected (by a substantial majority of 80.87%) in the consultative referendum of June 2015.

Experts have 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 46% of the resident population may not vote in national elections as they are not Luxembourg nationals. Of those, 85% are EU citizens and are entitled to participate in European elections and in municipal elections. All foreigners, EU citizens as well as citizens from third countries, have the right to participate in local elections, provided they fulfill certain residency requirements and are registered on the electoral list. Inscription conditions have been eased over the years. However, non-nationals' interest in political participation at the local level remains low. In the 2011 municipal elections, only 16.9% of those eligible to vote actually took part. The Chamber of Commerce and the Support Association for Immigrant Workers (Association de Soutien aux Travailleurs Imigrés, ASTI) promote the participation of migrants within national elections. During the period, voting rights for resident foreigners in parliamentary elections became a cross-party issue (with some exceptions). For this purpose, on the basis of the coalition agreement, a proposal that would have introduced voting rights for foreigners was placed on the June 2015 referendum as an opportunity to create equal participation rights in the national political sphere. However, the clear rejection (78.02%) of full foreigner-voting rights put a preliminary end to this project and the next referendum is not expected before 2017.

Citation:
http://www.gouvernement.lu/1719337/systeme-electoral
http://www.statistiques.public.lu/fr/actualites/conditions-sociales/politique/2013/05/20130130/red17.pdf
http://www.gouvernement.lu/4925351/07-ref
http://www.wort.lu/de/politik/politische-teilhabe-von-auslaendern-kein-weg-fuehrt-nach-rom-552ce01c0c88b46a8ce575b1
http://www.elections.public.lu/fr/systeme-electoral/legislatives-mode-emploi/principes/index.html
http://www.elections.public.lu/fr/referendum/2015/resultats/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. The GET demands a system of "effective, proportionate and dissuasive penalties" for those who break the law. Despite the new law, GET has pointed out that political parties still have no specific legal status. The major finding of the evaluation was the lack of public control over political party accounts, as the parties often have had difficulties setting up an accounting system. Most of the issues raised in the GRECO report have been since corrected through more legislation. However, political parties must ultimately pay more attention to such concerns. Due to the complexity of the legislative changes required, the implementation of additional measures has been delayed. The fourth GET evaluation again called for the rapid transposition of 13 as-yet-unimplemented anti-corruption recommendations as national law.

:
http://www.legilux.public.lu/leg/a/archives/2011/0261/2011A4326A.html
GRECO, Evaluation Report on Luxembourg on the "Transparency of Political Party Funding," Strasbourg, 13 June 2008, in: https://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3%282007%296_Luxembourg_Two_EN.pdf
http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/RC4/GrecoRC4(2015)5_Luxembourg_EN.pdf
http://www.chd.lu/wps/PA_Archive/FTSShowAttachment?mime=application%2fpdf&id=923883&fn=923883.pdf

Popular Decision-Making
Score: 6

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

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

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

Each member of parliament (MP) represents an average of just 10,000 citizens; which means citizens have relatively simple access to legislators. The country's territorial breakdown produces small units (there are 105 communes/municipalities) that all claim to be in direct contact with citizens. On the other hand, Luxembourg is also awash in citizens' initiatives, an informal way to impose views on the political establishment, especially regarding environmental issues.

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

Citation:
http://www.chd.lu/wps/portal/public/DepotPetition
http://chd.lu/wps/PA_RoleEtendu/FTSByteServingServletImpl/?path=/export/exped/sexpdata/Mag/149/393/134982.pdf
http://www.legilux.public.lu/leg/a/archives/2005/0027/a027.pdf
http://www.legilux.public.lu/leg/a/archives/2013/0167/a167.pdf
http://www.legilux.public.lu/leg/a/archives/2013/0163/a163.pdf#page=2
http://www.wort.lu/de/politik/analyse-zehn-dinge-die-bei-diesem-referendum-falsch-gemacht-wurden-5574ba980c88b46a8ce5ad75

Access to Information

Media Freedom
Score: 8

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

Following Luxembourg's condemnation by the European Court of Justice in an affair related to the Contacto journal's investigative journalism 2009, the country has returned to fourth place in the Reporters Without Borders' Press Freedom Index in 2012. However, the tax-avoidance scandal that threw Luxembourg into the international news was felt even within the realm of media freedom. As result of the government's decision to charge journalist Edouard Perrin with complicity in the leaks, which originated from confidential PricewaterhouseCoopers documents, the country fell 15 places in the 2015 Reporters Without Borders World Press Freedom Index, to 19th place.

Citation:
http://www.legilux.public.lu/leg/a/archives/2004/0085/a085.pdf#page=2
http://www.legilux.public.lu/leg/a/archives/2010/0241/a241.pdf
http://www.wort.lu/de/politik/medien-jetzt-doch-aufstockung-der-pressehilfe-55fa88ed0c88b46a8ce6030d
https://index.rsf.org/#!/index-details/LUX
http://www.gouvernement.lu/5026791/06-braz-wort
http://www.wort.lu/de/politik/reaktionen-auf-journalistenanklage-Luxembourg-und-die-pressefreiheit-553a13610c88b46a8ce57f96
http://www.legilux.public.lu/leg/a/archives/2010/0069/a069.pdf

Media Pluralism
Score: 7

Luxembourg's six daily newspapers all have links of some nature to political parties. One of the six dailies, La Voix, a French language supplement of the leading paper, Luxembourger 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 Luxembourger Wort is owned by the Catholic Church and thus has ties to the Christian Social People's Party (CSV). In 2015, it had a circulation of 70,410 copies, an overwhelming number considering Luxembourg's population of 565,000. This figure is also larger than the combined circulation of its competitors.

The media landscape was shaken up after the creation of two free daily sheets. The market share of the Luxembourger Wort fell to 35.9%, while that of L'Essentiel, the most successful of the free papers, stabilized at a high level with 38.4% in 2015. L'Essentiel is published by Editpress, publisher also of the Tageblatt (the country's second-largest newspaper, with a market share of about 10.6%), and has ties to the Luxembourg Socialist Workers' Party (LSAP) and the socialist trade union, OGB-L. The conservative media group Saint-Paul, publisher of the Luxembourger Wort, is losing ground 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 Luxembourger Wort, are clear signs of change in Luxembourg's media market.

Radio Télé Luxembourg (RTL) has no competitors in the television market and it remains well ahead in radio, despite the liberalization launched in the early 1990s. Its radio-audience share (37.6% in 2015) is almost twice as high as that of second-ranking Elodoradio at just 22.3%. The Chamber TV parliamentary channel transmits live parliamentary sessions, as well as a weekly background information and news program on Mondays. It is owned by the Chamber of Deputies and broadcasts only during those specific occasions.

Citation:
https://www.tns-ilres.com/cms/_tnsNewsAttachments/Communique_de_presse_etudeplurimedia_2015.pdf
http://www.eurotopics.net/fr/home/medienlandschaft/luxmdn/
http://www.luxembourg.public.lu/fr/publications/e/ap-medias/AP-Medias-2013-FR.pdf
http://www.luxembourg.public.lu/fr/le-grand-duche-se-presente/medias/presse-ecrite/index.html
https://www.tns-ilres.com/cms/_tnsNewsAttachments/Communique_de_presse_etudeplurimedia_2014.pdf

Access to Government. Information
Score: 6

Luxembourg has no freedom of information act nor equivalent legal regulation. Such a law has been called for by journalist associations and many NGOs as well as by Regulation No. 1049/2001 of the European Commission. The government cultivates a certain culture of secrecy; a directive issued in 1987 requires civil servants to get the authorization of their respective minister before releasing any information. Numerous advisory bodies, which include representatives from interest groups, usually serve as a channel to spread the government's message well ahead of official notification to parliament or the professional chambers. Basically, it is up to the government to decide what becomes public, and when. The previous government promised to draft a law that was inspired by information practices in neighboring countries as well as by Council of Europe recommendations. However, the draft law presented by the new government in 2014 did not meet information-access advocates' expectations.

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

Citation:
http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/Rapport_2012-2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9c6ed2c
http://www.europarl.europa.eu/register/pdf/r1049_en.pdf
http://www.journalist.lu
http://www.legilux.public.lu/leg/a/archives/2010/0069/a069.pdf#page=2
http://www.legilux.public.lu/leg/a/archives/2010/0069/a069.pdf#page=15
http://www.luxembourg.public.lu/fr/le-grand-duche-se-presente/medias/presse-ecrite/index.html
Regarding parliamentary queries see: Section 80 of the standing orders: Règlement de la Chambre des Députés, Mémorial A, N° 206, 26.11.2007
Website of the Parliament (www.chd.lu) gives a detailed online account of the dialogue between MPs and the government.

Civil Rights and Political Liberties

Civil Rights
Score: 8

Civil rights are effectively protected in Luxembourg and all state institutions respect these rights with some exceptions. Four institutions are in charge of civil rights' protections: the Constitutional Court, an advisory board on human rights, the National Commission on Data Protection and a parliamentary ombudsman. However, the judiciary system's overload and subsequently slow case processing has triggered concerns over due process and equitable treatment. The European Court of Human Rights in Strasbourg has reprimanded the country on several occasions as a result of delays in the court system. The mediation law provides for processing within a maximum of four months, with the aim of speeding up administration procedures. The influence and the number of complaints to the Ombudsman Office continues to grow, with 689 complaints in 2014 (2013: 507). The rate of favorable rulings or settlements remains high

(85.52%, compared to 80.39% in 2013). These high figures show both the efficiency and the necessity of this institution. Three EU directives concerning the right to have an interpreter and legal representation for detainees and prisoners, as well as the right to inspect relevant files, are expected to be implemented, but only after some delay.

Citation:
http://www.legilux.public.lu/leg/a/archives/2003/0128/a128.pdf#page=2
http://www.ombudsman.lu/doc/doc_downloads_210.pdf
http://www.tageblatt.lu/nachrichten/Luxembourg/story/26766397
http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL_5/PROCEDURE_ADMIN.pdf
http://chd.lu/wps/PA_ArchiveSolR/FTSShowAttachment?mime=application%2fpdf&id=1307606&fn=1307606.pdf
http://www.csl.lu/component/rubberdoc/doc/1671/raw
For further information: 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. After a period of receiving very small subsidies, the Islamic Religious Community today receives €450,000 per year, with this extension of public funding commencing in 2016. Protestant and Jewish organizations already benefit from public funding. Initially, the coalition intended to include a question in the June 2015 referendum relating to the funding of the churches, introducing a church-tax system in Luxembourg. In January 2015, however, the government concluded an agreement with the various religious communities in Luxembourg that enabled this issue to be removed from the referendum.

Citation:
http://www.lessentiel.lu/de/news/Luxembourg/story/19528954
http://www.lessentiel.lu/de/news/Luxembourg/story/15641224
http://www.wort.lu/en/politics/church-and-state-religion-is-private-says-luxembourg-pm-54128b3eb9b3988708063816

Non-discrimination
Score: 8

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

The recent 2014 Migrant Integration Policy Index (MIPEX) gives Luxembourg an unfavorable score of 49 points with regard to its anti-discrimination policies

(2013: 48). The two EU anti-discrimination directives (2000/43 and 2000/78) were transposed after years of debate in the form of an act passed on 28 November 2006, establishing a Center of Equal Treatment (Centre pour l’égalité de traitement, CET) which opened in October 2008. The act includes EU definitions of discrimination. Other bodies such as the Ombuds Council for the Right of the Child (Ombuds-comité fir d’Rechter vum Kand, law of 22 July 2002) have existed since January 2003; the Ombudsman Office was established by law on 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, the incidence of discrimination complaints related to physical or mental disabilities have increased. This has highlighted the need for Luxembourg to put more weight behind inclusion policies.

Citation:
http://www.legilux.public.lu/leg/a/archives/2006/0207/a207.pdf
http://www.legilux.public.lu/leg/a/archives/2008/0070/a070.pdf#page=2
http://www.mipex.eu/luxembourg
http://www.non-discrimination.net/law/national-legislation/country-reports-measures-combat-discrimination
http://cet.lu/wp-content/uploads/2015/03/CET-rapport-annuel-2014.pdf
For further informations:
http://www.ombudsman.lu
http://cet.lu/en/
http://www.cnfl.lu/site/
http://www.legilux.public.lu/leg/a/archives/2008/0209/a209.pdf#page=2
http://www.olai.public.lu/fr/legislation/discrimination/C-1965-12-21/C-1965-12-21.pdf
http://www.legilux.public.lu/leg/a/archives/2006/0207/a207.pdf#page=2#page=2
http://www.olai.public.lu/fr/legislation/discrimination/R-168-2007-fr/R-168-2007-fr.pdf

Rule of Law

Legal Certainty
Score: 6

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

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. The European Court of Human Rights in Strasbourg frequently criticizes Luxembourg for its lengthy legal procedures.

Citation:
Trausch, G. (2008), Die historische Entwicklung des Großherzogtums - ein Essay, in: Lorig, W. H./Hirsch, M. (Ed.), Das politische System Luxembourgs. Eine Einführung. VS Verlag für Sozialwissenschaften, Wiesbaden, pp13-30
http://www.forum.lu/pdf/artikel/7692_332_Camest.pdf

Judicial Review
Score: 9

The existence of administrative jurisdictions and the Constitutional Court guarantee an independent review of executive and administrative acts. The Administrative Court and the Administrative Court of Appeals are legal bodies with heavy case loads; annual reports cite more than 1,000 judgments by the Administrative Court from 2013 to 2014 and 232 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:
http://www.justice.public.lu/fr/publications/rapport-activites-administratives/rapports-juridictions-adm-2014.pdf
https://e-justice.europa.eu/content_judicial_systems_in_member_states-16-lu-de.do

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 (through the Law Project of 2013) to delegate the task of nominating and promoting judges to a standing body, the higher judicial council (Conseil supérieur de la magistrature, CSM), based on the French model. This decision is not likely to change the process from the present ad hoc system, since the composition of the CSM is likely to reflect existing practices which have ensured a high degree of independence and transparency in the selection process.

Citation:
Loi du 27 juillet 1997 portant organisation de la Cour Constitutionnelle
Loi du 7 novembre 1996 portant organisation des juridictions de l'ordre administratif
Loi du 1er juillet 2005 arrêtant un programme pluriannuel de recrutement dans le cadre de l'organisation judiciaire
Organisation judiciaire, Textes coordonnés Avril 2009

http://www.forum.lu/constitution/index.php/dokumente/die-aktuelle-verfassung/
http://www.legilux.public.lu/leg/textescoordonnes/recueils/Constitution/Constitution.pdf
http://www.gouvernement.lu/1719266/cours-tribunaux
http://www.mj.public.lu/actualites/2013/02/Cour_supreme/APL_Conseil_national_de_la_Justice_25_fevrier_2013.pdf
http://www.justice.public.lu/fr/organisation-justice/cour-constitutionnelle/index.html

Corruption Prevention
Score: 8

After a parliamentary inquiry into a large building project in Wickrange 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, an ethics committee will offer opinions concerning the interpretation of specific situations. The revised text was signed by each minister and came into force in December 2014. Transparency International Luxembourg supports the code of conduct, giving credibility to the ministers. But steps need to be taken to ensure sanctions will be imposed on the parties concerned, and adjustments are still needed.

In the 2014 Eurobarometer survey (using data from 2013), three of 10 citizens said they believe that connections and personal favors promote access to certain public services in Luxembourg. In Transparency International’s Corruption Perceptions Index 2014, Luxembourg improved two places compared to the previous year, falling at ninth place worldwide
In Luxembourg, the fourth European evaluation of the Group of States against Corruption (GRECO) called for the rapid implementation of the group’s anti-corruption guidelines in order to prevent corruption within the public authorities. Only one of the group’s 14 recommendations has been implemented into national law, and other directives have not been transposed or have been only partially implemented.

Citation:
http://ec.europa.eu/public_opinion/archives/ebs/ebs_397_fact_lu_en.pdf
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http://www.gouvernement.lu/3871867/Dossier-de-presse-Code-de-deontologie-22-7-14doc.pdf
http://www.coe.int/t/dghl/monitoring/greco/evaluations/round4/RC4/GrecoRC4%282015%295_Luxembourg_EN.pdf
http://www.legilux.public.lu/adm/b/archives/2014/0131/b131.pdf#page=7
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http://www.transparency.lu
http://www.luxembourgforfinance.com/luxembourg-moves-two-spots-corruption-perceptions-index

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 merged public-research institute LISER 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 are still not sufficiently equipped to offer long-term planning activities. State Economic and Social Council reports are partly written by civil servants in the relevant 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:
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http://www.bcl.lu/fr/index.php
http://www.ces.public.lu/fr/index.html
http://www.liser.lu/

Scholarly Advice
Score: 7

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

For major policy reform projects, the government mostly consults highly reputed institutions abroad. 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:
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Rössler, W. et al. (1993), Gemeindepsychiatrie, Grundlagen und Leitlinien. Planungsstudie Luxembourg, Innsbruck
Zanardelli, M./ Brosius, J. (2009), Pratiques des entreprises du secteur privé en matière de prospection de candidats à l'embauche, in: CEPS/INSTEAD, Population & Emploi, no. 44, Luxembourg
http://www.uel.lu/410-annuaire-de-la-competitivite-2015

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. After the inauguration of the new government in December 2013, interministerial coordination presented some difficulties.
Senior civil servants in the ministries prepare a "pré-conseil" or pre-briefing for the weekly meeting of ministers (conseil de gouvernement). All draft bills have to be adopted at both stages before being introduced to parliament, and all draft bills are revised within these two interministerial meetings. The Inspectorate General of Finance (Inspection générale des finances, IGF) evaluates draft bills and participates in numerous committees.

Citation:
http://www.igf.etat.lu/
OECD (2013), OECD Journal on Budgeting, 2012/Supplement 1, Paris
http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-journal-on-budgeting-volume-2012-supplement-1_budget-v12-sup1-en#page1
http://www.gouvernement.lu/1719191/conseil-gouv
http://www.mss.public.lu/acteurs/igss/index.html
http://www.gouvernement.lu/1719075/gouvernement

GO Gatekeeping
Score: 8

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

Citation:
http://www.legilux.public.lu/leg/a/archives/2009/0173/a173.pdf#page=2
http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL_1/GOUVERNEMEN T.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. Sensitive political proposals are often contained in the coalition program. There are no institutionalized mechanisms of coordination between line ministries, and there is no unit dealing with policy assessment and evaluation. Informally however, no sensitive proposal is presented to the Council of Ministers without being approved beforehand by the prime minister. An informal body of ministerial civil servants meets ahead of the Council of Ministers to prepare the agenda and make adjustments if needed. Even though the prime minister has not held the influential finance portfolio since 2009, his central role in the governance process has not been weakened.

Citation:
http://eli.legilux.public.lu/eli/etat/leg/agd/2015/01/28/n1/jo
http://www.gouvernement.lu/1719075/gouvernement
http://www.gouvernement.lu/3723809/SIP_Gouvernement_2013_EN.

Cabinet Committees
Score: 8

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

Citation:
http://www.gouvernement.lu/1719075/gouvernement
http://www.gouvernement.lu/482644/systeme-politique
http://www.igf.etat.lu/

Ministerial Bureaucracy
Score: 9

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

Citation:
http://www.luxembourg.public.lu/fr/politique/institutions-politiques/gouvernement/index.html
http://www.forum.lu/pdf/artikel/7693_332_ThomasSchmit.pdf
http://www.wort.lu/de/politik/oeffentlicher-dienst-nichts-ist-perfekt-5510515f0c88b46a8ce55ffd

Informal Coordination
Score: 9

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

Citation:
http://www.lessentiel.lu/de/news/Luxembourg/story/27428798

Evidence-based Instruments

RIA Application
Score: 4

At the end of the 1990s, Luxembourg launched its first draft for regulatory impact assessments (RIAs) to simplify administrative procedures at both the national and European levels. Since 2004, the government has systematized the potential impact of legislative proposals by aligning legislative and administrative processes under the responsibility of the competent authority, the Plateforme interministérielle de réforme et de simplification administrative.

Since 2009, all draft bills have been required to undergo a regulatory impact assessment. Within eight weeks before adoption of a draft bill, the government has to carry out consultations with stakeholders, considering their expertise and responding to requests. Based on adequate 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 interministerial platform, which prepares a formal statement to the Council.

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

Citation:
http://www.ceps.be/files/book/1291.pdf
http://www.fonction-publique.public.lu/fr/publications/brochures/caf/brochure-CAF.pdf
http://www.fonction-publique.public.lu/fr/modernisation-etat/qualite-publique/gestion-qualite-base-caf/index.html
http://www.fonction-publique.public.lu/fr/modernisation-etat/qualite-publique/index.html
http://www.fonction-publique.public.lu/fr/actualites/articles-actualites/2015/05/20150512_seanceinformationreformes/Reforme-FP—presentation-12-05-20151.pdf
http://www.eipa.eu/files/File/CAF/CAF_2013.pdf
http://www.oecd.org/regreform/regulatory-policy/40984990.pdf
http://www.simplification.public.lu/archives/Documents/procedure_analyse_flux/Fil_conducteur_de_la_fiche_d___valuation_d_impact.pdfhttp://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-regulatory-policy-outlook-2015/luxembourg_9789264238770-31-en#page1
http://www.fonction-publique.public.lu/fr/modernisation-etat/simplification-administrative/mieux-legiferer/fiche-evaluation-impact-note-explicative.pdf
http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-regulatory-policy-outlook-2015_9789264238770-en#page183
http://www.fonction-publique.public.lu/fr/structure-organisationnelle/plateforme-interministerielle/Plateforme_rsa.pdf
http://www.fonction-publique.public.lu/fr/modernisation-etat/index.html

Quality of RIA Process
Score: 2

There is no open consultation on regulatory impact assessment (RIA) specifications. The procedure requires an interministerial 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. RIAs are not evaluated by an independent body.

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

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

http://www.simplification.public.lu
http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=GOV/RPC%282015%294&docLanguage=En
http://www.simplification.public.lu/Rapport_Mieux_l__gif__rer_en_Europe_-_Luxembourg_2010.pdf
http://www.oecd-ilibrary.org/governance/oecd-regulatory-policy-outlook-2015_9789264238770-en

Sustainability Check
Score: 3

There is no systematic sustainability-assessment process in Luxembourg. The government plans to introduce effective sustainability checks and the systematic monitoring of relevant administrative and legislative acts. In general, the impact of policies and policy side effects at all levels (economic, social and environmental) need to be evaluated with reference to principles of sustainable development and sustainable decision-making. It is essential to agree on Regulatory impact assessment (RIA) procedures to "benefit from improved coherence and coordination between ministries, civil society and stakeholders." Luxembourg has to mainstream sustainability checks at all levels by establishing harmonized legislation with binding RIA standards.

Citation:
http://www.gouvernement.lu/5330895/2014-rapport-activite-travaux
http://www.environnement.public.lu/developpement_durable/
http://www.legilux.public.lu/leg/a/archives/2004/0102/a102.pdf#page=2#page=2

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

http://www.luxembourg.public.lu/fr/politique/concertation/modele-social/index.html
Clément, F. (2012), Consociativisme et dialogue social. Les relations professionnelles au Grand-Duché de Luxembourg, Saarbrücken
Hirsch, M. (2012), Sind Konkordanz-, Konsens- und Drei-Partnermodelle "Schönwetter-Veranstaltungen"? Das Beispiel Luxembourg, in: Köpple, S./ Kranenpohl, U. (Ed.), Konkordanzdemokratie. Ein Demokratietyp der Vergangenheit? Baden-Baden, pp. 117-132
http://www.land.lu/2013/01/18/ruf-nach-leadership/
http://www.legilux.public.lu/ldp/2013/20130024_I.pdf
http://www.gouvernement.lu/3370722/16-bettel-tageblatt

Policy Communication

Coherent Communication
Score: 8

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

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

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

Citation:
https://www.gouvernement.lu/4021433/attributions
For further information: http://www.gouvernement.lu/sip
http://www.wort.lu/de/politik/nach-dem-ausrutscher-von-schneider-die-acht-groessten-kommunikationspannen-der-regierung-553d34f80c88b46a8ce581f0

Implementation

Government Efficiency
Score: 7

In general, the government can implement its policy objectives, usually outlined in electoral promises or coalition government programs. This might take longer than planned, given that a policy based on maximum consensus is often cumbersome. But projects are sometimes not only slowed down but delayed indefinitely, especially when powerful lobbies are involved. This is particularly the case for major infrastructural or zoning projects, such as the tramway system for the city of Luxembourg, which was under discussion for 25 years before agreement was reached in 2013. A law proposal that was already very far advanced was postponed before the 1999 election. Since then, different variants have been discussed, studies have been carried out and construction on the first elements of the tram project has started.

Citation:
http://www.wort.lu/fr/view/un-tram-a-luxembourg-en-2017-4feadec6e4b026f9aa61740e
http://www.wort.lu/en/politics/central-train-station-to-luxexpo-parliament-votes-for-the-tram-5390279cb9b398870803124a

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 voters, and not the party, decide on the composition of parliament and even of the government, since those candidates with the best results usually become ministers. This system encourages politicians to pursue personal initiatives, but as they generally address small lobbies, such projects do not typically conflict with the government's agenda.
"Go-it-alone" actions are not uncommon, because ministers and candidates want to raise their profile to benefit precisely from these personal votes that ultimately make the difference. Especially in pre-electoral periods, this kind of deviant behavior is quite frequent. Ministers are usually allowed to pursue their pet topics, provided they manage to convince their colleagues in government and the prime minister.

Citation:
http://www.luxembourg.public.lu/de/le-grand-duche-se-presente/systeme-politique/systeme-electoral/http://cbiver.eu/2013/10/das-wahlsystem-in-Luxembourg/
http://www.forum.lu/pdf/artikel/7726_334_Fehlen.pdf
https://www.forum.lu/wp-content/uploads/2015/11/7695_332_Fehlen.pdf

Monitoring Ministries
Score: 6

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

Citation:
http://www.merissehovic.eu/letzebuerg/demokratische-kontrolle-des-geheimdienstes-in-Luxembourg-wieso-wir-eine-gesetzesreform-brauchen/
Schroen, M. (2009), Das politische System Luxembourgs, in: Ismayr, W. (ed.), Die politischen Systeme Westeuropas, Wiesbaden, pp. 483-514.

Monitoring Agencies, Bureaucracies
Score: 8

Executive agencies and the administration usually lack the autonomy to pursue a course of action independent of guidelines issued by the responsible ministers. Sometimes the strong personality of an agency head leads to conflict. If this happens, the views of the minister or his key collaborators usually prevail. In the domain of social security and public finance, monitoring is more centralized and effective, since the financial implications for the state are much more consequential. The two agencies that wield considerable control if not outright veto powers are the Social Security Inspectorate General (Inspection Générale de la Sécurité Sociale, IGSS), which is attached to the Ministry of Social Security, and the General Inspectorate of Finance (Inspection générale des finances, IGF), which is attached to the Ministry of Finance.

Citation:
http://www.mss.public.lu/acteurs/igss/
http://www.igf.etat.lu/
http://www.mf.public.lu/finances_publiques/

Task Funding
Score: 7

Since 2015, the Ministry of the Interior has overseen 105 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 income tax (CIT) revenues, lack autonomous sources of revenue. Two-thirds of local entities have fewer than 3,000 inhabitants, a size which is believed to be far too small to handle modern political, administrative and technical requirements. By 2017, the number of local entities is planned to be reduced to 71. However, the new government has weakened this goal, as it does not subscribe to a top-down strategy for municipal mergers. The aim is to have no municipality under 3,000 inhabitants, thus reducing operational costs and improving administrative and technical efficiency. Municipalities frequently complain that funding from the central government is insufficient. The government has used financial transfers to overcome local resistance to municipality mergers. So-called municipal associations (syndicats intercommunaux) exist in fields such as culture and sports to help improve the quality of local government.

Citation:
Halsdorf, J.-M. (2013), Die Kommunal- und Verwaltungsreform im Großherzogtum Luxembourg - Grundzüge und Perspektiven, in: Junkernheinrich, M./ Lorig, W. H. (Ed.): Kommunalreformen in Deutschland, Baden-Baden, pp. 445-462
http://www.gouvernement.lu/3673077/25-conseil
http://www.legilux.public.lu/leg/textescoordonnes/compilation/code_administratif/VOL_8/ORGANISATION/TXT_ORGANIQ.pdf
http://www.syvicol.lu

Constitutional Discretion
Score: 7

Local government depends increasingly on transfers from the central government. Land-use regulation was centralized during the review period. Nevertheless, a serious conflict between local interests and the aims of the government’s transport and land-use planning body (Integrierte Verkehrs- und Landesplanung, IVL) occurred when the construction of a large business center in a rural region near the capital was not authorized. With the passage of education reforms, municipalities lost one of their major prerogatives, which was the autonomous management of primary-school (students four to 12 years old) teaching staff. In return, the government has promised to provide more autonomy through territorial reform, especially in the form of expanded financial autonomy and the provision of support for municipal finances through regional funds.

Citation:
http://www.land.lu/2013/02/08/der-tanz-beginnt%E2%80%A9/
http://www.forum.lu/pdf/artikel/7660_330_Eicher.pdf
http://www.dat.public.lu/publications/documents/bericht_ivl_2004/bericht_ivl_de.pdf
http://steinschultz.de/steinschultz2014/wp-content/uploads/2013/pdf/stein_raumvision_2007.pdf
Eser, Th. W./Scholtes, M. (2008), Raumentwicklung, Regionalpolitik und Landesplanung, in: Lorig, W./Hirsch, M. (ed.), Das politische System Luxembourgs, Wiesbaden, pp. 286-309.

National Standards
Score: 9

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

Citation:
http://www.cour-des-comptes.lu/
http://www.tageblatt.lu/nachrichten/Luxembourg/story/31314170
http://www.wort.lu/fr/luxembourg/depute-maire-deux-mandats-qui-ne-seront-plus-cumulables-au-luxembourg-52a59f5de4b010cbc9a3834b

Adaptablility

Domestic Adaptability
Score: 7

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

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

Citation:
http://ec.europa.eu/dgs/secretariat_general/eu2020/docs/luxembourg_gov_fr.pdf
http://ec.europa.eu/europe2020/pdf/csr2014/annex32014_luxembourg_en.pdf
http://ec.europa.eu/europe2020/pdf/csr2014/csr2014_council_luxembourg_en.pdf
http://ec.europa.eu/europe2020/pdf/csr2014/eccom2014_en.pdf
http://ec.europa.eu/europe2020/europe-2020-in-your-country/luxembourg/national-reform-programme/index_en.htm
http://www.mf.public.lu/publications/programme/16th_update_stability_growth_programme.pdf
http://www.mf.public.lu/publications/divers/previsions_fin_180412.pdf
http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf
http://www.gouvernement.lu/4789506/30-gramegna-stabilite
http://www.gouvernement.lu/5363183/22-closener-competitivite

International Coordination
Score: 8

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

Luxembourg is ranked highly within the European Union for the inclusiveness of its welfare benefits, as its programs are both generous and wide-ranging. However, with a Gini index coefficient of 28.7 in 2014, Luxembourg is a middling performer within the EU-28 (which has an average Gini index coefficient of 31). The generous social transfers and the high share of social transfers relative to total income not only reduce poverty risks, but also sustainably strengthen social cohesion.

The country's Gini index score highlights the positive effects of government transfer policies. However, Luxembourg also retains a number of labor-market protection measures and unsustainable pension policies; both provide incentives to leave the labor market and opt instead for replacement revenues. Attitudes on the part of the insured – mainly those of residents and nationals – are partly still those of consumers of welfare provisions. The system's main weakness is the "early exit" attitude which is expressed by many residents.

Citation:
http://ec.europa.eu/eurostat/tgm/table.do?tab=table&language=en&pcode=tessi190
http://www.chd.lu/wps/portal/public/RoleEtendu?action=doDocpaDetails&id=6325
http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_luxembourg_en.pdf
http://www.gini-research.org/system/uploads/456/original/Luxembourg.pdf?1372249144
http://www.odc.public.lu/publications/pnr/2013_PNR_Luxembourg_2020_avril_2013.pdf
For further informations: http://www.missoc.org/

Organizational Reform

Self-monitoring
Score: 5

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

An example for best practices is the 2006 Council of Europe report, "Profile of the Luxembourgish educational linguistic policy," a two-year investigation involving national stakeholders. The report led to the reform of language teaching in 2009. The OECD audit of the country's public-employment service (L'Agence pour le développement de l'emploi, ADEM), against the background of a rising jobless rate, resulted in a draft bill adopted in 2012. Self-monitoring seems to be beyond the capacity of government authorities. It has also become clear that sustainable changes would require the creation of in-house analysis and forward-looking planning capacities. No ministry and other administration is currently able to fulfil these requirements.

Citation:
http://erawatch.jrc.ec.europa.eu/erawatch/opencms/information/country_pages/lu/
http://www.oecd.org/luxembourg/sti-outlook-2012-luxembourg.pdf
Shewbridge, C./Ehren, M./Santiago, P./Tamassia, C. (2012), OECD Reviews of Evaluation and Assessment in Education LUXEMBOURG, Paris (internet document: http://www.oecd.org/edu/school/OECD%20Reviews%20of%20Evaluation%20and%20Assessment%20in%20Education%20-%20Luxembourg.pdf)

Institutional Reform
Score: 7

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

Citation:
Loi du 18 décembre 2009
http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?doc_id=5561
http://ec.europa.eu/information_society/newsroom/cf/dae/document.cfm?doc_id=6459
http://www.epractice.eu/files/eGov%20in%20LU%20-%20May%202014%20-%20v.16.0_0.pdf
http://www.odc.public.lu/publications/pnr/2015_PNR_Luxembourg_2020_avril_2015.pdf
https://joinup.ec.europa.eu/sites/default/files/egov_in_luxembourg_-_january_2015_-_v_17_0_final.pdf
http://www.transparency.lu/wp-content/uploads/2013/12/Luxembourg-ATS-Providing-an-alternative-to-silence-Country-Report-ENG-v4.11.2013-Clean.pdf

II. Executive Accountability

Citizens' Participatory Competence

Policy Knowledge
Score: 8

Citizens are expected to have a good command of the three official languages: Luxembourgish, French and German, in order to facilitate social inclusion. About 46% of residents are foreigners, and multilingualism is the "compétence légitime" in Luxembourg. However, knowledge of Luxembourgish has a prominent role in political participation, as most political debate and information distribution takes place in this specific national language. This may make it more difficult for non-speakers to participate in the political sphere. Foreigners have expressed a distinct wish to participate more substantially in policy development. This interest in Luxembourg's public life and political commitment depends on political empowerment and active participation in social life. Hence, not only voting rights but also the distribution of multilingual political information is extremely important in promoting active political participation and enabling influence in decision-making.

Citation:
Fetzer, J. S. (2011), Luxembourg as an Immigration Success Story. The Grand Duchy in Pan-European Perspective, Lanham, Boulder, New York, Toronto, Plymouth (UK)
Stoldt, J. (2012), Mehr Demokratie wagen?, in: Forum, November, pp. 19-20
http://www.2030.lu/en/home/
http://ec.europa.eu/public_opinion/archives/ebs/ebs_386_en.pdf
http://www.statistiques.public.lu/fr/actualites/conditions-sociales/politique/2013/05/20130130/presentationetudeCEFIS.pdf
Willems, H. (2012), Bestimmungsfaktoren und Probleme der politischen Partizipation von Migranten. http://www.landtag.rlp.de/landtag/vorlagen/2-57-16.pdf
Fehlen, F. (2015), Sprachenpolitik in der Großregion SaarLorLux, in: Lorig, W.H./Regolot, S./Henn, S. (ed.), Die Großregion SaarLorLux, Wiesbaden, pp.73-94

Legislative Actors' Resources

Parliamentary
Resources
Score: 8

Luxembourg's members of parliament (MPs) balance a heavy workload with dual mandates and other professional activities, including municipal councils and/or professional employment. According to the regulations of the unicameral Chamber of Deputies, members can employ a personal assistant and recuperate some costs within the limits of eligible expenses. In practice, the parliamentary groups instead employ a pool of assistants who work for all the MPs of their group, rather than each MP having his or her own assistant. MPs can consult with external experts as part of the functioning of parliamentary commissions.

They have access to a central state computer system to review databases, surveys, reports, agendas and other important information.

Citation:
Règlement de la Chambre des Députés du 6.12.2012
http://chd.lu/wps/wcm/connect/f57f45e4-3501-4907-b777-0ad0ca77212e/Reglement_02122014.pdf?MOD=AJPERES
Reimen, F./Krecké, J. (1999), Die Abgeordnetenkammer des Großherzogtums Luxembourg, Luxembourg

Obtaining Documents
Score: 8

In general, information flows freely between the government and coalition parties. In the cases where such flows are seen as incomplete, parliamentary queries (questions parlementaires) are a popular and effective way for members of parliament to obtain information from the government or to gain insight into specific topics. Furthermore, the prerogative to conduct parliamentary inquiries (enquête parlementaire) according to Article 64 (in conjunction with Article 70) of the constitution gives the parliament oversight power over the government. Since 1980, the parliament has established four committees of inquiry (in 1980, 1989, 2003 and 2012).

There is no deliberate withholding of information within the parliament itself, as the opposition parties of today may be tomorrow's coalition partner. However, a few restrictions exist concerning sensitive issues or classified information. Recently, this has been the case with the scandals over the state's Secret Service (Service de renseignement de l'Etat luxembourgeois, SREL). The Parliamentary Oversight Commission for the State Secret Service (Commission de Contrôle parlementaire du Service de Renseignement de l'Etat) oversees the functioning of the SREL on behalf of the Chamber of Deputies.

Citation:
http://www.forum.lu/pdf/artikel/7582_327_Urbany.pdf
http://www.luxembourg.public.lu/fr/publications/c/tout-savoir/Tout-savoir-2015-EN.pdf
http://www.forum.lu/pdf/artikel/7796_337_Kirps.pdf
http://cbiver.eu/wp-content/uploads/2013/11/123656.pdf
http://www.legilux.public.lu/rgl/2011/A/0974/A.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. On Tuesdays, when the parliament convenes, there can be a lively question-and-answer session covering a broad range of relevant issues posted by opposition parties.

In the 2013–2014 parliamentary period, 611 questions (previous year: 549) were submitted. In addition to the unrestricted exercise of parliamentary questions, informal exchanges between ministers and MPs are frequent. In the last 30 years, only four investigative parliamentary committees were put in place. In this case, parliament enjoys extensive rights, comparable to those of an investigating judge.

Citation:
Lijphardt, A. (1999), Patterns of Democracy, Yale University
http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/R apport_2012-2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9 c6ed2c
http://www.wort.lu/de/lokales/fragestunde-im-parlament-kein-schuldirektor-in-sicht-4fd805c3e4b078f0332c0727
https://www.gouvernement.lu/4526842/2014-rapport-activite-etat.pdf

Summoning Experts
Score: 9

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

In the case of important policy reform projects, the government usually asks for advice from reputable foreign institutes, being aware of the limited knowledge within the country. For example, a German and 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. Innovation is often driven by foreign expertise and reports, overcoming domestic resistance.
For instance, in April 2014, OECD experts invited by the parliament's Commission on Higher Education, Research, Media and Communications were asked to provide a new report reviewing innovation policy. This OECD report, published in April 2015, recommends a new strategy entailing both diversification and consolidation.

Citation:
http://www.legilux.public.lu/leg/a/archives/2014/0227/a227.pdf
https://www.gouvernement.lu/4526842/2014-rapport-activite-etat.pdf
http://chd.lu/wps/wcm/connect/ba007e0e-5993-4957-adf8-6590d9c6ed2c/Rapport_2012-2013_internet.pdf?MOD=AJPERES&CACHEID=ba007e0e-5993-4957-adf8-6590d9c6ed2c
http://www.oecd.org/sti/inno/Luxembourg-Innovation-2015.pdf

Task Area Congruence
Score: 8

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

Citation:
http://www.gouvernement.lu/3596522/20140328-
OECD (2010), Better Regulation in Europe: Luxembourg, http://www.oecd.org/gov/regulatory-policy/betterregulationineuropeluxembourg.htm
http://chd.lu/wps/wcm/connect/8f37eb0048f395939851d8ce12dff599/2015+05+11+CommAppartPol.pdf?MOD=AJPERES

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. It takes on cases or projects on its own or through parliamentary instructions.

Citation:
Annual reports and special reports are accessible:
http://www.cour-des-comptes.lu/cour/fr/en/index.html
http://www.cour-des-comptes.lu/rapports/rapport_activites/2015/rapport_activites_2014.pdf

Ombuds Office
Score: 9

Since the launch of the Ombuds Office in May 2004, residents – typically more foreigners than nationals – have sought guidance from this government office. The ombudsman deals with some 700 requests per year and issues recommendations to the government and parliament, but cannot bring issues to the courts, similar to other ombuds institutions. The ombudsman is responsible to the parliament. The first ombudsman of Luxembourg, Marc Fischbach, was a former minister and a former judge at the Human Rights Court of the Council of Europe.

Luxembourg nationals have plenty of recourse when problems with the 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, the ombudsman has for years dealt with a number of migration issues.

Among the existing institutions that offer ombuds services (the Ombuds Office, the office for children’s rights, the office for equality rights (based on EU directives 2000/43 and 2000/78) and the Human Rights Commission), the

Ombuds Office is best equipped in terms of budget and staff and is most frequently used. The office has a good track record of finding solutions to problems, has issued a number of recommendations and monitors the implementation of the office's recommendations. One of the factors for the office's success might be the preference of citizens to use mediation instead of the courts, a typical occurrence in societies with a strong tradition of consensus. Since February 2012, former Member of Parliament and Secretary of State Lydie Err has assumed the role of ombudsman.

Citation:
http://www.ombudsman.lu/doc/doc_downloads_210.pdf
http://www.ombudsman.lu/doc/doc_loi_31.pdf
http://www.tageblatt.lu/nachrichten/Luxembourg/story/96646291
http://www.tageblatt.lu/nachrichten/Luxembourg/story/23690847

Media

Media Reporting
Score: 7

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

In daily and weekly papers, articles are written in the three official languages (Luxembourgish, French and German) and sometimes in English as well. Certain newspapers are printed only in French; an English-language monthly journal is also published. Moreover, the government is reforming the press-subsidy system to include online media in recognition of the shifting media landscape.
Media coverage is often reactive, when issues have already reached the public in the form of draft legislation or through parliamentary debate. Media outlets are quite often used as instruments by interest groups or lobbyists seeking to influence government decision-making in its early stages. Such procedures often have a strong influence on government thinking, as political actors need to take into account views and opinions that are published in the media.

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

Citation:
http://www.esch.lu/laville/stream/Pages/default.aspx
http://www.land.lu/2013/04/26/unter-dem-tresen-des-csv-staats%e2%80%a9/
http://www.wort.lu/de/view/das-bommeleeer-dossier-5092c3a9e4b0fe37043e8be8
http://www.mediadb.eu/europa/Luxembourg.html

Parties and Interest Associations

Intra-party Democracy
Score: 8

Inner-party democracy has different levels of intensity within the four major political parties CSV, DP, LSAP and Déi Gréng. The CSV has used its current oppositional role to pursue an internal modernization process while remaining faithful to its core principles. The party is engaging in internal structural reforms, while seeking to integrate more individual members and opinions into the process. However, since the end of 2013, a small group of CSV politicians known as the “Dräikinneksgrupp” has demanded an even stronger reorientation. This group has focused on strengthening internal dialogue and moving toward a grassroots democracy, and has called for a new culture of participation. The CSV adopted new internal-governance statutes in December 2015.

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

:
http://www.forum.lu/pdf/artikel/8035_348_Stoldt.pdf
Schroen, M. (2003): Das politische System Luxembourgs, in: Ismayr, W. (Ed.), Die politischen Systeme Westeuropas, Opladen: Leske + Budrich, pp. 415-444, p. 435
Trausch, G. (Ed.) (2008), CSV - Spiegelbild eines Landes und seiner Politik? Luxembourg
http://www.land.lu/2011/05/19/der-linke-flugel-der-lsap/
http://www.lsap.lu/lsap_ShowDoc_Lsap-leitet-parteiinternen-reformprozess-ein.2087-27-2.html
http://www.wort.lu/de/politik/eine-analyse-ueber-den-ist-zustand-bei-der-dp-die-partei-und-der-premier-54380a37b9b39887080751fe
http://www.wort.lu/de/lokales/die-basis-hatte-ein-woertchen-mitzureden-4f61e50ae4b0860580ab7084
http://www.wort.lu/en/politics/winning-back-support-csv-vows-fresh-start-for-new-year-54af81ab0c88b46a8ce50ff3
http://www.wort.lu/en/luxembourg/no-radical-renewal-for-the-csv-5300d522e4b0f989a09f27d4
http://www.wort.lu/de/politik/die-csv-zwischen-kritik-und-reform-die-rebellen-die-keine-sein-wollen-54b305830c88b46a8ce5138d
http://www.rtl.lu/letzebuerg/597989.html
http://www.wort.lu/de/politik/csv-auf-internem-reformkurs-weg-vom-image-der-staatspartei-54aea1440c88b46a8ce50af8

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. The impact of trade unions increased as a result of the Parliamentary Act of 15 May 2008 ("statut unique"), which created just a single employees' union (Chambre des Salariés) in place of the previous two (one for manual workers and one for white-collar workers). All citizens working in Luxembourg, except public servants, are automatically members and contribute to this organization – a keystone of Luxembourg's neo-corporatist policy tradition. Both social partners commission expert advice and policy briefings either abroad or in Luxembourg, and both prepare position papers on the basis of their own resources.

:
http://www.cc.lu/actualites/detail/conference-chambre-de-commerce-chambre-des-metiers-et-lasti-1/
http://www.csl.lu/
http://www.legilux.public.lu/leg/a/archives/2008/0060/a060.pdf#page=2
http://www.uel.lu/images/stories/Documents_public/Annuaire_de_la_competitivite_2015_-_UEL.PDF

Association Compentence (Others)
Score: 8

Interest groups have and can have an important impact on policymaking. However, drawing on academic knowledge within Luxembourg is limited. Some larger non-governmental organizations maintain small research departments and propagate their opinions through publications (Caritas, Mouvement Écologique, CEFIS, SOLEP, etc.) and conferences, by offering comments on draft bills, or by proposing policies. Voluntary working groups that act essentially as think tanks have become more popular during the review period, and many have chosen the future of Luxembourg as their focus; these groups include La Société Luxembourgeoise de l'Evaluation et de la Prospective (SOLEP), Luxembourg 2030, and 5 vir 12. These groups have considerable impact, given the government's practice of consulting all social partners and the overall small size of Luxembourg. However, they make little use of academic resources.

:
http://www.2030.lu/en/home/
http://www.meco.lu
http://www.caritas.lu/Ce-que-nous-disons/Sozialalmanach
www.solep.lu
www.cefis.lu
Schroen, M. (2012), Luxembourg, in: Reutter, W. (ed.), Verbände und Interessengruppen in den Ländern der Europäischen Union, Wiesbaden, pp. 417-444

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