



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

DRAFT BUDGETARY PLAN 2016-2017

GRAND-DUCHY OF LUXEMBOURG

Luxembourg, 14 October 2016

Courtesy translation of the official French version of 14 October 2016



I. Introduction

Pursuant to Article 6 of Regulation 473/2013, Luxembourg submitted its **draft budgetary plan** for 2017.

In accordance with article 3, paragraph 4 of **regulation 473/2013**, this draft budgetary plan is based on independent macroeconomic forecasts, to the extent that they are produced by the Luxembourg Institute of Statistics and Economic Studies (STATEC).

This draft budgetary plan is based on the **2016 draft budget law submitted** by the Government to **parliament on 12 October 2016** and the figures are presented in accordance with ESA2010.

II. Macroeconomic forecasts

The **international economic environment** is relatively weak, with a generally lacklustre outlook coming into the fall of 2016. Despite the slight rebound in the forecasts produced by the principal international organisation for 2016, there is much uncertainty in the economic outlook.

Against this backdrop, trends within the **euro area** are nonetheless still positive and growth is proving resilient, with GDP advancing 0.6% in the first quarter and 0.3% in the second quarter of 2016. Macroeconomic forecasts prepared by STATEC are based on euro area growth of 1.6% in 2016 and 1.5% in 2017.

In **Luxembourg**, economic activity continues to progress at a faster pace than in the euro area, with **GDP growth** of 0.7% quarter-on-quarter in the Q1 2016 and 4.4% year-on-year¹.

In 2016, consumer prices are still progressing at a very low rate. **Inflation** rates for the first nine months of the year amounted to +0.1% year-on-year. However, a positive base effect related to oil prices should lead to progressively higher inflation rates by the end of the year.

The **labour market** continued to improve in the early months of 2016, with job creation hovering around at an annual rate of 3%. The unemployment rate has fallen, reaching 6.4% at the end of August.

¹ Growth figures for Q2 2016 were not available at the time of drafting.

At this stage, STATEC is maintaining its **forecasts** from last Spring for the purposes of budgetary planning. This forecast foresees an increase in real GDP of 3.1% in 2016 and 4.5% in 2017². The labour market should pursue its positive trend, with employment growth projected at 3.2% in 2017 and a renewed decrease in unemployment to 6.2%. With regard to the national consumer price index (IPCN), the forecast is 1.4% in 2017. A wage indexation adjustment may potentially be triggered near the end of 2016 or in early 2017.

III. Budgetary targets and budgetary policy

The Government's budgetary policy is governed by a medium term strategy featuring **two quantified budgetary targets** that the Government set for the medium term:

- i) meeting the medium term budgetary objective³;
- ii) stabilising gross public debt below 30% of GDP.

This **medium-term budgetary strategy**, which is described in the 17th update of the Stability and Growth Programme (SGP) of April 2016, forms the basis of the draft law on the 2016-2020 multi-annual financial programming. This draft law also sets out the medium-term budgetary framework under Chapter V of Directive 2011/85 and was submitted to Parliament on 12 October 2016 together with the 2017 draft budget law⁴.

As announced in the 17th update of the SGP, a major feature of the **2017 budgetary strategy** is a tax reform whose overall impact will be a reduction of the tax burden, particularly for households, but also for companies as of 2017. The initial “prima facie” impact of the tax reform measures is estimated at €373 million, equivalent to 0.7% of GDP⁵. A detailed breakdown of the measures is summarised in the table below, as previously published in the 17th update of the SGP.

² The 2017 forecast should be regarded with care in view of the absence of important data when the draft budget was being finalised, such as national accounts' data for the Q2 2016. The increase in growth from 2016 to 2017 is based largely on the assumed progression of the EuroStoxx50 index, with a projected drop of 13% in 2016 and a forecasted increase of 4% in 2017.

³ In the 17th update of the Stability Programme, the medium-term budgetary objective for the 2017-2019 period was revised from a surplus of 0.5% GDP to a deficit of 0.5% of GDP.

⁴ See <http://www.budget.public.lu/lu/index.html>

⁵ The continued effects of the implementation of the *Zukunftspak* package that took effect on 1 January 2015 are reflected in public finances forecasts assuming an unchanged policy (see table 3). For details of the impact of the package in 2017, please refer to the budgetary document at <http://www.budget.public.lu/lu/budget2017/links-dokumente/index.html> as well as to the response to parliamentary question number 2243.

	2017	2018	2019	2020
Personal income tax (IRPP)	- €10,000,000	- €98,000,000	- €98,000,000	- €98,000,000
Tax withheld from wages and salaries (RTS)	- €273,000,000	- €275,000,000	- €275,000,000	- €275,000,000
Corporate income tax (IRC)	- €36,000,000	- €95,000,000	- €125,000,000	- €125,000,000
Wealth tax (IF)	€35,000,000	€50,000,000	€50,000,000	€50,000,000
Withholding tax on savings (RELIFI)	€20,000,000	€20,000,000	€20,000,000	€20,000,000
Temporary Budget Balance Tax (IEBT)	- €110,000,000	- €110,000,000	- €110,000,000	- €110,000,000
Solidarity tax	- €24,169,216	- €34,903,828	- €36,386,031	- €36,386,031
Combating tax fraud (households and companies) – direct and indirect taxes	€25,000,000	€40,000,000	€50,000,000	€50,000,000
Total budgetary impact of the tax reform	- €373,169,216	- €502,903,828	- €524,386,031	- €524,386,031

Source: Ministry of Finance, 17th update of the SGP (April 2016)

Regarding the rules of the preventive arm of the Stability and Growth Pact that apply to Luxembourg, the following observations may be made⁶:

- The **structural balance** is supposed to move from a surplus of 2.3% of GDP in 2016 to a surplus of 0.8% of GDP in 2017. This decrease is due primarily to the negative impact of the cyclical component on the structural balance, with projected increase of the output gap from -2.5% in 2016 to -1.3% in 2017. The nominal budget balance is expected to move from a surplus of 1.2% of GDP in 2016 to a surplus of 0.3% of GDP in 2017, notably as a result of the planned tax reform. Luxembourg would thus continue to exceed its medium-term budgetary target of a 0.5% deficit of GDP in 2017⁷.
- Regarding the second rule of the preventive arm of the Stability and Growth Pact (expenditure benchmark), the adjusted **growth rate of expenditures** in 2017 could potentially be higher than the reference rate, i.e. 5.4% instead of 3.0%, which would imply a significant deviation of 0.9% of GDP and exceeding the threshold of 0.5% of GDP per annum. Since the MTO is being overachieved, this second budgetary rule is however not applicable in the case of Luxembourg.

⁶ These observations are without prejudice to the final evaluation of the European Commission.

⁷ The forecasts relating to changes in the structural balance are based on STATEC calculations using the European Commission methodology commented on in Appendix 5 of the draft law on multi-year financial programming for the period 2016-2020.

Gross public debt is projected to rise from 23.2% of GDP in 2016⁸ to 23.6% of GDP in 2017. This increase would be the result of net financing requirements of the central government.

IV. Update of tables related to recommendations and targets set by EU strategy for growth and employment (Tables 6a and 6b):

With regard to the Council **recommendations** adopted under the 2016 European Semester and the EU targets set for growth and employment, a number of policies as well as action plans and specific measures have been adopted by the Government over recent years. An update of measures taken in particular for targets set by the EU strategy for growth and employment was presented the latest version of the National Reform Programme (NRP)⁹.

⁸ The 2016 figure is based on an assumption, as in the April 2016 SGP, of the issuance of a €1.5 billion bond in 2016, as authorised under the 2016 budgetary law.

⁹ See http://www.odc.public.lu/publications/pnr/2015_PNR_Luxembourg_2020_avril_2015.pdf.

Statistical Appendix

1. Macroeconomic Forecasts

Table 0. Basic assumptions

	Year 2015	Year 2016	Year 2017
Short-term interest rate (annual average)	0.2%	0.2%	0.2%
Long-term interest rate (annual average)	1.3%	1.5%	1.6%
USD/€ exchange rate (annual average)	1.11	1.12	1.12
Nominal effective exchange rate (evolution as a %)	6.6%	5.0%	4.8%
EU GDP growth	1.6%	1.6%	1.5%
Growth of relevant foreign markets	5.8%	4.4%	4.7%
Oil prices (Brent, USD/barrel)	52.4	42.9	46.6

Table 1.a. Macroeconomic prospects

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017
		Level	rate of change	rate of change	rate of change
1. Real GDP (reference year = 2005)	B1*b	46.0	3.5%	3.1%	4.6%
2. Potential GDP		...	3.1%	3.2%	3.2%
3. Nominal GDP	B1*b	51.2	3.9%	4.2%	6.8%
Components of real GDP					
4. Private final consumption expenditure	P.3	14.8	1.8%	3.5%	4.2%
5. Government final consumption expenditure	P.3	7.7	2.3%	2.0%	3.0%
6. Gross fixed capital formation	P.51	9.1	1.0%	12.9%	5.5%
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	1.0	51.8%	-3.0%	-4.4%
8. Exports of goods and services	P.6	100.1	12.8%	9.8%	10.0%
9. Imports of goods and services	P.7	86.1	14.0%	11.9%	10.7%
Contributions to real GDP growth					
10. Final domestic demand		-	1.2%	4.0%	3.0%
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	-	0.6%	0.0%	0.0%
12. External balance of goods and services	B.11	-	1.7%	-0.9%	1.5%

Table 1.b. Price developments

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017
		Level	Rate of change	Rate of change	Rate of change
1. GDP deflator (2005=1)		1.11	0.4%	1.1%	2.1%
2. Private consumption deflator		1.06	-0.7%	1.1%	1.5%
3. HICP		100.0	0.1%	-0.2%	1.3%
4. Export price deflator (goods and services)		1.20	4.0%	-1.7%	2.2%
5. Import price deflator (goods and services)		1.20	4.5%	-2.3%	2.0%

Table 1.c. Labour market developments

	ESA Code	Year 2015	Year 2015	Year 2016	Year 2017
		Level	Rate of change	Rate of change	Rate of change
1. Employment, persons (in 1000 pers.) ¹		405.6	2.5%	3.0%	3.2%
2. Unemployment rate (%) ²		-	6.4%	6.1%	5.9%
3. Labour productivity, persons (1,000 EUR) ³		101.1	1.5%	-0.8%	1.1%
4. Compensation of employees (billion EUR)	D.1	24.7	3.5%	3.8%	6.8%
5. Compensation per employee (1,000 EUR/year)		64.8	0.9%	0.7%	3.3%

¹ Active employed population, in thousands, national accounts definition

² Harmonized definition, Eurostat

³ Real GDP per person employed

2. Budgetary Targets

Table 2.a. General government budgetary targets broken down by subsector

	ESA Code	Year 2016	Year 2017
		% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector			
1. General government	S.13	1.2%	0.3%
2. Central government	S.1311	-0.8%	-1.7%
3. State government	S.1312
4. Local government	S.1313	0.3%	0.4%
5. Social security funds	S.1314	1.6%	1.5%
6. Interest expenditure	D.41	0.4%	0.4%
7. Primary balance		1.6%	0.7%
8. One-off and other temporary measures	
9. Output gap (% of potential GDP)		-2.5%	-1.3%
10. Cyclical budgetary component		1.1%	0.6%
11. Structural balance		2.3%	0.8%

Table 2.b. General government debt developments

	ESA Code	Year 2016	Year 2017
		% GDP	% GDP
1. Gross debt		23.2%	23.6%
2. Change in gross debt ratio		1.1%	0.4%
Contributions to changes in gross debt			
3. Financing needs of the central government debt		0.8%	1.7%
5. Denominator Effect		-0.9%	-1.4%
6. Other		1.2%	0.1%
p.m.: implicit interest rate on debt (1)		1.9%	1.8%

¹ Equal to interest expenditure divided by the debt level of the previous year.

Table 2.c. Contingent liabilities

		Year 2016	Year 2017
		% GDP	% GDP
Public guarantees		7.0%	...
of which: linked to the financial sector*		5.5%	...

* includes the credit line to the EU Single Resolution Fund (SRF).

3. Expenditure and Revenue Projections under a no-policy change scenario

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components

General government (S.13)	ESA Code	Year	Year
		2016	2017
		% GDP	% GDP
1. Total revenue at unchanged policies	TR	43.3%	42.7%
Of which:			
1.1. Taxes on production and imports	D.2	11.7%	11.3%
1.2. Current taxes on income and wealth	D.5	14.9%	15.2%
1.3. Capital taxes	D.91	0.2%	0.3%
1.4. Social contributions	D.61	12.1%	11.9%
1.5. Property income	D.4	1.4%	1.4%
1.6. Other		3.0%	2.7%
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		38.9%	38.6%
2. Total expenditure at unchanged policies	TE	42.1%	41.7%
Of which:			
2.1. Compensation of employees	D.1	8.8%	8.6%
2.2. Intermediate consumption	P.2	3.7%	3.6%
2.3. Social benefits	D.621	19.9%	19.5%
Of which: Unemployment benefits		0.8%	0.7%
2.4. Interest expenditure	D.41	0.4%	0.4%
2.5. Subsidies	D.3	1.4%	1.4%
2.6. Gross fixed capital formation	P.51	4.0%	4.0%
2.7. Capital transfers	D.9	1.0%	1.0%
2.8. Other		3.0%	3.2%
3. Net lending / borrowing		1.2%	0.9%

* Unchanged-policy projections include the full impact of 'Zukunftspak' measures as well the increase of certain VAT rates and the temporary budget balancing tax. The latter will be abrogated as of 1 January 2017 in the context of the tax reform.

4. Expenditure and Revenue targets

Table 4.a. General government expenditure and revenue targets, broken down by main components

	ESA Code	Year 2016	Year 2017
General government (S.13)		% GDP	% GDP
1. Total revenue target	TR	43.3%	42.0%
Of which:			
1.1. Taxes on production and imports	D.2	11.7%	11.3%
1.2. Current taxes on income, wealth, etc.	D.5	14.9%	14.5%
1.3. Capital taxes	D.91	0.2%	0.3%
1.4. Social contributions	D.61	12.1%	11.9%
1.5. Property income	D.4	1.4%	1.4%
1.6. Other ¹		3.0%	2.7%
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		38.9%	37.9%
2. Total expenditure target	TE ²	42.1%	41.7%
Of which			
2.1. Compensation of employees	D.1	8.8%	8.6%
2.2. Intermediate consumption	P.2	3.7%	3.6%
2.3. Social payments	D.62 + D.632	19.9%	19.5%
Of which Unemployment benefits ³		0.8%	0.7%
2.4. Interest expenditure	D.41	0.4%	0.4%
2.5. Subsidies	D.3	1.4%	1.4%
2.6. Gross fixed capital formation	P.51	4.0%	4.0%
2.7. Capital transfers	D.9	1.0%	1.0%
2.8. Other ⁴		3.0%	3.2%
3. Net lending / borrowing		1.2%	0.3%

¹ P.11+P.12+P.131+D.39rec+D.7rec+D.9rec (other than D.91rec)

² TR-TE= B.9

³ includes cash benefits (D.621 and D.624) and in kind benefits (D.631, SEC2010: D.632) related to unemployment benefits.

⁴ D.29pay + D.4pay (other than D.41pay) +D.5pay + D.7pay +P.52+P.53+K.2+D.8.

Table 4.b Amounts to be excluded from the expenditure benchmark

	Code SEC	Year 2015	Year 2015	Year 2016	Year 2017
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		50.1	0.1%	0.2%	0.2%
2. Cyclical unemployment benefit expenditure (millions)		426.1	0.8%	0.8%	0.7%
3. Effect of discretionary revenue measures (millions)		...	0.4%	0.2%	-0.6%
4. Revenue increases mandated by law	

Table 4.c General government expenditure by function.

4.c.i) General government expenditure on education, healthcare and employment

	2016	
	% GDP	% of total public expenditure
Education	5.1%	12.3%
Health	4.6%	10.9%
Employment	1.5%	3.5%

Table 4.c.ii Classification of the functions of the Government

Functions of the Government		2016	2017
	COFOG Code	% GDP	% GDP
1. General public services	1	4.3%	4.0%
2. Defence	2	0.5%	0.5%
3. Public order and safety	3	1.0%	1.0%
4. Economic affairs	4	5.2%	5.0%
5. Environmental protection	5	1.1%	1.1%
6. Housing and community amenities	6	0.6%	0.6%
7. Health	7	4.6%	4.6%
8. Recreation, culture and religion	8	1.3%	1.3%
9. Education	9	5.1%	5.1%
10. Social protection	10	18.5%	18.5%
11. Total expenditure	TE	42.1%	41.7%

5. Description of discretionary measures recorded in the draft budget

Table 5. Discretionary measures taken by the Government

List of measures	Detailed description	Objective	Accounting Principle	Adoption Status	Budgetary Impact	
		ESA Code			2016 % GDP	2017 % GDP
Revenues						
Tax reform	Structural tax measures. For more details, please refer to the draft law number 7020 and www.reforme-fiscale.public.lu .	Reduction of the tax burden and structural adjustments.	Cash	Under consideration by parliament.	...	0.7%
TOTAL						0.7%

6. Divergence from the latest Stability Programme

Table 6. Divergence from the latest SP

	ESA Code	Year 2015	Year 2016	Year 2017
		% GDP	% GDP	% GDP
Target nominal balance of the general government	B.9			
17th update of the Stability Programme		1.3%	0.8%	+0.0%
2016-2017 Draft budgetary plan		1.6%	1.2%	+0.3%
Difference		+0.3%	+0.4%	+0.2%
Nominal balance of the general government at unchanged policies	B.9			
17th update of the Stability Programme		1.3%	0.8%	0.7%
2016-2017 Draft budgetary plan		1.6%	1.2%	0.9%
Difference		+0.3%	+0.4%	+0.2%

7. Methodological aspects

Table 7. Methodological aspects.

Estimation technique	Step of the budgetary process for which it was used	Relevant features of the model/technique used	Assumptions
<i>Macroeconomic forecasts</i>	Used to prepare the draft budget	Macroeconometric model developed by STATEC ("Modux")	Use of external assumptions for a number of parameters (e.g. euro area growth, stock market developments, etc.).
<i>Estimates of budgetary revenues</i>	Used to prepare the draft budget	Use of parametric equations and microeconomic data	Macroeconomic forecasts Microeconomic and historical data
<i>Estimates of discretionary measures - tax reform</i>	Estimates of budgetary revenues	Use of parametric equations and microeconomic data	Prima-facie estimation, without taking into account any indirect effects

Table 8. "Country specific recommendations for 2016-2017" for Luxembourg (version dated 10 October 2016)

Note: This summary table highlights the main measures of the 2016 National Reform Programme. It updates these measures per the 2016-2017 country-specific recommendations for Luxembourg. For more details, please consult the 2016 NRP.

In case of doubt, please refer to the original French version.

2016-2017 Country-specific recommendations for Luxembourg (July 2016)

- 1. Ensure the long-term sustainability of public pensions by increasing the effective retirement age, by limiting early retirement and increasing incentives to work longer, and by aligning the statutory retirement age to changes in life expectancy.*
- 2. Remove barriers to investment and innovation that limit economic development in the business services sector. Address bottlenecks that hamper housing investment.*

1)

No. of country-specific recommendation	List of measures	Description of direct contribution
<p>1. <i>Ensure the long-term sustainability of public pensions by increasing the effective retirement age, by limiting early retirement and increasing incentives to work longer, and by aligning the statutory retirement age to changes in life expectancy</i></p>	<p>Reform of pension insurance, that took effect in 2013</p> <p>Check the consistency between basic assumptions of the reform and the updated financial trajectory of the scheme every five years.</p>	<p>Bring the retirement age in line with changes in life expectancy and adapt pensions to the budgetary situation of the pension scheme.</p> <p>Move up by one year supervision and evaluation provided by law through the implementation of a "Group of Pensions" (2016 instead of 2017).</p>
	<p>Draft law amending the Labour Code with regard to early retirement provisions (July 2015)</p>	<p>Elimination of early retirement under the solidarity scheme and reform of other forms of early retirement in order to provide additional incentive for delaying retirement.</p>
	<p>Reform of the professional reclassification system (law dated 23 July 2015, which took effect on 1 January 2016)</p>	<p>Provide additional incentives for delaying retirement by accelerating procedures, a more thorough preservation of individual rights in external reclassification and by creating conditions that promote internal reclassification.</p>
	<p>Draft law introducing a bundle of measures promoting an age policy (April 2014)</p>	<p>Draft an age management plan for employers with more than 150 employees; recruiting older workers, anticipating career changes, improving working conditions, providing access to life-long learning and passing on knowledge and skills to less experienced workers.</p>
	<p>Modernisation of the Social Security medical examinations process (law dated 7 August 2015, which took effect on 1 September 2015)</p>	<p>Modernise the provisions of the Social Security medical examination to better target and strengthen its inspection and consulting work.</p>
	<p>National strategy for lifelong education programmes.</p>	<p>Support and improve life-long learning processes (LLL).</p>

2.		
<i>Remove barriers to investment and innovation that limit economic development in the business services sector. Address bottlenecks that hamper housing investment</i>	Introduce a new status for limited liability companies: "Simplified Limited Liability Company" (SARL – S) (law dated 23 July 2016 amending the following texts, in order to establish limited liability companies: 1. The amended law dated 10 August 1915 pertaining to trading companies, and the amended law dated 19 December 2002 pertaining to the Trade and Companies Registry, as well as accounting process and annual financial statements of companies.	Stimulate corporate spirit by making it easier for these entrepreneurs to set up companies through a low cost business establishment process that is simpler, rapid and efficient, and entails far fewer subscription and payment requirements than those currently in force.
	Modernisation of legislation pertaining to large hypermarkets: definition of a large retail surface area.	Modernise legislation governing large hypermarkets.
	Operational requirements: Modification of legislation pertaining to unfair business practices - a draft law has been submitted Study by the LISER, the Luxembourg Institute of Socio-Economic Research, regarding business hours	Make rules conform to European law, notably Directive 2005/29/CE concerning unfair business-to-consumer commercial practices and Directive 2006/114/EC concerning misleading and comparative advertising. Overall clean-up of provisions to align the text with similar provisions in the Consumer Code and to repeal outdated provisions. Keep to the administrative simplification principles and the "think small first" principle
	Consider how to modernise the right of establishment and how to implement a tracking system for the electronic authorisation procedure.	Modernise the right of establishment.
	Bring legislation concerning architects and engineers up to date.	Bring legislation concerning architects and engineers up to date.
	Eliminate the application for acceding to the status of hotel operator. Set up a new system based on voluntary classification.	Simplify the application process for becoming hotel operator.
	A public registry for establishment authorisations. Get the registry of establishment authorisations on line.	Simplify and increase transparency in relation with establishment authorisations.
<i>Eliminate the obstacles impeding investment in residential real estate development</i>	Implement a favourable tax environment for the sale of land and dwellings on a temporary basis. Reduce capital gains tax in private sales to one quarter of the overall rate between 1 July 2016 and	Revitalise the housing market by promoting sale of land with and without structures.

Note: For more details, see the Luxembourg National Reform Programme (April 2016): <http://www.gouvernement.lu/5693901/2016-pnr-luxembourg-fr.pdf>

Table 9: “Europe 2020 National Objectives” for Luxembourg (version dated 10 October 2016)

Note: This summary table updates the main measures relating to national objectives of the Europe 2020 programme, which stem from the 2016 National Reform Programme. For more details, please consult the 2016 NRP.

<p>National target for employment 71.5% for 2015 73% for 2020</p>	<p>Implemented training course not to exceed six weeks to increase professionalization amongst job seekers aged at least 45, or those who have been reclassified externally or who hold the status of disabled employee (in effect since 2016).</p> <p>Implemented a professional reinsertion contract not to exceed twelve months for job seekers aged at least 45, or those who have been reclassified externally or who hold the status of disabled employee (in effect since 2016).</p> <p>Introduction of a personalised process as part of the reform of the Employment Development Agency (ADEM) – this was fully rolled out in December 2015.</p> <p>Launch of the JobBoard interactive platform in March 2016.</p> <p>An agreement was concluded between the Union des entreprises luxembourgeoises (UEL), the government and ADEM for 2015-2017 under the "Entreprises, partenaires pour l'emploi" programme.</p> <p>The Guarantee for Youth programme launched in June 2014 was streamlined.</p>	<p>Support professional reinsertion of older job seekers more actively.</p> <p>Support professional reinsertion of older job seekers more actively.</p> <p>Qualitatively improve the support provided to job seekers at ADEM by personalizing their follow-up</p> <p>Improve the odds of meetings between employers and job seekers</p> <p>Hire 5,000 job seekers over the next three years via close cooperation for accomplishing specific actions such as regular exchanges of perspectives, partnerships between ADEM and private companies, special training courses and awareness campaigns.</p> <p>Provide young people under the age of 25 good quality support services to get them into a profession, return to school, get into an apprenticeship or a qualifications training programme, or help them develop a personal/professional project.</p>
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	<p>Development of an in-house and outside language training offer by ADEM</p> <p>The Civil Service Observatory was established.</p> <p>Reform of the parental leave issue through a draft law to establish parental leave in January 2016.</p> <p>Implementation of the national Action Plan for equality between men and women, for 2015-2018.</p> <p>Support for women setting up companies</p> <p>Implementation of general measures relating to equal wages for men and women, via a March 2015 draft law.</p> <p>Support of balanced representation of men and women:</p> <ul style="list-style-type: none"> - regarding political parties: the law on financing of political parties will be amended to include the obligation that parties guarantee a quota of 40% of the under-represented gender - regarding Boards of Directors: in public establishments, the government will ensure balanced representation of at least 40% of the under-represented gender up until 2019 on Boards 	<p>Offer language courses to job seekers with immigrant backgrounds focusing on languages used in Luxembourg.</p> <p>Set up a systematic information gathering system on employment in the Civil Service.</p> <p>Account for the specific requirements of working men and women who want to care for their children more adequately.</p> <p>Increase equality between men and women.</p> <p>Increase the rate of women with jobs.</p> <p>Implement wage equality between men and women.</p> <p>Reduce the imbalance between men and women at the decision making level.</p>
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	<p>of Directors and 40% in appointments to Boards of Directors of private sector companies where it can appoint directors through shareholding rights</p> <p>The "Positive Action" programme</p> <p>Measures and actions to sustainably promote the new operational programme for 2014-2020 of the ESF</p> <p><i>Measures implemented under country-specific recommendation no. 1 in July 2016 in Luxembourg</i></p>	<p>Promote supporting gender equality in companies.</p> <p>Develop sustainable professional insertion for young people under 30, people who are very far from the job market and job seekers or employed persons over 45.</p> <p><i>Country-specific recommendations for 1</i></p>
<p>National R&D Target (2.3-2.6% for 2020) (of which, 0.7% to 0.9% in the public sector)</p>	<p>1. <u>For the public research sector</u></p> <p>Finish up construction and fitting works for the new research infrastructure at Belval.</p> <p>The law dated 3 December 2014 for setting up public research centres.</p> <p>Law dated 27 August 2014 modifying the National Research Fund (NRF)</p> <p>Introduction of a new PRIDE financing programme to</p>	<p>Group R&D activities onto a single site and increase effectiveness of the national research system.</p> <p>Determination of PRC status, PRC missions, administrative and governance bodies of PRC and PRC personnel; Merger of the Henri Tudor and Gabriel Lippmann PRCs in LIST and integration of IBBL and the Health PRC into LIH.</p> <p>Updating of NRF tasks, re-determination of the framework of organizations eligible to receive NRF intervention, improvement of governance and introduction of collective subsidies for training-research.</p> <p>Finance a bloc of subsidies for doctoral students in order to attract the best students for supporting a level of critical mass in a specific</p>

	<p>support doctoral work on the national level.</p> <p>The CORE (FNR) multi-year financing programme.</p> <p>Shared recruitment programme for top class researchers involving universities and public research centres.</p> <p>Performance contracts for 2014-2017 with public research organisations.</p> <p>First external holistic evaluation of the University of Luxembourg.</p> <p>OECD study on the national R&D and innovation system. Recommendations were formulated to provide a basis for discussions in 2016 focusing on establishing a national higher education and RDI strategy.</p> <p>Participation in cross-border initiatives:</p> <ul style="list-style-type: none"> - The Horizon 2020 Community Programme - The INTER programme - ERA-Net - The PRIMA initiative - The DARIAH infrastructure - The SHARE infrastructure - The ELIXIR infrastructure - The EATRIS infrastructure - other 	<p>area of excellence, and provide them with a high level supervision base.</p> <p>Concentrate the nation's R & D effort on a limited number of priority domains Increase joint research activities, supervised doctoral students and events.</p> <p>Ensure financing of objectives based on performance.</p> <p>External experts provide critical analysis of all research units and recommendations for future development.</p> <p>Analyse the level and extent of quality of the implementation of recommendations issued previously and prepare a report on the strengths and weaknesses of R&D in Luxembourg. Recommendations for developing the national research system, the consolidation phase</p> <p>Stimulate development and implementation of joint projects and major research infrastructure on the national, European and international level.</p> <p>Promote mobility and prospects in research careers.</p>
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	<p>Implementation of a new draft law relating to the promotion of RDI.</p> <p>Implementation of a "smart specialization" strategy.</p> <p>The Luxembourg cluster initiative.</p> <p>Implementation of an "Automotive campus" in early 2016.</p> <p>Establishment of the Luxembourg Intellectual Property Institute (IPIL), fully operational in early 2016.</p> <p>Launch of an "ICT Seed fund" financing structure in 2016.</p> <p>The "Fit4Start" programme</p> <p>Implementation of a "Fab Lab" at Technoport.</p>	<p>with public and private entities, to innovate with products and services and to participate in the production process.</p> <p>Diversify the economy, while concentrating on a limited number of specific sectors such as industry, eco-technologies, logistics, health technologies and ICT.</p> <p>Assemble resources and financing to achieve critical mass and accelerate knowledge transfer.</p> <p>Promote open innovation, technology exchange and the use of synergies.</p> <p>Promote the development of intellectual property for the requirements of the economy, federating national and international skills into a coherent whole and placing them at the disposal of economic and institutional entities to constitute a driver for growth.</p> <p>Support start-ups in the area of ICT.</p> <p>Improve start-up conditions of young, innovative companies with high potential in the ICT sector using the Lean Start-up method.</p> <p>Assist prototyping.</p> <p>Free up resources within SME and crafts trades to promote innovation and growth in the medium and long term.</p> <p>Promote the optimal use of ICT amongst very</p>
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	<p>The “Fit 4 Innovation” programme</p> <p>Launch of the “Fit 4 Digital” programme in 2016.</p> <p>Launch of the “Inno 4 growth” programme.</p> <p>Incentive and supervision measures for the participation of Luxembourg companies in European programmes, to include:</p> <ul style="list-style-type: none"> Horizon 2020 : - Fit4Horizon2020 - others 	<p>small companies.</p> <p>Remove the barriers to innovation in SMEs and thereby promote growth and development of innovation and value creation projects.</p> <p>Support the participation of Luxembourg entities in European programmes and increase the rate of success.</p>
<p>National target for the reduction of greenhouse gas emissions</p> <p>Reduction of GHG outside of EU ETS</p> <p>--20% compared with 2005</p> <p>(emissions of around 8,145 Mt CO₂-zquivalent in 2020)</p>	<ul style="list-style-type: none"> - <u>Greenhouse gas excluding ETS</u> <p>Continue the implementation of measures summarised in the second action plan to reduce CO₂ emissions including measures relating to transportation and buildings described further below.</p> <p>Preparations for drafting a third action plan for reducing CO₂ emissions in a more holistic fashion by 2030, as well as a low carbon development strategy by 2050.</p> <ul style="list-style-type: none"> - <u>Transportation</u> <p>Promote the use of public transportation and soft mobility, through the MoDu strategy published in 2010.</p>	<p>Reduce GHG emissions.</p> <p>Develop efficient public transportation infrastructure so as to reduce CO₂ emissions through less private transport and seek to</p>

	<p>Set up new transfer points, implement the City of Luxembourg tram project (2017: first phase, 2020-2021: completion and full service) and establish high performance, consistent and complete soft mobility networks.</p> <p>Implement the Transportation sector plan (PST).</p> <p>Develop cross-border traffic promoting alternative transportation through the signature of an agreement to draw up a strategic cross-border mobility scheme (SMOT) involving Luxembourg, France (2009), Belgium (politically validated in 2015) and Germany (political agreement targeted for 2016).</p> <p>- <u>Buildings</u></p> <p>Implement the Transportation Sector Plan (PSL)</p> <p>Progressive increasing of requirements in the area of energy performance for new residential buildings, with AA energy class required for all new structures beginning in 2017, and more grants to achieve the progressive upgrade of existing buildings. This will occur through the finalisation in 2016 of the new provisions for the “PRIME House” financial aid programme, to take effect in early 2017.</p> <p>Implement a climate bank (<i>Klimabank</i>), to take effect in early 2017.</p>	<p>achieve 25% of daily travel in public transportation.</p> <p>Develop an efficient public transportation system that assimilates the economic and demographic development of the capital and the country and seeks to achieve 25% of daily travel through soft mobility.</p> <p>Provide a regulatory framework for MoDu strategy measures by reserving corridors for road and rail infrastructure, promoting soft mobility and managing parking locations in urban areas.</p> <p>Set up soft parameters, develop the organisation of public transportation and carry out infrastructure projects.</p> <p>Increase requirements in the area of energy performance for new residential buildings and finance energy renovation projects in order to reduce CO₂ emissions.</p> <p>Finance energy renovation projects with lower or even zero interest rates for less privileged persons.</p>
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	<p>Introduce an optional certification programme for sustainability of residential units, accompanied by financial aid that covers the three pillars of sustainability, not solely energy use: this is called LENOZ, for <i>Lëtzebuurger Nohaltegkeets-Zertifizéierung</i>, set to take effect in early 2017.</p> <p>Set up new financing methods to progressively accomplish upgrades of all existing administrative structures.</p> <p>Inventory of central government buildings concerned by the European Directive relating to energy efficiency.</p> <ul style="list-style-type: none"> - <u>Energy</u> <p>An update of the study on the potential of renewable energies, to be finalised in 2016.</p> <ul style="list-style-type: none"> - <u>Industry</u> <p>Set up an energy audit system in large companies.</p> <p>Promote eco-technologies.</p> <ul style="list-style-type: none"> - <u>Climate Pact with municipalities</u> 	<p>Put energy efficiency in tandem with sustainability criteria that brings benefits to the environment in general and that provide greater transparency of the real estate market.</p> <p>Finance energy renovation projects and reduce CO₂ emissions.</p> <p>Prepare an energy inventory for State-owned buildings.</p> <p>Analyse the potential of renewable energy in Luxembourg.</p> <p>Reduce GHG emissions and the energy bill on municipal territory and stimulate local and regional investments.</p>
<p>Renewable energy objective 5.45% on the average for 2015-2016 (11% for 2020)</p>	<p>National action plan in the area of renewable energy containing 37 measures (July, 2010)</p> <ul style="list-style-type: none"> - <u>Expansion of renewable energies on national territory</u> 	<p>Accomplish Luxembourg's national objective set by Directive 2009/28/EC</p>

	<p>Support system for biogas production facilities injecting biogas into the natural gas grids. This Grand-ducal regulation was introduced at end 2014 and was set to take effect in 2016.</p> <p>Explore the possibility of introducing a feed-in tariff for heat originating with installations fuelled from biomass recovery processes, underway since 2015.</p> <p>Progressive increase in energy performance requirements for new residential structures, with the AA energy class for new structures in effect for 2017.</p> <p>Aid schemes that promote the rational use of energy and highlight renewable energy sources in the housing sector for 2013- 2016.</p> <p>Modify the Grand-ducal regulation relating to electrical production based on renewable energy sources appearing in 2014. This was in the regulatory process in July 2015 and set to take effect in 2016.</p> <p>Update of the study on the potential of renewable energy in Luxembourg (finalised in 2016)</p> <p>- <u>Mix of biofuels in fuel available for consumption nationally.</u></p> <p>The law setting excise and other taxes on energy products, electricity, manufactured tobacco products, alcohol and alcoholic beverages.</p>	<p>Guarantee operation of biogas facilities in the medium-term.</p> <p>Increase the share of renewable energies.</p> <p>Increase requirements in the area of energy performance for new residential buildings and reduce CO₂ emissions.</p> <p>Accelerate the spread of renewable energies and energy efficient technologies in the domestic sector and support the achievement of objectives in the area of renewable energy and energy efficiency.</p> <p>Adapt grants for operations to be awarded to new electricity production facilities using renewable energy.</p> <p>Determine what progress has been achieved and what is achievable in the various branches of renewable energy production.</p> <p>Regulate the mix of biofuels in fuel available for consumption nationally (2014: 4.75% / 2015: 5.4% / 2016: 6.58% / 2020: 10%).</p> <p>Get electro-mobility started by setting up 800</p>
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	Discussions and negotiations on the possibilities for cooperation with a certain number of Member states.	
National energy efficiency objective Indicative national objective for 2020: Final energy use of 49.292 GWh (4,239.2 ktoe)	<p>Draft Grand-ducal regulation amending the Regulation on Residential Structures begun in 2015 and currently underway.</p> <p>Amendment to the regulation on administrative buildings in February 2015.</p> <p>Long-term strategy for launching investments in the renovation of the nation's residential and retail buildings, both public and private, under EC directive 2012/27/EC.</p> <p>Laws introducing intelligent measurement systems on the electrical and natural gas markets in June 2015</p> <p>Laws introducing a legal basis laws in Luxembourg law for the mandatory energy efficiency provision under directive 2012/27/EU, with an aggregate energy savings objective of 5,993 GWh between 1 January 2015 and 31 December 2020.</p> <p>Complete a study to determine the optimal energy</p>	<p>Introduce a detailed concept of a "residential building with near-zero energy use" and incorporate photovoltaic technology into the calculation methodology in order to increase the share of renewable energy used in the residential building sector.</p> <p>Increase requirements in the area of energy performance in new administrative buildings and in additions to existing administrative buildings. More stringent requirements entered into effect in July 2015 for new administrative buildings (C-C).</p> <p>Increase energy efficiency.</p> <p>Determine a framework and schedule for rolling out a national shared and interoperable infrastructure for intelligent metering and get end users to participate actively in the markets for electricity and natural gas.</p> <p>Ensure that all suppliers achieve their share of the overall energy objective in their sector.</p> <p>Determine optimal energy performance levels for buildings depending on costs.</p>

	<p>performance level depending on costs.</p> <p>Inventory of central government buildings having a total useful surface area in excess of 500 sq. m that are heated and/or cooled.</p> <p>Voluntary agreement with the industrial sector (2011-2016)</p> <p>Set up a nationwide shared and interoperable infrastructure for intelligent metering, planned for 2016.</p> <p>Launch of a study on the “Third industrial revolution in Luxembourg” in 2015, completion planned for 2016.</p>	<p>Increase energy performance through renovations of 3% of the total floor area of buildings in this inventory each year.</p> <p>Improve energy efficiency and implementation of new or renewable energy sources in participating companies in the industrial sector.</p> <p>Promote the active participation of consumers in the natural gas and electricity markets.</p> <p>Make the existing economic model more durable and interconnected, placing special emphasis on converging ICT, energy and transportation operating within an intelligent network.</p>
<p>National target for the school drop-out rate Maintain school drop-out rates lower than 10% on a sustainable basis</p>	<p>National strategy to overcome the problem of academic dropouts</p> <p>Establishment of an Academic Retention Observatory in 2016.</p> <p>Draft law on setting up the Guidance Centre submitted in 2015.</p> <p>Draft law on academic and professional guidance.</p>	<p>Coordinate efforts to support students who risk dropping out and initiate innovative processes for leading them to recognised certification programmes.</p> <p>Improve academic and professional guidance programmes, set up single windows in the regions and assemble academic and non-academic players to better accommodate students and their parents.</p> <p>Introduce an obligation in each secondary school to determine its own guidance programme.</p>

	<p>More flexible and transparent academic transitions.</p> <p>Diversification of academic programmes:</p> <ul style="list-style-type: none"> - introduction of French speaking sectors - VTT projects for young people with severe behaviour difficulties and who risk dropping out of school - The "Return to School" platform - Second chance school - Cultural classes for students with behaviour difficulties - Special classes for students held back a year - Guidance and professional introductory courses (COIP) <p>Initial and continuing training for teaching and socio-educational staff:</p> <ul style="list-style-type: none"> - Bachelor of Science in Education with special emphasis on specific cognitive disorders - Master's degree in Secondary Education <p>Implement a stronger remedial programme.</p> <p>Establish a nationwide representation structure for parents</p> <p>Systematic follow-up of school dropouts will be continued by Local Youth Action (ALJ).</p>	<p>Adapt the fourth cycle guidance policy of primary education to increase involved participants' sense of responsibility and to support them better, to account for a more diversified academic programme and to bring primary education closer to secondary education.</p> <p>Diversify academic programmes.</p> <p>Increase initial and continuing training for teaching and socio-educational staff.</p> <p>Allow each secondary school to determine teaching programmes suited to their specific requirements.</p> <p>Involve parents more in school activities so as to establish a genuine collaboration mentality between schools and families.</p> <p>Streamline follow-up of school dropouts.</p>
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	Set up a new system for training adults as an additional way to obtain qualifications.	Bring up the 9 th level of young people and adults who have not yet achieved that level, which is required to achieve their professional plans.
The national target for higher education Ensure that 66% of the working population between the ages of 30 and 34 receive university education and earn university degrees between now and 2020.	<p>The law dated 24 July 2014 on State financial aid for higher education that went into effect for the 2014-2015 school year.</p> <p>Modification of certain provisions of the law dated 24 July 2014 via the law dated 23 July 2016.</p> <p>Extend the public and private programme offering of higher education in Luxembourg</p> <p>Increase financial resources for higher education and research in Luxembourg, advancing from €72 million in 2009 to €154.1 million in 2016.</p> <p>Analyse the financial effectiveness of higher education in Luxembourg.</p> <p>Final installation of the University of Luxembourg on the Belval site: a total investment of €800 million slated for 2010-2019 at the beginning of the 2015-2016 school year.</p> <p>Construction of a new National Library in Luxembourg, with work beginning in 2014 and opening planned for 2018.</p>	<p>Increase the educational level of the population to obtain better matches between peoples' qualifications and job market offerings, using a modular concept including an element of social selectivity.</p> <p>Improve the law on financial aid from the State for higher education (2014).</p> <p>Increase the educational level of the population to obtain better matches between peoples' qualifications and job market offerings.</p> <p>Increase R&D capacities in terms of higher education and number of students.</p> <p>Allow a comparative analysis of changes in expenses of higher education institutions.</p> <p>Group services on a single site in order to optimise available resources.</p> <p>Rationalise and modernise operations by grouping all collections and services.</p>
National poverty target Reduce the number of persons under the threat of poverty or social exclusion	Reform of the parental leave issue through a draft law to establish parental leave in January 2016.	Promote reconciliation between family and professional life, especially financial independence of parents.

<p>by 6,000 people by 2020.</p>	<p>Continue the policy of providing socio – educational reception structures to children aged 0-12</p> <p>Make beneficiary parents aware of the Guaranteed Minimum Income (GMI) mechanism for using reception centre checks.</p> <p>Increasing activation rates as part of the GMI mechanism:</p> <p>Promote measures favouring the transition of young people from academic to professional life and those motivating them to return to school</p> <ul style="list-style-type: none"> - ANELO platform - the Level up programme - others <p>Law on non-repayable social aid– financial help by the social administration and the third party social insurance system (2013): €2.9 million in financial aid in the form of grants.</p> <p>National strategy to counter homelessness and exclusion linked to housing for 2013-2020.</p> <p>The European Aid Fund to the most Deprived (FEAD) involving food and/or essential material assistance for the most deprived launched in August 2015. This amounts to €3.95 million over seven years, with national co-financing of €0.69 million.</p>	<p>Increase the rate of employment amongst women and single parent families, break the cycle of inter-generational transmission of poverty, and promote social inclusion and social cohesion in a multi-cultural society.</p> <p>Increase the availability of parents for entry into the labour market, promote social inclusion and social cohesion in a multi-cultural society</p> <p>Promote access to jobs and social inclusion.</p> <p>Promote social inclusion amongst young people.</p> <p>Reduce situations of material deprivation and promote social inclusion.</p> <p>Reduce homelessness and housing-based exclusion.</p> <p>Use this to respond to food and basic needs-related distress situations.</p>
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Note: For more details, see the Luxembourg National Reform Programme (April 2016)
<http://www.gouvernement.lu/5693901/2016-pnr-luxembourg-fr.pdf>