

The information contained in this summary is based on the documents COM(2021) 332 final and SWD(2021) 159 final, which are the authentic documents representing the Commission's assessment of the plan.

### Summary of the assessment of Luxembourg's recovery and resilience plan

Grants: EUR 93.4 million
20 measures: 8 reforms and 12 investments divided into eight components
Number of milestones and targets: 63 (46 milestones and 17 targets)
Climate target: 60.9%
Digital target: 31.6%

#### 1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	LU RRP represents a comprehensive and adequately <b>balanced response</b> to LU's economic and social situation, and contributes appropriately to all six pillars. It puts a strong emphasis on the green and digital transition, with a 60.9 % climate contribution and a 31.6 % digital contribution, and features a relatively strong social dimension (skills, health and housing).	A
2.2	The RRP is expected to contribute to effectively addressing all or a <b>significant subset of challenges identified in the country-specific recommendations (CSRs)</b> . It includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the CSRs addressed to LU in 2019 and in 2020 on (i) labour market policies (addressing skills mismatches, enhancing the employability of older workers), (ii) the resilience of the healthcare system, (iii) increasing available housing, (iv) the green transition (investments in renewable energy generation, sustainable transport, environmental protection and biodiversity), (v) the digital transition (improving connectivity and digital skills of the population, and fostering the digitalisation of firms and public administration), (vi) effective supervision and enforcement of the anti-money laundering framework. The plan includes a legislative measure prohibiting the deductibility of outbound royalties and interest payments to non-cooperative tax jurisdictions. However, this measure corresponds to the implementation of an EU Council agreement of December 2019, applying to all MS, irrespective of whether they have been given a CSR to address aggressive tax planning (ATP).	A
2.3	The RRP is expected to have a high impact on <b>strengthening the growth potential, job creation, and economic, social and institutional resilience of Luxembourg</b> . It has the potential to increase LU GDP by between 0.5 % and 0.8 % by 2026.	A
2.4	The RRP includes a systematic assessment of each measure against the principle of 'do no significant harm' (DNSH). The assessment provided allows to assess that <b>all measures will comply with the DNSH principle</b> .	A
2.5	The RRP puts a <b>significant focus on the green transition</b> . Overall, the plan is considered to contribute to climate objectives for 60.9% of LU's amount requested under the RRF. A significant part of the investments put forward in the plan focuses on the climate and energy transition. Due to the limited maximum financial contribution, proposed measures focus on addressing certain challenges, in particular on sustainable mobility and renewable energy	A

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	generation. By contrast, energy renovation of buildings does not feature prominently in any investment measure. The plan includes a whole component dedicated to nature and biodiversity protection.	
2.6	The plan is expected to accelerate the <b>digital transformation</b> . Measures supporting the digital transition account for 31.6% of the plan's total allocation. The plan contains a number of measures which contribute to the digital transition notably through the digitalisation of public administration and services and the health system, which aims to improve its effectiveness and efficiency, and the development of basic and advanced digital skills. In addition, LU plan includes the development of an ultra-secure communication infrastructure based on quantum technology to improve the security of communication between different parties. In the context of the limited RRF allocation, the plan does not, however, include measures on other digital issues such as the digitalisation of firms.	A
2.7	The RRP is expected to have a <b>lasting impact</b> on LU's policies via (i) the promotion of training (focus on digital skills) to make the labour market more resilient, (ii) improvement of the resilience and performance of the health sector by addressing the shortage of health professionals and digitisation of the sector, (iii) acceleration of the decarbonisation of transport and promotion of the use of renewable energy to support the green transition, (iv) strengthening the legal supervisory framework for the fight against money laundering and terrorist financing to promote a more transparent and fairer economy.	A
2.8	The plan includes <b>46 milestones and 17 targets</b> . The overall quality of milestones and targets is deemed satisfactory. Milestones and targets proposed in the plan are acceptable and realistic.	A
2.9	LU has provided an explanation and submitted documentation to substantiate the <b>cost estimates</b> for each reform and investment, which in general was complete and understandable. For some measures, further evidence and a better explanation could have been provided to achieve an A-rating. Therefore, the estimated costs are "reasonable" and "plausible" to a medium extent for the large majority of reforms and investments. The estimated total costs are in line with the principle of cost-efficiency and commensurate to the expected national economic and social impact. The estimated cost to be financed through the RRF will not be covered by other existing or planned Union financing.	B
2.10	LU's <b>control and audit</b> system is up to the task of preventing, detecting and correcting potential fraud, corruption and conflicts of interest, and avoiding double funding.	A
2.11	The plan consists of a balanced combination of investments and reforms. They, either in the same component or in different components, reinforce or complement each other. Therefore, the plan includes measures that represent coherent actions.	A

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## 2. Horizontal principles and additionality

Horizontal principle	Commission assessment
<b>Complementarity with EU programmes 2021-2027</b>	While the partnership agreements and the programmes under the Cohesion Policy are still at the stage of negotiation, most of the plan investments appear complementary with the interventions of the shared management funds planned for 2021-2027. As regards the ERDF and the Just Transition Fund, synergies and complementarities could be potentially expected with investments under the plan for almost all components. The investments included in component 1A (Skilling, reskilling and upskilling) of the plan are also fully consistent with the specific objectives of the ESF+.
<b>Principle of additionality</b>	The plan respects the principle of additionality of Union funding as referred to in Article 9 of the RRF Regulation, which is also covered in the audit and control system.
<b>Recurring costs</b>	The plan will finance a limited amount of costs that are recurring but temporary in nature, thus respecting the conditions set out in Article 5(1) of the RRF Regulation. A clear justification has been provided that these costs are required for the measures. These costs have an insignificant fiscal impact once the plan’s funding ends.

## 3. Reply to the European Parliament’s questions

**Contribution to equality and gender equality:** Against the backdrop of LU’s limited challenges in the area of gender equality and equal opportunities (below-average gender employment gap, one of the lowest gender pay gaps), the plan contains a limited number of measures responding to those challenges. Component 3B approaches the development of digital services in line with the principle of equal access. Component 1A has a strong focus on supporting the participation of older people in the labour market and ensures, together with component 1B, equal access to the services concerned and healthcare thanks to digital inclusion measures. Component 1C aims at easing the access to affordable public housing.

**Contribution to high-quality employment creation:** The plan is expected to create high-quality employment opportunities. Component 1A contains several measures intended to foster upskilling and reskilling. The “FutureSkills” initiative strengthens the partnership between national employment agency (ADEM) and the Chamber of Commerce, which has developed a diversified training offer for jobseekers with the aim of assisting them with their integration or reintegration into the labour market. The Digital Skills programme offers training to all employees who benefited from the short-time work scheme between 1 January and 31 March 2021. Component 3A which aims at deploying and developing ultra-secure infrastructure based on quantum technology will attract highly qualified students and researchers to LU by creating new highly skilled jobs.

**Contribution to the implementation of the European Pillar of Social Rights:** The plan addresses a series of employment challenges relevant for the implementation of the Pillar. It envisages support for re/upskilling measures for workers on short-time work schemes and job-seekers, and includes the development of a new skills strategy, targeting both workers and job-seekers. The plan includes a measure to strengthen the capacity of the Public Employment Service through digitalisation.

**Addressing regional disparities:** The reform of the Housing Pact (Component 1C) aims to help increase labour mobility and reduce regional disparities.

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**Contribution to upward economic and social convergence:** By its relatively strong social dimension, the plan is expected to contribute to upward economic and social convergence. Component 1A is important for social cohesion; in particular, one of the investments includes a target for older workers and is expected to also contribute to greater social cohesion. Component 3B, with its broader scope to engage the private sector in the digital transition and inclusion, is expected to act as a powerful social cohesion driver. Component 1C aims to help increase labour mobility and reduce regional disparities.

**Contribution to CSRs on taxation and anti-money laundering:**

**Taxation:** The plan does not adequately address the CSRs on features of the tax system that facilitate aggressive tax planning. The plan includes a legislative measure prohibiting the deductibility of outbound royalties and interest payments to non-cooperative tax jurisdictions, which entered into force on 1 March 2021. However, this measure corresponds to the implementation of an agreement reached at EU Council level in December 2019, applying to all MS, irrespective of whether or not they have been given a CSR to address aggressive tax planning. This measure does not adequately address the concern on outbound payments mentioned in the CSRs, as its geographical scope is limited to non-cooperative tax jurisdictions and does not extend to low tax jurisdictions. In addition, the plan indicates that LU plans to carry out an impact assessment of this law, and recalls LU's active and constructive participation in ongoing OECD and EU tax framework negotiations. These indications are welcome, but do not have an immediate effect on addressing the CSR.

**Anti-money laundering:** the plan contributes to addressing some of the challenges identified in the CSRs, specifically to ensure effective supervision and enforcement of the anti-money laundering ("AML") framework as regards professionals providing trust and company services, and investment services (CSR 4 of 2020). This is achieved by a combination of targeted, legislative and non-legislative measures including, among others, a better use of data registered on legal persons, greater understanding of risks allowing for targeted mitigation measures, as well as clarification of applicable sanctions. Moreover, the regime applicable to trust and company service providers will be reviewed and reinforced through a modification of the relevant legislation by September 2023.

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## Annex

Table 1: Illustration of the plan's contribution to the six policy pillars

		Green transition	Digital transition	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
1	Skilling, reskilling and Upskilling		●	○	●		●
2	Strengthening the resilience of the health system		●		○	●	
3	Increasing the supply of affordable and sustainable public housing	●			●	○	●
4	Decarbonisation of transport	●		●	○		
5	Protection of environment and biodiversity	●					
6	Promoting a data-driven economy		●	●		●	
7	Modernisation of public administration		●	●	○	●	
8	Promoting a transparent and fair economy					●	

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Luxembourg RRP components<sup>1</sup>

Country challenges	Associated CSR (2019-2020) or European Semester recommendations	Component 1A – Skilling, Reskilling and Upskilling	Component 1B – Strengthening the resilience of the health system	Component 1C – Increasing the supply of affordable and sustainable public housing	Component 2A – Decarbonisation of transport	Component 2B – Protection of environment and biodiversity	Component 3A – Promoting a data-driven economy	Component 3B – Modernisation of public administration	Component 3C – Promoting a transparent and fair economy
<b>Public finances</b>									
Long-term sustainability of public finances, in particular of the pension system	2019.1, 2020.1	○							
Tackle aggressive tax planning	2019.4, 2020.4								
<b>Financial sector/Businesses</b>									
Affordable housing supply / sustainable buildings	2020.3, 2020.3			●					
Anti-money laundering/Counter terrorism financing	2020.4								●

<sup>1</sup> The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Denmark's RRP, notwithstanding the fact that Member State has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause.

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Business investment/Productivity growth	2020.3	●		○			○	○	
Reduce barriers to competition	2019.2								
<b>Employment</b>									
Mitigate the employment impact of the crisis	2020.2	●							
Increase the employment rate of older workers (employability)	2019.2.1, 2020.2.3	●							
Skills development	2019.3	●							
Skills shortages	2020.1	○	●						
<b>Health</b>									
Resilience of the healthcare system	2020.1		●						
<b>Green dimension</b>									
Sustainable transport	2019.3, 2020.3				●				
Clean and efficient production and use of energy	2020.3			●					
Progressive decarbonisation of the economy	2020.3			●	●				
<b>Digital dimension</b>									
Foster innovation in the business sector	2019.3, 2020.3	○					●	○	
Foster digitalisation in the business sector	2019.3, 2020.3	●					○	○	

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge