LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

de Budgets-plang 2024

Draft Budgetary Plan
Luxembourg – 6 March 2024

Courtesy translation of the original French document.

In case of a discrepancy between the original version and the translated text, the original version shall prevail.

1. Introduction

In accordance with Article 6 of EU Regulation No 473/2013, Luxembourg hereby presents the update of its Draft Budgetary Plan for the year 2024 (hereinafter the "DBP 2024").

Given the general elections on 8 October 2023, the government did not present a draft budget for 2024 to the Parliament, as this task is the responsibility of the forthcoming government.

As a result, Luxembourg submitted only a preliminary DBP that was limited to a simple technical update of the budgetary forecasts presented in the Stability and Growth Programme (SGP) from April 2023 under a no-policy-change scenario.

The present document therefore replaces the DBP submitted to the European Commission on 13 October 2023. It is based on the most recent macroeconomic forecasts independently produced by STATEC in the context of its “Note de Conjoncture 2-2023” from December 2023[1] and it draws upon the fiscal objectives presented in the draft Budget for 2024 submitted by the Government to the Chamber of Deputies on 6 March 2024. Unless otherwise indicated, the budgetary data are presented in accordance with the European system of accounts (ESA 2010).

The DBP 2024 with a changed policy takes into account updated inflation forecasts published in February 2024, as well as the new tax measures, including the latest adjustment to the income tax scale and measures to boost the construction sector.

The Government, which took office in November 2023, aims to pursue a responsible and predictable fiscal policy, ensuring a sustainable path for public finances, in order to maintain Luxembourg’s “AAA” credit rating.

[1] https://statistiques.public.lu/fr/publications/series/note-conjoncture/2023/note-conjoncture-02-2023.html

2. Macroeconomic forecasts

In 2023, the global economy entered a phase of slowdown. This downturn was particularly pronounced in Europe, where the impact of the energy crisis has been more widespread.

The impact of the conflict between Russia and Ukraine exacerbated inflationary pressures and led to a tightening of monetary policy. However, the widespread increase in interest rates, aimed at bringing inflation to more sustainable levels, has had a direct impact on economic activity.

Economic growth in the **eurozone** is therefore expected to remain moderate in 2023 and 2024. In 2023, economic activity is expected to grow by 0.5%. Despite the expected decline in inflation, GDP growth in the eurozone is unlikely to accelerate and is projected to stand at 0.6% in 2024, a very low level by historical standards.

Economic activity in **Luxembourg** has been contracting since the beginning of 2023. This loss of momentum is partly linked to the slowdown in the financial sector. For the year as a whole, the Grand Duchy is likely to see a recession in activity of around 1.0%. Against a backdrop of stabilising factors, such as the expected decline in interest rates in the second half of the year, Luxembourg's real GDP is projected to rebound by 2.0% in 2024. However, the economic outlook remains surrounded by a series of risks related to the unstable international environment, including the potential escalation of the conflict in the Middle East and rising geopolitical tensions.

Based on the European Commission's calculation method applied to STATEC's forecasts and macroeconomic data, potential growth for Luxembourg is estimated at 1.8% in 2023 and 2.0% in 2024. The output gap remains negative and is estimated at -2.7% in 2023 and -2.6% of potential GDP in 2024.

With energy prices easing and food prices decreasing, **inflation** is falling across Europe. In Luxembourg, year-on-year inflation reached 3.0% in November 2023, the lowest level recorded in two years. This slowdown can be explained by the decline in the price of petroleum products and the weakening of underlying inflation. The inflation rate (NICP) in Luxembourg was 3.7% in 2023, and the latest forecasts from STATEC predict an inflation rate of 2.2% in 2024.

Similar to the economic activity, the **labour market** has slowed down in 2023. Growth in total domestic employment is expected to be 2.1% in 2023 and to slow further to 1.3% in 2024, despite the expected economic recovery. At the same time, the unemployment rate would continue to rise, reaching 5.2% in 2023 and 5.9% in 2024.

3. Budgetary objectives

The coalition agreement for the 2023-2028 legislature[2], as well as the draft Budget for 2024 confirm the new government's determination to pursue a policy of economic recovery to build the Luxembourg of tomorrow, while following a responsible and sustainable fiscal policy.

The **new government's budgetary strategy** aims to readjust the path of the deficit and public debt over the entire legislature by gradually reducing expenditure growth below that of revenue.

In view of the current short- and medium-term challenges, the new government continues to pay particular attention to combating the negative effects of inflation in order to support household purchasing power and boost business competitiveness. Stimulating investment also remains a priority for the government, as demonstrated by the recent announcement of measures to boost the construction sector.

This budgetary stance is reflected in the figures presented in this DBP 2024, which shows an improvement in public deficits compared with the plan submitted in mid-October 2023. In fact, the **nominal general government balance** would reach a deficit of 0.7% of GDP in 2023[3] and 1.2% of GDP in 2024, an improvement of 1.2 and 1.5 percentage points respectively compared with the data presented in autumn 2023.

Despite this improvement, the general government deficit is expected to continue to rise in 2024. This trend can be explained by the deterioration of the **central government balance,** mainly as a result of the implementation of the measures decided in the context of the "Energiedësch", "Solidaritéitspak 1.0, 2.0 and 3.0" as well as those designed to boost the construction sector. In 2023, the central government balance is expected to remain in deficit at -1,651 million euros. This deficit would widen to reach -1,910 million euros in 2024.

While the **local government balance** is forecasted to show a positive balance of 62 million euros in 2024, compared to 30 million euros in 2023, the **Social Security** surplus will fall from 1,055 million euros in 2023 to 861 million euros the following year.

[2] The coalition agreement of the new government can be consulted at the following link: https://gouvernement.lu/dam-assets/documents/dossier/formation-gouvernement-2023/accord-coalition.pdf

[3] It should be noted that the allocation of expenditure and revenue to the 2023 financial year will continue until the end of April 2024.

The rate of growth in **public expenditure** is expected to fall from 11.4% in 2023 to 6.4% in 2024. In addition to the new government's efforts to contain spending growth, this slowdown is also due to extraordinary effects that have impacted the level of spending in 2023, such as the additional contribution to the EU budget of around 250 million euros.

Public investment, notably in support of the dual green and digital transition through the implementation of the Recovery and Resilience Plan, would remain high and increase by 2.6% between 2023 and 2024, reaching 4.5% of GDP in 2024.

As for **public revenues**, the forecasts have been updated to take account of developments in 2023 as well as STATEC's latest macroeconomic projections.

While the absolute level of revenues continues to rise, growth is expected to slow in 2024. The rate of growth is expected to fall from 10.5% in 2023 to 5.3% in 2024. The high growth recorded in 2023 is driven by the positive results of the private sector in previous years and by the impact of inflation. However, the impact of the adjustment to the income tax scale will be noticeable in terms of current taxes on income and wealth (direct taxes) in 2024. As a result of the return of the various VAT rates to their pre-2023 levels, the growth rate of taxes on production and imports (indirect taxes) is set to increase from 2.8% in 2023 to 6.7% in 2024.

Public debt is expected to reach 25.2% of GDP in 2023 before rising to 26.5% of GDP in 2024. This increase is mainly due to the central government deficit, which is mechanically added to the level of public debt. The interest burden is expected to reach 0.2% of GDP in 2023 and 2024.

It should be noted that Luxembourg holds significant financial assets, including pension fund reserves representing 30% of GDP and holdings in listed companies representing around 2% of GDP. As a result, the public sector's financial position - on a net basis - continues to remain positive as assets exceed liabilities.

After being temporarily suspended for the period 2020-2023 by the activation of the general escape clause due to the exceptional situation created by the COVID-19 crisis and the energy crisis, the budgetary rules stemming from the **Stability and Growth Pact** are applicable again in 2024.

With the conclusion of an agreement between the Council and the European Parliament on a reform of the EU's budgetary rules on 10 February 2024, this year marks a transition from the current legal framework to this new architecture of European economic governance.

Given that the April 2023 SGP did not present a structural balance for 2024 that would respect the medium-term budgetary objective (MTO) of 0.0% of GDP, for this transition year, the Council of the EU had indicated in its latest country-specific recommendations that an improvement in the structural balance of at least 0.3% of GDP would be appropriate in 2024. This would be equivalent to limiting the growth of net primary expenditure financed at the national level to 4.8%.

Pending the alignment of the national budgetary framework with the new European governance rules, the monitoring of compliance with the MTO, or failing that, of convergence towards the MTO will continue to be carried out in accordance with the amended Law of 12 July 2014 on the coordination and governance of public finances. For 2024, the **structural balance** would stand at 0.0% of GDP in line with the MTO (0.0% of GDP) set for the period 2023-2025.

4. Update of the table related to the recommendations adopted in the context of the 2023 European Semester

In 2023, the European Commission reinstated country-specific recommendations on structural economic policies as part of the European Semester.

Table 9 outlines the main measures from the National Reform Programme (NRP) 2023, as of October 2023. An updated version will be presented in April 2024 as part of the NRP 2024.

STATISTICAL ANNEX

1. Macroeconomic forecasts

Table 0. Basic assumptions

	Year 2022	Year 2023	Year 2024
Short-term interest rate (annual average)	0.3	3.4	3.3
Long-term interest rate (annual average)	1.9	3.3	3.2
USD/€ exchange rate (annual average)	1.05	1.08	1.09
Nominal effective exchange rate	0.95	0.95	0.95
Euro area GDP growth	3.4	0.5	0.6
Growth of relevant foreign markets	10.2	2.1	1.9
Oil prices (Brent, USD/barrel)	101	83	76

Table 1.a. Macroeconomic prospects

	ESA code	Year 2022	Year 2022	Year 2023	Year 2024
		Level	rate de change	rate de change	rate de change
1. Real GDP (reference year = 2015) (million EUR)	B1*b	64 583	1.4	-1.0	2.0
2. Potential GDP (million EUR)		64 588	2.3	1.8	2.0
3. Nominal GDP (million EUR)	B1*b	77 529	7.1	4.0	4.3
Components of real GDP					
4. Private final consumption expenditure (million EUR)	P.3	20 550	2.3	2.6	2.3
5. Government final consumption expenditure (million EUR)	P.3	11 399	2.6	4.8	2.2
6. Gross fixed capital formation (million EUR)	P.51	10 831	-9.8	-1.1	-1.3
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	…	0.0	0.0	0.0
8. Exports of goods and services (million EUR)	P.6	132 102	-0.6	-1.9	2.5
9. Imports of goods and services (million EUR)	P.7	110 291	-1.9	-0.9	2.4
Contributions to real GDP growth					
10. Final domestic demand		…	-0.7	1.5	0.9
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	…	0.0	0.0	0.0
12. External balance of goods and services	B.11	…	2.0	-2.4	1.1

Table 1.b. Price developments

	ESA code	Year 2022	Year 2022	Year 2023	Year 2024
		Level	rate de change	rate de change	rate de change
1. GDP deflator (2005=1)		1.20	5.7	5.0	2.2
2. Private consumption deflator		1.15	5.4	3.8	2.6
3. NICP		115.84	6.3	3.7	2.2
4. HICP		118.49	8.1	2.9	1.9
5. Export price deflator (goods and services)		1.24	6.9	3.1	0.8
6. Import price deflator (goods and services)		1.25	7.6	2.7	1.1

Table 1.c. Labour market developments

	ESA code	Year 2022	Year 2022	Year 2023	Year 2024
		Level	rate de change	rate de change	rate de change
1. Employment, persons[1] (in 1000 pers.)		501	3.4	2.1	1.3
2a. Unemployment rate[2]		13.9	4.9	5.7	5.6
2b. Unemployment rate[3]		14.6	4.8	5.2	5.9
3. Labour productivity, persons[4]		…	-1.9	-3.0	0.8
4. Compensation of employees (billion EUR)	D.1	38.2	9.4	8.5	3.6
5. Compensation per employee (1,000 EUR/year)		76	6.0	6.4	2.4

[1] Occupied population, domestic concept national accounts definition.

[2] Harmonised definition, Eurostat.

[3] ADEM definition.

[4] Real GDP per person employed.

2. Budget targets

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

	ESA code	Year 2023	Year 2024
		% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector[1]			
1. General government	S.13	-0.7	-1.2
2. Central government	S.1311	-2.0	-2.3
3. State government	S.1312	…	…
4. Local government	S.1313	0.0	0.1
5. Social security funds	S.1314	1.3	1.0
6. Interest expenditure	D.41	0.2	0.2
7. Primary balance[2]		-0.5	-0.9
8. One-off and other temporary measures[3]		…	…
9. Real GDP growth (%)		-1.0	2.0
10. Potential GDP growth (%)		1.8	2.0
11. Output gap (% of potential GDP)		-2.7	-2.6
12. Cyclical budgetary component (% of potential GDP)		-1.2	-1.2
13. Structural balance		0.5	0.0

[1] TR-TE=B.9.

[2] The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

[3] A plus sign means deficit-reducing one-off measures.

Table 2.b. General government debt developments

	Year 2023	Year 2024
	% GDP	% GDP
1. Gross debt[1]	25.2	26.5
2. Change in gross debt ratio	0.5	1.2
Contribution to the gross debt ratio		
3. Financing requirements of the central government administration	2.1	2.4
4. Denominator effect	-1.0	-1.0
5. Others	-0.7	-0.1
p.m.: Implicit interest rate on debt[2]	0.8	1.0

[1] As defined in amended Regulation 479/2009.

[2] Proxied by interest expenditure divided by the debt level of the previous year.

Table 2.c. Contingent liabilities

Measures		Date of adoption	Maximum amount (% of GDP)	Estimated take-up (% of GDP)
In response to COVID-19	State guarantee scheme	Apr-20	3.1	0.2
	Ducroire Office (further support for exports, including to markets affected by COVID-19)	Apr-20	0.2	0.1
	European Guarantee Fund at the BEI	Jun-20	0.1	0.0
	SURE Guarantee	Jun-20	0.1	0.1
	Sub-Total		***3.5***	***0.4***
In response to the energy crisis	State guarantee scheme	Jul-22	0.6	0.3
Autres	State guarantees (not COVID-19 and energy related)	…	9.2	5.2
	of which to the financial sector[1]	…	*4.7*	*2.7*
Total			**13.3**	**5.9**

[1] Including the credit line to the Single Resolution Fund.

3. Expenditure and revenue projections under the 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 2023	Year 2024
		% GDP	% GDP
1. Total revenue at unchanged policies	TR	46,3	44,8
Of which:			
1.1. Taxes on production and imports	D.2	11,1	11,7
1.2. Current taxes on income, wealth, etc.	D.5	17,7	16,3
1.3. Capital taxes	D.91	0,3	0,2
1.4. Social contributions	D.61	12,7	12,6
1.5. Property income	D.4	1,4	1,1
1.6. Other		3,1	2,9
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		41,7	40,8
2. Total expenditure at unchanged policies	TE	47,0	45,9
Of which:			
2.1. Compensation of employees	D.1	11,1	10,8
2.2. Intermediate consumption	P.2	4,8	4,5
2.3. Social payments	D.621	19,6	19,2
of which: Unemployment benefits		0,9	1,0
2.4. Interest expenditure	D.41	0,2	0,3
2.5. Subsidies	D.3	1,5	1,1
2.6. Gross fixed capital formation	P.51	4,6	4,6
2.7. Capital transfers	D.9	1,3	1,4
2.8. Other		4,1	3,9
3. Financing capacity / requirements		-0,7	-1,2

4. Expenditure and revenue targets

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

	ESA code	Year 2023	Year 2024
General government (S.13)		% GDP	% GDP
1. Total revenue target	TR	46.3	46.8
Of which:			
1.1. Taxes on production and imports	D.2	11.1	11.3
1.2. Current taxes on income, wealth, etc.	D.5	17.7	18.2
1.3. Capital taxes	D.91	0.3	0.3
1.4. Social contributions	D.61	12.7	12.4
1.5. Property income	D.4	1.4	1.4
1.6. Other[1]		3.1	3.1
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)[2]		41.7	42.3
2. Total expenditure target	TE[3]	47.0	48.0
Of which:			
2.1. Compensation of employees	D.1	11.1	11.5
2.2. Intermediate consumption	P.2	4.8	4.9
2.3. Social payments	D.62 + D.632	19.6	20.0
of which Unemployment benefits[4]		0.9	1.0
2.4. Interest expenditure	D.41	0.2	0.2
2.5. Subsidies	D.3	1.5	1.4
2.6. Gross fixed capital formation	P.51	4.6	4.5
2.7. Capital transfers	D.9	1.3	1.4
2.8. Other[5]		4.1	4.0
3. Financing capacity / requirements		-0.7	-1.2

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

[2] Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

[3] TR-TE= B.9.

[4] Includes cash benefits (D.621 and D.624) and in kind benefits (D.631, SEC2010: D.632) related to unemployment benefits.

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

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

	Year 2022	Year 2022	Year 2023	Year 2024
	Level	% PIB	% PIB	% PIB
1. Expenditure on EU programmes fully matched by EU funds revenue	104	0.1	0.1	0.1
2. Cyclical unemployment benefit expenditure	609	0.8	0.9	1.0
3. Effect of discretionary revenue measures	-362	-0.5	-0.5	-0.2
4. Revenue increases mandated by law	…	…	…	…

Tableau 4.c General government expenditure by function

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

	2023		2024	
	% GDP	% of general government expenditure	% GDP	% of general government expenditure
Education	5.0	10.7	5.1	10.7
Health	5.7	12.2	5.8	12.2
Employment	1.4	3.1	1.6	3.3

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

Functions of the Government	COFOG code	2023	2024
		% PIB	% PIB
1. General public services	1	5.5	5.6
2. Defense	2	0.6	0.6
3. Public order and safety	3	1.3	1.3
4. Economic affairs	4	5.9	6.0
5. Environmental protection	5	1.0	1.1
6. Housing and community amenities	6	0.7	0.7
7. Health	7	5.7	5.8
8. Recreation, culture and religion	8	1.3	1.3
9. Education	9	5.0	5.1
10. Social protection	10	20.0	20.4
11. Total expenditure	TE	47.0	48.0

5. Description of discretionary measures included in the draft budget

Table 5. Discretionary measures taken by general government

List of measures	Detailed description	ESA code	Accounting principle	Adoption Status	Budgetary impact 2024 in m	Budgetary impact 2024 % GDP
REVENUES						
Package of measures to boost household purchasing power and business competitiveness					**-865**	**-1.0%**
including	Adjustment of the personal income tax scale to 4 wage indexations from 1 January 2024	D.5	Cash	in force	-480	-0.6%
	Compensation for companies for a third wage indexation in 2023 (through a reduction in the rate of employers' mutual insurance contributions in 2024)	D.61	Cash	in force	-314	-0.4%
	Increase in the maximum tax-deductible amount of debit interest from 2,000 to 3,000 EUR	D.5	Cash	in force	-45	-0.1%
	Tax credit to offset the cost of the CO2 tax for the lowest salaries	D.5	Cash	in force	-20	0.0%
	Introduction of a tax credit ('crédit d'impôt conjoncture') for the 2023 tax year	D.5	Cash	in force	-5	0.0%
	Increase in the exemption for housing managed on a social rental basis	D.5	Cash	in force	-1	0.0%
Package of tax measures to boost the property construction sector					**-55**	**-0.1%**
including	Increase of the tax credit ceiling for registration fees ("Bëllegen Akt") from 30k to 40k EUR and introduction of a new tax credit on registration fees for investments in rental housing (20k EUR per person, 40k EUR for a couple).	D.2	Cash	draft bill	-40	0.0%
	Increase in the rate and duration of accelerated depreciation for purpose-built rental properties sold in 2024	D.5	Cash	draft bill	0	0.0%
	Increase in the maximum tax-deductible amount of debit interest from 3,000 to 4,000 EUR	D.5	Cash	draft bill	0	0.0%
	Capital gains tax rate reduced to a quarter of the overall rate	D.5	Cash	draft bill	0	0.0%
	Increase in tax exemption for net income from social rental management	D.5	Cash	draft bill	0	0.0%
	Introduction of a partial tax exemption for bonuses paid by companies for the purpose of renting out accommodation	D.5	Cash	draft bill	-15	0.0%
	Immunisation of capital gains transferred on housing used for social rental management or A+ energy performance class housing	D.5	Cash	draft bill	0	0.0%
	Extension of capital gains tax exemption to the Fonds du logement	D.5	Cash	draft bill	0	0.0%
Adjustment of excise duties					**21**	**0.0%**
including	Increase in excise duty on cigarettes, fine-cut tobacco and other tobacco products	D.2	Cash	draft bill	16	0.0%
	Increase in consumption tax on ethyl alcohol	D.2	Cash	draft bill	4	0.0%
	Introduction of excise duty on heating tobacco, e-liquids and nicotine sachets	D.2	Cash	draft bill	2	0.0%
Total - Revenues					**-899**	**-1.1%**
Expenditures						
Employee remuneration	Assumption of the following costs by the State : - staff costs of the public establishment responsible for broadcasting socio-cultural radio programmes - post and accommodation allowances for staff working abroad - staff costs of the National Youth Service - a share of the costs of on-call duty for doctors in hospitals and specialised establishments	D.1	Cash	Projet de budget	42	0.1%
Grants	State subsidies for: - RGTR public bus services - specific ADAPTO transport services - rural development	D.3	Cash	Projet de budget	55	0.1%
Social benefits in cash	- Contribution to the financing of sickness and maternity insurance - Reimbursement to employers of expenses arising from the extraordinary leave provided for in Article L. 233-16 of the Labour Code	D.6	Cash	Projet de budget	21	0.0%
Social benefits in kind	Specific transport MOBIBUS	P.3	Cash	Projet de budget	8	0.0%
Other current transfers	-Assumption by the State of costs related to the creation of jobs in the contractual sector - State contribution to the costs of childcare measures through daily and hourly lump sums - Contribution to the costs of training courses on the basis of article L.152-4 of the Labour Code - Financial participation by the State in the operating costs of reception centres and advisory services in the field of Gender Equality and Diversity - Participation in the compensation of administrative executives and national coaches of approved sports federations - Participation in the programmes and projects of international financial institutions and development aid	D.7	Cash	Projet de budget	6	0.0%
Capital transfers	- Climate and energy fund - Investment aid for the acquisition of helicopters by the "Luxembourg Air Rescue a.s.b.l." association - Aid scheme for decarbonisation projects	D.9	Cash	Projet de budget	140	0.2%
Financial transaction	Public service compensation for social landlords	F.5	Cash	Projet de budget	2	0.0%
Operating costs	- Operating and administrative costs, miscellaneous expenses - Legal costs; execution of letters rogatory; expert reports and special missions - Allocation for continuing education organised by the National Youth Service - Financial contribution from the State in the interest of the "Centre national sportif et culturel" public establishment	P.2	Cash	Projet de budget	5	0.0%
Direct investment	- Budget allocation for the acquisition of affordable housing (VEFA) - Contribution to the investment costs associated with the tramway extensions between Rout Bréck - Pafendall and Laangfur, and between Gare Centrale and Hollerich - Acquisition of self-propelled vehicles - Acquisition of special equipment, in particular for the MNAHA's permanent archaeology exhibition - Acquisition of a work of art from the Middle Ages - Acquisition of software, patents and other intangible assets - Software development projects - Reimbursement of certain capital expenditure to the airport company	P.5	Cash	Projet de budget	26	0.0%
Total - Expenditures[1]					**306**	**0.4%**
TOTAL					**-1 204**	**-1.4%**

[1] Totals may not add up due to rounding

6. Divergence from latest Stability Programme

Table 6. Divergence from latest Stability Programme

	ESA code	Year 2022	Year 2023	Year 2024
		% GDP	% GDP	% GDP
Target general government net lending / net borrowing	B.9			
Stability Programme 2023		-1.5	-1.7	-1.0
Draft Budgetary Plan 2024		-0.3	-0.7	-1.2
Difference		1.2	1.0	-0.2
General government net lending projection at unchanged policies	B.9			
Stability Programme 2023		-1.0	-0.8	-0.6
Draft Budgetary Plan 2024		-0.3	-0.7	-1.2
Difference		0.8	0.1	-0.6

7. Methodological aspects

Table 7. Methodological aspects

Estimation technique	Phase of the budgetary procdure for which it has been used	Relevant feature of the model/technique used	Assumptions
Macroeconomic forecasts	For the purpose of the elaboration of the draft budget	STATEC's macroeconometric model ("Modux")	External assumptions admitted for a certain number of variables (f.ex euro area growth, stock market development, etc.), with the help of an external partner.
Output gap calculation	For the purpose of the elaboration of the draft budget	Integration of STATEC's macroeconomic forecasts into the European Commission's model	National accounts for the years before 2023 Application of closure rule
Budgetary revenue estimation	For the purpose of the elaboration of the draft budget	Use of parametric equations and microeconomic information	Macroeconomic forecasts Microeconomic and historical data

8. Recovery and Resilience Facility (RRF) impact on programme's projections - Grants

Table 8. RRF impact on programme's projections - GRANTS

Revenue from RRF grants (% of GDP)					
	2020	**2021**	**2022**	**2023**	**2024**
RRF GRANTS as included in the revenue projections	0.000	0.017	0.000	0.025	0.023
Cash disbursements of RRF GRANTS from EU	0.000	0.017	0.000	0.000	0.000

Expenditure financed by RRF grants (% of GDP)					
	2020	**2021**	**2022**	**2023**	**2024**
Compensation of employees D.1	0.000	0.000	0.000	0.000	0.000
Intermediate consumption P.2	0.003	0.001	0.001	0.012	0.011
Social payments D.62+D.632	0.000	0.000	0.000	0.000	0.000
Interest expenditure D.41	0.000	0.000	0.000	0.000	0.000
Subsidies, payable D.3	0.000	0.000	0.000	0.000	0.000
Current transfers D.7	0.000	0.002	0.000	0.000	0.000
TOTAL CURRENT EXPENDITURE	0.003	0.003	0.001	0.013	0.011
Gross fixed capital formation P.51g	0.001	0.000	0.001	0.002	0.002
Capital transfers D.9	0.000	0.000	0.000	0.041	0.007
TOTAL CAPITAL EXPENDITURE	0.001	0.000	0.001	0.043	0.009

Other costs financed by RRF grants (% of GDP)[1]					
	2020	**2021**	**2022**	**2023**	**2024**
Reduction in tax revenue	0.000	0.000	0.000	0.000	0.000
Other costs with impact on revenue	0.000	0.000	0.000	0.000	0.000
Financial transactions	0.000	0.000	0.000	0.000	0.000

[1] This covers costs that are not recorded as expenditure in national accounts

9. Implementation of Luxembourg's "2023-2024 country-specific recommendations" (last updated: October 2023)

The Council of the European Union recommends that Luxembourg take action in 2023 and 2024 to:

1. *Wind down the energy support measures in force by the end of 2023, using the related savings to reduce the government deficit. Should renewed energy price increases necessitate support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings; Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 4.8%; Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions; For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position; Reduce risks related to the housing market, in particular by reducing mortgage interest deductibility, and by taking measures to increase the supply of buildable land. Address the long-term sustainability of the pension system, in particular by limiting early retirement options and increasing the employment rate for older workers. Increase action to effectively tackle aggressive tax planning, in particular by ensuring sufficient taxation of outbound payments of interest and royalties to zero/low-tax jurisdictions.*

2. *Proceed with the steady implementation of its revised recovery and resilience plan and swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.*

3. *Improve the performance of the school education system and promote equal opportunities for all students, notably by adapting teaching to the needs of disadvantaged students and those from various linguistic backgrounds.*

4. *Reduce reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, easing permitting procedures and investing in energy efficiency in both the residential and non-residential sectors. Support municipalities in developing detailed local plans for deploying renewable energy, including wind power and photovoltaics, and for district heating and cooling systems. Further promote electrification of transport and invest in public transport networks and infrastructure. Step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition.*

N.B. In the remainder of this section, the abbreviation of certain words has been maintained in French.

Disclaimer: The update of the table below is the responsibility of the respective ministerial departments.

Stage of the measure	Date	List of main measures	Description
1.1. wind down the energy support measures in force by the end of 2023, using the related savings to reduce the government deficit. Should renewed energy price increases necessitate support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings			
Not defined		The fiscal policy for 2023 resulting from the draft 2023 budget is compatible with a broadly neutral stance as recommended by the European Commission. It focuses on temporary measures adopted to national circumstances arising from the automated wage indexation system. Close monitoring of the situation remains essential in a context of heightened uncertainty, while fiscal prudence is essential to re-establish budgetary reserves to meet medium-term challenges. Luxembourg is therefore committed to ensuring that the measures adopted do not have a lasting impact on the national budget and do not jeopardize the medium-term viability of public finances.	Due to the holding of parliamentary elections in October 2023, the government will not submit a draft state budget for 2024 to the Chamber of Deputies during the current year. An update of the measures in relation to the budget recommendations for 2023-2024 will be presented following the inauguration of a new government and on the basis of the budgetary guidelines presented as part of the draft state budget for 2024.
Adopted	31/03/2022	Two complementary packages of measures ("Energiedësch" package and "Solidaritéitspak" package) have been drawn up to mitigate the inflationary effects on the most vulnerable businesses and households. The total volume of aid amounts to around 830 million euros (or 1.1% of estimated GDP in 2022), or 1.3 billion euros (or 1.7% of estimated GDP in 2022) taking into account the state guarantee scheme set up in the context of the "Solidaritéitspak". The selective and temporary nature of this aid, as recommended by the European Commission, should be emphasized.	
Implemented	28/09/2022	Agreement on an additional support package ("Solidaritéitspak 2.0") in response to the very specific national context arising from Luxembourg's automated wage indexation system (https://gd.lu/5zSB3f). The total cost of the package amounts to 1.1 billion euros, with measures designed to counteract the emergence of an inflationary spiral in prices and wages, protect households and ensure the competitiveness of businesses. However, the extension of the energy bonus and new energy subsidies for SMEs should ease the pressure	

		on the most vulnerable players. The package is rounded off by measures to support the energy transition and boost investment in a green, digitized future.	
Adopted		To avoid an inflationary shock at the start of 2024, should the "Solidaritéitspak 2.0" measures come to an end, the government decided in March 2023, on the one hand, to extend certain measures to mitigate pressure on prices and, on the other, to introduce tax measures to boost household purchasing power. This is the 4th package of measures resulting from the meetings of the tripartite coordination committee, with a budget of EUR 1,350 million, or 1.7% of GDP.	
Not defined		Luxembourg is committed to continuing to provide the humanitarian assistance required in the context of the war in Ukraine, to ensuring the reception of people fleeing the country and to guaranteeing the educational follow-up of refugee children in Luxembourg schools.	
Implemented	Year 2022	Introduction of an energy bonus for low-income households for the year 2022. (part of the "Energiedësch" package, introduced in February 2022 to mitigate the impact of rising energy prices).	Beneficiary circle: households eligible for the cost-of-living allowance (AVC) receive a one-off premium of between €200 and €400, depending on household composition. This single premium can also be claimed by households that are not eligible for the AVC, but whose income is up to 25% higher than the income eligible for the AVC.
Implemented	Year 2023	Renewal, for 2023, of the energy bonus for low-income households. (measure of the tripartite agreement of September 28, 2022 "Solidaritéitspak 2.0")	DITTO
Adopted	Year 2024	Renewal, for 2024, of the energy bonus for low-income households (measure in the tripartite "Solidaritéitspak 3.0" agreement of March 3, 2023).	
Adopted	Entry into force of the law : 30/06/2022	Introduction of an energy tax credit by the Act of June 29, 2022 implementing certain measures in the tripartite agreement of March 31, 2022 (measure of the tripartite agreement of March 31, 2022 "Solidaritéitspak")	The energy tax credit is socially-targeted and designed to offset - or even overcompensate, for the lowest salaries - the loss of household purchasing power resulting from the shift in the index-linked bracket from

			mid-2022 and the increase in the CO2 tax on January 1 of 2022 and 2023 respectively. In the same vein, an equivalent tax credit is paid to each beneficiary of the Social Inclusion Income and to each beneficiary of the Income for the Severely Handicapped.
Adopted	Entry into force of the law : 10/07/2023	Extension of the tax credit equivalent until December 31, 2024. Legal basis: Law of June 30, 2023 amending : 1° the amended law of September 12, 2003 on disabled persons; 2° of the amended law of July 28, 2018 on social inclusion income.	Continuation of the equivalent tax credit (ECI) for recipients of the Social Inclusion Income (REVIS) and the allowance for people with severe disabilities (RPGH) until December 31, 2024. The ECI is paid to each beneficiary of the basic lump sum per adult due under the amended law of July 28, 2018 on REVIS until December 31, 2024. This tax credit equivalent will also be paid to each beneficiary of the RPGH. The amount is €84 per month during the compensation period.
Adopted	1st January 2023	3.2% adjustment to the Social Inclusion Income (REVIS) and the Income for the Severely Handicapped (RPGH) on January 1, 2023, as provided for in the tripartite agreement of September 28, 2022 (measure of the tripartite agreement of September 28, 2022 "Solidaritéitspak 2.0")	Adjustment identical to that of the social minimum wage.
Adopted	Entry into force of the law : 23/12/2022	Law of December 16, 2022 authorizing the State to contribute to the financing of the additional cost of energy products and electricity borne by integrated centres for the elderly, nursing homes, supervised housing for the elderly and psycho-geriatric centres approved under the amended law of September 8,	The purpose of this law is to offset the additional costs incurred by managers of residential facilities for the elderly and psycho-geriatric

		1998 regulating relations between the State and organizations working in the social, family and therapeutic fields (measure of the tripartite agreement of September 28, 2022 "Solidaritéitspak 2.0")	centres, as a result of higher energy prices. In return, managers have undertaken not to increase accommodation or daily prices between October 1, 2022 and December 31, 2023.
Adopted	Entry into force of the law : 10/07/2023	The State's contribution to financing the additional cost of energy products and electricity for approved facilities (measure above) has been extended until December 31, 2024. Legal basis: Law of June 30, 2023 amending the Law of December 16, 2022 authorizing the State to contribute to the financing of the additional cost of energy products and electricity borne by integrated centres for the elderly, care homes, supervised housing and psycho-geriatric day centres approved under the amended Law of September 8, 1998 regulating relations between the State and organizations working in the social, family and therapeutic fields.	Compensation for additional costs arising from energy price rises for companies running the accommodation facilities for the elderly and psycho-geriatric centres. In return, these companies commit not to increase accommodation or daily prices until December 31, 2024.
1.2. ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 4.8%			
In progress		Adopting a prudent fiscal policy by reducing the growth of public spending	On an unchanged policy basis, the growth rate in public spending would fall from 11.6% in 2023 to 5.9% in 2024. Given that the calculation methodology has not yet been validated, it is difficult at this stage to estimate the growth in Luxembourg's net primary expenditure for 2024.
1.3. preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions			
In progress		Over the period 2022-2026, public investment in Luxembourg will exceed the €3 billion mark per year, representing an average of 4.1% of GDP.	Public investments in the environment and climate benefit from the largest

			budget envelope, with around 3 billion euros for the period 2022-2026, a significant proportion of which is allocated to the electrification of public transport and the energy transition.
In progress		Implementation of the Recovery and Resilience Plan (RRP) in line with the milestones and targets set out in the Council Implementing Decision of July 13, 2021.	Significant progress has been made in recent months in implementing the RRP. On December 23, 2022, Luxembourg submitted its first payment claim to the European Commission. The payment claim confirms the achievement of 29 milestones and targets covering the areas of skills, housing, digitalization, climate, health, governance and the fight against money laundering and the financing of terrorism. On April 28, 2023, the European Commission published its positive preliminary assessment of Luxembourg's first payment claim, confirming the achievement of 26 milestones and targets covering the areas of skills, housing, digitization, climate, health and governance. A second payment claim, covering a total of 11 milestones and targets, will be submitted for assessment towards the end of 2023.

			The REPowerEU chapter is currently being finalized and will be sent, together with the RRP amendments, to the European Commission before the end of 2023. The investments selected under REPowerEU have already been adopted at national level, so their implementation and operationalization has already begun.
1.4. for the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position			
Not defined	03/12/2018	In its coalition agreement, the government undertook to respect the medium-term budgetary objective (MTO) throughout the legislative period, and to consistently ensure that public debt remains below 30% of GDP at all times.	Following the activation of the severe economic downturn clause, the Government has relied on budgetary flexibility to take all necessary measures to effectively combat the pandemic. The Government is constantly monitoring the direction of its fiscal policy, and intends to pursue prudent budgetary positions over the medium term when economic conditions permit.
1.5. reduce risks related to the housing market, in particular by reducing mortgage interest deductibility, and by taking measures to increase the supply of buildable land			
Adopted	21/06/2023	The new Territorial Development Master Plan (PDAT) defines the Government's strategy for territorial development in the Grand Duchy of Luxembourg between 2035 and 2050.	The PDAT pursues three objectives, including: (1) concentrating development in the most appropriate locations, (2) reducing the artificialization of land and (3) strengthening cross-border consultation, which takes on

			a whole new role in the PDAT in view of the growing interdependence of the Grand Duchy of Luxembourg within the Greater Region.
In progress		Submission of bill no. 8082/00 on property tax, land mobilization tax and tax on non-occupancy of dwellings	
In progress		The "Baulandvertrag" and ministerial land consolidation are two other projects designed to accelerate land mobilization. They are still pending.	
1.6. address the long-term sustainability of the pension system, in particular by limiting early retirement options and increasing the employment rate for older workers			
Elderly workers			
Implemented	01/08/2017	Law of July 20, 2017 on combating long-term unemployment, in force since August 2017.	Encourage the return to work of the long-term unemployed, particularly the older unemployed, by helping them to create their own jobs.
Implemented	01/11/2020	Career reclassification reform (Law of July 24, 2020), in force since November 1, 2020.	Provide additional incentives to delay the retirement age by speeding up procedures, better safeguarding the rights of outplacement workers, and creating the necessary conditions to encourage internal redeployment and thus job retention.
Implemented	01/01/2016	Professionalization training course for jobseekers aged 45 or over or those undergoing external reclassification, or who have the status of disabled employee, in force since January 2016.	To give jobseekers the opportunity to demonstrate their professional skills within a company (internship lasting up to 6 weeks).
Implemented	01/01/2016	Reinsertion-employment contract for jobseekers aged at least 45 or those undergoing external reclassification, or who have the status of disabled employee, in force since January 2016.	To offer jobseekers the opportunity to improve their professional knowledge and skills within a company (maximum duration 12 months).

Implemented	01/12/2017	Reform of early retirement schemes (Law of November 30, 2017): better targeting of employees doing difficult work and taking better account of employees' working conditions, while promoting the retention of older people in working life, in force since December 2017.	Abolish early retirement solidarity and adapt other early retirement schemes.
Implemented		National strategy for lifelong learning (LLL).	Provide adults of all ages with guidance, validation of prior experience and training to reinforce basic and professional skills.
Long-term viability			
Implemented	01/01/2013 01/04/2016	Follow-up to the pension insurance reform that came into force on January 1, 2013. Establishment of a "Pensions Group" (April 2016): The Pensions Group submitted its report to the government in June 2018 after an in-depth analysis carried out by the experts making up this group and related exchanges (https://gouvernement.lu/fr/publications/rapport-etude-analyse/igss/rapport-du-groupe-de-travail-pensions/2018/rapport-du-groupe-de-travail-pensions.html). The next technical actuarial assessment of the general pension insurance scheme was presented on April 26, 2022: https://gouvernement.lu/fr/actualites/toutes_actualites/communiques/2022/04-avril/26-haagen-pensions.html After analyzing the report, the government decided to refer the matter to the Economic and Social Council "to analyze, discuss and propose possible future avenues for guaranteeing the long-term financial sustainability of the general pension insurance scheme in view of the Grand Duchy's demographic and economic developments."	Increase the effective retirement age, taking into account changes in life expectancy, and adapt pensions to the budgetary situation of the pension scheme. Verify, on the basis of an actuarial opinion drawn up by the General Inspectorate of Social Security (IGSS) (presented in December 2016), the concordance of the provisions introduced by the reform that came into force on January 1, 2013, including in particular the readjustment mechanism, and give an opinion on the need to implement any adjustments to the scheme.
Implemented	01/01/2018	Long-term care (LTC) insurance reform (Law of July 12, 2017), in effect since January 2018. The LTC Insurance Evaluation and Control Administration's latest biennial report 2020-2022, on benefit quality, was submitted on June 30, 2022:	Better individualize the provision of quality services that meet the daily needs of each person, reinforce quality through clear standards and criteria with appropriate

		https://gouvernement.lu/fr/actualites/toutes_actualites/communiques/2022/06-juin/30-rapport-aec.html In addition, every two years the IGSS conducts an analysis of the appropriateness of the flat-rate pricing introduced with the latest reform. From a financial point of view, the long-term care insurance scheme has a positive balance, and reserves have increased in recent years. Forecasts also indicate that the scheme will be in financial equilibrium in the medium term.	controls, simplify procedures and consolidate the system in the light of societal developments, while respecting the fundamental principles of the 1998 Basic Law.
1.7. increase action to effectively tackle aggressive tax planning, in particular by ensuring sufficient taxation of outbound payments of interest and royalties to zero/low-tax jurisdictions			
Features of the tax system that may facilitate aggressive tax planning			
Implemented		Transposition of several administrative cooperation directives (DAC 1, 2, 3, 4, 5 and 6).	Guarantee administrative cooperation between tax authorities at European and international level, to effectively combat tax fraud and evasion.
Implemented		Transposition of the administrative cooperation directive DAC7.	Guarantee administrative cooperation between tax authorities at European and international level, to effectively combat tax fraud and evasion.
Announced		Transposition of the administrative cooperation directive DAC 8.	Guarantee administrative cooperation between tax authorities at European and international level and enable effective combating of tax fraud and evasion, particularly with regard to crypto-assets.
Announced	14/12/2022	Transposition of the OECD Pillar 2 Directive aimed at ensuring a worldwide minimum level of taxation for multinational groups in the EU.	Introduce a minimum effective tax rate of 15% on the profits of multinational companies to curb the race to

			the bottom and aggressive tax planning by incorporating the model rules on Pillar 2 of the international reform of the taxation of multinational companies adopted by the OECD Inclusive Framework on December 14, 2021. Draft legislation to transpose the directive to be tabled in July 2023.
Implemented	21/12/2018 20/12/2019	Transposition of ATAD 1 and ATAD 2 directives containing anti-avoidance provisions.	Effectively combat tax evasion.
Implemented		Ratification of the Multilateral Convention on the Implementation of Tax Treaty Measures to Prevent BEPS (2019).	To specifically strengthen Luxembourg's legal framework in the fight against aggressive tax planning structures using treaty shopping.
Adopted		Implementation of certain administrative mechanisms for enhanced control vis-à-vis jurisdictions included on the Code of Conduct's list of non-cooperative jurisdictions (corporate taxation) via circular (2018).	Provide for enhanced control mechanisms vis-à-vis jurisdictions on the list of non-cooperative jurisdictions for tax purposes.
Adopted		Adaptations concerning two legislative provisions whose interpretation by taxpayers may have encouraged tax base erosion and profit shifting practices, or even led to situations of non-taxation of certain income (2018).	Contribute to strengthening the level of protection against aggressive tax planning within the internal market.
Implemented	10/02/2021	Application of enhanced control mechanisms vis-à-vis jurisdictions included on the Code of Conduct's list of non-cooperative jurisdictions (corporate taxation) (Law of February 10, 2021 amending the amended law of December 4, 1967 on income tax).	Putting an end to tax planning practices that would still exploit certain provisions of the tax system in relation to outgoing payments. With the aim of stepping up the fight against tax evasion and avoidance, the proposed measure specifically targets certain transactions,

			particularly financial transactions, carried out with affiliated companies established in countries or territories considered uncooperative for tax purposes. It makes an effective contribution to the global promotion of tax transparency, fair taxation and the implementation of anti-BEPS measures. Limiting the deductibility of certain expenses thus helps to combat certain aggressive tax-planning structures that result in outbound interest and royalty payments made by Luxembourg-based companies to jurisdictions that are considered uncooperative escaping tax, or being taxed at a low level, to the extent that such payments are not subject to any taxation, or are only taxed at a low level, in such jurisdictions.
Announced		Active participation in work at global level to address the tax challenges raised by the digitization of the economy (pillar 1) and to resolve other remaining issues relating to base erosion and profit shifting, and to ensure that multinational companies are subject to a minimum level of taxation (pillar 2) ("BEPS 2.0").	Put an end to tax-planning practices that allow multinationals to transfer their profits to low- or no-tax jurisdictions, and ensure that the profits of all economic operators are taxed regardless of their sector of activity.
2.1. proceed with the steady implementation of its revised recovery and resilience plan and swiftly finalise the REPowerEU chapter with a view to rapidly starting its implementation			

In Progress		Fiscal policy in 2023 is fully geared towards qualitative growth, while pursuing an ambitious investment policy to meet the dual challenge of climate and digital transition. In total, public investment at government level will amount to 3.2 billion euros (4.4% of GDP) in 2023, representing an increase of +5.1% on 2022. The reforms and investments set out in Luxembourg's Recovery and Resilience Plan are being implemented in parallel with the aforementioned investment program, and are in line with the government's ambitions to focus on the dual green and digital transition, as well as social cohesion and resilience. Commitments under the government's climate and environmental policy are outlined in Luxembourg's Integrated National Energy and Climate Plan (PNEC). Expenditure identified in the draft State Budget as contributing to achieving the objectives of the PNEC amounts to 1.9 billion euros in 2023. The proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 2021/241 on REPowerEU chapters in recovery and resilience plans is currently in the negotiation phase between Member States. Luxembourg supports the REPowerEU initiative and will include a dedicated chapter in its national Recovery and Resilience Plan as soon as the regulation comes into force.	The REPowerEU chapter is currently being finalized and will be sent, together with the RRP modifications, to the European Commission before the end of 2023. The investments selected for REPowerEU have already been adopted at national level. Their implementation has therefore already begun.
2.2. proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan			
Adoped		The managing authorities of the European funds (ESF, ERDF and JFT) have formally submitted the partnership agreement and the respective operational programs. In December 2022, the European Commission adopted all the documents.	The Partnership Agreement (joint ESF-ERDF document) and the operational programs (including the JTF) were adopted by the European Commission in December 2022.
3. improve the performance of the school education system and promote equal opportunities for all students, notably by adapting teaching to the needs of disadvantaged students and those from various linguistic background			
Implemented		5 European schools have been accredited since 2016, and a 6th European school will open its doors in September 2022-2023.	Offer diversified language courses that better match the diverse profiles of students. Alongside these schools, the school system also offers international streams.
		International streams leading to the International Baccalaureate or A-Levels diplomas, German-Luxembourg High School. New offer of a French-speaking international stream of the International Baccalaureate in the south of the country, 1,957 children are enrolled in basic schools offering an international	

		program, and 4,163 pupils for secondary education in schools offering the international program.	This year, the first pupils from a state-run European school in Luxembourg - the "École internationale de Differdange et d'Esch-sur-Alzette" (EIDE) - passed the European Baccalaureate. The success rate of 98.6% is a very positive first assessment of this school offer, which is undoubtedly the most important innovation in education policy in recent decades.
Implemented		Free school books for secondary school children since 2018	Introduction of free school books for secondary school children since 2018 to reduce the impact of inequalities on student performance and promote equal opportunities.
Implemented		Creation of 8 competence centres for children with special needs	Major structural reform in the field of children with special needs, with the creation of 8 competence centres.
Implemented		Introduction of a quality assurance system in the non-formal education sector	
Implemented		Increase in the total number of places available in childcare and parental assistance services for children aged 0 to 12 (from 24,648 places in 2009 to 61,958 places).	
Implemented		Introduction of a multilingual education program in the early childhood sector (2017)	Introduction of a multilingual education program in the early childhood sector, enabling every child aged 1 to benefit from 20 hours of free childcare per week, with high-quality language support.
Implemented		Nearly 20% increase in headcount over the last 3 years for School Psychosocial and Support Services (SePas)	

Implemented		From 2022-2023, free supervision in education and childcare services and with parental assistants for all children in basic education during the school year.	
Implemented		Free meals at primary school for all children during school weeks, at secondary school for children below a certain income threshold	
Implemented		A large proportion of music, performing arts and dance classes at local music schools will be free of charge from the start of the new school year.	Offering all children and young people the best chances for the future.
Adopted the 13th of July 2023	Compulsory schooling to age 18 will be in place for the start of the school year in September 2026.	A bill has been tabled to raise the age of compulsory schooling to 18 and create new projects such as alternative schooling structures. To allow time for the development of these structures, compulsory schooling at age 18 will only come into force two years after publication of the law. A pilot project involving the Ministry, secondary schools and social and professional integration centres (CISP) aims to create alternative learning centres. The aim is to enable young people with learning difficulties or who have dropped out of school to obtain official certification for the skills they have acquired even though they have not yet obtained their final diploma. CISP training programs must be based on regular curricula, and the CISP's partner high school must be responsible for student assessment.	Help to further reduce the school dropout rate and ensure better integration into the world of work.
Implemented		From the start of the 2022-2023 school year, free homework help will be introduced nationwide in basic education. Thanks to a new digital tool (digital class diary), parents, teachers and educator can discuss their child's homework.	
Implemented		From the start of the 2022-2023 school year, launch of a French-language literacy pilot project in four basic schools.	Take greater account of the country's cultural, linguistic and social diversity.
Adopted	Effective date: July 14, 2023	Towards better integration of newly-arrived pupils into schools; improve and systematize procedures for welcoming and orienting foreign pupils. Creation of an integration and school reception service.	To help reduce the impact of social and cultural background on students' academic performance, and to enhance their personal skills.
Draft bill submitted		Promoting inclusive education in public schools: Teams to support students with special needs, which have long been a feature of the basic education landscape, will also become widespread in high schools. 37 public high schools (out of 39) have already been boosted in human resources (100 FTE positions) to create these teams. Since the reforms in 2017 and 2018, the Ministry of National Education has created more than 700 new positions, doubling resources for children with special needs compared with	School inclusion

		2014/2015.The results of an evaluation of the school inclusion scheme in Luxembourg were presented on January 23, 2023. The evaluation revealed a high level of involvement and dedication on the part of all staff groups working with pupils with special needs. The new system is well accepted by all those involved in education. The evaluation identified six areas for improvement. The most important of these are to reduce the time taken to provide care, and to ensure that all those involved are better informed about how the system works. A draft bill has been drawn up which already takes into account the essential aspects of the evaluation.	
Announced		By the start of the 2023-2024 school year, parenting forums will be set up in 15 regions across the country. The parenting forums are aimed at parents, from pregnancy onwards, and at all stages of their children's development. Four forums are currently open, with two more scheduled to open in the coming months.	Create forums for exchange, information and support for all parents, supporting parents in all aspects of their parenthood.
Announced		Adaptation of the basic education syllabus. As of 2019, the seven national curriculum commissions have begun initial discussions on a new syllabus. The 2025 syllabus is an important step towards digital skills and interdisciplinary themes of great importance to society (environment and sustainable development, living together in a multicultural society, media and critical thinking, creativity, etc.). A new Section I, with a solid introduction to new technologies, but also an emphasis on general culture and student creativity, offers an education tailored to the pursuit of specialized higher education studies. A new section focusing on politics and sustainable development has been introduced for the 2023-2024 school year.	Modernizing the curriculum to teach 21st century skills.
4.1. reduce reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, easing permitting procedures and investing in energy efficiency in both the residential and non-residential sectors			
Adopted	20/05/2020	Implementation of the Integrated National Energy and Climate Plan.	Reduce the consumption of fossil fuels and, implicitly, dependence on them.
Adopted		Draft update of the Integrated National Energy and Climate Plan.	Update of the national energy and climate plan for 2024. The draft update was sent to the European Commission at the end of June.
Implemented	01/07/2021	Entry into force (July 2021) of the Grand Ducal regulation of June 9, 2021 on the energy performance of buildings.	To make it virtually impossible for new buildings (residential and commercial)

			to be equipped with fossil-fuel boilers. The benchmark for all new construction is now the heat pump.
Implemented	07/04/2022	Extension of the "PRIMe House" program, now called "Klimabonus", beyond December 31, 2021.	Extension of the "PRIMe House" program, now called "Klimabonus" for the scheme from 2022; this is a financial aid scheme to promote sustainability, rational energy use, decarbonisation of heating systems and the use of renewable energies in housing.
Announced		Accelerate authorization procedures for energy production facilities based on renewable energy sources, such as photovoltaic installations, wind turbines and heat pumps, and standardize the conditions to be met at authorization level.	Accelerate and, where appropriate, simplify authorization procedures on the basis of Council Regulation (EU) 2022/2577 of December 22, 2022. Establishing a framework to accelerate the deployment of renewable energies. Revision of the RBVS (Règlement type sur les Bâtisses, les Voies publiques et les Sites) to adapt it to the requirements of decarbonisation (heat pumps) and the accelerated deployment of renewable energies, with the aim of harmonizing requirements at municipal level.
Adopted	27/09/2021	Publication (September 27, 2021) of the hydrogen strategy.	Accompany the progress of the energy transition in certain sectors that are difficult to decarbonize through direct electrification.

			Start by implementing the seven measures of the hydrogen strategy.
Adopted	20/08/2021	Preparation and publication (August 2021) of the "Network Development plan" by Creos Luxembourg S.A.	Provide a comprehensive overview of the existing electrical infrastructure and planned modifications and upgrades to the high-voltage network.
Adopted		Annual call for tenders (latest: December 5, 2022) for the construction and operation of photovoltaic solar power plants.	5th call for tenders for the installation of large-scale photovoltaic power plants (200 kW - 10 MW)
Adopted		Publication of a call for tenders (October 22, 2022) for the construction and operation of agrivoltaic solar power plants.	Call for tenders for "agrivoltaic" photovoltaic power plants, with the aim of installing photovoltaic panels on agricultural land to ensure continued agricultural use and improve the ecological quality of the area concerned.
Adopted		Publication of a call for tenders (October 31, 2022) for investment aid for the construction and operation of photovoltaic solar power plants.	Investment support for the construction and operation of photovoltaic power plants based on the principle of "on-site consumption".
Implemented	29/09/2020	Promoting the exploitation of solar energy potential by extending the scope of guaranteed tariffs	Promote the use of photovoltaic energy by extending the scope of guaranteed tariffs in the 30 to 200 kW categories to all beneficiaries, and by adjusting feed-in tariffs.
		Development and refinement of the solar cadastre.	Simplify and accelerate the exploitation of solar energy potential.
Announced		Implementation of the biogas strategy, strategy developed in 2022, as planned by PNEC in 2020.	Making the most of livestock manure and mobilizing the

			potential of biowaste and green waste
Adopted	16/12/2022	In its 2021-2027 operational program, the ERDF has provided for the co-financing of green projects, therefore investing in renewable energy and energy efficiency, as well as sustainable urban mobility. The ERDF operational program was adopted on December 16, 2022.	Promote renewable energy production, energy efficiency and sustainable mobility.
Announced	28/09/2022	Agreement on an additional support package in response to the very specific national context arising from Luxembourg's automated wage indexation system (https://gd.lu/5zSB3f). The agreement contains, among other things, additional support for the transition to renewable energies and energy renovation: • increase of the replacement bonus to 50%, raising the "Klimabonus" financial aid granted in the case of replacement of an existing fossil-fuel boiler or an existing electric heater combined with an improvement in the energy performance of the heating system by a heating system based on renewable energy (heat pump, hybrid heat pump and wood-fired boiler); measure valid for all installations; • 25% surcharge on "Klimabonus" financial aid for solar photovoltaic installations, provided that the applicant undertakes to operate the installation in self-consumption mode or as part of an energy community; measure valid for all orders placed between January 1, 2023 and December 31, 2023; • 25% surcharge on "Klimabonus" financial assistance for sustainable energy renovation; valid for all applications for an agreement in principle made between November 1, 2022 and December 31, 2023; • application of the reduced VAT rate of 3% to new photovoltaic installations invoiced after 1 January 2023; • stabilization of electricity prices in 2023 at 2022 levels for category A supply points through a negative contribution financed by a state contribution; • introduction of a measure to mitigate pellet price rises for households heating with this energy source. Pellet prices are soaring due to the high demand for pellets and the scarcity of fossil fuels. Pellet prices have doubled or even tripled in recent months (from €200-250 to €500-600/tonne).	Reduce the consumption of fossil fuels by decarbonizing heating systems and implicitly reducing dependence on them, and promote renewable energy production and energy efficiency.
Implemented		Entry into force of an aid scheme for companies investing in charging infrastructure for electric vehicles:	

		• Axis 1 allows aid for charging infrastructure to be granted following a competitive tendering process. • Axis 2 provides support for charging infrastructure, reserved for SMEs. The law also adapts the organization of the "Chargy" and "SuperChargy" networks to comply with the new European legislative framework.	
Implemented	15/09/2023	Accelerate authorization procedures for energy production facilities based on renewable energy sources, such as photovoltaic installations, wind turbines and heat pumps, and standardize the conditions to be met at authorization level (see circular to municipalities no. 2023-119 of September 15, 2023).	Revision of the model Bylaw on Buildings, Public Highways and Sites (“Règlement-type sur les Bâtisses, les Voies publiques et les Sites” (RBVS)) and of certain standard texts for special development plans (PAP), to adapt them to the requirements of decarbonisation (heat pumps) and the accelerated deployment of renewable energies, with the aim of harmonizing requirements at municipal level.
Adopted		Government Council adopts bill introducing a social measure in the photovoltaic sector. This bill aims to accelerate the development of photovoltaic installations in housing occupied by low-income households, and to enable tenants of such housing to benefit from photovoltaic installations in self-consumption mode, thereby reducing their energy bills.	
Adopted		Government Council adopts draft law on the establishment of hydrogen transport networks. In the context of setting up a framework for hydrogen transport in, to and through Luxembourg, with the aim of accelerating the rapid and efficient development of the European renewable hydrogen market and reaping its benefits for the energy transition, this bill establishes an initial normative framework for the planning, development, implementation and operation of hydrogen transport infrastructure in Luxembourg, including interconnections with neighbouring countries.	

Adopted		Government Council adopts energy transition bill. This bill establishes a normative framework to accelerate energy efficiency and the development of renewable energies on national territory, and to facilitate European cooperation in the field of renewable energies. It takes up the objectives set out in the Integrated National Energy and Climate Plan (PNEC), with the overall aim of achieving climate neutrality by 2050. Among other things, the bill introduces new measures, such as the obligation to construct new industrial buildings and parking areas in such a way that they are ready for photovoltaic installations.	
4.2. support municipalities in developing detailed local plans for deploying renewable energy, including wind power and photovoltaics, and for district heating and cooling systems. Further promote electrification of transport and invest in public transport networks and infrastructure			
Implemented	09/06/2021	Climate Pact 2.0 encourages municipalities to strengthen their role in climate policy and reduce their greenhouse gas emissions.	As for helping municipalities draw up detailed local plans for the deployment of renewable energies, the Climate Pact 2.0, voted in June 2021, aims among other things to encourage municipalities to strengthen their exemplary role in climate policy and reduce their greenhouse gas emissions.
Announced	End of 2023	Revision of the municipal aid scheme.	Revision of the municipal aid scheme (financed through the Climate and Energy Fund): financial aid for energy efficiency projects, decarbonisation projects and renewable energy projects. The current scheme will be reviewed and strengthened to better support municipalities in their decarbonisation efforts.
Implemented	19/12/2022	Circular n°4217 - Regulation (EU) 2022/0367 establishing a framework for accelerating the deployment of renewable energies.	

		Building permits for the installation of solar energy equipment (under 50 kW) and co-located energy storage facilities must be issued within 3 months.	
4.3. further promote electrification of transport and invest in public transport networks and infrastructure			
Implemented		Promoting the use of public transport and sustainable mobility: "MoDu 2.0" strategy.	Develop an efficient public transport infrastructure to reduce GHG emissions and traffic congestion through a reduction in individual transport.
In progress of being implemented		Implementation of the Transport Sector Plan (PST to support the "MoDu 2.0" strategy.	Provide a regulatory framework for the strategy’s measures to reserve corridors for rail and road infrastructure.
Implemented		Work continues on commissioning a tramway in Luxembourg City. Order for new rail rolling stock.	Develop efficient, sustainable public transport that takes into account the economic and demographic development of the capital and the country as a whole.
Implemented		Reorganization of the RGTR national bus network, part-financed by the ERDF via React-EU, to the tune of 35 million euros.	Prioritize and optimize regional bus routes, improve services on Sundays and public holidays, and improve evening frequencies.
		Acquisition of 10 100% electric buses by the City of Luxembourg, 40% co-financed by ERDF.	Sustainable public transport.
Implemented		Subsidy program for electric charging stations.	Promoting electromobility through intelligent recharging solutions. A program to subsidize electric charging stations accessible to the public is being studied, and a bill will be drafted to provide financial assistance covering up to 50% of the capital cost.

Implemented		New financial aid scheme for the installation of home charging stations.	Support the transition to electric mobility and guarantee the autonomy of electric vehicles in Luxembourg. The amount granted ranges from EUR 750 to EUR 1,650, depending on the type of installation, and may not exceed 50% of the purchase price (excluding VAT).
Implemented		Free national rail, streetcar and bus services in the first quarter of 2020.	Promote the use of public transport.
Implemented		Development of a near-real-time telematic information system for public transport.	Make mobility more pleasant, more efficient and more economical.
Implemented		Introduction of a CO2 tax on fossil fuels of €20 per tonne of CO2.	Reduce greenhouse gas emissions and protect the climate.
Implemented		Increased subsidies for electric vehicles, quadricycles, motorcycles, mopeds, bicycles and pedal-assist cycles.	Encouraging sustainable mobility.
Adopted	22/04/2022	Development and presentation (April 2022) of the National Mobility Plan (NMP 2035), proposing an overall concept capable of managing 40% more travel than in 2017 and implementing the approaches recommended by the Modu 2.0 strategy.	Propose a global concept capable of handling 40% more trips than in 2017, and implement the approaches advocated by the Modu 2.0 sustainable mobility strategy.
Implemented		Ambitious investment in rail infrastructure between 2018 and 2023 amounting to EUR 1.7 billion.	
In progress of being implemented		Pursue the "no-emission" objective by 2030 by putting electric buses into service on the national RGTR bus network.	Via the REACT-EU measure, the ERDF is co-financing the overhaul of the RGTR electric bus network to the tune of EUR 35 million.
Implemented	09/03/2022	“Clever fueren" financial aid scheme extended by a further 24 months to March 31, 2024	
Announced		Continued deployment of public charging stations for electric cars.	Continued deployment of public charging stations for

			electric cars (700 installed). In January 2021, the first of 88 public fast-charging stations were installed.
Implemented	30/07/2022	Entry into force of the Act of July 26, 2022 on the aid scheme for companies investing in charging infrastructure for electric vehicles.	Enable the implementation of support measures for companies investing in charging infrastructure for electric vehicles.
Announced	31/03/2022	Introduction of an aid scheme for the purchase of clean vehicles for freight transport.	
4.4. step up policy efforts aimed at the provision and acquisition of the skills needed for the green transition			
Implemented	July 2023	Co-financing of the development of a multi-year sectoral training plan for subjects related to environmental protection, energy efficiency and energy transition (decarbonisation and renewable energies) by the Building Technical Engineering Competence Centres (CdC-GTB). (project co-financed by the Climate and Energy Fund and the ERDF / Just Transition Fund).	Agreement between the Ministry of Energy, Climate and Sustainable Development (Climate and Energy Fund) and the Competence Centres (CdC-GTB) for the development of a sectoral and multi-year training plan for subjects related to environmental protection, energy efficiency and energy transition (decarbonisation and renewable energies).
Implemented	July 2023	Co-financing of the national public counterpart for the "Heat pump training" project submitted by the Chamber of Trades (“Chambre des Métiers”) as part of the European ESF+ program "Investing in the future".	Co-financing by the French Ministry of Energy, Climate and Sustainable Development (Fonds Climat et Énergie) for the development of "heat pump" training courses.
Announced	July 2023	Co-financing of the development of a methodology and a digital training tool ("WPready check") for a simplified assessment of the suitability of existing	Co-financing by the French Ministry of Energy, Climate and Sustainable

		buildings for heat pump installation; project carried out by the Chamber of Trades.	Development (Fonds Climat et Énergie) of the development of a methodology and digital training tool ("WPready check") for simplified assessment of the suitability of existing buildings for heat pump installation.