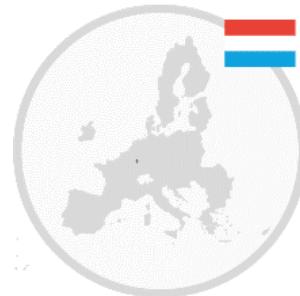


Luxembourg's National Recovery and Resilience Plan

Latest state of play



Recovery and Resilience Facility (RRF): €82.7 million

RRF grants: 100 %

 Share of total EU RRF
0.01 %

 Share of national GDP
0.13 %

Major objectives

Green transition: €56.9 million

68.8 %

RRF target: 37 %

Digital transformation: €24.5 million

29.6 %

RRF target: 20 %

Payments so far: €32.4 million

39.2 %

OVERALL RESOURCES

Luxembourg's National Recovery and Resilience Plan (NRRP) was initially to be financed by the Recovery and Resilience Facility (RRF) with a total of €93.4 million in grants.¹ This allocation accounted for around 51 % of the total estimated value of the Luxembourgish NRRP (€183.1 million). A further 46 % of the costs are to be covered by the national budget, and 3 % from other EU co-financing.² Under the [RRF Regulation](#), Member States can request RRF loans until 31 August 2023; Luxembourg has not done so. It is [expected](#) to submit a REPowerEU chapter and has decided to transfer €128.5 million from the Brexit Adjustment Reserve to the RRF to finance it. On 30 June 2022, the European Commission [recalculated](#) the maximum grant amounts

for each country. For Luxembourg, this cut the total to €82.7 million;³ the country updated its NRRP, removing one investment. The estimated total cost of measures under the NRRP is now €88.4 million, or €5.7 million more than the new allocation. The difference will be financed through the national budget. Luxembourg's RRF allocation is not only the smallest in the EU in absolute figures but also the lowest as a share of grants, both in relation to gross domestic product (GDP) (0.13 % of GDP in 2019) and per capita ([€26 per citizen](#)). Luxembourg has so far received [€32.4 million](#) of RRF grants (in pre-financing on 3 August 2021 and a first payment on 16 June 2023).

The NRRP aims to address Luxembourg's structural issues, aggravated by the pandemic. The measures included complement and build on priorities laid out in the national economic stimulus package from May 2020 (i.e. the [Neistar Lëtzebuerg](#) programme). The central objective is to [support](#) social cohesion and the promotion of a modern and attractive economic environment, while responding to climate and environmental challenges. With 68.8 % of the funds allocated to climate objectives and 29.6 % to the digital transition, the NRRP will contribute to common European efforts in these areas. The climate and environmental policy guidelines in the NRRP are consistent with Luxembourg's integrated national energy and climate plan ([NECP](#)) for 2021-2030. The Luxembourgish NRRP's components relating to skills, health, housing and governance also support cohesion and growth potential significantly in the long term.



This briefing is one in a series covering all EU Member States.

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Author: Velina Lilyanova

NGEU Monitoring Service, Members' Research Service

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Country-specific challenges

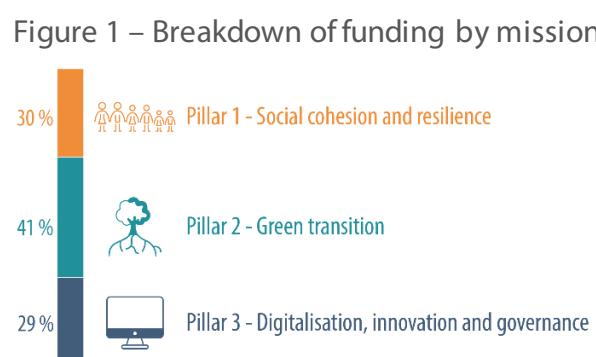
In the context of the European Semester, the [Council](#) addresses country-specific recommendations (CSRs) to Member States, providing them with policy guidance on how to boost jobs, growth and investments, while maintaining sound public finances. The NRRPs under the RRF are to help address at least a significant subset of challenges identified in the 2019-2020 CSRs.

In its analysis of the Luxembourgish plan, the [European Commission](#) maps the country challenges identified in the 2019 and 2020 CSRs for Luxembourg, and groups them in a number of broad categories including public finance; financial sector/business; employment; health; and the green and digital transitions. The Commission finds that the plan is ambitious, and envisages an extensive set of mutually reinforcing reforms and investments that respond to a significant number of the challenges identified in the areas of labour market policies, healthcare, housing, the green and digital transitions, and the effective supervision and enforcement of the anti-money laundering framework.

In the [2020 CSRs](#), the Council urges Luxembourg to take all necessary measures to address the pandemic, sustain the economy and support the ensuing recovery in an effective way. Economic conditions allowing, it recommends pursuing fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. The Council also highlights the need for a more resilient health system with improved governance. Moreover, it calls for reducing the crisis impact on employment, paying special attention to people in a difficult labour market position. It recommends that measures supporting the liquidity of businesses, in particular small and medium-sized enterprises and the self-employed, be implemented effectively, and that innovation and digitalisation, in particular in the business sector, be fostered. Furthermore, the Council recommends an investment focus on the green and digital transitions, in particular sustainable transport and buildings, and clean and efficient production and use of energy, as a way of contributing to progressive decarbonisation of the economy. Finally, it asks Luxembourg to take action to ensure effective supervision and enforcement of the anti-money-laundering framework with regard to professionals providing services to companies and trusts, and investment services, and to step up action to address tax system features that facilitate aggressive tax planning.

The [2019 CRSS](#) highlighted the need to address the employment opportunities and employability of older workers, and make the pension system more sustainable in the long term. It also advised Luxembourg to reduce barriers to competition in regulated professional business services, and to focus investments on further digitalisation and innovation, skills development, improving sustainable transport, and increasing housing supply. The last recommendation concerned the tax system and the need to tackle features that may facilitate aggressive tax planning.

Objectives and structure of the plan



On [30 April 2021](#), Luxembourg was among the first EU Member States to submit its [NRRP](#) to the Commission, in accordance with Article 18(1) RRF Regulation. The plan pursues the RRF's general objective of promoting the EU's economic, social and territorial cohesion, and is balanced in its response to the six policy pillars referred to in Article 3 RRF. Moreover, Luxembourg's NRRP proposes projects in six of the seven European flagship areas⁴ for investments and reforms the [Commission](#) identified for

the RRF. The link between these flagships and specific projects is laid out in the plan's Table 2 ([page 17](#)).

Luxembourg's plan envisages a mix of complementary reforms and investments that address a number of specific challenges and aim to foster lasting and sustainable growth. It is part of a coordinated package that includes Luxembourg's [national reform programme](#) and [stability and growth programme](#), all of which address different aspects of the overarching economic recovery theme. The NRRP consists of **three pillars** (see Figure 1 above), divided in a total of **eight components**. Following the January 2023 revision of the plan, these components encompass 19 measures – **eight reforms** and **11 investments** (one digital investment less than in the original plan⁵). The investments and reforms are expected to help address a significant subset of the CRSs identified in 2019 and 2020 as part of the European Semester. The three pillars subdivided in eight components, and their objectives areas follows:

Pillar 1 'Social cohesion and resilience'



- Skilling, re-skilling and up-skilling (1A)
- Strengthening the resilience of the health system (1B)
- Increasing the supply of affordable and sustainable public housing (1C)

In broad terms, the reforms and investments in the scope of this pillar aim to alleviate the profound impact of the pandemic on the labour market by supporting a more inclusive approach capable of mobilising all talents, including those of women, and contributing to the implementation of the [European Pillar of Social Rights](#). In addition, some measures aim to improve the resilience of the health system through new digital solutions and reforms that ensure continuous monitoring of the sector's functioning, while others address the housing situation in Luxembourg by investing in affordable public housing.

Pillar 2 'Green transition'



- Decarbonisation of transport (2A)
- Environment and biodiversity protection (2B)

The measures under this pillar aim to pave the way for a sustainable recovery in line with the European Green Deal. The targeted reforms and investments are planned to accelerate the green transition, and are consistent with Luxembourg's national energy and climate plan. They focus predominantly on sustainable mobility and renewable energy generation, in line with the 'Recharge and refuel' and 'Power up' European flagship areas. To contribute to the protection of biodiversity, a key investment also encourages municipalities to protect the natural environment by subsidising their participation in the implementation of national strategies for the protection and conservation of the natural environment.

Pillar 3 'Digitalisation, innovation and governance'



- Promotion of a data-based economy (3A)
- Modernisation of public administration (3B)
- Promoting a transparent and fair economy (3C)

This pillar aims to address the modern economy's challenges by tapping into the potential of digital technologies. The NRRP envisages broad digitalisation easing the development of a knowledge-based economy, stronger institutional resilience, and modernised public services. Concretely, the establishment of a new technological ecosystem in Luxembourg is planned by investing in digital skills, developing ultra-secure communication infrastructure based on quantum technology, digitalising the public employment service, and improving the 'MyGuichet' digital gateway. Digital measures are expected to engage the private sector in the transition. The measures are aligned with European initiatives such as the [EU digital strategy](#), the [EU skills agenda](#), the [European education area](#) and the [digital education action plan](#), and European flagships 'Modernise', which concerns the digitalisation of the public administration, and 'Re-skill and up-skill' focusing on digital skills.

The plan [exceeds](#) the expenditure targets that the RRF Regulation sets at 37 % of NRRP resources for the **green transition** and at 20 % for the **digital transformation**. Across the plan, the total

allocation supporting climate objectives is **68.8 %**, making Luxembourg's the greenest NRRP in relative terms (followed by [Denmark](#) with 59.4%). As regards digital transformation, 29.6 % of the funds under the plan would contribute to digital objectives. Regarding horizontal priorities such as [gender equality](#) and equal opportunities for all, considerations to address certain equality challenges are present in four of the components. However, against the backdrop of Luxembourg's limited challenges in this area (e.g. a gender employment gap below the EU average, and a gender pay gap among the lowest in the EU), measures in the plan are also limited. Further measures on these issues are included in Luxembourg's national reform programme mentioned above.

Table 1 – Components of Luxembourg's NRRP

Pillar (P)	Component (C)	RRF resources (€ million)	Share
Pillar 1: Social cohesion and resilience	P1C1A. Skilling, re-skilling and up-skilling	1.5	1.7 %
	P1C1B. Strengthening the resilience of the health system	1.2	1.4 %
	P1C1C. Increasing the supply of affordable and sustainable public housing	24	27.1 %
Pillar 2: Green transition	P2C2A. Decarbonisation of transport	30.5	34.5 %
	P2C2B. Environment and biodiversity protection	6	6.8 %
Pillar 3: Digitalisation, innovation and governance	P3C3A. Promotion of a data-based economy	10	11.3 %
	P3C3B. Modernisation of public administration	12.7	14.4 %
	P3C3C. Promoting a transparent and fair economy	2.5	2.8 %
	Total	88.4*	100.0 %

Data source: Luxembourg's National Recovery and Resilience Plan.

Note: Following the update of the NRRP, the estimated total cost of the measures under the NRRP amounts to €88.4 million, or €5.7 million more than the new RRF allocation of €82.7 million. The difference will be financed by national funds.

Luxembourg's NRRP is twice the size of its allocation under the RRF (see cover page), thus aiming at a long-lasting impact on the national economy. Most projects under the plan are [included](#) in the national budget for 2021 and/or in the 2020-2024 financial planning. The plan therefore serves as an additional lever to contribute to the long-term objectives of achieving economic, social and institutional resilience, and the green and digital transitions. It also contributes further to Luxembourg's high level of public investment (among the highest in the EU). Model simulations by the Commission using the QUEST model show that the economic impact of the Next Generation EU (NGEU)⁶ recovery package in Luxembourg could lead to an [increase in GDP](#) of between 0.5 % and 0.8 %, and generate up to 830 jobs by 2026. Cross-border spillover effects from other Member States' NRRPs account for a large part of this impact, potentially triggering a 0.7 % GDP increase in 2026.⁷ In addition to that, the possible positive impact of structural reforms could be substantial.

Reforms

Overall, Luxembourg's plan includes eight reforms (see Table 2), spread across its three pillars and eight components. They are meant to address bottlenecks to sustainable growth, and along with investments, must be implemented within the timeframe set by the RRF Regulation (August 2026).

Initiatives under pillar 1 include developing a strategy for building 'skills bridges', or training paths to boost employability in a context of the green and digital transitions; implementing the results of a consultation process on modernising health sector governance; recasting the competences of a number of health professionals and adopting related legislation by end of 2025; and addressing the lack of affordable housing and encouraging the construction of schools and nurseries to cope with the growing population.

Under pillar 2, the reform accompanying the plan's flagship project envisages achieving the [Clean Vehicles Directive](#) targets to ensure procurement of light- and heavy-duty vehicles in the public space, and setting even higher internal targets (e.g. fully electrify the fleet of buses operated by the public transport operator RGTR by 2030). A second measure, 'Naturpakt', is described in the annex to the Council implementing decision as both 'a reform and investment', but is not included in the count of reform measures. The reform part of this fifth largest investment project (see 'Investments' below) consists of setting up a national reference framework and support scheme to encourage municipalities to increasingly engage in natural environment and biodiversity protection actions.

Pillar 3 encompasses three reforms: i) establishing a new technological ecosystem in Luxembourg through the deployment of quantum communication technology; ii) adopting legislation⁸ prohibiting deductions, for corporate income tax purposes, of interests and royalties paid to related undertakings established in jurisdictions included on the EU list of non-cooperative jurisdictions for tax purposes; and iii) strengthening the framework for fighting money laundering and terrorist financing, and for better identification, assessment and understanding of related risks. Relating to the latter is a sub-measure intended to transform extensively the Luxembourg business register – the body administering the register of beneficial owners, and the trade and company register – and conducting a study reviewing the current legal regime applicable to trust and company service providers; informed by this study, a law consolidating that framework will then be submitted.

Table 2 – Reforms to receive support by the RRF under Luxembourg's NRRP

	Pillar 1	Pillar 2	Pillar 3
No of reforms	4	1	3
Reforms per pillar/component	Component 1A R1. 'Skillsdësch' (launch of the vocational training 'skills bridges') Component 1B R1. 'Gezondheidsdësch' (strengthening health system resilience) Component 1B R2. Reform of the regulation of healthcare professionals' competences Component 1C R1. Housing pact 2.0	Component 2A R1. Electrification of the fleet of contracting authorities and entities, and of public transport	Component 3A R1. Fostering the establishment of a new technological ecosystem in Luxembourg Component 3C R1. Modernisation of corporate taxation Component 3C R2. Fight against money laundering (ML) and terrorist financing (TF)

Data source: Annex to the Council implementing decision.

Investment

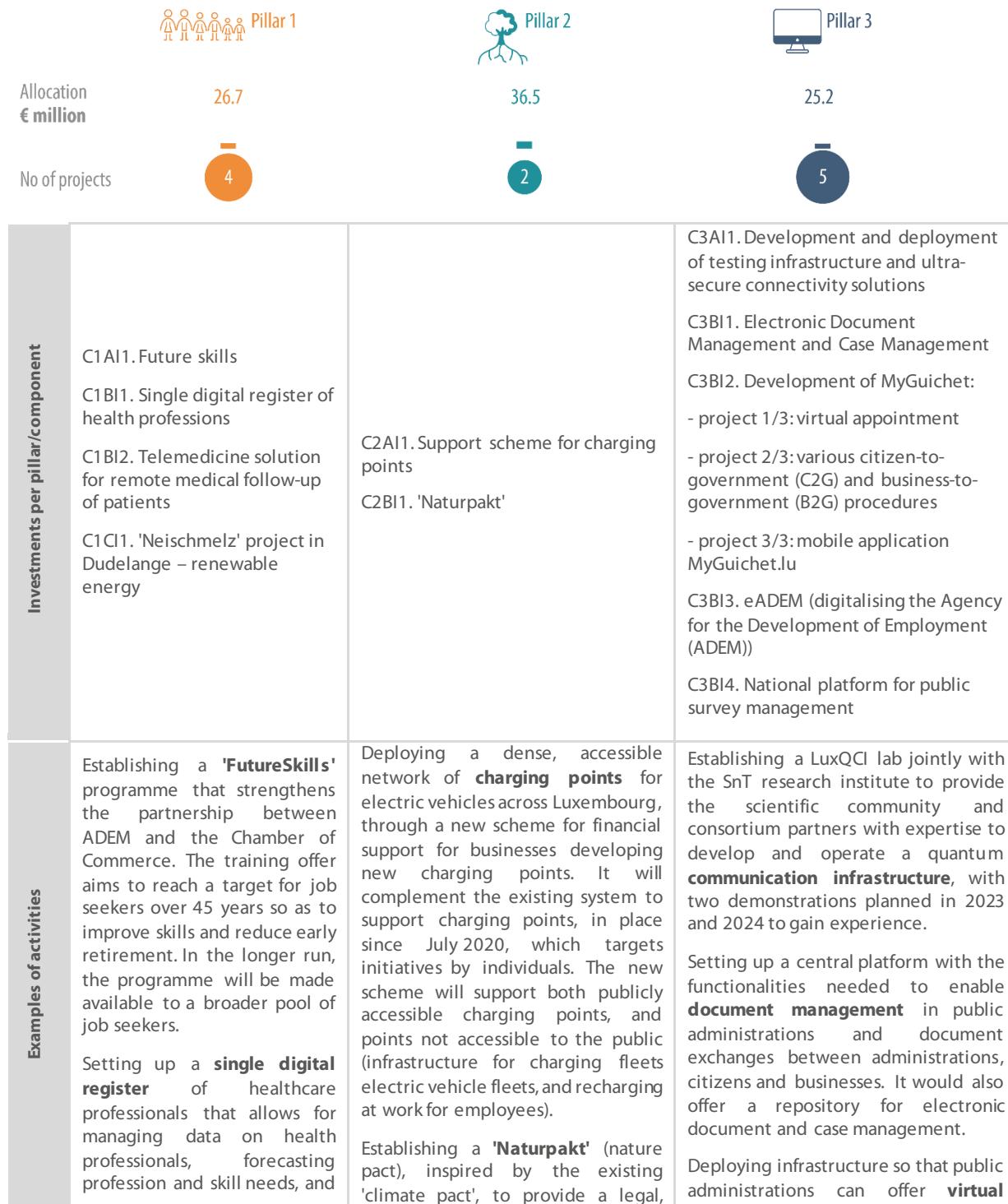
Luxembourg's NRRP encompasses 12 investment projects spread over the eight components. They are targeted at the green and digital transitions, as well as at promoting a transparent and fair economy, through measures intended to ensure effective supervision and enforcement of the anti-money-laundering framework. The support scheme for electric charging points is one of the plan's flagship projects, and has the highest value (see 'Five largest projects' below). Its aim is to ensure adequate charging infrastructure coverage for companies, and complement the support scheme for

private households. The measure promotes the adoption of electric vehicles so as to make them a viable alternative to internal combustion engine vehicles.

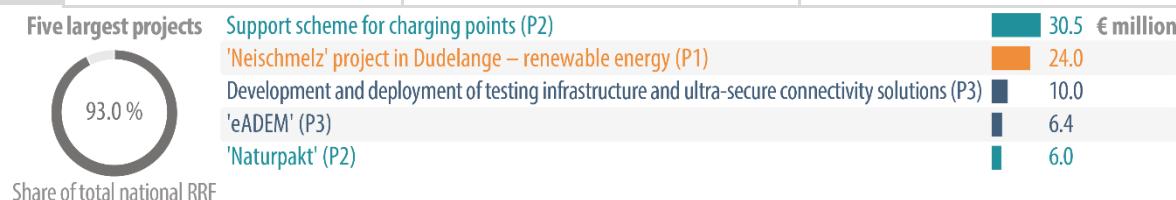
As the cost of the NRRP exceeds the total RRF envelope, additional financing for the investment projects is to be allocated from Luxembourg's national budget or other EU programmes and instruments (for an overview of the financing, see Chapter 2 of the plan). For example, investments under component 3A are eligible for co-financing under the [Digital Europe programme](#) and the [Connecting Europe Facility 2](#). The planning ensures that double financing is avoided in all cases.

Table 3 provides an overview of the number of investments and estimated RRF resources per component, and includes a description of the investment projects and related activities for each.

Table 3 – Measures to be supported by the RRF under each pillar of Luxembourg's NRRP



	<p>mobilisation of staff during crises.</p> <p>Building on Maela, a platform for remote medical monitoring used during the pandemic, developing a more advanced telemedicine solution for remote medical follow-up of patients ('IdeoPHM') and integrating it into the e-health services to improve healthcare accessibility.</p> <p>Conducting the far-reaching 'Neischmelz' project in Dudelange, to be completed in 2035, to convert a former industrial site into a new urban district, and to ensure that over half of the new dwellings are destined for affordable renting. It contributes 100 % to climate-related investments.</p>	<p>financial, technical and consultative reference framework for municipalities. It would allow the state to support financially municipalities willing to engage. They would first sign a 'Naturpakt contract' with the state, committing to implement actions on their territory by 2030. The possible categories of actions, and the actions themselves, are to be listed in a 'catalogue' published by the state, and stemming from the national strategies for natural environment protection and conservation.</p> <p>appointments and access to various functions by video conference.</p> <p>Introducing 12 new online services to expand the digital offer to citizens and businesses and simplify administrative processes.</p> <p>Transferring MyGuichet.lu functionalities to a mobile app available to the public.</p> <p>Digitalising ADEM by developing an IT tool to set up eADEM, the ultimate aim being a more transparent, efficient and resilient labour market.</p> <p>Developing a national platform for managing public surveys, consisting of an internet portal, a back-office and a MyGuichet.lu assistant, to centralise public survey publication and simplify their access and visibility.</p> <p>While no investment is listed under component 3C in the annex to the Council implementing decision, a sub-measure of the fight against money laundering and terrorist financing reform envisages transforming the Luxembourg business register, including its digital capacities, to make it the primary source of essential data on legal entities for users concerned.</p>
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Governance

The overall organisational arrangements for the implementation of Luxembourg's NRRP are laid out in Part 3 of the plan. The [Ministry of Finance](#) has been specifically mandated as ministry responsible for the plan's coordination and management. The Directorate of Economic and Budgetary Affairs within the Ministry of Finance has the overall responsibility for implementing the plan, and is the Commission's single point of contact. The directorate is also in charge of drawing up the payment requests and management declarations, as well as overall reporting, including the preparation of an annual implementation report. It will collect data on the indicators as submitted by the final recipients, carry out management verifications and quality checks, and be responsible for communicating based on the monitoring data. Moreover, specific measures to verify compliance with the public procurement rules will be carried out to prevent corruption, and protect the EU's financial interests.

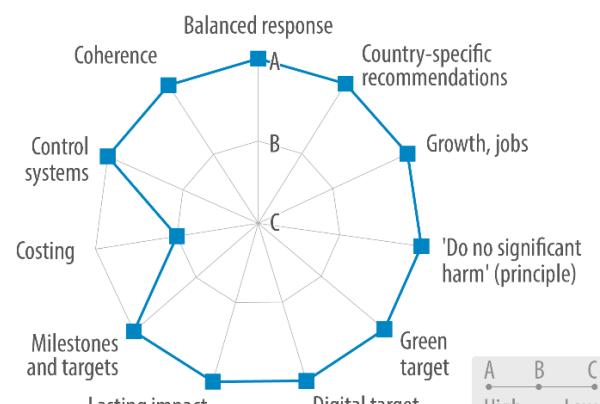
The Ministry of Finance coordinates the work of all other ministries and legal bodies responsible for implementing the plan. Implementation of measures, and monitoring of milestones and targets, are delegated to line ministries that report to the Ministry of Finance. Possibilities are envisaged to outsource particular tasks relating to management or control of RRF resources to external service providers. Adequate supervision and quality control procedures are also in place between the Ministry of Finance and the external service providers.

The NRRP envisages for the Ministry of Finance and the grants' final recipients to sign agreements, including for provision of the needed information on project implementation, and on the indicators defined to achieve the milestones and targets. In addition, the plan includes the development of a new IT system for collecting and storing all data relating to the implementation of the NRRP, which is linked to the fulfilment of a designated milestone.

The [General Finance Inspectorate](#) (IGF) will be the audit authority for Luxembourg's NRRP. The audit authority is to follow an audit approach based on an annual system audit (covering both the system in place for the reporting of the milestones and targets, and the internal control system for preventing, detecting and correcting fraud, conflict of interest, corruption and double financing); and annual audits of operations.

Commission assessment

Figure 2 – Commission ratings by criteria



Data source: European Commission, [SWD\(2021\) 159](#).

On 18 June 2021, the European Commission positively [assessed](#) Luxembourg's NRRP, and [proposed](#) that the Council approve it. For 10 out of the 11 assessment criteria set out in Annex V of the RRF Regulation, the Commission attributed the highest possible rating (A) to the plan (see Figure 2). Criterion No 9, cost justification, was the only one to receive a B (medium). Luxembourg is no exception, however, as all other plans assessed got the same rating. According to the Commission, cost breakdown is generally complete and understandable, but for an A rating, further evidence and a better explanation would have been needed for some of the measures.

The limited adjustment of Luxembourg's NRRP, submitted in November 2022 to take into account the updated maximum financial contribution, and approved by the Council in January 2023, does not affect the Commission's positive assessment.

The Commission considers Luxembourg's plan a comprehensive and adequately balanced response to the country's economic and social situation (criterion No 1), addressing all six pillars of the RRF Regulation. The plan's strong emphasis on the green (68.8 % on climate contribution, compared with 60.9 % before) and digital transitions (29.6 % digital contribution compared with 31.6 %) has resulted in positive assessment for criteria Nos 5 and 6, which refer to the green and digital targets respectively. As regards green investments, particular focus is placed on sustainable mobility and renewable energy, and a whole component is dedicated to nature and biodiversity protection.

The plan also features a relatively strong social dimension (skills, health and housing), and is expected to have a high impact on strengthening Luxembourg's growth potential, job creation, and economic, social and institutional resilience (criterion No 3). Positive assessment for criterion No 2 means that the plan includes an extensive set of mutually reinforcing reforms and investments that are expected to help address at least a significant subset of the economic and social challenges outlined in the 2019-2020 CSRs. When [replying](#) to the European Parliament's questions, the Commission specified, however, that the plan does not address adequately the CSRs regarding tax system features that facilitate aggressive tax planning, in particular by means of outbound payments. With regard to anti-money-laundering efforts, 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 framework as regards professionals providing trust and company services, and investment services.

The Commission also finds that all measures in the plan comply with the principle of '[do no significant harm](#)' to environmental objectives, ensuring that criterion No 4 is met satisfactorily. The plan is expected to have a lasting impact on the country's policies (criterion No 7) through the measures that seek to make the labour market and health sector more resilient, and to promote a greener, more transparent and fairer economy. As regards the monitoring of the plan's implementation, the milestones and targets are deemed acceptable and realistic, and of overall good quality (criterion No 8). The verification mechanisms, data collection and responsibilities are seen as sufficiently robust to verify the completion of the milestones and targets, and justify in an adequate manner the disbursement requests. The plan is also up to standard with regard to criterion No 10 on control and audit system, which is deemed up to the task of preventing, detecting and correcting potential fraud, corruption and conflicts of interest, and avoiding double funding. Finally, according to the assessment, the plan ensures coherent actions (criterion No 11), as it consists of a balanced mix of investments and reforms reinforcing or complementing each other.

Council decision and pre-financing

On [13 July 2021](#), EU economic and finance ministers approved the assessment of Luxembourg's NRRP, adopting the Council [implementing decision](#) as laid down under the RRF. The [annex](#) to the implementing decision provides detailed information on the reforms and investment projects, the arrangements and timetable for the plan's monitoring and implementation, including relevant milestones (qualitative achievements) and targets (quantitative achievements), as well as the related indicators.

Following the June 2022 update, on 17 January 2023, the Council [adopted](#) an [amended implementing decision](#). The latter [confirms](#) that Luxembourg is set to receive a financial contribution in the form of non-repayable support amounting to €82.7 million (rounded). A fixed amount of €76.6 million was to be legally committed by 31 December 2022. A further allocation of €6 million is available for commitments until 31 December 2023.

Following the Council's initial approval, a financing agreement was signed with Luxembourg on 27 July 2021, as provided for in Article 23(1) RRF Regulation. Luxembourg was [among the first](#) EU countries to present its plan and consequently receive a first tranche of the funding. On 3 August 2021, the Commission disbursed [€12.1 million](#) to Luxembourg in pre-financing, equivalent to 13 % of the original financial allocation. The EU financial contribution will be disbursed in five instalments, in accordance with the [amended](#) annex, with the first one paid on 16 June 2023 (see annex to this briefing below). The release of instalments will be conditional on available funding, and a Commission decision endorsing that Luxembourg has fulfilled the relevant milestones and targets satisfactorily. The instalments may be disbursed in one or several tranches, and their size will be subject to the availability of funding. Pre-financing is to be cleared by being proportionally deducted against the payment of the instalments. On 28 December 2022, Luxembourg [submitted](#) its first payment request of €25.9 million to the Commission. Under the RRF, Member States have to complete implementation of NRRP measures by 31 August 2026; however the tentative deadline for achieving milestones and targets for Luxembourg is slightly more ambitious: 31 December 2025.

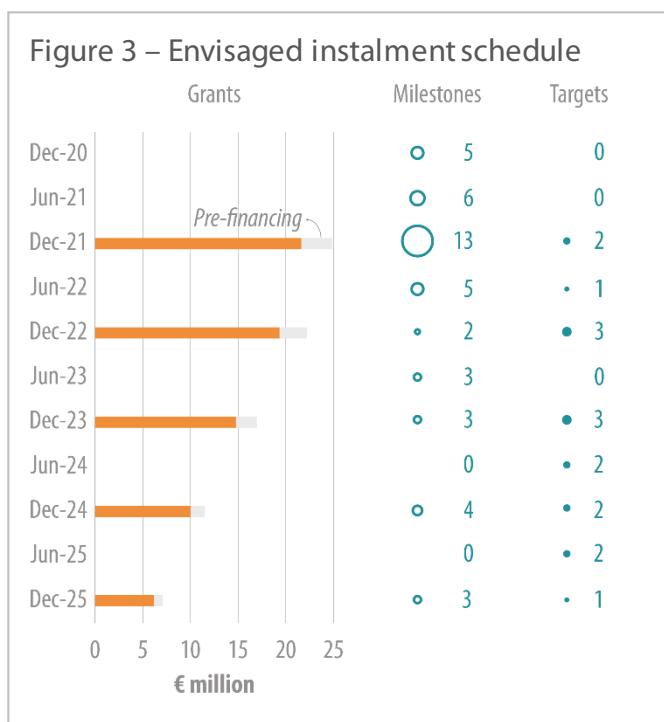
European Parliament

Following the outbreak of the pandemic, the European Parliament was a [major advocate](#) of launching a common EU recovery instrument, and established the RRF as co-legislator with the Council. Based on the RRF Regulation and the [Interinstitutional Agreement](#) (IIA) on budgetary matters, Parliament can [scrutinise](#) the work carried out by the Commission in the assessment of national plans.

Within the Parliament, the Conference of Presidents has established a standing working group on the scrutiny of the RRF, comprising the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON). This working group prepares and follows upon the recovery and resilience dialogue that Parliament holds every two months with Commission representatives.

In addition, the IIA provides for dedicated interinstitutional meetings between Parliament, the Council and the Commission on the implementation of the broader NGEU recovery instrument. These meetings are organised *in camera* and are to take place at least three times per year. Through the [discharge procedure](#), Parliament will also ensure democratic scrutiny of how NGEU resources are spent.

Milestones and targets



Except for the 13 % pre-financing, disbursed to Luxembourg in August 2021, all remaining funds allocated under the RRF are performance-based and will reflect progress on the implementation of the milestones and targets relating to the envisaged reforms and investments. The gradual clearing of the pre-financing (€12.1 million) is set to reduce the subsequent disbursements for each of the five instalment by 13 %. Each instalment is linked to achieving a number of milestones (qualitative goals) and targets (quantitative goals). Overall, there are 44 milestones and 16 targets.

Figure 3 shows that Luxembourg's five payments for grants move in descending order, with the biggest payment planned with the first instalment. Luxembourg submitted its first payment [request](#) at the end of December 2022 for the amount of €25.9 million (net of pre-financing), based on

the initial Council implementing decision applicable at the time. The first payment was [made](#) on 16 June 2023 for the amount of €20.2 million (net of pre-financing and balancing the amount paid as 13 % of the original higher allocation). It was linked to 24 milestones and two targets (43 % of all milestones and targets). The annex provides additional details on RRF payments to Luxembourg so far.

The second instalment is due at the end of 2023, as indicated in the [operational arrangements](#), with seven milestones and four targets linked to it. The milestones include reforming the remits of health professionals; developing a telemedicine solution for remote follow-up of patients; passing a law on the support scheme for charging points; launch of the vocational trainings; launch of the new test drilling under the 'Neischmelz' project; as well as further developments of the 'MyGuichet' project.

The targets include launching a new Single Digital Register for health professionals; connection of two sites in the framework of LuxQCI Lab through the establishment of a terrestrial network; increasing the number of municipalities signing an implementation agreement as regards the 'Housing Pact 2.0' reform; as well as developing 12 new services for the 'MyGuichet'.

Views of Luxembourgish stakeholders

Under the RRF Regulation, NRRPs must include a summary of a consultation process conducted in accordance with the national legal framework. [Involving stakeholders](#) ensures ownership of reforms, which in turn underpins successful implementation and lasting impact. When designing Luxembourg's NRRP, the authorities consulted the Luxembourgish parliament and social partners in two rounds, ahead of the formal submission of the plan on 30 April 2021.

The government and social partners have been maintaining an annual social dialogue under the European Semester since 2016. In this framework, the Ministry of Finance presented the plan's draft,

on 10 March 2021, to the social partners and held an exchange with them. On 22 March 2021, the draft NRRP was [presented](#) to the Luxembourgish parliament's finance and budget committee, whose feedback has informed the plan's finalisation. Following its adoption by the government, the plan was presented to the parliamentary committees concerned, and to the plenary, on 26 and 27 April 2021, respectively. It was also presented again to the social partners 27 April 2021. Members of the Luxembourgish parliament expressed their views at the subsequent debate on 29 April 2021.

On 30 April 2021, a [common position](#) was published as part of the consultation between the government and the social partners in the framework of the 2021 European Semester. The latter expressed their support for a genuine consultation process, not limited to a single meeting at a relatively advanced stage of the plan's adoption. They noted that work on their position took place in parallel with the preparation of the draft NRRP by the government, and their text could therefore only be considered a partial response to the draft plan. In their view, the social dialogue under the European Semester remains to be improved, and does not correspond to a proper consultation.

Overall, the priorities highlighted by the social partners correspond largely to those of the plan's three pillars. Social partners share the plan's objective of making investments that are of fundamental importance for improving the resilience of the Luxembourgish economy and social model. Among the priorities they find particularly important to be reflected in the plan is the need to help employees adapt to the transition towards a green and digital economy. They argue that, for the Green Deal and the digital transformation to succeed, these policies must benefit all citizens, and adequately protect those who are forced into professional transitions. According to the social partners, the [Just Transition Fund](#) is insufficient to help workers who have to adapt to the transition to a green and digital economy and may lack the means needed to support the most vulnerable regions and workers, in particular at a time when the EU decides to increase its climate targets.

Expert debate

As Bruegel notes in its [dataset](#), Luxembourg is one of the countries for which RRF financing represents a relatively small share of GDP. Nevertheless, Luxembourg has presented a plan that concentrates on green and digital spending, as compared with countries that receive larger amounts but whose NRRPs envisage higher 'other' (non-green, non-digital) shares of spending.

The May 2021 [staff report](#) from the IMF's Executive Board following the Article IV consultation with Luxembourg⁹ concludes that the country has weathered the COVID-19 crisis better than expected. To foster a lasting green and digital recovery, the country maintained public investment at around 4 % of GDP in recent years, and will continue to prioritise it, including by making full and swift use of NGEU funds. The report notes that Luxembourg's NRRP illustrates the government's ambitions in this regard, with a high share of investment supporting a green transition and digital transformation. Since 2013, it explains, the government has put the twin (green and digital) transition at the heart of its economic policy agenda for qualitative growth, and this is reflected in its NRRP.

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

[Economic and Budgetary Outlook for the European Union 2023](#), EPRS, January 2023.

[European recovery instrument](#), infographic, EPRS.

[National Recovery and Resilience Plans: Latest state of play](#), EPRS blog, July 2023.

OTHER SOURCES

[Luxembourg's recovery and resilience plan](#) website, European Commission.

[National recovery and resilience](#) website, government of Luxembourg.

ENDNOTES

- ¹ The graphics and tables in this briefing are based on data from Luxembourg's NRRP ([Plan pour la Reprise et la Résilience](#)), the Commission [assessment](#), and the Council [implementing decision](#) and its annex. Data used reflect their source at the time of extraction; moreover, there may be discrepancies between data from different sources.
- ² It is expected that the updated NRRP will be published after the submission of the REPowerEU chapter. Considering the initial financing scheme, it can be expected that the correlation between EU and national resources will remain similar.
- ³ The figures in this briefing have been updated to reflect the [amended](#) Council implementing decision of January 2023, which reflects the final [revision](#) of the maximum national allocations carried out by the Commission on 30 June 2022. NRRPs may be subject to updates that will be reflected accordingly in future editions of the briefings in this series.
- ⁴ The seven flagships are outlined in the EU [2021 annual sustainable growth strategy](#): i) Power up; ii) Renovate; iii) Recharge and refuel; iv) Connect; v) Modernise; vi) Scale-up; and vii) Re-skill and up-skill.
- ⁵ The amended CID of January 2023 states that the update of the NRRP affects the digital skills investment under component 1A (Skilling, Up-skilling and Re-skilling), as well as milestones 1A-6 and 1A-7 and target 1A-8. These have been removed from the NRRP. The initial climate and digital targets of 60.9 % and 31.6 % have also changed.
- ⁶ The RRF amounts to roughly 90 % of NGEU.
- ⁷ As mentioned in a Commission [discussion paper](#) from July 2021, for small open economies with smaller NGEU allocations, spillover effects account for the bulk of the GDP impact.
- ⁸ This reform implements an agreement reached at the EU Council in December 2019.
- ⁹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year, discusses with officials the economic developments and policies, and prepares a report on this basis.

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eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

<http://epthinktank.eu> (blog)

Third edition. The 'NGEU delivery' briefings are updated at key stages throughout the lifecycle of the plans.

Annex – Payments so far

Table 4 provides an overview of the RRF payments that Luxembourg has received so far. On 3 August 2021, the Commission disbursed the [pre-financing](#) of €12.1 million (13 % of the initial allocation).

Luxembourg submitted its first payment [request](#) at the end of December 2022 for the amount of €25.9 million (net of pre-financing), based on the initial Council implementing decision applicable at the time. The first payment was made on 16 June 2023 for the amount of €20.2 million. This is the resulting amount minus the 13 % pre-financing, also offset by the excess amount of the original pre-financing paid, which was based on the higher initial total allocation (see [C\(2023\) 3838 final](#)). It was [linked](#) to 24 milestones and two targets (43 % of all milestones and targets). These include measures in the context of planned reforms, in particular relating to the entry into force of legislation on the fight against money laundering and terrorist financing, modernisation of corporate taxation, the 'Housing pact 2.0' and the 'Naturpakt'. Various milestones are meant to facilitate the rapid and effective launch of investments, including: reaching an agreement on the 'operational phase' of 'FutureSkills', establishment of a national platform for the management and publication of public surveys and related documents, and deployment of a mobile version of MyGuichet. The two targets relate to the future skills initiative; one example being to ensure that at least 150 job seekers aged over 45 years (30 % of the 500 participants) have participated in the 'FutureSkills' training.

Two milestones relating to the plan's monitoring and implementation had to be met before the first payment request. The first related to putting in place an operational IT system to allow for collecting and storing all relevant data on the NRRP's implementation, such as the achievement of milestones and targets, and data on final recipients, contractors, subcontractors and beneficial owners. The second milestone concerned the finalisation of the implementation of further procedures for the protection of EU financial interests, as presented in the plan's Part III, Chapter 4 on Implementation, and Chapter 6 on Audit and Controls.

Table 4 – Luxembourg's NRRP: Payments as of 16 June 2023

	Payment	Date	Net resources (€ million)	Share of total*
Grants	Pre-financing	3.8.2021	12.14	14.7 %
	First instalment	16.6.2023	20.24	24.5 %
	Total grants paid so far		32.38	39.2 %

Source: EPRS, based on European Commission data.

Note: The (rounded) share of amount paid so far is calculated on the basis of the new allocation of €82.67 million. In line with the RRF Regulation, the pre-financing represented 13 % of the initial total allocation of €93.4 million