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RECOVERY AND RESILIENCE PLAN

OF THE GRAND-DUCHY OF LUXEMBOURG

SUMMARY



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance



Recovery and Resilience Plan

Grand-Duchy of Luxembourg

Summary

I. SUMMARY OF THE PLAN

Luxembourg's Recovery and Resilience Plan sets out a roadmap for rebuilding an economy capable of meeting the challenges of a post-COVID-19 world. The RRP aims first and foremost to lay the foundations for a resilient socio-economic environment, while successfully supporting the green and digital transition.

The RRP is a continuation of the Government's action plan, at the centre of which is the support for social cohesion and the promotion of a modern and attractive economic environment while responding to climate and environmental challenges.

Despite the uncertain economic environment caused by the COVID-19 pandemic, the Government maintains the ambition of its coalition agreement and continues to pursue targeted policy actions to improve economic, social and environmental resilience.

Hence, the RRP builds on existing strategies developed as part of the wider implementation of the Government's priorities. For example, the climate and environmental policy guidelines are consistent with the integrated national energy and climate plan (NECP) and some of the projects proposed in the RRP are also part of the strategy for a knowledge-based economy.

To continue the Government's ambitions and to respond to the different criteria set by the regulation establishing the Recovery and Resilience Facility, Luxembourg's RRP is built on 3 pillars :

1. « **Cohesion and social resilience** » ;
2. « **Green transition** » ; and
3. « **Digitalisation, Innovation and Governance** ».

Each pillar is divided into multiple components, which form a coherent package of investments and reforms.

In total, the plan includes projects worth 183 million euros, with the bulk of the costs being carried by projects to create affordable & sustainable housing, to decarbonise transport and to digitalise the public services. The Government has decided to present a plan that goes well beyond the allocation by the Recovery and Resilience Fund in order to ensure the long lasting impact of the plan on the national economy.

Finally, the Government undertook a detailed *do no significant harm* assessment for each reform and investment included in the plan. The assessment is in line with the different criteria set by the European Commission and ensures that the plan does not constitute any risk to the environment.

Pillar 1 : Cohesion and social resilience

The crisis related to the COVID-19 pandemic has had a profound impact on the national labour market. In addition to its direct impact on employment and unemployment, the health crisis has also accelerated structural changes that are challenging employees to meet the demands of the labour market, such as the digital transformation. The Government is supporting a more inclusive approach capable of mobilising all talents, including those of women. Equality between men and women is one of the fundamental pillars on which European societies have been built. The ability to rebuild will depend on the choices made when implementing the recovery plans and this is indeed a unique opportunity to rebuild the labour market more inclusively, ensuring women's participation in the economy and tackling income inequalities. By unleashing women's economic and entrepreneurial potential, recovery efforts will lead to stronger and more resilient economies and societies.

The development of new digital skills is essential to help workers integrate in a changing labour market. The initiatives "FutureSkills" and "Digital Skills" (component 1A) aim to **strengthen and diversify the vocational skills of jobseekers and partially unemployed workers, with a particular focus on the development of digital skills**. In addition, the reform of the "Skillsdësch" aims to raise awareness of the concept of "lifelong learning" and to continue developing professional training in Luxembourg. The measures of the component are not only aimed at the working-age population but also have the objective to give older workers the necessary skills to remain active in the labour market. Component 1A ("Skilling, Reskilling and Upskilling") addresses the European pillar of *smart, sustainable and inclusive growth, including economic cohesion, jobs, productivity, competitiveness, research, development and innovation, and a well-functioning internal market with strong small and medium-sized enterprises (SMEs)*.

The health crisis has put a strain on **health systems in all EU Member States**. The rush of patients to hospitals has brought to the forefront the weaknesses of the health system, marked by a shortage of skilled labour. To better prepare Luxembourg's health system to deal with a growing and ageing population and the health challenges that such demographic changes bring, the RRP aims to strengthen its resilience (component 1B) by putting in place new digital solutions and reforms that ensure continuous monitoring of the sector's functioning. The component is linked to the European pillar of *health, and economic, social and institutional resilience, with the aim of, inter alia, increasing crisis preparedness and crisis response capacity*.

The **housing challenge** (component 1C) continues to be a priority for the Government. Luxembourg's economic and demographic growth has led to a considerable increase in housing prices, which

prevents part of the population from finding affordable housing in the country and forces them to move across the borders. To remedy this imbalance, the Government will continue to deploy all necessary means through an ambitious investment policy in favour of affordable public housing. As the government's objective of 'greening' the economy is a cross-cutting aspect, environmental and climate sustainability considerations are an integral part of the housing policy, with a clear focus on the construction of sustainable, low-energy housing. The "Pacte Logement 2.0" initiative and the "Neischmelz" project in Dudelange are fully in line with these objectives and consistent with the European pillar of *social and territorial cohesion*.

Pillar 2 : Green transition

Sustainable recovery is at the heart of the Luxembourg RRP's strategy. The planned measures aim to pave the way for a recovery under the auspices of the European Green Deal, which serves as a plan to make the EU economy more sustainable. Although the downturn in economic activity caused by the COVID-19 pandemic has had some positive environmental effects, further efforts will be needed to contain the effects of climate change. Thus, the ambition of this RRP is to look at the most promising projects to contribute to the climate and environmental objectives that Luxembourg has set itself.

The Paris Agreement defines a global framework aimed at tackling climate change by limiting global warming to well below 2°C preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To contribute to the achievement of this objective at the national level, the Government has adopted an ambitious strategy within the framework of its Integrated National Energy and Climate Plan (NECP) with a greenhouse gas reduction target of around -55% by 2030. The **decarbonisation of transport (component 2A)** is one of the priority areas in this context and the measures in the RRP aim to increase energy efficiency in this sector by promoting the acquisition of low- or zero-emission vehicles and the implementation of alternative fuel infrastructures while encouraging the rapid development of electromobility in the various categories of vehicles. The support scheme for electric charging points is one of the flagship projects of the Recovery and Resilience Plan. The project is set to ensure adequate charging infrastructure coverage for companies and complements the support scheme for private households. The measure further promotes the adoption of electric vehicles to make them a viable alternative to internal combustion engine vehicles.

The COVID-19 pandemic has accelerated the urgency to protect and restore biodiversity while leading to increased awareness of the links between the ecosystem and human health. To contribute to the **protection of the environment and biodiversity (component 2B)**, the Government launched the 'Naturpakt' initiative, which creates the possibility of subsidising the participation of all municipalities in the implementation of national strategies for the protection and conservation of the natural

environment, including the national nature protection plan, the river basin management plan and the climate change adaptation strategy. Targeted reforms and investments are therefore planned to accelerate and accompany the green transition, in line with the European pillar on this aspect.

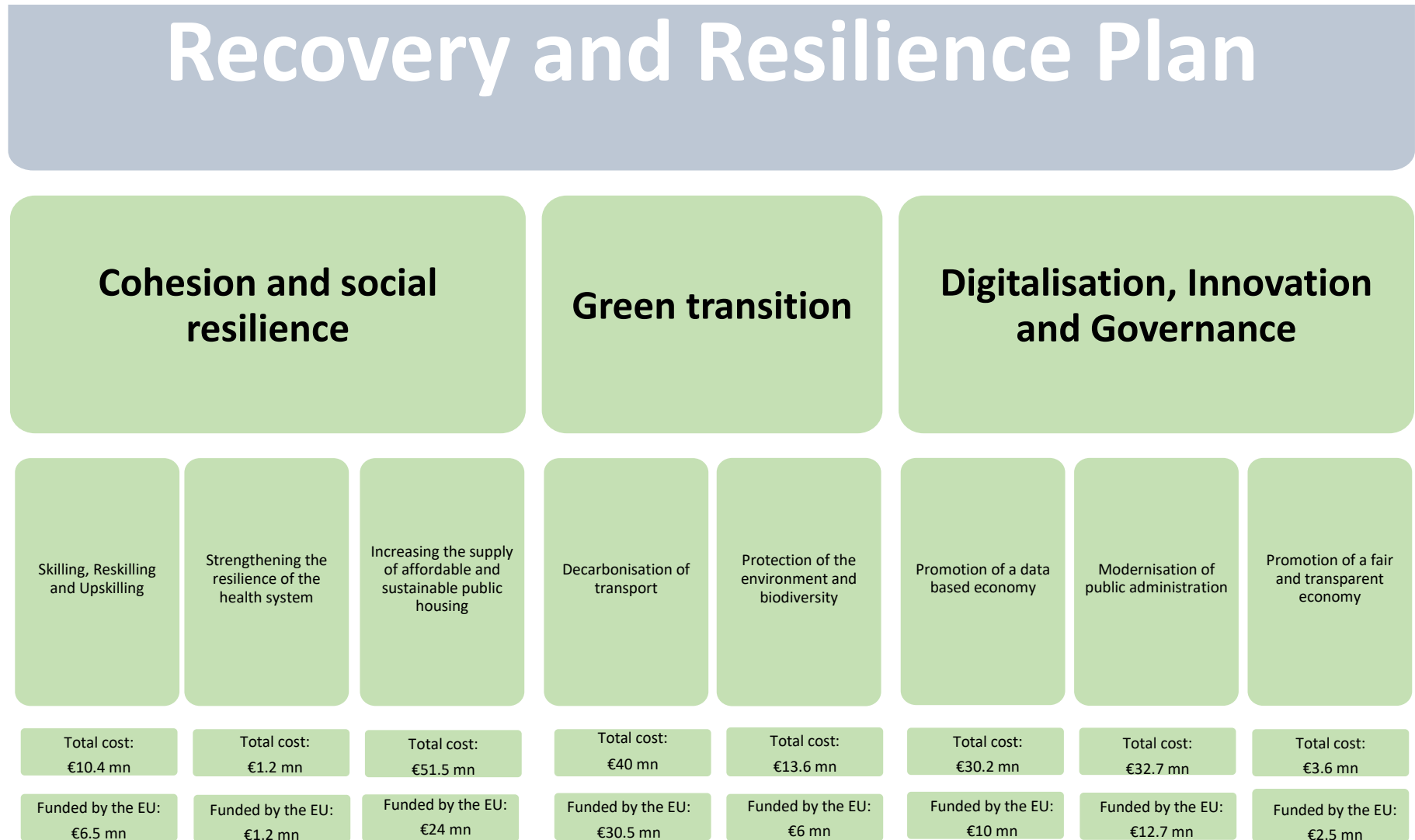
Pillar 3 : Digitalisation, Innovation et Governance

Due to its open, internationally oriented economy, Luxembourg will be highly exposed to the speed of digital transformation. The Government's ambition is to lead the digitisation process on all fronts to ensure optimal conditions for the development of a knowledge-based economy, to strengthen institutional resilience and to have modern public services. The establishment of a highly secure communication infrastructure based on **quantum technology** (component 3A) will facilitate the exchange of confidential information within the public and private sectors, strengthening institutional resilience.

At the same time, the development of **digital public services** (component 3B) is essential to ensure the accessibility, effectiveness and efficiency of public administration and covers the European pillar of *digital transformation*.

Furthermore, the complexity of financial and tax systems has been exacerbated in the past by technological developments and the increasing digitalisation of the economy. Initiatives are needed to improve institutional resilience **against aggressive tax planning and the fight against money laundering and terrorism financing**. The RRP aims to make financial market supervision and the tax system more effective to promote a **transparent and fair economy** (component 3C).

Figure 1: Structure of the Recovery and Resilience Plan



In line with the requirements of the Recovery and Resilience Facility and the guidance provided by the European Commission, the RRP contains reform and investment projects that directly contribute to or address the challenges of the green and digital transition.

Following the final allocation retained by the authorities after a consultation with the European Commission, the share of investments contributing to efforts to fight climate change amounts to 61%, which is well above the 37% threshold required by the applicable regulation.

Regarding the digital investments, 32% of the total envelope to which Luxembourg is entitled is dedicated to the digitalisation of the economy, the minimum threshold being 20%.

Table 1: Overview of the RRF funding and green & digital investments

| Pillar | Component | Amount requested under the RRP | Of which climate | Of which digital |
|---|--|--------------------------------|------------------|------------------|
| Cohesion and social resilience | Skilling, Reskilling and Upskilling | €6.5 million | - | €5.6 million |
| | Strengthening the resilience of the health system | €1.2 million | - | €1.2 million |
| | Increasing the supply of affordable and sustainable public housing | €24 million | €24 million | - |
| Green transition | Decarbonisation of transport | €30.5 million | €30.5 million | - |
| | Protection of the environment and biodiversity | €6 million | €2.4 million | - |
| Digitalisation, Innovation and Governance | Promotion of a data-based economy | €10 million | - | €10 million |
| | Modernisation of public administration | €12.7 million | - | €12.7 million |
| | Promoting a transparent and fair economy | €2.5 million | - | - |
| Total | | €93.4 million | 61% | 32% |

Table 2: Recovery and Resilience Plan Summary

| Component | Reforms and investments | Objectives |
|---|--|---|
| PILIER 1: Cohesion and social resilience | | |
| 1A: Skilling, Reskilling and Upskilling | "Skillsdësch" | Development of a genuine skills strategy to promote the acquisition of new skills that meet the requirements of companies and the profiles of tomorrow's professions |
| | "FutureSkills" | Training for job seekers aimed at fostering future employability by focusing on transversal skills |
| | "Digital Skills" | Organisation of online training courses and offering every employee on short-time work a digital training voucher of up to €500 |
| 1B: Strengthening the resilience of the health system | "Gesondheetsdësch" | Establishment of a "Gesondheetsdësch" to discuss a new and transparent governance of the health system |
| | Reform of the responsibilities of health professionals | Redefining the competencies, tasks and attributions of health professionals |
| | Single digital register of health professions | Establishment of a digital register for the health professions collecting all administrative and professional information |
| | Telemedicine solution for remote medical follow-up of patients | Implementing a digital solution for remote monitoring and care during the pandemic of COVID-19 patients |
| 1C: Increasing the supply of affordable and sustainable public housing | Housing Pact 2.0 | Concept to support the housing policy at the municipal level |
| | "Neischmelz" project in Dudelange | Revalorisation of the former industrial wasteland "Neischmelz" in Dudelange and progressive construction of new housing. The RRP focuses on the energy concept of the project |
| PILIER 2: Green transition | | |
| 2A: Decarbonisation of transport | Minimum targets for low-and zero-emission vehicles to be achieved by contracting authorities | Minimum percentages of low-and zero-emission vehicles, including electric vehicles, in public procurement |
| | Support scheme for charging stations | Implementation of a support scheme for charging points for legal persons |
| 2C: Protection of the environment and biodiversity | "Naturpakt" | Legislative, financial, technical and advisory reference framework to support municipalities in their action to promote biodiversity |

| PILIER 3: Digitalisation, Innovation and Governance | | |
|---|---|---|
| 3A: Promotion of a data-based economy | Stimulating the creation of a new ecosystem in Luxembourg | Stimulate the creation of a new ecosystem in Luxembourg through the development and implementation of an ultra-secure communication infrastructure based on quantum technology |
| | Development and deployment of a test infrastructure and ultra-secure connectivity solutions | The project consists of developing and deploying a national testbed that will be fully integrated into a European QCI network |
| 3B: Modernisation of public administration | Electronic Document Management and Case Management | Central platform providing all the functionalities required for electronic document management and case management |
| | Evolution of MyGuichet | Functionality allowing a virtual meeting using video conferencing |
| | | Implementation of new approaches (C2G and B2G) |
| | | Deployment of a MyGuichet.lu mobile app |
| | "eADEM" | The investment consists of enabling the assistance of ADEM to identify needs (functional and non-functional) and define specifications for the acquisition or development of an application system for centralized management specific to the professions of the Luxembourg Public Employment Service ("eADEM") |
| | National platform for the management of public surveys | Development and maintenance of a national platform for the electronic management of public surveys |
| 3C: Promoting a transparent and fair economy | Modernisation of corporate taxation | Application of enhanced control mechanisms vis-à-vis non-cooperative jurisdictions |
| | Fight against money laundering and terrorism financing | Strengthening the national anti-money laundering and anti-terrorism financing regime applicable to professionals providing services to companies and trusts and investment services |
| | | Further identification, assessment and understanding of the money laundering and terrorist financing risks to which Luxembourg is exposed |
| | | Development of the "Luxembourg Business Register" |
| | | Strengthening of the regime for company and trusts service providers |

