

## Luxembourg

### 1. Covid-19 Pandemic and National Recovery and Resilience Plans

<b>Question 1</b>	Based on early indications, how satisfied or dissatisfied are you with the way your country has started implementing the national recovery and resilience plan?	Neutral
<b>Question 2</b>	How satisfied or dissatisfied are you with the involvement of social partners in the implementation so far of your national recovery and resilience plan?	Neutral
<b>Question 3</b>	How confident are you that the European Commission will enforce strong implementation of the reforms in the national recovery and resilience plans across the EU?	Somewhat confident
<b>Question 4</b>	How do you judge the overall economic policy response in your country over the past 24 months to the COVID-19 recession? (e.g. furlough schemes, tax deferrals, state aid schemes)	Fair
<b>Question 5</b>	How do you judge the overall economic policy response from the European Union over the past 24 months to the COVID-19 recession? (e.g. SURE, Recovery and Resilience Facility, single market)	Very Good
<b>Question 6</b>	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to your national economy?	To some extent
<b>Question 7</b>	To what extent has the COVID-19 pandemic and recession led to scarring i.e. permanent structural damage to the EU27 economy?	To some extent
<b>Question 8</b>	More specifically, how much lower do you expect GDP in your country to be in 2025 than would have been the case without the crisis?	GDP in 2025 expected to be 1% lower than what would have been the case without the pandemic

## 2. Assessment of Country Specific recommendations 2020-2021 in detail

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 1	In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment. Improve the resilience of the health system by ensuring appropriate availability of health workers. Accelerate reforms to improve the governance of the health system and e-Health.	Extremely important	Unsatisfactory	All mentioned aspects are essential (pandemic and recovery, prudent medium-term fiscal conditions and ensure debt sustainability, healthcare). Debt sustainability may appear appropriate based on short-term developments, but considerable challenges ahead (pension sustainability, in particular). No measures on pensions, which explains the assessment.
CSR 2	Mitigate the employment impact of the crisis, with special consideration for people in a difficult labour market position.	Helpful (but no a priority)	Satisfactory	Intrinsically essential, but favourable evolution in Luxembourg (unemployment rate lower than before the crisis). Be aware of long-term (i.e. more than 1 year) unemployment, however.
CSR 3	Ensure effective implementation of measures supporting the liquidity of businesses, in particular small and medium-sized enterprises and the self-employed. Front-load mature public investment projects and promote private investment to foster the economic recovery. Focus investment on the green and digital transition, in particular on sustainable transport and buildings, clean and efficient production and use of energy, contributing to a progressive decarbonisation of the economy. Foster innovation and digitalisation in particular in the business sector.	Extremely important	Satisfactory	Too many objectives listed in the CSR. Essential to foster innovation in the business sector (tax incentives for instance).

		Q1: The recommendation is:	Q2: implementation on effort is:	Detailed comments
CSR 4	Ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services, and investment services. Step up action to address features of the tax system that facilitate aggressive tax planning, in particular by means of outbound payments.	Helpful (but no a priority)	Excellent/No further progress needed	Luxembourg achieved a lot in this field in the recent past (see also the constructive stance as regards the new international agreement on corporate income taxes).

### 3. Reform Progress in your Member State in 2020 & 2021

How would you assess reform progress in 2020 & 2021, for the following broad areas:

Taxation and Public Finances	Mixed
Business environment (regulation/access to markets)	Unsatisfactory
Labour market	Mixed
Innovation and skills	Unsatisfactory
Access to finance and Financial stability	Satisfactory

Is there any example of an economic reform, specific to your country that BusinessEurope could highlight in its 2022 Reform Barometer?

Improve the framework for the attraction of talents, improve the tax incentives in order to foster innovation in the private sector.

#### **4. Reform priorities for 2022**

	<b>I. Policy Area</b>	<b>II. Concrete Recommendations</b>	<b>III. Are the proposed recommendations already in the agenda of your Government?</b>
<b>Priority 1</b>	Business Environment - Regulatory barriers to entrepreneurship	Alleviate regulatory barriers.	No
<b>Priority 2</b>	Pension and health care reforms	Make the pension system financially sustainable, stimulate the 2d and 3d pillars.	No
<b>Priority 3</b>	Wage bargaining and wage-setting policies	Sliding scale for wages (indexation): reconsider.	No
<b>Priority 4</b>	R&D and Innovation	New tax incentives for private RDI; better valorisation of public research.	No
<b>Priority 5</b>	Public sector efficiency	General assessment of public expenditure (efficiency approach).	No