Council of the
European Union

Brussels, 18 June 2021
(OR. en)

9961/21

Interinstitutional File:
2021/0160 (NLE)

ECOFIN 609
CADREFIN 302
UEM 163
FIN 477

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	18 June 2021
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2021) 332 final
Subject:	Proposal for a COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Luxembourg

Delegations will find attached document COM(2021) 332 final.

Encl.: COM(2021) 332 final

EUROPEAN
COMMISSION

Brussels, 18.6.2021
COM(2021) 332 final

2021/0160 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Luxembourg

{SWD(2021) 159 final}

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2021/0160 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

on the approval of the assessment of the recovery and resilience plan for Luxembourg

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility[1] and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The COVID-19 outbreak has had a disruptive impact on the economy of Luxembourg. In 2019, the gross domestic product per capita (GDP per capita) of Luxembourg was 328 % of the EU average. According to the Commission's Spring 2021 forecast, the real GDP of Luxembourg declined by 1,3% in 2020 and is expected to increase by 3,1% cumulatively in 2020 and 2021. Longer-standing aspects with an impact on medium-term economic performance include in particular relatively low activity rates, notably for older workers, and a shortage of skilled labour, exacerbated by rising property prices, which prevents businesses from taking full advantage of the opportunities offered by the green and digital transitions to diversify the economy.

(2) On 9 July 2019 and on 20 July 2020, the Council addressed recommendations to Luxembourg in the context of the European Semester. In particular, the Council recommended to (i) take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery, and 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, and accelerate reforms to improve the governance of the health system and e-Health; (ii) mitigate the employment impact of the crisis, with special consideration for people in a difficult labour market position; (iii) 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, 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

[1] OJ L 57, 18.2.2021, p. 17-75.

decarbonisation of the economy, and foster innovation and digitalisation in particular in the business sector; (iv) ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services, and investment services, as well as step up action to address features of the tax system that facilitate aggressive tax planning, in particular by means of outbound payments. Having assessed progress in the implementation of these country-specific recommendations at the time of submission of the recovery and resilience plan, the Commission finds that the recommendation on taking, in line with the general escape clause, all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery, has been fully implemented. Substantial progress has been achieved with respect to the recommendation on the support of the liquidity of businesses and the recommendation on front-loading mature public investments projects to foster the economic recovery.

(3) [The Council recommendation on the economic policy of the euro area[2] recommended to euro area Member States to take action, including through their recovery and resilience plans, to, *inter alia*, ensure a policy stance which supports the recovery and to further improve convergence, resilience and sustainable and inclusive growth. The Council recommendation also recommended to strengthen national institutional frameworks, to ensure macro-financial stability and to complete the Economic and Monetary Union and strengthen the international role of the euro.] [If the Council recommendation is not adopted by the time of the CID adoption, please remove the recital].

(4) On 30 April 2021, Luxembourg submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. That submission followed a consultation process, conducted in accordance with the national legal framework, of local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. The national ownership of the recovery and resilience plans is underpinning their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of that Regulation, the Commission has assessed the relevance, effectiveness, efficiency and coherence of recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation.

(5) The recovery and resilience plans should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 and of the EU Recovery Instrument set up by Council Regulation (EU) 2020/2094 in order to support the recovery in the aftermath of the COVID-19 crisis. They should promote the Union´s economic, social and territorial cohesion by contributing to the six pillars referred to in Article 3 of Regulation (EU) 2021/241.

(6) The implementation of the Member States' recovery and resilience plans will constitute a coordinated effort of investment and reforms across the Union. Through the coordinated and simultaneous implementation of these reforms and investments and the implementation of cross-border projects, these reforms and investments will mutually reinforce each other and generate positive spill-overs across the whole

[2] Pending final adoption by the Council, after endorsement by the European Council. The text agreed by the Eurogroup on 16 December 2020 is available at: https://data.consilium.europa.eu/doc/document/ST-14356-2020-INIT/en/pdf

Union. Therefore, about one third of the impact of the Facility on Member States' growth and job creation will come from spill-overs from others Member States.

Balanced response contributing to the six pillars

(7) In accordance with Article 19(3) point (a) and section 2.1 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan represents to a large extent (Rating A) a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of Regulation (EU) 2021/241, taking the specific challenges and the financial allocation of the Member State concerned into account.

(8) Luxembourg presents a broad range of investments and reforms in the recovery and resilience plan. In addition, Luxembourg plans to complement the support under Regulation (EU) 2021/241 through the use of additional national funds for the implementation of the investments and reforms included in the plan. This structure involving additional national funds allows Luxembourg to include measures contributing reasonably to all the six pillars of Article 3 of that Regulation in spite of its limited maximum financial contribution.

(9) Luxembourg's selection of measures puts a strong emphasis on the green and digital transition, with a 60,9 % climate contribution and a 31,6 % digital contribution, well above the corresponding minimum allocations of respectively 37 % and 20 %. The green components of the recovery and resilience plan are also broadly consistent with Luxembourg's National Energy and Climate Plan, while some projects proposed in the plan are also part of broader strategies, such as one dedicated to the knowledge-based economy. The recovery and resilience plan also features a relatively strong social dimension (skills, health and housing), thereby enhancing economic, social and territorial cohesion.

Addressing all or a significant subset of challenges identified in Country Specific Recommendations

(10) In accordance with Article 19(3) point (b) and section 2.2 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations, including fiscal aspects thereof, addressed to Luxembourg or challenges identified in other relevant documents officially adopted by the Commission in the context of the European Semester.

(11) The recommendations related to the immediate fiscal policy response to the pandemic can be considered as falling outside the scope of Luxembourg's recovery and resilience plan, notwithstanding the fact that Luxembourg has generally responded adequately and sufficiently to the immediate need to support the economy through fiscal means in 2020 and 2021, in line with the provisions of the General Escape Clause.

(12) The plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Luxembourg by the Council in the European Semester in 2019 and in 2020 on (i) labour market policies (addressing skills mismatches, enhancing the employability of older workers), (ii) the resilience of the healthcare system, (iii) increasing available housing, (iv) the green transition (investments in renewable energy generation,

sustainable transport, environmental protection and biodiversity), (v) the digital transition (improving connectivity and digital skills of the population, and fostering the digitalisation of firms and public administration), (vi) effective supervision and enforcement of the anti-money laundering framework.

(13) A major contribution to skills development is provided by investments in vocational training programmes for job seekers and workers placed on short-time work scheme, respectively. Those vocational training programmes should also contribute to mitigating the employment impact of the crisis. The plan also includes a complementary reform which should design further vocational training programmes for the most promising job profiles.

(14) The resilience and governance of the health system are expected to be strengthened by reforms and investments aimed at addressing some of the structural problems of the health sector in Luxembourg – the lack of health professionals and the need to increase the efficiency of the health system – notably through its digitalisation. The reform aiming at performing a legislative recast of the competences of a number of health professionals should increase the attractiveness of health professions and respond to the shortage of care practitioners in a context of increasing demand for care. Investments should also help develop the digitalisation of the health sector with interoperability in mind. The single digital register for health professions should enable to manage data on health professionals in Luxembourg, allowing short- to medium-term demographic projections and to better identify the need for physicians by field of expertise, and geographical areas. This should contribute to anticipating shortages of professionals. The development of teleconsultations is also a way to limit pressure on health professionals, while reducing the need for physical travelling in the context of the COVID-19 pandemic.

(15) The recovery and resilience plan should contribute to improving the sustainability of transport. It includes a reform to promote the purchase of zero- or low-emission vehicles by procuring authorities and entities, and an investment to further deploy a network of charging points for electric vehicles across the country.

(16) Protection of natural environment and biodiversity is pursued by measures encouraging municipalities to invest in improving the natural environment and biodiversity status of their urban, open, aquatic, and forest areas.

(17) Increase in housing supply should be supported through investments and reforms, notably by increasing incentives and lifting barriers to build. The legislative recast of the Housing Pact should incentivise municipalities to create affordable housing. The generation of renewable energy as part of the 'Neischmelz' investment project should support the creation of a new housing district, as well as contribute to the clean production of energy.

(18) The recovery and resilience plan includes investments in digitalisation and innovation and serves the digital transition. Training programmes FutureSkills and Digital Skills put the emphasis on developing digital skills. The investments in an interoperable digital register of healthcare professionals, and telemedicine should support the digitalisation of healthcare. The measures to promote a data-based economy should reinforce the security of personal data by the implementation of highly innovative ultra-secure quantum communication solutions. The effectiveness and efficiency of public administrations and their services should be increased through their digitalisation and by improving their interoperability.

(19) The plan also includes a number of reforms to support addressing the country-specific recommendation calling on Luxembourg to ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services, and investment services. These reforms are designed to reinforce the anti-money laundering framework and its enforcement, to better use data registered on legal persons, to better understand risks of money laundering and terrorist financing as a basis for targeted mitigation measures, as well as to clarify applicable sanctions. Moreover, the regime applicable to trust and company service providers will be reviewed and reinforced through a modification of the relevant legislation.

(20) The plan includes a legislative measure prohibiting the deductibility of outbound royalties and interest payments to non-cooperative tax jurisdictions, which entered into force on 1 March 2021. However, this measure corresponds to the implementation of an agreement reached at EU Council level in December 2019, applying to all Member States, irrespective of whether they have been given a recommendation to address aggressive tax planning in the context of the European Semester.

Contribution to growth potential, job creation and economic, social and institutional resilience

(21) In accordance with Article 19(3) point (c) and section 2.3 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a high impact (Rating A) on strengthening the growth potential, job creation, and economic, social and institutional resilience of Luxembourg, to which a well-functioning internal market is key, contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union.

(22) Simulations by the Commission services show that the plan has the potential to increase the GDP of Luxembourg by between 0,5 % and 0,8 %[3] by 2026. The recovery and resilience plan includes a significant number of reforms and investments that will address the impact of the crisis, strengthen Luxembourg's growth potential as well as its economic, social and institutional resilience. The investments and reforms of the plan are expected to promote a recovery consistent with the green and digital transitions. They are also expected to contribute to solving the persistent shortage of skilled labour, a limiting factor for growth and investment, in particular in information and communication technologies and health. In particular, the plan includes several measures to provide jobseekers with continuous on-line programmes designed to develop digital and other future-oriented skills, developed by the reformed Agency for the Development of Employment (ADEM) to increase employment opportunities. Other measures of the broader digital governance strategy are expected to contribute to foster digital integration in the private sector, notably by placing users experience at the centre. The measures included in the plan also support an improved accessibility to housing, cleaner and more efficient transportation systems and improved accessibility and quality of the health system.

[3] Such simulations reflect the overall impact of NGEU, which also includes funding for ReactEU, and increased funding for Horizon, InvestEU, JTF, Rural Development and RescEU. Such simulations do not include the possible positive impact of structural reforms, which can be substantial.

(23) The recovery and resilience plan envisages significant investments to address social challenges and improve social cohesion, and integration of vulnerable groups. In particular, one measure of the plan includes a target for the participation of older workers to foster their participation and to facilitate the integration in the labour market of the people that might more likely be lacking up-to-date digital skills. The plan aims at reaching one of the headline targets of the European Pillar of Social Rights Action Plan for the EU by 2030, namely that at least 60 % of all adults should be participating in training every year by 2030. In addition, investments in the plan to strengthen the health system are expected to benefit the most vulnerable people. This is also expected to contribute to the implementation of the European Pillar of Social Rights and social cohesion through improving accessibility to healthcare in underserved areas.

Do no significant harm

(24) In accordance with Article 19(3) point (d) and section 2.4 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to ensure that no measure (Rating A) for the implementation of reforms and investments projects included in the recovery and resilience plan does significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council[4] (the principle of 'do no significant harm').

(25) Luxembourg's recovery and resilience plan includes a systematic assessment of each measure against the principle of 'do no significant harm'. The information provided allows to assess that measures will comply with the principle, for instance, by providing justifications on the modalities of application of the existing EU and Luxembourg legislative framework to avoid any significant harm.

Contribution to the green transition including biodiversity

(26) In accordance with Article 19(3) point (e) and section 2.5 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the green transition, including biodiversity, or to addressing the challenges resulting therefrom. The measures supporting climate objectives account for an amount which represents 60,9 % of the plan's total allocation, calculated in accordance with the methodology of Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of Regulation (EU) 2021/241, the recovery and resilience plan is consistent with the information included in the National Energy and Climate Plan 2021-2030.

(27) Luxembourg's recovery and resilience plan puts a strong focus on the green transition. A significant part of the investments will be dedicated to projects in that area. The plan includes a measure consisting in deploying renewable energy generation capacity on a specific site, in an innovative way. Luxembourg will put into place a support scheme for electric vehicles charging points. It will also support biodiversity protection and restoration actions through conventions between the government and municipalities. Other challenges, such as the energy renovation of buildings, do not feature prominently in any investment measure and this is largely explained in the context of

[4] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13).

the low maximum financial contribution. This is also the case for the development of the public transport infrastructure, which, however, Luxembourg is pursuing independently of the support provided under Regulation (EU) 2021/241.

(28) Overall, the measures described in the plan are expected to have a lasting impact on the green transition. They are expected to make a significant contribution to advancing national climate and energy objectives as set out in Luxembourg's National Energy and Climate Plan, which requires additional measures. They are also expected to contribute to the Union's energy and climate targets for 2030 and the objective of EU Union climate neutrality by 2050.

Contribution to the digital transition

(29) In accordance with Article 19(3) point (f) and section 2.6 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan contains measures that contribute to a large extent (Rating A) to the digital transition or to addressing the challenges resulting from it. The measures supporting digital objectives account for an amount which represents 31,6 % of the plan's total allocation, calculated in accordance with the methodology of Annex VII to Regulation (EU) 2021/241.

(30) A set of measures included in Luxembourg's recovery and resilience plan contributes to the digital transition. A number of investments aim at digitalising public administration and the services provided as well as the health system, with a view to increasing their effectiveness, efficiency and interoperability. The plan also includes investments to develop basic and advanced digital skills. This should promote digitalisation and innovation and contribute to meeting demand on the labour market.

(31) Luxembourg's recovery and resilience plan also includes measures to address the challenges resulting from the digital transition. One of the investments included is the development of an ultra-secure communication infrastructure based on quantum technology, which should contribute to personal data security, a major challenge of the transition. The plan also aims to digitalise the Agency for the Development of Employment (ADEM) to improve the efficiency of the public authorities in ensuring satisfaction of labour market needs.

Lasting impact

(32) In accordance with Article 19(3) point (g) and section 2.7 of Annex V to Regulation (EU) 2021/241, the recovery and resilience plan is expected to have a lasting impact on Luxembourg to a large extent (Rating A).

(33) The implementation of the investments and reforms envisaged by Luxembourg in its plan has been designed as an additional lever to support Luxembourg in the achievement of its long-term objectives. The measures presented in the plan focus on innovative and sustainable economic activities with significant exploitation potential. Through many innovative projects, Luxembourg is diversifying its economic activity, creating new investment opportunities, and embarking on a more resilient growth path. In addition, the recovery and resilience plan aims at providing an adequate response to the current health crisis, which is likely to aggravate existing inequalities. Lasting impact of the plan can also be enhanced through synergies between the plan and other programmes, including those financed by the Cohesion policy Funds.

(34) All three pillars of the recovery and resilience plan aim at structural changes in policies. The initiatives promoting digital skills aim to strengthen and diversify the professional skills of jobseekers and employees on short-time working schemes, with a

particular focus on the development of digital skills. In a longer-term perspective, the reforms included in the plan to foster lifelong learning and improve the adequacy of training to the needs of the labour market should make the labour market more resilient. Measures included in the plan should contribute to the improvement of resilience and performance of the health sector by addressing the shortage of health professionals and skills, promoting better governance and the digitisation of the health sector, including telemedicine. Measures to accelerate the decarbonisation of transport are expected to contribute positively to the green transition by promoting the use of renewable energy sources and by creating new 'green' jobs. Moreover, in order to promote a more transparent and fairer economy, reforms included in the plan aim at strengthening the legal supervisory framework for the fight against money laundering and terrorist financing. Therefore, it can be concluded that the reforms and investments are expected to bring a lasting structural change to relevant policies.

Monitoring and implementation

(35) In accordance with Article 19(3) point (h) and section 2.8 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan are adequate (Rating A) to ensure effective monitoring and implementation of the recovery and resilience plan, including the envisaged timetable, milestones and targets, and the related indicators.

(36) Luxembourg has presented a robust system of audit and controls with a clear institutional structure, task allocation and reporting mechanisms that should ensure a thorough monitoring of the implementation of milestones and targets. The Directorate for Economic and Budgetary Affairs within the Ministry of Finance has overall responsibility for the plan and acts as a single point of contact for the Commission. This service, which acts as managing department, is also responsible for drawing up the payment request and management declarations and it coordinates and monitors the implementation of the recovery and resilience plan. The managing department is responsible for aggregating all the information relating to the indicators for which it also carries out consistency checks and, more generally, quality control. Luxembourg has indicated that an IT system for the management and reporting of the milestones and targets is being developed in order to meet the specific management and reporting requirements described in the plan. In accordance with Article 20(5) point (e) of Regulation (EU) 2021/241, Luxembourg should implement this measure in order to comply with Article 22 of that Regulation, by confirming the status of its implementation before the first payment request. A dedicated audit on the system shall be undertaken. The report should analyse any related weaknesses found and corrective actions taken or planned. This should ensure in particular that Luxembourg has a system meeting relevant requirements. Accordingly, a milestone has been introduced in order to ensure that the system is implemented before the first payment request is made.

(37) The General Finance Inspectorate (*Inspection Générale des Finances* – "IGF"), which is also the audit authority for shared management funds, should act as the audit authority for the implementation of the plan. Based on Luxembourg's decision to submit one payment request per year, the audit authority should carry out audits of operations and a system audit every year, resulting in an annual audit report. In that report, it will assess whether the management and control system is functioning effectively, so as to provide reasonable assurance that the milestones and targets declared in the payment requests submitted to the Commission are correct. The audit

authority is independent from the managing department, which ensures an appropriate separation of functions.

(38) Milestones and targets are also relevant for measures already completed which are eligible according to Article 17(2) of the Regulation. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.

(39) Member States should ensure that financial support under the Facility is communicated and acknowledged in line with article 34 of Regulation (EU) 2021/241. Technical support may be requested under the Technical Support Instrument to assist Member States in the implementation of their plan.

Costing

(40) In accordance with Article 19(3) point (i) and section 2.9 of Annex V to Regulation (EU) 2021/241, the justification provided in the plan on the amount of the estimated total costs of the recovery and resilience plan is to a medium extent (Rating B) reasonable and plausible, is in line with the principle of cost efficiency and is commensurate to the expected national economic and social impact.

(41) For each reform and investment in the recovery and resilience plan, Luxembourg has provided an explanation and submitted documentation to substantiate the cost estimates. The cost information received is in general considered to be complete and understandable, even though for some measures, further evidence and a better explanation of the underlying assumptions could have been provided so as to achieve an A rating. The General Finance Inspectorate (IGF) has verified all measures covered in the recovery and resilience plan to ensure that the estimated costs are reasonable and plausible. However, no documentary evidence of this verification was submitted. Based on the information received, the estimated costs are “reasonable” to a medium extent for a large majority of the reforms and investments. Luxembourg has overall provided limited historical and comparative cost information to assess the plausibility of cost estimates. For measures started from 1 February 2020 onwards, invoices, tender documents and project plans of the planned investments were provided. Therefore, the estimated costs are “plausible” to a medium extent for the large majority of reforms and investments. Finally, the estimated total cost of the recovery and resilience plan is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

(42) Luxembourg provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the recovery and resilience plan to be financed under Regulation (EU) 2021/241 will not be covered by existing or planned Union financing.

Protection of financial interests

(43) In accordance with Article 19(3) point (j) and section 2.10 of Annex V to Regulation (EU) 2021/241, the arrangements proposed in the recovery and resilience plan and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interests when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding from that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with EU law, including for preventing, detecting and correcting corruption, fraud and conflicts of interests, and for protecting the Union finances in

line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council.

(44) Concerning the prevention, detection and correction of serious irregularities, the plan describes the national organisational structure covering the tasks to be performed based on a risk mapping, responsibilities and how they should prevent, detect and correct fraud, corruption and conflicts of interest wherever they occur. The use of the single data-mining and risk scoring tool to be provided by the Commission is also confirmed. The results of the controls should be summarised in a report drawn up during the control of expenditure. However, not all procedures for the protection of the financial interests of the Union described in the plan are already in place and they are expected to be completed by the fourth quarter of 2021. In accordance with Article 20(5) point (e) of Regulation (EU) 2021/241, Luxembourg should implement these procedures in order to comply with Article 22 of that Regulation, by confirming the status of their implementation before the first payment request. This should ensure in particular that Luxembourg has a system meeting relevant requirements. Accordingly, a milestone has been introduced in order to provide assurance on the protection of the financial interest of the Union before the first payment request is made.

(45) Specific measures are implemented to check compliance with the rules relating to public procurement, to prevent corruption and to protect financial interests. The General Finance Inspectorate's audit approach should be based on an annual system audit covering the system in place for the reporting of the milestones and targets and covering also the internal control system for preventing, detecting and correcting fraud, conflict of interest, corruption and double financing, and annual audits of operations based on an adequate sample.

Coherence of the plan

(46) In accordance with Article 19(3) point (k) and section 2.11 of Annex V to Regulation (EU) 2021/241, the plan includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.

(47) Luxembourg's recovery and resilience plan consists of eight components with a balanced combination of investments and reforms. Each component is built as a coherent combination of measures and has also synergies with the rest of the plan. In this way, investments and reforms included in the plan, either in the same component or in different components, reinforce or complement each other, and no measure contradicts or undermines the effectiveness of another.

Equality

(48) Equal opportunities in the form of equal access of all to public administration procedures and training, as well as digital inclusion have been mainly considered in the design of components 1A ("Skilling, reskilling and upskilling") and 3B ("Modernisation of public administration"). Persons with lower digital skills, older persons, and those not possessing a smartphone have been given special consideration in the design of the measures forming those components. Furthermore, the investment in telemedicine as part of component 1B ("Increasing the resilience of health system") ensures the availability of service via telephone and email to cater for the digital inclusion of persons with lower digital skills and older persons. Lastly, the Housing Pact 2.0 reform in component 1C ("Increasing the supply of public affordable and

sustainable housing”) aims at broadening access to housing for low-income households experiencing difficulties in acquiring or renting a dwelling on the private market.

Security self-assessment

(49) A security self-assessment has not been provided as it has not been considered appropriate by Luxembourg, in accordance with Article 18(4) point (g) of Regulation (EU) 2021/241.

Cross-border and multi-country projects

(50) The recovery and resilience plan allocates a substantial amount to an investment in quantum communication infrastructure, which falls under the European Quantum Communication Infrastructure Initiative (EuroQCI). This targeted funding and investment is geared towards a strategic area, as identified in the updated European industrial strategy and will contribute to building capacity and laying groundwork for increasing resilience. It will build a new ecosystem in Luxembourg creating highly qualified expertise and jobs in an advanced digital technology. It will also include the development and deployment of cross-border links between neighbouring national quantum communication networks.

Consultation process

(51) The draft recovery and resilience plan was presented to the parliamentary Finance and Budget Committee, the feedback of which has informed the finalisation of the plan. Following its adoption by the government, the plan has been presented to the parliamentary committees concerned, as well as to the plenary. Members of the Parliament expressed their views at the subsequent debate ahead of the formal submission. Social partners have been presented the draft recovery and resilience plan, and have shared their views about the priorities to be reflected in the plan. Following the adoption of the plan by the government, a new presentation to the social partners took place. To ensure ownership by the relevant actors, it is crucial to involve all local authorities and stakeholders concerned, including social partners, throughout the implementation of the investments and reforms included in the plan.

Positive assessment

(52) Following the positive assessment of the Commission concerning Luxembourg’s recovery and resilience plan with the finding that the plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241, in accordance with Article 20(2) of that Regulation, this Decision should set out the reforms and investment projects necessary for the implementation of the plan, the relevant milestones, targets and indicators, and the amount made available from the Union for the implementation of the plan in the form of non-repayable financial support.

Financial contribution

(53) The estimated total cost of the recovery and resilience plan of Luxembourg is EUR 93 354 077. As the recovery and resilience plan satisfactorily complies with the criteria for assessment set out in Regulation (EU) 2021/241 and, furthermore, as the amount of the estimated total costs of the recovery and resilience plan is lower than the maximum financial contribution available for Luxembourg, the financial contribution allocated for Luxembourg’s recovery and resilience plan should be equal to the amount of the estimated total costs of the recovery and resilience plan.

(54) In accordance with Article 11(2) of Regulation (EU) 2021/241, the calculation of the maximum financial contribution for Luxembourg is to be updated by 30 June 2022. As such, in accordance with Article 23(1) of that Regulation, an amount for Luxembourg should be made available now for a legal commitment by 31 December 2022. Where necessary following the updated maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution without undue delay.

(55) The support to be provided is to be financed from the borrowing by the Commission on behalf of the Union on the basis of Article 5 of Council Decision (EU, Euratom) 2020/2053[5]. The support should be paid in instalments once Luxembourg has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(56) Luxembourg has requested pre-financing of 13% of the financial contribution. That amount should be made available to Luxembourg subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241.

(57) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any other Union programme than Regulation (EU) 2021/241 or to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1
Approval of the assessment of the recovery and resilience plan

The assessment of the recovery and resilience plan of Luxembourg on the basis of the criteria provided for by Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the recovery and resilience plan, the arrangements and timetable for monitoring and implementation of the recovery and resilience plan, including the relevant milestones and targets, the relevant indicators relating to the fulfilment of the envisaged milestones and targets, and the arrangements for providing full access by the Commission to the underlying relevant data are set out in the Annex to this Decision.

Article 2
Financial contribution

1. The Union shall make available to Luxembourg a financial contribution in the form of non-repayable support amounting to EUR 93 354 077. An amount of EUR 76 625 886 shall be available to be legally committed by 31 December 2022[6]. Subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241 calculating an amount for Luxembourg equal to or more than this amount, a further

[5] OJ L 424, 15.12.2020, p. 1.

[6] This amount corresponds to the amount available for legal commitment by 31 December 2022 after deduction of Luxembourg's proportional share of the expenses of Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology of Article 11 of that Regulation

amount of EUR 16 728 191 shall be available to be legally committed from 1 January 2023 until 31 December 2023.

2. The Union financial contribution shall be made available by the Commission to Luxembourg in instalments in accordance with the Annex. An amount of EUR 12 136 030 shall be made available as a pre-financing payment, equal to 13 per cent of the financial contribution. The pre-financing and instalments may be disbursed by the Commission in one or several tranches. The size of the tranches shall be subject to the availability of funding.

3. The pre-financing shall be released subject to the entry into force and in accordance with the Financing Agreement provided for in Article 23(1) of Regulation (EU) 2021/241. Pre-financing shall be cleared by being proportionally deducted against the payment of the instalments.

4. The release of instalments in accordance with the Financing Agreement shall be conditional on available funding and a decision by the Commission, taken in accordance with Article 24 of Regulation (EU) 2021/241, that Luxembourg has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan. Subject to the entry into force of the legal commitments referred to in paragraph 1, to be eligible for payment, milestones and targets shall be completed no later than 31 August 2026.

Article 3
Addressee

This Decision is addressed to the Grand Duchy of Luxembourg.

Done at Brussels,

For the Council
The President