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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Luxembourg

COUNCIL IMPLEMENTING DECISION (EU) 2021/...

of ...

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 Facility¹, and in particular Article 20 thereof,

Having regard to the proposal from the European Commission,

¹ OJ L 57, 18.2.2021, p. 17.

Whereas:

- (1) The COVID-19 outbreak has had a disruptive impact on the economy of Luxembourg. In 2019, the gross domestic product (GDP) per capita of Luxembourg was 328 % of the Union 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. Long-standing aspects with an impact on medium-term economic performance include in particular relatively low activity rates, in particular 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 Luxembourg to: (a) take all measures necessary 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; (b) mitigate the employment impact of the crisis, with special consideration for people in a difficult labour market position; (c) 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 decarbonisation of the economy, and foster innovation and digitalisation in particular in the business sector;

and (d) 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 ('RRP'), the Commission finds that the recommendation on taking, in line with the general escape clause of the Stability and Growth Pact, all measures necessary to effectively address the pandemic, sustain the economy and support the ensuing recovery, has been fully implemented. Substantial progress has been achieved with regard 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 recommended euro-area Member States to take action, including through their RRPs, 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 euro-area Member States to strengthen national institutional frameworks, to ensure macro-financial stability, to complete the economic and monetary union and to strengthen the international role of the euro.
- (4) On 30 April 2021, Luxembourg submitted its national RRP 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, involving local and regional authorities, social partners, civil society organisations, youth organisations and other relevant stakeholders. National ownership of the RRPs underpins their successful implementation and lasting impact at national level and credibility at European level. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission has assessed the relevance, effectiveness, efficiency and coherence of the RRP, in accordance with the assessment guidelines set out in Annex V to that Regulation.

- (5) The RRP should pursue the general objectives of the Recovery and Resilience Facility established by Regulation (EU) 2021/241 (the ‘Facility’) and of the European Union Recovery Instrument set up by Council Regulation (EU) 2020/2094¹ 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’ RRP will constitute a coordinated effort involving reforms and investments across the Union. Through coordinated and simultaneous implementation and the implementation of cross-border and multi-country projects, such reforms and investments will mutually reinforce each other and generate positive spillovers across the Union. Therefore, about one third of the impact of the Facility on Member States’ growth and job creation will come from spillovers from other Member States.

Balanced response contributing to the six pillars

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

¹ Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).

- (8) Luxembourg presents a broad range of investments and reforms in the RRP. 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 RRP. This structure involving additional national funds allows Luxembourg to include measures contributing reasonably to all of the six pillars referred to in 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 37 % and 20 %, respectively. The green components of the RRP are also broadly consistent with Luxembourg's National Energy and Climate Plan 2021-2030, while some projects proposed in the RRP are also part of broader strategies, such as one dedicated to the knowledge-based economy. The RRP 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), of and Annex V, criterion 2.2, to Regulation (EU) 2021/241, the RRP is expected to contribute to effectively addressing all or a significant subset of challenges (Rating A) identified in the relevant country-specific recommendations addressed to Luxembourg, including fiscal aspects thereof, 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 to fall outside the scope of Luxembourg's RRP, 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 of the Stability and Growth Pact.
- (12) The RRP 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: (a) labour market policies (addressing skills mismatches, enhancing the employability of older workers); (b) the resilience of the healthcare system; (c) increasing available housing; (d) the green transition (investments in renewable energy generation, sustainable transport, environmental protection and biodiversity); (e) the digital transition (improving connectivity and digital skills of the population, and fostering the digitalisation of firms and public administration); and (f) 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 a short-time work scheme. Those vocational training programmes should also contribute to mitigating the employment impact of the crisis. The RRP 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 – in particular through its digitalisation. A reform aimed 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 of limiting the pressure on health professionals, while reducing the need for physical travelling in the context of the COVID-19 pandemic.
- (15) The RRP 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, in particular 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 RRP includes investments in digitalisation and innovation and serves the digital transition. Training programmes Future Skills 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 RRP 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 the amendment of the relevant legislation.
- (20) The RRP 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 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), of and Annex V, criterion 2.3, to Regulation (EU) 2021/241, the RRP 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 RRP, together with the rest of measures of the European Union Recovery Instrument, has the potential to increase the GDP of Luxembourg by between 0,5 % and 0,8 % by 2026, not including the possible positive impact of structural reforms, which can be substantial. The RRP 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 RRP 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 RRP 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 fostering digital integration in the private sector, in particular by placing users' experience at the centre. The measures included in the RRP also support improved accessibility to housing, cleaner and more efficient transportation systems and improved accessibility and quality of the health system.

- (23) The RRP envisages significant investments to address social challenges and improve social cohesion, and integration of vulnerable groups. In particular, one measure of the RRP 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 RRP aims to reach one of the headline targets of the European Pillar of Social Rights Action Plan for the Union by 2030, namely that at least 60 % of all adults should be participating in training every year by 2030. In addition, investments in the RRP 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), of and Annex V, criterion 2.4, to Regulation (EU) 2021/241, the RRP is expected to ensure that no measure for the implementation of reforms and investments projects included in the RRP does significant harm to environmental objectives (Rating A) within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council¹ (the principle of ‘do no significant harm’).

¹ 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).

- (25) Luxembourg's RRP 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 Union 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), of and Annex V, criterion 2.5, to Regulation (EU) 2021/241, the RRP 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 RRP's total allocation, calculated in accordance with the methodology set out in Annex VI to Regulation (EU) 2021/241. In accordance with Article 17 of that Regulation, the RRP is consistent with the information included in Luxembourg's 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 RRP 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 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 RRP 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 2021-2030, which requires additional measures. They are also expected to contribute to the Union's energy and climate targets for 2030 and the objective of Union climate neutrality by 2050.

Contribution to the digital transition

- (29) In accordance with Article 19(3), point (f), of and Annex V, criterion 2.6, to Regulation (EU) 2021/241, the RRP 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 RRP's total allocation, calculated in accordance with the methodology set out in Annex VII to Regulation (EU) 2021/241.
- (30) A set of measures included in Luxembourg's RRP contributes to the digital transition. A number of investments are aimed 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 RRP 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 RRP 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 RRP also aims to digitalise the Agency for the Development of Employment (ADEM) in order 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), of and Annex V, criterion 2.7, to Regulation (EU) 2021/241, the RRP 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 RRP has been designed as an additional lever to support Luxembourg in the achievement of its long-term objectives. The measures presented in the RRP 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 RRP aims to provide an adequate response to the current health crisis, which is likely to aggravate existing inequalities.
- (34) The lasting impact of the RRP can also be enhanced through synergies between the RRP and other programmes, including those financed by the cohesion policy funds.

- (35) All three pillars of the RRP 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 RRP 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 RRP 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 digitalisation 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 RRP are aimed 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

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

- (37) Luxembourg has presented a robust system of audit and controls with a clear institutional structure, task allocation and reporting mechanisms that should ensure the 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 RRP 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 RRP. 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 RRP. 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.

- (38) 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 RRP. 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.
- (39) Milestones and targets are also relevant for measures already completed which are eligible under Article 17(2) of Regulation (EU) 2021/241. The satisfactory fulfilment of these milestones and targets over time is required to justify a disbursement request.
- (40) 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 established by Regulation (EU) 2021/240 of the European Parliament and of the Council¹ to assist Member States in the implementation of their RRP.

¹ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument (OJ L 57, 18.2.2021, p. 1).

Costing

- (41) In accordance with Article 19(3), point (i), of and Annex V, criterion 2.9, to Regulation (EU) 2021/241, the justification provided in the RRP on the amount of the estimated total costs of the RRP 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.
- (42) For each reform and investment in the RRP, 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 IGF has verified all measures covered in the RRP 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 RRP is in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact.

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

Protection of the financial interests of the Union

- (44) In accordance with Article 19(3), point (j), of and Annex V, criterion 2.10, to Regulation (EU) 2021/241, the arrangements proposed in the RRP and the additional measures contained in this Decision are adequate (Rating A) to prevent, detect and correct corruption, fraud and conflicts of interest when using the funds provided under that Regulation, and the arrangements are expected to effectively avoid double funding under that Regulation and other Union programmes. This is without prejudice to the application of other instruments and tools to promote and enforce compliance with Union law, including for preventing, detecting and correcting corruption, fraud and conflicts of interest, and for protecting the Union budget in line with Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council¹.

¹ Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget (OJ L 433I, 22.12.2020, p. 1).

- (45) With regard to the prevention, detection and correction of serious irregularities, the RRP describes the national organisational structure covering the tasks to be performed on the basis of a risk mapping, responsibilities and how it 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 RRP 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.
- (46) 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 also covering the internal control system for preventing, detecting and correcting fraud, conflicts of interest, corruption and double financing, and on annual audits of operations based on an adequate sample.

Coherence of the RRP

- (47) In accordance with Article 19(3), point (k), of and Annex V, criterion 2.11, to Regulation (EU) 2021/241, the RRP includes to a high extent (Rating A) measures for the implementation of reforms and public investment projects that represent coherent actions.
- (48) Luxembourg's RRP consists of eight components with a balanced combination of investments and reforms. Each component is built as a coherent combination of measures and also has synergies with the rest of the RRP. In this way, investments and reforms included in the RRP 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

- (49) 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 to broaden access to housing for low-income households experiencing difficulties in acquiring or renting a dwelling on the private market.

Security self-assessment

- (50) 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

- (51) The RRP 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

- (52) The draft RRP was presented to the parliamentary Finance and Budget Committee, the feedback of which has informed the finalisation of the RRP. Following its adoption by the government, the RRP 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 RRP, and have shared their views about the priorities to be reflected in the RRP. Following the adoption of the RRP 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 RRP.

Positive assessment

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

Financial contribution

- (54) The estimated total cost of the RRP of Luxembourg is EUR 93 354 077. As the RRP 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 RRP is lower than the maximum financial contribution available for Luxembourg, the financial contribution allocated for Luxembourg's RRP should be equal to the amount of the estimated total costs of the RRP.

- (55) 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 not exceeding the maximum financial contribution referred to in Article 11(1), point (a), of that Regulation should be made available for a legal commitment by 31 December 2022. Where necessary following the update of the maximum financial contribution, the Council, on a proposal from the Commission, should amend this Decision to include the updated maximum financial contribution, calculated in accordance with Article 11(2) of that Regulation, without undue delay.
- (56) 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) 2020/2053¹. 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 RRP.
- (57) 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 of, and in accordance with, the agreement provided for in Article 23(1) of Regulation (EU) 2021/241 (the ‘financing agreement’).

¹ Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (OJ L 424, 15.12.2020, p. 1).

- (58) This Decision should be without prejudice to the outcome of any procedures relating to the award of Union funds under any Union programme other than the Facility 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 RRP

The assessment of Luxembourg's RRP on the basis of the criteria provided for in Article 19(3) of Regulation (EU) 2021/241 is approved. The reforms and investment projects under the RRP, the arrangements and timetable for the monitoring and implementation of the RRP, 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 2022¹. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Luxembourg that is equal to or more than EUR 93 354 077, a further amount of EUR 16 728 191 shall be available to be legally committed from 1 January 2023 until 31 December 2023. If the update provided for in Article 11(2) of Regulation (EU) 2021/241 results in an updated maximum financial contribution for Luxembourg that is less than EUR 93 354 077, the difference between the updated maximum financial contribution and the amount of EUR 76 625 886 shall be available to be legally committed in accordance with the procedure set out in Article 20(8) of Regulation (EU) 2021/241 from 1 January 2023 until 31 December 2023.

¹ This amount corresponds to the amount available for legal commitment by 31 December 2022 after deduction of Luxembourg's proportional share of the expenses referred to in Article 6(2) of Regulation (EU) 2021/241, calculated in accordance with the methodology set out in Article 11 of that Regulation.

2. The Union financial contribution shall be made available by the Commission to Luxembourg in instalments in accordance with the Annex to this Decision. An amount of EUR 12 136 030 shall be made available as a pre-financing payment, equal to 13 % 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 of, and in accordance with, the financing agreement. 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 RRP. In order to be eligible for payment, Luxembourg shall complete the milestones and targets no later than 31 August 2026, subject to the entry into force of the legal commitments referred to in paragraph 1.

Article 3
Addressee

This Decision is addressed to the Grand Duchy of Luxembourg.

Done at ...,

For the Council
The President
