



# Simpler. Better. Modern.

A large, light orange silhouette of the map of Luxembourg, positioned on the left side of the page and partially overlapping the text.

State of the  
Nation 2024





# Simpler. Better. Modern.

*Luxembourg, 11 June 2024*

Mr. Speaker,

Honorable Members of Parliament,

**On November 22nd last year, I announced on behalf of the new government our commitment to building the Luxembourg of tomorrow** and guiding our country towards a future of peace, freedom, and prosperity. Since our oath of office, we have stayed true to this goal, with the government diligently working towards it on a daily basis, both on a national level and abroad.

We are pursuing this goal within a geopolitical context of wars in Europe and on its borders, particularly in Ukraine and the Middle East. Against a backdrop of tension, intense competition, and mistrust between the world's largest countries. All these events have an impact on our country.

The social cohesion of our nation, our economic future in a world marked more by self-interest than the common good, the challenges of climate change and the unstable international situation force us every day to take these issues into account in our reflections and decisions. The state of the nation, and the future of our nation, depend on it.

Limiting this discussion of the state of the nation to the latest economic forecasts or budget data would be reductive and not answer the fundamental question.

**The State of the Nation Address is first and foremost an opportunity to take a step back from day-to-day politics and the 24-hour news cycle**, to shift our attention from the details to the bigger picture. It is where the past meets the present, where our history meets our future.



**Politics is about creating, not just managing.** Many citizens are worried about the future – their own, but also that of their children, their country, our country, and Europe.

- We think of the war in Ukraine and the threat to peace in Europe. That the countries of the European Union tend to drift apart.
- We think of the struggle to find a place to live and the hope of becoming a homeowner, aspirations that are becoming increasingly difficult to fulfil.
- We think of the feeling of isolation when facing personal challenges, and we observe that it is becoming more accepted in our society to prioritise one's individual well-being over that of others.
- We think of the difficulty of finding a job that allows a life without worries.
- We think of the changing climate, which threatens to destroy our planet and disrupt our way of life if we don't manage to control our emissions.

**We are aware of all these concerns. We understand them. We feel them. But I also tell you this: the future is not fixed; it is not predestined. The future doesn't just happen, we shape it.**

Previous generations were also aware of these issues and were able to face and overcome the challenges of their time: at the turn of the 20th century, at the end of the Second World War, during the steel and financial crises. May this be a source of courage and optimism for us. We have the opportunity and the duty to shape our own future, and that is precisely what we will do.

In this State of the Nation Address, I won't cover every policy area in detail — that was part of the Government Programme and the Coalition Agreement. All policies are crucial and contribute to an overall vision.

Today, I will focus on a few key areas that we will be prioritising in the coming weeks and months.



Mr. Speaker,

The world around Luxembourg is evolving. It starts in the European Union.

Despite our differences, there has always been a common ambition to promote European integration. The peace project, the single market, the euro, the Schengen area, a common European Parliament.

**We welcome the fact that the pro-European parties achieved a good result in the European elections here in Luxembourg.** And I am pleased to note that in the overall composition of the European Parliament, two-thirds of MEPs continue to represent centrist, pro-European parties.

**However, we must recognise that eurosceptics are gaining ground in our neighbouring countries.** For some, Europe is no longer providing answers. This scepticism is growing at a time when Europe's influence on the world stage is declining. Currently, Europe accounts for 6% of the world's population, down from 10% fifty years ago. Half a century ago, Europe contributed one dollar in every four to the global economy; today, it is one dollar in every six.

**And yet, or maybe precisely because of this, Luxembourg's future lies in a strong European Union, a reinvigorated Europe.**

Faced with the world's other major powers – the United States, China, India or the African continent – European countries can only play a significant role if they remain united.

We stand united, or fall individually. This applies to all EU countries, but especially to Luxembourg. Our country's prosperity depends on a stable, peaceful, and globalised world. Every day, our society maintains close relations with its neighbours. No other European country embodies openness like the home of Schengen.

Many decisions crucial to our future can only be taken in collaboration with our neighbours and allies. It is imperative that we adopt a European vision in our political choices.



**Our vision must be European on the economy.** Our prosperity is based on the European single market. Our prosperity depends on a competitive EU able to compete with the United States of America and China.

We therefore welcome the key recommendations of former Italian Prime Minister Enrico Letta to strengthen the EU single market.

- By pursuing initiatives to remove barriers between our economies that make goods unnecessarily more expensive, such as geo-blocking or restrictions on the choice of suppliers.
- With a savings and investment union that would make investing in European companies, especially small and medium-sized enterprises, more attractive to EU citizens.
- With cross-border European research that will enable us to become a major player in the digital and technological transition.

In all of these areas, Europe must make life easier for its citizens and companies. That is why we want to avoid over-regulation and unnecessary centralisation.

**We also need a European approach to climate change.** Yes, we contribute our part to these efforts. But CO<sub>2</sub> emissions need to be reduced at a global level if we are to meet the Paris targets. That's why we support the EU's efforts to set common climate targets for 2040 which will take us towards a common climate neutral future. We are also committed to accelerating cross-border energy infrastructure construction in Europe.

**We must adopt a European perspective on defence as well.** Beyond the borders of the EU, the world is witnessing even more significant developments. The recent Russian aggression against Ukraine serves as a stark reminder that peace in Europe remains fragile.

This is perhaps the most visible example, but it is certainly not the only sign that the international system is being challenged, **that the values of freedom and democracy are under threat at a global level. It also highlights the fact that the world has become less**



**safe.** It is less safe in the Sahel region. In the Middle East. In Ukraine. The Sahel, Israel-Palestine, Ukraine. All these places seem far away and yet they are so close.

They move our hearts because we cannot turn a blind eye to the suffering in the world. They affect our society because we provide protection, in our own country, to some 7,000 people facing these tragedies. They affect our economy, because the cost of our goods has risen by around 10% since 2019 as a result of these conflicts. They affect our cooperation policy because we have been providing humanitarian aid there for years. And they are geographically closer to us than we often tend to think. Kiev is about 1,700 km from here, the same distance as Luxembourg to Lisbon.

These conflicts are confronting us with a difficult but clear reality: the peace we thought we had achieved in Europe at the end of the Second World War and the Cold War is not definitive.

**This sad reality forces us to change our policy. We must strengthen our defences today with a view to tomorrow, also here in Luxembourg. Not to wage war, but to prevent it.** By means of credible deterrence. To achieve this, we need a defence policy that is in line with our alliances within NATO and the EU, without losing sight of our national interests.

In July 2023, the previous Luxembourg government made a commitment to our NATO partners to increase our defence spending to 2% of gross national income. Just as other NATO countries have done or will soon do.

This is because we know that if we don't, we risk paying a much higher price: our freedom and peace.

But we're not doing it because we think our contribution will make a difference. Quite the opposite. We are part of an alliance precisely because we know that we cannot defend ourselves alone.

That is the lesson Luxembourg learned from the Second World War. I thought about this a lot last week when I travelled to Normandy with the Grand Duke to take part in a moving



ceremony to pay tribute to the many American soldiers, and soldiers of other nationalities, who landed there 80 years ago to give us back our freedom. The commitment of all those who fought for our freedom must never be forgotten.

Since the atrocities of World War II, NATO and the European Union have stood as guarantors of peace and security. During my first meeting with the NATO Secretary General, I told him of our desire to achieve the objective of 2% of GNI to which Luxembourg has committed itself over the next ten years. **Given the international situation and the commitments of all our NATO partners, I would like to inform you today that the government has decided to reach this target of 2% per year by 2030.**

At the NATO summit in Washington in July, together with the Minister for Foreign Affairs and the Minister of Defence, I will present this agenda – 2% by 2030 – and its broad outlines to our NATO partners.

As announced, in the next few days the Minister of Defence will also be discussing with the relevant parliamentary committee these avenues on which she is currently working with the army and other players, some of which will be spread over several years.

**These investments will be in line with the strategic priorities of our allies and will also strengthen our national position.** This includes traditional military investments as well as cybersecurity, which is becoming increasingly important, and our expertise in satellites.

Through all these efforts, we will try to ensure that our national economy can also benefit from these investments. Especially those companies whose skills can be used for both civil and military purposes.

We hope that this effort, of unusual importance and scope for our nation, can rely on a sufficiently broad national consensus.

**But our security is also directly linked to the outcome of the conflict in Ukraine.** In a world where the invasion of one country by another has once again become a reality, our own security is also compromised. For more than two years, Ukrainians have been defending





their freedom at the cost of their lives. But also, our freedom, the respect for international law and borders that cannot be redefined by force of arms. Luxembourg and its allies will stand with Ukraine.

Only when Russia realises that it has no chance of success on the field will the path to the negotiating table become attractive. Together with Ukraine and our partners, we want to restore the path to peace and stability in Europe. For this reason, I will travel to Switzerland this weekend to attend a peace conference on Ukraine, together with many other heads of state and government. It will not restore peace overnight. But it should be an important first step on the difficult road to peace on our continent.

**The world around us is full of tragedy. Our role is to help build a better world, both abroad and at home.** Everything is closely connected. A responsible foreign policy must therefore also help those people that are fleeing war. We stand by our commitment to spend 1% of GNI on development aid.

Offering people a better life. That's the role of politics, and we take it seriously.



Mr. Speaker,

Building the Luxembourg of tomorrow also means meeting the challenges of housing.

When we talk about the future, a home is one of the top priorities for everyone's personal future. Because a home is so much more than four walls and a roof over the head. It's a home for you and your family. A place of wellbeing. A place of memories. And therefore, an integral part of life.

**We therefore understand that the search for affordable housing is the main concern of many of our fellow citizens. The new government has made this a top priority.**

- In the construction sector, we have managed to protect many jobs thanks to short-time working.
- We have increased **rent subsidies for tenants** and extended their scope so that more people can benefit from them.
- To increase the supply of available housing, the government has launched an ambitious housing purchase programme. We plan to invest up to half a billion euros by 2027.
- For all those, especially young people, who want to become homeowners, we have increased the tax credit for notarial deeds ('Bëllegen Akt') for first-time buyers. In addition, interest subsidies on housing loans have been increased to help people cope with rising interest rates.
- To encourage private investment in housing, we have introduced a new tax credit for investors. In addition, the law on rental agreements has been amended.
- Finally, we have involved Luxembourg banks to ensure that new housing projects do not run into financing problems.

**The initial measures taken to tackle last year's crisis must now be complemented by new structural measures.** We have to lay the foundations today so that it will still be



possible to live in Luxembourg in 10 years' time. This is important for both our social cohesion and our economic attractiveness.

**This government is determined to build more and faster. To this end, we have launched a program to significantly simplify administrative procedures.** A task that is often avoided because it is too complex and controversial. Yet this is exactly where we need to intervene. Everyone here knows that we have too many procedures and that they are too complicated.

The working group on procedures set up at the National Housing Conference has completed its works. I would like to thank everyone involved for their hard work. But also, for the spirit of cooperation between the State, the municipalities, and the private sector. Everyone has made a contribution.

The government has already introduced a first measure to extend building permits from one to two years. In addition, **I am announcing today a 10-point action plan which represents a paradigm shift and a change of mentality in housing procedures** at both the state and municipal levels. All while ensuring that quality is maintained.

- **As agreed in the coalition agreement, the principle of 'silence means agreement' will be introduced. Municipalities are ready to apply this principle if we do the same at state level.** We are therefore now working intensively to do so insofar as it does not conflict with European law. In the meantime, we are proposing de minimis thresholds for planning permissions and authorisations granted by national bodies by the end of this year. In future, no permit will be required for small works such as the installation of a new window or a small photovoltaic system. In such cases, a simple notification will suffice. In addition, the state and local authorities will be subject to new, stricter deadlines for their procedures. These measures will already have an impact on the speed of construction in the short term, but with 'silence means agreement' we hope to accelerate the pace of construction even further in the medium term.



- **Second, the PAG (general development plan) and PAP (special development plan) procedures, which take an average of 12 months, will be merged into a single procedure, enabling us to reduce the time it takes to complete this procedure to a maximum of 8 months.** If a PAP project requires a specific amendment to the PAG, this will also be done under a single procedure. For around a quarter of the smaller projects, we will be introducing a completely new simplified PAP procedure, which will be even shorter. Given that discussions about the infrastructure of a new district often take a long time, we will be introducing a legal deadline of 6 months.
- **Third, by 2025 we plan to introduce standard national building regulations with uniform rules.** Municipalities will still be able to define urban planning details to best reflect the character of their localities. But with uniform rules, we will be able to avoid many procedural errors, and construction projects can be completed more quickly and at lower cost.
- **Fourth, we want to put an end to the contradictory standards that the State imposes on people.** To this end, we're creating a new commission between the ITM, the CGDIS and the Ministry of Family Affairs, which will be the sole point of contact for builders and will also jointly advise on future building projects to avoid disagreements. Similarly, we intend to integrate the National Civil Service Security Service into the ITM.
- **Fifth, all authorisation procedures will be centralised and digitised on a single platform.** Under the 'once only' principle, you will only need to enter your details once. This platform will also provide you with a personalised list of the procedures required for the specific project. This will make procedures and follow-up much easier for citizens, businesses and administrations. We aim to complete this major project within the next 24 months.
- **Sixth, the legislative changes necessary for ministerial land reorganisation will be submitted to Parliament before the summer.** Today, a single owner can block the construction of an entire neighbourhood, putting his own interests above those



of the community. With this measure, the Minister for Home Affairs will be able to relocate such an owner's land so that the project can go ahead.

- Seventh, **we are creating greater flexibility in the management of construction waste**. This will also increase efficiency and prevent trucks from travelling around the country.
- We are also committed to simplifying environmental procedures without neglecting the protection of our nature. To be widely accepted by the public, nature conservation must be considered in its entirety. By adopting this holistic approach, we will significantly reduce the number of environmental studies and compensation measures that individual developers have to carry out. **With this in mind, still before the summer we will suggest the introduction of the 'temporary nature' (Natur auf Zeit) principle in urban areas**. This will allow landowners to let hedges and shrubs grow without fearing that their project will become unfeasible or more expensive. Such biotopes will no longer have to be compensated for in urban areas. In return, 10% of a new residential area must be reserved for green spaces. This will help to make our urban spaces greener and improve quality of life.
- With the ninth measure, **this year we will be the first EU country to propose the principle of 'Compensation once and for all'**. This is a general solution to compensate for the hunting grounds of various protected animals in the construction zone, without each contractor having to carry out a study. Compensation for the hunting area is carried out on state-owned land with little agricultural potential. This is combined with a ban on the use of pesticides in these areas.
- The tenth measure **is to raise the threshold at which a new construction project requires a screening for an environmental impact assessment from 2 to 4 hectares**. Experience in recent years has shown that only one in 14 developments of this size requires a full EIA. By eliminating this preliminary screening, we can save weeks or even months of procedures.



Silence is agreement. Once only. Digital first. Temporary nature. Compensation once and for all. As you can see, **these 10 measures implement the main principles of our coalition agreement and substantially modernise our housing construction procedures. The procedures will be simpler, more digital, and clearer. And therefore faster.**

Building faster means a better quality of life for citizens, as it is the only way to guarantee everyone's right to a home in the long term. However, building more is often associated with a decline in quality of life. But this does not have to be the case.

If well designed, a carefully planned urban environment can actually improve the quality of life, not lower it. A denser residential area is also more attractive to businesses. It means having a baker, hairdresser and pharmacist around the corner. Shorter journeys to these shops also save time: leaving more time for the family, for oneself, for leisure.

Our country needs more housing, and quickly. We already have plenty of space to do so. Already today, our construction perimeter would allow us to build more than 100,000 new homes. We need to mobilise these properties. To this end, we want to maintain the idea of the mobilisation tax, and we will be tabling the necessary amendments to the law still this year in the Chamber of Deputies. This is also why we've lowered this year's tax on gains on sales of existing houses.

But again, the housing shortage remains a real challenge in the short and medium term. And the lower the income, the greater the problem.

So, we also need to create more affordable housing. To this end, the government has already improved the tax benefits for transferring housing to social rental management, where the rent remains well below the market price.

**By the end of the year, we will also be submitting to Parliament an amendment to the text on affordable housing – Article 29bis of the Municipal Planning Act.** The current rules often mean that affordable housing is too big and therefore too expensive. We're going to change that to allow more genuinely affordable housing to be built.



**We want to be innovative in this area as well. We're therefore launching a number of pilot projects involving the private sector to make housing more affordable.**

On one hand, public developers should have the option to lease houses built by the private sector on its own land for a period of 20 years, rather than having to buy them. This arrangement should involve a rental rate below market value but above the affordable rent threshold. Subsequently, the public developer would lease the property to individuals eligible for existing affordable housing rates. The government would cover the difference between the two rents, in exchange for a right of first refusal after 20 years.

In another pilot project, we want to open up this model to companies that want to build homes for their employees.

The third pilot project is an entirely new approach. It involves the private sector building affordable homes on public land, which will then be sold to public developers. Two potential sites have already been identified. Again, our aim is to deliver affordable homes more quickly.

Over the next few weeks, the Minister for Home Affairs, the Minister of the Environment and the Minister of Housing will present details of these initiatives to the relevant parliamentary committees and to the construction industry.



Mr. Speaker,

All these housing measures are very important. Not only to guarantee access to housing for all residents. But also because the cost of housing remains the main expense factor for most Luxembourg households. For 20% of our population with the lowest income, more than one euro in two is spent on housing.

**This makes our housing policy an important pillar in the fight against poverty – another priority of this government.** It's a priority because, for several years now, a significant part of our population has been exposed to an increased risk of poverty or is already in a situation of precariousness and social exclusion.

The Minister for Family Affairs is working intensively on a national plan to prevent and combat poverty. This plan will define a holistic approach to the fight against poverty in all its aspects. After all, the fight against poverty is an investment in the future of the entire country.

It is an especially big investment in our future, when we improve the situation of children living in precarious conditions. Today, this affects almost 30,000 children, a quarter of all our children. Some of these children are unable to eat properly or celebrate their birthdays. And this in Luxembourg.

Leaving children in such a situation jeopardizes their future and thus represents a missed opportunity for our entire society. That's why the Minister for Family Affairs and I have met and listened to many people working in this field over the last few weeks, including the Red Cross, Caritas, Unicef and others. They are doing extraordinary work for our society. We need to involve them more in shaping our social policies and face the challenges together.

Following these consultations, we realise that, like in the housing area, administrative simplification must also be an essential part of our strategy to combat poverty. **In other words, it's not about helping more, but helping better. Helping in a way that it really reaches those in need. We need policies based on effectiveness, not popularity.**





Already, almost half of public spending is dedicated to social policy. But our measures often fail to reach those who need them most. Take rent subsidies, for example – precisely where help is most needed today – three quarters of those eligible do not receive the help they are eligible for.

The problem often begins with the fact that in many cases people don't know what help they are entitled to. In this context, initial work has been launched to create a single point of contact for social assistance and a digital platform to provide an overview of all available benefits.

In preparing the action plan against poverty, the Minister for Family Affairs, in cooperation with the offices sociaux, will simplify and harmonise social assistance to ensure that it reaches those who really need it. But again, a new approach is needed to make real progress.

**That's why we're making a paradigm shift in the way we provide support by creating the legal basis for the 'once only' principle within the state administration.** This bill, which the Minister for Digitalisation will introduce to Parliament before the summer recess, will completely overhaul the current system. In future, it will no longer be up to citizens to repeatedly submit the documents they need for their application. The information and documents that the government already has in its possession will be collected by the authorities themselves. This will considerably reduce the number of refusals due to incomplete files.

But we want to go even further.

In the past, citizens had to get information about all the aids they were entitled to and apply for them. In future, authorities will have the ability to cross-reference with other administrations to ascertain a person's eligibility for specific benefits based on their circumstances. The state can then take the initiative to send a form directly to the citizen. Furthermore, following the 'once only' principle, this form will often have been completed in advance by the administration. Ideally, the individual would only need to review and sign the document.



**We want to put an end to the paper jungle in which those who can least afford it, get lost.** That's what an effective policy is all about. A policy where financial assistance reaches the people who need it.

But material insecurity is only one aspect of poverty. Poverty also has a huge impact on the health and education of our children, and this throughout their lives. As one organisation put it: "Poverty makes you sick and sickness makes you poor." We cannot remain indifferent.

**If we want to break the vicious circle of poverty, we must also take action in the field of health. At the beginning of next year, the Minister of Health and Social Security will present a plan to transform 'school medicine' into 'school health'.** We want to proactively promote a healthy lifestyle among pupils and ensure that all our children have adequate access to preventive medicine.

We will make the social environment and mental health of our children a top priority. The aim is to tackle problems through an integrated approach, with a medical component, social support and in close contact with parents.

According to a recent university study, one in five children in Luxembourg is at risk of developing depression. And one child in three shows symptoms of anxiety. These are figures that should concern us all. Childhood should be synonymous with happiness, not depression and anxiety.

**However, we should not focus only on children and teenagers. Mental health is an issue that affects all age groups.** The Minister of Health and Social Security will therefore make it one of her priorities for the next 12 months. The aim is to re-evaluate all areas, from prevention to treatment.

To break the vicious circle of poverty and health issues among adults as well, we will evaluate the pilot project on universal health coverage in autumn and, if possible, make it a permanent feature of our social protection system.



This would give the most vulnerable in our society, including the homeless, access to a doctor and medicines. They would also benefit from a CNS card to prevent stigmatisation.

We are working every day to ensure that no one in Luxembourg is forced to live in precarious conditions or end up on the streets. A fourth 'night shelter' opened its doors in December, and I recently visited a new facility in Berbourg with the Minister for Family Affairs, where 22 beds have been made available for elderly homeless people.

A socially just and forward-looking policy – a government which today thinks about the social policy of tomorrow – must also constantly adapt to changes in society. That's why, over the coming months, we will be launching a series of major projects designed to adapt our policies to these evolutions.

**On the one hand, we need to take account of different family compositions, which are more diverse today than they were 20 years ago.** In particular, more and more children are living with only one parent at home. That's why we decided in the coalition agreement to present a plan to create a single tax bracket by 2026.

**To ensure that single parents are not left alone with their financial worries while waiting for this ambitious project to come into effect, the Minister of Finance will soon be presenting a proposal to provide them with tax relief from 1 January 2025.**

This is another piece of the puzzle in our strategy to combat child poverty. Indeed, one child in five in Luxembourg lives in a single-parent household. This is the fourth highest rate in Europe and twice as high as in the Netherlands or Switzerland for instance.

We will also ensure that the law on adoption takes account of more diverse family compositions.

**Another new reality is that we live longer. This is a positive development, but one that our policies need to adapt to.** That's why we need an in-depth debate on our pension system. Many people have been retired for almost as long as they have been paying contributions. Our system is sustainable today, but it must also be guaranteed for future



generations. The system needs to be reassessed as a whole, considering the country's demographic and economic development.

**Starting in the autumn, the Minister of Health and Social Security will hold bilateral consultations with trade unions and companies.** As we seek a broad consensus, we will also actively engage in dialogue with the younger generation, who are farthest from retirement but will bear most the consequences of our decisions. This includes the Youth Parliament, the youth parties, student representatives, the whole population of the country.

To involve the wider society, the Minister will organise conferences and round tables. We hope for a high level of public participation. To provide a common basis for this debate, the Economic and Social Council is currently working on an opinion that will be finalised this summer.

Whatever reforms arise from this debate, one thing is clear: a strong social insurance principle is crucial to our pension system. It must ensure that everyone can approach retirement with confidence. This is a matter of solidarity and social cohesion, embodying the spirit of the intergenerational pact.

We will leave no one behind. That's why we will be introducing a supplementary allowance for the elderly. With this allowance, we can help our fellow senior citizens with lower incomes to obtain a place in a retirement home and live in dignity.

**A third reality that we must take into account is the new balance between work and life.** Today, the employees of our companies are in search of a different kind of work organisation.

**In this context, the relevant ministers are working on a package of joint measures to be finalised by the end of the year.** This will include a more flexible maternity leave, part-time family work, the organisation of working time and new rules on Sunday working, in line with the coalition agreement that introduced these measures. In the coming months, the respective ministers will discuss these issues with the social partners.



Social cohesion also means living together in peace and security, adhering to the rules established by the State and local authorities. It is the responsibility of the State and the police to uphold these standards. Because security and freedom, as well as security and peaceful coexistence, go hand in hand, and given the growth of our population, the government is increasing the number of candidates per promotion within the police force from 160 to 200. More police officers means more visibility and a regular presence in the streets.

**That is why, this summer, a pilot project for a local police unit, or "police de proximité", will be launched in the city of Luxembourg and in Esch.** This unit will not be detached from the police but will be an integral part of the Grand-Ducal Police.

The police also needs a clear legal framework that allows it to act where necessary. For this reason, the Minister for Home Affairs will be presenting a bill this year with improved provisions on 'Platzverweis' (eviction measures). The Minister of Justice will also be modernising the Criminal Code to create an effective instrument against aggressive begging.



Mr. Speaker,

Our social system is largely based on employment: health insurance, unemployment benefits, the pension system. Our social safety net is tightly woven around employment. You can't separate the social from the economic. On the one hand, this means that work must be profitable.

**In our election programme we committed to ensuring that people keep more of their net income in relation to their gross income, with the aim of increasing their purchasing power.** That's why the new government has decided to adjust the tax scale by the equivalent of 4 indexations this year. Depending on their family situation, this change will allow people to save up to €1,100 a year.

**From 1 January 2025, the tax scale will be adjusted by a further two and a half indexations to give everyone more purchasing power.** This measure makes sense both from an economic and a social point of view.

But what counts most, is to have a job. And to do so, we need to create jobs. The economy is slowing down. In 2023, just before the current government took office, the country was in recession. Across Europe, economic prospects remain below historical averages. The digital transition is often greeted with scepticism, despite its positive potential.

We need to prepare today for the working environment of tomorrow. Tomorrow's economy will be different from today's. Similar concerns have been raised in the past about other transitions. For electricity. For the car. For the computer. 20 years ago, the internet barely existed. Today, everyone knows or uses the services of Amazon, for example. But this example shows the potential of such a development: Amazon has also created more than 4,000 jobs in Luxembourg.

**What has always been true and remains true today is that jobs are created in areas experiencing growth. And growth occurs where a country provides a competitive environment.**



The concept of competitiveness is often associated with social dismantling and job losses.

But there is nothing negative about competitiveness. On the contrary, it describes each country's attempt to do better than others in a given sector. This is the objective of the current government for our country and for Europe. This kind of competition is good for everyone. It leads to innovation, better prices, and higher quality.

Our competitiveness must be viewed in relation to other European countries. But also in the context of the EU as a whole, in relation to the rest of the world. Europe as a whole has lost competitiveness in recent years. The GDP per capita of the United States has overtaken that of all the major European economies in recent years.

This trend is likely to increase. Because we have also become less competitive in the sectors of the future, such as renewable energy and artificial intelligence. China dominates 80% of the world market for the manufacturing of photovoltaic panels. And the biggest seller of electric cars is a Chinese company. Silicon Valley in the United States continues to dominate the technology sector. After Google, Apple and Amazon, ChatGPT is the latest example of its success.

To relaunch our competitiveness, we need two things in particular. First, a competitive legal and fiscal framework and, second, ecosystem strategies in specific sectors.

The legal framework in Europe and in Luxembourg is often complex, even too complex. This also requires a change of mentality. We need to move away from over-regulation and get back to common sense. Regulations should help companies to develop, not hinder their growth.

**Above all, our small and medium-sized enterprises must not be the victims of a bureaucratic burnout,** because they are the ones who create the majority of jobs. We are working tirelessly on this. Both in Brussels and at home.



- In this respect, we will be taking advantage of this summer's viticulture roundtable to simplify the procedures for seasonal workers, so that they can obtain their papers before the end of season.
- To allow farmers to spend more time in the field and less time in the office, the Minister of Agriculture will present a bill to the Chamber of Deputies after the first roundtable on agriculture to reduce the administrative burden on farmers.
- To ensure that our SMEs have the best possible conditions for development, the Minister of the Economy will still this year present a revision of the framework law on SMEs and is working on simplifying the administrative procedures for setting up a business.

A competitive framework also responds to the specific needs of different firms and adapts to the sector and size of the company. A country's competitiveness therefore also depends on innovation. And innovation often starts with a good idea in a start-up. **But in addition to good ideas, start-ups need financial support and skilled workers. With this in mind, the regulatory and tax framework will be improved in the near future.**

But existing companies are also constantly innovating. That's why we welcome the swift approval of the tax credit for these activities. But we are now looking at ways to further optimise these measures. The 'once only' principle will also reduce the administrative burden for all companies and strengthen our competitiveness.

In addition to simplified regulations, our companies need an attractive tax framework. That's why we want to bring the corporate tax rate in line with the international average. **To achieve this, the government proposes to reduce the corporate tax rate from 17% to 16% from 1 January 2025.**

All these measures will make us more competitive. They will give our businesses security. So they can plan, invest and grow. And help create jobs. But we don't just need competitiveness at the national level. It is also essential in every sector.





**If Luxembourg is to continue to create a large number of high-quality jobs, it is essential to offer a high-performance ecosystem in strategic sectors. An ecosystem of this kind already exists in the data and communications sector, and it will be systematically improved.**

A major player in this field – SES, in which the State is a shareholder – decided two months ago to buy Intelsat. This move is aimed at strengthening its position in the satellite and data market of the future. This acquisition will not only consolidate the company, historically based in Betzdorf and with an international presence, but will also strengthen the country's entire satellite and space ecosystem.

Luxembourg also stands out for the security of its data centres. A quarter of the most secure data centres in Europe are now located in Luxembourg. In this geopolitical context, security also includes data sovereignty. It is therefore important to control through which countries data passes. In this respect, Luxembourg is a pioneer, especially in the wider context of the European Union.

**The 'Clarence' project by LuxConnect and Proximus will be launched in autumn.** This will be the first 'disconnected' cloud solution where data is stored and managed exclusively within the EU.

In this context, Luxembourg is part of a European project to create a Cloud Edge Continuum. Among other things, this infrastructure is needed to develop autonomous driving – another activity we want to develop in Luxembourg. This autumn, an incubator will open its doors at the Automobility Campus in Bissen to support companies in this field.

**In this sector, we are also pleased that Lyten and Pony.ai have decided to set up in Luxembourg. Pony.ai is a leader in America and China in the field of autonomous driving.** The company will establish its European headquarters and research centre in Luxembourg.



To carry out this type of research, we need high-performance computers, another essential component of this ecosystem. To this end, we're working on a new-generation supercomputer to replace Meluxina. And we're going even further. In March, we submitted our application to host one of the first quantum computers in the EU.

**As you can see, our actions are all part of an integrated approach. An approach with a clear objective: to position Luxembourg as a leader in the data economy.** If we want to be a leading player, we also need a strategy to support the rise of artificial intelligence. A technology described by many as the next industrial revolution. We are working on this strategy. The aim is to use it for the benefit of our citizens, to improve their quality of life and the services available to them.

**This data ecosystem is also important for our financial sector, which drives our economy.** We want to continue this success story. To achieve this, it is essential that we remain competitive, because competition never stops.

Therefore, we're modernising the regulatory framework for hedge funds and digital assets. Frequently, small changes in legislation can make all the difference. We are also positioning Luxembourg in the field of actively managed ETF funds by reducing the subscription tax for this type of fund from next year. This is a market with huge potential that is still relatively undeveloped in the EU.

The regulatory framework is one thing, but the ecosystem also needs talent, which we need to train ourselves and recruit from abroad. That is why, in collaboration with the professional organisations ACA and ALFI, we are supporting the creation of two new master's degrees at the University of Luxembourg, one in actuarial science and the other in private assets.

The financial centre needs specialists and we are competing with London, Paris, Frankfurt and Dublin. That's why we want to review the participation bonus and impatriation scheme again this year, for the 2025 tax year, and make them more attractive.



Within this sector, we continue to work on the sustainable finance ecosystem. In particular, through the world's first accelerator programme for companies that specifically combine green finance and digital innovation. Or with the ambition to go beyond green finance and become a pioneer in the financing of social projects.

Through our financial centre, Luxembourg can have a major impact on the world. Particularly in the global fight against climate change.



Mr. Speaker,

Our society and economy consume large amounts of energy every day. In the face of global climate change, we need to ensure that most of this energy comes from sustainable sources. So, let's think today about the energy of tomorrow.

The war in Ukraine, like the conflicts in the Middle East, have shown our dependence on international developments because of our energy mix.

In 2022, the disruption of Russian oil and gas supplies led to a price spike that was limited by the introduction of a price cap for all energy sources. This measure, which runs until 31 December this year, has helped households and businesses cope with these exceptional circumstances.

Given that most energy prices have fallen in recent months, the vast majority of these caps will be abolished from 1 January 2025. **However, we will maintain the electricity price caps until 2025, because the electricity purchases made during the crisis for several years will still have an impact on prices at that date. This will be achieved in a socially equitable way.**

**On the one hand, we will support all households by covering half of the increase planned for 2025, i.e., 30%.** This will ensure that electricity prices remain comparable to those in our neighbouring regions.

**We will also provide specific support for people on low incomes through three targeted measures.** The energy allowance will be tripled for current recipients. The energy tax credit for "Revis" beneficiaries will be increased to €90. And the state will continue to cover part of the energy costs of retirement homes in 2025 to keep prices stable for residents.

These measures, for which we are using almost €50 million, will enable people on low incomes to meet the costs not covered by the cap on electricity prices. They are also part of our strategy to combat poverty.



We are also mitigating the impact of high electricity prices with our climate goals in mind. From an environmental perspective, the best energy is obviously the energy we don't use. For example, between April 2023 and March 2024, Luxembourg reduced its electricity consumption by almost 8% compared to previous years. It is important to promote and support this positive development.

To significantly reduce CO2 emissions, we need to move away from fossil fuels and towards sustainable energy sources. From coal and gas to photovoltaic power. From oil-fired boilers to heat pumps. From petrol cars to electric cars. Every year, new green energy sources are added to the grid. New heat pumps are installed every year. And every year new electric vehicles are put on the road. And that's a good thing.

**But we want to accelerate our approach, by adopting a pragmatic climate policy that encourages citizens to participate.** That's why we're investing massively in renewable energies. This year alone, we will be devoting €2.5 billion to implementing the Integrated National Energy and Climate Plan. This amount has never been so high. And to ensure greater planning certainty, we have decided to increase the State's financing in the compensation mechanism to stabilise the costs of green electricity until 2028.

**That's why this government will be introducing a new climate bonus system from 1 October. Until then, current regulations will be maintained, subject to approval by Parliament.**

- Given the major efforts that still need to be made in terms of the energy efficiency of our homes, the financial aid for the energy renovation of homes – i.e., the 'Klimabonus Wunnen' – will be maintained. For photovoltaic installations, we are maintaining the basic threshold of 50% funding. This is because photovoltaic installations have become more affordable, and investment in such an installation remains financially attractive even at 50%.
- However, from 1 October, we will be adapting the 'Klimabonus Mobilitéit' to take account of a number of changes:



- First, and this is a positive development, electric cars have become more affordable in recent years. **In the future, the government will provide a subsidy of up to €6,000 for the purchase of an electric car.** Although this is slightly less than the amount currently granted, it is still proportional to the actual cost of most electric cars.
- **Second, the amount granted will be determined according to ecological criteria.** For cars consuming up to 16 kilowatt-hours per 100 kilometres, the bonus will be a maximum of €6,000. Between 16 and 18 kilowatts, at €3,000. And for very large engines, there will be no government bonus. An exception is made for electric cars for families with three or more children.
- **Third, the period of ownership required to qualify for the subsidy has been increased from one year to three. We are also introducing a €1,500 bonus for used electric cars that are more than three years old.** These two changes will encourage the creation of a second-hand market for electric cars, while making them more attractive and reducing the consumption of resources.
- Electric bicycles are a good thing and our objective to increase the number of electric bicycles in circulation has largely been achieved. To date, 80,000 electric bikes have been subsidised by the government. As a result, some changes will be made to the subsidy system for electric bikes: **from 1 October this year, only the purchase of 'cargo bikes' will be subsidised by the State.** For young families, these are a real alternative to the car for all daily journeys in urban areas. People receiving the cost-of-living allowance will continue to receive financial support for the purchase of a bicycle, as part of our strategy to combat poverty and social exclusion.

But money alone will not be enough to achieve our climate ambitions. Once again, a policy focused on efficiency is needed to move up a gear. **By combining financial support with simplified procedures, we can create a powerful lever for rapid progress.**



First, as I already mentioned, we are introducing a de minimis threshold for building authorisations for photovoltaic installations. Anyone who wants to build such an installation should be able to benefit from it without too many administrative constraints. After all, having a photovoltaic system on your own roof is not only an environmentally friendly solution, but also the best protection against international energy price fluctuations.

And to encourage citizens to participate in the energy transition, by the end of the year we will develop a new tool that will make it easier to understand individual consumption of photovoltaic electricity.

But once again, the main problem lies in overly complex procedures, which in this case means that applications are processed too slowly. These delays are particularly problematic when it comes to home renovations, which can quickly cost more than €50,000.

This discourages many applicants, who either must pay the costs in advance or take out a bank loan. So, the choice is quickly made. Because in reality, for many people having to advance the money or borrowing it aren't real options.

**If we want a climate policy that involves all citizens, the State cannot dampen their enthusiasm. That's why the Minister of the Environment is working on a system of pre-financing climate aid. In the first phase, pre-financing for photovoltaic installations will be introduced next year.**

As part of the preparatory technical work, the priority is to ensure that this pre-financing also reaches companies without delay. We aren't helping anyone by just transferring the delays we're facing with private customers to businesses.

Pre-financing aligns with the principles of an inclusive climate policy. However, to effectively implement such a policy, we need pragmatic regulations for large-scale wind and solar installations. People working in the field are best positioned to understand the procedures and their daily challenges. This holds true not only for housing but also for renewable energy.



This year, similar to our approach with housing, we plan to initiate a comprehensive consultation with industry and local authorities to review all procedures related to wind and solar installations.

**Our goal is clear: to expedite the approval process for more wind and solar projects.**

This collaborative approach has already yielded positive outcomes at the National Housing Conference. It will again deliver tangible results, as it embodies the successful Luxembourg model rooted in dialogue and cooperation.

And even though large photovoltaic installations are enjoying greater success today, the Minister of the Environment will organize a special day dedicated to photovoltaics in autumn. This will be an opportunity to showcase all the innovations and best practices in this field. A day with and for the sector.

In the coming months, we will also launch two new tenders for large-scale photovoltaic projects. These will include innovative concepts such as photovoltaic panels integrated into facades.

We want to facilitate and proactively encourage innovation in all areas of renewable energy. In doing so, we must not be held back by our own regulations, which are often difficult to understand.

- Take, for example, **the planned construction of wind and photovoltaic installations near motorways**. In this respect, the relevant ministers are expecting the first results of a study evaluating the photovoltaic potential of the Luxembourg motorway network by this summer.
- We also intend to better **harmonise the regulations governing the construction of wind farms and industrial sites**, so that companies with high energy consumption can be supplied directly with green electricity.
- In the field of **agri-photovoltaics**, we will complete the evaluation of pilot projects, while seeking to minimise the impact on agricultural yields.





Based on these conclusions, the government will decide on the means to take these projects forward. It is evident that all these new ideas must be feasible while respecting people, the environment, and safety.

A climate policy can only be effective if it convinces the citizens. However, the population will only adhere to it if this policy does not come at the expense of our jobs or our social model. Climate policy cannot be pursued at the expense of competitiveness. That's why we must help economic players take this step. Through the Climate Agency, Luxinnovation and the Climate Pact.

**And through a new draft law, presented by the Minister of the Economy in May, which will provide better financial support for our companies when they invest in the ecological transition.** In addition to simplified procedures and the partial application of the 'silence means agreement' principle, we have extended the financial mechanism and the range of aid, which now covers the development of hydrogen infrastructures and the purchase of electric commercial vehicles.

We must also support our industrial players in their transition. After all, industry remains central to our economy and our sovereignty.

For this reason, the Minister of the Economy has drawn up a joint roadmap with economic players to guide this transition.

**It is important, for example, that Luxembourg joins the international hydrogen network.** Hydrogen is a promising energy source for the decarbonisation of heavy industries such as our steel industry.

I am therefore delighted that, following discussions with our Dutch and Belgian partners, Creos has committed to participate in a cross-border project to build a hydrogen infrastructure in the Greater Region over the next 10 years. To increase the share of renewable energy in France, we also need to work with our European partners. I raised this



issue during my recent meetings with the Prime Ministers of Portugal and the Netherlands. New cooperative ventures could be launched in this area.

All this will complete our range of renewable energies and is therefore fully in line with our strategy to provide Luxembourg with more sustainable sources of energy.

Mr. Speaker,

**These are some of our main objectives for the next 12 months.**

- A policy which takes account of the new geopolitical realities and which, together with our partners, defends peace and freedom in Europe.
- A policy that simplifies procedures, paving the way for accelerated housing construction.
- A social policy that cares about those who need it most, and that resolutely tackles the fight against poverty.
- A fiscal, financial and economic policy that creates jobs and generates prosperity, so that we can preserve our social model.
- And for a climate and energy policy that takes individuals and businesses along towards a carbon-neutral future.

**In all these areas, we are embarking on new paths. Paths where we have already made progress.** I know that some of you, both here and outside, would like to see our coalition program implemented by now, after eight months.

But politics is built one step at a time. Especially in a vibrant democracy like ours. This in no way implies less ambition or dynamism. Success is measured at the end of a legislative period. As a whole.

Today I have not addressed all the issues that are important for our future. But this address is not a new coalition agreement. It is an initial assessment of the situation at the start of this



Government's term of office, with an outline of some key points for the coming months. It is part of the government programme set out last November.

As with any government statement, some will assess it positively while others may not. The strength of a pluralistic democracy lies in its ability to allow for the clash of diverse ideas on today's and tomorrow's challenges.

I therefore look forward to the debates – this week and beyond – with you, the elected representatives of the people, but also outside this assembly, with all the citizens of the country, on all these issues.

We are proud of Luxembourg's democracy, and we must, and wish to, consolidate it relentlessly. With a view to strengthening our democracy, I intend to propose attaching the Consultative Commission on Human Rights, which is now attached to my Ministry of State, to Parliament, so that its valuable opinions receive even greater attention in the legislative process.

And to ensure that the democratic debate is as broad as possible, I will submit a bill before summer to enshrine into law the press's right to information, enabling it to inform the public to the fullest extent.

**It's not just a question of making information available. Nor is it simply a question of transparency. In its essence, it's about trust. A policy with and for citizens is only possible if it is based on trust and dialogue.**

This does not mean that we always have to agree with everyone on everything. After each debate, decisions have to be taken, or our country comes to a standstill. That is the role of the Government and of Parliament.



Mr. Speaker,

Our society is facing a number of challenges. We could take the easy way out and ignore them. It is simple, convenient and reassuring. But it is merely simple, convenient and reassuring today. Tomorrow, however, it would be even more difficult, more uncomfortable, and more worrying.

**The role of politics is to shape the future. Let's build that future together, in the interests of our country, and above all, let's discuss it with mutual respect.**

Thank you all very much.