

SYSTEM OF GOVERNMENT: Parliamentary

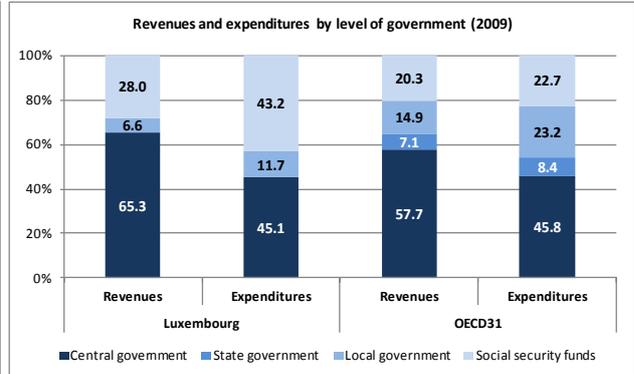
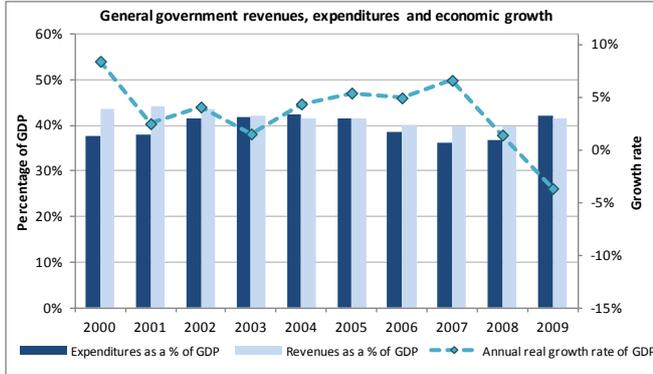
- No. of ministries: 15 (2010)
- No. of governments over last 20 years: 6
- No. of coalitions over last 20 years: 6

STATE STRUCTURE: Unitary

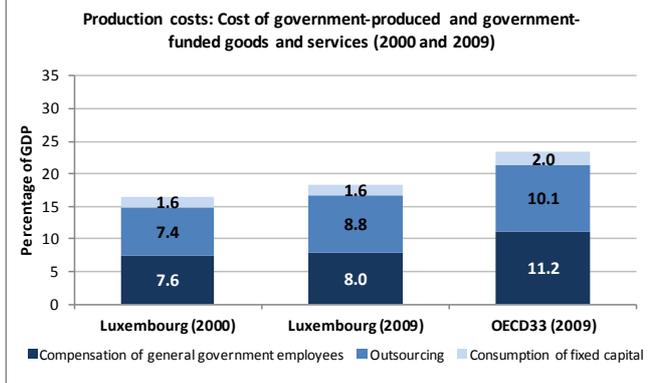
LEGISLATURE: Unicameral

- Upper house: none
- Lower house: elected using Proportional Representation

After running at a surplus for the rest of the decade, fiscal balances deteriorated in 2009 as the economy entered into a recession and the government introduced one of the largest stimulus packages across the OECD area. Luxembourg is relatively centralised compared to other OECD countries. Most revenues are collected by the central government, and then transferred to local governments who have limited ability to raise their own revenues via taxes. Social security funds account for a much larger share of total expenditures compared to the OECD average; their share is exceeded only in France and Germany.

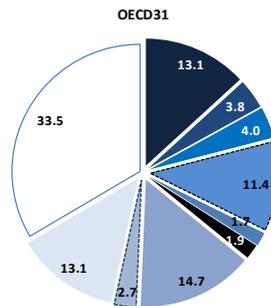
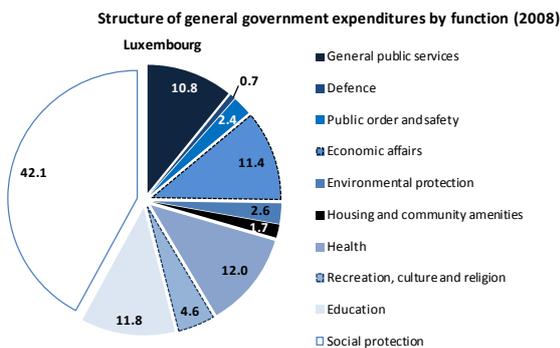


Source: OECD National Accounts and Economic Outlook 89. [Revenues] [Expenditures] [Revenues by level of government] [Expenditures by level of government]



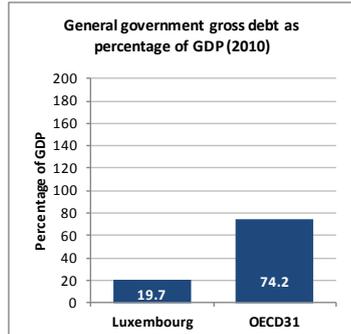
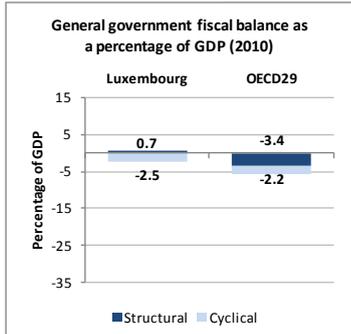
About 18.4% of the economy was devoted to producing public goods and services in 2009. Production costs as a share of GDP increased from 2000 to 2009, with the largest increase in costs associated with outsourcing. Luxembourg relies more on outsourcing in the production process relative to the OECD average (48.0% of total costs are associated with outsourcing in Luxembourg compared with the average of 43.2%).

Source: OECD National Accounts. [Production costs]



Source: OECD National Accounts. [Expenditures by function]

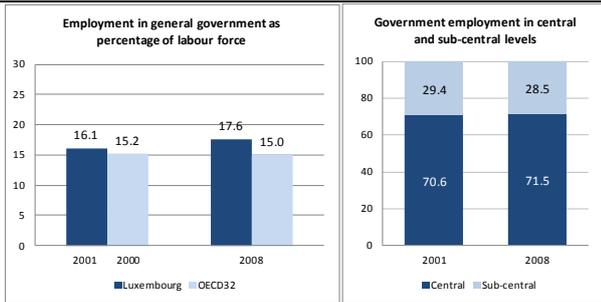
In 2008, the government of Luxembourg devoted a much larger share of resources towards social protection programmes than the average OECD country. Within this category of spending, most resources are devoted to old age pensions (57%)—which are high by OECD norms—although a significant proportion also go to programmes supporting family and children (22%). Compared with other OECD countries, the government directs a smaller proportion of resources towards education, health and general public services.



Source: OECD Economic Outlook 89. OECD average refers to the unweighted average [Fiscal balance] [Debt]

The deficit in 2010 is largely cyclical in nature and is driven by automatic stabilisers as well as large falls in revenues from banks. General government gross debt stood at 19.7% of GDP in 2010 in Luxembourg, one of the lowest in the OECD area. Low levels of gross debt in Luxembourg resulting from years of running budget surpluses mean that there are few immediate pressures on fiscal sustainability (OECD definitions differ from Maastricht criteria).

GOVERNMENT EMPLOYMENT



The share of government employment in the labour force rose slightly in Luxembourg between 2001 and 2008, from 16.1% to 17.6%. This is just over the OECD average of 15%, and well within the overall range of 6.7%-23.9%. Public employment is also quite centralised in Luxembourg, with over 71% of staff working at the central level in 2008.

Source: International Labour Organisation. [\[General government employment\]](#) [\[Distribution by level\]](#)

PUBLIC PROCUREMENT

Transparency in public procurement, 2010

	Central proc. website	Contracting entity website	Domestic printed or electronic journal	Other website	Pct. OECD countries that publish info
Information for potential bidders	Yes	No	No	No	97%
Selection & evaluation criteria	Yes	No	No	No	97%
Tender documents	Yes	No	No	No	82%
Contract award	No	No	No	No	100%
Justification for award	No	No	No	No	59%
Tracking procurement spending	No	No	No	No	32%

Percentages refer to the share of OECD countries that reported publishing information "always" or "sometimes".

Achieving greater transparency in public procurement is important, especially given that Luxembourg spent an estimated 11% of GDP on procurement in 2008.

Like the majority of OECD countries, Luxembourg publishes most public procurement information on its central procurement website: <http://www.marches.public.lu/>. This is a website for all purchasing entities, not only for the central government. Providers don't need to enroll in a national registry in order to bid in a particular public procurement process. Furthermore, general information for bidders, procurement plans, selection and evaluation criteria, and contract awards are also published in the EU DG market website (not reflected in the table). Currently, Luxembourg does not publish information on line on contract modifications or justifications for awarding a contract to a selected contractor as is done by 62% and 59% of OECD member countries, respectively.

Providing an adequate degree of transparency throughout the entire public procurement cycle is critical to minimise risk of fraud, corruption and mismanagement of public funds in order to ensure fairness and equitable treatment of potential suppliers. Additionally, it allows for effective oversight by concerned institutions and the general public.

Source: OECD 2010 Survey on Public Procurement. [\[Transparency in public procurement\]](#)

REGULATORY GOVERNANCE

Regulatory governance mechanisms, 2008

Functions of the oversight body	Percentage of OECD countries responding "yes"	LUXEMBOURG
Consulted as part of process of developing new regulation	2005: 73%	No
	2008: 82%	Yes
Reports on progress made on reform by individual ministries	2005: 43%	No
	2008: 56%	No
Authority of reviewing and monitoring regulatory impacts conducted in individual ministries	2005: 43%	No
	2008: 50%	No
Conducts its own regulatory impact analysis	2005: 43%	No
	2008: 47%	Yes
Anticipating compliance and enforcement		
Regulatory policies require that issue of securing compliance and enforcement be anticipated when developing new legislation	2005: 57%	Yes
	2008: 70%	Yes
Guidance for regulators on compliance and enforcement	2005: 37%	No
	2008: 47%	No
Existence of policy on risk-based enforcement	2005: N.A.	N.A.
	2008: 30%	No

This table presents two elements drawn from the wide range of activities for managing regulatory quality.

The government of Luxembourg has developed an institutional structure for regulatory management, which is based on a network of ministerial departments and two "light" central units, the *Département de la Simplification Administrative (DSA)* and the *Service central de législation (SCL)*.

Set up in 2004 to promote administrative simplification for businesses, the DSA went under direct control of the State Ministry in 2009. This has made it easier for it to address all regulatory quality issues across the administration, and examine draft regulations at an early stage of development. The role of the SCL is to coordinate the rule-making process between the government, parliament and the Council of State. An inter-ministerial committee, which includes DSA representatives, has been set up to examine impact assessments prepared by ministries as part of an overall effort to reinforce *ex ante* impact assessment in the regulatory making process.

The government of Luxembourg has not developed a risk-based policy with respect to enforcement and compliance issues. The 2008 OECD Survey on Regulatory Management shows, however, that in Luxembourg compliance and enforcement issues are addressed when developing new legislation.

Source: OECD 2008 Survey on Regulatory Management; OECD (2010), *Better Regulation in Europe – Luxembourg*, OECD Publishing, Paris. [\[Oversight bodies\]](#) [\[Compliance and enforcement\]](#)

Disclosure of public sector information, 2010			
	Proactive disclosure		
	Luxembourg	OECD32	Publication channels
Types of information disclosed			
Budget documents	○	94%	CP
Audit reports	○	72%	Not published
List of public servants and their salaries	○	28%	Not published
Sharing of administrative data			
Administrative data sets	○	66%	Not published
Requirements on publishing in open data formats	No	53%	-
<ul style="list-style-type: none"> ● Required to be proactively published by FOI law ○ Not required by FOI law, but routinely proactively published ○ Neither required nor routinely published <p>CP= central portal; MA= ministry or agency website; OW=other website OECD percentages refer to the percentage of the 32 responding OECD countries that either require that information be published by law or do not require it but routinely publish information.</p>			
E-Government building blocks and e-procurement, 2010			
e-enabling laws and policies		Luxembourg	OECD25
Recognition & use of digital signature		●	100%
Electronic filing within the public sector		○	88%
Administering PPPs for e-government projects		●	64%
Services offered on single-entry procurement website		Luxembourg	OECD34
Tender searches		●	62%
Tracking of outcomes of contracts		○	32%
OECD percentages refer to percentage of responding countries answering in the affirmative. ● Yes ○ No .. Data unavailable			

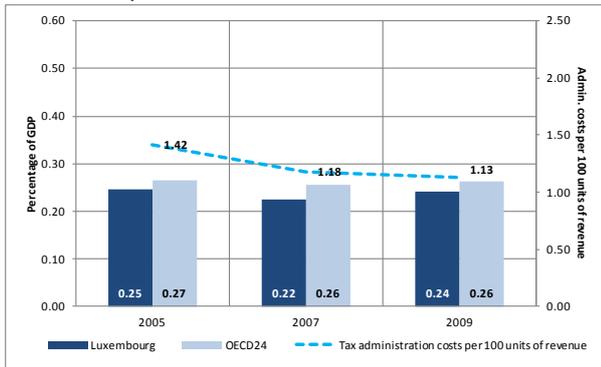
Luxembourg is in the process of drafting a law on Freedom of Information. Contrary to most OECD countries, Luxembourg does not publish audit reports or administrative data sets, although budget documents are published routinely on a central portal. Similarly to other OECD countries, the government also does not publish lists of public servants and their salaries.

Source: OECD 2010 Survey on Access to Information. [\[Disclosure of information\]](#) [\[Publication channels\]](#)

Similar to most OECD countries, Luxembourg has laws put laws and/or policies in place to promote the use of digital signatures and to administer public-private partnerships in the implementation of e-government projects. It does not, however, have a law or policy requesting electronic filing in the public sector, unlike 88% of responding OECD countries. Like most OECD countries with a single-entry procurement website, Luxembourg allows businesses to perform tender searches, which can increase efficiency, but it does not allow users to track the outcomes of contracts. This is an important factor for increasing transparency in public procurement transactions.

Source: OECD 2010 e-Government Survey and OECD 2010 Public Procurement Survey. [\[E-enabling laws\]](#) [\[E-procurement\]](#)

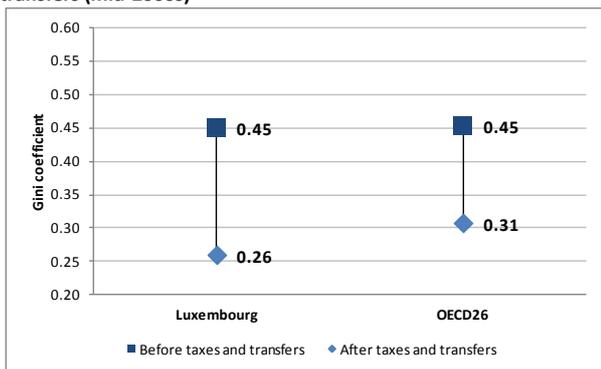
Tax efficiency: Total revenue body expenditures as a percentage of GDP and tax administration costs per 100 units of revenue (2005, 2007 and 2009)



Growing fiscal constraints have led to increased attention on improving the efficiency of tax administrations. The “cost of collection ratio,” for instance, is one efficiency measure which compares the annual administration costs incurred by a revenue body with the total revenue collected over the course of a fiscal year. In Luxembourg, the administration costs of collecting 100 units of revenue have decreased from 2005 to 2009. Total revenue body expenditure as a percentage of GDP has remained relatively stable during this period suggesting the change in ratio could be due to improved tax compliance and/or revenues or other efficiency improving measures within tax revenue organizations.

Source: OECD (2011), Tax Administration in OECD and Selected Non-OECD countries: 2010 Comparative Information Series, OECD Publishing, Paris. [\[Total revenue body expenditures\]](#) [\[Tax administration costs per 100 units of revenue\]](#)

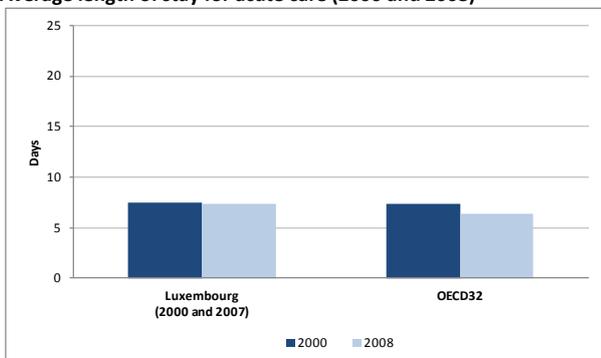
Differences in income inequality pre- and post-tax and government transfers (mid-2000s)



One method of evaluating the effect of government tax and transfer policies on income inequality is by assessing a country's Gini coefficient before and after taxes and transfers. The effect of government redistributive policies on income inequality is higher in Luxembourg than the OECD average. Luxembourg achieved a 0.19 point reduction in the gini coefficient following its tax and transfer policies, compared to an average 0.14 point reduction in OECD countries. Cash benefits in Luxembourg exceed 30% of household incomes, which is among the highest rates in OECD countries, and the Gini coefficient is lower than the OECD average.

Source: OECD (2008), Growing Unequal? Income Distribution and Poverty in OECD Countries, OECD Publishing, Paris. [\[Differences in inequality\]](#)

Average length of stay for acute care (2000 and 2008)



The average length of stay (ALOS) for acute care indicates the average number of days that patients spend in the hospital for curative care. Similar to other OECD countries, the ALOS decreased from 7.5 days in 2000 to 7.3 days in 2007 in Luxembourg. This decrease however is less than that of the OECD average, where the reduction was about one day over roughly the same period. Over time, reductions in ALOS could reflect efficiency gains, as it could signal that hospitals are expanding early discharge programmes, shifting to day-case surgery for suitable procedures, utilising less invasive procedures, and/or improving pre-admission assessment, all of which can help reduce costs. Too short a length of stay, however, could cause an adverse effect on health outcomes.

Source: OECD Health Data 2010. [\[ALOS for acute care\]](#)

Production costs are a subset of total government expenditures, excluding government investment (other than depreciation costs), interest paid on government debt and payments made to citizens and others not in exchange for the production of goods and services (such as subsidies or social benefits). Production costs include compensation costs of general government employees, outsourcing (intermediate consumption and social transfers in kind via market producers), and the consumption of fixed capital (indicating the level of depreciation of capital).

Structure of government expenditures: Data on expenditures are disaggregated according to the Classification of the Functions of Government (COFOG), which divides government spending into 10 functions. More information about the types of expenditures included in each function can be found in Annex B of *Government at a Glance 2011*.

“Gross general government debt” refers to general government gross financial liabilities that require payments of principal and interest. For the European Union countries, gross public debt according to the Maastricht criteria is not presented here (see Annex Table 62 of OECD Economic Outlook No. 89). These data are not always comparable across countries due to different definitions or treatment of debt components. Gross debt is used rather than net debt due to the difficulties in making cross-country comparisons of the value of government-held assets, and because it is more relevant in the context of debt interest payments.

Regulatory governance: The OECD average refers to the following number of countries:

- Functions of oversight bodies 2005: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.
- Functions of oversight bodies 2008: OECD34. Data for Chile, Estonia, Israel and Slovenia refer to 2009.
- Anticipating compliance and enforcement 2005 and 2008: OECD30. Data are not available for Chile, Estonia, Israel and Slovenia.

Tax efficiency: Tax administration efficiency ratios are influenced by differences in tax rates and the overall legislated tax burden; variations in the range and in the nature of taxes collected (including social contributions); macroeconomic conditions affecting tax receipts; and differences in the underlying cost structures resulting from institutional arrangements and/or the conduct of non-tax functions.

Differences in income inequality pre- and post-tax and government transfers: The values of the Gini coefficient range between 0 in the case of “perfect equality” (*i.e.* each share of the population gets the same share of income) and 1 in the case of “perfect inequality” (*i.e.* all income goes to the individual with the highest income). Redistribution is measured by comparing Gini coefficients for market income (*i.e.* gross of public cash transfers and household taxes) and for disposable income (*i.e.* net of transfers and taxes).