

## Luxembourg

### Key facts and issues

Luxembourg is a unitary country with a population of almost 570 000. Luxembourg is the richest country in the OECD, with a GDP per capita of around USD 102 100, almost 2.5 times the OECD average. However, the statistics are inflated by the fact that much of the GDP is provided by cross-border commuters who contribute to the economy but do not live in the country. Luxembourg's subnational governments are responsible for 11.5% of public expenditures, ranking the country the 5<sup>th</sup> most centralised in the OECD with regards to public spending. This is also due to the fact that there are only 2 administrative levels in Luxembourg: the national and the municipal level. Luxembourg has the highest level of public spending per capita (USD 41 581) and public investment per capita (USD 3 500).

Luxembourg had modest growth in terms of employment from 2000 to 2014, but its employment rate remains below average for the OECD. Luxembourg's GDP growth has been robust between 2000 and 2013, at over 2.5% annually. Luxembourg has one of the lowest rates of youth neither in employment, nor in education and training (NEET).

### Luxembourg: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	<a href="#">Master Programme for Territorial Planning</a> (PDAT) (2003) Integrated Transport and Spatial Planning Concept (IVL) (2004)	Sustainable development, infrastructure provision outside of transportation and polycentric development	Ministry of Sustainable Development and Infrastructure (Department of Spatial Planning and Development)
Urban	No over-arching framework, however elements can be found in the conventions for territorial cooperation between the national government and the municipalities	National policies are implemented through contracts with municipalities; main objectives are infrastructure and governance changes	Ministry of Sustainable Development and Infrastructure (Department of Spatial Planning and Development)
Rural	No over-arching framework, but some elements found in: <a href="#">Law of 10 August 1993 on natural parks</a> Rural Development (approach LEADER)	Landscape preservation	Ministry of Sustainable Development and Infrastructure (Department of Spatial Planning and Development) Ministry of Agriculture, Viticulture and Consumer Protection

### General policy approach

The Master Programme for Territorial Planning (PDAT) is the key instrument of national spatial planning. It determines the government's general guidelines and priority objectives for the sustainable development of the living environment. The Integrated Transport and Spatial Planning Concept (IVL), developed in 2004, paves the way towards the implementation of the main targets set out in the PDAT and defines more precisely the polycentric urban spatial model of Luxembourg. The primary sectorial plans for transport, housing, landscape and economic activity zones will underpin the IVL with legally binding instruments, making it easier to implement the government's plans concerning sustainable spatial development. The main tools include subsidies for infrastructure investments of municipalities, subsidies for regional economic activity zones, and reconversion of industrial sites. Conventions for territorial co-operation between the national government and municipalities (*Conventions de coopération territoriale Etat-Communes*) are used to develop integrated plans and promote inter-municipal and multilevel co-operation via an integrated development strategy and its implementation through concrete pilot projects. The law for nature parks is used to foster regional development in rural areas. The nature parks contribute to a common management of the natural heritage and to the promotion of an economic and socio-cultural development which is in line the objectives of sustainable development.

### Recent policy changes

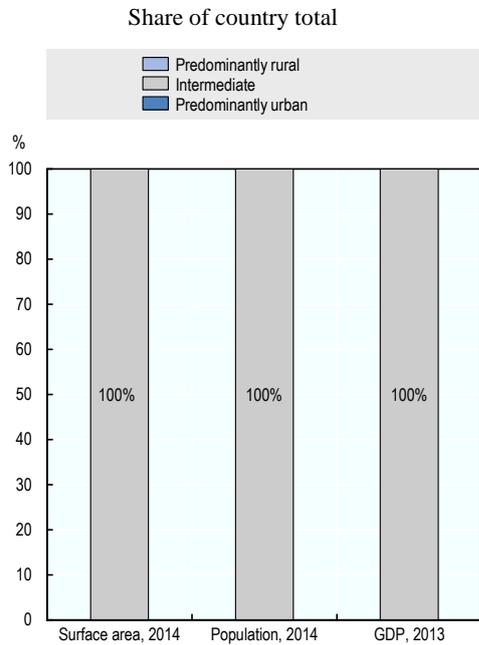
- The primary sectoral plans (transport, housing, landscape and economic activity zones) underpinning the Integrated Transport and Spatial Planning Concept (IVL) will be enforced by law, to be adopted by the Chamber of Deputies by the end of 2017.
- The prior planning system was replaced by a system based on Conventions for territorial cooperation (*Conventions de coopération territoriale Etat-Communes*). This legally non-binding instrument is designed to promote inter-municipal and multilevel cooperation to foster sustainable regional development.
- A third nature park called “Mëllerdall” was created in 2016 in the eastern part of Luxembourg. This nature park is governed by a group of 12 municipalities and the national government with the objective of promoting regional development.
- The European Grouping of Territorial Co-operation (EGTC) Alzette-Belval between Luxembourg and France was founded in 2013 involving local, regional and national authorities. The aim is to ensure a common development in order to promote a harmonious social, economic and territorial development and thereby develop a compact cross-border urban agglomeration.
- A new agreement of territorial co-operation between the national government and municipalities of the southern region was signed in 2015.

### Luxembourg: Main regional, urban and rural development policy tools

Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	<a href="#">MODU</a> : Global strategy for sustainable development, published in 2012; the strategy is based on an integrative approach and offers a reference framework for the spatial development and the environment in terms of mobility by focussing on the complementarities between the different offers of public transport
Other Infrastructure investments	✓	- Subsidies for infrastructure investments (tourism, sport, etc.), if at least 2 municipalities are involved - <a href="#">Pacte logement</a> : Covenant between the national government and the municipalities in order to increase the housing offer and to reduce the cost of property and accommodation - <a href="#">Fonds Belval</a> is a public organisation established pursuant to the Law of 25 July 2002 for the development of the “Cité des Sciences, de la Recherche et de l’Innovation” and a contractor for the construction of government projects on the industrial brownfield site at Belval; mission is to develop projects, from the preparation of the construction programme to the commissioning of facilities
Service delivery (subsidies for public services)		
Business development/ innovation support		
Urban renewal	✓	- <a href="#">AGORA</a> : development corporation based on a public-private partnership between the national government and the group Arcelor Mittal; main objective is the conversion of former steel sites in the south of Luxembourg - <a href="#">Fonds Kirchberg</a> : public-sector utility responsible for the urbanisation and development of the Kirchberg Plateau
Urban form and land use		
Sustainability policies	✓	<a href="#">National sustainable development plan</a> (PNDD): objectives and measures of the national government in order to face the non-sustainable trends in Luxembourg
Rural-urban linkages		
Clusters/technology platforms/ centres of expertise	✓	Luxembourg has a <a href="#">cluster policy</a> , partly centred on the provision of relevant infrastructure (see Fond Belval above) and networks between institutions
Special economic zones	✓	<a href="#">Regional economic activity zones</a> : activity zones are set-up to secure the provision of land to businesses and high value-added industry where land availability is uncertain, to secure Luxembourg’s economic diversification and future
Rural landscape preservation	✓	<a href="#">Law of 10 August 1993 on natural parks</a>
Skills/training programmes		
Capacity building for subnational governments		

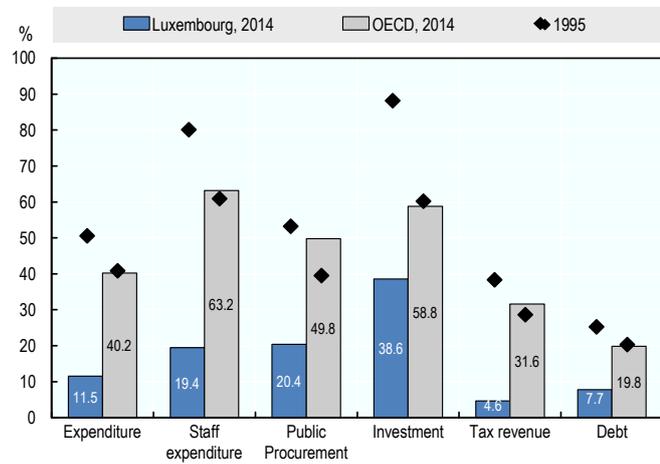
Note: All thematic instruments and objectives relative to urban areas are covered by state-municipality conventions.

### Land, population and economy in rural and urban regions



### Subnational government role in public finance

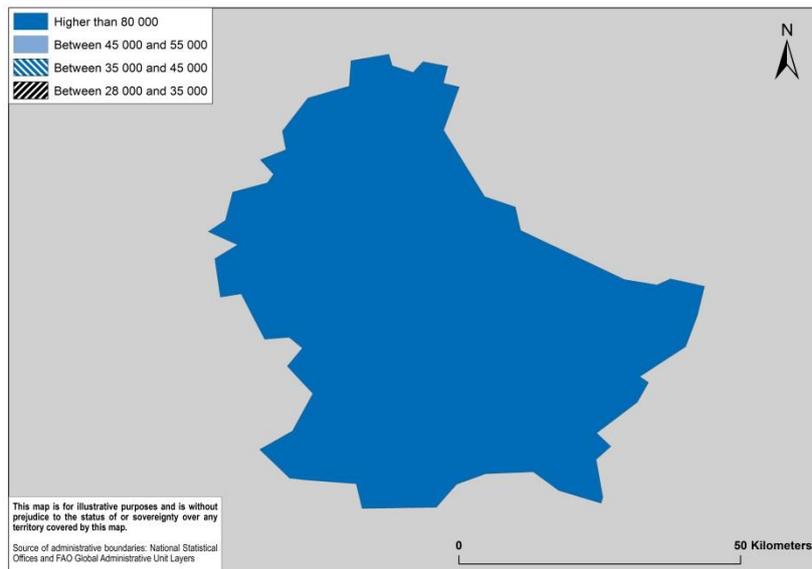
Share of general government



### Number of subnational governments

Municipal level	Intermediary level	Regional or state level	Total
105			105

### Regional differences in GDP per capita levels, 2013



Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

StatLink <http://dx.doi.org/10.1787/888933420391>

**Inter-regional disparities (as a % of the country average)**

	Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
Only one region	GDP per worker			n.a.	74 520	
	R&D expenditure as a % of GDP (2013)			1.34	2.4	
	Share of labour force with tertiary education			47.8	32.3	
	Disposable household income (2011)			45 288	34 866	
	Life expectancy (2013)			81.9	80	
	Share of workforce with only primary education			16.2	25.2	
	Unemployment rate			5.9	7.3	
	Gender gap in participation rate			-11.4	-15.9	

**Productivity and catching-up trends among regions**

Average annual labour productivity (GDP per worker) growth rate [diamonds] and deviation from the growth rate of the country's productivity frontier [bars], 2000-2013  
*See country page notes for classification of regions*

Only one region

Contribution to labour productivity growth, 2000-13

Percentage contribution to national GDP growth, 2000-13

Only one region

Only one region

## Country page notes

### Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km <sup>2</sup> grid cell population weighted average of satellite-based estimates of small particulate matter (PM <sub>2.5</sub> ).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

### Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

### Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016*, [http://dx.doi.org/10.1787/reg\\_glance-2016-en](http://dx.doi.org/10.1787/reg_glance-2016-en).