

LEGISLATURE: Unicameral

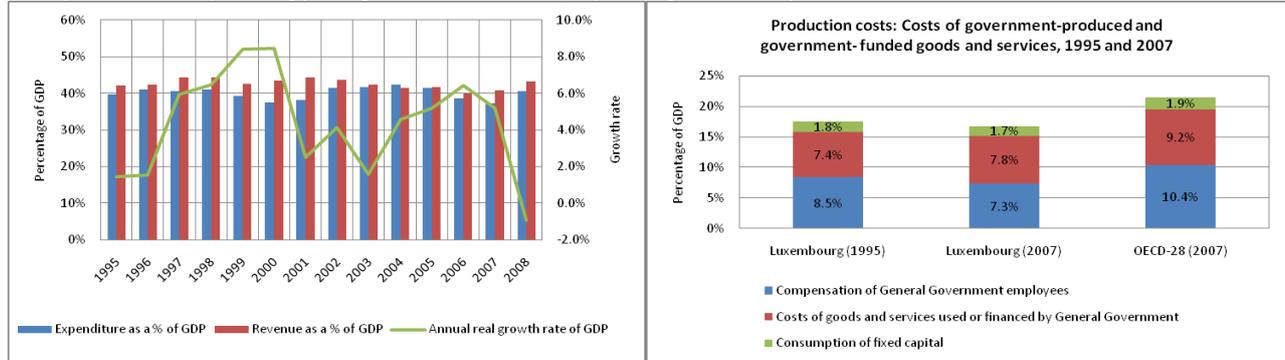
- Upper house: none
- Lower house: elected using Proportional Representation

SYSTEM OF GOVERNMENT: Parliamentary

- No. of ministries: 19 (2008)
- No. of ministers: 15 (2008)

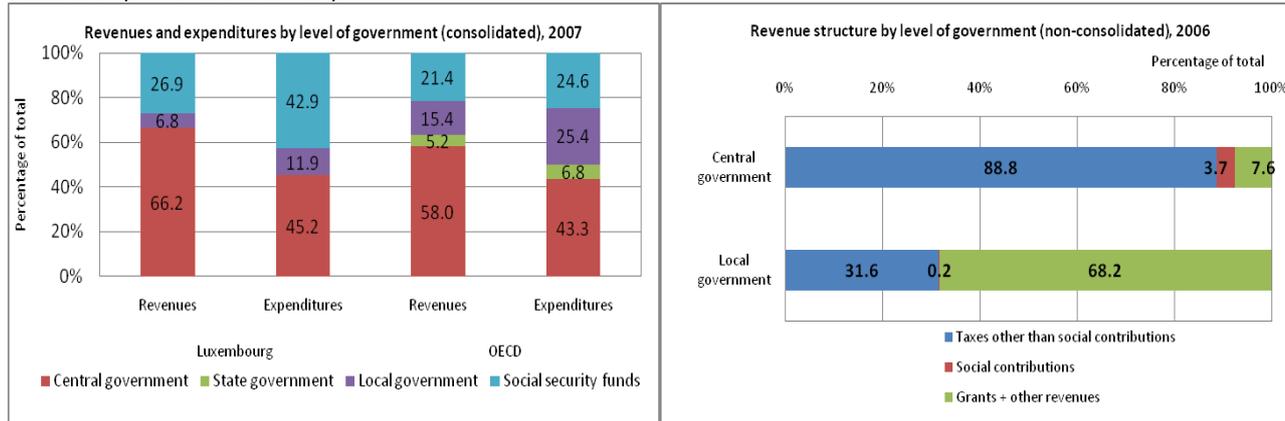
STATE STRUCTURE: Unitary

Revenues and expenditures have stayed around 40% of GDP over the past decade. Expenditures have fluctuated somewhat whereas revenues have stayed more stable, and usually exceed expenditures. The budget has benefited from dynamic tax revenues paid by the financial sector, together with temporary and recurrent positive revenue surprises from other sources. This has supported the expansion of the public sector, although its size has declined in relation to GDP. Production costs as a share of GDP decreased in Luxembourg between 1995 and 2007, mainly due GDP growth. The role of the private sector in producing public goods and services and/or providing them directly to citizens increased between 1995 and 2007.



Source: OECD National Accounts and Economic Outlook. [\[Revenues\]](#) [\[Expenditures\]](#) [\[Production costs\]](#)

Most revenues are collected by the central government, and then transferred to local governments who have limited availability 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.

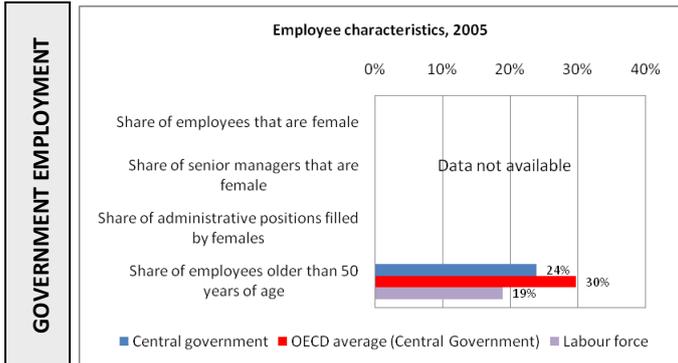


Source: OECD National Accounts [\[Revenues\]](#) [\[Expenditures\]](#)

Compared to the OECD average, the Luxembourg government spends a larger proportion of resources on social protection and somewhat less on other functions. A significant portion of central government expenditures go towards social protection, followed by general public services, economic affairs and education. Health services are mainly paid for by social security funds (which are not depicted separately in the table). Aside from administrative expenses, local government budgets are dominated by expenditures on education and economic affairs. Compared to the central government, local governments appear to play a larger role in providing the following services: environmental protection; housing and community amenities; and recreation, culture and religion.

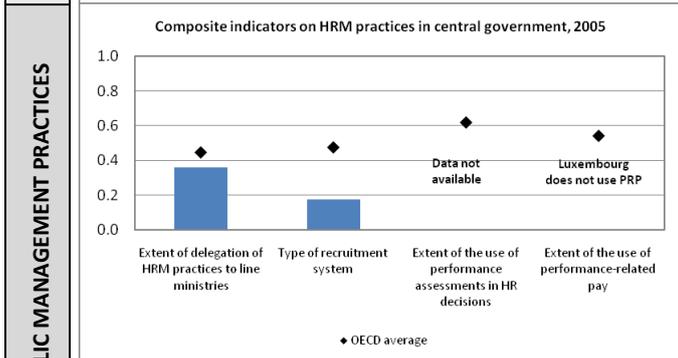
Expenditure structure by function of government (non-consolidated), 2006	Luxembourg		OECD-26	EU-19
	Central government	Local government		
Share of total			General government	General government
General public services	17.2%	20.6%	10.5%	13.8%
Defence	0.8%	0.0%	0.6%	3.4%
Public order and safety	3.2%	1.7%	2.4%	3.8%
Economic affairs	13.9%	15.9%	11.7%	10.6%
Environment protection	1.5%	11.6%	2.5%	1.7%
Housing and community amenities	1.6%	7.4%	1.7%	2%
Health	1.5%	0.3%	11.9%	15.1%
Recreation, culture and religion	4.5%	13.1%	4.5%	2.6%
Education	13.5%	25.3%	11.7%	12.9%
Social protection	42.3%	4.2%	42.5%	34.2%

Source: OECD National Accounts [\[General government\]](#) [\[Central, state and local\]](#)



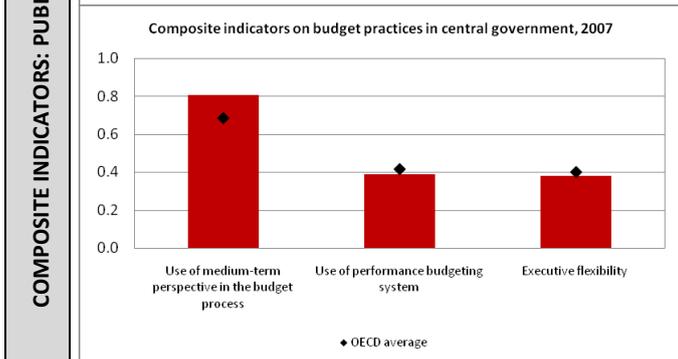
An ageing workforce is an issue for the Luxembourg central government, with almost one-quarter of their workforce retiring in the next 15 years compared to 19% of the total labour force. However, an ageing government work force is not as large a problem in Luxembourg as it is in other OECD countries.

Source: OECD Strategic HRM Survey and Labour Force Survey
[\[Female participation\]](#) [\[Ageing\]](#)



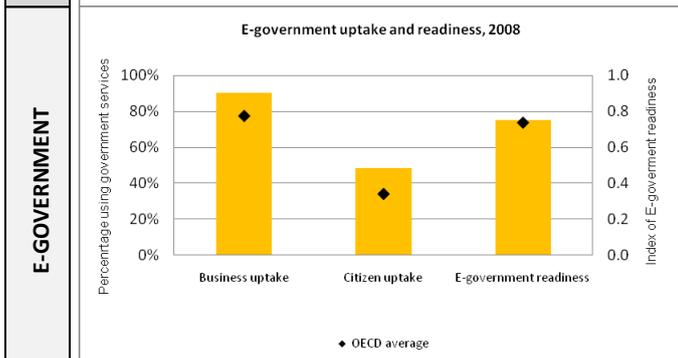
Luxembourg's central government operates a career-based recruitment system, with higher level positions relatively closed to external applicants. The central government does not use performance-related pay, and the central HRM authority delegates relatively little decision making over HRM practices to line departments. The central government is characterised by a cadre of senior civil servants that are managed separately.

Source: OECD Strategic HRM Survey
[\[Delegation\]](#) [\[Recruitment\]](#) [\[Performance management\]](#)



More than many other OECD countries, Luxembourg has integrated a medium-term perspective into the budget process. The annual budget contains multi-year expenditure estimates at the line-item level which cover 4 years, and presents aggregate expenditure targets/ceilings. While performance information is collected, it is used mostly for programme management and is not presented to the Legislature or made publicly available. The budget process remains driven by a process of line-item discussion and input-based principles, with a strong focus on the allocation of resources among spending ministries. The executive has a similar level of flexibility to adjust budgeted funds as in other OECD countries, with most actions requiring prior approval.

Source: OECD International Budget Practices and Procedures Database.
[\[Medium-term\]](#) [\[Performance budgeting\]](#) [\[Executive flexibility\]](#)
 OECD Journal on Budgeting: www.oecd.org/gov/budget/journal



Overall, Luxembourg exhibits a high-degree of e-government readiness characterised by extensive broadband penetration. Citizens' and businesses' use of e-government services remains high when compared to other OECD countries, in part due to easy access to the Internet.

Source: United Nations E-Government Readiness Knowledge Base, Eurostat.
[\[Readiness\]](#) [\[Uptake\]](#)
[\[OECD E-Government Publications\]](#)

INTEGRITY

Types of information central government decision makers are required to disclose and level of transparency, 2009

	Prime Minister	Minister	Lower House Legislators
Requirements for disclosure			
Assets and liabilities	ND	ND	ND
Loans	ND	ND	ND
Sources and level of income	ND	ND	ND
Outside positions	ND	ND	ND
Gifts	ND	ND	ND
Previous employment	ND	ND	ND

D= Disclosed; DP= Disclosed and publicly available; ND= Not disclosed; NA= Not applicable.

Luxembourg stands out as one of two OECD countries to not require central government decision makers to disclose any potential conflicts of interest.

Source: OECD Survey on Integrity
[\[Disclosures\]](#)

Requirements for Regulatory Impact Analysis (RIA) processes used by central governments

	2005	2008
Quality reviewed by body external to Ministry preparing rules	No	Yes
Required for draft primary laws	Always	Always
Required for draft subordinate regulations	Always	Always
Required to quantify costs	Always	Always
Required to quantify benefits	No	No
Required to publicly release results	No	No

Extent of programs for reducing administrative burdens at the central level of government

	1998	2005	2008
Explicit programme exists	N/A	Yes	Yes
Includes quantitative targets	N/A	No	No

The 2005 and 2008 surveys of Indicators of Systems of Regulatory Management examined the extent of governance practices designed to improve the quality of regulation in OECD countries. Among the most important practices are: the use of regulatory impact analysis (RIA) to assess the cost and benefits of new regulation and the institutional oversight of the quality of regulations; and the design of programs to reduce the costs of administrative activities on business and citizens.

Ex ante impact assessment was made a requirement in 1998 for all draft primary and secondary regulations. The assessments focus on the administrative burdens imposed on citizens and businesses. A programme and action plan for the reduction of administrative burdens on businesses was launched in 2007, and is managed by the Committee for Administrative Simplification. Since then, a reduction target of 15% by 2012 has been set for priority areas to be selected. The government has also decided to perform a partial measurement of administrative burdens on businesses.

Source: OECD Survey on Regulatory Management.

[RIA] [Administrative simplification]

Regulatory Management Indicators: www.oecd.org/regreform/indicators

EU 15 reviews on Regulatory Reform: www.oecd.org/gov/regref/eu15

Background reports on Regulatory Reform: www.oecd.org/regreform/backgroundreports

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, the costs of goods and services produced by private entities funded by government (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 2009*.

Employment characteristics: The OECD averages refer to the following number of countries:

- Share of employees that are female: OECD-23
- Share of senior managers that are female: OECD-22
- Share of administrative positions filled by females: OECD-17
- Share of employees 50 years or older: OECD-25

HRM Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.

- **Delegation index** gathers data on the delegation of determining the number and types of posts needed in an organization, compensation levels, position classification, recruitment and dismissals, and conditions of employment. This index summarises the relative level of authority provided to line ministries to make HRM decisions. It does not evaluate how well line ministries are using this authority.
- **Type of recruitment system index** includes policies for becoming a civil servant in general (*e.g.* competitive examination or direct application) and for recruiting senior civil servants, and systems for appointing entry-level positions and for allocating posts across departments. This index describes a spectrum of recruitment systems in place in OECD member countries. Countries scoring closer to 0 have career-based systems whereas countries scoring closer to 1 have more position-based systems. The index does not evaluate the performance of difference systems.
- The **performance assessment index** indicates the extent to which it is used in career advancement, remuneration and contract renewal decisions, based on the views of survey respondents. This index provides information on the formal use of performance assessments in central government, but does not provide any information on its implementation or the quality of work performed by public servants.
- The **performance-related pay index** looks at the range of employees to whom PRP applies and the maximum proportion of base pay that PRP may represent. This index provides information on the formal use of performance related pay in central government, but does not provide any information on its implementation or the quality of work performed by public servants.

Budget Composites: The indexes range between 0 (low level) and 1 (high level). Details about the theoretical framework, construction, variables and weighting for each composite are available at: www.oecd.org/gov/indicators/govataglance.

- The **medium term budget perspective index** contains information on whether countries develop and present multi-year expenditure estimates in the annual budget, the number of years the estimate covers, how often estimates are updated; and whether there are multi-year targets or ceilings and how often these are revised. This index measures the extent to which countries have developed a medium-term perspective in their budget process. However, it does not evaluate whether this perspective has been effective at achieving budget outcomes such as fiscal discipline and allocative efficiency.
- The **performance budgeting index** contains information on what type of performance information is developed; the processes for setting goals and targets; the process for monitoring and reporting on results; and if and how performance information is used in budget negotiations and decision making processes by key actors including the central budget authority, the line ministries and politicians. This index examines the degree to which OECD member countries have put a performance budgeting system in place. However, it does not measure how successfully these systems operate in practice.
- The **executive flexibility index** contains the following variables: the extent to which lump sum appropriations are used; the number of line items in the budget; agencies' ability to carry-over unused budget allocations between years, borrow against future appropriations, reallocate between line items and keep efficiency gains; and constraints on the executive's ability to increase spending during budget execution. This index looks at the different levels of flexibility provided to the executive during budget execution. However, it does not measure whether this flexibility is used effectively or appropriately.

E-Government:

- The **UN e-government readiness index** ranges between 0 (low level) and 1 (high level). It measures the capacity of governments to implement and develop e-government services. Developed within the framework of the UN global e-government survey, the indicator consists of three sub-indices: (1) the web measure index, (2) the telecommunication infrastructure index and (3) the human capital index. The web measure index ranks countries based on the coverage, sophistication and availability of e-services and e-products. The index categorizes countries as having either an emerging, enhanced, interactive, transactional, or networked e-government presence. The telecommunication infrastructure index is a weighted average of 5 measures of ICT infrastructure capacity: PCs/100 persons, Internet users/100 persons, Telephone lines/100 persons, Broad-banding/100 persons and Mobile phones/100 persons. The human capital index is a weighted average of the adult literacy rate (two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (one-thirds weight).
- The e-government take-up by citizens indicator measures the percentage of individuals (aged 16-74) who used the Internet to interact with public authorities in the 3 months preceding the survey. Data are collected through Eurostat's annual Community Survey on ICT Usage in Households and by Individuals, and are only available for European countries.
- The e-government take-up by businesses indicator measures the percentage of enterprises using the Internet to interact with public authorities. Only businesses with 10 or more employees are included. Data are collected by national statistical offices based on Eurostat's annual Model Survey on ICT Usage and E-commerce in Businesses.