

programmes

**Regional development programmes
Grand Duchy of Luxembourg**

COMMISSION OF THE EUROPEAN COMMUNITIES

**Regional development programmes
Grand Duchy of Luxembourg**

COLLECTION PROGRAMMES
Regional Policy Series No 11
Brussels, September 1978

This publication is also available in

DE ISBN 92-825-0612-6

FR ISBN 92-825-0614-2

A bibliographical slip can be found at the end of this volume

© Copyright ECSC – EEC – EAEC, Brussels-Luxembourg, 1979

Reproduction authorized, in whole or in part, provided the source is acknowledged.

Printed in Luxembourg 1979

ISBN 92-825-0613-4

Catalogue number: CB-NS-78-011-EN-C

Contents

Introductory remarks	5
Chapter I - ECONOMIC AND SOCIAL ANALYSIS	7
Chapter II - DEVELOPMENT OBJECTIVES	23
A. General principles	23
B. Demographic and economic development	25
C. Town planning and housing	28
D. Public amenities	29
Chapter III - MEASURES FOR DEVELOPMENT	33
Chapter IV - FINANCIAL RESOURCES	45
Annex 1 (Multiannual Programme for State Expenditure)	50
Annex 2 (Revenue and Expenditure entered 'Below the Line').....	52
Annex 3 (Public Investment Programmes)	55
Chapter V - IMPLEMENTING THE PROGRAMME.....	59

INTRODUCTORY REMARKS

The regional development programme of the Grand Duchy of Luxembourg is supplied in pursuance of Article 6 of the Council Regulation of 18 March 1975 establishing a European Regional Development Fund. It conforms to the outline indicating the required content of regional development programmes which was published in the Official Journal of the European Communities on 24 March 1976.

In applying the said Regulation creating the ERDF, the whole territory of the Grand Duchy of Luxembourg is to be treated as one regional unit of the Community as regards implementation of the regional policy devised by the Member States of the EC.

Therefore the Luxembourg Government will cooperate with the neighbouring States in carrying out major measures for development and will take into consideration the possible impact of such measures in a wider geographical context. In any case, the Commission of the EC will be consulted beforehand where the use of Community funds for an investment project is contemplated.

The approach described will be adopted in respect of general economic measures as well as in the matter of projects for development of the infrastructure, because the national and the regional view of affairs coincide.

In the circumstances, the Grand Duchy will keep a close watch on the evolving regional policy of the Community, to assess the implications for the economic policy of Luxembourg and especially for action, both in organizing the domestic economy and in applying measures involving infrastructures within the territory.

Moreover, because of its extreme dependence on markets in other countries and because of its participation in a system extending over a larger geographical area, the Grand Duchy will need to pay special attention to the accord of policies affecting its frontiers with Germany, Belgium and France.

Another point which should be mentioned here is the problem for Luxembourg of drawing up short or medium plans at all, in view of the slender limits of its economy and the limited room for choice in development matters and, worse still, because micro-economic decisions are very much at the mercy of external factors, which in turn makes macro-economic planning extremely difficult.

Chapter I

ECONOMIC AND SOCIAL ANALYSIS

1. GENERAL DESCRIPTION OF THE REGIONAL PLANNING UNIT

Luxembourg is the smallest of the nine Member States of the EEC. It is bounded by Belgium to the north and west, by the Federal Republic of Germany to the east and by France to the south; the distance from west to east is 57 km and from north to south 82 km. The area is 2 586 km² and in 1975 the resident population was about 357 000, which gives a population density of 138 persons per square kilometre, whereas the figure for the EEC as a whole is 170.

The country comprises two natural subregions:

- the "Oesling" in the north, 828 km² (32%), a spur of the Ardennes, rugged country, with a mean height above sea level of 450 m;
- the "Bon Pays" in the south, 1 758 km² (68%), less broken than the north, with a mean height above sea level of 250 m.

In 1974 the agricultural areas and forestry areas were 1 318 km² (51%) and 820 km² (32%) respectively, making a combined total of 2 138 km² (83%). The remainder of the country is occupied by urban land, roads and railways, inland waters, etc.

There are scarcely any exploitable mineral resources other than a narrow strip of low-grade iron-ore extending into the south-west of the country from the deposits in Lorraine.

The waterpower resources have recently been harnessed by the building of dams in three rivers, the Sûre, the Our and the Moselle.

The administrative divisions of the territory are three districts, 12 cantons and 126 communes.

2. RECENT ECONOMIC AND SOCIAL DEVELOPMENTS

2.1. The essential features of the Luxembourg economy

The economy is almost totally dependent on supplies from outside the territory, requiring manpower, capital, raw materials and energy. Of the goods produced, 90% are exported and the foreign currency receipts serve for imports of the consumer and capital goods needed.

The structure accords with the pattern for a developed country but is heavily reliant on the iron and steel industry. The three major sectors are in approximately the usual proportions for countries with a high standard of living.

Shares of the three sectors in employment
and in GDP at factor cost 1974
(comparative values)

Sphere \ Sector	Agriculture	Industry	Services
Employment	6.5%	48.1%	45.4%
GDP	3.5%	56.5%	40.0%

The salient features of the manufacturing industry are large-scale iron and steel production and a relatively high number of small and medium-sized enterprises. In 1974 the iron and steel industry was the direct employer of 25 000 persons - 34.7% of the total employed in industry - and contributed 30% of the GDP. A great many other jobs in the secondary and tertiary sectors are closely linked with the iron and steel industry.

The state of the economy reflects the situation in the iron and steel industry, which is in turn affected by demand in foreign markets. Although the overall trend of that demand has in the past been upward, it has passed through troughs at intervals of four to five years and the general economic situation of the country has been very sensitive to these.

2.2. Overall position (1960-1974)

The post-war period has been marked by considerable overall economic growth from 1960 to 1974. The continuing process of introduction of common market arrangements and the favourable world economic circumstances were the underlying causes of expansion of the economy, the general outlines of which may be noted from the tables below.

Source and structure of GDP, at factor cost,
from 1960 to 1974, showing percentage

Sector or branch	Year	1960		1970		1974	
		abs. fig. ¹	%	abs. fig. ¹	%	abs. fig. ¹	%
Agriculture		1.8	7.6	2.1	4.3	2.7	3.5
Industry		12.9	54.7	27.3	55.4	43.0	56.5
of which: iron and steel		7.7	32.6	14.1	28.6	22.8	30.0
chemical		0.3	1.3	3.1	6.3	5.8	7.6
Services		8.9	37.7	19.9	40.3	30.4	40.0
of which: trade		-	-	6.2	12.6	9.1	11.9
transport		-	-	3.0	6.1	4.6	6.0
publ. admin.		2.2	9.4	4.8	9.8	9.0	11.8
TOTAL		23.6	100	49.3	100	76.1	100

¹ In thousand million francs at current value.

Distribution of the working population of the country
between sectors and branches of the economy, 1960-1974

Sector or branch	1960		1970		1974	
	Number	%	Number	%	Number	%
Agriculture	21 900	16.6			9 700	6.5
Industry	59 100	44.8			72 000	48.1
- Iron and steel production	24 000(e)	18.2			25 000	16.7
- Traditional industries	19 400(e)	14.7			15 900	10.6
- Building and civil engineering	14 500(e)	11.0			19 800	13.2
- New industries	1 200	0.9			11 300	7.6
Services	51 000	38.6			67 900	45.4
- Transport and communications	8 300(e)	6.3			9 700	6.5
- Public administration	9 300(e)	7.0			13 800	9.2
- Banking and insurance	1 600(e)	1.2			6 000	4.0
- Other services	31 800(e)	24.1			38 400	25.7
Working population of the country	132 000	100.0		100	149 600	100

e= estimated

For the period (1960-1974) the average annual growth rate of GDP at market prices was about 3%, of which 2.2% came from higher productivity and 0.8% from increase in the number of persons in employment.

2.3. The main features of the past development of the three sectors

2.3.1. Industry

Since the end of the nineteenth century the Luxembourg economy has been carried forward and dominated by the growth of the iron and steel industry, which has given rise to small connected industries, improvement of rather poor agricultural land (by means of basic slag), a modern railway network, a large volume of foreign trade and an expansion of the resident population which has in turn helped to enlarge the food industry and the services sector.

In the 1960s it became apparent that eventually iron and steel production would probably not constitute an adequate safeguard of economic growth, given the improved competitiveness of steel plants elsewhere in the Community and given the desire of many countries to start steel manufacturing in their own territory.














Therefore the Luxembourg Government has introduced measures for the diversification of industry, thus enabling the function of creating employment and wealth to be partially redeployed from iron and steel into other production. This effort to spread industrial output, especially in chemical manufacturing, has been accompanied by a redistribution of industry, with the object of securing a more balanced distribution over the territory.

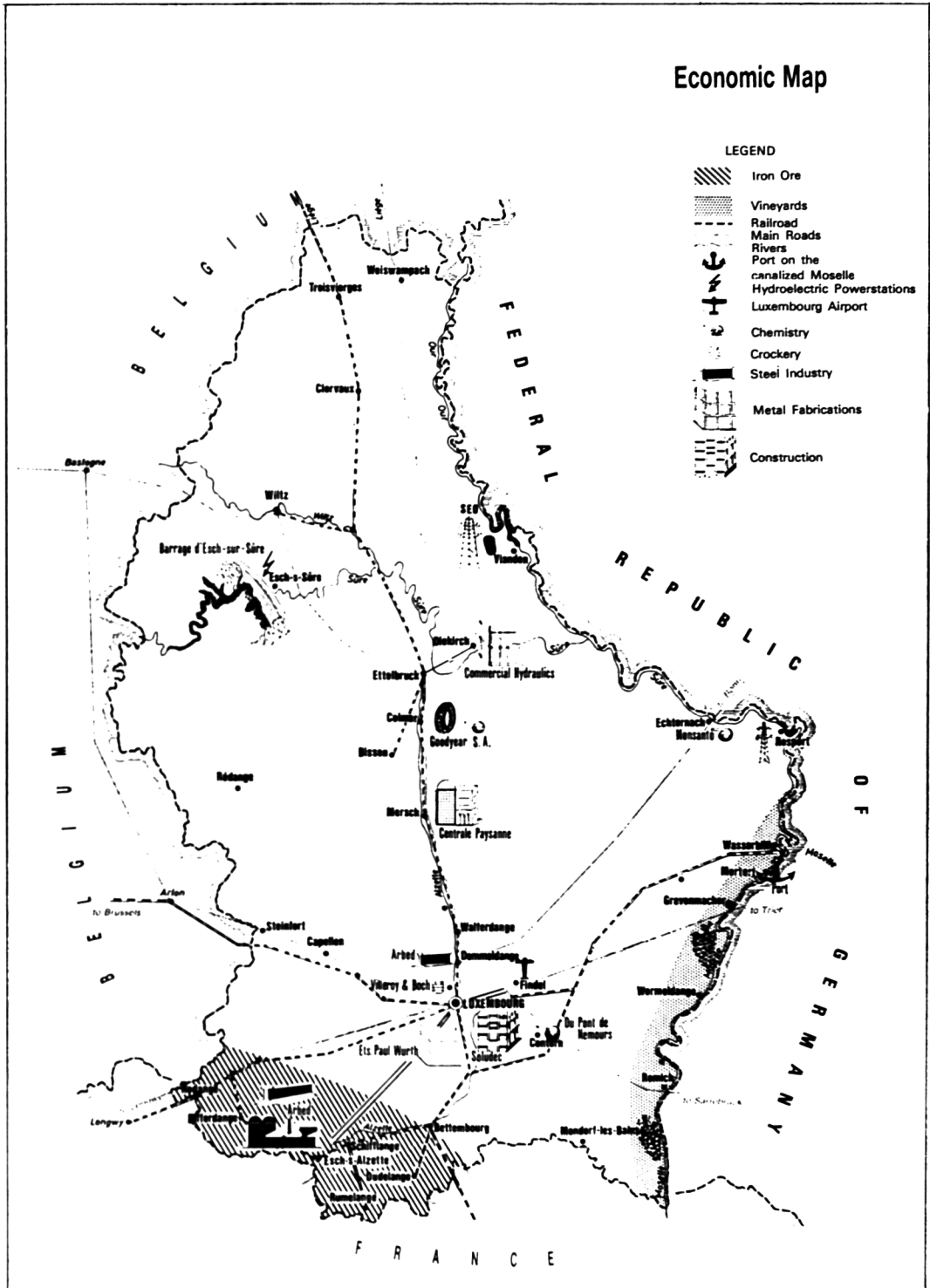
Accordingly, most of the larger new industries (see map on next page) have been set up in the north or east of the country, sometimes replacing defunct factories, as in the case of Wiltz, in the northern subregion. In line with this twofold redeployment objective, plants have been established by Goodyear (4 000 jobs) in Colmar-Berg, by Du Pont de Nemours (1 100 jobs) in Contern, by Monsanto (1 000 jobs) in Echternach, by Eurofloor (450 jobs) in Wiltz, by Uniroyal (250 jobs) in Steinfort, by Commercial Hydraulics (400 jobs) in Diekirch, by Cleveland Tramrail (200 jobs) in Clervaux, by Métallurgie de Bissen (200 jobs) in Bissen, by General Motors (400 jobs) in Bascharage, etc.

These are the concrete results of a systematic diversification policy applied under the basic law of 2 June 1962, providing for State subsidization of "operations contributing directly to the setting up, conversion or rationalization of manufacturing, craft or trading enterprises, provided that they improve the overall structure and regional balance of distribution of the national economy and stimulate its growth". That law was revised in 1967 and in 1970. A new law on expansion came into force on 28 July 1973. This legislation has contributed greatly towards achievement of the introduction of more than 60 establishments, providing some 11 500 jobs (1962-1974).

Economic Map

LEGEND

-  Iron Ore
-  Vineyards
-  Railroad
-  Main Roads
-  Rivers
-  Port on the canalized Moselle
-  Hydroelectric Powerstations
-  Luxembourg Airport
-  Chemistry
-  Crockery
-  Steel Industry
-  Metal Fabrications
-  Construction



2.3.2. Services

As regards the services sector, there has been very rapid expansion of international financial activity in the city of Luxembourg. From 1955 to 1973 the number of banking establishments rose from 13 to 76. In the same period the total held in savings accounts rose from LFR 11.4 thousand million to LFR 280 thousand million and the volume of bank loans to the private sector increased from LFR 5.1 to LFR 299 thousand million. The number of persons employed in banking quadrupled from 1960 to 1975, rising from 1 321 to 5 448.

In addition, the headquarters of some Community financial and monetary institutions have been set up in Luxembourg: the European Investment Bank (1968) and the European Monetary Cooperation Fund (1973).

2.3.3. Agriculture

In agriculture, where a salient feature had been the predominance of small and medium-sized holdings, the results from 1955 to 1975 of widespread modernization and reform were a great decrease in the number of holdings of 2 hectares and over, from 10 570 to 5 216, an increase in the average size from 13.2 ha to 25.10 ha, a drop in the number of persons of working age engaged in agriculture, from 25 800 to 9 300 persons, a certain amount of over-mechanization, an expansion of stock-farming, which has been more profitable, at the expense of arable farming (more than four-fifths of agricultural income now comes from livestock), and an extremely unsatisfactory composition of the farming population by age (see next page).

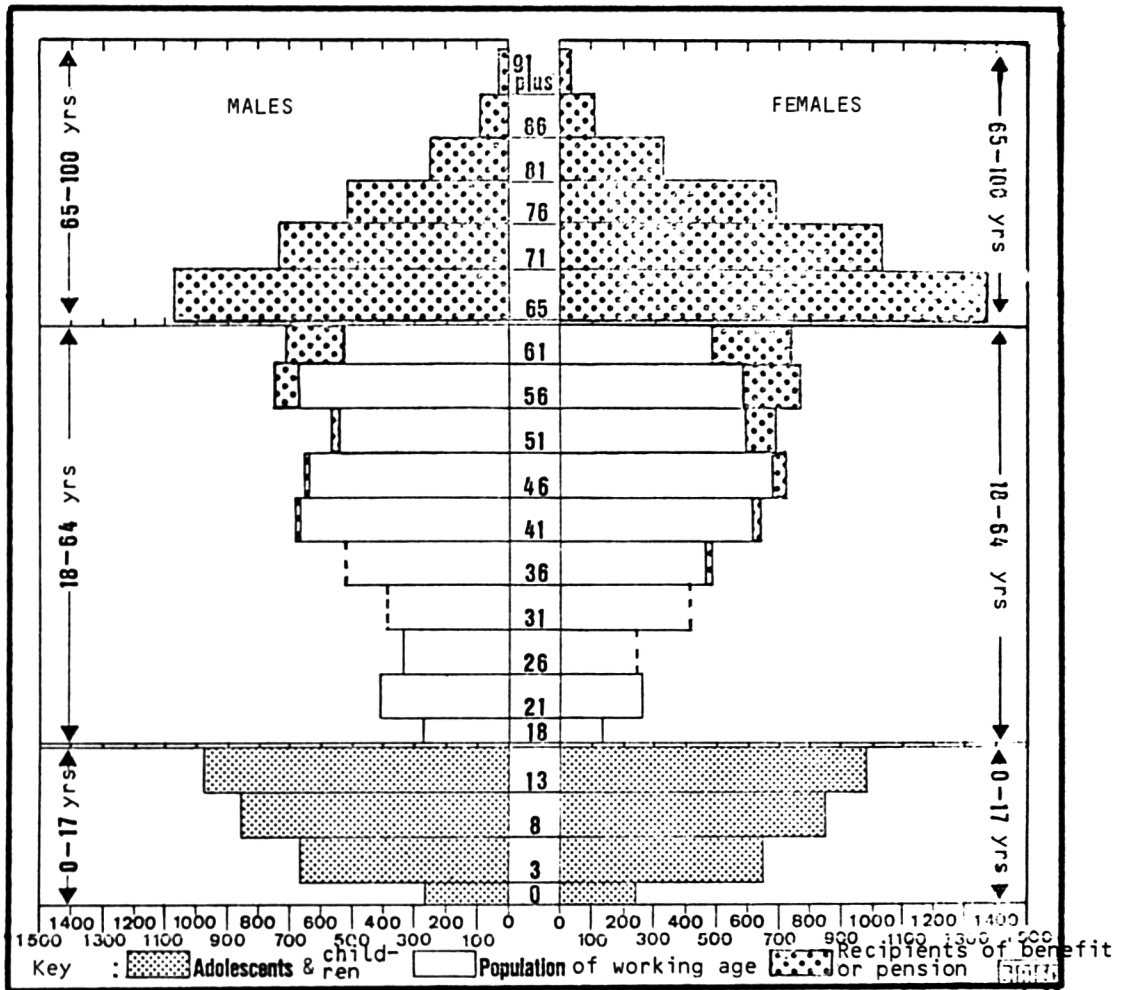
2.4. The present crisis (1975-1977)

Although this crisis has arisen from external causes, it has exposed the structural shortcomings of manufacturing industry, and above all the iron and steel industry.

In 1975 the GDP and productivity dropped by 7.7% and 7.9%, respectively, as a result of the crisis affecting industry, which was the only sector to show a drop in its share of the GDP (-19.1%) and in productivity (-17.6%), although the number of people employed in manufacturing industry fell by only 1.8% (from 72 000 to 70 700).

COMPOSITION OF THE FARMING POPULATION BY AGE GROUP

Situation at 31 December 1973



The higher price of energy and of some raw materials since 1973, slow progress in establishing a new international division of labour which would alleviate the situations which have arisen, and the world economic crisis have gradually exposed the faults of Luxembourg's manufacturing industry. The salient features are the predominance of iron and steel production in the economy and the life of the nation, the large number of enterprises whose existence is bound up with that of heavy industry, the limited range of types of industry, the small scale of production units other than those making steel, tyres or synthetic textiles, and the fact that factories set up by multinational companies are controlled by decision-making centres abroad. In 1976, 75% of foreign currency receipts were earned by the iron and steel industry (54.3%) or by the multinationals.

Externally, the domestic iron and steel industry is at risk from the proliferation of plants and the more competitive terms offered by steel firms inside and outside the Community, especially the Japanese steelmakers. Internally, some gaps in investment and organization must be closed as soon as possible if the industry is to keep the chances which at the moment it actually has in the predicted steel market.

So far the anti-crisis measures adopted by the Government, the trade unions and employers have been designed to maintain full employment. The level of unemployment is very low: 0.5% of the total of persons of working age desiring employment in Luxembourg. However, the problem of achieving full employment will be prominent in the economic scene of the future.

3. THE ECONOMIC AND SOCIAL OUTLOOK

3.1. Long term

From an initial analysis of development possibilities in 1990, based on varying assumptions of how the world situation will evolve - our development will be to a great extent governed by the economic growth achieved by our main trading partners, the Federal Republic of Germany, Belgium, the Netherlands and France - and on the potential of Luxembourg, the future growth rate is put at an average in the range from 2.5% to 3.5% per annum, the second figure being the level attained for the high growth period from 1960 to 1974.

On that basis, the table below gives the forecast future distribution of employment between sectors and major branches of the economy.

Forecast of the working population of the country in 1990

Branch	Situation in:		Low hypothesis		High hypothesis	
	1974	1976	Absolute figures	Change 1976-90	Absolute figures	Change 1976-90
Agriculture	9 700	8 900	5 800	- 3 100	5 400	- 3 500
Industry	72 000	68 000	61 200	- 6 800	69 700	+ 1 700
- Iron and steel production	25 000	23 300	15 000	- 8 300	17 000	- 6 300
- Traditional industries	15 900	15 900	15 400	- 500	16 400	+ 500
- Building and civil eng.	19 800	17 500	17 000	- 500	19 000	+ 1 500
- New industries	11 300	11 300	13 800	+ 2 500	17 300	+ 6 000
Services	67 900	70 800	76 200	+ 5 400	78 600	+ 7 200
- Transport and communic.	9 700	10 000	10 500	+ 500	11 000	+ 1 000
- Public administration	13 800	14 300	15 100	+ 800	15 500	+ 1 200
- Banking and insurance	6 000	6 400	7 500	+ 1 100	8 000	+ 1 600
- Other services	38 400	40 100	43 100	+ 3 000	44 100	+ 4 000
Working population of the country	149 600	147 700	143 200	- 4 500	153 700	+ 6 000

(a) In the primary sector, gradual slowing down of decline in the numbers in employment will have caused most of the economically unviable holdings to have disappeared by 1990, chiefly because of the large number of farmers now aged 55 years whose businesses will not be taken over by the next generation of the family.

The reason for the difference between the two hypotheses is that at times of economic boom the other sectors are more attractive to people employed in agriculture than they are when the economy is dull.

(b) In the secondary sector, overall change will be greatly affected by change in the iron and steel industry.

- Despite probable increase in production capacity, in the iron and steel industry the investment in rationalization requisite for restoration of our competitiveness in external markets will bring the number of jobs down to a level below the estimated difference in 1980 (-2 500).

- The traditional industries cater almost exclusively for a domestic market in which there is very little scope for variation. There will not be any great change in the size of the country's working population and the future development of these industries will be greatly influenced by that of the primary sector and of iron and steel processing, since much of this segment of industry derives from their production.
- In the case of new industries the rise in the number of jobs which is forecast in the low hypothesis reflects solely the expansion plans of the industries already established in Luxembourg, whereas the high hypothesis also takes into account the amount of new industry likely to be set up if economic conditions are favourable.
- The building industry is greatly affected by circumstances, for example the number of persons employed dropped from 19 800 in 1974 to 17 500 in 1976, i.e. by 11.6% in a period of two years. The figures given represent the extremes of the foreseeable range of future fluctuation.

(c) In the tertiary sector the reasons for the forecast expansion are as follows:

- For transport and communications an overall rise would come from increase in workforces, mainly in post and telecommunications, also to a lesser degree in road and air transport services, but a decline in the number of jobs with the railway company.
- Expansion in public administration would involve the numbers of officials and employees of the State and of the social security services. Merger of the communes would initially have little effect on the number of persons directly employed under administration of the communes.
- Increase in the banking and insurance sector, at a slower rate than in the past, would come from expected rise in employment by the Euro-banks.
- Other services are a heterogeneous group. In some of the occupations the numbers will increase (for example in the professions and in commerce) but in others they will remain much the same or will decline (household services). The results obtained with the two hypotheses are far apart in their estimate of growth.

The table below summarizes the highest and lowest estimates for 1990 for the three main sectors of the economy.

Change in distribution of employment of the working population
of the country between the main sectors of the economy for
1990 compared with 1974

Sector	1974		1976		1990			
					Low hypothesis		High hypothesis	
	No	%	No	%	No	%	No	%
Agriculture	9 700	6.5	8 900	6.0	5 800	4.1	5 400	3.5
Industry	72 000	48.1	68 000	46.0	61 200	42.7	69 700	45.4
Services	67 900	45.4	70 800	48.0	76 200	53.2	78 600	51.1
Working population of the country	149 600	100.0	147 700	100.0	143 200	100.0	153 700	100.0

In the matter of projected change, comparison between the figures for persons of working age employed in Luxembourg (including workers who cross the frontier) and those for persons of working age resident in Luxembourg (determined from demographic projections based on likely differences resulting from natural demographic factors and from immigration) shows two situations close to equilibrium.

Change in the population of working age for 1990 compared
with 1976

Demographic projections	Population of working age						Economic projections
	resident in Luxembourg			employed in Luxembourg			
	1976	1990	76/90	1976	1990	76/90	
Low projection	144 300	146 300	+ 2 000	147 700	143 200	- 4 500	Low hypothesis
Intermediate projection	145 000	152 200	+ 7 200	147 700	153 700	+ 6 000	High hypothesis

- In a dull economic situation the result of the combination of slight increase in supply of persons of working age requiring employment (+2 000) and drop in the demand for labour (-4 500) would be a risk of potential unemployment of 6 500 persons by 1990.
- In conditions of economic boom the risk of unemployment could be put at only 1 200 persons, since the increase by 7 200 in the supply of persons requiring employment would be largely counterbalanced by a rise by 6 000 jobs in the demand for labour.

The long-term projection needs to be supplemented by a medium-term forecast, especially because about midway through the period from 1976 to 1990, i.e. in approximately 1984-1985 the situation in the labour market will be greatly changed by a fall in demand for labour in Luxembourg.

3.2. Medium term

At the "Tripartite Conference" from April to June 1977, at which the Government, the trade unions and employers met to draw up a common plan of action for the maintenance of economic growth and full employment, an initial attempt was made to prepare for the situation in 1980. Thorough analysis of demographic factors and social developments, as well as of the outlook as regards the country's economy as a whole and in sectors, was found to have "revealed growing risk of quantitative and qualitative imbalance in the labour market". This trend is due mainly to the cumulative effect of three major factors:

- (a) combination of the temporary bulge of the number of young people entering the labour market and reduction in the number of persons retiring;
- (b) the increasing discrepancy between on the one hand the choices and personal aspirations of young people in education and in proposed career and on the other hand the jobs which the economy is capable of offering;
- (c) unavoidable reduction of the labour force in one of the key segments of the economy, the iron and steel industry, as a result of change in the world production situation and in the pattern of trade.

According to the table below, in 1980 employment should at least reach the same level as in 1976.

Working population of the country¹
Central hypothesis

(in thousands of persons)

Branches of employment	1974	1975	1976	Absolute change 1976 - 1980	1980
Agriculture	<u>9.7</u>	<u>9.3</u>	<u>8.9</u>	<u>- 1.2</u>	<u>7.7</u>
Industry ²	<u>72.0</u>	<u>70.7</u>	<u>68.0</u>	<u>- 3.3</u>	<u>64.7</u>
- Iron and steel (manufacture) + ore mining	25.0	24.6	23.3	- 3.5	19.8
- Traditional industries	15.9	16.1	15.9	- 0.3	15.6
- New industries	11.3	11.1	11.3	+ 1.0	12.3
- Building and civil engineering	19.8	18.9	17.5	- 0.5	17.0
Services	<u>67.9</u>	<u>69.9</u>	<u>70.8</u>	<u>+ 2.2</u>	<u>73.0</u>
- Transport and communications (including post and telecom.)	9.7	10.0	10.0	+ 0.3	10.3
- Public administration	13.8	13.2	14.3	+ 0.6	14.9
- Banking and insurance	6.0	6.2	6.4	+ 0.3	6.7
- Other services (trade, hotels and catering, professions, health services, household services, etc)	38.4	39.5	40.1	+ 1.0	41.1
TOTAL	149.6	149.9	147.7	- 2.3	145.4

¹ Including frontier workers.

² Including craft firms.

It is to be feared that the labour market will be unable to absorb the surplus manpower, so that a conservative estimate of the surplus in 1980 would be about 2 700 persons. That assessment is purely quantitative and does not take into account the qualifications of the young people entering the labour market.

The imbalance mentioned might be aggravated by certain events:

- more immigrants than the average of 200 persons a year foreseen;
- a rise in the number of persons living outside the frontiers employed or seeking employment in Luxembourg, because of economic difficulties in Lorraine and in the Belgian province of Luxembourg;
- an increase of the number of women in the labour market, as a result of the raised retirement age for women;
- greater decrease than anticipated in numbers employed in the iron and steel industry.

4. ACTUAL AND POTENTIAL FACTORS OF GENERAL IMBALANCE

4.1. Socio-economic imbalances

As regards employment, analysis of economic and social matters has revealed a quantitative risk, from two divergent trends which produce cumulative effects:

- drop in employment in the main industry of iron and steel production, and possibility of redundancies in other branches of industry (for example the textile industry);
- increase in number of persons of working age in the labour market, as a result of foreseeable demographic developments.

There is also a qualitative risk connected with correspondence between the qualifications of the future work force and the nature of the jobs currently or in future existing.

4.2. Imbalance between the regions of the country

In the context of improvement of conditions in the territory, which is an essential item in an overall policy for a region, a major objective is the achievement of satisfactory balance between the divisions of the territory. In our planning for social and economic development this is termed "stabilization of the present distribution over the territory".

Two points are noteworthy in this connection:

Since the beginning of this century there has been a drift of population away from the Oesling, the natural region comprising the north of the country, and a gain in the population of the other region, the Gutland (Bon Pays). Efforts are being made to maintain the level of population in the Oesling, to preserve the existing economic potential, to make the most of tourism and the ecology of that part of the country, and to support and expand existing sources of employment.

Reorganization of the structure of the iron and steel industry located in the south-west of the country has become indispensable. The existing infrastructure, the need for the creation of alternative employment and the relatively young population in that area necessitate the urgent application of coherent set of measures in that part of the country.

Chapter II

DEVELOPMENT OBJECTIVES

A. General principles

1. The medium-term development programme for regions of the territory largely derives from objectives designed for the advancement of the territory as a whole:

- amelioration of the quality of life for the population and rehabilitation of the environment;
- improvement of housing, and harmonious development of urban and rural amenities;
- making the best possible use of economic resources;
- protection of nature and preservation of everything of value in the natural environment;
- preservation and advancement of the national cultural heritage.

2. In the period to 1980 the development programme for the regions will be proceeding at a stage in the history of the country which will be marked chiefly by the application of measures to reorganize and rationalize industry in Luxembourg, especially in the iron and steel industry, also by intensified effort on the part of the administrative authorities to stimulate economic growth and maintain full employment, mainly by means of diversification of economic activity in the industrial and tertiary sectors.

3. The present crisis involving the organization of the economy makes plain the unwisdom of slow and gradual reorganization, especially in iron and steel production, constituting the dominant sphere. Therefore in the short and medium-term it is necessary to aim at rapid and thorough reorganization. In the circumstances, priority must be given to the sectoral aspects of economic development and they must be considered from the point of view of national and area effects and also of any disharmony at the frontiers with the neighbouring countries. Hence, as regards taking into account regional effects, that is, effects in portions of the national territory, in connection with matters to be arranged, it will not be possible to do more than treat these as material to be studied, material which can perhaps be considered in deciding where divisions in the distribution of employment and population over the territory are appropriate now and in future.

4. Since there will probably be only small fluctuations in the total resident population during the next five years, development policy for the population of working age will aim to stabilize so far as possible the distribution over space of that working population, by creating satisfactory living conditions and employment in the various parts of the country. We should seek to establish in each area a well-designed pattern of provision for the five factors of housing, employment, consumer needs, travel and leisure.

5. In improving and developing the regions we must take into account present conditions and pay attention to bringing out the best in each area. We should not seek to endow all the parts of the country with identical amenities; instead we should seek to provide each area with the means of developing according to its own potential and its own special features. An overall view of the objective of balance between the areas should be taken, looking at the country as a whole and in the light of the state of development of adjoining areas on the other side of frontier lines. These principles should be taken into consideration in the planning and provision of all amenities.

6. In public services and facilities the provisions made in general education, in higher education or training and in culture, in health and social facilities, in public administration and justice, for sport and for leisure activities must conform to a coherent plan for promoting development in particular places.

All public investment projects should be designed in the light of present and foreseeable needs in relation to the existing facilities and the amount of use of them. They must not be carried out unless shown to be worth while by cost-benefit study covering all the quantitative and qualitative aspects. Policy on the prices charged for public services must be governed by the same considerations.

7. Planners must try to achieve the correct balance between the advantages of centralization and the inconvenience for users of making the requisite journeys.

If in any given case it is appropriate to carry out relocation of area offices of public administrations, there must not be too much centralization by bringing offices into the city of Luxembourg. Where there is sufficient work the administrative department must retain its decentralized branch establishments, in order to keep public services within convenient reach of the people.

8. Amalgamation of the communes - according to the principle that there should not be more than 39 - is to play an important part in improving living conditions and making them more uniform in quality, by making the quality of the public services available in the various areas of the country as even as possible and keeping them sufficiently active. Since very few mergers of communes are being made voluntarily, this key reform ought to be put before the Chamber of Deputies very soon. Support should be given to the places which become the administrative headquarters of the merged communes in their role as centres for development and future centres of attraction.

9. As in the case of plans for improvements involving the territory as a whole, it is intended that there should be very close cooperation with the neighbouring States in respect of the programme for development of the regions.

For that purpose there ought to be enhancement of contacts concerning local development with the Länder of Saarland and Rhineland Palatinate (Federal Republic of Germany), the Provinces of Luxembourg and Liège (Belgium) and the Region of Lorraine (France).

B. Demographic and economic development

10. Study of present demographic, economic and social conditions in this country indicates that the appropriate policy would be to aim at stabilization of the figure for total resident population at about 350 000 to 360 000, by encouraging a rise in the indigenous birth-rate and by limiting immigration from other countries. The average population density of about 135 to 140 persons per square kilometre is slightly lower than the average for the Community as a whole and may be regarded as close to the optimum level, giving the inhabitants sufficient living space but making it economically viable to provide essential public services. The policy of stabilization of the total population and of the population of the different areas of the country is a change from the attitude to improvement of the territory taken in the past few decades, during which the population was raised, mainly by immigration, from 300 000 in 1950 to 360 000 in 1975, which was one of the highest growth rates in Europe.

11. Because of the particular age structure of the resident population and in view of the necessity of allowing for an average of at least 200 immigrants a year, the total potential working population can be expected to increase by about 4 000 to 4 500 persons from 1976 to 1985 and then to drop by some 2 000 to 2 500 persons between 1985 and 1990. Therefore demographic analysis reveals the need to pursue an active policy of creation of new jobs in industry and in the tertiary sector for the next years, in order to maintain full employment. Attention should be paid not only to the quantitative aspects mentioned but also to the qualitative matter of reconciliation between the qualifications of the available workforce and the nature of the new jobs.

12. The necessity of doing everything possible to create new jobs becomes still more apparent on studying potential for change in the various segments of the economy as at present constituted. The salient feature is reorganization of iron and steel production, which is likely to cause the elimination of about 7 000 jobs in an operation due to take place fairly rapidly over the next few years.

13. In the circumstances, it is desirable to set the target of an average annual growth rate of the economy of about 3% in volume. That growth will be dependent on an intensive effort to raise the productivity of the labour input, in particular by means of keener competition in the international market, and an endeavour to find new kinds of jobs in industry and in the tertiary sector that are as well matched as possible to the qualifications of the resident workforce. Finally, the growth policy will be based on the guidelines for sectors mentioned below, which will not be the only guidelines but merely the ones especially relevant to regional development.

Agriculture

14. Agriculture must remain viable, for economic, social and ecological reasons and also so that the nation's supplies are safeguarded. Agriculture is an important agent of advantageous use and management of land and should be promoted wherever the quality of the land is suitable for this occupation, although a slight reduction in the area of farmland by comparison with the present amount could be contemplated. The most suitable type of farming unit is considered to be the family holding, the size of which should be about 40 to 50 hectares, according to the type of farming undertaken. Rational management and structural improvement will help to make income from farming comparable to that in other sectors of the economy. Major factors in achieving better organization will be:

- promotion of investment in the modernization of farms;
- simplification and speeding up of the process of re-parcelling rural properties, with assistance from the State, the communes and individuals;
- increase in specialization in agricultural production;
- enlargement of farms;
- encouraging people working in agriculture who are unable to change over to modern practices to change to another occupation.

15. Wine-growing will continue to be essential to the economic, social and ecological balance of the Moselle area of the country. The prospects of this branch of the economy should be reinforced by means of a policy of modernization and rationalization of production and by efforts to raise the quality of the wines.

Industry

16. In the south of the country, concentration of iron and steel production in the Belval-Differdange area creates problems from the point of view of reform and diversification of industry, especially in the two furthestmost parts of the Luxembourg steelmaking zone, those around Rodange and Dudelange. On the assumption that about 7 000 jobs in the iron and steel industry will be lost in the next few years, at least as many jobs must be created in other occupations. This must be achieved;

- by new kinds of manufacturing, downstream from iron and steelmaking, mainly evolved through the initiative of that industry;
- by obtaining the setting up of additional plants belonging to subsidiaries of foreign companies, especially in the centre and the north of the country, which could above all absorb commuters from those areas at present employed in iron and steel production in the south of the country;
- by the formation in this country of new enterprises, most of which should set up factories in the south of the country, in order to preserve the demographic, economic and social balance of the country and take advantage of the amenities already available in that area.

17. In the north of the country an industrial zone in which the towns of Bissen, Colmar, Ettelbruck and Diekirch are situated will serve as the industrial area on which policy for the industrialization of the north will

be based. The small town of Wiltz will continue to be the second centre for industrial development of that region. Industrial expansion and the setting up of new factories in the Vianden, Clervaux and Troisvierges districts should take a form compatible with requirements from the point of view of tourism and the protection of the natural environment. Development around the places mentioned should serve to obviate a scatter of industrial plants over the northern part of the country. In the east and the centre of the country the viability of the existing industrial establishments should be secured, if necessary by changeover to another type of production.

Finally, concentration of new factories in the vicinity of the capital must be prevented.

18. Since a detailed land inventory has revealed that the existing industrial undertakings, especially the iron and steel industry and most of the enterprises of foreign origin, still possess large reserves of industrial land, the question of laying out new industrial sites will affect only a small proportion of the jobs to be created.

19. In the south of the country the creation of purpose-built new industrial zones could be contemplated.

However, there must be costly competition between different communes in that connection, since this would produce proliferation and surplus of industrial zones. Therefore the Government has set itself the urgent task of drawing up a national plan for sectors under which a procedure ensuring cooperation between the central administrations and the local authorities will be applied for the purpose of determining the zones to be assigned to industry.

In the other parts of the country there can be flexibility as to the setting up of relatively small production units, provided that there is not scatter, to the detriment of the environment. In general terms, the choice of sites for new industries should in future be guided mainly by:

- the manpower reserves available locally;
- the amount of prepared or potential industrial land;
- the existing infrastructure or, if applicable, the cost of creating the necessary infrastructure;
- environmental considerations.

Tourism

20. Given that experience of tourism in Luxembourg is of touring and of short stays, the following objectives are needed, in order to obtain greater benefit from existing tourist facilities or facilities that can be set up:

- application of new initiatives designed to prolong the tourist season and the average length of stay;
- improvement of the present hotel infrastructure;
- promotion of greater cooperation between enterprises in the tourist trade;
- greater emphasis on tourist holidays for relaxation and recreation, taking care to protect nature and to avoid overloading places and facilities in the high season.

Change in the therapeutic provisions of Mondorf-les-Bains to other kinds of treatment, including anti-stress cure, and the opening of a casino will give that resort new prospects.

The tertiary sector

21. Activities in this sphere exert great influence on the distribution over the territory of the working population and the creation of wealth, as well as on the other services available in various parts of the country. Therefore economic incentives applicable to these activities (for example basic laws and assistance from the Société Nationale de Crédit et d'Investissement) should be introduced but should be designed to take into account regional difficulties, so that they result in assistance from the commercial and craft sector in the achievement of the desired balanced distribution over the country of resources.

In the specific matter of Luxembourg's position as a financial centre, an effort to reinforce and diversify the forms of financial activity conducted should be made, in the interests of balanced economic development of the capital. Objectives highly relevant to development in that sphere are those concerned with the quality of telecommunications and with improving air and rail links so that journeys are speeded up.

C. Town planning and housing

22. There is all too little land and no unused reclaimable land. It must be used as sparingly as possible, without wasting or spoiling any of it.

The conurbations should be well-balanced and provide favourable conditions for people from all points of view: social, health, aesthetic and economic. In seeking the achievement of the best possible urban development, proper consideration must be given to the natural surroundings as well as to the existing infrastructure and all the existing socio-economic factors. The tendency towards increasingly spacious urban layout must be curbed and accordingly from now on there must not be an appreciable lowering of urban population density.

23. Concentric development of localities about their nucleus should be encouraged. Vacant sites within localities should be developed first, before the built-up area is expanded. Another means of making places more compact is to restore or adapt old buildings, since they are not only financially valuable but also often irreplaceable in aesthetic and sentimental value.

24. New housing estates should be so designed that they include all the amenities and public facilities necessary to promote a desirable environment.

D. Public amenities

Transport and communications

25. The communications system should be a complete unity within which the various means of transportation complement each other. A factor which helps to improve the quality of life is replacement of travel in private vehicles by use of public transport; this should be assisted by improving the organization and quality of public transport within the framework of a coordinated set of policies and administrative measures.

Road network and road transport

26. The proposed system of trunk roads will be intended above all to make it possible to travel quickly between the city of Luxembourg and major towns in the neighbouring countries (Luxembourg - Arlon, Luxembourg- Thionville, and Luxembourg - Trèves motorways). The southern feeder road is also important. In order to fulfil its function it is intended to be fast and safe, i.e. the number of entrances should be limited. Moreover, it will be possible to reduce the central section because the task of building a proposed fast highway in the mining area will be undertaken as soon as possible. Another priority is the motorway linking the capital and the north of the country (Luxembourg - Ettelbruck). However, there does not seem to be sufficient justification for building the part of the road beyond Mersch as a motorway. All the new road projects will be valuable for general purposes but the preponderant consideration is the benefit to the economy.

27. For the city of Luxembourg, nerve centre of the road traffic system, the guiding principle will be to keep through traffic out of the city. For that purpose, a priority measure will be construction of the western by-pass motorway; to the east traffic density is less and the two-lane by-pass fairly close to the city (Boulevard de l'Est) will suffice.

Railway

28. As regards passenger transport, there should be re-examination of the fast and stopping train services between the capital and the south of the country. Improvement of facilities for international rail travel, especially between the capital and the other capitals of Community countries, is needed.

29. In freight traffic, rationalization and the limitation of iron and steel production will make operating and the financial equilibrium of SNCFL more difficult, so that further efforts to rationalize and reorganize will be indispensable.

Luxembourg Airport

30. There should be continuing efforts to improve our regular air links with the international flight network. However, the noise and pollution problems demand that future expansion of tourist traffic should be more selective. Moreover, the erection of dwellings in the zones of greatest noise of places at the perimeter of the airport should be restricted.

Opportunities of expanding air freight traffic should be taken up, in view of the advantageous location of Luxembourg in relation to major urban and industrial centres in Western Europe.

Water supply

31. There should be a comprehensive policy for water economy and management, covering all aspects of the natural water cycle and providing for all industrial and urban needs. The national water plan ought to ensure that people and firms receive sufficient water from a safe, modern network and ought to help to preserve the quality of life by combating pollution of inland waters.

32. National consumption seems to be approaching saturation point, being now about 550 litres per head per day. Moreover, better control and partial modernization of the water supply pipes should enable substantial savings to be made.

33. In the medium-term the installation of a second large water main (Eschdorf - Mersch - Bridel) is indispensable to ensuring that people and firms in the central and southern areas are assured of sufficient supply. Meanwhile, a start should be made on gradual increase in the water treatment capacity of the SEBES station, with the aim of doubling it by the year 2 000. Finally, the various communes which have their own supply should be linked up to the national network, under a time schedule awarding priority to places such as Echternach, where drinking water requirements have risen sharply as a result of growth of the tourist trade.

Energy supplies

34. The ability to meet the country's electricity needs, as shown by an estimate of future requirements, should be safeguarded either by long-term contracts with foreign suppliers or by electricity generating in the national territory. The risk of shortage necessitates a policy of economy in the use of all forms of energy.

Increased supply of natural gas, and if appropriate of electricity, should be ensured by means of new contracts.

Health and social facilities

35. For the hospital facilities in the Grand Duchy there should be a coordinated hospitals plan designed to provide about six beds per thousand inhabitants of the territory and ensuring that the various units do not fall below a certain standard. In addition, in order to prevent overlap and waste through over-equipment, it is necessary to introduce a system of four grades of hospital, according to the facilities which each grade possesses, on the following lines:

- national grade: for obvious economic and medical reasons, certain kinds of treatment, for example neuro-surgery, can be given only at one particular hospital;

- regional grade: it is planned that one polyclinic for each of the three regions should be equipped for various kinds of treatment, namely St Louis Clinic, in Ettelbruck, for the north, the hospitals group of the city of Luxembourg for the Centre, and the Esch-sur-Alzette Commune hospital for the south;
- subregional grade: this will comprise general hospitals for units of territory covering a population of 20 000 to 25 000. The hospital units in Differdange, Dudelange and Wiltz are examples of this kind of hospital;
- local grade: these local hospitals will treat only the population of the place where they are situated and its immediate environs.

36. Although for the foreseeable future there are sufficient beds in hospitals and geriatric institutions to meet the needs of the population, a well-organized major effort is required in respect of long-stay patients (enlargement of the Echternach hospital, conversion of the Vianden sanatorium and the old hospital in Differdange, etc.). In addition, nursing units should be added to conveniently located old people's homes.

37. In order to make a minimum standard of health care available to the rural population there must be better distribution of doctors between town and country. For the north redistribution of country doctors to bring more of them into the larger settlements ought to be arranged, for the sake of improvement in the working and living conditions of country doctors.

Schools and cultural facilities

38. Greater care than hitherto should be given to basing the setting up of new local schools on detailed demographic studies showing foreseeable change in the number of children of school age in the area. Moreover, certain minimum standards in respect of the size of each establishment should be met. Journeys of excessive distance or travelling time should be avoided, especially for preschool classes and the lower classes of primary schools, by setting up the establishments within reasonable distance of the pupils' homes. There is urgent need for national planning of the post-primary schools of the future and the implementation of that planning. It should aim at greater decentralization and better distribution between areas of the country of intermediate and secondary schools and centres for general courses.

Waste disposal

39. The introduction of a system for the administration of waste disposal is at present in progress in Luxembourg. For satisfactory solution of the problem of the disposal of urban and industrial waste, detailed, up-to-date legislation reinforcing that system is indispensable. We should take advantage of the setting up of the intercommunal councils to prohibit and prevent uncontrolled dumping and to evolve acceptable waste disposal techniques. There is also a need for improvement of waste collection at tourist attractions and games areas of open spaces and for study of what could be done about setting up car dumps.

Chapter III

MEASURES FOR DEVELOPMENT

MEASURES FOR ECONOMIC AND SOCIAL DEVELOPMENT

Thorough analysis of the demographic factors and economic prospects of the Grand Duchy of Luxembourg reveals growing risk of quantitative and qualitative imbalance in the labour market. This trend is due mainly to the cumulative effect of three major factors:

- (a) combination of the temporary bulge of the number of young people entering the labour market with reduction in the number of persons retiring;
- (b) the increasing discrepancy between on the one hand the choices and personal aspirations of young people in education and in proposed career and on the other hand the jobs which the economy is capable of offering;
- (c) unavoidable reduction of the labour force in one of the key segments of the economy, the iron and steel industry, as a result of change in the world steel industry's structure, production situation and pattern of trade.

We would again emphasize that the overriding objective of present economic and social policy is to stimulate the growth of the economy and maintain full employment.

In addition to current statutes and bills, outline enabling legislation up to 31 December 1979 is now in force and the measures of various kinds extending administrative provisions are linked up under that legislation and form a coherent system.

In essence, the measures contemplated are on the following lines:

First of all it is appropriate to select as reference points, four degrees of gravity of the economic situation, both short-term and structural, although the actual situation will be interpreted from periodical studies of the economy, as modified by detailed analysis of the different sectors. The degrees of gravity are:

1. present situation;
2. level of unemployment 1;
3. level of unemployment 2;
4. threat of acute unemployment if level 2 has been passed.

The measures necessary immediately in the light of the present situation are as described below:

1. The setting up of a national credit and investment institution (la Société Nationale de Crédit et d'Investissement)

The bill now before the Chamber of Deputies provides for:

- grant of capital loans;
- grant of direct credit;
- grant of export credits;
- taking holdings in companies.

2. The prolongation and expansion of temporary tax concessions for investment

Under the bill now before the Chamber of Deputies, the tax concession granting partial exemption from tax for additional investment is to be increased from 9% to 12%; certain other exceptional benefits are to be raised or widened in scope.

3. The present level of State aid under the outline law on economic expansion (capital subsidy, interest rate subsidy) is to be stepped up according to the merits of the applicant's investment project, especially from the point of view of employment.

4. In addition to having the effects described in paragraph 3, the outline law on small firms and trades is to be amended to include new firms in the building industry and to raise the apprenticeship premium and the subsidy for the initial period of operations. Re-examination of the specific situation in the hotel industry.

5. The application of the outline laws will be flexible, taking into account needs at any given moment.

6. Action in organizing sites for industry, and possibly in arranging industrial zoning, especially in the south of the country; a Ministry working party will make a study in depth of the choice of a few industrial sites to be given priority from among about ten preliminary selections.

7. The ceiling for guarantees provided by the Credits Guarantee Agency (l'Office du Ducroire) will be raised by stages to double the present level and the budget allocated to it will be progressively increased from the present LFR 200 million to LFR 400 million, which will enable exports worth about LFR 4 000 million to be covered.

8. The preparation of plans for projects under public works programmes will be speeded up and award of tender procedures will be made more efficient. The administrations of the communes are being asked to make a similar effort.

9. The building of subsidized housing will be intensified under legislation now before the Chamber of Deputies; there will be re-examination of the practical problems in connection with guarantee of completion.

10. There will be thorough study, with a view to promptly drawing up specific measures, of possibilities of stimulating the building industry by means of encouragement of insulation of homes and renovation of old houses.

11. Efforts to stamp out organized clandestine employment will be intensified when the Chamber of Deputies has passed the relevant law.

12. There will be selective adjustment of apprenticeship premiums and their granting will be introduced in the iron and steel industry.

13. Tax regulations for banks will be adjusted to suit the specific needs of an international financial centre.

Investment in the iron and steel production

In connection with medium-term economic planning it should be noted that the iron and steel industry has confirmed that it wishes to continue to invest, so far as its financial position allows. Accordingly ARBED is to spread investments of about LFR 8.5 million over its 1977 and 1978 financial years.

Intervention in the labour market

1. The Employment Service will be made more active and will use additional means of performing its work. In particular, in order to make the state of the labour market clearer to the people, the Employment Service will regularly inform the public of the situation and of quantitative and qualitative change in supply and demand in the labour market, mainly through periodical bulletins.

2. Immigration of labour from other countries will be curbed, by means of:

- temporary suspension of use of such labour, although the possibility of making an exception in duly proven case of necessity will be retained;
- tighter control to prevent such labour being offered and to prevent its clandestine employment.

3. Prohibition of unauthorized overtime until 1980 will be introduced under transitional labour statutes permitting the smooth introduction of the 40-hour week. There will be a ban on all overtime attributed to exceptional volume of work. However, there will be qualifications of that strict rule, with a view to permitting the working of overtime where it is duly justified and has no direct effect on the labour market. Moreover, there will be provision for temporary grant of special exemption for a short period, especially in respect of certain trades in the building industry.

4. Organization on a regional basis of arrangements for vocational training courses for the unemployed, either further training courses or refresher courses, also the introduction of stricter conditions for grant of unemployment pay in the case of young people with inadequate training.

5. Provision of introductory courses and vocational guidance courses for young people in the age range from 15 to 16 1/2 years who will be seeking employment (if any of them are already unemployed, the period of attendance

of course will qualify for unemployment pay). Meanwhile, reform of technical and vocational education and the question of raising the school leaving age will be studied jointly with professional bodies.

6. Prohibition of the holding of paid employment by persons becoming eligible for retirement pension if their income is above the minimum wage rate (reintroduction of Article 28 of the law of 26 July 1975).

7. Introduction of obligation on the part of employers to notify the Employment Service of paid employees (age, particulars, etc.) who are also receiving retirement pension.

8. Prohibition from 1 June 1978 of the holding of paid employment by any person receiving retirement pension whose income is above the minimum wage rate. There will be provision for grant of exemption in all cases where the Employment Service does not know of any person with comparable qualifications seeking employment.

9. Check for workers with more than one paid job. More thorough investigation of compliance with the rules under legislation and agreements governing the number of hours of work per week.

10. Introduction of retraining arrangements and of an interim allowance in the case of early retirement from the iron and steel industry (ECSC aid).

11. Campaign to promote manual work; provision of more vocational guidance.

12. Exceptionally large volume of recruitment by the post and telecommunications service and by the Tax Office.

13. Temporary raising of the prescribed maximum age limit for recruitment into public administration (with corresponding adjustment in automatic promotion).

14. Application of the part-time working system to undertakings with whom there is an agreement for planned reduction of the workforce. The law of 26 July 1975 authorizing the Government to adopt measures to prevent redundancies for national economic reasons is to be regarded as providing for this measure.

Measures for assistance under social security arrangements

Taking up the provisions of the enabling legislation, the Government will apply to the Chamber of Deputies for authorization to make up temporarily from the unemployment fund, pending the setting up of a special protection fund, the pay and compensation due to paid employees in the event of the bankruptcy of an undertaking.

Contractual measures to reduce production costs in order to safeguard employment

Provision, under the terms of the enabling law, for the possibility of the making of collective agreements reducing production costs, for the purpose of safeguarding employment, by undertakings affected by structural or short-term economic difficulties which are particularly severe and are thus

amounting to a case of 'force majeure' at economic level. Contrary to the terms of the first paragraph of Article 11 of the law of 12 June 1965 on collective labour agreements, it should if necessary, be possible to make the agreements now under reference prior to the expiration of the collective labour agreement binding the undertaking. In that case undertakings would be within the law in negotiating and making the special agreement.

However, this possibility should be open solely to undertakings which can show that internal measures to combat redundancy and underemployment have been adopted and which have in addition applied for and been granted, and have implemented for not less than six months, either the allowance scheme available in law for persons in partial employment or the scheme available in law for exceptional working arrangements in the public interest.

Measures for general application, in the national interest, in the event of manifest crisis in the labour market

If unemployment has passed Level 2 (see page 38), i.e. if there is a likelihood of the economic and social situation deteriorating to the point where a great many more jobs are threatened, the Government is authorized to adopt the temporary measures described below, through Grand Ducal regulations which will require the advice of the Council of State and the consent of the Labour Committee of the Chamber of Deputies, but this without prejudice to the actual principle of the sliding scale legislation:

1. Temporary change in the method of application of the sliding scale - and especially the ceiling imposed on it at a certain level of income - both for pay and for other kinds of income;

2. (In addition to and in correlation with the measure mentioned in 1): temporary freezing of margins on and of prices of goods and services and of rents, provided that if there is an inflationary situation the factors which caused it did not arise from measures of the public administration or by acts of foreign suppliers. The Government proposes to avoid taking up the provisions of enabling legislation except in so far as the measures to be applied are not covered by the powers already held by the Prices Commission.

3. Temporary restriction of the number or effects of the segments of the index.

4. (In addition to and in correlation with the measure mentioned in 3): Temporary lengthening of the period of notice of dismissal.

Financial sphere

The implementation of the plan of action for the maintenance of economic growth and full employment will affect the budget, producing a drop in revenue and increased expenditure.

Therefore if full employment is given priority, this means above all that there must be a policy of keeping expenditure down in other spheres.

However, in view of the exceptional situation supplementary sums will have to be set aside and be shown as special items in the budget i.e. outside the multi-annual target for growth of expenditure.

Given the possibility of application in the short term of part of the budget surplus and also part of the unemployment fund and given the borrowing powers of the State, the Government will allocate for the budget and for the unemployment fund special lump sums to cover the supplementary expenditure for 1978 and 1979.

If these special amounts (key indicators) are exceeded, the Government will ask the Chamber of Deputies for authorization to create new revenue if necessary (mainly by early settlement of BENELUX duty, by raising the tax on motor vehicles, by increasing the special solidarity tax, etc.)

Finally, the Government will, if thought fit, ask the Chamber of Deputies for authorization to draw on part of the emergency reserves.

It should be noted that the situation and the short and medium-term outlook are sufficiently worrying to justify taking vigorous action immediately. If there should be marked deterioration in the present situation in the labour market, even stronger measures should be applied when unemployment reaches one of the objectively determined levels. The introduction of stronger measures will be decided from the number of unemployed persons and persons under notice of dismissal who are seeking work, as revealed by the monthly statistics from the Employment Service. The first level is set at the point where 1 500 unemployed persons and persons under notice of dismissal have been registered as unemployed; the second level comes into operation when the number has reached 2 500.

At level of unemployment 1 all paid employees in the Grand Duchy become eligible for an interim allowance in the event of voluntary early retirement from an undertaking which finds itself to be overmanned because of structural difficulties or rationalization. There is also provision for a ban on the grant of a licence to start a business as a self-employed person and a ban on giving paid employment to self-employed persons, persons with other paid employment or retired persons receiving regular income from their work of pension.

At level of unemployment 2 there is provision for the interim allowance mentioned in connection with level 1 to be extended on a sectoral basis to persons in paid employment aged 60 years. The proposed measures for level 2 also provide for a temporary increase in the tax concession and in the temporary Government aid to investment.

Specific measures in the industrial sphere

Under the policy of industrialization, short and medium-terms plans of action have been drawn up.

1. A partial plan for the creation of four industrial zones in the south of the country has been drawn up in principle by the Government.

Several preparatory tasks still have to be carried out before this plan, which is designed in a form enabling it to be expanded or varied, can be put into effect: determination of the actual site, checking of property titles, inventory of sites belonging to the communes and some costing.

When the plan under reference is adopted it will be part of a set of longer-term measures and the Government does not wish it to inhibit local initiative.

2. Since the reorganization of the iron and steel industry, concentrated in the south of the country, is unavoidable, the Government has already taken care to encourage the setting up of operations in zones at a distance from the steelworks.

In that connection, mention may be made of the FAN International steelcord works in Bettembourg/Dudelange and the INTERMOSELLE clinker plant in Rumelange (investment of nearly LFR 3 thousand million and about 440 jobs).

OXYLUX and GENERAL MOTORS - Esch/Alzette and Bascharage - have so far invested about LFR 1 thousand million and created 350 jobs.

GENERAL MOTORS is experiencing economic difficulties and is having to review its production programme.

KIHN, in Rumelange, EUCOSIDER, in Pétange, and ARMATURES, in Mondercange, are affiliates of M.M.R.-A, which itself has serious reorganization problems (investment projects worth LFR 170 million and a workforce of 150 at the three plants mentioned).

EUROCAST, in Lamadelaine, and PARA PRESS, in Bettembourg, have made additional investments of LFR 130 million to increase their production capacity.

Four smaller enterprises deserve mention, namely ACCUMALUX, in Kockelscheuer, FAMAPLAST, in Soleuvre, and the WITTE and JOHANSEN units on the commune's industrial site in Schiffflange (total investments in the first phase of LFR 75 million and about 80 jobs).

The progress of these undertakings is being kept under observation and they will be encouraged to expand or, if necessary, change their production policy.

3. Paragraph 17 of Chapter II, "Development Objectives" mentions several industrial belts in this country elsewhere than in the south:

Centre/North - Bissen, Colmar, Ettelbruck, Diekirch

North - Wiltz

North - Vianden, Clervaux, Troisvierges.

Features of the northern region are the existence of industrial estates and the presence of some industries in which consolidation and expansion are possible.

Cases in point are the modernization of the PADUA works in Troisvierges and the major investment programme, involving LFR 2.8 thousand million and gradual introduction of a further 500 jobs, being carried out by the GOODYEAR Group, of Colmar - Berg - Bissen.

One point has been firmly decided - that there is to be no random proliferation of small units all over the territory.

However, investment in improvement and expansion of existing factories will be encouraged, under the aim of balanced distribution, whether the establishment is in the north, the east or the centre of the country.

Measures for the advancement of agriculture

Measures for the development of farming have principally come under the following legislation and action:

- establishment in 1956 (Agricultural Pension Fund) and in 1962 (Agricultural Sickness Fund) of a social security scheme for farming;
- the law of 25 May 1964 promoting the amalgamation of rural properties;
- the law of 9 June 1964 relating to agricultural work with deferred remuneration, strengthening the financial position of heirs carrying on the farm in cases of sharing out of an inherited estate;
- the law on the place of agriculture, of 23 April 1965, designed to put agriculture on an equal footing with other economic activities, by means of investment benefits, aid of a social nature, tax concessions and other measures;
- the so-called "agricultural succession law" of 9 July 1969, amending and supplementing the provisions of the Civil Code so as to help to keep farms undivided and hence economically viable units;
- the law of 10 May 1974 providing for economic and social measures relating to transfer from agriculture, with a view to encouraging farmers unable to adjust to technical and economic change to quit agriculture;
- the grant from 1976 onwards of an annual compensatory allowance provided for in the Council Directive of 28 April 1975 for hill farming and farming in less-favoured areas.

The system of investment aid laid down in the law of 23 April 1965 on the place of agriculture ended on 31 December 1975 and will be replaced by the system under the law for the advancement of agriculture which is at the moment in the form of a bill before the legislature. The last-mentioned law is designed to implement the provisions of the Directive 72/159/EEC on the modernization of farms and of Directive 75/268/EEC on hill farming and farming in less favoured areas. It should be pointed out that the territory of Luxembourg, other than the Moselle wine-growing area and the conurbations of the city of Luxembourg and Esch-sur-Alzette, is included in the Community list of less favoured agricultural areas within the meaning of Article 3 (4) and (5) of the last-mentioned Directive.

As regards aid for the improvement of agricultural facilities, the relevant law will provide for subsidies for investment made for the purpose of increasing productivity from stock and arable farming and improving the handling, processing and marketing of agricultural produce, also the implementation of any other project conducive to improvement of agricultural productivity and the economic position of agriculture.

It will seek to promote economic and technical cooperation between separate holdings.

It will pay special attention to action for the protection of the environment, by providing for the possibility of grants for certain kinds of facilities which improve hygiene on farms.

For the purpose of rationalization of farming arrangements, the Government plans to improve progress in land amalgamation operations by revising the relevant law so that the administrative procedures can be simplified and speeded up.

Expansion of tourism

The Grand Duchy attaches great importance to introducing new tourist facilities and securing lasting improvement in the standard, since tourism is one of the mainstays of Luxembourg's economy. In particular, there are plans to redevelop a well-known therapeutic springs area by modernizing the existing spa facilities and creating an attractive modern resort. It is proposed that this new resort should be made at Mondorf-les-Bains, which is the only place in the Grand Duchy where therapeutic facilities have been created. It is hoped that modernization and redevelopment of this spa on the lines of models in other countries will serve to boost tourist visits to the springs in the Grand Duchy and the adjacent areas of other countries.

Measures to promote tourism are for the most part adopted under the enabling law which authorizes the Government to assist a second five-year plan which follows up the first five-year plan and conforms to the principles laid down in the law of 24 July 1973 for the purpose of Government subsidies for the implementation of that five-year programme of communal and inter-communal projects contributing towards regional tourist facilities.

The first five-year plan is effective until the end of 1977 and the bill for the next plan is before the legislature. This second five-year plan retains the same principles for investment in tourist facilities as the previous plan and will come into effect in 1978. Under this second programme some of the projects in the first programme will be carried further, for example additional work on the Echternach recreation centre, the port of Schwebsange and the wine-making museum in Ehnen. The proposed projects include the following:

Proposed projects

- Various projects from the first Five-Year Plan to be completed in the second Five-Year Plan (Echternach, Weiswampach).
- Remich:
Extension of the existing leisure centre.
- Wormeldange:
Completion of the Wine Museum at Ehnen.
- Winseler:
Putting a reservoir in order.
- Mersch:
Making a swimming-pool.
- Rumelange:
Extension of the Mining Museum.
- Dudelange:
Laying out a recreation ground.
- Beaufort:
Erection of new youth hostel.
- Vianden:
Erection of a new youth hostel.
- Luxembourg:
Preparing a recreation centre.

- Schwebsange:
Extension of the existing boating centre.
- Diekirch:
Making an open-air swimming-pool and setting up a recreation and leisure centre.
- Esch-Sûre:
Putting a games site in order.
- Cycle tracks:
Making cycle tracks in the various tourist areas.
Making round-tour trails for cyclists similar to the local tour routes for cars and walkers.
- Camping sites:
Making several new camping sites.

Town and country planning measures

A new bill being prepared is designed to promote a pleasing concentric layout of places about their centre and better district planning in communes. The main innovation will be the setting up of different levels of planning in communes in order to achieve more satisfactory local planning.

A pilot study of the creation of an outline plan for the canton of Vianden is already being conducted and is destined to influence the whole area. The object of this study is to ascertain the specific effects of the cantonal outline plan for town and country planning. It will also decide the overall scheme into which the town and country planning of the communes of Vianden, Fohren and Putscheid is to fit. This study is particularly important because the communes concerned are at the frontier and because the commune of Vianden is largely dependent on income from tourism.

Another study involves a detailed plan concerning the historic centre of the settlement of Ehenen. The main aim will be to preserve the particularly picturesque general architectural scene in this Moselle village but to try to improve living conditions for the inhabitants.

The two studies now in the pilot stage are out of the ordinary. One of them deals with matters in greater detail (Ehnen) than is customary in the communes' town and country planning and the other adopts a broader, more general view of the district as a whole than is usual.

A Ministerial Order of 4 October set up an inter-ministerial expert working party with the task of drawing up guidelines for district planning by the communes in the basin of the Haute-Sûre dam. The recommendations of that working party will be taken up in Government policy for keeping the water in the Esch-sur-Sûre dam lake pure and will determine how land is to be used in the light of the priority of cleanliness of the lake and taking into consideration the report entitled "Technischer Bericht über die Seesänerung Esch-Sauer" produced by Luxembourg and Swiss research teams.

Because of the outstanding natural beauty of the area, preparatory work on a basic plan for the future nature reserve and studies of the forest and sites of biological interest are now being carried out, with a view to

protecting the natural environment. It is essential to reconcile efficient protection of the water at the dam with the interests and needs of the local settlements, by wise planning in respect of their development possibilities, their tourist facilities and their leisure amenities. This part of the country will always play an important part in health, because it provides drinking water supplies and also because it offers special opportunities for recreation. Since industrial development in the area is unthinkable, the only possibilities for employment are tourist trade on a limited scale, agriculture, cottage industry and the Sebes pumping station.

Most of the area comes under the Esch-sur-Sûre dam water board set up by the law of 31 July 1962, which is an undertaking in which the communes and the State have holdings and which has as its object to contribute to the nation's water supply from the Esch-sur Sûre reservoir.

The SEBES undertaking supplies:

- the north, devoted to agriculture and tourism;
- the highly industrialized south;
- the city of Luxembourg and its surrounding communes (chemical manufacture, metalworking, breweries and other medium industry);
- the east (wine-growing and tourism).

Water supply which is satisfactory in both quality and quantity is, of course, one of the essentials for carrying on any industrial operation. Therefore the centre of the country, with food and tyre-manufacturing industries and metal-works ought to be linked up to SEBES in the near future, because the water requirements of the area are increasing rapidly and the underground reservoirs are already being used to maximum capacity. It is not possible to tap any further sources and any increase in water needs resulting from economic growth in the central area could only be met from surface water supplied by SEBES. Extension of the Esch-sur-Sûre water supply network to serve the centre, increase in the capacity of the pumping-station and enlargement of the main reservoir at Eschdorf have become unavoidable. The major investment which SEBES will soon have to make to carry out those works is at present being studied by a committee. It will total about LFR 600 million and will enable the industrial and structural development of the communes in the Alzette valley from Steinsel to Ettelbruck to take place.

Measures to improve general facilities

The following operations for improving infrastructures benefiting the country as a whole deserve particular mention:

1. IMPROVEMENT OF THE ROAD SYSTEM

In the last few years there has been a marked increase in the building of major roads in the countries of the European Community. The growth of industry and the development aims for the territory of Luxembourg have made road-building an important factor in economic progress, to meet the new needs of

industry, trade and transport. Since the Grand Duchy has frontiers with the Federal Republic of Germany (Rhineland Palatinate and Saarland), with Belgium and with France (Lorraine) and its industry has close links with the industrial centres of all the neighbouring countries, indubitably the notion of creating a system of trunk roads is very much in accord with the objectives of the various parts of this country and of a larger area of Europe.

The Grand Duchy has for a long time done little in that line while the construction of trunk roads was going on all around it, but in the next few years it will tend to catch up in this respect.

The trunk road system as conceived in the road fund programme (laws of 16 August 1967 and 29 August 1972) will permit the establishment of rapid communications with the main industrial centres in the neighbouring countries and between the various parts of the country. It will help to bring areas of the country out of isolation and will assist their social and economic development.

2. SETTING UP OF TRAINING CENTRES

Among a number of medium-term projects to be carried out with public investment funds for education, the Government proposes to erect, enlarge or equip training centres, in order to promote training in craft trades, technology and business studies.

List of medium-term projects

- (1) - Luxembourg - Thionville motorway:
 - Dudelange - French frontier section;
 - Nothern motorway:
 - building of the by-pass the town of Ettelbruck;
 - Luxembourg - Arlon motorway:
 - construction
 - embankments and roadworks in Windhof - Belgian frontier section.
- (2) - Equipping Luxembourg Technical College;
 - Enlargement of the College of Engineering.
- (3) - Modernization of Mondorf
 - to be carried out in several stages
 - (project not yet approved by the Chamber of Deputies).

Chapter IV

FINANCIAL RESOURCES

The Luxembourg Government has recently prepared a draft law setting out a multi-annual programme for public funds for the period 1977-1980. The programme is based partly on economic data in the fourth medium-term economic policy programme adopted by the Council of the EEC and partly on the plan action for the promotion of economic growth and maintenance of full employment worked out in the second quarter of 1977 by the "Tripartite Conference" and submitted to the Chamber of Deputies in draft law.

The two economic programmes mentioned go only as far as the end of 1980, so it was not possible to take the multi-annual programme beyond that date. Although the financial arrangements for this regional development programme cannot cover more than the first three years of the period for which they have been worked out, when the next multi-annual programme is prepared it will definitely be possible to arrange a satisfactory continuation of the development programme.

The multi-annual programme sets forth the broad outlines of budgetary and tax policy, thus serving as an instrument for achieving the economic and social objectives which have been set in budgetary policy.

I. THE MULTI-ANNUAL AIMS OF OUR BUDGETARY POLICY

Our budgetary policy is guided by economic resources and the needs of the country as a whole. It seeks to match annual movements in State expenditure to the estimated multi-annual change in State revenue, as foreseen from the country's economic potential and taking into consideration the phenomenon of variability of State revenue in relation to movement in the gross domestic product (as well as adjustment of the level of income tax according to movement in prices and income).

From all these factors the medium-term trend of revenue may be estimated as follows:

	1978	1979	1980
Multi-annual growth of GDP, in volume	+ 2.75%	+ 3.00%	+ 3.00%
Mean rise in the sliding scale for wages	+ 5.30%	+ 5.90%	+ 4.80%
Variability of ordinary revenue in relation to GDP, in value	+ 0.55%	+ 1.00%	+ 1.00%
Estimated multi-annual growth in ordinary revenue, in value (growth rate)	+ 8.80%	+10.15%	+ 9.00%

The multi-annual programme for State funds for 1977-1980 takes the following form, from the point of view of budget equilibrium:

(millions of LFR)

	1976	1977	1978	1979	1980
Ordinary budget					
Revenue	32 094	34 616	37 741	41 575	45 300
Expenditure	27 262	30 975	33 701	37 125	40 450
Balance	+4 832	+3 641	+4 040	+4 450	+4 850
Extraordinary budget					
Revenue	168	9	10
Expenditure	4 842	4 627	5 032	5 450	5 850
Balance	-4 674	-4 618	-5 022	-5 450	-5 850
Total budget					
Revenue	32 262	34 625	37 751	41 575	45 300
Expenditure	32 104	35 602	38 733	42 575	46 300
Balance	+ 158	- 977	- 982	-1 000	-1 000

Accordingly, for the next few years the greater part of the funds for extraordinary expenditure will continue to come from surpluses in the ordinary budget, i.e. from sums not spent by the State. Those surpluses will amount to more than 10% of ordinary revenue and will enable more than 80% of extraordinary expenditure to be covered.

As a result of this effort to restrain expenditure on the part of the State, the budgetary deficit to be financed from loans can be kept to a fairly low level, namely an amount of about one thousand million francs, which is equivalent to less than 2.5% of total expenditure and only about 1% of the gross domestic product in value.

II. THE MULTI-ANNUAL PROGRAMME FOR PUBLIC EXPENDITURE

Statement of the various categories of State expenditure reveals the decisions taken by the Government in the various spheres.

A. The multi-annual programme for expenditure under the budget

The table in Annex 1 to this chapter shows the decisions taken by the Government concerning movement in the main heads of expenditure under the budget.

(1) Current expenditure on goods and services, or consumer expenditure (Category 1), comprising 35% of the total charged, is by far the largest head of State expenditure. In order to increase the public authorities' ability to make investments of public funds and spend money on welfare, the Government is doing its best to curb the rise in this expenditure.

(2) Transfers of public sector revenue to other sectors of the economy, i.e. to companies, to households and foreign transfers (Category 3) make up 19% of total expenditure under the budget and will rise by nearly 32% in the period under consideration.

- Subsidies to reduce interest costs (Code 31) will grow by about 75% as a result of increasing State aid in higher education, in housing, in medical and paramedical hospital equipment, in foreign trade and in investment in industry, commerce, craft activities and the hotel trade. Moreover, taking up the recommendations of the Tripartite Conference, the multi-annual programme provides for a substantial rise in interest subsidies, to enable improvements in organization to be made in industry, commerce and the craft sector.
- Among other assistance to undertakings (Code 32), amounting to about 11% of total expenditure under the budget, the largest volume goes to the transport sector (about 10% of total budget expenditure). This assistance will follow a normal pattern of increase and goes to rail transport, to public bus services operating under concession or licence and to covering any operating deficit on Luxair services.
- Foreign transfers of revenue will increase by 85%. This sharp rise will to a large extent be due to movement in the financial contributions of this country to the EEC budget, in the form of "own resources" of the Communities, paid from value added tax. Because of the great increase in the budget of the Communities, these payments will probably rise from LFR 290 million in 1977 to LFR 620 million in 1980.

This expenditure will also grow as a result of ever-larger efforts by the Grand Duchy in the sphere of development assistance, so that the loans in that connection will be almost doubled.

(3) Transfers of capital to other sectors will, in total, remain throughout the period under consideration at approximately the level reached in 1977.

Although transfers of capital to the private sector (Code 51) will show little increase in the period under consideration, it should be mentioned that the normal loans to encourage investment in industry, commerce, the craft sector and the hotel trade have been substantially raised as a result of the conclusions of the "Tripartite Conference". Because of their exceptional nature, the extra assistance has been entered "below the line".

(4) Transfers of capital to the communes and to other bodies with similar functions (Code 63) will derive the increase mainly from considerably higher expenditure on building children's homes, old people's homes and hospitals. There will also be a marked rise for loans for carrying out the third commune and inter-commune sports facilities programme and the second regional tourist infrastructure facilities programme. Subsidies to the communes in respect of purchase of sites and improvement of facilities for industry will remain at the high level reached in 1977.

(5) Gross fixed capital formation (Category 7) is comprised of all small amounts of direct investment which are not financed from public investment funds.

As regards loans for roadbuilding (Code 73), it should be mentioned that the operation begun in 1977 for improvement of the road network, and for which there was rise of about 50% in that year in the appropriations to the extraordinary budget for roads and bridges, will be continued in 1978, 1979 and 1980.

(6) Granting of loans and acquisition of holdings (Category 8) groups together the various kinds of capital operations, other than transfers of capital by the State, in other sectors of the economy. Because of their nature the expenditure on these operations has an irregular pattern of annual movement.

- Granting of loans to and acquisition of holdings in undertakings (Code 81) comprises funds for the Société Nationale de Crédit et d'Investissement, which are wholly entered "below the line" (LFR 500 million in 1977, LFR 200 million in 1978 and 1979, LFR 100 million in 1980), that State's share in the increased capital of Luxair (LFR 10 million in 1978), sums transferred to Société du Port Fluvial de Mertert (LFR 46 million per annum), the State's share in the increased capital of the Société Nationale des Chemins de Fer Luxembourgeois (LFR 1 million in 1977), the share in the increased capital of the Compagnie Grand-Ducale d'Electricité au Luxembourg (LFR 41 million in 1978, LFR 62 million in 1980) and the contribution to a research agency for a feasibility study for an electricity generating station in the territory of Luxembourg (LFR 10 million in 1970, LFR 2 million in 1978).
- Foreign loans and contributions (Code 83) is essentially comprised of expenditure on international financial cooperation: IMF, IBRD, AID, IFC, EIB, etc.

Although expenditure entered "below the line" is included in this statement of the multi-annual programme for budget expenditure, there is a separate statement in Annex 2 of funds and expenditure entered "below the line" and this shows very clearly the exceptional efforts made by the Government to promote economic growth and to maintain full employment.

B. The multi-annual programme for the special funds

Budgetary allocations to the special funds (Category 9) will rise from LFR 3.46 thousand million in 1977 to LFR 4.33 thousand million in 1980 (+25.3%).

Since one of the purposes of the special funds is to act as a vehicle for major State investments, the Government has tried to align movement in operations for these funds with the objectives in its programme, which are of two kinds: Firstly selective intensification of investment in those of the public amenities where there is leeway to make up; secondly as even a spread over time as possible of the total volume of public works to be undertaken, in order to help to mitigate cyclical fluctuations in the building sector and in order to encourage the efforts of the construction companies to achieve rational organization.

The table below sets out multi-annual movement in budgetary appropriations to State investment funds required for implementing public works programmes:

(LFR millions)

	1976	1977	1978	1979	1980
Investment funds for telecommunications	600	620	650	700	750
Special fund for waterways clearance	400	330	330	365	400
Public investment fund for administrative, educational, health and social purposes	632	822	850	900	950
Road fund	730	850	850	1 150	1 200
TOTAL	2 363	2 622	2 680	3 115	3 300

Additional appropriations from surplus revenue for recent financial years will enable the public works programmes to proceed normally until 1980 with a gradual increase in the other investment funds, but sharp rises in the road fund will be necessary from 1979 onwards.

ANNEX 1

Multiannual programme for state expenditure

LFR millions (rounded)

	1976	1977	1978	1979	1980
1. <u>Current expenditure on goods and services</u> (consumer expenditure)	11 297	12 706	13 838	15 210	16 515
10. Miscellaneous costs not broken down	96	108	119	130	135
11. Expenditure on staff (salaries, allowances, wages, pensions, etc. including social security contributions)	9 275	10 763	11 701	12 895	14 065
12. Purchases of non-durable goods and of services	1 694	1 567	1 726	1 860	1 980
13. Purchases of military durable goods (including NATO infrastructure works)	54	67	66	80	85
14. Maintenance of roads and like operations	178	201	226	245	250
2. <u>Costs of the national debt</u>	1 400	1 465	1 617	1 850	2 080
21. Interest charges	800	938	1 070	1 210	1 340
22. Repayments	600	527	547	640	740
3. <u>Transfers of revenue to other sectors</u>	6 344	7 236	7 551	8 050	8 855
31. Subsidies to reduce interest costs	74	86	105*	120	150
32. Other assistance to undertakings	3 879	4 666	4 640	4 555	4 905
33. Transfers of revenue to households	1 734	1 963	2 189	2 565	2 865
34. Foreign transfers of revenue	626	497	605	800	920
36. Refunds of indirect taxation	31	24	12	10	15
4. <u>Transfers of revenue within the public sector</u>	7 447	8 502	9 303	10 210	11 045
42. Transfers of revenue to social security	4 595	5 245	5 865	6 515	7 050
43. Transfers of revenue to the communes and similar bodies	2 804	3 207	3 382	3 635	3 935
44. Transfers of revenue to private education	17	17	18	20	20
45. Transfers of revenue to public authorities concerned with organization of the economy	31	33	38	40	40
5. <u>Transfers of capital to other sectors</u>	591	579	639	665	705
51. Transfers of capital to the private sector	553	528	579*	600	630
52. Transfers of capital to households	13	12	10	10	10
53. Foreign transfers of capital	25	39	50	55	65

ANNEX 1

LFR millions (rounded)

6. <u>Transfers of capital within the public sector</u> (to social security, to communes, etc)	575	592	633	685	700
7. <u>Gross fixed capital formation</u> (direct investments)	1 174	1 473	1 478	1 610	1 645
71. Purchase of land and buildings	236	296	317	350	370
72. Erection of buildings	331	320	274	280	290
73. Roadbuilding and like works	466	659	678	715	755
74. Purchase of durable movables	141	198	209	265	230
8. <u>Granting of loans and acquisition of holdings</u>	939	624	857	325	810
81. Grants of loans to and acquisition of holdings in undertakings	576	567	299	245	210
82. Grants of loans to households	57	42	10	10	10
83. Foreign loans and contributions	56	15	548	70	590
84. Grants of loans within the public sector	250	0	0	0	0
9. <u>Budgetary appropriations to special funds</u>	3 029	3 460	3 593	4 090	4 335
<u>Total provision for change and for unforeseen expenditure</u>	-	-	175	200	225
TOTAL	32 796	36 637	39 684	42 895	46 915
<u>Reconciliation with ceiling for ordinary expenditure and extraordinary expenditure</u>					
Deduct: Expenditure entered "below the line" (Annex 2)	- 692	-1 035	- 951	- 320	- 615
Ceiling for ordinary expenditure and extraordinary expenditure	32 104	35 602	38 733	42 575	46 300

Notes: The figures given alongside for the financial years 1976, 1977 and 1978 are for the provisional account, the final budget and the draft budget, respectively.

The figures for 1978 marked with an asterisk include the appropriations in the draft budget to be added "below the line", by amendment (see the amounts shown in brackets in Annex 2).

	1976	1977	1978	1979	1980
BUDGET FOR REVENUE					
<u>Ordinary revenue</u>	-	-	-	-	-
<u>Extraordinary revenue</u>					
International Monetary Fund: issue of Treasury bonds corresponding to increase in the quota of the Grand Duchy (Article 93.0.96.02)	-	-	360	-	390
Société Nationale de Crédit et d'Investissement: valorization of the stocks purchased by the State (Articles 93.1.56.03 and 93.1.56.04)	-	300	-	-	-
Refund of loans to cover temporary shortages of cash in the unemployment fund (Article 93.1.89.00)	-	0	0	0	0
TOTAL REVENUE	-	300	360	-	390
BUDGET FOR EXPENDITURE					
<u>Ordinary expenditure</u>					
Carrying out extraordinary works in the public interest (Article 17.0.12.05)	225	-	-	-	-
Unemployment payments: allowances for complete unemployment; allowances to offset partial unemployment (Article 17.0.33.02)	42	-	-	-	-
Exceptional measures to mitigate the effects of the persistent drought in 1976 on agriculture (Article 19.1.32.05)	-	440	-	-	-
Apprenticeship premium to employers in the iron and steel sector (new article)	-	-	(8)	8	-
Application of outline laws providing for introduction and coordination of measures designed to improve general structure and overall balance and to promote growth in the national economy: State guarantee and grants of capital; promotion assistance (Article 20.0.51.00: part of the appropriation)	-	-	70	100	125

ANNEX 2

(LFR millions (rounded))

Application of the enabling law for improvement in the organization of commercial and craft firms: interest rebates (Article 21.0.31.00: part of the appropriation)	-	-	(4)	4	-
Idem: Apprenticeship premiums (Article 21.0.32.01: part of the appropriation)	-	-	(4)	4	-
Idem: Grant of capital loans (Article 21.0.51.00: part of the appropriation)	-	-	(4)	4	-
Idem: Subsidy for initial period of operations (Article 21.0.51.01: part of the appropriation)	-	-	(1)	1	-
Supplementary aid to SNCFL (Article 23.1.32.02: part of the appropriation)	175	85	(300)
	442	525	391	121	125
<u>Extraordinary expenditure</u>					
International Monetary Fund: increase in the quota of the Grand Duchy by means of issue of Treasury bonds (Article 34.2.83.02)	-	-	360	-	390
Société Nationale de Crédit et d'Investissement: funds (Section 34.5)	-	510	200	200	100
Loans to cover temporary shortages of cash in the unemployment fund (Article 47.0.84.00)	250	0	0	0	0
	250	510	560	200	490
TOTAL EXPENDITURE	692	1 035	951	321	615

Notes: The figures given alongside for the financial years 1976, 1977 and 1978 are for the provisional account, the final budget and the draft budget, respectively.

ANNEX 3

PUBLIC INVESTMENT PROGRAMMES

The Regional Policy Committee has asked the Luxembourg delegation to provide further information in connection with Chapter IV of its Programme (financial resources), this to include information on the categories of investment which may be the subject of applications for ERDF assistance in coming years.

It should be made clear at the outset that the present memo deals only with the public investment schemes financed through the special funds. Under the multiannual public finance programme for the period 1977-1980 and the draft budget for the 1970 financial year, the Government has adopted the various investment programmes for 1978 and 1979. It would be difficult to produce any accurate forecasts for the programmes that go beyond that horizon since the implementing timetable may have to be altered after the general elections to be held in June next year.

If the investment projects coming under the special public funds are clearly not the only projects that may be eligible for assistance under the Community's regional policy. A large number of other projects, including the establishment of national industrial estates in the south of the country are being drawn up but their cost cannot at the moment be estimated. As a result, investments listed below can in no way be regarded as constituting an exhaustive list of the projects that may be eligible for ERDF assistance.

In the same way as when the partial plan for the establishment of national industrial estates in the south of the country was drawn up, the Luxembourg delegation will inform the Commission once any investment projects that are consistent with the development programme are prepared.

As a consequence, the sole purpose of this memo is to provide a detailed breakdown of the figures given in Chapter IV of the Programme for Luxembourg and to give the other delegations and the Commission some idea of the financial impact of the different projects envisaged under the public investment programmes coming under the special funds.

In view of the special importance of investments undertaken by the Road Fund as candidates for Community assistance, the latter's investment programme is shown separately, with a detailed breakdown for the years 1978-1980.

Investment programmes coming under the special public funds

(LFR million)

Investment projects	Period covered by the multiannual programme		
	1978	1979	Subsequent years
A. Telecommunications Investment Fund	798.7	796.1	682.1
(i) Extending the overhead and underground telecommunications networks	(574.6)	(432.9)	(419.4)
(ii) Additional telecommunications equipment and ancillary investments	(224.1)	(363.2)	(262.7)
B. Special Fund of Waterways Clearance	400.0	420.0	...
(i) the Sûre Basin	(75.0)	(92.0)	...
(ii) the Alzette Basin	(262.0)	(263.0)	...
(iii) the Moselle Basin	(28.0)	(27.0)	...
(iv) the Chiers Basin	(33.0)	(36.0)	...
(v) Other	(2.0)	(2.0)	...
C. Public Administrative Investment Fund	415.0	450.0	...
D. Public Educational Investment Fund	585.0	695.0	...
E. Public Health and Social Investment Fund	160.0	330.0	...
F. Road Fund	1 003.5	1 200.5	1 370.5(*)
Public investment funds	3 362.2	3 891.6	...

(*) For 1980 only.

Investment programme of the Road Fund

(LFR million)

Investment projects	Period covered by the multiannual programme			
	1978	1979	1980	Subsequent years
By-pass around the city of Luxembourg	75.0	50.0	80.0	1 670.0
Arterial roads in the city of Luxembourg	20.0	170.0	200.0	2 900.0
By-pass around Echternach	30.0	80.0	100.0	100.0
Luxembourg-Thionville (frontier) motorway	400.0	160.0	-	-
Luxembourg-Arlon (frontier) motorway	150.0	250.0	400.0	639.0
Fast highway between Belval and Esch/Alzette	50.0	170.0	220.0	1 000.0
Southern feeder road	55.0	-	-	-
Northern motorway	50.0	100.0	150.0	630.0
Luxembourg-Trier (frontier) motorway	-	-	-	-
Motorway link between Kirchberg and the E 42	-	-	-	500.0
Luxembourg-Saarland link	-	-	-	1 400.0
Other	173.5	220.5	220.5	...
TOTAL	1 003.5	1 200.5	1 370.5	...

Chapter V

IMPLEMENTING THE PROGRAMME

The implementation of the development programme will be administered by the various Government departments. Each will act according to its competence and they will take the necessary initiatives and coordinate and supervise the measures and operations.

In the case of the operations to be carried out by the Société Nationale de Crédit et d'Investissement, which form the greater part of the action to assist companies, liaison with the Government authorities will be secured through senior officials sitting on the board of management of that institution.

The application of basic legislation to assist industry and small and medium-sized businesses will be the responsibility of both the Ministry for Economic Affairs and Small Firms and Trades and the Ministry of Finance.

The five-year plan to promote the growth of tourism will be managed by the Department of Tourism.

Intervention by local authorities to assist the setting up of undertakings or the creation of development areas for industry or tourism will proceed in close collaboration with the above-mentioned departments and with the Ministry of the Interior.

The Ministry of Labour and Social Security and the Social Solidarity Department will carry out the social policy measures.

The measures to assist agriculture will be administered by the Ministry of Agriculture and Viticulture.

The Ministry of the Interior will exercise authority over the investments in urban infrastructures and over the investments in the main water supply network by the Syndicat des eaux du barrage d'Esch-sur-Sûre (SEBES).

The road infrastructures will be administered by the Department of Public Works, while the Department of Transport will be responsible for communications facilities.

The investments in educational facilities will be administered and supervised by the Ministry of Education and the Ministry of the Interior. The work will be performed by the Department of Public Works.

Responsibility for investment in waste disposal rests with the Ministry of Public Health and the Environment.

All investment will be under the control of the finance departments of the Ministry of Finance or, in the case of the communes, of the Ministry of the Interior. The competent department will, of course, see that all the measures conform to the guidelines for improvements within the territory.

Finally, it should be mentioned that because of the crisis affecting the iron and steel industry, which has very widespread repercussions both in the area concerned and at national structural level and requires urgent measures, it does not seem possible to supply precise information concerning the time schedule for implementation of the programme.

studies/programmes

published so far or in preparation in the Regional Policy Series ¹

8419 – No 1

The development of Flemish economy in the international perspective
Synthesis and options of policy
1973, 84 p. (DA,DE,EN,FR,IT,NL). BFR 170

CB-NS-77-002-EN-C – No 2

Regional development programme for Greenland 1977-1979
1977, 50 p. (DA,EN,FR). UKL 1; USD 2; BFR 60

CB-NS-77-003-EN-C – No 3

Non-production activities in UK manufacturing industry
1977, 186 p. (EN). UKL 1.60; USD 3.10; BFR 100

CB-NS-77-004-EN-C – No 4

Regional concentration in the countries of the European Community
1977, 124 p. (DE,EN,FR,IT). UKL 2; USD 4; BFR 120

CB-NS-77-005-DE-C – No 5

**Feasibility-Studie über den Stand und die Entwicklungsmöglichkeiten
von vorausschauenden regionalen Arbeitsmarktbilanzen in der
Europäischen Gemeinschaft**
1977, 292 p. (DE). UKL 4; USD 7.50 BFR 240

CB-NS-78-006-EN-C – No 6 ²

Regional development programme Mezzogiorno 1977-1980
(DE,EN,FR,IT)

CB-NS-78-007-EN-C – No 7

Regional development programme Ireland 1977-1980
1978, 130 p. (DE,EN,FR). UKL 3; USD 5.80; BFR 180

CB-NS-78-008-EN-C – No 8 ²

Regional development programmes for the Netherlands 1977-1980
(DE,EN,FR,NL)

CB-NS-78-009-FR-C – No 9 ²

Les travailleurs frontaliers en Europe
(DE,FR)

¹ The abbreviations after each title indicate the languages in which the documents have been or will be published: DA – Danish, DE – German, EN – English, FR – French, IT – Italian, NL – Dutch.

² In preparation.

CB-NS-78-011-EN-C – No 11 ¹
Regional development programme Grand Duchy of Luxembourg
1979, 62 p. (DE,EN,FR). FF 11,30; BFR 80

CB-NS-78-012-EN-C – No 12
Regional development programmes Denmark
1979, 68 p. (DA,DE,EN,FR). UKL 1.50; BFR 90

CB-NS-78-013-EN-C – No 13 ¹
Regional development programmes France 1976-1980
(DE,EN,FR)

¹ In preparation.

European Communities – Commission

Regional development programmes Luxembourg

Luxembourg: Office for Official Publications of the European Communities

1979 – 62 p. – 17.6 x 25 cm

Collection Programmes, Regional Policy Series – 1978 – 11

DE, EN, FR

ISBN 92-825-0613-4

Catalogue number: CB-NS-78-011-EN-C

BFR 80
LIT 2 200

DKR 14
HFL 5,50

DM 5,10
UKL 1.30

FF 11,30
USD 2.60

According to Article 6 (1) of Regulation (EEC)No.724/75 of the Council of 18 March 1975 establishing a European Regional Development Fund (OJ L 70 of 21.3.1975), 'investments may benefit from the Fund's assistance only if they fall within the framework of a regional development programme...'. The programmes shall indicate the objectives and the means for developing the region according to the Common Outline provided by the Committee for Regional Policy (OJ C 69 of 24.3.1976).

This outline of what regional development programmes should contain is indicative and should be interpreted in a flexible manner. The programmes should have five chapters: social and economic analysis (diagnosis), development objectives, measures for development, financial resources, and implementing the programme.

The present regional development programme was prepared by the government of the Grand Duchy of Luxembourg and submitted to the Commission in view of the procedure provided for under Article 6 para. 5 of the Regulation referred to above. The Commission is publishing it for the purposes of information and does not take any responsibility for it.

The programme covers all the territory of the Grand Duchy of Luxembourg which is considered as one region of the Community. The economy of the country depends almost entirely on foreign markets and is dominated by the steel industry which is especially affected by the present crisis. A reduction in employment in this sector is taking place; at the same time unemployment may rise in other industries and the active population increase. The objectives cover demographic trends, economic development, town planning, the environment and infrastructure. Various measures are planned to stimulate economic growth and maintain full employment.

**Salgs- og abonnementskontorer · Vertriebsbüros · Sales Offices
Bureaux de vente · Uffici di vendita · Verkoopkantoren**

Belgique - België

Moniteur belge — Belgisch Staatsblad
Rue de Louvain 40-42 —
Leuvensestraat 40-42
1000 Bruxelles — 1000 Brussel
Tél. 512 00 26
CCP 000-2005502-27
Postrekening 000-2005502-27

Sous-dépôts — Agentschappen:

Librairie européenne — Europese
Boekhandel
Rue de la Loi 244 — Wetstraat 244
1040 Bruxelles — 1040 Brussel

CREDOC

Rue de la Montagne 34 - Bte 11 —
Bergstraat 34 - Bus 11
1000 Bruxelles — 1000 Brussel

Danmark

J.H. Schultz — Boghandel

Møntergade 19
1116 København K
Tlf. (01) 14 11 95
Girokonto 200 1195

Underagentur:

Europa Bøger
Gammel Torv 6
Postbox 137
1004 København K
Tlf. (01) 14 54 32

BR Deutschland

Verlag Bundesanzeiger

Breite Straße — Postfach 10 80 06
5000 Köln 1
Tel. (0221) 21 03 48
(Fernschreiber: Anzeiger Bonn
8 882 595)
Postscheckkonto 834 00 Köln

France

*Service de vente en France des publica-
tions des Communautés européennes*

Journal officiel
26, rue Desaix
75732 Paris Cedex 15
Tél. (1) 578 61 39 — CCP Paris 23-96

Sous-agent

D.E.P.P. — Maison de l'Europe
37, rue des Francs-Bourgeois
75004 Paris
Tél.: 887 96 50

Ireland

Government Publications

Sales Office
G.P.O. Arcade
Dublin 1

or by post from

Stationery Office

Beggar's Bush
Dublin 4
Tel. 68 84 33

Italia

Libreria dello Stato

Piazza G. Verdi 10
00198 Roma — Tel. (6) 8508
Telex 62008
CCP 1/2640

Agenzia

Via XX Settembre
(Palazzo Ministero del tesoro)
00187 Roma

**Grand-Duché
de Luxembourg**

*Office des publications officielles
des Communautés européennes*

5, rue du Commerce
Boîte postale 1003 — Luxembourg
Tél. 49 00 81 — CCP 19190-81
Compte courant bancaire:
BIL 8-109/6003/300

Nederland

Staatsdrukkerij- en uitgeverijbedrijf

Christoffel Plantijnstraat, 's-Gravenhage
Tel. (070) 62 45 51
Postgiro 42 53 00

United Kingdom

H.M. Stationery Office

P.O. Box 569
London SE1 9NH
Tel. (01) 928 69 77, ext. 365
National Giro Account 582-1002

United States of America

*European Community Information
Service*

2100 M Street, N.W.
Suite 707
Washington, D.C. 20 037
Tel. (202) 862 95 00

Schweiz - Suisse - Svizzera

Librairie Payot

6, rue Grenus
1211 Genève
Tél. 31 89 50
CCP 12-236 Genève

Sverige

Librairie C.E. Fritze

2, Fredsgatan
Stockholm 16
Postgiro 193, Bankgiro 73/4015

España

Libreria Mundi-Prensa

Castelló 37
Madrid 1
Tel. 275 46 55

Andre lande · Andere Länder · Other countries · Autres pays · Altri paesi · Andere landen

Kontoret for De europæiske Fællesskabers officielle Publikationer · Amt für amtliche Veröffentlichungen der Europäischen Gemeinschaften · Office for
Official Publications of the European Communities · Office des publications officielles des Communautés européennes · Ufficio delle pubblicazioni
ufficiali delle Comunità europee · Bureau voor officiële publikaties der Europese Gemeenschappen

Luxembourg 5, rue du Commerce Boîte postale 1003 Tél. 49 00 81 · CCP 19 190-81 Compte courant bancaire BIL 8-109/6003/300

BFR 80 DKR 14 DM 5,10 FF 11,30 LIT 2 200 HFL 5,50 UKL 1.30 USD 2.60



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

ISBN 92-825-0614-2

Boîte postale 1003 – Luxembourg

Catalogue number: CB-NS-78-011-EN-C