



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG

Together. For Everyone.



State of
the Nation
2026



Address on the State of the Nation

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Prime Minister of Luxembourg

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Together



The Government wants Luxembourg to remain a country that stands together, lives together, grows together and where future generations can grow up together; a country that preserves nature together and shapes the future together.



Mr President,

- a student, who at a young age, is already winning international prizes in physics,
- a couple that has established three successful restaurants with hundred employees,
- A woman who is actively engaged in a non-profit organisation to help wheelchair users with assistance dogs.

These are just three stories of people I have encountered over the past few months – three of the many facets of our nation, three fragments of a much larger mosaic.

Because our nation is all of us – all of us together. One cannot grasp it, and yet it is very real. A nation is a community, a society – a shared destiny that is built, lived and remembered together.

Social cohesion is the most precious asset of our nation, especially at a time when so much is being called into question – by wars, populism, new technologies, as well as economic and social challenges.

The international order as we have known it since the Second World War is becoming increasingly unrecognizable. Instead of peace: wars in Europe, the Middle East and Africa. Instead of free trade: tariffs, barriers and blockades. Instead of cooperation: selfishness, self-interest and short-sightedness.

International law, which has been the very foundation of the progress we have witnessed over the past 80 years, is being challenged, undermined and ignored – in Ukraine, in Greenland and elsewhere. Raw power and threats are replacing dialogue and diplomacy.



Even challenges too big to handle by any one country alone, are being neglected on the international stage, such as climate change, humanitarian crises, world hunger. And economic relations, too, are being reshaped by strategic interests, especially in the fields of energy and technology.

These are no longer isolated developments. They are part of a deeper trend: the world is undergoing a profound transformation. We are living through a period of deep changes that will shape the decades to come. But even as international cooperation is weakening, the consequences of what is happening in the world, do not stop at national borders.

That is why Luxembourg will remain fully committed in favour of multilateral institutions and international law – alongside our neighbours, within the European Union, NATO and the United Nations.

Events beyond our borders, sometimes far away from us, have direct and tangible consequences for our country. This holds true in good times. But it is equally true in times of crisis.

We are currently facing several wars in our immediate neighbourhood – in Ukraine, in Gaza and in Iran. And also in Europe, we are witnessing a growing tendency to call our fundamental principles into question, sometimes through hybrid attacks orchestrated by third countries.

For us, the response to both of these developments must lie in a stronger European Union:

- The EU is the answer to internal tensions, because it embodies our values, and remains the best means of defending them in the future. We want more Europe, because we want to protect our democracy, our freedom and the rule of law.
- The EU is also our best response to global turmoil, because it enables us to become more independent of what is happening in the world – in energy, security, technology, space and food production.



Especially the war in Iran and the closure of the Strait of Hormuz remind us once again how dependent we are. We are seeing this very concretely at petrol stations. But fertilisers, food products and other goods are becoming more expensive too.

And the real economic and social consequences are probably still ahead of us – as forecast by the experts of the International Monetary Fund and the European Central Bank. And Luxembourg is no exception.

And yet, these challenges affect every country differently. They are not the same for Luxembourg as they are for our partners in the EU or in the Middle East. For instance, a large part of our energy comes from abroad. At the same time, our providers are procuring electricity and gas over several years, which helps mitigate short-term effects.

And citizens and businesses are feeling the effect of this war very differently too. Some companies may still perform well, while industry, retail and artisanry – especially the construction sector – are facing difficulties. High fuel prices can weigh more heavily on logistics and transport than on clothes shops or banks.

Such variations do not occur only for businesses, but also people. There is a difference if you heat your home with gas, oil or a heat pump, whether you rely on a car or public transport, whether you earn more or less. And above all, inflation risks are rising because of the high energy costs, which affect the entire economy. There are so many different realities, so many pieces of a larger mosaic.

That is why we are discussing these effects, together with the social partners, in the framework of a tripartite. And if we all see ourselves as part of the same whole, these different realities do not divide us but bring us together. Then we do not stand against each other, but together. Then our nation stands united.

The Government wants Luxembourg to remain a country that stands together, lives together, grows together and where future generations can grow up together, a country that preserves nature together, and shapes the future together.



Every day, each one of us helps redefine what our nation is – through our words, our actions and our decisions. Parliament, the Government, the social partners and the press all share part of this responsibility.

The Government has now reached the midpoint of its term. We have already achieved a lot, and there is still much ahead of us. This is normal halfway through a mandate. And all this with one clear objective: the well-being of the country and its people. Every decision we take seeks to strengthen peace and freedom, prosperity and democracy in our country.

Building tomorrow's Luxembourg – that was, is, and remains our goal: with more purchasing power, more solidarity, more support for families, more housing, more jobs, a safer way of living together, and more renewable energy.

This is the Luxembourg we want to build – together with you in here, and with everyone living in our country. These challenges are considerable, especially in a world marked by uncertainty and profound upheaval. And we must face these changes and their consequences for Luxembourg, without neglecting the other challenges our country is facing. A lot may seem uncertain and unclear, but one thing is certain: this is no time to bury our heads in the sand.

It is time to take responsibility. Together. For everyone. And we embrace that responsibility every single day. With a steady hand and a committed heart.





For the Government, one thing is clear: we will not leave anyone behind. We support, we accompany, we understand, because it is a matter of trust – trust in one another, trust in democracy and trust in the future.



Mr President,

Strengthening our social cohesion starts with the way we treat those who are less fortunate. For the Government, one thing is clear: we will not leave anyone behind. We support, we accompany, we understand, because it is a matter of trust – in one another, in democracy and trust in the future itself. When inequalities deepen, that trust is eroded. Hope and prospects are eroded. And we all end up losing out.

Poverty is not a choice. Poverty is an injustice, especially when it affects children. Our collective responsibility is to prevent this injustice wherever it risks appearing, and to combat it wherever it is already a sad reality.

That is why the Government, following a broad consultation, developed the first coherent strategy to combat poverty in all its forms. Social benefits have been raised: the cost-of-living allowance, the energy allowance, the rent subsidy, the single-parent tax credit. And the minimum wage for non-qualified workers is no longer subject to tax. This equals hundreds of euros more for households where every euro counts.

The most important reform, which will enter into force in 2027, is the cost-of-living supplement. It will merge five existing benefits, including the cost-of-living allowance, the energy allowance and the new financial assistance for the retired.

One single benefit means one application, one calculation, one procedure. This is administrative simplification in the service of citizens. And that is why we are automating this new aid:

- through an automatic renewal, as long as eligibility criteria are met,
- through an automatic payment to REVIS beneficiaries, and
- through an automated exchange of information between ministries.



In the future, rent subsidies can also be requested via this aid, because housing costs are the main driver of poverty. And we are addressing child poverty in a targeted manner with a new aid of up to €3.000 per year for low-income families.

This is social policy with a black and blue handwriting – simple, fast and uncomplicated. We make sure that help reaches those who need it. This is also the objective of the new one-stop social services office established by the Minister for Family Affairs, which will centralise all the information on social assistance in one place, starting this October.

At the same time, work must continue to pay. Because employment remains the best protection against poverty and social exclusion. The new cost-of-living supplement will therefore gradually decrease as income rises.

This is why we have introduced substantial tax breaks. We are ensuring that people keep the money they are working for. Everyone has a higher net income today than in 2023. And proportionally, lower income households benefit the most from these tax cuts, especially single-parent families. All this contributes to strengthening our social cohesion.

And this cohesion is the foundation of our social system. We are looking after each other – when we fall ill, when we grow old, or when hardship strikes. And the Government is assuming its responsibility to ensure the sustainability of this system.

That is why we took on a pension reform – the first in 14 years. The Government is aware of its responsibility to preserve solidarity between the generations, to allow everyone to face aging with confidence, and to prepare our country for the future, beyond the next elections.

It is with the same sense of responsibility that we are modernizing our healthcare system. Because in healthcare too, especially in healthcare, our priority must be people. People must remain at the heart of a healthcare system that is accessible to everyone.



That is why this Government will never allow a healthcare system without convention. We do not want a two-tier system. Fees will remain identical and cover what is required and necessary. We remain committed to our healthcare system based on solidarity. A two-tier healthcare system is detrimental for social cohesion.

But access to healthcare must not be limited through excessively long waiting times either. That is why we are financing an increase in staffing levels in our hospitals' emergency departments. And that is why we are bringing healthcare closer to citizens through better infrastructure across the country:

- with construction projects for new hospitals or extensions and modernisations of existing hospital sites, and
- with additional outpatient services in Cloche d'Or and in Grevenmacher, with an additional MRI and mammography machines.

In the future, we will facilitate certain outpatient procedures, also out of hospitals – for example for ophthalmology and dermatology procedures. This will improve patients' access and reduce waiting times. Such procedures can then also be done in the doctors' office.

The Minister of Health will present the relevant amendments in the coming weeks – this, after already presenting a draft bill that opens the way for doctors to come together within a company structure. The goal is to facilitate the financing of infrastructure and equipment and simplify administrative procedures for doctors. In doing so, it will help make this essential profession more attractive.

Because we need doctors and other healthcare professionals to ensure access to medical care in the future as well. In addition to the master's degree medicine at the University of Luxembourg, we are filling a major gap in our system by creating a specific unified status for doctors in specialised training. This is how our social and healthcare system will continue to reflect a country that stands together.





Tax reform, family allowances, childcare service vouchers: A coherent policy to strengthen families and give every child a fair start in life.



Mr President,

The future belongs to the next generation. Social cohesion begins in childhood, when we grow up together. Supporting families and children remains a central commitment of the Government.

And the way our children grow up has changed profoundly over recent decades: through changing family structures, greater linguistic diversity, and new technologies.

Families are now more diverse. About one child in four lives in a household with just one parent, most often the mother. Today, more men than women take parental leave, even if often on a part-time basis.

These developments show that every family has its own reality. Children are growing up in different environments. Yet our shared responsibility remains the same: to give every child the same opportunity to have a fulfilled life.

That is why the Government has presented a series of ambitious measures, for every family, for every child. A coherent and socially fair package based on three pillars: tax reform, family allowances and childcare service vouchers.

Starting in 2028, there will be only one single tax class. This represents a fundamental reform of our tax system, in line with the evolution of our society. That is why the Finance Minister is seeking a broad consensus, and is proposing a 25-year transitional period for those who wish to benefit from it. This single tax class will provide:

- **greater purchasing power** and further relief for most taxpayers,
- **greater fairness** between families and within couples, and
- **greater predictability** in the face of life's uncertainties.



Above all, we are placing children at the heart of this reform. Thanks to a new allowance, we will reduce taxable income by €3,000 for each child under the age of three. This helps young parents by giving them the financial means to spend more time with their children and build a family. And thanks to a further increase in the tax credit for single parents, we are continuing our targeted fight against child poverty.

This brings me to the second pillar: family allowances. From 1 January next year, family allowances will increase by €45 per month, and by as much as €60 for children above the age of 12. And the back-to-school allowance will also be increased by €60, or €90 respectively.

Here too, the objective is to give every child a fair chance, regardless of their parents' situation. We are also doing this through a new bracket in the birth allowance. This new bracket should give parents the financial incentive to have their child's language development assessed, especially because the first 30 months are crucial for a child's emotional, cognitive and linguistic development.

The third pillar is the reform of the childcare service voucher. We want to make sure that every child has access to a childcare facility, regardless of their parents' situation. Here too, we are easing the burden on families by taking over nearly 80 million euros that were previously financed by the families themselves. As a result, a family will save on average nearly €3,000 per child per year.

At the same time, we are strengthening quality controls and staffing ratios, all in the best interest of children. Parents will pay only for the childcare hours they actually use, based on their families' needs. In doing so, we are freeing up space in childcare facilities and helping families to better balance their private and professional lives.

Tax reform, family allowances, childcare service vouchers: A coherent policy to strengthen families and give every child a fair start in life. A policy that is also reflected in our education system. In this spirit, the Minister of Education is gradually expanding the possibility – not the obligation – of literacy education in French in every school. Nothing is being taken away from anyone. Quite the contrary: we are giving many children a better chance of succeeding at school.



For years, too much potential has been lost because two thirds of children are being taught to read and write in a language that disadvantages them from the start. We are offering a better option to many of them, without neglecting the Luxembourgish language. Luxembourgish will remain the main language in our schools.

Beyond languages, children must also learn to live with new technologies. Despite their positive aspects, smartphones and social media also have negative effects on our children – the way they think, speak, their behaviour, their development.

It is our responsibility to teach them a healthy screen-life balance, and yes, to set an example ourselves. We have therefore banned mobile phones in schools, combined with more sports classes and more genuine interaction between pupils. And for younger children, we have drawn a clear line: no smartphones in our childcare facilities. Through the *Elteforen* – parental fora – we are also supporting families in managing digital use at home.

But the problem is not just the smartphone itself. It is also, and above all, social media – which too often are neither truly social nor truly media. They claim to connect, inspire and inform. But all too often they are a source of isolation, self-doubt and disinformation. They spread and normalise violence as well as sexualised content, without regard for the user. According to a study by *BeeSecure*, two-thirds of our young people are exposed to this. We cannot accept this situation. We have a collective responsibility to protect them.

That is why the Minister of Justice has introduced a draft law to combat digital violence. It provides for the creation of new criminal offences in the Penal Code: for example, the unauthorised sharing of intimate images or online stalking. Other studies also clearly show the negative effects social media have on the cognitive development of our children. Our children's health is at stake.

That is why the Government will introduce a minimum age for the use of social media. If no European solution emerges by the end of the year, we will act at national level, as other countries have. Our policy focuses on the well-being of children and young people – in the digital as well as in the real world.



That is why the Government will present additional measures in the coming weeks to further develop support structures in this field. Our system must be adapted to the complex realities of our youth, through new therapeutic and social structures, and through better coordination between services. There is a clear need for action.

And that is why the rapid implementation of legislation on youth protection and juvenile criminal law remains a priority. No one wants young people to end up in adult prisons. The work must be completed quickly, and the necessary infrastructure built in parallel.

Childhood should be a carefree time, lived first and foremost at home.



Together we must use every available lever to encourage new construction in the private sector and create more affordable housing in the public sector.



Mr President,

For most of us, our earliest memories are connected to the family home, a place where we lived, played – and created lasting memories. To speak about housing is to speak about the feeling of home. Housing policy raises fundamental questions:

- Where will our children live tomorrow?
- How do we create housing where it is needed?
- How do we preserve social cohesion in our villages and cities?

These questions are concrete, urgent, and they concern us all. Having a home must remain a realistic chance for everyone. Because how we live together, is a question of social cohesion. From day one, the Government has been working with all stakeholders to ensure that housing remains affordable: with municipalities, public developers, the private sector and civil society.

Our objective is clear: to build more, and faster, to offer everyone the opportunity to access affordable housing. To achieve this, we are tackling the administrative construction site. We all know that administrative procedures pose significant difficulties. They are long, complex and costly, but they are not set in stone. Changing them requires perseverance. But it is possible, and it is necessary.

It was in this spirit that, during my first State of the Nation address, I presented on behalf of the Government, a ten-point action plan to bring about a paradigm shift in administrative procedures. Seven of these measures have already been implemented or submitted to Parliament. The remaining three will follow by the end of the year. They will fundamentally simplify building procedures, without compromising on quality.



- Through the principle of silence means consent, applications will automatically be approved once the deadline has expired.
- Through the *Natur auf Zeit* principle, biotopes will be able to develop without delaying or increasing the cost of construction projects.
- Through a national building regulation, rules will be harmonised across the country, allowing construction to proceed more quickly and efficiently.
- Through ministerial land reorganisation, individual landowners will no longer be able to block the construction of a new neighbourhood.
- Through the *compensation une fois pour toutes* principle, the environmental impact of construction projects can be offset on State-owned land.

We were, we are, and we will remain convinced of the relevance of these measures. They will inject new momentum into the housing market in the medium term.

But for now, the market is not evolving the way we would like it to. Demand remains high, while supply is low. This challenge is not a recent one, it has built up over years and decades. There was no miracle solution then, and there is none today.

Together, we must use every available lever to encourage new construction in the private sector and create more affordable housing in the public sector.

To do so, we must restore confidence in the off-plan housing sales sector, the so-called VEFA sector. Too many people know the problem: the building site progresses slower than planned. Or worse, the developer goes bankrupt and the building site remains at a standstill for months, sometimes years.

Buyers' confidence will only be restored when there is a stronger legal protection, especially when it comes to completion guarantees. And because we see that people have greater confidence once the walls of their future home are standing, we are reducing registration fees for new constructions.



But the Government is also assuming direct responsibility to create more affordable housing. Since 2023, the budget for grants to social housing developers has more than doubled, and it will remain above half a billion euros per year in the coming years. Furthermore, we have enabled the construction of projects across the country with an additional €500 million through the VEFA acquisition programme.

And we have decided to continue this programme over the coming years with additional funding of €300 million. In the future, the State will also adapt prices within the VEFA acquisition programme according to regions and only partially finance projects. Because many construction projects are sold in parts – 10, 20 or 30 percent – but construction can only begin once enough housing units have been financed. With a more moderate contribution, the State can therefore unlock more projects and accelerate construction.

This is how more affordable housing will be created. We are also securing land through other means to create affordable housing in the future: through a targeted land acquisition policy and a call for projects for urban brownfield sites, as well as a reduced VAT rate for the construction of affordable rental housing.

All these efforts will be partly financed through a housing bond – a public loan. People will thus be able to support housing construction directly, even with small investments, while benefiting from an attractive return.

The Government will continue to focus on enabling everyone to access housing. Housing is not a luxury. Housing is a right. That is why the Government is also strengthening tenants' rights by improving the legal framework on housing standards and through the creation of a national rental commission.

Because housing policy is first and foremost about people, and that is why it is at the heart of living together.





Because these moments of living together are created by people, in our neighbourhoods and municipalities. This is where we strengthen social cohesion every day.



Mr President,

Living together is not an abstract theory. It is a reality that is experienced – every day and every weekend – at village festivals, in sports and music clubs. They are moments when people come together, meet and talk. This is where a sense of belonging is created.

That feeling can only emerge where people feel safe. That is why the Minister for Home Affairs is bringing the police closer to citizens, based on four principles:

- **more personnel:** since 2023, the police has grown by an additional 500 officers,
- **more presence:** last year, there were more patrols than ever before,
- **more proximity:** we have introduced local police services in five municipalities, and
- **more prevention:** we are preventing crime through the round table on drugs and simplified video surveillance in public spaces.

And before the summer, we will provide the police with better legal tools to carry out their duties through the reinforced *Platzverweis*. This way, we are strengthening security and the feeling of security, with a police force that is close to the people and supports our coexistence.

Because these moments of living together are created by people, in our neighbourhoods and municipalities. This is where we strengthen social cohesion every day.

That is why we want to create a stronger legal framework for municipal services. With more professional services, our municipalities will be even better equipped to meet current and future challenges. And they will be able to create more opportunities for people to come together and live together.



In this same spirit, the Minister of Sport is strengthening the role of sports coordinators at municipal level and broadening access to subsidies for clubs.

Because sport is a place where people from different generations, cultures and social backgrounds meet on an equal footing, and not just on the playing field.

Clubs also thrive beyond the field thanks to the many volunteers who keep them alive – in sports, among firefighters, scouts and music. To make administrative procedures easier for them, the Government is discussing ways to simplify the law governing non-profit associations with all stakeholders. At the same time, everyone must have the opportunity to take part in social, sporting and cultural life.

That is why the Government presented a 99-measure action plan last month, aimed at making culture more accessible and removing all forms of barriers.

Access to culture must not be a privilege. Our culture truly comes alive when it is experienced – by all citizens of this country. It reflects shared traditions and values: openness, respect and cohesion.

And our culture encompasses both multilingualism and the Luxembourgish language. To continue supporting it, the Minister for Culture will present a new action plan for the Luxembourgish language during this legislative term, because public interest is very real. The figures speak for themselves:

- Luxembourgish language courses are fully booked,
- nearly two million users have relied on the *Spellchecker* tool to proofread their texts, and
- the online Luxembourgish dictionary recorded more than 14 million searches last year – the equivalent of one search every 2.2 seconds.

We expect similar success for the new language engine *Sproochmaschinn*, which will be completed with a translation function. Language creates a bond between people and with the country – a country where our political system too reflects the way we live together.



Democracy is the clearest expression of how we live together. Today more than ever, it is essential that we protect our democracy. That is why the Government is strengthening the press:

- through enhanced support for the press,
- through a right of access to information, and
- through stronger protection against SLAPP lawsuits.

In a democracy, we decide together the direction we want to take and the way we want to shape our reality. And that reality also includes our natural environment.

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Each partner must take into account the concerns of the others. And if everyone is willing to take a step towards the other, we will find a way forward together – in the best interest of the country.

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Mr President,

A healthy natural environment is the foundation of a healthy society. Protecting nature must therefore be a shared ambition. Do we want to enjoy the sunshine in summer, or suffer from extreme heat? Do we want stable daily lives, or extreme weather conditions? Do we want clean air, clean drinking water, healthy forests?

For the Government, the answers are clear: we want to protect the environment and tackle climate change. We do not see environmental policy in isolation, but as part of a wider whole. Environmental policy must go hand in hand with our other priorities, not hold them back. And we pursue it together with citizens, through dialogue, persuasion and incentives. This is our guiding principle, and we will stay true to it.

That is why the Minister of the Environment will develop a new restoration plan in dialogue with all stakeholders. It will focus on the quality of our water and the health of our forests.

But in the fight against climate change, the most important task is the energy transition. Here, the Government is pursuing a clear approach: simple – fast – renewable. With this goal in mind, we have proposed 50 measures – 50 ways to expand renewable energy production, 50 ways to tackle climate change, and 50 ways to increase our own energy production.

Let me highlight three important developments. First, the pre-financing of photovoltaic installations is now a reality. The new procedure is fast for businesses and simple for citizens. And it has a direct effect on people's energy bills – no more upfront payments of thousands of euros.



This is climate protection made simple. That is why we are extending the system to subsidies for electric vehicles, heat pumps and home renovations. And we are extending them until 2030.

Second, the Government has introduced draft legislation to allow the construction of photovoltaic installations along motorways. In doing so, we are tapping into unused potential to generate electricity for tens of thousands of people. If the legislation is adopted before the summer, we will be able to launch the first projects before the end of the year.

Third, we have proposed extending the silence means consent principle to environmental permits for renewable energy projects too.

In the coming months, we will continue firmly on this path, because the figures show it is the right track. With 8,000 new photovoltaic installations, 2024 saw more new installations than ever before. And in 2025, more solar electricity was fed into the grid than ever before – an increase of 26% in a single year. Two records in two years. A good thing for the planet, for the people and for our country.

Mr President,

This brings me back to the consequences of the war in Iran. The past few months have shown just how vulnerable the EU remains as long as it relies on fossil fuels from other regions. The war in Iran has disrupted global energy markets.

The Government has been closely monitoring these developments from the very beginning. On the one hand, security of supply must be guaranteed. There have been no shortages so far, neither of oil, gas or electricity.

On the other hand, the international situation remains volatile and highly uncertain, and it is having a significant impact on prices. So far, this has mainly been reflected in oil prices, even if prices remain lower than in neighbouring countries. In the medium term, gas and electricity prices may also rise.



These developments are also affecting the global economy. Luxembourg is no exception. STATEC projections show that growth will slow, and inflation will rise again. This crisis and its economic and social consequences will continue to affect us for months and years to come.

That is why the Government has convened the social partners for a tripartite meeting to discuss how to address these effects.

Preserving people's purchasing power and the competitiveness of our businesses are two central priorities for this Government. Even though the indexation system, a cornerstone of our social model, absorbs part of these effects – and it therefore is not up for discussion – we do not want everything we have achieved so far to be undermined by a crisis abroad.

Each partner must take into account the concerns of the others. And if everyone is willing to take a step towards the other, together we will find a way forward – in the best interest of the country. Luxembourg works when we work together.

In this spirit of cooperation, we must also look beyond the short term. The real economic and social challenges may only emerge later. Now is the time to lay the groundwork to ensure that our country is prepared. We must discuss these issues carefully and act with determination.

The Government has already taken action in recent months. We took measures before the war that other countries are only beginning to consider now. Since 1 January this year, the State has been covering a large share of network costs for citizens and businesses, amounting to 150 million euros. Combined with the 80 million euros allocated to the compensation mechanism, this has enabled us to cut electricity bills substantially since January 2026.

In addition, we have tripled the energy allowance to provide targeted support to those most affected by rising energy prices. A single person now receives €600 per year, while a family with two children receives more than €1,000.



This is one of the measures included in the Social Climate Plan, which brings together 45 initiatives designed to ensure the energy transition is fair and socially responsible: These include low-interest climate loans for energy-efficient renovations, as well as a social leasing scheme for electric vehicles.

This is how we enable everyone to switch to renewable energy, without imposing it. Because the energy transition protects people against rising costs, the country against strategic dependencies, and the planet against harmful emissions. The war in Iran is once again a reminder of this.

This war has and will continue to have, broader economic and social consequences – for inflation, growth and employment. We must prepare for them. Because without a dynamic economy, there can be no social, environmental or technological progress. The economy is but part of a broader whole.



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We want our country to keep working together and keep growing together. Growth is the foundation of our standard of living. But in recent years this engine has begun to falter.

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Mr President,

A strong economy is a collective endeavour. None of us can achieve it alone, not the Government, nor businesses, nor workers, especially in such a difficult international environment. We will succeed only if all three move forward together and work together.

That is precisely why this Government will always remain committed to dialogue – to build bridges, while respecting the concerns and expectations of the social partners, and in the interest of the whole country. The agreement between the social partners and ArcelorMittal preserves jobs and guarantees future investments in the Luxembourg base. This and many other accords show that social dialogue between the three partners works when everyone pulls in the same direction.

We want our country to keep working together and keep growing together. Growth is the foundation of our standard of living: our pension system, our healthcare system, our hospitals, our schools and our roads.

But in recent years, this engine has begun to falter. Under this Government, the situation has improved, but our economy remains below both its historical average and the euro area's performance. And the war in the Middle East risks worsening this trend.

Since the COVID-19 pandemic, our economy has struggled to regain momentum. No other year, except for the one directly after the crisis, has recorded growth above 0.6%. Almost all sectors have lost dynamism – crafts, construction, retail and hospitality. The financial centre remains the driving force of our economy, but it faces increasingly intense international competition.



And lower growth also means fewer new jobs. For several years now, the private sector has not been creating enough jobs to ensure the sustainability of our social model. Most new jobs have been created in the public and publicly funded sectors.

At the same time, unemployment has risen slowly but steadily and now stands above the European average, despite increasingly severe labour shortages across several sectors, because the profiles of jobseekers do not match with available jobs. This is holding back business activity, and places greater pressure on workers, who have to take on part of this workload. Both workers and businesses are concerned about the consequences of technological progress.

These are developments that none of us can ignore. They affect us all. And if we want to move forward, we must find solutions together. An economy is not made up of businesses alone, nor is it made up of workers alone. And the Government does not dictate every aspect of growth.

We create growth together, or we stagnate together – with all the ensuing consequences. We can, and must, take all of this into account as part of the tripartite discussions, but this is not an issue that can be addressed with crisis measures.

It is a task that requires constant effort and ongoing dialogue. The Government is ready to discuss all these issues with the social partners in the appropriate forums, to listen to their concerns, and to find solutions together. Because it is in our common interest that our economy keeps running and creates jobs. The Government also works on this every day, with a pragmatic approach focused on concrete results.

It starts with administrative simplification and practical solutions to real problems. Every business will be assigned a single digital identification number, valid across all public administrations. And the procedures required to set up a business will be brought together into a single process. We also want to modernise company, accounting and contract law over the next twelve months. Always guided by the same objective: simpler, clearer, more modern.



This will particularly benefit small and medium-sized enterprises, which also need practical support in the form of expertise and financial support. This is why the SNCI has expanded its range of support with a new zero-interest loan for SMEs.

And we are supporting investment linked to the digital and green transitions. The SME Package programme dedicated to the digital transition has already benefited more than 1,000 businesses since 2024. We are helping businesses plan for succession with a new form of State support. In the trades sector alone, it is estimated that nearly 3,000 businesses will need to find successors over the next 10 years.

But every business, whether small or large, begins with an idea. That is why we want to give entrepreneurship a fresh momentum. To make it easier for founders to access the financing they need, we have introduced a new tax credit for investments in start-ups. The SNCI has also made available a 300-million-euro funding package.

And instead of requiring entrepreneurs to have 12,000 euros in start-up capital available from day one, we will in future give them one year to build it up. This will help address the difficulties linked to opening a bank account. In addition, we will propose new tax measures specifically targeted at start-ups and scale-ups.

We want to encourage people to take the leap. But too often, the fear of failure still discourages those who want to start out on their own. That is why, in the coming months, we will present a concrete action plan to improve social protection for the self-employed, with measures relating to unemployment, social security and tax. And that is also why we are strengthening the second chance regime, because a second attempt can lead to success too. We must not penalise those who dare to try.

Because ultimately, our economy depends on the people who drive it forward: entrepreneurs as well as workers. And if our economy is to continue moving forward, it needs the right talent and skills. That is why we are investing in training through the *Skillsplang*, through better support measures for young jobseekers, and through an expansion of the Digital Learning Hub's training offer.



We are also expanding our higher education offer by encouraging renowned universities to establish a presence in Luxembourg. This will help attract the talent we need to support our economic and social development. But we must also remain attractive and better showcase our strengths, starting with the quality of life in Luxembourg.

That is precisely the objective of the new *Work in Luxembourg initiative*, launched by the Ministers of the Economy and Labour. It brings together, in one place, all the information related to life and work in Luxembourg. Matching the talent and businesses Luxembourg needs requires a continuous effort – an effort that the Minister for Foreign Affairs also includes more actively with foreign commerce as part of our foreign policy.

That is why we must constantly reinvent ourselves. It is what has made our country, and our financial centre, successful. The Minister of Finance continues to launch new initiatives: the AI Experience Centre at the LhoFT, a tax regime for carried interest, and a dedicated cybersecurity body for the financial centre.

And we continue to strengthen our reputation in sustainable finance. Luxembourg is about to welcome the world's largest bond fund dedicated to the protection of tropical rainforests, with investments worth 125 billion dollars.

But we must also position ourselves in new sectors. At a time when investment in defence and security is increasing, it is important that our businesses can secure a place within the defence industry's supply chains.

That is why we have adopted a strategy for a defence industry tailored to our country and built on our strengths. Before the summer still, we want to establish legal certainty and trust with a dedicated bill. In addition, we are putting the focus on research and innovation, with a support scheme and a 150-million-euro investment fund for start-ups. We will build neither tanks nor missiles, but we will support targeted innovation that may also have civilian applications – particularly in the fields of space and cybersecurity. In the longer term, these activities will find a new home in the Defence Campus in Dudelange.



These efforts are also part of our ambitions in the satellite sector. This ecosystem, with SES acting as a hub for many businesses, is part of Luxembourg's DNA. We are supporting SES in its ambition to place more satellites with a Luxembourg footprint into orbit, notably through the Space Campus, where satellite manufacturing facilities and a test centre will be established.

With the construction of satellites here in Luxembourg, an entirely new chapter is being written in the history of our industry. We are transforming our industry and placing it at the forefront of innovation. Because innovation is what drives us forward – both as an economy and as a society.



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For the Government, the course is clear: an AI in service of people, that enables everyone to realise their full potential and make more informed choices – a sovereign AI for the people.

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Mr President,

The economy is the foundation of many things, but it is not everything. It creates growth and prosperity, but above all, it gives us the means to shape our future and move forward. The Government wants to make Luxembourg a knowledge society, a society where we build our future together. That future very often begins with research.

Universities and research institutes are where tomorrow's solutions are developed. That is why we support them each year with about 500 million euros in funding. It is also in this spirit that, in the new framework agreements, the Minister for Research and Higher Education has chosen to place a greater emphasis on the transfer of excellent research to practical applications.

One of those technologies that is about to enter our everyday lives is autonomous driving. Luxembourg wants to become one of Europe's pioneers here, with practical applications in logistics and on roads, and also in specialised services such as taxis and shuttle services. We will underpin this vision with a legal framework for private vehicles, to turn revolutionary technology into an everyday reality.

This is also the aim of the new Deep Tech Lab, where research will focus on cutting-edge technologies capable of tackling complex challenges. In a first phase, the focus will be on artificial intelligence and quantum technologies.

It will support projects from the initial idea to commercialisation, through research and financing – with advisory services, training and investment. The Deep Tech Lab will become the cornerstone of Luxembourg's AI ecosystem, alongside our secure data centres and the new AI supercomputer, which is expected to be operational this year.



It will attract and bring together talent from around the world. It will become a meeting place for research, innovation and entrepreneurship. Because even the best technology means little without that human touch.

AI is opening up new possibilities for us, but it is up to us to choose the direction we want to take and the goals we want to pursue. For the Government, the course is clear: an AI in service of people, that allows enables everyone to realise their full potential and make more informed choices – a sovereign AI for the people. In this spirit, the AI Factory supports researchers, businesses and public administrations in adopting AI solutions.

And we also want to harness this potential for the State. That is why we have signed a partnership with Mistral AI, one of Europe's leading artificial intelligence companies. In doing so, we have opened up an entirely new approach, which is now being followed by other European countries. This partnership with Mistral guarantees that data will be stored and processed exclusively on Luxembourg State infrastructure. This is how we are laying the foundations for an AI that is secure, sovereign and trustworthy.

Over the coming weeks, ministries will get access to the *LeChat* AI chatbot. This access will then be extended to all administrations. And we will support public sector staff through dedicated training programmes.

Other practical applications are already being developed. One example is an AI solution based on Legilux that will make it easier to read, understand and even draft legislation. Another example is the Skills project, which will use AI to enable a dynamic, real-time analysis of available skills and labour market needs.

All of this is possible thanks to sovereign AI built on our own data infrastructure. And this aspect of sovereignty must not be underestimated, especially in increasingly turbulent times.



The EU is our best guarantee to defend our place amid other major powers, as well as our values of freedom, democracy and respect for international law.



Mr President,

These turbulent times are bringing a great deal of unrest and uncertainty. They are bringing back realities we believed we had left behind. It is precisely in times of uncertainty that we must remain more united than ever. This applies in Luxembourg – and across all the areas I have addressed today. And it also applies in Europe.

We cannot understand the state of Luxembourg without looking at the state of Europe. The history of Luxembourg is the history of Europe. The future of Europe is the future of Luxembourg. Because on the international stage too, we are stronger if we stand together. We can see this:

- in Ukraine – where the EU is now providing the vast majority of support,
- in Greenland – where the EU stood united alongside Denmark, and
- in trade – where the EU is concluding trade deals with nine countries representing 2.5 billion people.

That is why the Luxembourg Government calls for a common European foreign and security policy capable of acting swiftly and decisively. Too often, the EU remains confined to the role of a spectator. But we must also work more closely together in areas other than foreign policy:

- in energy, to better connect our networks across borders,
- in technology, to pool our strengths and hold our own against the United States and China,
- in the economy, to give new momentum to the single market,
- in finance, to turn savings across Europe into investment, and
- in the Schengen area, to restore a border-free Europe.



In all these areas, Luxembourg has everything to gain from more Europe. Because the EU is our best guarantee to defend our place amid other major powers, as well as our values of freedom, democracy and respect for international law.

Values that we continue to defend beyond the EU – now more than ever. That is why we have – precisely now – increased our contributions to UN agencies as well as our climate funding. That is why we remain – precisely now – committed to an asylum policy based on both compassion and reason.

That is also why we have – precisely now – recognised Palestine. Alongside more than 150 other countries, we want this recognition to give peace and hope a renewed chance. It is our contribution to a two-state solution, so that Palestinians and Israelis may live in peace and security.

We remain convinced that dialogue and international law are the best way to resolve conflicts. It is a conviction we share with more countries than we sometimes think. And yet, it is clear that major powers are once again imposing their will more unilaterally, including at the expense of others.

That is why we must invest more in security – our own security in Luxembourg, and our collective security within NATO and the EU. This is not at odds with our values, it is a way of defending them, because it prevents others from imposing their values on us. Defence, diplomacy and development are complementary. They are three pillars serving the same objective: peace.

We do not want to attack anyone, but neither do we want to be targeted. That is why credible deterrence is essential. The Minister of Defence is preparing our Armed Forces for these new strategic challenges – through increased recruitment, more attractive conditions for military careers, and new defence capabilities.

But credible deterrence also requires credible funding. That is why the Government is setting out a budgetary path through to 2029 – the year NATO has set to take stock of the situation. Over the coming years, we will gradually increase investment in our security to meet our NATO commitments by 2035. This is a collective effort with our Allies.



And to support this collective effort, Luxembourg – together with our ally Canada – is proposing the creation of a new multilateral bank dedicated to defence, security and resilience, with a European hub here in Luxembourg. This initiative is a natural fit for our country and builds on our strengths:

- the trust we enjoy due to our political stability,
- the expertise we have developed in the financial sector, and
- the hub of international institutions we have attracted.

Through guarantees and innovative financial solutions, this bank will help create the economic foundation for credible deterrence.

Beyond strengthening our Armed Forces and our defence industry, we must also view our security in a broader context. We need to adopt a comprehensive approach to resilience to better prepare our country for all kinds of crises.

That is why we have set out the first national resilience strategy. It is now being implemented across municipalities, critical entities and Government. We have complemented these efforts with specific strategies aimed at addressing cyberattacks and the effects of climate change.

However, resilience cannot be decreed by law. Resilience is something we live every day, and each one of us has a role to play. That is why we want to better inform and raise awareness among citizens through a practical guide that will be presented in the autumn.

And true resilience does not stop with the individual. It requires cohesion. It requires everyone's commitment to one another. Let me therefore thank all those who serve our society every day: members of the Armed Forces and the Police, healthcare and care workers, the professional and volunteer emergency responders of the CGDIS, and so many others.





A policy in the service of social cohesion. Together. For everyone. For Luxembourg. For the future.



Mr President,

Through their commitment, all these people provide an essential service to our country. And, like the three stories I mentioned at the beginning, each one of us contributes, in our own way, to our social cohesion.

Our nation is shaped by thousands of daily interactions, exchanges and encounters – at home, on the bus, at work and after work. It is constantly renewed – spontaneously, dynamically, naturally. Today, I presented a broad range of policies aimed at strengthening our social cohesion:

- a policy of **sticking together**, that combats poverty and strengthens our social model,
- a policy of **growing up together**, that gives every child an opportunity to succeed in life,
- a policy of **living together**, that keeps housing affordable for everyone,
- a policy of **being together**, that strengthens social cohesion through sport, culture and language,
- a policy of **preserving together**, that protects the environment and tackles climate change,
- a policy of **growing together**, that creates jobs and strengthens the economy through dialogue – not as an end in itself, but as the foundation of our standard of living,
- a policy of **creating together**, that places research and innovation in service of people, and
- a policy of **standing together**, that makes Luxembourg a driving force behind the European project and promotes a resilient society.

A policy in service of social cohesion. Together. For everyone. For Luxembourg. For the future.