



European Construction Sector Observatory

Policy fact sheet

Luxembourg

Housing Pact

Thematic objective 1

February 2020



In a nutshell

Implementing body	Ministry of Housing, Ministry of the Interior, participating towns and the Luxembourg Housing Fund
Key features & objectives	Series of government measures (legal, fiscal and financial) to support local town planning and housing development. The aim is to increase the supply of housing for a growing population and make it more affordable.
Implementation date	2008-2021
Targeted beneficiaries	Participating towns, residents, local communities, and local construction companies.
Targeted sub-sectors	Residential (including social housing) and public infrastructure.
Budget (EUR)	EUR 416.47 million
Good practice	★ ★ ★ ☆ ☆
Transferability	★ ★ ☆ ☆ ☆

The Housing Pact (*Pacte Logement*¹), hereinafter referred to as ‘the Pact’, was adopted in June 2008. It introduced amendments to a range of pre-existing laws on, for example, the assessment of real estate goods value (1934), town planning and urban development (2004), social housing (1979); land tax (1936), land acquisition (2002) and rent for a main residence (2006)².

The Pact introduced a series of instruments with a view to increase the supply of housing, in line with the growing housing demand, supported by population growth. In doing so, it aims to reduce property price inflation and contribute to making housing more affordable³.

Luxembourg’s strong economy makes it an attractive destination for economic immigration. As a consequence, the country is experiencing significant population growth⁴. Between 2008 and

2018, for example, the resident population grew by 24% (+120,394 people)⁵. This growth rate has placed pressure on a housing market that was already experiencing a shortage of housing and rising property prices. Between 1995 and 2010, for example, house sale prices increased by 190%. That is the equivalent of a 7% annual increase. Similarly, between 2010 and 2011, rental prices increased by 12% for houses and 9% for apartments. As a result, housing insecurity has become a reality for a large share of the population, many of whom are simply priced out of the market and are unable to become homeowners⁶.

The Housing Pact introduced a series of legal, fiscal and financial measures to incentivise and support new housing construction⁷. Key among them is the signed Covenant between the State and participating towns. This required each town to commit to a 15% increase in their local population over a 10-year period and to provide a new housing development plan to accommodate that growth. In exchange, the State provided the towns with lump sum funding to help finance new housing construction and local public infrastructure development projects⁸.

The Housing Pact has supported the construction of 32,837 new housing units between 2008 and 2018, which is approximately two thirds its original objective of 48,000. However, a further 20,000 new units are currently under construction⁹. Design issues and a lack of government control mechanisms meant that much of the funding provided was used by the towns to improve local infrastructure rather than to build new housing.

Although infrastructure improvements are beneficial to local communities, the Pact has not managed to close the gap between housing supply and demand¹⁰, and property prices have continued to rise. For example, apartment rental prices increased by 19% between 2013 and 2018¹¹. Aware of these shortcomings, the government began discussions in 2016 on the design of a new Housing Pact (version 2.0). The Pact 2.0 is due to be launched in 2021, following the completion of Pact 1.0.

1.

General description

Adopted in 2008, the Housing Pact aims to increase the supply of housing to meet the demands of a growing population. As signatories to the Pact, the majority of towns in Luxembourg have pledged to grow their populations by 15% over ten years and to build 48,000 new housing units to accommodate that population growth¹².

The Pact is composed of five axes¹³:

1. A pre-emption right (or priority of purchase right) for land acquisition, providing public authorities (State, towns and the Housing Fund) with a first option to purchase unused lands for the construction of new housing;
2. An emphyteusis and a 'surface right' (*'droit de superficie'*). Both legal instruments grant public authorities (State, towns and the Housing Fund) the right to use unoccupied land and buildings for housing, in exchange for royalties paid to the landowner;
3. Towns can levy taxes on unused land that is deemed suitable for housing construction (within 3 years). The tax is not applicable if: the land is used for agriculture; there already is an ongoing construction project; the land is planned to serve, within five years, to the construction of Housing(s) for the owner or his family;
4. Reform of pre-existing housing legislation to make the Pact operational and reinforce the prerogatives of public authorities, as detailed in Table 1;
5. A signed covenant between participating towns and the State.

Table 1: Legislative amendments introduced by the Housing Pact

Housing legislation	Housing Pact amendments
Housing support law (25 February 1979)	<ul style="list-style-type: none"> • Maximum State funding for land purchases by towns is increased from 40% to 50% of the total price if the land is used to constitute a reserve for the construction of social

Housing legislation	Housing Pact amendments
	housing and related collective equipment; <ul style="list-style-type: none"> • Extending the Housing Fund's responsibilities to the housing market;
Amended law on town planning and urban development (19 July 2004)	<ul style="list-style-type: none"> • Development plans (<i>Plan d'aménagement Particulier, PAP</i>) for land over 1 hectare (ha) in size must designate 10% of that land for the construction of social housing; • Other reforms such as the redefinition of land reserve and the definition of compensation procedures;
Amended law on the assessment of goods and values (16 October 1934)	<ul style="list-style-type: none"> • Creation of a legal definition of land suitable for housing development and the buildings to construct; • Establishment of an annual audit of these types of land by towns;
Amended land tax law (1 December 1936)	<ul style="list-style-type: none"> • Definition of a new tax rate for land suitable for housing development;
Amended law on fiscal measures to encourage market entry and the acquisition of building land (30 July 2002)	<ul style="list-style-type: none"> • Amended legislation to make emphyteusis and surface right possible;
Law on rent of main residence (21 September 2006)	<ul style="list-style-type: none"> • Definition of complaints procedures.

Source: Ministry of Housing¹⁴

92% of the towns in Luxembourg (98 out of 106) have signed a covenant with the State¹⁵.

Each participating town has pledged to grow its population by 15% over 10 years and has submitted a new housing construction plan. In exchange, the State provides a series of subsidies that each town can use to fund the construction of new housing or

local public infrastructure projects or the purchase of collective equipment¹⁶:

- For each inhabitant above the 1% annual growth rate of the local population, the State provides EUR 4,500 (standard funding rate);
- For towns deemed to be a priority by the government (IVL¹⁷ towns), the subsidy is increased by 50%;
- For towns defined (by law in 1999) as ‘Centres of Development and Attraction’ (CDAs), the subsidy is increased by 70%.

In addition to these three categories, 33 towns have opted to measure their population growth based on the 2003-2013 period (retroactive towns), instead of the 2008-2018 period¹⁸. As shown in Table 2, two thirds of participating towns are classified as retroactive or standard. Priority and CDA towns account for the other third. The number of towns in Table 2 is slightly higher (103) than the figure quoted above (98). This is because some towns have signed two types of covenant.

Table 2: Number of signed covenants between towns and the State

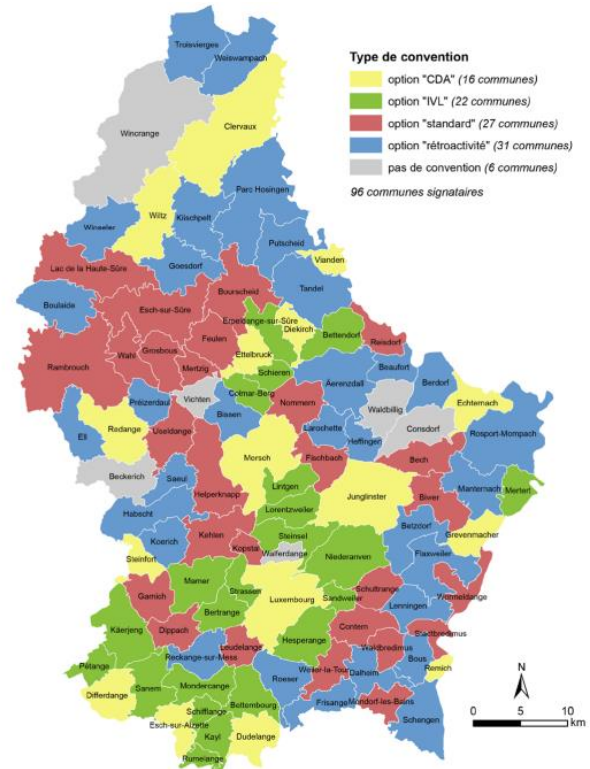
Number of towns that signed the covenant	Type of covenant	State funding per inhabitant (above the 1% growth rate)
38	Retroactive	EUR 4,500
27	STD (standard)	
22	IVL (priority towns)	EUR 6,750
16	CDA (centre of development and attraction)	EUR 7,650

Source: Ministry of Housing¹⁹

Figure 1 provides a map of Luxembourg showing the towns that have signed a Housing Pact Covenant with the State. Colour coding indicates the type of agreement each town has entered into.

The towns are responsible for implementing the Housing Pact. They have to negotiate all land purchases to achieve the cheapest price possible. Towns must also respect the 10% social housing requirement for all development projects that exceed 1 ha (hectare) in size²⁰.

Figure 1: Map of townships by type of covenants (2018)



Auteur: V. Felgen, LISER, 2018. Source: Ministère du Logement - Monitoring du Pacte Logement 2018.

Source: Ministry of Housing²¹

Towns must also create a land reserve for the construction of planned housing and public infrastructure. In addition, they must commit to utilise any remaining funding to re-pay outstanding debts or to invest in similar projects (with prior agreement from the State)²².

Running until 31 December 2021, the Covenant allows for modifications to the original plan on condition that all parties accept the changes. It is also agreed that any town that decides to withdraw from the Covenant would have to re-pay any State funding they have received²³.

Many Housing Pact amendments have been proposed since 2014 - however, most have yet to be implemented. For example, the Ministry of Housing included proposals to simplify and centralise implementation measures, responsibilities and the payment process in its 2014 and 2017 activity reports; however, those improvements do not appear to have been delivered yet²⁴.

In 2014, the State changed the way subsidies were delivered to towns. Funding payments were originally linked to population growth, instead of

the number of new housing units built. As a result, towns tended to prioritise the development of public infrastructure rather than new housing²⁵.

Some of the lessons learnt from the Housing Pact will be integrated in future housing policies. In fact, a working group was set up as early as 2016 to discuss version 2.0 of the Pact. Although the details of the new Pact are not yet available, some key features have already been disclosed²⁶.

The primary focus of Pact 2.0 is new housing construction, including social housing. Funding payments are linked to housing construction rather than population growth. Pact 2.0 aims to involve social landlords (such as Caritas and the Red Cross) to manage the demand for social housing. For towns that lack the resources to implement their plan on their own, support services will be provided to assist them²⁷.

Table 3 provides a breakdown of the total annual spend of the Housing Pact budget since 2008.

Table 3: Housing Pact budget spend (2008-2018)

Year	Actual funding (EUR million)
2008	9.6
2009	44.1
2010	23.4
2011	34.6
2012	41.3
2013	50.3
2014	47.8
2015	40.8
2016	42.3
2017	44.7
2018	37.6

Source: Ministry of Housing²⁸

Table 4 provides a breakdown of the budget allocation by year and by type of town/covenant signed. The 'Fusion' category included in the table refers to towns that merged over the course of the programme. It includes Helperknapp (Boevange/Attert), for example, which was relabelled as a "retroactive" town in 2018²⁹.

The largest share of funding has consistently been allocated to towns labelled 'centres of development and attraction' (CDA). CDA towns received approximately half to two thirds of all funding each

year between 2009 and 2014. Priority (IVL) towns were the second largest recipient of funding, accounting for roughly one fifth of all funding.

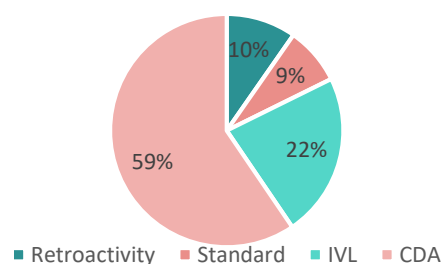
Table 4: Annual budget allocated by type of town (2008-2014)

Type	2008	2009	2010	2011	2012	2013	2014
Retro	1.1	6.5	2.40	4.5	3.2	4.7	1.7
STD	2.2	4.3	2.50	3.0	3.2	3.2	4.9
IVL	3.9	10.0	5.10	7.4	7.1	9.8	9.7
CDA	1.7	21.9	12.6	17.5	26.0	32.2	31.1
Fusion	0.8	1.4	0.8	2.2	1.9	0.4	0.3
Total	9.7	44.1	23.4	34.6	41.4	50.3	47.7

Source: Ministry of Housing³⁰

A more recent monitoring report on Pact implementation reveals a similar trend in funding allocation through to 2017, as illustrated in Figure 2.

Figure 2: Funding percentage by type of covenant signed (2008-2017)



Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report³¹

Table 5 provides an alternative view of the total funding awarded by type of town between 2008 and 2017.

Table 5: Overall funding awarded by type of town (2008-17)

Type	Total funding (EUR millions)	Share of funding percentage
Retro	36.7	10%
STD	34.3	9%
IVL	84.5	22%
CDA	223.6	59%
Total	379.1	100%

Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report³²

2.

Achieved or expected results

Overall, the Housing Pact has not managed to achieve its two main objectives. First, the supply of housing has not kept up with the demand. A total of 32,837 new housing units have been built, which is two thirds of the original target of 48,000. Second, the number of new constructions has not been sufficient to have a significant impact on property prices³³.

According to an assessment carried out by Caritas Association, at least 65,000 new housing units were needed to meet the demand between 2008 and 2018, more than double of the number housing built³⁴.

Looking forward, the Luxembourg National Statistics Office estimates that the country will need between 243,000 and 324,000 additional housing units by 2060³⁵. At the current rate of supply, it is difficult to envisage current and future demand being met. In 2018, for example, 25,000 new social units were needed to meet demand in that year alone. In contrast, only 830 social units were constructed between 2008 and 2018³⁶. Over 11 years, that equates to an average of 75 social housing units built per year, which addresses 0.003% of the demand in 2018.

Design issues have made it difficult for the Housing Pact to achieve its objectives. Funding was linked to population growth and towns were given the freedom to choose how to spend that funding. Towns prioritised infrastructure investments over new housing, which meant that housing became a secondary objective for towns rather than the core of their programme³⁷.

Although the Pact did not achieve its new housing objectives, the local infrastructure developments that it funded can be considered to be important achievements. Table 6 lists the number of projects (by type) that were funded by the Housing Pact up to 2016. Almost half of those projects were focused on providing educational facilities, such as schools and nurseries. The other half were broadly split

between five project types, from utilities projects (water/electricity) to local (borough) development projects to culture and sport projects. Only 8% of projects were focused on housing.

Table 6: Number of funded projects by type (2008-2016)

Project Type	Retro	STD	IVL	CDA	Total
School	6	8	9	7	30
Nursery	2	10	6	8	26
Borough	2	3	4	2	11
Water/Electricity	4	4	1	4	13
Sport/Culture	5	2	4	6	17
Housing	1	0	1	7	9
Others	1	1	1	5	8
Total	21	28	26	39	114

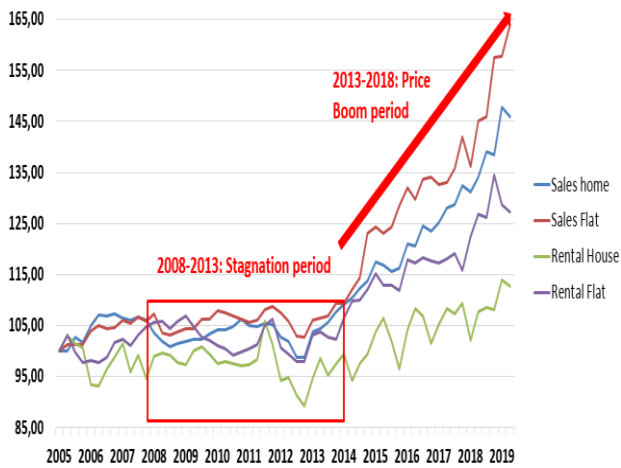
Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report³⁸

According to a former Luxembourg Housing Minister, the State was simply too naive during the Housing Pact design phase. Design issues led to missed targets and higher costs, as demonstrated by the Pact's budgetary excesses³⁹. In spite of the errors made, the funding provided enabled the development of important infrastructure that is needed to support long-term population growth and to maintain the local quality of life.

However, the limited supply of new housing has not managed to constrain the continued rise in property prices, as illustrated in Figure 3. Following a five-year period of stagnation in the immediate aftermath of the economic crisis, the housing market began to recover in 2013 and property prices began to rise again.

Between the first trimester of 2013 and the second trimester of 2019, the average house sale price rose by 40%, compared to just 1% between 2008 and 2013. Similarly, apartment rental prices stagnated between 2008 and 2013 and then increased by 19% between 2013 and 2018.

Figure 3: Rental and sales prices evolution in Luxembourg (index 100 in constant euros)



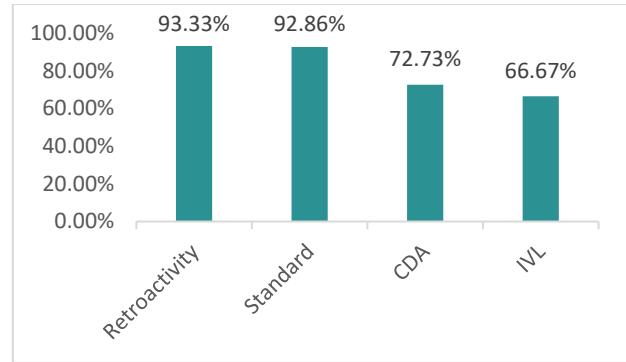
Source: Luxembourg Housing Observatory⁴⁰

The Housing Pact was subject to several reforms in 2014. The Ministry of Housing was given more control over the programme budget. Allocated funds were kept in an envelope and money was only transferred once actual works had actually been completed⁴¹. Monitoring activities done by the Luxembourg Housing Observatory were also improved to ensure better tracking of actual achievements⁴². However, the reforms do not appear to have had the desired impact.

Although the State had always had the power to request repayment of all funding if a town's new housing targets were not met⁴³, in reality, it is unlikely that such a power would have been exercised. At such a stage, the funding received would have already been committed or spent by the towns. Having to repay that funding would have put them in a very difficult financial position. Challenging the use of funding to develop socio-economic infrastructure projects would also have been politically sensitive.

In terms of encouraging population growth, the Housing Pact was broadly successful in meeting its targets, as shown in Figure 4. Interestingly, the types of towns that were most successful in increasing their population were those that received a comparatively lower share of overall funding (Retro and Standard). CDA towns received the largest share of funding and achieved nearly three quarters of their population targets.

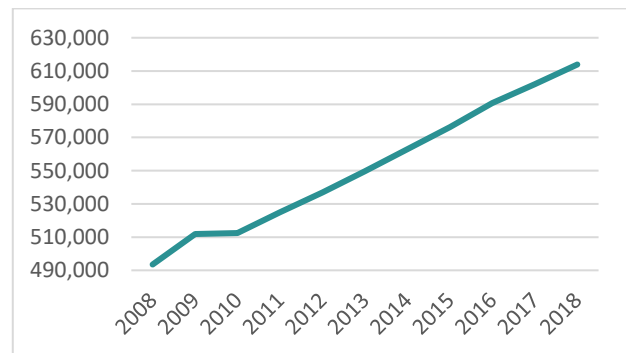
Figure 4: Percentage of towns that achieved the 15% population growth target over 10 years



Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report⁴⁴

The extent to which the Housing Pact has influenced this population increase is not clear however. Over the course of the Pact's implementation phase, Luxembourg's resident population grew by 24%, as shown in Figure 5. That is an increase of 120,394 people, up from 493,500 inhabitants in 2008 to 613,894 inhabitants in 2018⁴⁵.

Figure 5: Population growth in Luxembourg



Source: Luxembourg Statistical Office⁴⁶

Beyond the covenant, the Pact also included a series of legislative tools. The pre-emption right was only modestly used and led to the acquisition of 400 fields covering 135 ha between 2008 and 2016⁴⁷. According to Syvicol, the Union of Luxembourg Towns and Communes, this tool was not particularly efficient⁴⁸.

The use of 'town taxes' was also limited, having only been applied in 8 towns, as shown in Table 7. The creation of separate rates in different locations has the potential to become a source of legal complexity in the future. The impact of these taxes was also rather limited. However, according to the Ministry of Housing, the tax had a psychological impact on owners. It also provides towns with leverage to encourage owners to make a better use of unoccupied land and buildings⁴⁹.

Table 7: Local taxes on unused buildings

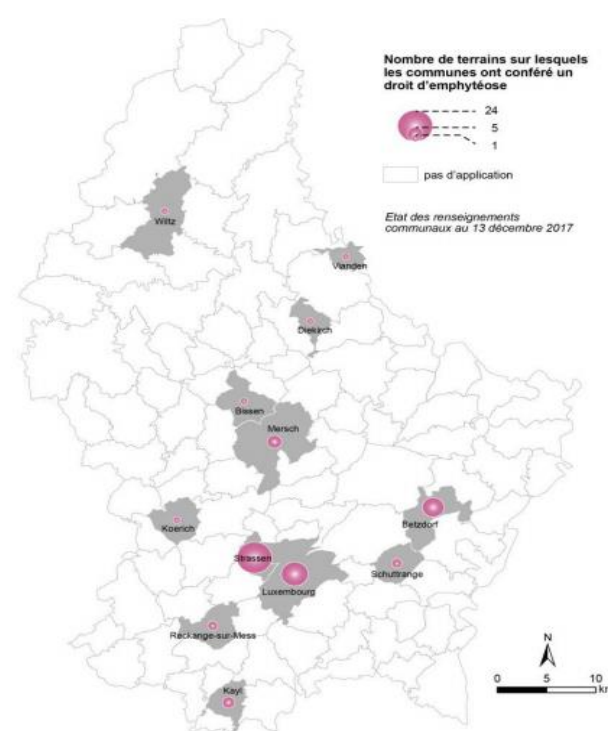
Town	Taxes levied
Beckerich	EUR 500 p/a and unit.
Bettendorf	<ul style="list-style-type: none"> EUR 500 p/a and unit (1st year); EUR 1,000 p/a and unit (2nd year onward).
Diekirch	EUR 1,200 p/a and unit.
Esch-Alzette	<ul style="list-style-type: none"> Unoccupied building: EUR 150/m² (1st year), EUR 200 (2nd year) and EUR 300 (3rd year onward); Unused buildable land: EUR 15/m² (1st year) and 30/m² afterwards.
Esch-sur-Sûre et Redange/Attert	EUR 1,000 p/a and unit.
Roeser	<ul style="list-style-type: none"> Unoccupied building: EUR 50/m² the 1st year, EUR 200 the 2nd year and 300 the 3rd year onward; Unused buildable land: EUR 10/m² (1st year); EUR 30/m² (2nd year); and EUR 30/m² (3rd year onward).
Winseler	EUR 1,000 p/a and unit (tax increase by EUR 500 each additional year).

Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report⁵⁰

According to Syvicol, the right of emphyteusis (perpetual lease) was another positive feature of the Housing Pact⁵¹; however, it was only applied in 63 projects in 12 towns, as illustrated in Figure 6⁵². The Housing Fund actually began using this right five years prior to the launch of the Pact, which suggests that it may be less of a novelty than originally announced.

The right of emphyteusis does not offer sufficient financial incentives or guarantees to overcome the traditional reluctance of owners to let their property for the purpose of social housing. Nonetheless, application of that right has had a positive impact on speculation and acquisition prices for towns⁵³.

Figure 6: Twelve towns applied the right of emphyteusis (perpetual lease)



Auteur: V. Felgen, LISER, 2017. Sources: Administrations communales 2017, Ministère du Logement - Monitoring du Pacte Logement 2017.

Source: Ministry of Housing & Ministry of the Interior, Third Monitoring Report⁵⁴

In contrast, the tax exemption mechanism has encountered limited but notable success. This mechanism enables towns to exempt land sellers from income tax on the value of their sales⁵⁵. This mechanism was utilised in 140 deals (mainly for land purchases) and it has helped to reduce speculation on housing prices⁵⁶.

Participating towns were ultimately responsible for implementing the Housing Pact. They were in charge of negotiating land purchases, constituting land reserves, and they had the option to utilise rights and incentives. Unfortunately, support was not made available to assist towns with limited resources and competencies (e.g. rural towns/areas) to take on the additional workload⁵⁷. As a consequence, many towns had to rely on private developers that were more interested in maximising return on investment, rather than the fulfilment of Housing Pact objectives⁵⁸.

3.

Perspectives and lessons learned

The main lesson from the experience of Housing Pact implementation is that the funding mechanism was not effective in achieving the Pact's objective. Lump sum funding meant that central authorities had little subsequent control over how that funding was utilised at local level.

In turn, towns used the funding to develop social and economic infrastructure, and not necessarily housing, as initially envisaged by the Housing Pact. Although a refund mechanism was available to hold the towns accountable, it was not used because of the politically sensitive nature of social infrastructure developments; and the financial difficulties it would have caused for towns.

According to a Deputy from the Luxembourg Socialist Party, the Pact ended-up being a “machine for spending money”. Adequate mechanisms were either not in place or not applied to control how towns spent their funding⁵⁹.

In addition, the Luxembourg Chamber of Commerce also points out that lump sum funding does not take into account the difference in land and building prices from one town to another. Furthermore, the Chamber says that the funding allocated was insufficient to support land acquisition and new housing construction⁶⁰.

The Housing Pact implementation plan was not well designed. It gave ultimate responsibility for implementation to the towns, without providing them with adequate support or guidance, leaving them free to allocate their funding as they deemed appropriate.

The Union of Luxembourg Towns and Communes, Syvicol, argues that towns were facing conflicting obligations from different government ministries. For example, the use of land requested in the Housing Pact conflicts with laws on the protection of cultural heritage⁶¹.

According to Syvicol, the additional responsibilities given to towns were not matched with adequate

support from central authorities. Land acquisition negotiations are both complex and time-consuming. Many towns were ill equipped to deal with this kind of task, which led to implementation difficulties⁶². Housing Pact 2.0 proposes to remedy these issues with the provision of support services and the creation of a special advisor for towns.

According to the Housing Pact's Programme Leader, the Pact has also played the role of a successful awareness raising campaign. Local authorities have not been involved in housing policy design, to date. However, the Housing Pact has involved collaboration between the State and local authorities (towns), which has helped to generate a better understanding of the housing shortage, its implications and how best to address it⁶³.

Although the funding provided to the towns under the Housing Pact did not achieve its housing development targets, that funding was invested in valuable socio-economic infrastructure developments to improve the Duchy's capacity to support population growth.

The population growth target is one of the features of the first version of the Housing Pact. The 15% growth target meant that towns were required to grow exponentially⁶⁴. The target automatically imposed a series of challenges on the local housing market, which the Pact was simultaneously and, paradoxically, asked to solve. In addition, the quantitative targets were set from the top without adequate assessment of local capacities⁶⁵.

Not only is it questionable to have population growth as an objective, but one could also ask why towns were not given responsibility for defining their own quantitative objectives according to their own needs.

From the perspective of beneficiaries, the pact was originally greeted with enthusiasm. From the start, the Union of Luxembourg Consumers (UCL) highlighted some concerns about the Pact's original design. However, the UCL concurred with the policy

direction – to increase the supply of housing supply and to make housing more affordable⁶⁶. Unfortunately, the final results did not meet the initial promises.

Ultimately, the Pact was unable to close the gap between housing supply and demand and did not manage to reduce property prices.

Lower income households that do not have access to social housing continue to find it very difficult to access adequate housing. Without State support, they are exposed to housing insecurity. It is even becoming difficult for the middle-class to access housing in areas of high demand and cost, especially in the capital and its vicinity⁶⁷.

According to a Deputy from the political party 'déi Lénk', neither Housing Pact 1.0 or 2.0 provide sufficient focus on reducing property price speculation. In addition, rent control is an overlooked tool, even though it could help to limit price increases⁶⁸.

Finally, the legislative measures introduced by the Housing Pact (legal and fiscal) were not enough to overcome the reluctance of landowners to sell or rent their property to support the provision of new housing, and social housing in particular⁶⁹.

4.

Conclusion and recommendations

Population growth in Luxembourg over the last decade has placed extra pressure on a domestic housing market that was already struggling to match supply with demand.

Within its original 10-year timetable, the Housing Pact did not manage to meet its initial targets. However, a further 20,000 new units are currently under construction. Once completed, the total number of new units will surpass those initial targets. Nonetheless, that number still falls short in comparison to the demand, which will limit its influence on house prices.

These shortcomings do not however change the fact that there is still a large consensus in support of political interventionism in the housing market⁷⁰.

From the start, the Pact was poorly designed. Funding was linked to population growth targets, rather than a clear set of housing delivery goals to meet demand at local level. In addition, towns were given too much freedom to spend their funds as they deemed appropriate. This led to a discrepancy between original intentions and final achievements.

Although much of the funding distributed to the towns was not spent on new housing development, it was used to finance local infrastructure projects. These were deemed necessary by many towns to provide the public services required by a growing population. These projects, though they were not meant to be the main recipient of Housing Pact funding, are nonetheless an important achievement that will benefit local communities.

Information available on the key features of Pact 2.0 indicates that the government recognises the issues that have affected Pact 1.0. The construction of housing and social housing is the main objective of Pact 2.0. To support that aim, funding payments will be directly linked to the number of housing units constructed⁷¹.

Pact 2.0 will also introduce innovation in policy design. Towns will receive support and advice from a newly created advisor service. This should help to streamline implementation, providing that enough resources are allocated to this support service. In some cases, towns may need more than advice and guidance, because they simply do not have the staff or the time to implement the Housing Pact.

Looking forward, five recommendations are suggested to help improve the impact of the Housing Pact:

- Significantly higher levels of investment are needed to support new housing construction at a rate that is commensurate with demand;
- Towns should be more closely involved in the design of measures such as the Housing Pact. Closer collaboration between central and local government from conception through to implementation would help to align individual measures with the national and local context;
- The scope, objectives and funding conditions of Pact 2.0 should be clearly communicated to avoid mis-interpretation by funding recipients;
- Effective monitoring and control mechanisms should be an integral part of this type of measure to ensure that public funding is allocated and used, in line with the scope of the measure;
- The support services for towns that are envisaged in Pact 2.0 should be periodically reviewed to assess and improve their effectiveness.

Overall, the Housing Pact is rated as a '3-star good practice measure' on a scale of 1 (low) to 5 (high).

The main reasons for this score are that Pact 1.0 did not achieve its aims within the expected timeframe, and it lacked adequate support, monitoring and control mechanisms to ensure correct implementation. In addition, it was not successful in closing the gap in housing supply and demand or in reducing property prices, both of which were key objectives. However, it does seem likely that the

original housing delivery aims will be met in time for the launch of Pact 2.0, albeit later than planned. Furthermore, Pact 1.0 funded a significant number of valuable infrastructure projects, even if those projects were not the main focus of Pact 1.0.

Pact 2.0 has the potential to achieve a higher 'good practice score' if the lessons of the Pact 1.0 are learned. The recommendations provided would help to improve the implementation and impact of the measures.

The Housing Pact is rated as a '2-star transferable measure' on a scale of 1 (low) to 5 (high).

This score is based on the fact that Pact 1.0 contains a set of measures that are particular to the Luxembourg. The small size of the Duchy is not very comparable to other EU Member States and the measures implemented by Pact 1.0 are closely linked to Luxembourg's legal and fiscal framework. The design and implementation issues associated with Pact 1.0 are further reasons for this score. However, should Pact 2.0 prove to be more effective and successful, there is potential for a higher score.

Endnotes

- 1 Ministère du logement, Le pacte du logement:
<http://pacte-logement.lu/>
- 2 Ministère du logement, 2008, Pacte du logement, loi du 22 Octobre 2008:
<https://logement.public.lu/dam-assets/documents/politique-logement/pacte-logement/flyer-pacte.pdf>
- 3 Ministère du logement, Le pacte du logement:
<http://pacte-logement.lu/>
- 4 Les Frontaliers, 2018, Plus de 20 000 Belges vivent au Luxembourg. Qui sont-ils?
<https://www.lesfrontaliers.lu/societe/plus-de-20-000-belges-vivent-au-luxembourg-qui-sont-ils/>
- 5 Statistiques Luxembourg, État de la population:
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