

Luxembourgish government measures for economic recovery

March 11, 2009

On March 6, 2009, the government approved a set of substantial measures, complementary to the first package of measures, in order to minimize the impact of the crisis and prepare the country to bounce back from it. As such, the following bills were submitted:

Bill proposing a temporary aid system for economic recovery (n° 6003)

With the new measure, companies in difficulty and impacting on the country's economy will be granted with a State financial aid up to €500.000, upon request. Companies can demand this financial aid until December 31, 2010 and it will be allocated as a grant.

This measure only concerns companies carrying out industrial, commercial or hand-crafted activities in Luxembourg, as well as some self-employed professions. The companies must be in difficulty according to certain requirements that differ for large, small or mid-size companies.

The following companies are strictly excluded from that measure: companies subject to the supervision of the CSSF or of the "Commissariat aux assurances"; companies that were already in difficulty before July 1, 2008; companies carrying out activities in regulated industries (fishing, aquaculture, agriculture); and export companies (in some cases).

The measure targets companies which could have an influence on the regional/national economic situation, or make a significant impact on the economic development, with their industry classification, technological and innovation potentials, opening on international markets or their economic role in the region.

The grant will only be allocated to companies whose efforts to get other financial support have been proven. The financial aid can not lead to a national products preference over imported products.

Bill proposing a temporary guarantee system for economic recovery (n° 6004)

The government intends to guarantee loans given by credit institutions to companies in difficulty. Companies which can benefit from this guarantee are about the same than those concerned by the bill n° 6003. This guarantee can not exceed ten years and covers 90% of the loan amount at the most.

Bill concerning

1. **The promotion of research;**
2. **The objectives of the "Agence nationale pour la promotion de l'innovation et de la recherche";**
3. **The set up of an establishment for the hosting and support of new innovative companies;**
4. **The creation of a special Fund for the promotion of research, development and innovation and Amending the amended law of July 27, 1993, on:**
 - **economic development and diversification;**
 - **general structure improvement and the regional balance of the economy (n° 6005)**

R&D strategies are not new in Luxembourg. The first measures date back to 1981 and have since then been completed by additional laws. Moreover, the "Agence pour la Promotion de l'Innovation" ("Luxinnovation") was created by the government to support R&D. In the current economic context, companies may put on hold investments and programmes that are not regarded as necessary now, including investments and spending in research, development and innovation. As a consequence, the government judges that it is essential to reform the current regulatory framework to support companies that have not built on their innovation potential yet.

The bill notably deals with an increase in government aids. The financial aids for R&D provided for in the Law of July 27, 1993 are maintained but the maximum amounts are reviewed. The maximum amounts will be between 25% and 100% of the eligible costs, depending on the type of company and the R&D project. New tools will be implemented:

- Aids to technical business cases, as well as a particular system for the protection of SMEs' intellectual property, in order to promote more R&D projects. The amounts will be between 40% and 100% of the eligible costs;
- The activities of young innovative companies will be supported up to EUR 1 million;
- SMEs will be able to benefit from financial aids to advisory services for innovation and aids to innovation up to EUR 200,000;
- Temporary appealing to high skilled staff will be supported up to 50% of the eligible costs;
- Companies that innovate in terms of process or organisation will be granted with an aid up to 15% and 35% of the eligible costs.

This bill will be analyzed in details in another Flash.

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