LUXEMBOURG TIMES

Business and politics in Luxembourg | The entrepreneurship edition
No. 14 | April 2024

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Breeding unicorns in Luxembourg

Green entrepreneurship
Transitioning to a sustainable future

Interest rates bite
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Plus:
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“We need entrepreneurs

Interview with Minister of the Economy Lex Delles

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LUXEMBOURG TIMES

April 2024

Cordula Schnuer
Editor-in-Chief

A more business-friendly government – that was the first feedback from Luxembourg's business community when the CSV clinched a coalition deal with the DP, ousting the Socialists and Greens from power. In a tough economic environment, the coalition has its work cut out.

Luxembourg last year slid into recession, unemployment is expected to rise further, inflation remains elevated and interest rates high. Bankruptcies and business closures dominate headlines and the government has declared parts of the construction sector to be in crisis. Aid packages to provide relief are taking months to make their way into law. To make matters worse, in a remarkable own-goal, the government-enforced begging ban in the capital has piled negative press onto the newly minted administration under Prime Minister Luc Frieden.

While throwing money at the problem helped during the pandemic and energy crisis, the country also has to tighten its belt. A €1.9 billion deficit is expected for the state budget this year. Public debt is set to keep rising, from 22.5% of GDP in the pre-pandemic year 2019 to 27.3% by 2026.

Even though the government abandoned a self-imposed goal to keep public debt below 30% of GDP, this will be crucial to protect Luxembourg's precious triple A rating. That in turn is needed to allow the Grand Duchy to keep borrowing at lower interest rates but also to keep it attractive for investors and businesses. Especially when other challenges such as high labour costs, notoriously unaffordable housing, talent attraction and retention provide everyday obstacles for companies.

It is a litany of doom and gloom but there is cautious optimism in the business community and plenty of ideas on how to move forward, from making private investment more attractive and scaling up support for entrepreneurs to streamlining services for the twin digital and green transitions and cutting red tape.

"We need entrepreneurs," said Minister of the Economy Lex Delles in his interview with the *Luxembourg Times* for this magazine. The proof of the pudding whether this government really is more business-friendly than the last will be in the eating. The country's labour unions have already shown themselves in combative spirit and hot button topics like the indexation of wages – a cornerstone of social policy – will surely remain untouched.

For a country that has a history of political stability and has been fairly resilient in the face of crises past, there is an unfamiliar sense of uncertainty. Paralysis in the face of the unknown, however, will not be an option to maintain the status quo, never mind driving the country forward.

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By Cordula Schnuer | Photo: Marc Wilwert

Kirchberg's changing face

It is hard to imagine now that just over 20 years ago, none of the buildings in this picture existed. The tower to the left was built in the early 2000s. The Philharmonie, an iconic part of the Kirchberg cityscape, was completed in 2005. Luxembourg's contemporary art museum Mudam, just a stone's throw away, opened its doors in 2006. The Court of Justice's golden Montesquieu and Comenius towers were added in 2008, while the Rocca tower, the country's tallest building, opened in 2019. The pace of development has been staggering and shows no sign of slowing down, with ArcelorMittal's new headquarters, an extension of the European Investment Bank and a complex set to house KPMG on the other end of Kirchberg planned or already under construction. The number of employees working in the district is set to climb to 67,000 by 2040, up from around 42,000 last year.

Luxembourg plans for €1.9bn deficit in 2024

But revenue to exceed spending after 2025, says minister

Luxembourg plans for a €1.9 billion deficit this year, Finance Minister Gilles Roth said, presenting the 2024 budget in parliament in March.

The state forecasts that tax revenues will rise by 7.1% to €27.5 billion, while expenditure will increase by 7.6% to €29.4 billion, resulting in a deficit of €1.9 billion or 1.2% of GDP. Luxembourg is set to register a 1.2% shortfall between revenues and expenses in 2025. But from next year on, tax revenues are predicted to rise faster than spending.

The 2024 budget paints a better picture than a November forecast, which had predicted a €3.6 billion deficit.

Luxembourg's economy contracted by 1% in 2023, compared to 0.5% growth in the eurozone, while this year the country's statistics agency forecasts output will rise by 2%, compared to 0.6% for the eurozone. This rate is lower than the 3.2% the country saw over the last decades, Roth said.

Photo: Chris Karaba

Luxembourg's finance minister, Gilles Roth

Bettembourg set to host piece of EU satellite swarm

Luxembourg is on track to host one of three ground centres operating the EU's multi-orbit satellite swarm Iris2, under a contract set to be awarded by the European Commission.

A draft decision in March announced plans for ground control centres in France, Italy and Bettembourg in Luxembourg, where state-owned LuxConnect is based. The company operates three data centres and the €30 million Meluxina supercomputer.

An EU tender states that the 12-year contract will involve designing, developing and operating the programme. The EU has budgeted €2.4 billion through 2027, when the Iris2 satellites are projected to be airborne. The rest is expected to come from the European Space Agency and private companies and investors.

The €6 billion project aims to give the EU its own fleet to keep up with constellations being deployed by other governments and businesses around the world.

New investor takes over bulk of Alter Domus

Luxembourg fund administration company Alter Domus and its nearly 1,100 employees are going through an ownership shakeup after a private equity firm bought a majority stake, the company said.

Alter Domus sold a majority of its shares to London-based buyout firm Cinven, that valued the company at €4.9 billion, for an undisclosed price, a spokesman told the *Luxembourg Times*. Alter Domus had been owned by its founders and private equity firm Permira, also based in London, who will continue as shareholders.

Founded in 2003 by former PwC partners, Alter Domus holds more than €2.3 trillion in assets under administration and provides fund services to 90% of the world's 30 top asset managers.

Banks increase profit by 45%

Luxembourg's banking sector saw a 45.1% increase in total profit before provisions and tax in 2023, with net results increasing by 67% or €6.6 billion. The increase coincided with the rise of interest rates, benefitting 80% of banks, financial centre regulator CSSF said. Net fee and commission income dropped by 3.2%, affecting around half of banks.

EU fraud fighters in Luxembourg aim to double workforce

Eppo seeking 50% budget increase in 2025

The European Public Prosecutor's Office (Eppo) is requesting a budget increase over 50% in 2025, aiming to more than double its workforce, despite previous funding disputes with Brussels and recruitment difficulties posed by the country's high cost of living.

Kirchberg-based Eppo investigates fraud against the EU budget. It currently employs 233 staff. In 2022, more than 1,100 active investigations were ongoing into estimated fraud of over €14 billion against the EU budget.

The agency is seeking to expand its workforce to 539 employees in 2025, citing an "inadequate" level of resources amid an increasing workload.

To pay for the recruitment drive, a more than 50% funding increase has been sought, with Eppo requesting €108 million in 2025. Its budget this year is €71 million. That is well below the €94 million solicited in a draft three-year strategy published last year.

In 2021, its first year of existence, Eppo originally requested a payment of €55.5 million, but instead received €35 million. In 2022, the fraud-fighting agency sought €65.5 million but received just over €51 million.

Eppo has struggled to fill the staff vacancies for which it did have funding. While there was sufficient budget available to expand to 248 staff in 2022, the number of employees only rose to 233 as 2023 drew to a close.

Photo: Anouk Antony

Eppo is headquartered in Luxembourg

SES may still seek mergers

Luxembourg satellite giant SES may hunt for other companies to buy or could boost existing businesses with the billions it's banked from the US.

The company is deciding how best to exercise its strong balance sheet, which boasts big cash flows from more than €2 billion in revenues and €2.5 billion in US payments for launching new satellites and releasing previous parts of the electromagnetic spectrum so it can be used for 5G broadband services in America.

"Part of that thinking of course includes M&A [mergers and acquisitions]," CEO Adel Al-Saleh, said in a conference call in February. SES and Intelsat last year scrapped merger discussions that would have created a company worth more than €9 billion, despite more than a year of talks.

Analysts for years have been predicting industry consolidation. But investments also could be channelled into big projects that extend SES's satellite constellations or strengthen its grasp of emerging technologies, Al-Saleh said.


Photo: Lex Kleren

EU sets 2040 emissions target

Luxembourg is set to follow the European Union's target to reduce its carbon emissions by 90% by 2040, announced in February en route to becoming climate neutral by 2050.

Luxembourg is aligned with the bloc's aim, Environment Minister Serge Wilmes told the Chamber of Deputies in March, but this intermediate stage will have to be negotiated at EU level after the European elections in June.

The country in 2020 enshrined the goal to reduce its emissions by 55% by 2030 compared to 2005 levels into law.

Incentives for the green transition will continue, Wilmes said, but will become more selective.

“WE NEED OUR ECONOMY TO GROW

Lex Delles discusses why Luxembourg is an attractive business location and how entrepreneurship will drive the economy forward.

By Cordula Schnuer
Photos: Marc Wilwert | Graphics: Christian Mertes

As we speak, you’ve been in office for around four months. In addition to SMEs and tourism, you now also oversee the economy and energy portfolios. What is your personal verdict of this transition?

I think it was the right decision to move energy over into economy. Energy is a matter of Luxembourg as a business location. Developing sustainable energies is an important element. On the other hand, small and medium-sized enterprises are a matter of the heart for me. I worked on this for the last five years. Tourism, too.

There are a lot of things that are linked and I think it will be important in future to bring them closer together. Companies need to be sustainable – from the small ones to the very big ones, across different sectors. The ministry is so diverse – it includes cybersecurity, data, AI, industrial policy. Industry is a tradition in Luxembourg but also the future. That has to be linked to energy. It’s been a very interesting four months.

It wasn’t an easy start – the pandemic, war. One crisis follows another. Luxembourg last year slid into a recession. Inflation was higher than in the eurozone in the last couple of months. When do these problem stop being cyclical and become structural?

When it comes to inflation, last year we had lower inflation than the eurozone. That means the measures taken by the last government were right and we would have otherwise had much higher inflation. With the Tripartite agreements, I’m glad that we were able to protect Luxembourg. On the other hand, of course, high interest rates are poison for the economy. They stop companies from investing, stop people from spending. It’s a means to combat inflation but you have to square the circle. That means keeping investments high through state subsidies to make companies future-proof and prevent them from falling behind. We have to use all the leeway given by the EU.

The first thing we said was to link different types of aid. We talk a lot about the twin digital and green transitions. It goes hand in hand but we have to help companies where they need it. We don’t have to tell big corporations that they need to digitalise. They know. But the backbone of our economy are SMEs and it’s a completely different approach there. A company that doesn’t digitalise today won’t exist tomorrow, won’t grow. And this government absolutely believes that we need our economy to grow. Nobody has been able to explain to me how we should keep up our social system without growth. It’s a question about the kind of growth we want. We want sustainable growth, and that means social growth and environmentally friendly growth.

We are in a crisis. We see it in the construction sector – construction materials are more expensive, purchasing power has decreased. We’ve taken actions to help companies. But I don’t think it’s a structural problem rather than a cyclical one caused by inflation and interest rates.

Speaking of construction, there are news of bankruptcies and closures almost every week. But not just in that sector. Reasons range from staffing shortages, lack of customers, high costs. The government declared parts of the construction sector in crisis but is that crisis more widespread?

We are emerging from several years where we had very low numbers of bankruptcies because of measures taken during the Covid-19 pandemic. There is a certain catching-up effect. But we’re also seeing bankruptcies mainly in two sectors – construction and personal care. We already discussed construction. When it comes to personal care, it's one of the first things that customers will save on in the current climate.

Strengthening entrepreneurship is one of the core missions of the economy ministry and we've put a number of measures in place. We need entrepreneurs in Luxembourg. We've created support for first-time founders, adopted the concept of the second chance. There always have been bankruptcies but we must stop stigmatising them.

Can the government save every business? And should it even?

Should it? No, definitely not. Can it? Also, definitely not. An economy is a competitive market. There will always be companies that don't work for whatever reason. That's normal. It's up to the state to create an economic fabric giving entrepreneurs the best possible opportunities.

Inflation, interest rates – all of Europe is grappling with these problems. But there are also homemade issues, such as banks refusing to open accounts for businesses. Where do you see the biggest pain points?

We spoke about bank accounts during the coalition talks and the finance minister is in talks with [banking association] ABBL and [financial centre regulator] CSSF to solve this. It's a real problem. There are even companies who have an account and are being asked to close it.

On the other hand, administrative simplification is very important. When we talk about productivity, growth and competitiveness of companies, the least number of hours possible should be spent on admin. Cutting red tape is one of the priorities. There are different avenues. Firstly, the once-only principle, so you only have to submit your paperwork once. Secondly, silence means agreement. For example, if you apply for a first-time founders subsidy and you don't hear back within a month, it's been accepted. If you want to launch a project as an entrepreneur you cannot wait for a year for a decision. Everyone is talking about administrative simplification, it's a bit of a mirage. But I take responsibility here at the ministry to review our procedures together with the Chamber of Commerce, the Chamber of Skilled Trades and Crafts, different federations and also with companies themselves. We're trying to make it as easy as possible. That also includes automatic exchange [of information], which must be permitted, because sometimes the state has data in different places but we cannot access it.

A pain point raised often by the Chamber of Commerce and the UEL is high payroll costs and the indexation of salaries. Why is it such a taboo for politicians to tackle the index?

Personally, I'm convinced that the index is a guarantor of social peace. Let's look at Germany right now, where Lufthansa is striking, the Deutsche Bahn is striking because of wage negotiations. But I also know it's difficult for businesses. Inflation means higher costs, means higher wages. On the other hand, businesses are happy that purchasing power is upheld. It's a bit of a chicken and egg question. If people didn't receive an index, had less money in their purses and would spend less, then businesses would also have less turnover.

The important thing is predictability. We don't talk about the index this much when it is paid once a year or maybe once every two years. It's when it's abrupt, not foreseeable, several times in short succession. That is a problem for the economy and if that happens again, we'll meet in the framework of the Tripartite and talk to the different players to find solutions.

LEX DELLES CV

PERSONAL DETAILS

Born on 29 November 1984 in Mondorf-les-Bains, Luxembourg

EDUCATION

Graduated in educational sciences from HERS (Haute Ecole Robert Schuman) in Virton, Belgium, following studies in law at the University of Luxembourg

EARLY CAREER

Teacher at the Lenningen primary school

LOCAL POLITICS

- **2011** Elected first alderman of Mondorf-les-Bains
- **2014** Sworn in as mayor of Mondorf-les-Bains

NATIONAL POLITICS

- **2013** Elected to the Chamber of Deputies
- **2018** Sworn in as Minister of SMEs and Tourism
- **2023** Sworn in as Minister of the Economy, Energy, SMEs and Tourism

PARTY POSITIONS

- **2010** Joined the Jonk Demokraten, the DP's youth branch
- **2015** Appointed vice-president of the DP
- **2022** Appointed president of the DP

Indexation is one thing but generally speaking, Luxembourg has the highest minimum wage in the EU. The cost of living is also high, but for start-ups or small businesses wanting to grow it's a big challenge. Do you consider this a disadvantage for Luxembourg as a business location?

The start-up location Luxembourg is one of the priorities in our coalition agreement, to push that forward. We have different initiatives, an array of subsidies for founders. We do have a problem with talent attraction. It's about creating the right framework. For start-ups, for example, we could build on employee share schemes. It's not just about attracting talents but also about keeping them here and developing them.

When we're talking about talent attraction, we're also talking about the housing market, about traffic. For a foreigner, what do you think makes Luxembourg attractive still?

We have a favourable social system. We are an open-minded country. Traffic is a problem, but let's also compare it to other places. If you work near the Eiffel Tower in Paris, you also don't walk to the office in 10 minutes. Work is being done on the fast tram, train connections and that infrastructure is important. Public transport is free.

Housing is a weak point. We have foreseen high investments in affordable housing, which will be an important point to keeping people here, too.

I wanted to get back to the subsidies you mentioned. How do you ensure that money goes to a company that is viable, that you don't artificially keep start-ups alive that have no future?

That brings us to the question of what is a start-up. Three people working for a tech start-up to develop a programme, that's a start-up. But when three people want to launch a skilled trades business, it's not a start-up in the traditional sense, but it's a business that is trying to launch just the same.

Let's take the tech start-up definition. For programmes like Fit 4 Start, an analysis is done of all the applicants who intend to develop different projects. You never have a guarantee. Not every start-up will go to scale-up and become a big business. That's clear. But we need an ecosystem for innovation, and it's one pillar of our economic policy to drive innovation. We need to see this as a whole. You cannot just break off a piece and ask: what value does this particular start-up have? What do they do? It's a system. We need start-ups to have more research and development here. We need research to have innovative start-ups.

Speaking of the start-up ecosystem. Is Luxembourg a start-up nation already or are we still on our way there?

Honestly, I think we're still on our way there. We have to adapt, and we plan to do this, but we're on the right track.

Looking back at the bankruptcies, more than half of businesses that folded last year were small companies with up to nine employees and more than half of them were more than five years old, crossing that threshold after the founding years into being established. What does it take to help them survive?

> “We do have a different view on things
>
> Lex Delles

We’re back to the question of distinguishing between a tech start-up scaling up and another business, like a retailer. It’s true that bankruptcies are higher for companies older than five years. In part, that has to do with entrepreneurs not finding people who want to take over their business, for example, when they retire. We’re working with the Chamber of Commerce and the Chamber of Skilled Trades and Crafts to facilitate this business transfer but also work with companies in preparing for this process.

We also simply don’t reach some companies with our programmes. If you’re talking about a micro-enterprise with a few employees – these entrepreneurs have their nose on the grindstone in the day-to-day so much they don’t have time to step back and think about the future. That’s where we have to come in. Not with a consultant that this person has to sit down with for weeks for an audit – they don’t have time for this.

That’s why we have the three SME packages – sustainability, digital and service. A small business with no basic IT tools doesn’t need a comprehensive 360-analysis. They need someone to come in, set up a computer with the right software, get things going, provide training... and then you can look what else you could do to work more efficiently. But it has to be on the ground, concrete, face-to-face.

A fair amount of these packages were developed by the last government. To what extent are we in a logic of continuity versus a new momentum with a new coalition?

It’s important to continue the projects that work, and to evaluate them. For the SME programme, for example, we will expand this to the green transition. A business that isn’t vigilant in the energy transition and questions of sustainability today will run into problems in future. It’s the same as what we’ve been saying about the digital transition.

We have clear emissions targets for 2030 and have to keep supporting companies. We will submit a draft law to parliament in the coming weeks for new state aid. We’re working with the House of Sustainability to expand these programmes. It’s an ongoing process to move forward together with the companies.

Outside of specific measures though, when this government took office, it was perceived as being more business-friendly by the community. Do you share this view?

This government is ambitious about the economy and we’re working on implementing this. We haven’t even talked about economic or industrial activity zones. We need land for businesses and have launched pilot projects to add surface area as part of development plans.

We need competitive, productive companies to be able to afford our social system. We have energy and climate goals that we have to meet. That also means looking at what’s happening abroad and how can we bring this to Luxembourg and make it work here? That includes Luxinnovation, research and development.

I’d say we do have a different view on things. We’re doing everything to develop our economy. But it wouldn’t be fair to say that the last government didn’t do anything.

This interview has been edited for length and clarity.

Let's unlock Luxembourg's entrepreneurial talent

Luxembourg's entrepreneurial spirit soars post-pandemic, sparking optimism. However, significant challenges persist.

In an economic context marked by multiple crises, Luxembourg shows resilience, as evidenced by a significant increase in entrepreneurial intention, which rose from 8.1% before the pandemic to 11.2% in 2022. But we must not rejoice too soon. In the last two years, business leaders' confidence in the Luxembourg economy has dropped from 87% to 64% today. While confidence in the future of their companies remains stable, there is less optimism across sectors, with some more impacted than others. Many companies have seen their profitability plummet. We know that an economy cannot be viable if companies are not profitable.

Fear of failure remains a major obstacle and too often stigmatises those who dare to launch a business. Yet, recent legislation on business preservation and bankruptcies offers a new chance to entrepreneurs, thus encouraging resilience and learning. This perspective of a "new chance" after bankruptcy marks a big shift in how we view failure. It should be more and more seen as a chance to evolve and innovate, like in the United States, where it's part of the journey to success.

Also, legislative gaps and administrative barriers represent concrete challenges to overcome. Administrative simplification is an essential vector for an environment conducive to the creation, growth and innovation of companies.

Promoting entrepreneurship from a young age is also crucial to ensure the sustainability of our entrepreneurial ecosystem. Bringing the buzz of the business world into education early on is key. It's about lighting a spark in young minds about entrepreneurship, guiding them to explore and enhance their innovative skills. It's about inspiring a new generation to dream big and build boldly for a flourishing and inclusive entrepreneurial culture.

Moreover, the under-representation of women in entrepreneurship remains a major concern.

Photo: Chamber of Commerce

Dive into entrepreneurial spirit: at the Entrepreneurship Department of the Chamber of Commerce every entrepreneur finds guidance and support

Promoting female entrepreneurship is essential to balance opportunities and energise the economy. In doing so, we invest in a wealth of skills and talents essential to growth.

Finally, initiatives such as the implementation of incentives to support private investments, alternative financing and the right to open a basic bank account are essential to stimulate innovation and growth.

So, what do we actually need? To support this entrepreneurial dynamic, a strong ecosystem is essential, offering financial, technical and human support tailored to each stage of business development. We've got some serious entrepreneurial talent waiting to shine. Let's rally together to make entrepreneurship the backbone of prosperity and innovation for everyone.

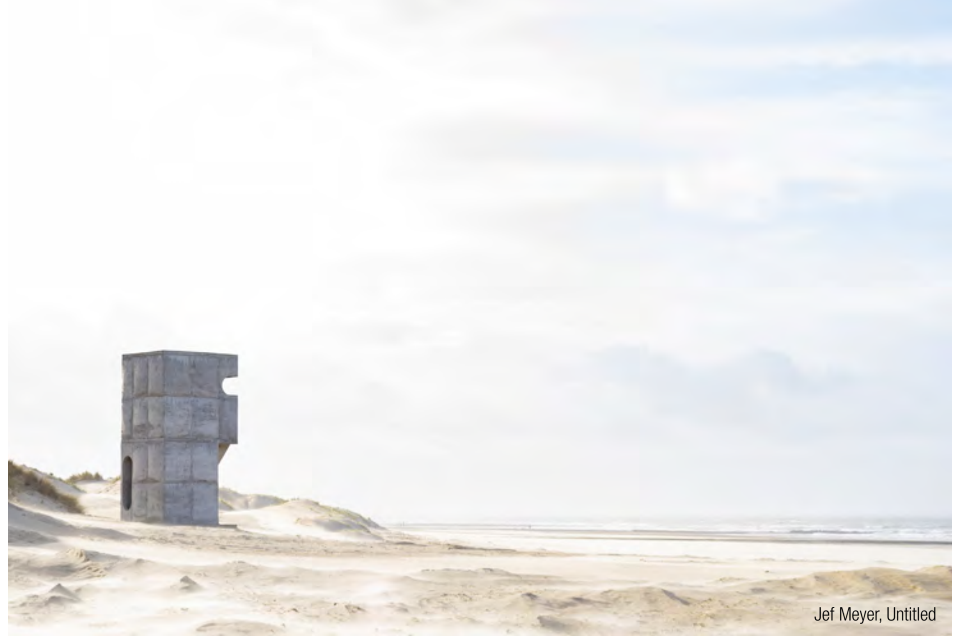
Stéphanie Damgé, *Entrepreneurship Director at the Chamber of Commerce, is all about championing entrepreneurship, especially among young people*

8th Triennal Beaufort

Art & the Belgian Coast

Beaufort is the Triennial by the Sea. An art happening along the Belgian Coastline until November 3rd. For its eighth edition in 2024, the triennial brings 18 new works of art.

Curator Els Wuyts (B) invited 18 international artists to create an artwork, that is directly linked to one of the nine coastal communities where they are presented. The starting point 'Fabric of Life' serves as a common thread. This metaphor lets us probe different aspects of reality, re-examine the function of our public space and connect it to many other possible worlds, perspectives or even desires.



Jef Meyer, Untitled

Romain Weintzem, Attentifs ensemble

Johan Creten, THE HERRING

Jorge Macchi, All the words in the world

Photos: Ann-Sophie Deldycke, Westtoer

Along the coastline

The exhibition highlights the fact that both local contexts, seemingly insignificant details and major reflections on our society can be commemorated with affection and kindness. The sculptures evoke new worlds, inspiring encounters and changing reflections. Beaufort24 goes further inland, offering sculptural installations along the tram route, which connects port areas, village centers, markets, sea walls, fields and parks into one movement. Beaufort24 constantly seeks to give form and cause, like one human among others, on the road or in the crowd, fighting against the wind or going with the flow.

Invited artists

- ***De Panne:***
Filip Vervaet (B) & Maëlle Dufour (B)
- ***Koksijde-Oostduinkerke:***
Johan Creten (BE/FR) & Jorge Macchi (AR)
- ***Nieuwpoort:***
Selva Aparicio (ES) & Alexandra Bircken (DE)
- ***Middelkerke-Westende:***
Lucy + Jorge Orta (UK/AR) & Jef Meyer (B)
- ***Oostende:***
Femmy Otten (NL) & Marius Ritiu (RO)
- ***De Haan-Wenduine:***
Sara Bjarland (FIN) & Pei-Hsuan Wang (TAI)
- ***Blankenberge:***
Romain Weintzem (FR) & Driton Selmani (KOS)
- ***Zeebrugge:***
Monika Sosnowska (PO) & Ivan Morison (UK)
- ***Knokke-Heist:***
Richard Deacon (UK) & Lucie Lanzini (FR)

Stroll (on foot – by bike)

To visit the Triennal: routes have been created to connect the numerous works of art. The Tram is also a unique way to explore.

Beaufort Sculpture park

Eight of Beaufort24's works are permanent, which will also strengthen the Beaufort Sculpture Park. With these new acquisitions, the park will therefore have 50 works along the Belgian Coast.

More information: triennalebeaufort.be

GROWING LUXEMBOURG'S FUTURE ECONOMY BEYOND SEEDLINGS

Boosting start-up companies into higher orbit is the key next step in diversifying the Grand Duchy away from its dependence on finance.

By Emery P. Dalesio
Photos: Marc Wilwert | Illustration: Sabina Palanca | Graphics: Christian Mertes

If investors, big data and cold facts can help save the planet, companies like the one Marion Verles founded and brought to Luxembourg may lead the way.

After careers in finance and climate NGOs, SustainCERT's founder is using digital technology to verify the carbon impact of projects or a company's upstream suppliers to solve greenwashing worries. It collects data that prove whether a company is truthful about efforts to cut climate harm. Offering rapid verification can be valuable for those trading in carbon credit markets, or showing that improved cacao production methods justify a premium chocolate price.

"In this economy, sustainability claims are going to become absolutely critical to assess the performance of a company, to rate a company, to decide if we trust this company as a consumer," Verles said by phone from her base in Zurich. "And the only way as a company you can make a credible sustainability claim is if your claim is verified by an independent third party."

SustainCERT based its headquarters in the Grand Duchy to operate within the EU common market, access the software engineering talent spilling out of the growing financial technology sector, and work with a government that wants to nurture climate finance, she said. Plus, the country offered a generous and easy-to-claim subsidy that returns half of what the company spent on digital product development, an incentive worth about €1 million, to the company now employing 16 people in Luxembourg and about 100 worldwide, Verles said.

SustainCERT is one example of how Luxembourg subsidises and supports young, homegrown tech companies to become significant economic engines – or pulls those enterprises from somewhere else. It's part of efforts to diversify the country away from its heavy reliance on financial engineering.

Money talks

For more than a decade, Luxembourg has been offering money to start-up companies capitalising on a good idea and a market niche. Since 2015, Luxembourg's Fit 4 Start programme has given more than 80 young tech companies up to €150,000 each – some even before they've incorporated. The companies got €12 million in total and were coached how to manage a successful business, the economy ministry told the *Luxembourg Times*. Two other schemes committed more than €33 million from 2021 to 2023 to subsidise research and development costs for SustainCERT and more than 50 other start-ups, the ministry said.

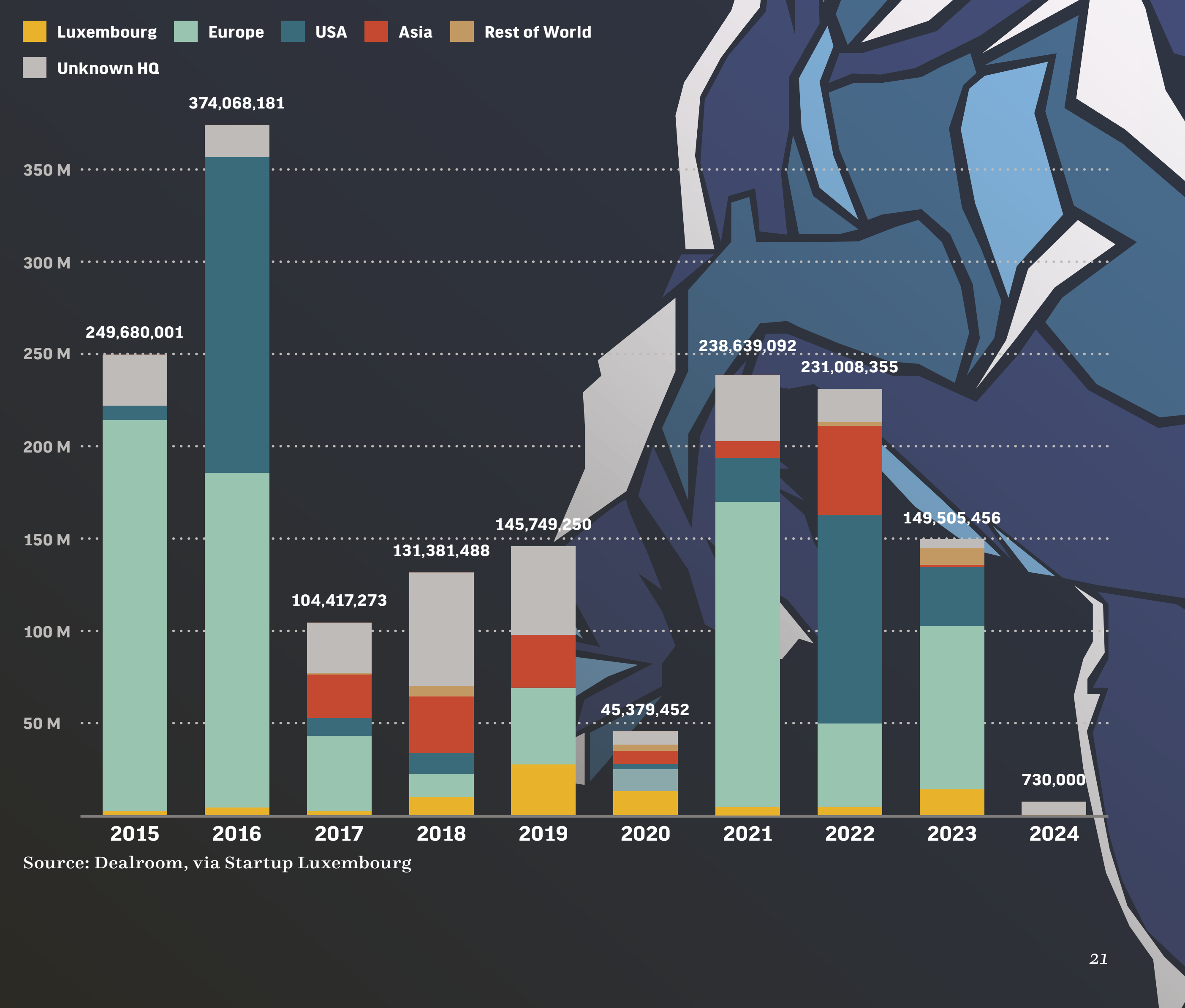
Now, the government is working to help start-ups blossom into enterprises valued at $100 million or more. Success would mean about nine of Luxembourg's more than 500 local start-ups hitting that level of growth each year, according to a 2022 study by the consultancy Startup Genome, which the government hired to evaluate conditions for start-ups.

Boosting start-ups into more growth pays dividends, Startup Genome ecosystem strategy director Pranav Arya said. "When they work, they're tremendous

***Unicorn:** New companies that have grown to be valued at $1 billion or more*

Investors in young Luxembourg tech companies tend to come from within Europe

Amount invested in €, by year



Source: Dealroom, via Startup Luxembourg value creators," Arya said. "Once you have a $100-million company in Luxembourg, you'll find that more and more people are willing to take the drive from Rhineland to come work at this company because it's a great employer."

But the distance is daunting before Luxembourg can imprint itself as the Digital Duchy or some other glossy nickname.

DISTANCE TO GO

No Luxembourg companies were among the 1,000 fastest-growing European businesses between 2019 to 2022, according to this year's ranking by the Financial Times and German research company Statista.

A Startup Genome study of the globe's tech start-up ecosystems ranked the EU behind the US and Asia. Berlin ranked 13th best worldwide, Amsterdam 14th and Paris 18th. Luxembourg was somewhere between 90th and 100th out of 290 locations along with Leipzig, Riga, Marseille and Zagreb, the report found.

Luxembourg has just one private company that has an estimated value of over $1 billion, a rare breed nicknamed "unicorns".

That company, battery-inputs maker OCSiAl of Leudelange, was established in Luxembourg in 2012 with founders arriving from Siberia and financial backing by Russia's nanotechnology investment arm.

But after a 2021 boom of new companies hitting the unicorn big leagues, the cheap money era ended. Central banks tightened lending in response to the inflation spurred by Russia's 2022 invasion of Ukraine. Venture capital investments seeking hot, young Luxembourg companies in 2023 were nearly half 2022's level as deals slowed worldwide, according to Dealroom, which Luxembourg's government hired to track the country's tech environment. The data are incomplete since not all transactions are disclosed.

Also, building up home-grown Luxembourg companies doesn't mean they'll remain at home in a world where money flows across borders. Luxembourg-born Asets-Lux, which offers 3D designing for energy and petrochemical sites, last year relocated to Canada after its latest investment round.

SO, WHAT TO DO?

Like France and other European countries, Luxembourg has been using streams of taxpayer funds to both nurture tech-based innovators and, more recently, to help them scale up into enterprises that make an employment and wealth impact. Lacking a sizable mass of venture capitalists willing to take big and frequent risks on hitting big rewards, public-money bets are rushing to augment Luxembourg's regular palette of subsidies.

Last year, a second, €200 million wave of the Luxembourg Future Fund (LFF) was launched by state-owned investment bank SNCI, the government and the European Investment Fund – the European Investment Bank service targeting small and medium-sized businesses. Like the €150 million initial incarnation, the LFF2 is looking for growing companies in future industries. Unlike LFF1, the second effort is looking for Luxembourg companies – or those willing to move here – that are ready to expand.

"We need a lot more start-ups, because to get more scale-ups you need a critical mass of start-ups

Jérôme Wittamer

Both rounds work simultaneously and seek to boost Luxembourg's private equity or venture capital funds by committing money and taking a limited partner role, or co-investing with them, for example in growing satellite companies Spire Global and NorthStar Earth & Space.

At the end of last year, the economy ministry and Luxinnovation launched a first-of-its-kind project to support late-stage start-ups on a trajectory for international expansion.

Three companies were chosen to get specialised advice for how to grow internationally and effectively: battery cell recycler Circu Li-ion, medical-imaging developer Arspectra and construction-materials innovator Leko Labs.

BUYING POWER

One ace in Luxembourg's scale-up arsenal it can play is the organisation managing most purchasing for one of the world's largest telecommunications companies.

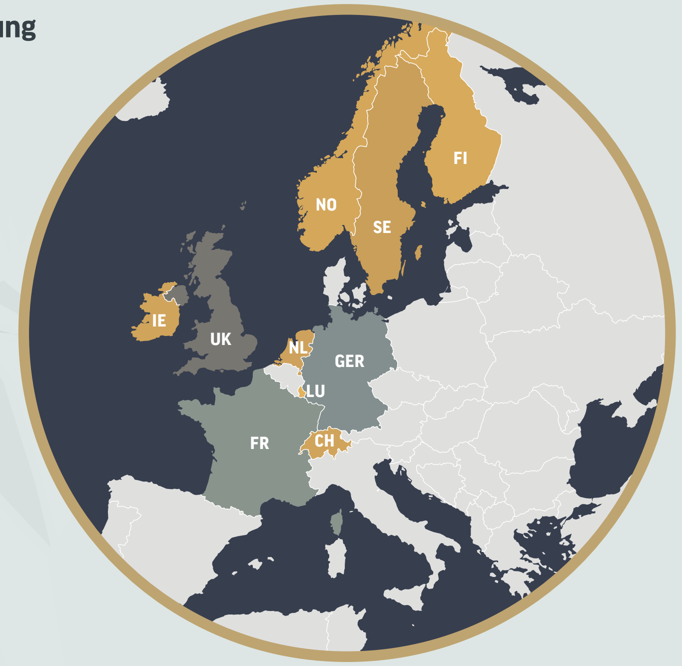
Vodafone Procurement in Kirchberg manages more than €20 billion in the telecommunications giant's worldwide spending. Its partnership with the state's Technoport start-up incubator programme, Tomorrow Street, identifies the emerging technology Vodafone needs, then brings some of them into Luxembourg's tech environment to be near their big, new customer.

"What we're trying to do in simple terms for Vodafone is find those scale-ups, those young tech companies that are very innovative and can have a strategic impact at Vodafone," said Neil Cocker, a

European countries with number of young companies valued at $1 billion or more

1 — 47

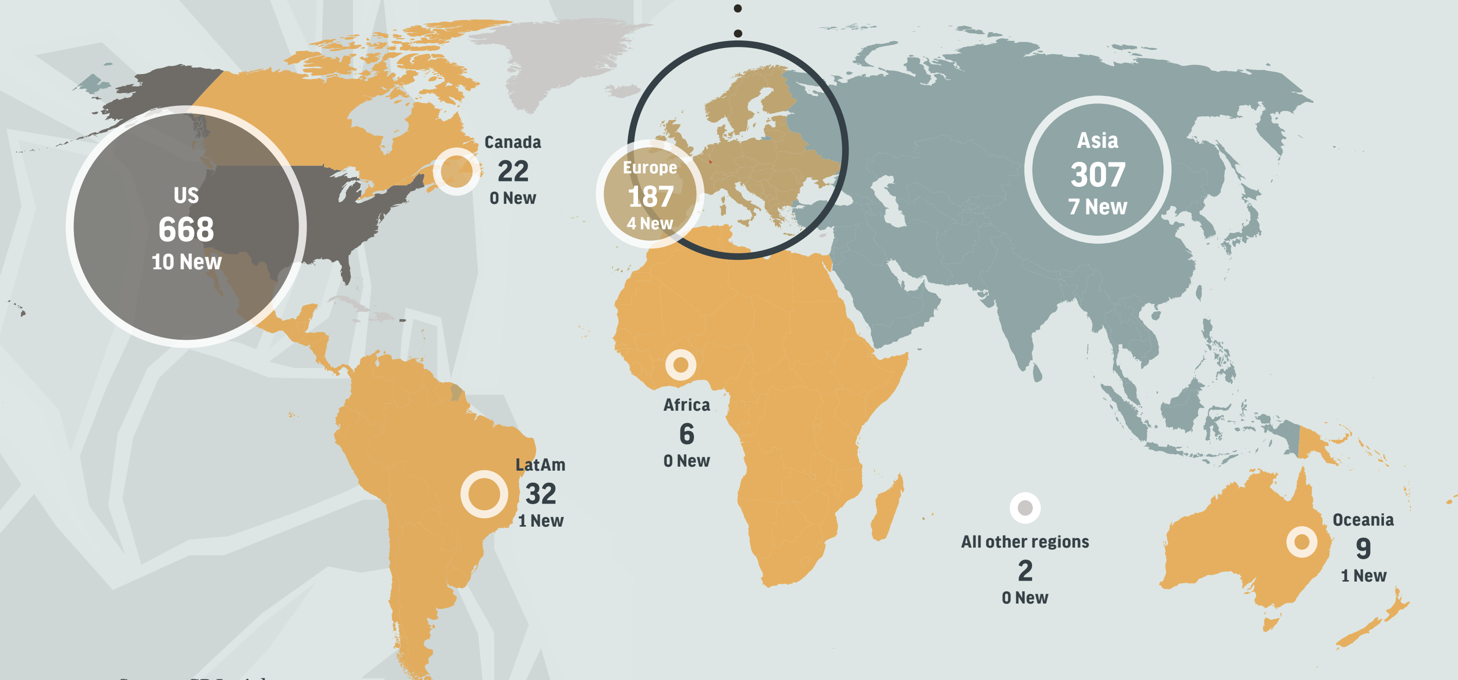
UK	47
Germany	30
France	28
Sweden	8
Netherlands	7
Ireland	6
Switzerland	6
Norway	5
Finland	4
Luxembourg	1



Source: CB Insights, Statista

New & total unicorns by global region in Q4'23

6 — 668



Source: CB Insights

co-founder and director of Tomorrow Street. "Once we find those companies and we gain them some traction and they start to see momentum, we then work to persuade them to come to Luxembourg and establish an entity on the ground."

The pull of Vodafone's purchasing power led US-based Sitetracker to establish Luxembourg operations in 2020 that now range across Europe and employ six people. The company's software helps energy or telecom companies track thousands of sites, for example as they deploy 5G or fibre infrastructure.

Luxembourg benefits by adding the talents of people who wouldn't otherwise

The Tomorrow Street team (l. to r.): Kenneth Graham, Sara Robles Moreno, Shivani Sondhi and Neil Cocker

be here, Sitetracker's Ben Bouchez said, adding that finding qualified staff has been hard.

The Grand Duchy has one of the world's highest rates of start-ups per capita, the Startup Genome report said. But because new companies have a high failure rate, getting more to break through means increasing the number just getting started, the report said.

"We need a lot more start-ups, because to get more scale-ups you need a critical mass of start-ups. There is only a very small percentage of the overall number of start-ups that are going to become scale-ups, and then from the scale [phase] that are going to become significant for the economy," said Jérôme Wittamer, managing partner of Expon Capital. The VC firm manages the Digital Tech Fund, up to €40 million from the state, SNCI and big companies like BIL and SES to seed disruptive start-ups.

Luxembourg's tiny size means it will be difficult to nurture many start-ups into notable businesses, Startup Genome's report said. But it's far from impossible considering Estonia, with a population just double Luxembourg's, has conjured multiple unicorns.

To build substantial new tech enterprises, Luxembourg should tackle its well-recognised problem of attracting talent to the high-cost country, the report said.

While it was able to lure software engineers from Luxembourg's fintech companies, SustainCERT couldn't find the marketing, finance, operations and HR staff it needed and was forced to open a separate administrative office in Amsterdam, Verles said.

To open the talent pool, Luxembourg last summer made it easier for people who moved here as an accompanying spouse trailing their non-EU partner's career to find jobs themselves.

But Luxembourg missed a year-end deadline to adopt the so-called European Blue Card, an EU migration programme to ease the bloc's shortages in IT and other key skills. Luxembourg is considering going further by allowing in more non-EU workers and letting them stay longer.

Luxembourg also could stimulate young tech companies by liberalising rules around companies granting stock options – promises that an incoming worker can profit handsomely if the baby business conquers its market and grows rich, Startup Genome's report said. The incentive is especially important for money-lean young companies.

PIECE OF THE PIE

Germany's rules on employee stock-option plans changed this year to make them more appealing and apply to scaling-up companies in addition to start-ups. The change should improve Germany's clunky approach to stock options that helped humming tech hubs in France, the UK and the Baltic states, where tax policies make employee shares most attractive, according to London-based VC firm Index Ventures. About 11% of Luxembourg start-ups offer stock options to all their employees, a step meant to motivate everyone on the team, the Startup Genome report said. In Silicon Valley, it's about half of start-up companies, the group's ecosystem strategy director, Arya, said.

Luxembourg government leaders also could take more tech companies with them on foreign visits to connect with clients, Verles said, something French President Emmanuel Macron has done for that country's tech firms.

Leaders of companies trying to scale up also need more help with coaching as they confront problems they've never managed before, like a bigger and more complicated workforce, Verles said. "People tend to focus on sales, go-to-market [comparative advantage analysis], tech support. But actually, taking care of people is super, super important," she said.

Luxembourg's VC funds see light at the end of tunnel

Venture capital funds took a beating when interest rates started rising but industry insiders are hopeful about a recovery.

By Yannick Hansen | Photo: Gerry Huberty | Graphic: Christian Mertes

Luxembourg's entire fund industry has struggled with rising interest rates, but venture capital (VC) funds took a particularly bad beating. However, with inflation easing and rates expected to come down again this year, the hunt for precious start-ups is on again.

Venture capital investors are always on the lookout for companies they could turn into unicorns – privately owned start-ups valued at over $1 billion. However, that makes it a risky form of investment as some young businesses never make it off the ground, let alone yield big returns.

VC funds flourished during the Covid-19 pandemic years when the economy was flush with cheap cash. However, the world's venture capital industry performed poorly last year and across the board, Laurent Hengesch, the founder of Luxembourg-based VC firm Ilavska Vuillermoz Capital said in an interview. But that had little to do with a lack of companies to invest in.

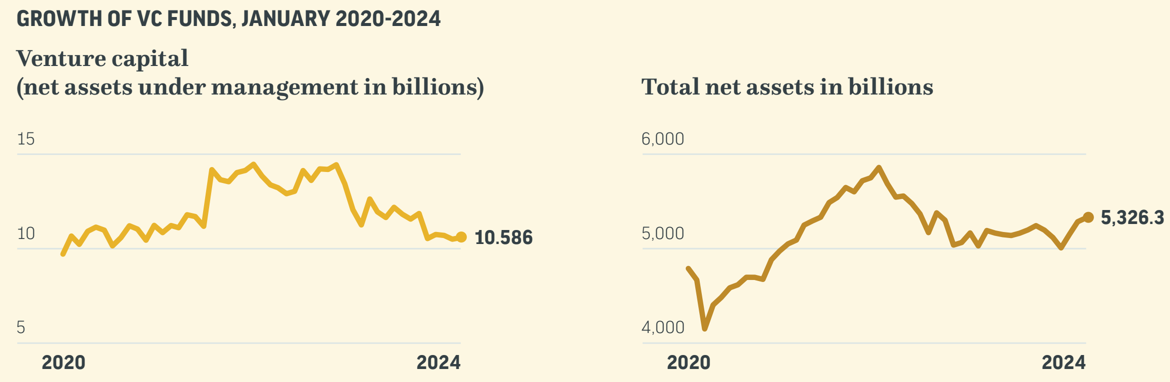
"It's very simple, it's a vicious circle. When interest rates were low, investors were pumping money into products that yielded no interests and invested long-term, but when rates were rising, there were interesting alternatives to private equity (PE) and people started investing less into PE and VC," he said.

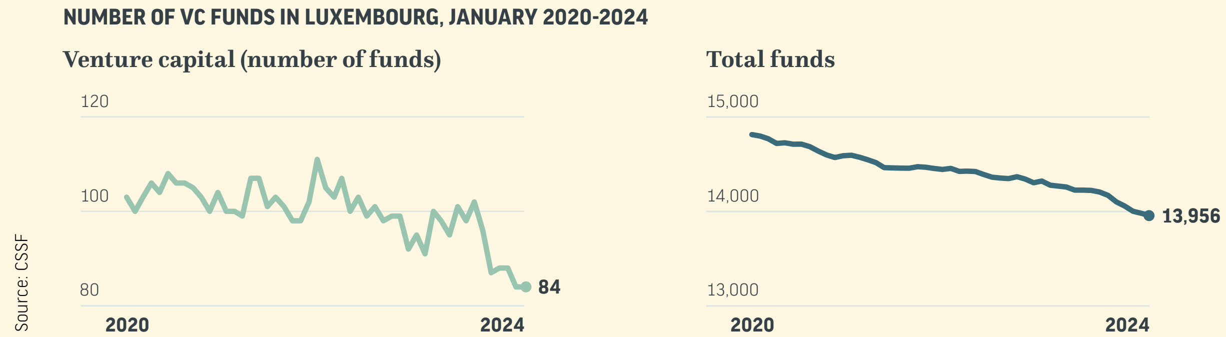
That meant that many start-ups never got any funding or saw theirs cut off or greatly reduced. As long as a start-up is not profitable, it has to raise money from investors. If those financiers have no money anymore – because their own fundraising slowed down – the business has to find new backers. However, these are aware that it is difficult to find funds and impose conditions on the start-ups that protect their own pockets, meaning the start-up founders have to sell shares at a cheaper valuation compared to the prior funding rounds.

"Investors are cautious with new commitments and very few expect to allocate more to the asset class"

LPEA

Geoffroy Hermanns





"We call this down rounds. Those who did not raise extra funds went bust or were bought up cheaply," Hengesch said about the development of VC last year. If the start-up has a strong shareholder base, a downturn can be avoided. The same goes if the start-up becomes profitable and self-sustaining.

Hengesch's own fund, one of just a handful of VC funds managed out of Luxembourg, primarily invests in later-stage fintech start-ups. That meant Ilavska Vuillermoz saw unexpected returns due to rising rates last year as it is invested with banks. "Some of our portfolio companies unexpectedly generated more cash flow than anticipated due to the increased spread banks are able to charge on the treasury side through rising interest rates. This has benefitted our fintech portfolio, which includes several neobanks," he said.

However, they were the exception last year. Luxembourg venture capital funds saw net assets under management drop by 6% year-on-year and by 24% in two years to reach just over €10.5 billion at the end of January, according to the latest statistics by financial sector regulator CSSF. That compares to a 2.5% growth of the country's entire fund industry, which managed about €5.33 trillion in January. The whole fund industry was still down 10% compared to its all-time high in December 2021.

"Last year was particularly difficult for the fundraising of VC funds. Investors are cautious with new commitments and very few expect to allocate more to the asset class. This led many managers to look for new sources of funding such as family offices which are often more entrepreneurial and interested in particular sectors," the Luxembourg Private Equity & Venture Capital Association (LPEA) said in a statement.

"Overall we are seeing fundraising taking longer and opening to smaller tickets, which can also include high-net-worth individuals. While the situation is not expected to improve significantly in 2024, there is a feeling that the worst is over and that the venture activity will take up slowly," the lobby group said.

While Luxembourg VC funds pour the bulk of their funding into foreign entities, the Grand Duchy's start-up scene is gathering momentum and offers investment opportunities to unicorn hunters.

(Dis)advantages of being small

In Luxembourg, VC funds are primarily invested in three sectors, Geoffroy Hermanns, international asset management and investment funds lawyer at Norton Rose Fulbright in Luxembourg, said in an interview. The largest is fintech and reg-tech, followed by logistics and then the space industry.

Counterintuitively, what the Grand Duchy has going for it is its small size. It enables investors to meet up with industry stakeholders, banks, professional services providers and the fund managers themselves, Hermanns said. That is something that larger financial hubs like New York, London or Frankfurt cannot offer.

The Luxembourg government also gets a nod of approval from Hermanns, who pointed out efforts to scale up the country's start-ups through initiatives like the Luxembourg House of Financial Technology and "Startup Luxembourg". Those efforts "are paying off," he said.

The VC and start-up scenes are plagued though with the same ailments that haunt the rest of the economy. The huge cost and scarcity of affordable housing makes it difficult to attract entrepreneurs and people with the necessary know-how, several industry insiders have said. "Other non-regulatory aspects are important for start-ups," Hermanns said, mentioning also the high cost of office space.

To add to that, Ilavska Vuillermoz' Hengesch said the government should look into getting banks to lower their fees for corporate accounts. These have gone up in recent years and have become a financial burden on new businesses, which impedes their growth potential. "We all know about the increased regulations for banks and funds, but there is technology that can help us tackle this and reduce costs. Without the ability to open a simple corporate bank account, we won't be able to attract any businesses coming to Luxembourg," he said.

Opening opportunities for more investors

One idea to boost VC funds specifically could be to create a so-called "semi-professional" investor status, according to Norton Rose Fulbright's Hermanns. Currently, investments in alternative assets, such as private equity, VC or real estate funds, cannot be lower than €100,000. That is to prevent individuals with smaller fortunes from betting big savings on risky assets.

Lowering that threshold would open it up to a bigger pool of potential investors and make raising capital for VC funds easier, Hermanns said. "It's a question of risk appetite for the regulator and legislator. You may reach out to investors who are not as sophisticated as others," he said.

Ilavska Vuillermoz Capital's Hengesch broadly agrees with lowering the threshold; he floated a new cut-off point of €50,000 but urged caution. "Everyone talks about the democratisation of private equity but those asset classes are high risk. Currently you can invest in a regulated VC fund from €100,000. That might be a bit much but I don't think you should be able to invest in a VC fund from €1,000 or €5,000 because [the investors this would attract] lack expertise," he said.

The government is keeping an eye on the matter, the finance ministry told the *Luxembourg Times*. But it does not see an immediate need for action. A fund modernisation law passed last year already lowered the investment threshold from €125,000 to €100,000 for some alternative funds.

In addition, an EU proposal called "Retail Investment Strategy" is being discussed, which would see retail investors be treated the same as professional investors, which would widen investment opportunities and make a new "semi-professional" status obsolete, the ministry said.

The fund-raising challenge

Three start-up scene professionals recognise that entrepreneurs face a tough time amid economic uncertainty. But they remain cautiously optimistic while saying there is room for improvement.

By Duncan Roberts | Photos: Marc Wilwert & Christophe Olinger

Luxembourg venture capital deal value came to €164m last year, a drop of 80.2% compared to 2022

Entrepreneurs in Europe are struggling to raise funds. According to Pitchbook's 2023 Annual European Venture Report, there was a drop in venture capital deals of 46% in Europe compared to the previous year. Private equity investment fell by 27% in 2023.

Luxembourg venture capital deal value came to €164 million last year, a drop of 80.2% compared to 2022, when deal value stood at €830 million. In 2021, it was even as high as €1.21 billion. Funding is becoming more and more difficult in an atmosphere of economic uncertainty and with interest rates returning to levels that provide a positive return on investment.

There have been plenty of success stories from the Luxembourg start-up scene. Lithium battery upcycling company Circu Li-ion last year raised €8.5 million in seed funding. Hair and beauty salon platform Salonkee has already managed to turn a profit after raising some €35 million since being founded in 2016.

There have also been numerous failures. Companies that ceased operating after a promising start or entrepreneurs who left Luxembourg disappointed in a start-up scene that initially seemed to offer their project plenty of potential.

One Finnish entrepreneur, Timo Nurminen, gave up on Luxembourg when he could not find a bank that would take on his business as a client. He also claimed that Luxembourg was exceedingly red-tape intensive compared to many other countries.

Nevertheless, the three experts we talked with about early-stage and scale-up funding all appeared cautiously optimistic, and especially for those companies that have taken a prudent approach to fundraising and financing.

And they have also generally welcomed the new government's positive approach to the start-up scene, as it pledged to continue to invest in venture capital initiatives such as the Digital Tech Fund and the Luxembourg Future Fund.

But there is room for improvement, they agree. Opening up the start-up scene to retail investors – encouraging them to understand the advantages of what he called a "fantastic asset class" – is one solution that has been mooted by venture capitalist Alain Rodermann. Allowing local citizens to support the future of the country that will pay their pensions seems like a win-win, he said.

The Luxembourg Startups Association, in a five-point manifesto, wants the government to improve incentives for private investment into entrepreneurial projects by increasing tax thresholds. And allowing easier stock option schemes for the employees of start-ups may also encourage more talent to come to the Grand Duchy, the association argues.

Dossier

"We are sector-agnostic in the sense that there is no sector that we would not consider"

The business angel

Michel Rzonzef is the president of the Luxembourg Business Angels Network, a group of investors keen on supporting early-stage ventures both financially and in developing their business.

In a climate of economic and geopolitical uncertainty, are investors being a bit more cautious?

Yes, definitely. On the other hand, deal flow is stronger than it has ever been. We have better projects from better founders coming to the surface, and not just in Luxembourg. LBAN grew its membership by 25-30% last year, which is a sign that more and more people are looking at this class of asset, maybe because others are less attractive in terms of return on investments. But investors are taking more time to look at the quality of the project, and they are seeking to secure their investment before going into new ventures.

What sectors are investors currently hot on?

Artificial intelligence is the obvious one. Not just AI for the sake of AI, but start-ups that are using, or claiming to use, more AI. Greentech and cleantech are also popular. And I would say there is a preference to invest in software solution B2B start-ups. But we are sector-agnostic in the sense that there is no sector that we would not consider.

What process is involved for investors coming to LBAN?

Firstly, this is not something that you enter into blindly. Being surrounded by like-minded professionals who have gone through the process and with whom you can interact when taking your own decisions is a key factor to success. That's what LBAN does, by introducing investors to a community from which they can learn and even call on when they are doing their due diligence. We provide a solid, curated deal flow and also offer them different levels of maturity across different sectors. That means it is quite open and easy for investors to find their sweet spot. To achieve this, we invest a lot of time in helping the start-up ecosystem. We visit the incubators and the accelerators to help entrepreneurs understand how to go through the financing part of the start-ups. But also to help the incubators, accelerators or the other actors to understand how they can help start-ups to be investable.

How great is the challenge for start-ups when scaling up and expanding geographically?

In terms of scaling up abroad, I think Luxembourg has a great advantage over any other ecosystem. The market is not big, which not only makes access to expertise easier but also means that if you want to develop, you have to go abroad. So, companies learn faster than others how to work in different cultures and how to develop networks abroad – and those are the biggest challenges. Also, Luxinnovation has just started a scale-up support pilot programme to help advanced-stage start-ups understand how they can grow, how to get the right competencies and the financing.

LBAN also has a co-investment vehicle that allows investors to pool their money. Is this becoming more common?

We created the tool because more and more people wanted to invest in early-stage ventures, but they didn't have experience and were not necessarily willing to put up big amounts of money at the beginning. But it's also for more experienced investors who have simply no time to step into the details of each investment every day or every week. The tool provides information automatically, allowing them to take decisions when required.

The entrepreneur

Genna Elvin co-founded small data platform Tadaweb with François Gaspard in 2011. As Chief Tada Officer, she steers the company's growth, strategy and company culture. Elvin is also a founding board member of the Luxembourg Startups Association and of the Australia New Zealand Chamber of Commerce Luxembourg.

Tadaweb raised €15 million in January 2023 for expansion into US and additional European markets. How have those plans panned out?

We decided in 2022 that we really wanted to expand into the US and the corporate markets. As one of the early start-ups in Luxembourg, we had raised a relatively small round in 2015. But unlike many other companies, we focused on becoming cashflow positive. Basically, we didn't want to rely on external funding to fuel our growth. But the move into new markets required additional funding. It was a long process of due diligence, because a lot of companies were struggling to raise capital in uncertain economic times. Without our positive cashflow, I don't think we could have raised the money. Nevertheless, it was a year of fundraising.

Now we've really leveraged that fundraise. We've got seven people in the US; we've got presence in the US market, and we've expanded into the corporate market.

Will you be seeking further fundraising for other Tadaweb ambitions down the line?

Our aim is to continue to grow. We need to continue that balancing act between knowing how much we're willing to invest ahead of time versus bootstrapping until we reach the next milestone. But we definitely see a future fundraise at some point to get us to the next level in the company.

What are the major challenges of scaling up and expanding geographically?

Premature scaling is a very real thing. We haven't invested too much upfront; we've waited until we got a significant contract or had a significant milestone. A lot of European companies traditionally start to grow and go straight into the US because they see that as the pot of gold. We've been really strategic in our growth. We expanded in Europe, we got into the UK, we've been expanding into Canada, and only then have we entered the US. So, we've really ensured that our technology and our platform are mature enough to actually handle the US market.

And we spent a long time researching the market very well to make sure that by the time we did hit the US market, we had a unique value proposition that didn't exist. We're seeing incredible traction already. We were very fortunate that we didn't raise in a long time, because we are seeing a lot of companies doing down rounds. In this unstable economy we have to be more focused on having a really solid ship to sail the storm.

How is the general climate in Luxembourg in terms of finding finance?

I am in the Luxembourg Federation of Young Business Leaders, and we are seeing 100 or 200-year-old family companies that are going down. That is quite a strong signal for Luxembourg.

In a 2017 interview you mentioned that Tadaweb could launch an IPO. Is going public still an option?

We are still early in our US journey, which is going well so far. We just want to take one step at a time and see what the logical next step is. I think there will be another big round coming up. And at that time hopefully we will have further global expansion. But at the moment there's no clear decision about an IPO or an acquisition or something like that.

"Premature scaling is a very real thing"

The venture capitalist

Alain Rodermann is a co-founder and managing partner at Expon Capital with over 27 years' experience in venture capital.

What is the current state of start-ups that have raised money via venture capital?

It depends on the stage of the company. The problem was that in good times money was easily available, which is what happened a few years ago due to the zero-interest rate. Companies managed to raise funds at very high valuations. But those that raised too much money had to justify their future valuation.

Now they are starting to pay for this error. These very late-stage companies need to raise money at a lower valuation. And this is the beginning of a bloodbath because there are strings attached to these down rounds, as we call them. But very early-stage companies are less exposed to down rounds.

Expon reviews over 2,000 pitch decks per year. What are the key factors you look for when analysing a start-up?

It could be even more than 2,000 with the arrival of AI, which will be able to filter those companies that don't match our investment strategy. That is our first criteria. We can reject around half of the deals because it's too late, too early, not the right geography or technology or business model. We then examine whether it's a good deal. It could be a bad deal, even with a good company. A good deal with a bad company doesn't exist. Does the company have good unit economics in a good market with a good team? And does it have a good competitive advantage? Our business is based on the organic growth of companies. We come into a company that has maybe €1 million in revenue, and we bring the company up to €100 million in revenue.

Expon's Digital Tech Fund seems to have been a success, having launched its third generation last year.

It's a fund for seed investment in companies, those with less than €1 million in revenue, that will develop substance in Luxembourg. They could be Luxembourgish or foreign companies. At that stage you have the highest risk, because many parameters have not been validated.

They are often young teams who maybe met two years ago and may divorce at a later date. And they haven't yet entered foreign markets. So, you have team risks, market risks, sometimes technology risks. And this is reflected in a lower price per share. In theory, the earlier we enter, the lower we pay.

One of the key added values that we provide is coaching, making sure these companies understand the rules of VC in terms of corporate governance, or usage of the money and how to interact with investors.

Maybe the most visible success is [operating platform for hair and beauty salons] Salonkee. It's very likely they will get all the funding they want for the future because they are facing a huge market where competition doesn't matter.

The Digital Tech Fund shareholders include the state and public companies such as Cargolux, Post and SES. How important is that public sector backing?

It's absolutely key. Seed funding is about local businesses, local sourcing and local investors. At seed stage, investors have to be ready to suffer losses. Even if we have been successful, there is no guarantee of that in the future.

So, we are very happy to be supported by the local ecosystem, because it has a real impact. We have observed that for every €1 million we invest, companies have manged to capture €10 million from other investors.

"This is the beginning of a bloodbath…"

The long term and resilient model

The private equity (PE) and venture capital (VC) industries have fared pretty well over the last decade and have tremendously grown both internationally and in Luxembourg. The assets under management of alternative investment funds, excluding real estate, exceeded the €1 billion mark at the end of 2022.

Our country has become the premier hub for investment managers who are targeting the European market and who have therefore launched their operations, funds and alternative investment fund managers (ManCos) in the Grand Duchy. The recognition by institutional and professional investors, the reputation and the long-lasting experience of our "brand" have proven, after the Ucits success story, to be robust, flexible and innovative enough to attract the largest international players interested by an EU passport, suitable vehicles (toolbox) and an ecosystem of well-versed service providers and advisers.

Over the last three years, it is worth mentioning that this strong momentum has been, like many other segments of the economy, affected by the pandemic, many different structural and economic complications – such as the lack of physical and human resources, destabilised logistics, the rise of inflation and of interest rates, a slowdown in certain sub-sectors – and huge geopolitical uncertainty, including the war in Ukraine or a Middle Eastern region under duress. The increasing political discontent in many countries is also worrisome and accelerated climate change, including repetitive natural catastrophes, are all indicators of a more complex cycle ahead of us.

Stephane Pesch
is the CEO of the Luxembourg Private Equity & Venture Capital Association (LPEA)

These disruptions have also impacted our industries with contractions in specific areas including deal making (acquisitions of companies), exiting (divestments) and the fundraising of new funds. After a rather nervous and versatile year in 2023, what's next?

During a large international event, we recently witnessed concrete and positive signals concerning the resurgence of investments into promising companies, including the ESG angle, and a progressive restart of divestments, which could enlighten again our next months and bring us back progressively to new highs. The current reserve lies on the fundraising activities which are still a little bit "shy" compared to previous years (both in terms of delays and volume) but different initiatives like the European long-term investment fund (Eltif) and a qualitative democratisation of the private markets could attract new types of investors soon.

Photo: Shutterstock

The venture capital and private equity world is ready for a new period of growth

We are firmly convinced that our long-term and aligned value creation model which is led by specialised business and finance experts, operationally savvy and entrepreneurial professionals who know how to transform private firms into national, European or international champions, is well equipped and ready for a new period of growth.

The Grander Duchy: a nation of 1 million by 2050?

Luxembourg's economy and businesses face numerous challenges in trying to plan ahead for various scenarios, as most forecasts predict the country's population is set to reach the million milestone by mid-century.

By John Monaghan
Photos: Antonio Pires, Gerry Huberty, Chris Karaba & Christophe Olinger | Graphic: Christian Mertes

When then-prime minister Jean-Claude Juncker gave an otherwise routine speech to parliament in May 2002 outlining the country's financial and economic situation for that year, he kept alive a notable decades-old Luxembourg tradition – grossly underestimating future population growth.

More than 20 years on, history has shown that Juncker's forecast, calling on Luxembourg to prepare for the prospect of 520,000 residents by 2020, was wide of the mark. The Grand Duchy's population on the first day of the new decade was 626,000, according to the country's official statistics agency Statec.

There is a broad consensus – based on almost all of the projections by Statec and the economy ministry – that the country will surpass the milestone of 1 million inhabitants by 2050, well ahead of Juncker's 2002 prediction of 700,000 residents by the middle of the century.

However, accurately predicting population growth has eluded economists, researchers and politicians since the Second World War, the economic think-tank Fondation Idea, which is part of the country's Chamber of Commerce, said in a report last year.

"With the exception of population forecasts made in 1974 [at the height of the steel crisis] all projections for population growth since the 1950s have been underestimated – and often to a considerable extent," the report noted.

In the three decades from 1990, the country's economic and population growth accelerated at breakneck speed, with GDP and job creation multiplying by 2.5, and the number of residents increasing by more than 65%.

The continued expansion, unhindered in recent years by the Covid-19 pandemic, global financial recessions and the phasing out of sweetheart tax deals for large firms, is showing no major signs of slowing.

However, the high migration rate in Luxembourg means that "unlike other countries, it is difficult to predict" future trends, said Statec researcher François Peltier.

That notwithstanding, the population is set to reach close to 1 million by 2050 under every single one of four scenarios devised by Statec, which looks at annual GDP growth of 0%, 1.5%, 3% and 4.5%. There would be 950,000 people by 2050 in a no-growth scenario, and just over 1 million if yearly growth hits 4.5%.

Tom Haas

The Statec forecast was published in 2017, and is due to be updated later this year, but no major revisions are expected. "The difference this year will be minor," said Statec's Tom Haas.

Luxembourg's expansion since the 1990s has been "stunning", said Haas, and all "the long-term projections were wrong in the past." The agency's researchers therefore modelled the deep interconnection between economic success and population growth and wanted to "develop several 'what if' scenarios" for policymakers to take forward in planning for 2050, he added.

Vincent Hein

The economic success has been driven by the financial sector, which accounted for around a quarter of GDP and almost one in six jobs in the country in 2021, according to the lobby group for the financial centre, Luxembourg for Finance. "The most important strategy for Luxembourg will be to do everything to maintain the attractiveness of the financial sector," said Vincent Hein, the director of the Fondation Idea think-tank.

The lack of government preparation for any alternative scenario – such as a decline in the financial sector – should be setting off alarm bells, said Markus Hesse, a professor at the University of Luxembourg, who has done comparative research on the sustainability of leading financial hubs such as Dublin, Zurich and Luxembourg.

"It is not guaranteed that the financial sector will line up in the next 20 years with the same performance and tax revenues," he said, warning that the government remains "dependent on tax revenues" from the financial centre – which contributed €4 billion in taxes in 2021 – and has largely failed to diversify into other sectors to date.

Luxembourg's official 2050 strategy, developed by the Ministry of the Economy, has forecast three different models with between 770,000 and 1.2 million residents, depending on the pace of economic growth and changes to environmental and housing policy, but with the financial industry front and centre in every scenario.

"What is still limited is the range of activities the government is planning for," Hesse said, describing the 2050 strategy as looking like "business as usual".

The country is already seeing some investment funds leave to set up shop in Ireland, Hesse said. "That shows how intense the competition is in the financial sector. Money is very volatile and mobile. It can be moved away," he said. "Nobody wants to openly speak about the future of Luxembourg without the financial centre. It is almost a provocation," he said. "Nobody wishes that to happen, me included. But it is wise to prepare for different scenarios."

ALTERNATIVES TO FINANCE

Nasir Zubairi, CEO of the Luxembourg House of Financial Technology, which assists start-ups in the country, said that working out how to possibly compensate for a major withdrawal of finance firms is a "tricky question".

Despite the country also having a space sector and steel industry, "it all depends on the financial sector. We are a services economy," he said. Luxembourg has shown a willingness to take steps into previously unchartered economic territory, such as when it transitioned away from the steel industry in the 1970s and 1980s and opened up the financial centre, said Fondation Idea's Hein, and may need to do so again.

"Twenty years ago the country created a university and in the 1980s it started to invest in space. This needs to go on. We have seen the country investing in R&D [research and development]," he said, expressing optimism that Luxembourg's small size and a global shift towards digital and green-friendly business would provide opportunities to "develop niche sectors".

Whether the economy expands or stagnates will lead to different but ultimately equally difficult choices for policymakers, with researchers, academics and business people in agreement that reforms are unavoidable in either housing or the welfare system.

Continuing immigration will increase competition for housing, likely leading to a further rise in prices, which more than doubled in the decade from 2010, while any economic slowdown could cause the country's pensions system to buckle.

THE HOUSING QUESTION

Florian Hertweck, a professor of architecture at the University of Luxembourg, said a project he led showed that there are some solutions which could create extra space in existing buildings to ease the housing pressures.

"You can add one or two storeys to 10% of all the existing buildings and have space for 100,000 people," he said.

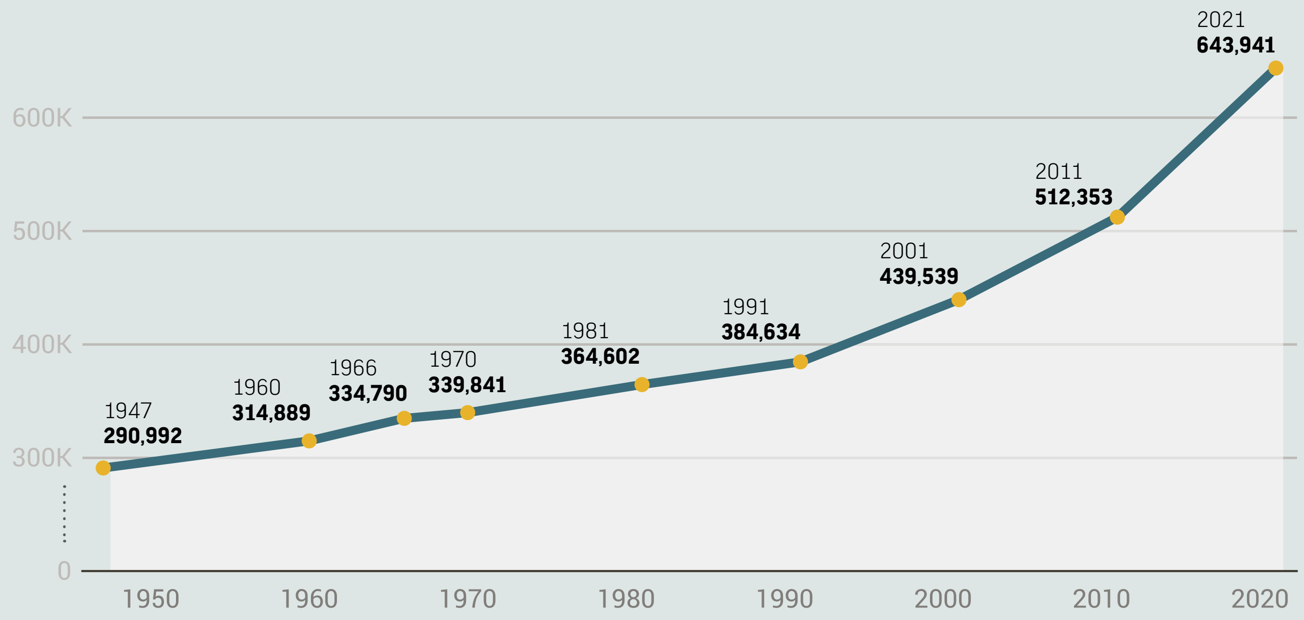
Luxembourg's political structure – with building permits the preserve of communes – means the national government's power to "control the alignment of national and local strategy is quite limited", believes Hein.

"There is a political constraint here. I don't see a government which will impose anything on communes," he said, although he argues that the national administration could make funding for communes conditional on "respecting the national planning goals."

Antoine Paccoud

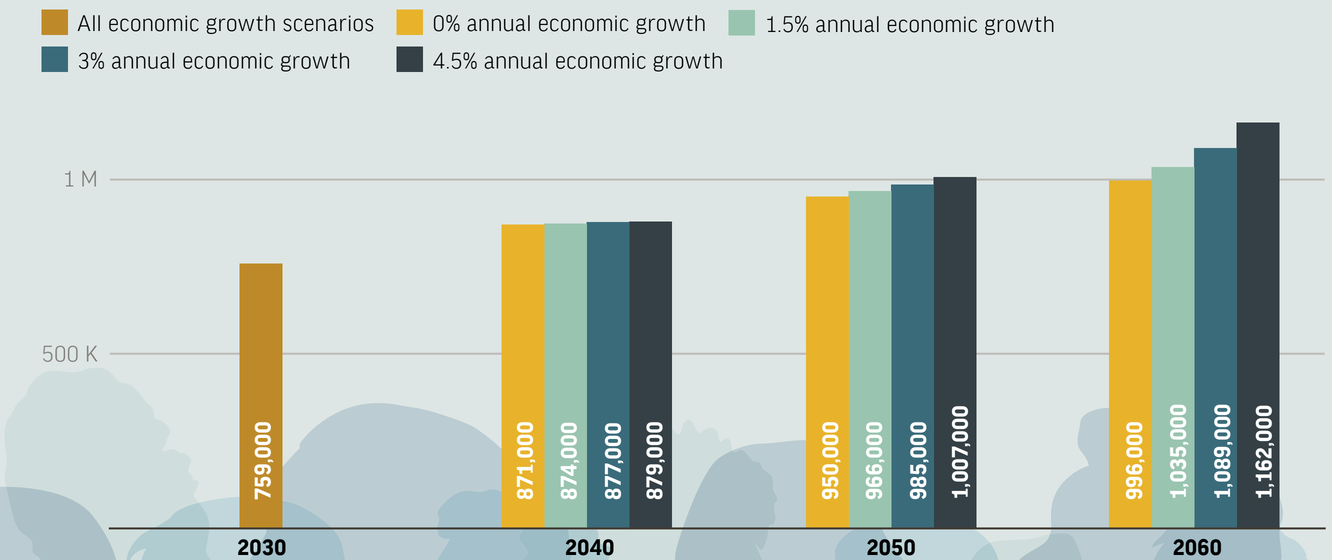
Antoine Paccoud, a researcher at Liser who co-ordinates the country's Housing Observatory research body, said that

POPULATION OF LUXEMBOURG FROM 1947 TO 2021



Source: Statec

PROJECTION OF POPULATION GROWTH IN LUXEMBOURG, 2030-2060



Source: Statec

government policy and the actions of private landowners and developers have ensured that the "production of housing has remained stable despite the population growth", well below the estimated 6,500 units needed annually for new arrivals.

"The current number of new housing units being built is around 3,000 to 4,000 each year. You had a fixed supply and that caused problems with prices. It [the production level] is too stable to come out of a competitive market place," he said.

The last coalition government "were quite brave", Paccoud believes, in taking steps to tackle issues such as reforming land tax and introducing penalties for empty dwellings. "For the last 200 years you have been able to hoard land without any penalties," he said.

Whoever is in government as 2050 approaches will also face EU restraints on construction, with a commitment to making all buildings zero-emission by that year and "no net-land take", which in principle prohibits projects on undeveloped natural or agricultural land.

PENSIONS HEADACHE

However, should the influx of new workers slow, that will cause a major headache for the existing pensions system, which will be dealing with more than three times the current number of people aged 65 and over by 2060 regardless of the economic outlook, according to Statec forecasts.

Just before Christmas, Minister of Social Security Martine Deprez warned that without reforms, Luxembourg's pension reserves would be exhausted by 2042.

It is time to look at raising the retirement age, said Zubairi, describing the statutory age of 65 as "way too early", with many Luxembourg employees already out of the workforce for five years before they reach that age in any case.

"We need to maintain 2-3% of growth of new workers each year to maintain the balance of the system," said Fondation Idea's Hein. "If we don't plan for this [potential slowdown], the reforms will be tougher. If we postpone decisions, it will be a lot more difficult at the time and will also impact the attractiveness of the country," he added.

The government is beginning to grasp the scale of the challenges it is facing, said Luxembourg university's Hesse. "The institutions have started to think about the future. This is the main difference with when I started my job in 2008."

One of the most senior ministers in the former coalition, Paulette Lenert, has previously acknowledged that the government had been "too slow" to react to the growth in recent decades.

"We have to collectively look ourselves in the eye and say that we have not properly assessed what this enormous growth means for the country," she said in an interview last year, with the former health minister warning that "we have been overrun in the health sector."

Camille Bossel

For Camille Bossel, co-founder and managing director of Kapital, a Swiss fintech company set up in 2021, expanding into Luxembourg was a natural step for a firm keen to establish itself in a country she describes as the "holy grail of finance".

Despite the company's deep roots in another key financial hub, the set-up and stability of the Grand Duchy's financial centre mean investors are drawn to the country, Bossel said.

Although there was "a lot of paperwork" compared to her native Switzerland, Bossel said opening in Luxembourg offers better opportunities for the "growth of the company" and some clear advantages.

"Luxembourg is better connected immediately, you can provide 'passporting' at an EU level. Speaking with investors, their point of entry is Luxembourg," Bossel said. "It is also seen as the holy grail of finance. If you want to be an investor in finance it is the best place in terms of reputation."

The fintech has received support and office space from the Luxembourg House of Financial Technology (Lhoft), Bossel said, another major factor in their decision. "Through the Lhoft we have all the relevant people [on hand] at the right time," she said.

Nasir Zubairi, the CEO of Lhoft, said that he believes the new coalition government in Luxembourg is "looking at the cracks in the roof that need fixing" to continue to keep the country attractive for prospective investors.

A tax incentive for those financially backing start-ups, the so-called "angel investors", would help draw further funding into the country, said Zubairi. Relaxing rules around option schemes would also potentially attract investors, he believes.

However, he remains confident that the current policies in place will continue to ensure the success of the financial sector as the country heads towards 2050.

"From a business perspective, going from 600,000 to 1 million [in terms of population] is not going to change things radically. Luxembourg has to play to its strengths. It can adapt and be agile due to its size... don't underplay the fact that Luxembourg has been very successful [throughout its history]," he said.

FINDING THE WAY TO A GREEN TRANSITION

The Grand Duchy positions itself as a pioneer in the transition to a more sustainable future but presents a disjointed net of solutions to companies.

By Tracy Heindrichs
Photos: Marc Wilwert | Graphic: Christian Mertes

“Companies often lack visibility on these offerings and opportunities

Anne-Marie Loesch

Luxembourg is ambitious when it comes to the future: between reducing its carbon emissions by 55% compared to 2005 levels and upping its renewable energy share by 35% by 2030, the country – which has one of the highest levels of CO_2 emissions per capita in the EU, according to Eurostat – has its work cut out for it.

The government has shown its will to support residents in their transition, by providing subsidies for electric vehicles, solar panels and eco-friendly renovation works, although reforms are on the horizon under the country’s new leadership. And it is taking care to include businesses, which must be part of the effort towards sustainability. While Luxembourg’s CO_2 emissions dropped by 12.7% between 2019 and 2021, its industrial sector exceeded its carbon budget by 30%.

“Luxembourg already has a well-developed ecosystem that provides solutions to businesses in their sustainable transition,” said Anne-Marie Loesch, Head of Sustainability & Business Development at the Chamber of Commerce. But this ecosystem “is highly fragmented,” said Loesch, who is also part of the House of Sustainability’s steering committee. “There are numerous different actors and initiatives.”

A WILD GOOSE CHASE

The government over the years has set up several platforms and increased the amount of subsidies it provides to companies investing in energy efficiency, the cleanup of contaminated sites, and the recycling and reusing of waste. While in 2019 it invested €106 million in this endeavour, in 2020 that amount jumped to €179 million, a 2023 report by statistics office Statec found.

But businesses do not always know what aid they have access to and what they can do to transition, said Loesch. “Companies often lack visibility on these offerings and opportunities to take action in favour of sustainable development.”

Luxembourg hosts many business-friendly institutions that all, in one way or another, support companies in their ESG transition, like the Chamber of Commerce, the Chamber of Skilled Trades and Crafts, Luxinnovation, Inspire More Sustainability (IMS), the National Institute for Sustainable Development and Corporate Social Responsibility (INDR) and the Klima-Agence, to name a few.

These institutions have come together in various combinations and partnerships to offer knowledge hubs, like the CleanTech Cluster, the *Klimapakt fir Betriber* or Luxinnovation’s Sustainable Innovation Hub.

Gathering concise information on green entrepreneurship and the transition of businesses to sustainability from this web of options is tricky. Institutions contacted by the *Luxembourg Times* often referred requests to other players in the field to explain how Luxembourg’s economy fosters and encourages green business, providing at times only partial answers.

STREAMLINING AND TAILORING ADVICE

To cut through the noise, the Chamber of Commerce and the Chamber of Skilled Trades and Crafts, in partnership with the INDR, in April of last year created the House of Sustainability, a platform meant to facilitate, coordinate and unify information for businesses in Luxembourg. Its main focus lies in raising awareness on the need for a sustainable economy and setting up the steps to get there, said Loesch.

Meeting companies where they are in terms of progress is key to a successful transition, she said. “Transitioning is a process, and not just a matter of flipping a switch. It’s different for each business.”

Support has to be tailored to a company's needs, as an IT service provider might have to adopt different solutions from a baker. "You have to understand the company's business model, its inner working… it's a constant process of improvement that you develop on the long term."

For companies starting from scratch, the House of Sustainability provides the Starter Kit RSE, a toolbox for the company to self-evaluate its value chain and impact on the environment. The programme, created by the INDR, includes a three-day consultation with an expert to identify missing elements within the company in order to define adapted steps for the business. Larger companies tend to be further in their development and therefore often require a different set of tools, said Loesch.

STAYING AHEAD OF REGULATION

The EU's Corporate Sustainability Reporting Directive (CSRD) will bring new obligations, requiring companies of more than 250 employees with a balance sheet of over €20 million and net sales above €40 million to report on non-financial aspects of their sustainability strategies. Although this will not apply to many companies in the country, they will have to adapt as a part of the supply chain of bigger EU corporations.

"As large companies are increasingly confronted with transparency regulations on their own ESG performance, and as they are part of this drive to improve their performance, it is all the companies in their value chain that are impacted," Loesch said. In other words, "there's an interest for large companies if the smaller companies in their supply chain also change."

It is an advantage to adapt early. "The trend is towards mainstreaming sustainable development because it's being demanded by customers, by major principles and by regulations," said Loesch. Banks, as a part of their own sustainability strategies, also require more and more non-financial information on companies and thereby set more pressure on businesses too, the head of sustainability said.

IT'S NOT EASY BEING GREEN

In Luxembourg, momentum appears to focus on accompanying existing companies in their transition to a system more respectful of the environment, people and governance. For those entrepreneurs that start out with the aim of being eco-responsible from the get-go, access to support is not always straightforward.

Luxembourg positions itself as a start-up nation. In June of last year, the country joined the European Startup Nation Alliance, a non-profit association that aims to improve the European entrepreneurial ecosystem. While start-ups in Luxembourg benefit from state and investor support, not all eco-enterprises are created equal.

Eco-businesses – or green startups – "focus on innovation, often new technologies and the development of services that make space for operational solutions to face societal and environmental challenges," Loesch explained.

But even though support to master the bureaucracy of setting up a green start-up is easy to come by in Luxembourg, attracting funds from investors is not, said the people behind the eco-friendly detergent brand Wasch in an interview. Tech and space businesses gain investor attention more easily, said the company.

Luxinnovation has set up a CleanTech Cluster that encourages the development of start-ups innovating in green technology solutions. For other types of goods, many initiatives have come and gone over the years, like the now dropped Luxembourg Green Business Awards, or the Smart Green Business Centre, a project that was meant to see South Korean SMEs and start-ups collaborate with Luxembourg players on eco-innovative solutions. The SGBC was dropped in 2022 for not meeting its objectives over a variety of economic issues, the foreign affairs ministry said in an email.

"Transitioning is a process, and not just a matter of flipping a switch

Anne-Marie Loesch

To reach its ambitious climate goals, Luxembourg will have to invest not just in efforts to help existing companies transition to green, but will also have to make sure the start-ups it invests in do not produce more waste and pollution.

The Circular by Design Challenge, a 12-week-long coaching programme by LuxInnovation for entrepreneurs seeking to develop cradle-to-cradle goods, has not launched a new edition since 2022. Other awards, however, continue to thrive, like the IMS's Sustainability Awards and the Cluster for Logistics's Lean & Green Awards, but these do not specifically target start-ups. Public debate on the space of eco-entrepreneurship in Luxembourg is increasing, with Statec organising a Sustainable Entrepreneurship conference in May.

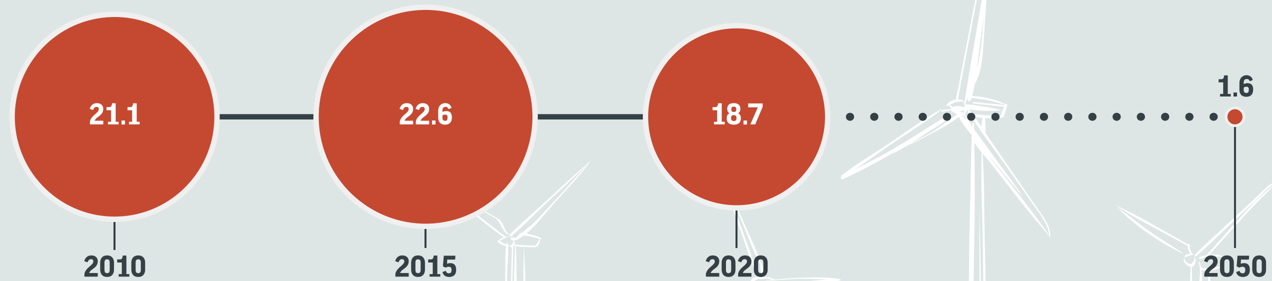
KEEPING UP EFFORTS

Luxembourg's CSV-DP government has shown encouraging signs that it will continue to invest in and support companies in their transition, stating it would "maintain public investments to a high level to answer current and future challenges linked to the demographic evolution and the double sustainable and digital transition."

It also promised to introduce tax incentives for people to invest in green start-ups and to crank up efforts to raise awareness of entrepreneurship among young people through the Sustainable Entrepreneurial Schools project, which aims to foster both a business and eco-friendly spirit among students. But to succeed, the government will also need to cut red tape and reduce barriers for businesses who are navigating a maze of subsidies.

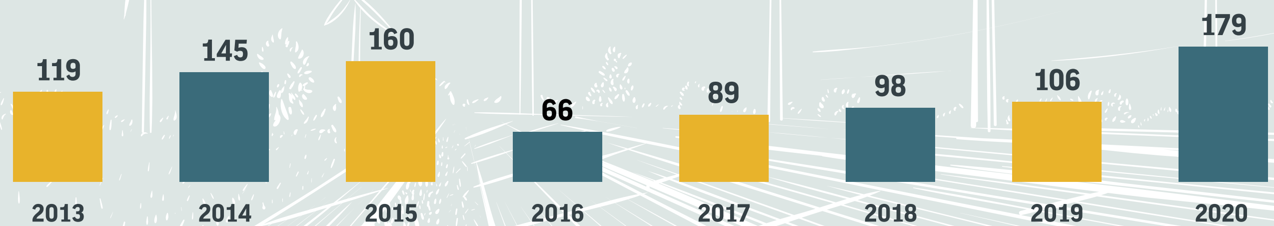
LUXEMBOURG'S CARBON FOOTPRINT AND TARGET

Figures in t, CO2-eq/capita



Source: Statec, Luxembourg in Figures, 2023

ONGOING PUBLIC SUPPORT FOR ENVIRONMENTALLY FRIENDLY INVESTMENTS (IN € MILLION)



Source: Statec, L'environnement en chiffres, 2023

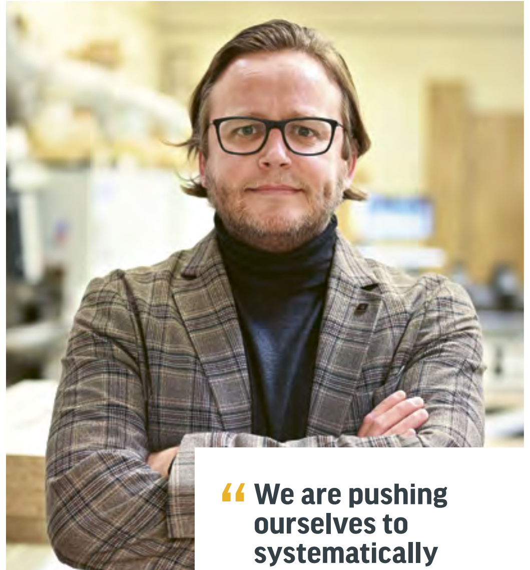
SWITCHING TO GREEN

Founded in 1976, Luxembourg family business Bamolux began offering eco-friendly alternatives at the start of the 2010s. The company, which provides drywall finishing, interior carpentry and painting services, became a certified B-Corporation last year.

Although it still offers traditional building methods, "we are pushing ourselves to systematically present sustainable, eco-responsible, VOC-free and cradle-to-cradle products to our clients," Deputy Managing Director Geoffrey Debertry said.

Luxembourg's government has "always helped a lot" to boost eco-entrepreneurship, he said, but sustainable construction suffers from the misconception that it costs more. Public market offers often prioritise cost over sustainability, something Bamolux campaigns to change. If considering product value over price value, and the added benefits to the environment and people, sustainable materials make more sense, Debertry said.

Bamolux sees its image as a green business as an advantage rather than a challenge. The firm attracts business from fellow B-Corp companies. As more companies adopt a corporate social responsibility policy, they seek out service providers who already meet that standard. The firm hopes to see more competitors emerge in Luxembourg. "If our fellow professionals came to us to ask for advice, we would share our information," Debertry said. "We want continuous progress, and that doesn't work if you do it on your own."



"We are pushing ourselves to systematically present sustainable products

Geoffrey Debertry

GREEN FROM THE GET-GO

"We have saved 53 million litres of water

Sarah Weyssow

Sarah Weyssow and Nicolas Devaux

Entrepreneurs Sarah Weyssow and Nicolas Devaux launched Wasch in February 2021 to offer a green alternative to polluting laundry detergents. They have sold 35,000 litres of detergent made in Luxembourg so far. "We have saved 53 million litres of water," said Weyssow, explaining that traditional detergents can't fully be extracted from the water.

Checking that the raw materials respect green criteria is "a meticulous task we do at every delivery," Devaux explained. "We live in an era where it's important to be green but there is more and more greenwashing because it sells," said Weyssow. "It's a bit difficult to prove that we are truly green and not just saying it." The firm has opted to acquire labels and get their products tested voluntarily in addition to listing all ingredients on their packaging for transparency.

The co-founders said setting up the eco-business was easy on an administrative level, and that Luxembourg provides a lot of initiatives – like Luxinnovation's Circular by Design programme – to help companies like theirs take off.

The obstacle lies in attracting funding. "It seems pretty easy to raise funds from private and public investors if you're a tech or space start-up, but it's hard for ecological products," said Devaux.

“WEAK COMPANIES WILL SUFFER

Luxembourg saw a rare recession in 2023 as successive crises and, crucially, record-high interest rates were bearing down on the economy. But the Grand Duchy’s companies and in particular its banks are proving very resilient, says ABBL CEO Jerry Grbic.

By Yannick Hansen
Photos: Chris Karaba & Marc Wilwert
Illustration: Mara Mohnen
Graphic: Christian Mertes

Can you put the current state of the economy in a broader context?

We have gone from crisis to crisis since the financial crash of 2008. After the subprime and then the debt crisis, the European Central Bank lowered interest rates and started a policy of quantitative easing – pouring enormous amounts of cheap money into the financial system to support Europe’s flagging economies.

That did support the economy. But that brought with it that we had a decade of very low and even negative interests, which we had never seen before. Then came the pandemic and the war in Ukraine that interrupted supply chains and pushed up energy prices. In response to rising inflation, the ECB hiked rates to historic highs to slow down the economy.

What did historically low interest rates mean for consumers?

Banks did not pass on negative rates to their clients. In the worst case, private customers had an interest rate of 0% or 0.1% on their savings accounts, which was not a lot. But compare that to what these deposits cost the bank with a negative rate of 0.75% or 0.5%.

The younger generations, if they took out a loan in the last 10 years, were used to very low rates, maybe up to 2%. That was not expensive. That has been the reality of people under the age of 35. Then came a period of 12 to 18 months during which central banks rapidly raised their key interest rates to counter inflation. For variable mortgages it went from 1.5% to about 5% and that in a very short time.

That’s when a psychological effect kicks in and people may hold off with new loans. Fixed mortgage rates for example have started coming down, which is making it acceptable again for that generation to take out a loan, but we’re only getting back to historical averages.

What has been the impact of rising interest rates on Luxembourg companies?

That psychological effect I described also has had an impact on companies. Covid-19 but also the war in Ukraine disrupted supply chains, which increased raw material costs. Inflation soared, interest rates increased and rents went up, so that people started holding on to their money. That is a normal reaction and also intended by the ECB to slow down demand and thereby inflation. And that has an impact on companies.

Some companies passed on higher costs to customers, but generally the local SMEs [small and medium-sized companies] could rarely pass on the whole price increase. That suppresses their profit margin and also their liquidities. SMEs do take out bank loans but that depends a lot on the sector of the economy. If you’re in the heavy industry and need to make long-term investments to buy machinery, that will be funded through credit. But a small carpenter will fund acquisitions through its own cash reserves. The crises have burnt through these cash reserves. We now need to stimulate demand to show businesses that capital flows once more. No value is added if people hold onto their cash.

Are rate increases putting companies out of business?

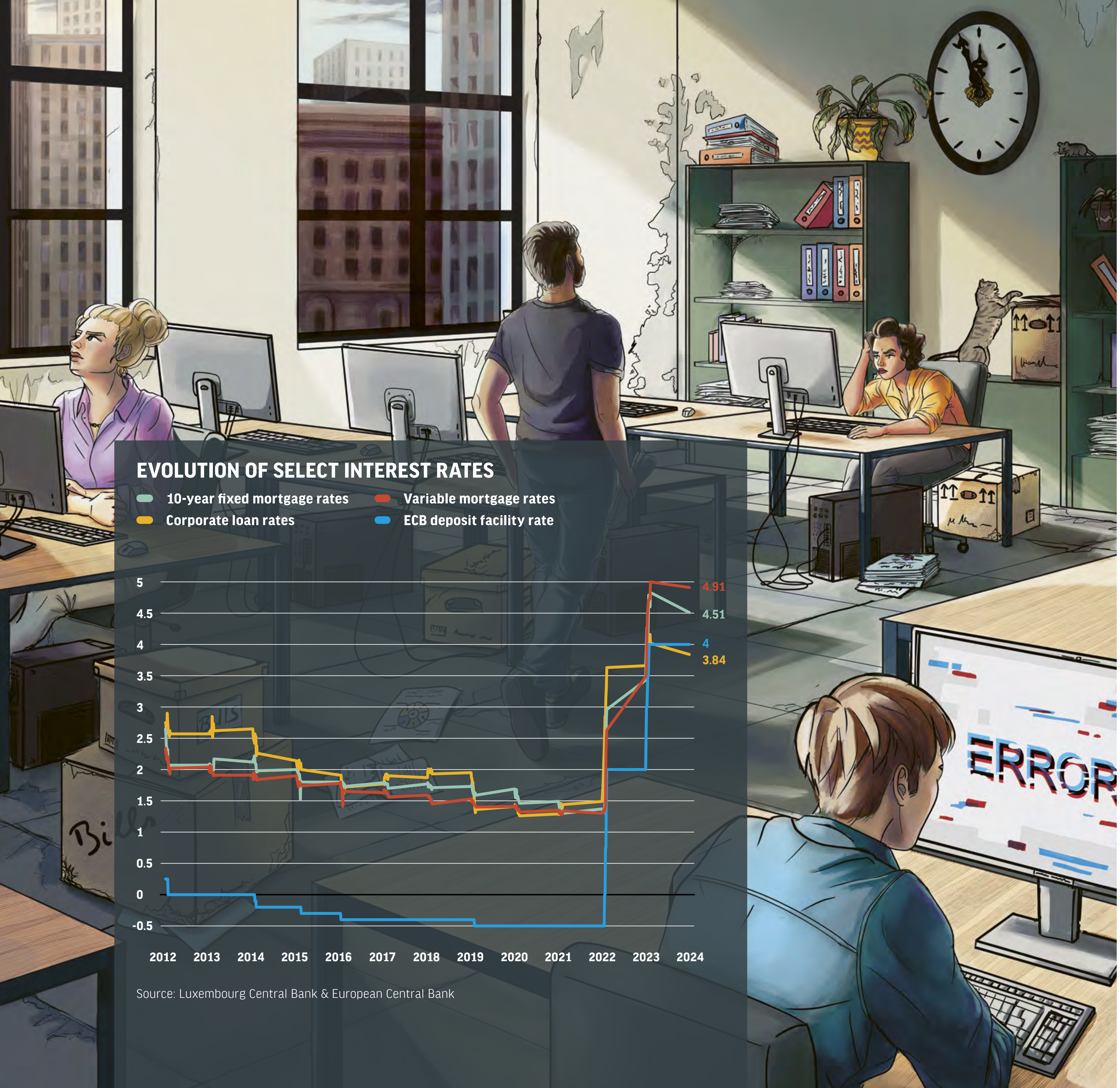
There are always companies that have weaknesses, be it structural or temporary pressure on their profit margins, and these are now becoming more visible. We’re now back in a situation where entrepreneurs need to be on their toes once more and carefully weigh up how they spend their money. Weak companies will suffer, go bust or be bought up, as has always been the case. I cannot tell you how many companies have weaknesses. In the construction sector, we’re seeing a number of entities that have stopped their activity. But we have a shortage of workers across the board. If that remains, then people who have lost their jobs will find a new one fairly quickly. We just need to avoid a general crisis in this particular sector.

Has Luxembourg seen a rise in companies defaulting on their loans?

For now, we are not seeing a rise in non-performing loans. As a share of all loans approved in Luxembourg, they rose from 1% in 2022 to 1.1% in 2023. That is very low and under the EU average. That shows the cautious, conservative approach that Luxembourg’s banks have adopted. They constantly do a screening of their clients and when rates were rising, they proactively called customers who were maybe about to get into financial trouble. We don’t keep any non-performing companies alive. Banks have a responsibility not to pour money into severely struggling businesses. Giving credit to such businesses could endanger their suppliers and customers but also ultimately the bank’s own deposits when defaults accumulate.

What do high rates mean for healthy businesses?

A problem for the future, generally speaking, is the investment backlog. If you are not able to plan ahead as an entrepreneur, even when you’re a healthy business, you start spending less and making fewer long-term investments, into digital innovation or sustainability for example. As the economic outlook became gloomier, and as part of their risk management, banks have approved fewer such loans. But there is just a lot less demand anyway. Entrepreneurs are holding off until demand recovers.



Are some entrepreneurs already anticipating the predicted recovery?

You have to know that the new government is more business friendly. Some measures that have already been put into action, like tax credits for digital and sustainable investments, are stimulating investments. There was also a national housing meeting to discuss short-term and structural measures to tackle issues to create more affordable housing.

Once that legal framework is known, investments will grow. I think the fiscal incentives proposed by the government will quickly bear fruit. Companies are dynamic, in both a good and a bad way. When it's going badly, they will cut costs quickly and when it's going well they will act quickly to satisfy the demand.

Banks seem to be one of the biggest beneficiaries of rising rates. In mid-March, the CSSF said 2023 net profits jumped by over 67% to €6.6 billion. How did they manage that?

We are emerging from a period of historically low interest rates, and even negative rates. The big jump in profits comes from the net interest margin. That does not mean that we jacked up the difference between savings and loan rates but the increased profits come from the vast amounts of money that banks by law had to retain in reserves and placed with central banks.

They used to be placed at negative rates, which cost the banks money, but then we returned to positive rates and those deposits yielded big gains, which explains the jump in profitability. The margin between debit and credit rates has remained largely the same. In Luxembourg, that margin is the smallest in the EU. We are not making profits off the backs of our customers.

What's the outlook for this year?

Profits will drop again this year. Long-term interest rates are already coming down. A bank's refinancing option is becoming more expensive and that will weigh down the net interest margin. Our members are satisfied with their results but they are aware that this will not continue at the same pace. They are very cautious.

> "We are not making profits off the backs of our customers
>
> Jerry Grbic

Where do you see the biggest potential for growth in the industry?

We see a lot of potential in private, corporate, as well as depositary banking. For over 40 years, Luxembourg's banking industry has grown as an international hub. The expertise we concentrate here is well established at every level, in banks, in consultancies, law firms, asset managers and e-payments. They come here because of our knowledgeable ecosystem.

There are discussions at EU level about a capital markets union. We need capital markets – private investors – in Europe to fund the digital and green transition. We lack that culture in Europe, though it is coming, but above all, we also miss the depth in the market. Luxembourg is well placed to play a big role in that because of our international standing. Private and corporate banking are directly linked to this and have tremendous opportunities to expand.

This interview has been edited for length and clarity.

Where inflation and interest rates bite most

High prices are hindering spending for companies and customers, with construction and hospitality particularly hard hit.

> **“ We are not yet experiencing a recovery**
>
> Jean-Paul Scheuren

When prices started rising in the summer of 2021, central bankers widely believed inflation was transitory as the global economy was emerging from pandemic lockdowns. Fast-forward almost three years and Luxembourg has still not returned to the ECB’s target rate of 2% after hitting double-digit inflation in the autumn of 2022.

While large businesses and the country’s banks still made stonking profits last year, other sectors of the economy are languishing amid record-high interest rates. No industry’s ailments are better documented than those of the construction sector.

Rising interest rates squeezed household pockets and slowed down the property market. That caused construction works to slow to a crawl and led to some high-profile bankruptcies, such as Manuel Cardoso or Maçonlux, to name just two. The government stepped in earlier this year, pouring hundreds of millions of taxpayer money into fiscal incentives for private investments, state acquisitions of unsold housing units and partial unemployment aid. Changes to planning laws and environmental rules to speed up building are underway.

“We think that the measures the government has taken will have a positive effect, but we are not yet experiencing a recovery,” said Jean-Paul Scheuren, the head of the real estate lobby group *Chambre immobilière*.

However, another segment of the wider housing market has also come under strain, though it may receive little sympathy from renters and buyers: real estate agencies.

When the property market was booming, no fewer than 2,000 agencies were cashing in on double digit annual growth, according to the tax office. But activity in the secondary market – agencies that specialise in already-built properties – has since dropped by 50% year-on-year, Scheuren said.

Agencies have started laying off freelancers and 200 agents are currently registered with the national job agency Adem, he added. The number of people seeking to be a fully licenced real estate agent has halved but that means several hundred are still taking the courses this year. Altogether Scheuren is expecting around 400 layoffs in the sector but is not expecting companies to shut completely.

His hopes for a recovery of the sector are pinned on lower interest rates and banks passing these on to customers. The market has slowly started to recover since the beginning of 2024, the lobby group’s chief said. “We see that the number of transactions grow – nonetheless some price adjustments have to be accepted by the seller,” he said.

HOSPITALITY WOES

Another sector that almost exclusively depends on household spending is the country’s hospitality businesses. Rising rates are but the latest challenge for a sector that employs over 100,000 people.

Restaurants, bars and hotels were forced to shut for six months in 2020. When activity resumed, prices for raw materials went up. Exploding energy costs then kept customers away as they were reining in their own spending while at the same time increasing costs for businesses. Now that luncheons and tourists are back, the sector is still not back on its feet as it struggles to pass on its cost increases to customers and find the right staff, Steve Martellini, secretary general of hospitality lobby Horesca, said in an interview.

“We’ve come to a point where there is not a lot companies can do to lower costs,” he said. Restaurants have tried to find cheaper suppliers or offer smaller quantities for the same price, but they have not been able to pass the entirety of their rising costs onto the customer, he said.

The sector is facing a perfect storm as on top of higher energy and raw material costs, successive automatic wage indexations are weighing down profit margins. “It’s the entire package. We cannot say it is just interest rates, or just wage indexations that are hurting the sector. It’s the accumulation of everything,” Martellini said. While state aid in the Covid years saved a lot of businesses, small family-run enterprises are now falling through the cracks, he said.

The outlook for 2024 is mixed. “There will be a few bankruptcies, especially when energy aids run out. But other companies are also opening up,” he said.

By Sarita Rao

Business lunch destinations in the city

Need to clinch a deal, entertain clients or hold an important team meeting? Here is our selection of places that are ideal for a business lunch.

Terrace and cocktails

If you are looking for outside dining in the old town, and the chance to sip a cocktail, then you cannot go wrong with **Restaurant Origine**. Tables are nicely spaced apart, it's wheelchair accessible, and you will get two hours' free parking. The interior has a rich, upmarket feel, while the lunch menu costs just €29 for three courses.

Vegetarian and gluten- or lactose-free

Need to accommodate a business group with differing needs? **L'Osteria** in Kirchberg can do this. It's not fine dining but you will get quality pizza and pasta. Note that tables are quite close together but you can request a more private one, and free wifi is also available.

A formal setting

Head to **Le Sud** at Rives de Clausen for grand chandeliers and white tablecloths if you want to impress clients. The fourth-floor setting has great views and tables spaced nicely apart. New chef Alexandre Delamarre has created an haute cuisine tasting menu so you won't feel overly full. Three courses with a starter, main dish and cheese or dessert cost €49.

Something exotic

Treat your guests to a souk-style setting with sharing plates, Moroccan salads, couscous, tagines and skewered meats. Located in Limpertsberg, **Caftan** has an "Arabian Nights" feel with lamps, velvet sofas, rugs and cushions, and unusual silver coffee pots.

Seafood specialities

Restaurant Schéiss has nicely spaced out tables with pristine white cloths, a summer garden and floor-to-ceiling windows to let in light on a gloomy day. Understated glamour, this place offers a brilliant selection of seafood from Scottish smoked salmon, fresh crab, Zeeland shrimps, Icelandic cod, plus monkfish, mussels or shellfish soup.

Michelin-starred

If you really need to impress your clients, then **La Cristallerie** with its very grand setting will do just that. Located on Place d'Armes, this formal dining room complete with gold leaf and Art Nouveau stained glass windows is the

right location to sign a deal. The Nature Gourmand menu can be served in one hour, with a starter, main course and dessert costing €64. Sommelier Grégory Mio is on hand to help you choose from their award-winning wine list.

Plan an unforgettable team day

- Ever wondered how your team would cope in the face of a global outbreak and a zombie attack? Hopefully you will unite and fight in this virtual reality game run by **Zero Latency**.
- Unleash your team's artistic talents creating a canvas puzzle artwork. Each member creates their own canvas which is put together to form a bigger group of paintings with **Tipp Topp Art Studio**.
- Cook your own team lunch at **L'Atelier de Cuisine**. In teams of eight, try making tapas or something more complicated, and then enjoy the fruits of your labour with a glass of wine.
- Spend the afternoon in the recording studio, under the direction of coaches and sound engineers, to record your own team anthem at **You Music**.
- Improvise – literally! A fun but effective team-building day is improv theatre. **Dig Deep Improv** builds soft skills and team familiarity by creating scenes and characters on the spot, with no script and no preparation. Led by Melissa Dalton, your team will communicate, collaborate and trust each other more.
- Escape the office and shut yourself in an escape room to work together to solve mental challenges and improve team cohesion. **Crocus Quest** has classic escape rooms where you can relive Lord of the Rings on a quest to destroy the ring, or join "The Professor" in the Lux-Bank heist. In Dudelange, **Enigmo Rooms** sees if you can escape San Pedro prison, or find the valuable bracelet of Tutankhamun.
- Got a remote virtual team? Fear not, **Brothers** can have you mixing cocktails at home. Everyone receives a drinks kit including ingredients and equipment. A demonstration is given on Zoom, Teams or Webex, before creating the cocktail. The bartender will pick the best-looking concoction.

Employing third country nationals update

Changes to the law in August 2023 have eased the path for companies to recruit non-EU nationals. The two most significant changes mean that family members of working third country nationals, residing in Luxembourg legally, now have unrestricted access to the job market and no longer require work permits. Previously, while family members of people from outside the EU had permission

(cont. on p.56)

Use key words and explain frequent job changes on your CV

Associate director at a finance and fund recruitment agency, Bree Schäfer-O'Reilly says employees from entry level to assistant manager are constantly head-hunted and recruited for new positions, ending up with frequent job changes on a CV.

"Typically companies tend to go for people who have not changed jobs more than twice in five years," she said, adding that there may be valid reasons for multiple job changes such as acquisition or insolvency. "If you have valid reasons for a jumpy CV, you should state them."

Schäfer-O'Reilly looks at 300-400 profiles a week when headhunting, and some 100 CVs per job, which she reads online, using a keyword search to see if candidates have some of the crucial requirements listed in the job description. If none of these words come up, recruiters are less likely to go through each bullet point on a CV, so she recommends that candidates add them.

Her tip is to have a general CV which lists all your key points, tasks and experiences, then based on the job you are applying for, you can remove details not relevant to a specific role and include key words.

Adem's tailored language training

Luxembourg's job agency offers free intensive language courses tailored to different work sectors. Language skills can be the biggest barrier in a diverse labour market, and Adem says that often very good profiles for a specific sector might just lack the language requirements.

All jobseekers registered with the employment agency take an online language test to evaluate their level, and in some cases the agency will propose tailored training. Courses are provided in collaboration with the *Institut national des langues* (INL) to get a better command of English, French, Luxembourgish or German, for a specific sector such as healthcare, education or ICT.

The intensive courses are free and last eight to nine weeks, but if there is a need for more language support, or to attain a higher level, this is also possible.

to live and work in the country, they needed a work permit before they could start a job.

In addition, companies can recruit non-EU workers in areas deemed as having a shortage of skilled labour, such as the IT sector. Luxembourg's job agency Adem has a list of professions with significant skilled worker shortages and if a new role is on this list, then a company will receive a certificate within five days of application to Adem, authorising them to recruit the person of their choice.

Unlocking networking opportunities

It might be daunting to enter a room full of people you have never met, introduce yourself and start talking, but many high-flying professionals and entrepreneurs claim that their networks were the secret to their success.

If you're looking for a career boost, to meet likeminded professionals, or make contacts to grow your business, try these networks and networking events:

Startup Apero run by Silicon Luxembourg is a great place to hear from successful start-up founders, with pitch sessions, a Q&A and the time to network over pizza and beer.

The **Moovijobs** free recruitment evening at Neumunster Abbey on 23 May is open to people working in banking, finance, legal, IT, insurance, audit, accounting, tax and investment funds.

Women can join **The Network**, an English-speaking multicultural organisation that promotes the advancement of women working in professions in Luxembourg.

Small businesses and independents should try the new English-speaking chapter of the **Business Network International**, which meets regularly in Capellen to provide advice and business referrals.

Check out networking or educational events held by the Luxembourg, British and American **Chambers of Commerce**. These include talks on hot topics, matchmaking events, workshops, networking and social evenings.

Women in tech should consider joining **Wide** (Women in Digital Empowerment), **Girls in Tech** or **Luxembourg Legal Hackers**. The **Peanut Project**, a joint initiative from LetzRiseUp and the SheBuilds Global Initiative, hosts regular fireside chats with women of colour entrepreneurs.

Three co-working spaces ideal for start-ups

Starting a business and need a quiet desk at the weekend or on evenings? An entrepreneur looking to bounce ideas off others or for IT and accounting support? A growing business in need of office space? These co-working spaces might be just what you are looking for:

Starting out but have a day job

Located in the heart of the city at 38 Route d'Esch, the **Foundry** is perfect if you are starting up a business in your free time, with co-working spaces available in the evenings and at weekends. Not like a traditional office, the space set across two storeys has open desks but also offices, with plenty of natural light and art that is regularly rotated to provide some inspiration. There's free wifi, a kitchenette and an on-site café. To access the space you need to have an onboarding video call or meeting, but costs are very reasonable. Foundry membership is €20 a month for exclusive access to events, working spaces and lounges.

Working on a project or collaborating

If you're working on a project with clients or need to put a team together, **Gingko** can provide IT and business support. Its Belval location is set over four floors and includes spaces for nomadic co-working, sharing mode and unexpected mode, plus a power nap pod. The Limpertsberg premises have a kitchen, fitness area and espresso bar, but there are other locations in the city, too. The best thing – you can rent your desk by the hour for €8 or for a half-day for €21, including tax.

Free parking, close to the motorway

Close to junction 4 of the A6 motorway and two minutes from the Bertrange-Strassen train station, the five locations of the **Color Business Center** offer high-speed connectivity, IT support and accounting services. Prices are all-inclusive with access to meeting rooms. There is a kitchen and lounge area, plus you get a storage box so you don't have to take your equipment home. If you rent an office, you will also get a free parking space, but even renting a desk space entitles you to use of a meeting room for ten hours per month. With 300 tenants there'll be plenty of opportunity to bounce ideas or collaborate. Costs start at €199 per month.

HOSPITALITY DREAMS

The country's future entrepreneurs plan to make tomorrow's restaurants, bars and hotels thrive. We should listen to these kids. Seriously.

By Ricardo J. Rodrigues
Photos: Chris Karaba

> **"One day I'll come back to Luxembourg and open a unique restaurant in the country**
>
> Tomy Rebelo

Yasmin Polhoud has had enough, really. She struggles to understand why people are still booking predictable weekend get-aways to Paris, Rome or Barcelona. "I don't get it," she bursts out, her fingers twisting around each other. "Why would you spend your money on a destination where everything is already pre-packaged for you? Why would you want to spend your precious vacation time in a line to go to the Louvre, the Coliseum or the Sagrada Familia?"

Polhoud is 22 and a final year student at Diekirch's *École d'Hôtellerie et de Tourisme*, Luxembourg's top hospitality school. She's one of 360 pupils from 36 nationalities that are learning to become cooks, restaurateurs, hotel managers and tourism technicians. It's a training camp for the next generation of entrepreneurs, so we might as well listen to their ideas on how to change the industry.

When Polhoud finishes her studies she wants to travel the world, but definitely not on well-trodden paths. "I want to learn how less-known destinations are becoming quality alternatives, especially in areas that don't attract the masses. Because I have this crazy idea for the Grand Duchy," she says.

Her plan is to open a business right in the heart of urban Luxembourg. "I'd like to open a hotel in Kirchberg, but not one of those skyscrapers where businessmen and European Commission visitors go," she says as her fingers start playing again.

"Instead, I'd like it to be a resort with several log cabins built in wood and stone. Kirchberg has a huge and beautiful forest area that no one really knows about. We could organise hikes on foot, bike trails, climbing activities. The best of nature in the middle of the city centre," she says with her eyes beaming. "How about that?"

ALL-FISH, ALL-SERVICE, ALL-LUXEMBOURGISH

Tomy Rebelo just turned 19 and will soon be getting his diploma as a cook from the Diekirch school. He always knew that he wanted to be a chef: "I particularly like working with fish. I have Portuguese roots and we have some of the best products on the planet. Plus, I used to go fishing with my dad every other weekend at the Dutch coast, so I've always been obsessed with seafood," he says.

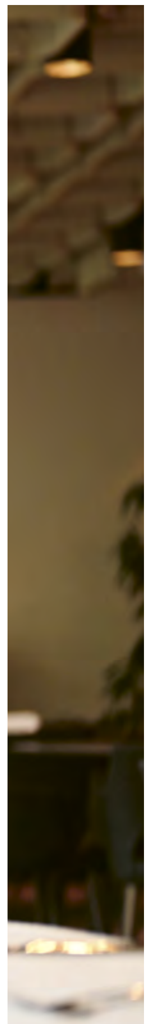
To follows his passion, he has organised training in starred kitchens in Asia and Madeira in the coming months. "I want to learn from the best chefs in the world what I can do with tuna and sardines, trout and mackerel," he muses. He, too, has a plan. "One day I'll come back to Luxembourg and open a unique restaurant in the country. We are close enough to the coast so I think it might work. A real top-notch place, specialised in seafood, in a landlocked country. But, hey, why not?"

Those two simple words – "Why not?" – are at the tip of every student's tongue when quizzed on their ambitious plans. Take 21-year-old Bruno Pereira, for example, who is studying restaurant management and also has his own crazy idea. "It would be great to open a restaurant where the service is the most valued thing. The food has to be great, sure, but most of the cooking would happen in front of the client's table. The server would not only prepare tartares and crêpe suzette but a huge variety of dishes," he dares to dream.

At the end of the morning, an invitation to the tourism school's restaurant awaits. All the food is prepared and served by the students – Pereira delivers to the table the Arctic char in salt crust that Rebelo cooked. Teachers sit at the table and Martin Biver, 23, passes by to say hello. He's finishing his studies in hotel management but what he really wants is to open a gastropub. "I want to do all things Luxembourgish. The food, the drinks, some signature cocktails. Even the staff should be able to speak the language. If we're being asked to think about the future of Luxembourg we should do it in Lëtzebuergesch," he says with a smile. Well, why not?

"It would be great to open a restaurant where the service is the most valued thing

Bruno Pereira



ENTREPRENEURSHIP CAMP

"We like to see this place as an entrepreneurship camp," says Michael Lanners, the school's director. The teaching is based on a hands-on approach. When you arrive in Diekirch, you are welcomed as if you were at the front desk of a hotel. There are several kitchens, restaurants and cafeterias where students learn by doing, with teachers that work in the field. The school has even released a plant-based cookbook.

"We want to train our students to think on their own. That's the only way they can deliver new ideas to the industry," Lanners says. "We apply a system based on three values: passion, attitude and respect. And we're quite happy with the results."

The *École d'Hôtellerie et de Tourisme* is a public school that provides several levels of teaching. From kitchen and techical diplomas to higher education studies in tourism and hotel management. On 7 May the school will hold an open day for prospective students to meet the people behind the projects that are being cooked up here.

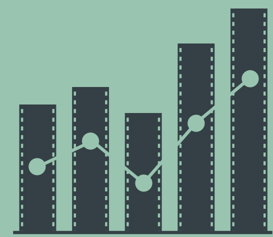
"We apply a system based on three values: passion, attitude and respect

Michael Lanners

"I'd like to open a hotel in Kirchberg...

Yasmin Polhoud

ARTIST OR ENTREPRENEUR, THAT IS THE QUESTION



To live off their work, artists need many of the same skills as entrepreneurs but many baulk at the idea of selling out.

By Faye Peterson
Photos: Marc Wilwert | Graphics: Christian Mertes

The saying goes that you shouldn't mix business with pleasure. But a number of Luxembourg artists are doing just that, taking their daily pleasures and turning them into a paying pursuit. They contribute to a creative economy that represents 3.8% of the EU's workforce (approximately 8.7 million people) and 1.2 million enterprises across the bloc, according to Eurostat.

With an estimated global worth of $985 billion, companies like Deloitte are predicting up to 40% growth in creative sectors by 2030. But what about Luxembourg's creative economy? There is no single definition of the term and it is constantly evolving. In broad brushstrokes it would include creative industries, such as fashion, film, performing arts, publishing, photography and digital media, to name but a few. Human ideas and creativity form its basis and innovation is the name of the game.

But the image of the artist as a long-suffering and solitary figure is embedded in our psyche. It seems hard to buck the trend and argue that one can be an artist and be commercially successful... or is it? "Like any business, you need the work ethic to go out and look for it," said Larisa Faber, an award-winning actor, writer and director. Money doesn't grow on trees though and Faber constantly has to apply for grants and commissions to stay afloat. Training to navigate the "business of being an artist" started early, with her UK-based drama course offering practical skills and business advice.

The hurdle to becoming an entrepreneurial artist is often not a lack of creative ideas, but a struggle to assemble the necessary business acumen and finances to turn your dream into a sustainable reality. With approximately 60% of her time spent on daily administrative tasks, these are skills that any artist will benefit from learning. But even then, it's not plain sailing. "Luxembourg is a terrible place for an artist," said film producer, writer, director and founder of Manufactura Pictures Yann Tonnar. "It crushes an artist," he said, citing high living costs, the difficulty of making a living wage, lack of space and a small market share. He operates in a highly competitive industry, where film fund grants and private commissions are key to getting projects off the ground.

It's possible to make commercial art for a profit, Tonnar mused, but once you start producing art for the sole purpose of making money, is it truly art? "Artists should make money with their art, rather than sell a product or idea." Yet "creative industries in Luxembourg want artists here to be entrepreneurs," he said. But is the gap between the two professions really that wide? Qualities like creativity, passion, adaptability, drive and resilience are needed for both. Although artists may not wield the same

commercial and financial power as the best entrepreneurs, Faber believes creatives possess a soft power of their own, that co-opts rather than coerces the audience.

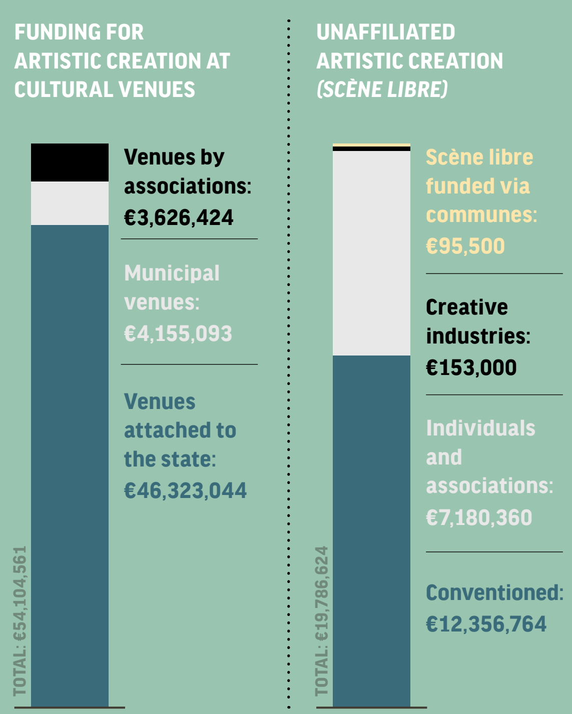
"Art is one of the main pillars of a balanced democracy," she said. Like public transport and healthcare, "art should be a public good". It holds our attention and appeals to our subtler senses, shaping reactions and opinions. Artists have power and with that power comes responsibility. And so Faber operates in a somewhat artistic grey space – not quite lone wolf artist nor the fully-fledged entrepreneur, but the head of her own asbl, a not-for-profit association.

Luxembourg can be an incubator for artists with lots of opportunities to network and gain support, but retaining and nurturing its creatives, allowing them to survive financially so they can wield their soft power remains a challenge. "How much does the state think the investment is worthwhile," asked Faber. That is the question.

STATE SUPPORT FOR ARTISTIC CREATION

A plethora of state subsidies is available to artists in Luxembourg, from grants for individuals working in visual arts, dance, theatre, music or other disciplines to substantial support for cultural venues under state or commune supervision. Nearly 20 pages in the Ministry of Culture's last annual report are dedicated to the various types of aid paid out, which also includes funds dedicated to protecting the country's existing heritage in addition to fostering new artistic creation but excludes the film industry, which is subsidised by the media ministry. In 2021, the latest data available, the ministry spent €73.9 million on artistic creation in the widest sense, divided into funding arts venues, subsidies for artists and other activities. That was nearly 44% of the ministry's budget for that year. Another 52% went to heritage projects, with the remaining roughly 4% spent on administrative and staff costs.

€73.9m
PAID IN SUPPORT OF ARTISTIC CREATION



Source: Ministry of Culture

The Luxembourg Times is your guide to understanding Luxembourg in English, covering politics, business and finance but also life and culture in the country and useful things to know. Here are the faces behind the stories that you can read in this magazine and online.

From left to right:

Cordula Schnuer is the editor-in-chief of the *Luxembourg Times*. She returned to her native Luxembourg in 2011 following her studies in the UK, working as a political journalist with a particular interest in human rights and social issues.

Emery P. Dalesio is a business reporter who joined the *Luxembourg Times* after nearly 30 years with the Associated Press, where he reported from the United States, Hungary and Romania. He also covered business in Budapest and coached journalists in the Balkans.

Yannick Hansen has been with the *Luxembourg Times* for three years. He reports on tax and big business, but also ventures into legal disputes and finance. In his free time, he drives his girlfriend up the wall by watching too many Liverpool games.

Tracy Heindrichs joined the *Luxembourg Times* in November 2023 as a political journalist, after a stint in radio. Starting as a freelance culture journalist, Tracy quickly found herself drawn to climate, human interest and health issues.

Haneyl Jacob is the *Luxembourg Times*' publishing manager. He moved to the country in 2022 after having worked at Reuters in Bangalore for five years. Jacob has experience in news monitoring and creating newsletters for a specific audience.

John Monaghan joined the *Luxembourg Times* in 2020, after building up extensive experience as a news reporter in his native Northern Ireland. He covers EU institutions in Luxembourg.

Duncan Roberts, originally from Manchester in England, is a journalist with more than 25 years' experience in the Grand Duchy. He is now on the politics desk at the *Luxembourg Times*, but also covers business and industrial relations.

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