

National Reform Programme

Ireland

April 2017

Contents

1. Introduction	3
2. Macroeconomic Context and Scenario	6
3. Key Policy Responses to Major Economic Challenges, including response to 2016 CSRs	8
Decision of the UK to leave the EU	8
Public finances; quality of expenditure; investment; including CSR1	12
Cost-effectiveness and sustainability of the healthcare system	15
Housing supply and Spatial Planning	18
Labour market activation policies, especially in relation to low-work intensity households, poverty risk of children, and affordable childcare; including CSR2	21
Sustainable resolution of non-performing loans and the putting in place of a Central Credit Registry; including CSR3	31
4. Progress Towards our Europe 2020 Targets	34
Target 1- Employment	34
Target 2 – Research and Development.....	37
Target 3 – Climate Change and Energy	40
Target 4 - Early School Leaving; Tertiary Education	44
Target 5 - Poverty Reduction	46
5. EU Funds	48
6. Institutional Issues and Stakeholder Involvement	50

1. Introduction

Ireland strongly supports the European Semester process, which aims to support policy making through the development of a shared analysis and understanding of key issues and challenges. Preparation of our annual National Reform Programme (NRP) is an important part of the European Semester process.

Ireland has made significant progress in recent years. We have returned to strong and sustainable growth and are on track to meet our target for a structural balance of minus 0.5% in 2018. There are now more than 2 million people employed and unemployment has reduced to 6.6% and is continuing on a downward trajectory.

Despite this continuing progress, it is clear that external risks have increased, not least following the UK's decision to leave the EU. This presents uniquely significant and unprecedented challenges for Ireland. This NRP sets out our initial response to the UK decision. Responding to this challenge will be a key focus of work in the period ahead, particularly where Brexit represents a serious disturbance to the Irish economy.

More generally, the Government has a range of targeted policies and strategies in place to address challenges identified in the 2017 Country Report published by the European Commission.

There is broad recognition of the case for increased public capital investment in Ireland and the Government intends to prioritise capital expenditure over the coming years. We are currently reviewing our Capital Plan to ensure that capital expenditure is fully aligned with strategic priorities. The first stage is examining spending priorities in the remaining period of the Plan; the second will report on the framework required to underpin longer-term analysis of Ireland's infrastructure planning needs, having regard to the new National Planning Framework on which work is also underway.

The Government also recently announced a systematic review of existing Government current expenditure, which will examine a significant portion of the expenditure base for each Department in advance of Budget 2018, with the remaining current expenditure to be examined over a three-year horizon.

The Government continues to implement its two strategies of the Action Plan for Jobs and Pathways to Work. An Action Plan for Jobless Households is expected to be submitted to Government in the near future. The Comprehensive Employment Strategy for People with Disabilities adopts a cross-government approach bringing together various measures to address the challenges impacting on the employment of people with disabilities, so as to improve their pathways to work over time. The Make Work Pay Interdepartmental Group has developed recommendations to tackle the main barriers to make work pay for people with disabilities and the Group's report is expected to be published in Q2 2017.

The National Skills Strategy 2025 provides a framework for skills development that will help drive Ireland's growth, economic and social, over the next decade. Included in the actions is the creation of a new National Skills Council which will oversee research and advise on prioritisation and delivery of identified skills needs. The Action Plan for Education 2016 – 2019 provides a key statement on the reform agenda across education and training and contains a range of actions to be implemented with particular focus on disadvantage, identified skills shortages, and continuous improvement within the education service.

In July 2016 the Government published an ambitious Action Plan for Housing and Homelessness to address the shortage of housing. This is supported by €5.35 billion in funding with implementation overseen by a sub-committee of Government chaired by the Taoiseach. We have also recently launched a consultation on the elaboration of a new 20 year National Planning Framework (NPF) which will provide the direction and stability to guide key investment and policy decisions. The NPF is also about empowering all areas to play their distinct and different parts in securing overall optimal national and regional development.

The Government has focussed efforts on supporting sustainable regional development, including the implementation of Regional Action Plans for Jobs and the development and publication in January 2017 of an Action Plan for Rural Development. Nine Regional Skills Fora are now in place across the country and a Regional Skills Manager has been appointed to lead the activities of each Forum. The Managers have established a strong network of working relationships between the stakeholders in the regions, with particular focus on liaison between enterprise and education and training stakeholders.

The National Action Plan for Social Inclusion, in consultation with relevant stakeholders, will be reviewed in 2017 with a view to developing a successor plan for future periods. The aligned national social target for poverty reduction will also be reviewed. The Government also continues to prioritise the rollout of reforms to childcare provision announced in Budgets 2016 and 2017, on foot of the reports of the Inter-Departmental Groups on Investment in Childcare and Supporting Access to the Early Childhood Care and Education (ECCE) Programme for Children with a Disability, including the development of a Single Affordable Childcare Scheme.

Ireland has made significant and sustained progress in reducing the level of non-performing loans, restructuring the banking sector, and has fundamentally reformed our personal insolvency and bankruptcy framework twice in recent years. Work on the rollout of a Central Credit Registry is progressing.

This NRP reports on the progress made and policy measures in place to address key policy challenges. It reports on progress across the three Country Specific Recommendations (CSRs) received in 2016 covering

1. Public finances and investment

2. Labour market activation policies, especially in relation to low-work intensity households, poverty risk of children, and affordable childcare; and
3. Sustainable resolution of non-performing loans and the putting in place of a Central Credit Registry.

This NRP also reports on progress towards our Europe 2020 targets across the five headline targets of Employment; Research and Development; Climate Change and Energy; Education; and Poverty reduction.

Finally, the NRP also reports on the use of structural funds and on stakeholder engagement, which is regarded as an important part of the European Semester process.

2. Macroeconomic Context and Scenario

First estimates show that GDP increased by 5.2 per cent in 2016, a percentage point higher than assumed at the time of the Budget. This reflects, in the main, stronger-than-anticipated activity in the second half of the year.

High frequency indicators suggest the positive momentum has continued in 2017. Retail sales, merchandise trade data as well as purchasing managers' indices support an assessment of another year of robust growth.

The external economic environment is one of heightened uncertainty. Notwithstanding its decision to leave the European Union, economic activity in the UK has, thus far, remained resilient. However, the short and medium term trajectory for demand in this key trading partner is far from clear. At the same time, the expected shift in the policy stance in the US – an easing of fiscal policy with a tightening of monetary policy – will have implications for global economic activity via the demand, exchange rate and financial market channels.

The baseline forecast is for a gradual firming of activity in key export markets this year, continuing into next year. According to the European Commission Winter 2017 forecasts, economic activity in the UK is projected to increase by 1.5 per cent this year and by 1.2 per cent in 2018. A number of UK institutions are projecting GDP growth of a broadly similar magnitude. Short-term prospects for the euro area economy are relatively good, while in the US acceleration in the growth rate is projected which could be amplified by any fiscal stimulus.

In summary, therefore, external demand is expected to be reasonably strong this year. The relative competitive position, at least in aggregate terms, is broadly unchanged from that assumed at the time of the Budget. Against this background, a relatively solid Irish export performance is projected for this year.

Investment spending looks set to put in a strong performance once again this year, although the headline figure is distorted by base effects. Leading indicators point to strong investment in building and construction while the ongoing recovery in domestic and international demand should support further investment in (core) machinery and equipment.

Consumer spending is forecast to increase by 2.8 per cent this year. Household incomes should benefit from continued growth in labour income as employment and earnings per worker expand further. Other components of household disposable income are also expected to increase, while the assumed modest pace of inflation will support disposable income growth. A modest decline in the household savings rate is assumed. In terms of high frequency data, core retail sales were up around 6 per cent to end-February year-on-year, while consumer sentiment remains solid, well above its long run average.

In aggregate terms, GDP is projected to increase by 4.3 per cent this year. In recent years, there has been a significant increase in the stock of foreign-owned capital assets in Ireland. The depreciation rate on some of these assets is relatively high which, because depreciation is a charge against profits, can reduce the returns to the foreign owners of this capital. *Ceteris paribus* this will lead to a narrowing of the gap between GDP and GNP, the latter assumed to increase by 4.2 per cent this year.

In a situation in which headline activity measures (such as GDP, trade, industrial production, etc.) are difficult to interpret, labour market developments arguably provide the best indications of economic activity in Ireland at present.

Overall employment growth accelerated in the second half of last year and early indications point to continued solid jobs growth in the early part of the year – the monthly unemployment rate has fallen in each month during the first quarter. For this year, an employment increase of 2.7 per cent (55,000 jobs) is projected, with the bulk of these in full-time employment. Employment growth should once again out-pace labour force growth with the result that a further decline in unemployment is anticipated. For the year as a whole, the unemployment rate should average 6.4 per cent, which would be consistent with the rate falling below 6 per cent by year-end. The tightening labour market will likely give rise to some wage inflation.

Figure 1: SPU 2017 Forecasts

	2016	2017	2018	2019	2020	2021
<i>% change unless specified</i>			year-on-year change			
Real GNP	9.0	4.2	3.5	2.8	2.3	2.1
Real GDP	5.2	4.3	3.7	3.1	2.7	2.5
Employment	2.9	2.7	2.4	1.9	1.5	1.4

3. Key Policy Responses to Major Economic Challenges, including response to 2016 CSRs

Decision of the UK to leave the EU

The decision of the UK's to leave the EU presents uniquely significant and unprecedented political, economic and diplomatic challenges for Ireland, given the extent of the inter-connectedness of our people and economies. These are challenges both to our peace and to our prosperity, and how we deal with them in the months and years ahead will define the future of our island for decades to come.

The nature of the UK's future relationship with the EU will be vitally important, though the UK decision to leave, and the related currency fluctuation, is already having impact in some important sectors of our economy.

Ireland has undertaken extensive internal analysis and external consultation. Along with our own Governmental analyses, the All-Island Civic Dialogue process has seen a range of stakeholders and representatives, North and South, meet regularly to share concerns surrounding Brexit's potential economic and social impacts. The All-Island Sectoral Dialogue process saw stakeholders examine Brexit's economic impacts across a range of fora: agri-food and seafood; jobs, enterprise and innovation; transport and logistics; education and research; and tourism and hospitality; Brexit's social impacts were examined under a series of societal focused workshops covering: children and young people; heritage, culture and rural Ireland; welfare, rights and mobility; schools, education and training; and human rights and the Good Friday Agreement.

Alongside seeking the best possible outcome in the forthcoming negotiations, the Government will also continue its intensive work to make the economy resilient and future-proofed.

Our twin goals are to secure the closest possible economic and trading relationship between the EU and UK, and to prepare the economy to cope with potential turbulence in the coming years.

Ireland has important strengths to draw on in facing up to this challenge. Ireland remains a committed member of the EU and is open to business, trade and investment.

As steps towards the exit of the UK from the EU proceed, we will keep our policy response under review and will also make a strong case at EU level that Ireland will require support that recognises where Brexit represents a serious disturbance to the Irish economy.

Initial Response

Since the UK referendum, we have responded swiftly to ready ourselves to deliver a strategy that protects and advance our interests. **Budget 2017** contains several measures designed to ensure that enterprise in Ireland – especially those in the SME sector – are prepared for a potentially more difficult trading environment. A sum of €1.5m was also provided in Budget 2017 to attract researchers to Ireland, as part of our strategic response to Brexit.

We have retained the reduced nine per cent VAT rate for the hospitality sector. Initiatives undertaken to support the agri-food sector include the introduction of the ‘Agri Cashflow Support Loan’ fund of €150 million, an income averaging “step-out” in the agriculture sector to help with expected volatility in demand for agri-food products following severe price fluctuations, and an additional allocation of €2m in 2017 to Bord Bia to ensure that they are in a position to provide Brexit-related supports to affected companies.

We have also set a lower debt target (45% debt to GDP) and plan to establish a rainy-day fund from 2019 to provide a cushion against future shocks.

Our **Action Plan for Jobs 2017** also responds to the immediate challenges of the UK’s decision to leave the EU. It includes 20 specific actions to respond to the UK decision, including diversifying export markets and improving competitiveness. It captures our response to a more volatile and changing external environment by strengthening the resilience and agility of our enterprise base.

We have allocated additional resources in a number of areas, including an additional €3 million to Enterprise Ireland and IDA Ireland to provide greater representation in target markets to help Irish businesses export more and to attract in new investment. Almost 50 additional staff is being deployed in the State enterprise agencies.

Enterprise Ireland is working with firms to support product and service innovation, the adoption of lean systems, smarter sourcing strategies, and the identification of new overseas markets.

We are working with those companies most exposed to Brexit to develop growth plans to diversify their exports to other geographies, particularly in the Eurozone, Northern Europe and US and Canada. An expanded programme of trade and investment missions, events and study visits is being run in 2017, with funding provided for the development of a programme of initiatives to increase the awareness and capacity of SMEs to deal with the practical consequences of Brexit for cross border trade.

We are developing sector by sector responses based on in-depth analysis of the implications for Ireland’s most exposed sectors including in the first instance, Agri-food, ICT and Retail.

We will maximise investment opportunities arising from Brexit in the context of the Government’s International Financial Services (IFS) Strategy and we will develop Ireland as

an attractive location for mobile, globally renowned researchers, including UK based researchers, using and adapting Science Foundation Ireland programmes such as Research Professorship, Future Research Leaders, Investigators Programme, and European Research Council support schemes.

Enterprise and Trade Policy

To assist in future proofing the economy and enterprise, we are undertaking a review of our long term enterprise policy, *Enterprise 2025*, which remains relevant in terms of its focus on building the resilience of the enterprise base, export-led growth and job creation. An assessment of progress to date will be undertaken and any additional actions that may be necessary in light of more recent global developments and more specifically in relation to Brexit and potential policy approaches by the US that have implications for enterprise here. This will include a medium-term stabilisation and adjustment plan for those businesses who will be most affected by Brexit.

The review will inform relevant elements of policy including national competitiveness as well as investment priorities to strengthen Ireland’s positioning in the global context.

Through our new trading strategy published in March 2017 – *Ireland Connected: Trading and Investing in a Dynamic World* – we have set out a cohesive, whole-of-government strategy that builds on existing successes and sets ambitious targets for Ireland’s exports, foreign direct investment, tourism and international education. The new strategy will deepen Ireland’s economic resilience and responsiveness in the face of highly changeable global conditions by intensifying our business development activity in existing markets and diversifying into new regions.

It supports the intensification of activity in existing markets as well as diversification to other global markets for exports and foreign direct investment. One of the strategy’s aims is to reinforce Ireland’s agility and capacity to respond to the dynamic global environment. It sets out a vision of Ireland as an outward-facing, globally connected hub for business, research, innovation, investment and tourism, sustaining prosperity at home for all her citizens.

SME Policy Context

On a more general level, the policy context for SMEs is primarily focused on the implementation of the EU Small Business Act, the National Entrepreneurship Policy Statement, Enterprise 2025, the Action Plan for Jobs, and the Regional Action Plans for Jobs. SMEs are important to the Irish economy as they make up 99.8% of active enterprises and 69% of employment in the private sector (CSO Business in Ireland, 2014).

We have a strong focus on growing SMEs in the regions and increasing the number of start-ups by 25%, increasing the survival rate in the first five years by 25% and improving the capacity of start-ups to grow to scale by 25%.

A range of supports are available for SMEs and have been promoted by the Supporting SMEs campaign. SMEs can get information on these supports on the Supporting SMEs online tool at: <https://www.localenterprise.ie/Discover-Business-Supports/Supporting-SMEs-Online-Tool>.

2017 will see a focus on a mid- term review of the **National Entrepreneurship Policy Statement** and the **development of an Irish SME test**, which will direct policy makers to "Think Small First" when completing legislative impact assessment.

Our National Competitiveness Council is also benchmarking Ireland's performance against UK as the situation evolves.

SME Financing

We will roll out a Finance Initiative to support the working capital needs of export oriented SMEs. In addition, we will support our SMEs' efforts to deepen market penetration, diversify to new markets, invest in RD&I and in plant, machinery and technologies. We are also tailoring the wide range of State supports currently available such as low cost credit and increased credit supply from the Strategic Banking Corporation of Ireland.

The Credit Guarantee Scheme provides a State guarantee to accredited lenders of 75% (increasing to 80% from mid-2017) on eligible loans or performance bonds to SMEs. The purpose of the Scheme is to encourage additional lending to SMEs, not to substitute for conventional lending. SMEs are thus enabled to develop a positive track record with the lender with the objective of returning to standard commercial credit facilities in time. It also places Irish SMEs on a competitive level-footing relative to other trading competitors who are able to avail of a guarantee in their own countries. Up until end of 2016 the Credit Guarantee Scheme has sanctioned 401 facilities totalling €64.7m and supported 1,543 new jobs and maintaining 1,040 jobs.

Following a review of the Credit Guarantee Scheme a number of improvements were made including legislative changes which dealt with the situation of refinancing of loans where a SMEs bank was exiting the Irish market and extending the maximum length of the guarantee from three to seven years.

Further legislative changes were put in place in 2016 which expanded the definition of financial providers and financial products which can come within the Scheme, re-balanced the share of risk and empowered the Minister to give Counter Guarantees.

The Microenterprise Loan Fund provides loans of between €2,000 and €25,000 to microenterprises that cannot obtain funding through traditional sources. During 2016 the Fund received 861 applications, approving €5.4m worth of loans and supporting 990 jobs. 82% of approvals are to businesses employing 3 people or fewer with 52% of approvals granted to start-ups with 82% of loans granted to microenterprises outside Dublin.

Public finances; quality of expenditure; investment; including CSR1

CSR 1: Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0.6% of GDP towards the medium term budgetary objective in 2016 and in 2017. Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction. Reduce vulnerability to economic fluctuations and shocks, inter alia, by broadening the tax base. Enhance the quality of expenditure, particularly by increasing cost-effectiveness of healthcare and by prioritising government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing.

- (i) *Following the correction of the excessive deficit, achieve an annual fiscal adjustment of 0.6% of GDP towards the medium term budgetary objective in 2016 and in 2017.*

The estimate for the end 2016 structural balance in the 2017 Stability Programme Update (SPU) is a deficit of 1.3% of GDP. This represents an improvement of 0.6% of GDP on the latest end-2015 structural balance estimate. While the SPU forecast for the 2017 adjustment falls short, Ireland is still on the adjustment path to achieve its MTO in 2018. The European Commission has acknowledged large volatility in structural balance estimates for Ireland and stated that the expenditure benchmark is more relevant for the assessment of Ireland's compliance with its SGP obligations.

- (ii) *Use windfall gains from strong economic and financial conditions, as well as from asset sales, to accelerate debt reduction.*

Proceeds from the disposal of the State's shareholding in a number of financial institutions prudently are not included in the arithmetic which underpin the fiscal forecast. This is due to the difficulty in projecting the timing of any disposals which will depend upon prevailing market conditions and as such represent upside to the Exchequer revenue forecasts. In any event, these disposals will be classified as financial transactions which means that the proceeds will not count as General Government revenue, nor will they affect the General Government balance.

It has been the Government's stated intention to use such receipts from the resolution of the financial sector crisis to pay down our debt and help reduce the associated debt servicing costs. During 2016 such receipts were transferred to the Exchequer, which in turn reduced the Exchequer Borrowing Requirement and as a result the debt is lower. Accordingly, future one off receipts will be treated in a similar manner. Such debt reduction, underpinned by our new lower general government debt target of 45 per cent of GDP, will increase the resilience of the public finances to deal with any potential shocks which may emerge.

- (iii) *Reduce vulnerability to economic fluctuations and shocks, inter alia, by broadening the tax base.*

The income tax package in Budget 2017 focussed on reducing the tax burden on low to middle income earners, while maintaining a broad tax base. The Budget 2017 income tax package was comprised primarily of reductions in the three lowest rates of USC. The entry threshold to USC did not change, so the existing breadth of the USC base was maintained. Two income tax credits were increased – the Earned Income Credit and the Home Carer Credit – and a tax incentive for first time buyers of newly built homes was introduced. The total full year cost of these three tax measures was just over €100 million, a very minor narrowing of the tax base in the context of a projected income tax yield for 2017 of approximately €20 billion.

It should also be noted that the non-indexation of income tax credits and rate bands was a base-broadening aspect of Budget 2017. It was estimated that the Exchequer yield from non-indexation of the income tax system would be in region of €450 million on a full year basis.

- (iv) *Enhance the quality of expenditure, particularly by increasing cost-effectiveness of healthcare and by prioritising government capital expenditure in R&D and in public infrastructure, in particular transport, water services and housing.*

With the recovery in the economy, the emphasis has been on the continuation of a prudent approach to fiscal and expenditure policy. In this context, it should be noted that while tax revenue in 2016 grew 5 per cent year on year, the growth in gross voted expenditure was 2 ½ per cent. This illustrates the commitment to sustainable expenditure increases.

There is a broad recognition of the case for increased public capital investment in Ireland and the Government intends to prioritise capital expenditure over the coming years. This is clearly demonstrated by the additional capital expenditure announced in the 2016 Summer Economic Statement and the consequential capital expenditure levels outlined in Budget 2017.

For example, the Government intends to invest more than €3.6bn in public transport over the period 2016-2022 under its Capital Plan. A significant element of the capital programme each year is required for the maintenance and renewal of the heavy rail network – up to €160m is allocated for this purpose in 2017. Funding for some elements of the DART Expansion Programme is provided for in the Capital Plan, including funding for the extension of the DART (electrification) to Balbriggan on the Northern line. Work has commenced on the pre-planning stages of the DART Expansion Programme. Based on the findings in the Strategic Investment Framework for Land Transport it is envisaged that maintenance and renewal of the road network will continue to be the main priority over the next period and the bulk of the roads capital budget, approximately €4.4 billion, is earmarked for such essential

work with a further €600 million allocated for implementation of the PPP road programme which is already underway.

Looking at the effectiveness and the prioritisation of public expenditure, there is a continued commitment to ongoing reform of the public expenditure management framework in Ireland, including in the areas of programme expenditure and appraisal, management and evaluation. The reforms implemented include regular Spending Reviews over a three year cycle that take into account whether or not the programmes are delivering. Reviews of expenditure programmes are informed by, and take account of, relevant evaluations of the effectiveness and efficiency of programmes. Agencies use, and are expected to use, the Public Spending Code and the Irish Government Economic and Evaluation Service. Finally, we are making better use of Performance-based Budgeting which ensures more effective and efficient expenditure on public services.

Reprioritisation of resources from lower priorities expenditure programmes to higher priorities is an important way to free up resources for other Government aims, as there are many competing priorities and demands on limited public resources. To facilitate this reprioritisation, a Spending Review has commenced this year to better inform the Government's resource allocation decisions in advance of Budget 2018. A mid- term review of the multi-annual capital programme is also underway to inform investment priorities.

Cost-effectiveness and sustainability of the healthcare system

The Irish Government's long-term vision is to allow everyone to enjoy physical and mental health and wellbeing to their full potential. To pursue that vision, the *Statement of Strategy for the Department of Health 2016-2019* sets out the Department's mission, values, role, and main functions. It identifies the Department's mission as : To improve the health and wellbeing of people in Ireland by:

- keeping people healthy;
- providing the healthcare people need;
- delivering high quality services; and
- getting best value from health system resources.

It sets out the main challenges and opportunities to be addressed and organises a range of actions to be taken during the next three year period into five major strategic objectives:

1. Support people to lead healthy and independent lives
2. Ensure the delivery of high quality and safe health and social care
3. Create a more responsive, integrated and people-centred health and social care service
4. Promote effective and efficient management of the health services
5. Develop a high-performing Department to lead and oversee the health and social care sector

The Statement of Strategy takes account of the health-related commitments in the *Programme for a Partnership Government*, other cross-Government strategies¹, and acknowledges the role of the Oireachtas Committee on the Future of Healthcare in providing further direction in relation to overall health and social care policy. The Statement and its actions reflect the changing healthcare needs, the requirement for a new model of care, the need to combine short-term action with long-term focus, and the importance of strong performance and accountability in the system.

Healthy Ireland is the national framework for improved health and wellbeing. It strives to create an Ireland where everyone can enjoy physical and mental health and wellbeing to their full potential, where wellbeing is valued and supported at every level of our society, and is everyone's responsibility. One of the key goals of Healthy Ireland is to reduce health inequalities. This goal requires not only interventions to target particular health risks, but also a broad focus on addressing the wider social determinants of health – the circumstances in which people are born, grow, live, work and age – to create economic, social, cultural and physical environments that foster healthy living. Healthy Ireland takes a 'whole of government' and 'whole of society' approach to addressing the determinants of health and supporting healthy lifestyles across the lifecourse.

¹ It also incorporates Government policy commitments set out in other broader cross-Government strategies such as the *Public Service Reform Plan*, the *Civil Service Renewal Plan* and action plans on Jobs, Housing and Homelessness, and Education.

All of the above strategic objectives can be clearly linked to improving health outcomes and increasing the cost-effectiveness of healthcare, in respect of which Ireland continues to make progress (see the areas set out below).

Framework Agreement on the Supply of Medicines to the Health Services 2016-2020

A new framework Agreement between the State and the Irish Pharmaceutical Healthcare Association (IPHA) was signed on 20 July 2016. This Framework agreement will deliver up to €600 million in cumulative savings from IPHA companies over the next four years, with the potential to deliver in excess of €150 million from non-IPHA companies also.

<http://health.gov.ie/wp-content/uploads/2016/07/Framework-Agreement-on-the-Supply-and-Pricing-of-Medicines-signed-copy.pdf>

Performance and Accountability Framework

The Health Service Executive (HSE) is responsible to the Minister for Health for delivering the services set out in its annual National Service Plan. To assist it in delivering on its commitments, the HSE has recently published a revised and enhanced 2017 Performance and Accountability Framework. The Framework ensures that named senior health service managers designated as Accountable Officers are explicitly and personally accountable for performing within their budget allocation.

The Performance and Accountability Framework sets out a stepwise approach. In the first instance, where managers have identified performance issues they are expected to put in place remedial actions to address any issues identified. Supports are provided to managers at this stage. Where remedial actions have not achieved the required correction, there is provision under the Framework for the formal escalation of individual Hospital Groups, Community Health Organisations or other services that are underperforming. Escalation reflects an increased level of concern in relation to performance which requires more intense focus, action and scrutiny in order to bring about improvement.

While the focus of the Escalation process is on supporting managers to improve performance, the Framework also provides for sanctions to be applied in the case of continued underperformance where despite remedial plans, supports and interventions in place, performance does not improve. The sanctions can be applied at both the organisational level and the individual level.

Financial Management Reform

Financial management reform is ongoing in the health service. The Finance Reform Programme is a key enabler for wider health service improvement and is considered to be the single most important non-clinical priority of the Health Service Executive (HSE). The overarching vision for the Finance Reform Programme is to transform the way finance is delivered across the HSE. The key aims are to create a single accurate financial picture across the HSE that will allow people across the organisation to make better financial decisions; support change and improvement in financial management practice; and be an important enabler of wider system improvement. The three strands of the Finance Reform Programme

are on track. In 2016, the request for tenders for a new Integrated Financial Management System was issued. Tenders have now been received and are being assessed.

eHealth

Progress continues to be made in relation to eHealth. There is significant ICT input and support for the technology aspect of the Finance Reform Programme, the Integrated Financial Management System. The Maternity and Newborn Clinical Management System Project is the design and implementation of an electronic health record (EHR) for all women and babies in maternity services in Ireland. This record will allow all information to be shared with relevant providers of care as and when required. The first site went live in December 2016 with further sites planned for 2017. eReferrals (National Electronic General GP Referrals) is an initiative that has developed the infrastructure to electronically transmit referrals from GPs to Acute Hospitals. It has now been rolled out to all six hospital groups and the numbers of eReferrals will increase over time as take up of the facility improves. The ICT capital provision is being examined in the context of the mid-term capital review.

Housing supply and Spatial Planning

Rebuilding Ireland - Action Plan for Housing and Homelessness, published in July 2016, addresses the many interacting structural constraints affecting housing supply in Ireland through 113 actionable and time-bound measures across five key pillars, namely:

1. Address Homelessness;
2. Accelerate Social Housing;
3. Build More Homes;
4. Improve the Rental Sector; and,
5. Utilise Existing Housing.

The overall aim of the Action Plan is to more than double current levels of housing output to at least 25,000 new homes per annum by 2021 to meet current, pent-up and forecast demand. Implementation of the Plan is driven overseen by a Government sub-committee chaired by the Taoiseach and is supported by an associated budget of €5.5bn out to 2021.

The Rebuilding Ireland Quarter 4 2016 progress report and February 2017 Monthly Housing Activity Report show the broad progress being made across the five Pillars and the positive trends in terms of housing supply and the pipeline of planning permission; housing construction commencements and completions as a result.

The Monthly Housing Activity Report which charts current activity levels across 3 key statistical activity indicators shows that:

- Planning permissions granted for new homes increased by **26%** yr. on yr.
- Residential Commencement Notices increased **44%** yr. on yr.
- Over 15,000 homes were completed, an increase of **18%** yr. on yr.

The indicators confirm that the upward trend in housing activity evident, in recent times, is gaining momentum and, having regard to wider economic growth projections and the increasing level of planning permissions in particular, is expected to continue to gather pace and result in higher levels of output in 2017 and beyond.

Some of the key measures in the Action Plan already under way include:

- Allocation of €226 million for 34 strategic infrastructure projects under the Local Infrastructure Housing Activation Fund (LIHAF) to facilitate delivery of 23,000 homes by 2021 across 15 Local Authority areas;
- Identification and prioritisation of 23 Major Urban Housing Development Sites with capacity to deliver 30,000 new homes;
- The passing of legislation to enable the fast-track of planning applications for large (100+ units) housing and student accommodation developments directly through An Bord Pleanála's new Strategic Housing Division;
- Provision to acquire 1,600 vacant units through a €70m Housing Agency rolling fund;

- Expanded use of Housing Assistance Payments (HAP) to create Homeless Tenancies: 810 HAP tenancies were created for homeless households in the Dublin Region in 2016, significantly exceeding the target of 550 tenancies;
- €5.35bn in funding is being made available to 2021 to deliver 47,000 social housing homes; In 2016, nearly 18,400 social housing supports were provided from a housing budget of €935 million; €1.3bn in funding has been made available for 2017 to deliver some 21,000 social housing supports.
- The Social Housing Construction Projects Status Report – Q4 2016 details the pipeline of over 500 social housing projects, involving the construction of over 8,400 homes. This Status Report will be updated and published on a quarterly basis.

A new Vacant Housing Re-Use Strategy and other initiatives aimed at maximising the use of existing but vacant homes under Pillar 5 of Rebuilding Ireland, will also be launched in the coming weeks.

National Planning Framework

The National Planning Framework, entitled “Ireland 2040: Our Plan”, will be the long-term, 20 year strategy for the spatial development of Ireland (NPF) and successor to the 2002 National Spatial Strategy (NSS). Undertaken on behalf of Government by the Department of Housing, Planning Community and Local Government, the Framework will focus on spatial development issues and choices that are genuinely national in scope and scale, and will provide the direction and stability to guide key investment and policy decisions over the next 20 years.

The NPF is also about empowering all areas to play their distinct and different parts in securing overall optimal national and regional development and there are important areas of work being undertaken by the Economic and Social Research Institute in assessing economic potential across the regions and what this means for future population growth, housing needs and infrastructure requirements in a holistic manner.

Recent policy developments and Progress

Following extensive preparatory and consultative engagements, the initial pre-draft consultation phase of the *Ireland 2040 - Our Plan, National Planning Framework* process runs from 2 February to 31 March 2017. This consultation phase is focussed on informing people of the process and presents an opportunity to help shape a draft document. The output of the consultation phase, together with consideration of the full Census 2016 results in April, will feed into a draft document, to be published by the Summer, which will be accompanied by an Environmental Report and will go out formally for consultation, having regard to the requirements of the SEA Directive.

The NPF consultation phase is running in tandem with the commencement of a mid-term review of the Irish Government’s Capital Plan to 2021. On the basis of the initial public consultation, a draft NPF will be prepared which will be available to the Department of Public Expenditure and Reform to input into the mid-term review of the Capital Plan.

The detailed ‘Issues and Choices’ NPF consultation paper launched on 2 February 2017, addresses a range of issues, including Ireland in an island context, and can be found on the website www.ireland2040.ie. This website will act as the portal for general public and stakeholder interaction throughout all phases of the NPF preparation process.

Labour market activation policies, especially in relation to low-work intensity households, poverty risk of children, and affordable childcare; including CSR2

CSR 2: Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children. Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments. Improve the provision of quality, affordable full-time childcare.

The **Pathways to Work (PtW) Strategy** sets out a comprehensive reform of the State's approach to helping unemployed jobseekers return to work. PtW reforms to date include the establishment of 'one-stop shop' Intreo centres, and a transformation of jobseeker services through Intreo; new schemes and employment supports; expansion of some existing schemes; and a re-organisation of the Further Education and Training (FET) sector.

The **Youth Guarantee Implementation Plan** set out reforms to policies and processes, focusing on earlier and enhanced engagement with the newly young unemployed to facilitate their return to work. For those who did not find employment, additional places are provided on a range of existing and youth-specific schemes. PtW also implemented a number of reforms to facilitate the long-term unemployed to return to employment, including the introduction of the payment-by-results model of **JobPath** to provide contracted employment services. The Pathways to Work strategies from 2012 to 2015 were successful in contributing to a reduction of circa 38% in the numbers of people unemployed over that period.

The *Pathways to Work* strategy for 2016 to 2020 was published in January 2016. It considers how activation approaches developed during a time of recession should be adapted for a time of recovery and as a tool of social/active inclusion during a period of prosperity. It therefore adopts a two-pronged approach to further labour market and activation reforms:

- **Consolidation:** Consolidating the recent reforms to the Public Employment and Welfare Services and optimising provision to maximise outcomes for its clients.
- **Development:** Gradually expanding access to activation services, as resources allow, to other non-employed people of working age.

The strategy contains 86 actions across 11 Departments and agencies. There are 10 metrics against which progress is measured. As at end 2016, 43% of actions were on target for completion by their due date; 41% of actions had been completed and/or were completed but with on-going reviews; and 14% of actions were underway but were off target in terms of their due date.

Work undertaken in 2016 includes: ensuring at least monthly engagement between case officers and those already, or at risk of becoming, long-term unemployed; promoting the availability of employment services to voluntary engagers; and a number of measures to

enhance the quality of employer engagement. PtW 2016-2020 measures for the young unemployed have been completed and/or are ongoing. In 2016, 150,800 people were referred to group engagements and 106,600 people attended initial one-to-one interviews. A number of specific performance targets were set for 2016 in relation to the long-term unemployed and young unemployed. These targets have been met or exceeded (for example, in 2016 the target was to move 20,000 long-term unemployed people into employment; by end 2016, an estimated 40,700 had gained employment).

The **rolling, multi-annual PtW Evaluations Programme** continued in 2016. This includes large-scale annual customer satisfaction surveys. It draws upon an episodic administrative database, the Jobseekers' Longitudinal Database (JLD), capturing jobseekers spells of unemployment and exits to employment, training and education, from 2004. The second annual customer satisfaction survey was expanded to include both Jobseekers and JobPath clients. Results will be published in Q2 2017. The JobBridge Evaluation Report was published in October 2016. It had 3 elements: a rigorous counterfactual impact evaluation (that used cohort-building techniques to continuously assess impacts); a survey (response rate: 33.5% of all participants and 23.3% of all host organisations); and a cost-benefit analysis.

Key findings included:

- Individuals similar to those who participated in JobBridge had a 36.6% probability of securing employment within one year, whereas the JobBridge interns' probability of securing employment within one year increased to 48.4% (an 11.8 percentage point difference and a 32% increase in the probability of becoming employed).
- The overall economic cost-benefit analysis, taking account of increased employment and incomes, indicates a positive economic net benefit.
- Amongst interns, there was broad agreement that the internship provided them with new job skills and an opportunity to gain quality work experience. However, there was dissatisfaction with the value of the top-up payment and some aspects of the administration of the scheme.

Following publication of the evaluation it was announced that JobBridge would be replaced in 2017 with a new work experience programme that better reflected the improved labour market and addressed certain criticisms of the scheme. The design of the scheme will be informed by learning from the evaluation; by proposed design principles as recommended by the Labour Market Council, an independent advisory body; and by consultation with stakeholders.

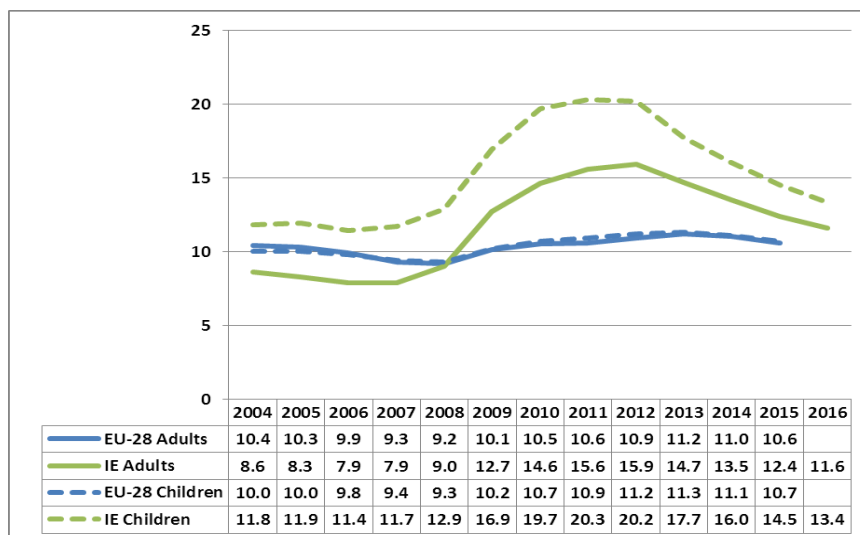
Two major evaluations currently under way using the JLD are the evaluation of the Intreo 'one-stop-shop' service for jobseekers, and of the Back to Work Enterprise Allowance (BTWEA). Further evaluations are planned for 2017. The Department of Education and Skills have also formally evaluated Springboard and Momentum.

Now in its seventh year, **Springboard+** has to date provided over 35,000 free higher education places, primarily to jobseekers in need of up skilling or re-skilling to allow them to re-enter the labour market. Over 80% of participants are no longer on the Live Register. From 2017 the eligibility criteria for Springboard+ will be expanded to include two new groups:

- people that have been out of the work environment for a number of years due to childcare or other caring obligations and have a previous history of employment but may require up skilling, re-skilling or cross-skilling to transition back to the workforce
- those in employment who wish to up skill or re-skill to meet a specific emerging skills need in the Biopharma/Med Tech sector.

The improvement in the labour market has seen a significant reduction in the scale of **household joblessness**.² Figure 2 shows the percentage of adults (aged 18-59 years) in jobless households in Ireland doubled from 2007 to 15.9% in 2012, before falling to 11.6% in 2016. The pattern for children, though higher, is similar; increasing from 11.7% to 20.2%, with a subsequent decrease to 13.4%. Before the crisis the EU-28 average for adults in household joblessness was higher than in Ireland (9.3% vs. 7.9%), while the child rate was lower (9.4% vs. 11.7%). Since 2012, the gap between the EU and Irish rates has narrowed. The national data suggests the gap to the EU-28 average will close further in 2016.

Figure 2: Progress on household joblessness, 2004 to 2016 (Source: EU-LFS, 2004-2015 and QNHS, 2016)



The Programme for Partnership Government commits to producing an **Action Plan for Jobless Households**, which will contain targets aimed at supporting those in jobless households into employment; the continuing reduction in the number of jobless households

² The national statistical institute (CSO), after examination of the data divergence using the very low work intensity indicator in the Survey on Income and Living Conditions (SILC) as compared to the jobless household indicator in the Labour Force Survey (LFS), has advised that the LFS is the definitive source of employment data, including household joblessness.

should have an impact in reducing child poverty. An Interdepartmental Group on Jobless Households was consulted in the preparation of this plan. The Labour Market Council and findings from the NESI qualitative study on the experience of joblessness in households in a disadvantaged Dublin suburb is informing the Group's work. The Action Plan is due to be submitted to Government shortly.

The **Comprehensive Employment Strategy for People with Disabilities** aims to address the under-representation of people with disabilities in the labour force. The strategy adopts a cross-government approach bringing together various measures to address the challenges impacting on the employment of people with disabilities, so as to improve their pathways to work over time. The action plan covering 2015-2017 is being implemented.

During 2016, the **Make Work Pay Interdepartmental Group** reviewed research and evidence on the impact of different approaches on employment participation for people with disabilities, conducted comparative analysis of the net income differences for those on welfare and in employment, and engaged extensively with stakeholders. From this, the Group identified the key disincentives for people with disabilities to work, considered options to tackle these, and developed recommendations to tackle the main barriers to make work pay for people with disabilities. The Group's report is ready to be presented to Government, and expected to be published in Q2 2017.

During 2016, the Department of Social Protection continued to provide a range of **specific income, activation, and employment supports for people with a disability, and to their employers.**³ Considerable progress has been made in implementing other welfare reforms to tackle unemployment and inactivity traps. Research from the ESRI, published in 2015, examined the **financial incentives to work** in the tax and benefit system, focusing on those who are unemployed and in receipt of Jobseeker's Benefit or Jobseeker's Assistance.⁴ The results show that almost four out of five unemployed jobseekers would see their income increase by at least 40% by taking-up employment. For those individuals who would be financially better off not in work, close to five out of six still chose to work. The report notes that certain groups, such as unemployed jobseekers with children, have a relatively high risk of facing weak incentives to work. However, even among this group, fewer than 1 in 15 would be financially better off not working. The Back to Work Family Dividend, announced in Budget 2015, further improves the work incentives for this group, with the figure dropping to 1 in 20. The ESRI are re-examining financial incentives to work in Ireland and plan to publish the findings at their Budget Perspectives conference mid-2017.

The **reforms to the One-Parent Family Payment (OFP)**, which saw the age of the youngest child for receipt of the payment gradually reduce to 7 years, were completed in 2015. The reforms aim to provide lone parents with enhanced access to a range of education, training, and employment support services with a view to facilitating their progression into sustainable

³ For details on supports for people with disabilities, see www.welfare.ie/en/Pages/Illness-Disability-and-Caring.aspx

⁴ See Savage *et al* (2015) *Making Work Pay More: Recent Initiatives* at www.esri.ie/pubs/BP201602.pdf

employment and financial independence. All lone parent households whose youngest child is aged 7 years or more are now being called for an activation meeting. In Budget 2017 the income disregards for lone parents in receipt of either the One-Parent Family Payment or Jobseeker's Transition payment rose by €20, from €90 to €110 per week from January 2017. This means that lone parents can earn up to €110 per week without it impacting on their weekly social welfare payment. This will further incentivise lone parents to take-up employment or increase their earnings from employment. In 2017, the Department of Social Protection is commissioning an independent review of the reforms to the One-Parent Family Payment scheme.

The **Back to Work Family Dividend** (BTWFD) scheme, announced in Budget 2015, continues to provide financial support to jobseeker and one-parent family recipients with children, who end their claim and take-up employment, self-employment or increase their hours of employment. It was estimated that almost 10,000 unemployed families would benefit in 2015, rising to 30,000 in 2017.

Other reforms introduced to tackle unemployment and inactivity traps are delivering intended benefits. The **Housing Assistance Payment** (HAP) was introduced to provide a more integrated system of housing supports. It aims to allow all social housing supports to be accessed through local authorities and recipients to take-up full-time employment while retaining this support. There are now just over 18,000 households in receipt of HAP across the 28 local authority areas taking part in the scheme. The phased implementation will be completed in March 2017. Significant learning from the phased introduction and operation of the scheme has informed policy development and further implementation. The HAP rent limits (and the Rent Supplement rent limits) were revised and increased from 1 July 2016. A statutory provision in 2016 ensured the administration staff for both schemes had similar additional flexibility of 20% above the rent limits, for use at their discretion when considering support for qualified households. Budget 2017 has increased HAP funding to €152.7 million for 2017 to meet the costs of both existing HAP households and the *Rebuilding Ireland: Action Plan for Housing and Homelessness* accelerated target of supporting an additional 15,000 households in 2017.

The **Social Inclusion and Community Activation Programme** (SICAP) aims to tackle poverty, social exclusion and long-term unemployment through local engagement and partnerships between disadvantaged individuals, community organisations and public sector agencies. Target groups include children and families from disadvantaged areas and lone parents. Approximately 47,000 individuals (15+ years) were engaged in SICAP on a one-to-one basis during 2016. A substantial proportion of individuals assisted by SICAP are very far from the labour market having been out of work for a significant period of time, holding relatively low skill levels and facing other barriers to employment. Many of SICAP's supports are targeted at improving people's job readiness. A programme addition for 2016 saw the inclusion of people who are in work but on a low income as an eligible target group. The objective is to assist these workers to up skill and move into better quality jobs.

Making Work Pay is not just about welfare payments and top-ups, it is also has to **tackle low pay**. The Programme for Partnership Government commits to supporting an increase in the minimum wage. The Low Pay Commission makes annual recommendations to Government on the level of adjustment each year. For instance, in 2016 the rate increased to €9.15 per hour from €8.65 per hour. The social impact assessment showed that the impact is quite significant for the small minority of households affected, with middle income quintiles gaining the most. In 2017, it increased to €9.25 per hour. The Government also committed to strengthen the role of the Low Pay Commission to examine the gender pay gap and strengthen regulations on precarious work.

Measures to tackle child poverty

Child poverty is a priority issue under the national policy framework ***Better Outcomes, Brighter Futures***. The Framework includes a target to reduce child poverty by two-thirds by 2020.⁵ While consistent poverty among children fell in 2015, 102,000 children will have to be lifted out of consistent poverty to meet the child poverty target by 2020. Given the continuing economic recovery throughout 2016 and measures introduced in Budgets 2016 and 2017, figures for those years, when they become available, should show further improvements.

Under this Framework, the Department of Children and Youth Affairs in collaboration with the Department of Social Protection and other relevant Departments is taking a **whole-of-Government approach** to tackling child poverty building on the life-cycle approach in the *National Action Plan for Social Inclusion* and informed by the European Commission Recommendation on ‘*Investing in children: Breaking the cycle of disadvantage*’. This is based on a three pillar approach:

- **Access to resources** - access to work for parents and income support measures.
- **Access to affordable, quality services** - early childhood education and care, education and health.
- **Children’s right to participate** - promoting children’s participation in decision-making that affects their lives

A paper based on this approach has been developed by the Departments of Social Protection, Children and Youth Affairs, Education and Skills, Health, and Housing, Planning, Community and Local Government. A draft was circulated to the Children and Young People’s Policy Consortium in February 2017.

A key driver in preventing poverty among children is **social transfers**, such as child and family income support payments. Using Eurostat data, social transfers (excluding pensions) reduced the at-risk-of-poverty rate for children from 42.3% to 17.9%, a poverty reduction

⁵ Progress on the child poverty target and supporting indicators is monitored in a specific section of the annual Social Inclusion Monitor, see: www.welfare.ie/en/Pages/Social-Inclusion-Monitor.aspx.

effect of 58%. Ireland is among the best in the EU for reducing poverty through social transfers; well above the EU average of 39%, ranking 2nd of the 28 member states.

During 2016, the Department of Social Protection continued to make a number of payments to families with children, including Child Benefit and Family Income Supplement (FIS). The broad objectives of **child and family income support** programmes are to provide assistance to all households with children in recognition of the higher costs incurred in child-raising and childcare in a way which allows choice to parents in how this is undertaken, and to provide targeted assistance to no or low-income households with children, in ways that permit parental choice, incentivises labour market participation, and aims to reduce poverty in households with children. Expenditure on families with children is estimated to be over €3.2 billion in 2017, of which over €2 billion is for Child Benefit. The latter is currently paid to around 625,000 families in respect of some 1.2 million children. FIS is currently paid to around 57,000 families in respect of some 127,000 children. Expenditure on FIS is estimated to be of the order of €422 million in 2017. Between 2008 and 2016 the number of families in receipt of FIS doubled while expenditure more than doubled from €170.3 million to an estimated of €410.3 million in 2016.

The Programme for Partnership Government contains a number of commitments to improve the take-home pay of families on low incomes. One such commitment is the proposed **Working Family Payment**. The aim is to promote work over welfare by supplementing, on a graduated basis, the income of a household, while simultaneously incentivising more hours of employment and full time work. The dual principles underpinning the approach to developing the proposed Payment are to make work pay and to reduce child poverty. Considerable work and analysis needs to be done but it is intended that this work should be completed in advance of Budget 2018. An Interdepartmental Working Group was established in October 2016 to progress this and to assist the Department of Social Protection. The Department also published an open call for submissions on the Working Family Payment on its website.

Recent budgets have been forward looking, allocating limited resources in a prudent way, to help ensure that everyone benefits from the recovery. For instance, **Budget 2017** increased the weekly rates of payment for working-age schemes and raised the income disregard for one-parent family payment and jobseeker's transition payment recipients. It also set out to make work pay through reforms to the PRSI system, including a new deal for the self-employed and a number of targeted measures to assist lone parents, farmers and school children. A new €500 annual Cost of Education Allowance was introduced for parents, including lone parents, in receipt of the Back to Education Allowance, from September.

The focus of these budgets has also been on the provision of services rather than simply on income supports. For instance, Budget 2017 included the new Single Affordable Childcare Scheme, the extension of medical cards to all recipients of Domiciliary Care Allowance and measures in Education, like more teachers and special needs assistants and better and new school buildings. The Department of Social Protection extended the School Meals Scheme

and provided an additional €10 for guardians who take care of orphans, or those children who cannot be cared for by their parents. These measures will help to tackle child poverty.

The **Social Impact Assessment of Budget 2017**, as published by the Department of Social Protection, using the ESRI tax/benefit micro-simulation model SWITCH, shows average household income increasing by 1% (€9.20 per week).⁶ The bottom two income quintiles gain most, with smaller gains among the middle and top quintiles. The assessment finds that non-earning lone parents and couples with children gain most. The Budget provides greater rewards for working, with over 80% of the unemployed substantially better off in work and almost 70% of the working population experiencing a reduction in their Marginal Effective Tax Rate. Social transfers continue to perform strongly in reducing poverty with an estimated 0.8 percentage point reduction in the population at-risk-of-poverty, as a result of the Budget.

Micro-simulation has limitations with regard to measuring the impacts of public expenditure measures. The Programme for a Partnership Government published in May 2016 set out a commitment to developing a process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights.

The Department of Public Expenditure and Reform has developed a new ex-post Social Impact Assessment (SIA) Framework as a first step towards supporting a more comprehensive assessment of the impacts of certain budgetary measures on household outcomes. This new Framework has been designed to complement the current distributive analysis of the proposed tax and social welfare measures set out in the Budget each year. This work will be supplemented by a series of papers published by the Irish Government Economic and Evaluation Service (IGEES) each year. These papers will focus on policy areas that cannot easily be incorporated into the SWITCH model. In this regard, the papers will largely focus on the impacts of public expenditure on recipients.

As the first step in this iterative process, it is intended to undertake point-in-time exercises examining current expenditure in certain policy areas in order to establish a baseline position. This baseline position should identify the level of spend in a given policy area, the key drivers of expenditure and will aim to generate a profile of those impacted by the expenditure. This should facilitate the analysis in future years of the impacts of future Budgetary policy changes in those areas.

Childcare Reforms

The Department of Children and Youth Affairs is continuing to roll out the childcare reforms announced in Budgets 2016 and 2017, on foot of the reports of the Inter-Departmental Groups on Investment in Childcare and Supporting Access to the Early Childcare Care and Education (ECCE) Programme for Children with a Disability.

⁶ Social impact assessment is an evidence-based methodology which uses a tax/welfare simulation model developed by the Economic and Social Research Institute (ESRI) to estimate the likely distributive effects of budgetary measures on income and social inequalities. See: www.welfare.ie/en/Pages/SocialImpact2017.aspx

Additional funding of €121.5million has been allocated in 2017 for early years care and education, an increase of 35% on 2016.

Of this additional funding:

- €67.6m is allocated to further roll-out of the free pre-school programme, which was extended from September 2016 to ensure that every child in Ireland is able to enrol in pre-school at age three, and to remain in pre-school until they start primary school;
- €18.07m is allocated to further roll-out of the Access and Inclusion Model (AIM), which enables maximum access and participation of children with disabilities in the free pre-school programme;
- €15m is allocated to increase the number and level of targeted childcare subsidies that will be provided for children under 15 years of age and, for the first time, a universal childcare subsidy is being introduced for children aged 6 months to 36 months (or until the child qualifies for free pre-school);
- €4m is allocated to develop the Single Affordable Childcare Programme
- €14.5m is provided for payments to childcare providers in respect of non-contact time entailed in providing children with access to the national childcare programmes.
- €1m is provided for sustainability support to services experiencing difficulties with increased regulation and governance requirements.
- €1m is provided to enhance the registration and inspection of services.

Government has committed to the development of a Single Affordable Childcare Scheme which will subsume and replace all existing childcare programmes, both targeted and universal (with the exception of the ECCE Programme). Most of the funding for the Affordable Childcare Scheme will go into the means-tested subsidies, with a strong focus on low-income, disadvantaged families. The Affordable Childcare Scheme will include subsidies for full-time childcare, including "wrap-around" care for children who are in school or in the ECCE free pre-school programme.

In Budget 2016, the Minister for Children and Youth Affairs announced a significant expansion to pre-school provision under the Early Childhood Care and Education Scheme (ECCE) programme. From September 2016 children were eligible to start free pre-school once they had turned 3 (and were not more than 4 years and 8 months), and can continue in free pre-school until they start primary school (once the child is not older than 5 years and 6 months at the end of the relevant pre-school year i.e. end June). Previously, families benefitted from 38 weeks of free pre-school under ECCE. This has now been increased to 61 weeks on average. It has been estimated that this 61 weeks of ECCE reduces parents' childcare costs by €4000 (per child).

With regard to the provision of quality childcare, it should be noted that the Department of Children and Youth Affairs is also providing funding for the following:

- €0.4m for the implementation of a quality audit for early years sector.

- €0.5m per annum for the rollout of Síolta and Aistear which are the quality and curriculum frameworks for early years' practitioners

The Learner Fund, was introduced in 2014 in order to provide support for existing childcare staff to achieve the minimum National Framework of Qualifications (NFQ) level 5 qualification requirement in the Child Care Act 1991 (Early Years Services) Regulations 2016. This Fund has also been expanded to support existing pre-school leaders to up-skill to NFQ Level 6, given that it is now the minimum requirement for pre-school leaders delivering the ECCE programme to have a NFQ level 6 qualification. Funding of €1.5m will be available in 2017 to continue to Level 6 support in the context of the expansion of the ECCE programme. Furthermore, the Department has recently made funding available to provide a bursary to childcare staff who have undertaken higher level courses at their own expense. The Department hopes to focus now on higher level childcare qualifications, and providing some support to staff who have undertaken such courses of study on their own initiative is the first step in this process.

On foot of commitments made in the Programme for a Partnership Government, and following a period of intensive collaboration and consultation, Ministers for Children & Youth Affairs and Education & Skills, Dr Katherine Zappone, T.D. and Richard Bruton, T.D., published the **Action Plan on School Age Childcare**. Under the plan, funding of €3m is being made available to support the provision of services aimed at school-going children. An Inter-departmental Group, led by the Department of Children and Youth Affairs, in close co-operation with the Department of Education and Skills was tasked by the two Ministers with setting out actions for both Departments that will lead to a quality system of affordable school age childcare with a range of choices for parents and their children for childcare out of school hours.

The Childcare Act 1991 (Early Years Services) Regulations provide that each employee working directly with children attending the service must hold at least a major award in Early Childhood Care and Education at Level 5 on the National Qualifications Framework or a qualification deemed by the Minister to be equivalent. This section of the regulations took effect on 30th June 2016 for services registering after that date and for all other services on 31st December 2016.

Sustainable resolution of non-performing loans and the putting in place of a Central Credit Registry; including CSR3

CSR 3: Finalise durable restructuring solutions to lower non-performing loans, to ensure debt sustainability of households and to encourage lenders to reduce the debt of excessively leveraged yet viable businesses. Accelerate the phasing-in of a fully operational central credit registry covering all categories of lenders and debtors.

Non-Performing Loans

The Irish banks have made significant progress in reducing non-performing loans (NPLs) since December 2013 when they peaked at c. €55bn for the three domestic banks. The three banks (AIB, BOI and PTSB) have recently reported their full year 2016 results and, in aggregate, NPLs were €22.8bn – an almost 60% reduction from peak.

Management of NPLs continues to be a key focus for both the regulatory authorities and the banks themselves and NPL levels continue to reduce. This was evidenced by the performance in 2016 when NPLs were reduced across the three banks by €8.8bn – a year-on-year reduction of 28%.

The three domestic banks have now all returned to underlying profitability with AIB and BOI doing so in 2014. This performance has been achieved through a recovery in net interest margin, careful management of costs, and a return to a more normalised cost of credit. In addition, total profitability has been enhanced by the release of a quantum of impairment provisions as previously distressed credit cases begin to cure, and property prices recover.

Mortgage Arrears

A comprehensive framework has now been put in place to address the mortgage arrears problem and to provide assistance and guidance to mortgage holders on the options available to them. The Central Bank Code of Conduct on Mortgage Arrears remains a key element of this overall framework in that it requires creditors to pro-actively engage and work with borrowers in genuine mortgage difficulty. It requires that all feasible options for agreeing an alternative repayment arrangement to address that difficulty be explored.

In addition, *Abhaile* the State funded service for people in home mortgage arrears has been launched to streamline access by borrowers to State-funded agencies for assistance in addressing their mortgage arrears. This will be of particular benefit to those mortgage borrowers which are at risk of losing their home as they can now avail of free independent financial and legal assistance.

The role of the Money Advice and Budgeting Service (MABS) was expanded in 2015 with the establishment of a Dedicated Mortgage Arrears MABS service (DMA MABS) across the MABS network, to help people specifically with home mortgage arrears. There are now 32 specialist DMA advisors working across 27 locations countrywide, assisting borrowers to

assess the options available to them and, where required, negotiating with lenders on their behalf. Additionally, MABS provides a national network of court mentors who attend each listed repossession Court hearing countrywide.

The *Abhaile* service further extends the free services already available to borrowers through the DMA MABS service and the court mentor service. A new voucher based scheme, for which MABS is the gateway, provides access for people, who are insolvent and in home mortgage arrears, to defined levels of independent expert financial and/or legal advice and assistance, free of charge. Qualification for help under the scheme is based on the borrower being (a) in mortgage arrears on their home; (b) insolvent; (c) at risk of losing their home because of their mortgage arrears; and (d) reasonably accommodated. The scheme, which is being put in place for a period of three years at an expected total cost of €15 million, includes a recently launched communication campaign to highlight the availability of the new services.

This framework is producing beneficial outcomes for borrowers and lenders. Almost 121,000 Private Dwelling House mortgage accounts were classified as restructured at end-December 2016, of which 87 per cent were deemed to be meeting the terms of their current arrangement.

More generally, the number of Private Dwelling House mortgage accounts in arrears has now fallen for fourteen consecutive quarters. Specifically focusing in on accounts in arrears over 90 days, the number of arrears accounts has reduced to 54,269 (7 per cent of total accounts) at end-December 2016. This compares to the position in 2013 when almost 99,000 accounts were worse than 90 days in arrears.

Reduction of SME Debt

The relationship frameworks between the Minister for Finance and the relevant banks recognise that the Banks remain separate economic units and that their Boards and management teams retain responsibility and authority for determining the Banks' strategies, commercial policies and its day-to-day operations. While the Minister is precluded from encouraging "lenders to reduce the debt of excessively leveraged but viable businesses" the sustainable resolution of distressed SME loans remains a significant priority for the Central Bank and will therefore continue to be central to their supervisory focus throughout 2017 and beyond.

Nevertheless, progress has been made by the relevant institutions in resolving SME NPLs in recent years and NPL trends continue to move in a positive trajectory and the banks have made significant progress in reducing distressed loan balances. Recognising these developments, alongside changes in the supervision of the banks following the introduction of the SSM, the Central Bank's approach to commercial NPL resolution utilises a bank specific approach taking into consideration a number of factors including the institution's NPL resolution strategy and operational capability. Supervision will continue to be intrusive,

supplemented by targeted inspections and enhanced monitoring of performance of the banks in delivery of supervisory objectives.

Central Credit Register

In respect of the Central Credit Register (CCR), statutory regulations setting out the detailed requirements of the CCR have now been put in place and it is now projected that data submission by lenders in respect of consumer borrowers will commence operation after June 2017.

A period of time will then be provided to ensure that the data submitted is of sufficient quality to enable the CCR to be in a position to produce credit reports from the start of 2018. The process for Phase 2, which will deal with non-consumer loans, will be subsequently commenced in 2018.

When operational, the CCR will:

1. Provide borrowers with an individual report detailing their credit agreements;
2. Provide lenders with comprehensive information to support credit assessments;
3. Provide the Central Bank with better insights into financial markets and support functions of the Central Bank such as prudential supervision and statistics.

Once the CCR becomes operational it will be mandatory for lenders to submit information on credit agreements and payment histories to the Register; and also check credit information on the Register when considering credit applications for €2,000 or more.

4. Progress Towards our Europe 2020 Targets

Target 1- Employment

Ireland's Headline Target: To raise to 69-71% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers, and the better integration of legal migrants, and to review the target level of ambition in 2014, in the context of a proposed mid-term review of the Europe 2020 Strategy.

Ireland's twin strategies to stimulate job creation and help people to work – *Action Plan for Jobs* and *Pathways to Work* – are reaping rewards in terms of economic growth and increased employment. Employment, which fell particularly sharply in Ireland post-2008, has been recovering since mid-2012. By the fourth quarter of 2016, employment (seasonally adjusted, 2.045 million) had risen by almost 12% from the mid-2012 trough.

The **Action Plan for Jobs**, which was introduced in early 2012, is one of the Government's key instruments to support job creation. It complements the labour activation measures of the *Pathways to Work 2016-2020* strategy. Almost 206,000 more people are at work since the first Plan was launched in 2012 – surpassing the original target of an additional 100,000 jobs by 2016. The 2017 Plan sets a target to add up to 45,000 extra jobs through the implementation of 164 individual actions. The medium term goal is to add 200,000 net jobs by 2020, with 135,000 of these jobs to be outside of Dublin, emphasising the prioritising of regional development.

This continuing emphasis on **regional employment growth** is demonstrated through the implementation of the eight Regional Action Plans for Jobs launched between mid-2015 and early 2016. In December 2016, the first progress reports on the Regional Action Plans were published, highlighting the progress made to date and the challenges ahead. To continue to stimulate regional growth, as part of the Regional Action Plan for Jobs initiative, the Government will provide investment of up to €60 million across 2017 – 2020 to support collaborative approaches to boost enterprise and job creation throughout the country.

A National Skills Strategy to 2025 (NSS) was published in January 2016 and implementation of the Strategy is ongoing. The Strategy has over 125 measures and over 50 different stakeholders and it provides a framework for skills development that will help drive Ireland's growth, both economic and social, over the next decade. One of the key elements of the Strategy was the development of a new skills architecture, including a National Skills Council and the Regional Skills Fora. This architecture will foster closer collaboration between relevant Government Departments and agencies and develop structures to strengthen engagement between the education and training system and enterprise.

Employment Rate

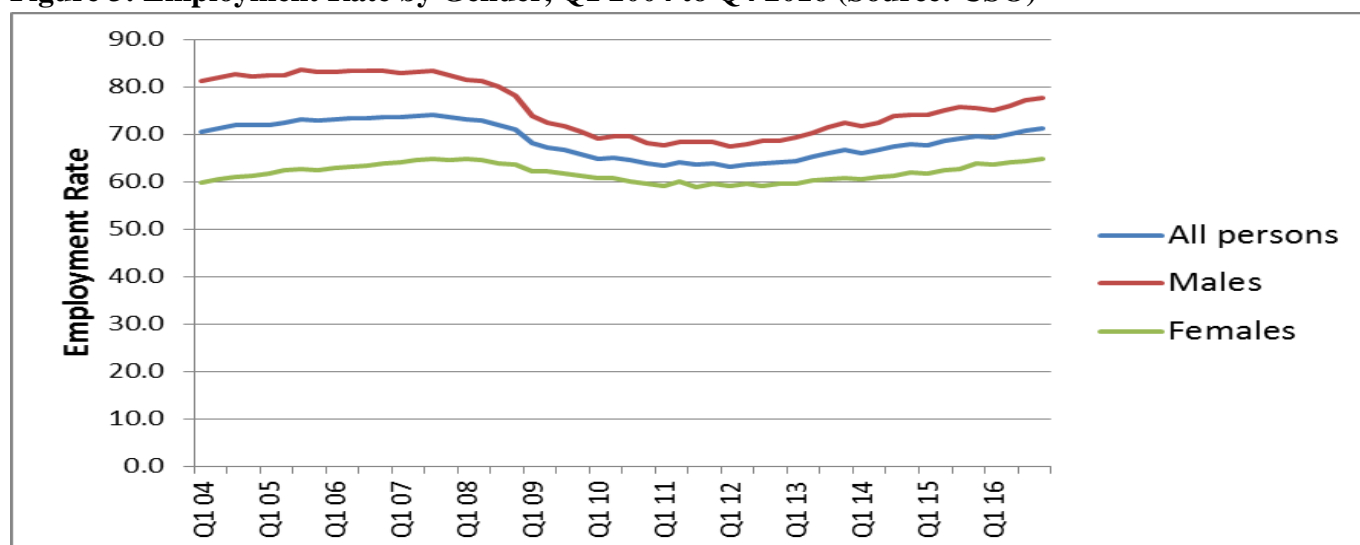
The employment rate for women and men aged 20-64 was 70.3% in 2016 up by almost 7 percentage points since 2012, showing a continuing improvement in the labour market after a fall from 74% in 2007 to 71% in 2008 and less than 64% in 2012.

The employment rate for men in 2016 was 76.5%, up from 68.1% in 2012. The female employment rate has shown a more modest but still significant increase, from 59.4% in 2012 to 64.2% in 2015. The gender gap in employment rates had almost halved from 16 percentage points in 2008 to 9 percentage points in 2012, but has widened slightly since then to 12.4 percentage points in 2016 as male employment continued to recover relatively rapidly from the particularly sharp fall it had experienced in the recession. The employment rate for young people aged 20-24 has risen from 46.1% in 2012 to 55.4% in 2016.

The employment recovery was initially led by a relatively narrow group of sectors – agriculture⁷, accommodation and food service activities, and professional services⁸. During 2014-16, employment growth extended more widely in sectoral terms, with particularly strong gains in construction.

The employment rate has now exceeded the mid-point of the 2020 target of employment rates of 69-71%. The expectation is that it will reach 73% by 2020.

Figure 3: Employment Rate by Gender, Q1 2004 to Q4 2016 (Source: CSO)



Unemployment

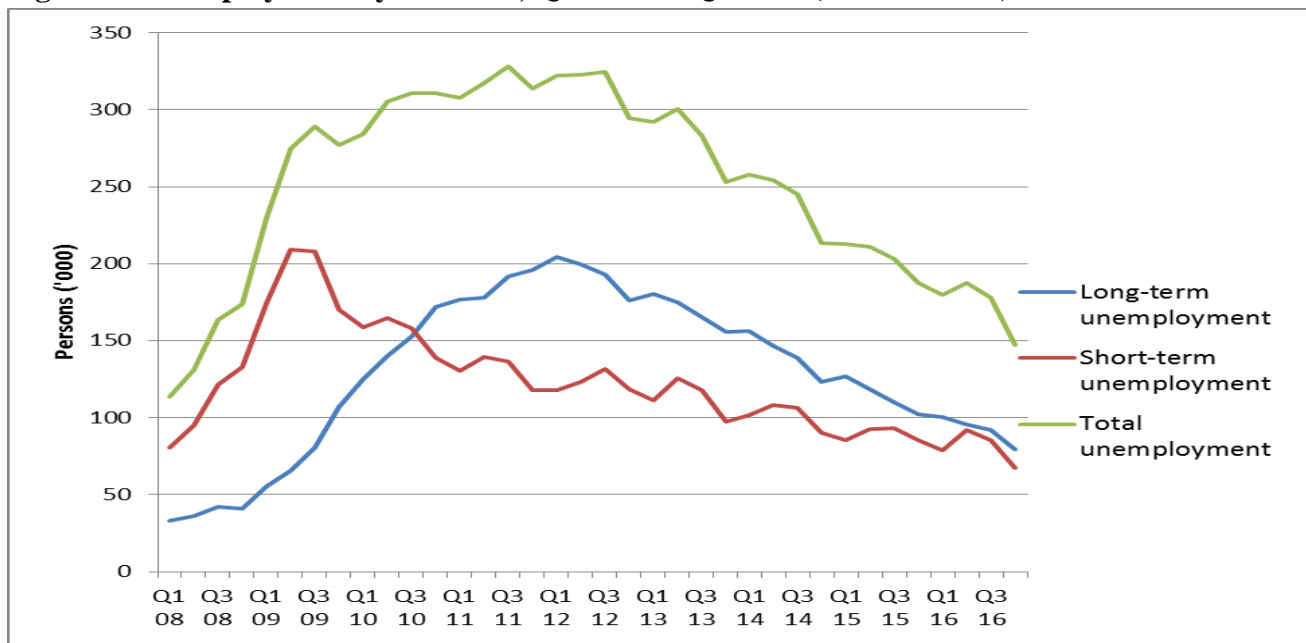
The seasonally adjusted unemployment rate is currently 6.6% (February 2017); while it has fallen from a peak of over 15% in early 2012, the rate will need to fall further to reach pre-recession levels. The male seasonally adjusted unemployment rate of 7.1% compares with a

⁷ In the case of the Agriculture, forestry and fishing sector it can be noted that estimates of employment in this sector have shown to be sensitive to sample changes over time. Year-on year growth in 2013 is likely to have been less marked in agriculture, and rather better in all other sectors, than is indicated by the current estimates.

⁸ These are, predominantly, legal, accounting and engineering/architecture services.

female unemployment rate of 5.9%. The number who are long-term unemployed (defined as being unemployed for a year or more) has fallen by 96,700 or 54% over the last four years. Long-term unemployment accounted for 54% of total unemployment at the end of 2016. Although the long-term unemployment rate has fallen from a peak of 9.5% to 3.6% (and continues to fall) it remains above pre-crisis levels.

Figure 4: Unemployment by duration, Q1 2008 to Q4 2016 (Source: CSO)



Youth Unemployment

Overall, the under-25 age group had an unemployment rate of 17.2% in 2016 (22.3% for 15-19 year-olds and 15.4% for 20-24 year-olds). The overall rate was down from 30.4% in 2012. This compares to an unemployment rate of 7.3% for prime age workers (ages 25–54). About 34%, on average, of the young unemployed in 2016 were out of work for more than one year.

The absolute number of young unemployed people has fallen substantially – from close to 80,000 on average in 2009 to 35,000 on average in 2016. The most recent figures show youth unemployment down by 4,000 year-on-year to 30,000 in Q4 2016.

Some of the fall in youth unemployment was initially a result of demographic developments arising from birth trends in the 1980s and 1990s, the tendency for some young people to stay longer in education rather than seeking work in a depressed market and the impact of emigration. Increasingly, however, it has reflected the improvement in the labour market and rising employment rates for the young. As a result of this fall, young people now represent 21% of all the unemployed, down from a share of 35% in mid-2008. Latest estimates indicate that youth unemployment rate fell to 14.5% in February 2017.

Target 2 – Research and Development

Ireland's Headline Target: To raise combined public and private investment levels in this sector to 2.5% of GNP (approximately equivalent to 2.0% of GDP).

Ireland's R&D intensity rate was 1.74% of GNP in 2014 and is estimated to have fallen back to 1.6% in 2015. The fall back is due to Ireland's significant GDP/GNP growth in 2015 of 26.3%/18.7%. The substantial increase in GDP/GNP reflects a number of exceptional factors which have limited impact on actual activity in the Irish economy.

While R&D intensity has declined, Public Expenditure on R&D has continued to grow: from €722m in 2013, €727m in 2014, €736m in 2015 and an estimated €761m in 2016.

Published in December 2015, **Innovation 2020**, Ireland's strategy for research and development, science and technology, commits Ireland to reaching the R&D intensity target and sets a roadmap for reaching this target through measures to increase public research investment and to maximise leverage of greater private investment.

Key actions in Innovation 2020 that have been undertaken since its publication include the following:

- Science Foundation Ireland (SFI) launched a large scale Research Centres Call;
- Five awards were made through the SFI Research Centres Spokes Call;
- 29 awards were made under the SFI Investigators Programme;
- Six awards commenced under the SFI Research Professorship Programme, whereby internationally-renowned researchers in strategically-important areas relocated to Irish research institutions;
- 44 awards were made through the SFI Discover Programme supporting the education and engagement of the Irish public in STEM;
- 36 research infrastructure and facilities projects were awarded funding under SFI's Research Infrastructure Programme;
- A new programme of funding for frontier research across all disciplines was launched by the Irish Research Council;
- Parameters have been developed for a new cycle of the Programme for Research in Third Level Institutions (PRTLTI). PRTLTI provides significant investment to the research sector and is specifically focused on building the research infrastructure and research capability in our higher education institutions;
- A key recommendation of the review of gender equality in the higher education sector which requires higher education institutions to have Athena SWAN Gender Equality accreditation in order to be eligible for research funding was implemented by SFI, the Irish Research Council and the Health Research Board;
- A report of the enterprise and economic impacts of public investment in R&D in Ireland has been completed;

- A revised IP Protocol has been published to ensure that the Irish protocol remains ‘best in class’;
- The Knowledge Development Box, which offers tax incentives on earnings originating from research and development projects carried out in Ireland, was introduced and legislative changes are set to be enacted to ensure that small companies can avail of the incentives;
- Small Business Innovation Research projects have been initiated to connect innovation-led businesses to work on innovative ideas which tackle public challenges.
- Health Innovation Hub Ireland, an initiative which connects enterprise with the healthcare service, was launched;
- A new cycle of Research Prioritisation is under development. As part of this, a global market horizon scan to identify strategic areas of commercial opportunity for Irish based enterprises in global markets, along with new and emerging opportunities is well underway;
- A full review of State RDI support, both direct and indirect, available to enterprise to encourage more businesses, particularly SMEs, to become R&D active is nearing completion.

Innovation 2020 also contains a commitment on behalf of all Government Departments with an R&D spend to ensure that such expenditure is afforded a sufficiently high priority in Departmental spending plans. A mid-term review of Ireland’s Capital Plan is underway, which gives Government Departments a further opportunity to review and re-prioritise their R&D spend. Any additional funding secured for R&D will directly impact the overall level of Gross Expenditure on R&D.

European Research Area

Ireland’s commitment to deepening its engagement within the European Research Area (ERA) is articulated in Innovation 2020 and Ireland’s European Research Area Roadmap and is being implemented through actions that:

- enhance coordination and coherence across the full range of policy instruments so that public resources are deployed to maximum effect making our research system more effective;
- optimise engagement at transnational level through, inter alia, Horizon 2020, bilateral relationships with 3rd countries, active engagement with joint programming and ESFRI processes and membership of international research organisations;
- ensure that research is an attractive career option, that Ireland is an open, and appealing prospect for overseas researchers and that impediments to career progression and mobility of researchers will be identified and tackled through development of a national policy on structured progression for researchers;
- promote gender equality in researcher careers and improve participation of women in research and innovation activities, implement the relevant recommendations from the National Review of Gender Equality in Irish Higher Education;

- actively develop the Open Science agenda through promotion of open access to publications and open access to research data.

Horizon 2020

Researchers and companies in Ireland have won €386 million in EU funding from the Horizon 2020 programme from 2014 to February 2017. Higher Education Institutes accounted for €221 million or, 57% of the total and companies won €126 million or, 33%, with €78 million of this going to SMEs. Ireland recorded the highest success rate for the Horizon 2020 SME Instrument up to September 2016 with a 16%, success rate compared to an EU average of 6%. The European Commission's annual monitoring report for 2015 also reveals that Ireland recorded the joint second highest success rate in 2015 for applications to Horizon 2020 (13.1%) with Belgium.

International Research Organisations

Ireland is continuing to expand its participation in International Research Organisations. In 2016 Ireland became a member of ELIXIR, the European life-sciences bio-informatics consortium. Also, in 2016 the Government assumed direct responsibility for Ireland's membership of CECAM, the collaboration for atomic and molecular calculations. Ireland will join the International LOFAR radio astronomy collaboration in 2017. In addition, Ireland is continuing to explore possible membership of CERN and the European Southern Observatory.

Target 3 – Climate Change and Energy

Ireland's Headline Target: To reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.

Climate Action

The Climate Action and Low Carbon Development Act, 2015, builds on and provides a statutory underpinning to Ireland's 2014 National Policy Position on Climate Change, which sets out our vision and considerations in transitioning to a competitive, low-carbon, climate-resilient and environmentally sustainable economy by 2050.

The Climate Act sets out Ireland's national transition objective and provides for the preparation of five-yearly mitigation and adaptation plans to curtail Ireland's emissions and to address the impacts of climate change in Ireland.

Under the 2009 EU Effort Sharing Decision, which applies to greenhouse gas (GHG) emissions outside the scope of the EU Emissions Trading System (ETS), Ireland has a headline target of reducing GHG emissions to 20% below 2005 levels by 2020. This emission reduction target is especially ambitious and challenging, particularly given the relative size of our agriculture sector and the inadequate recognition of the limited mitigation potential of that sector. In addition, the State had extremely limited capacity for investment in low-carbon policies and initiatives due to the economic and financial crisis of recent years.

The Environmental Protection Agency publishes annual inventories of, and projections for, Ireland's greenhouse gas emissions. According to the most recent set of projections, Ireland's non-ETS emissions are projected to be 6% and 11% below 2005 levels in 2020. Ireland did not exceed its annual targets in the years 2013 to 2015, but is projected to exceed its annual binding limits and will have a gap to the cumulative 2013-2020 target.

The extent of this challenge to reduce greenhouse gas emissions, in line with our EU and international commitments, is well understood by Government. Notwithstanding the constrained investment capacity, through a range of policy measures, integrated structures and expanding investment, the Irish Government is taking significant steps to address climate change, and put us on a sustainable pathway to a low-carbon economic future. These steps are taken in conjunction with numerous supports provided by Ireland for international efforts to assist developing countries adapting to climate change.

Ireland's first **National Mitigation Plan**, as required by the Climate Act, was published for public consultation in March 2017, and represents a whole-of-Government approach to identifying and carrying out the measures needed in order to take the initial step towards the long-term objective by tracking the implementation of measures already underway,

identifying additional measures in the longer term to reduce GHG emissions, and progressing the overall national low carbon transition agenda to 2050.

The Climate Act also mandates five-yearly National Adaptation Frameworks and sectoral plans to address the impacts of climate change in Ireland. Additionally, a Climate Change Advisory Council has been established under the Act to advise and make recommendations to Government and Ministers on the actions required to significantly decarbonise the Irish economy.

Renewable Energy

The overarching objective of the Government's energy policy is to ensure secure and sustainable supplies of competitively priced electricity to all consumers. The Energy White Paper, published in December 2015, sets out a high-level framework for Ireland's energy transition to a low carbon economy and society and identifies a range of measures and actions to support this aim.

The 2009 EU Renewable Energy Directive sets Ireland a legally binding target of meeting 16% of our energy requirements from renewable sources by 2020. The National Renewable Energy Action Plan (NREAP) sets out the planned trajectory for achieving the target through meeting 40% of electricity demand, 12% of heat and 10% of transport from renewable sources of energy, with the latter target also being legally binding. The Sustainable Energy Authority of Ireland (SEAI) has calculated that 25.3% of electricity, 6.5% of heat and 5.7% of transport energy requirements were met from renewable sources at end 2015.

Overall, SEAI analysis shows that 9.1% of Ireland's energy requirements in 2015 were met from renewable sources and that this avoided €286 million of fossil fuel imports. Provisional data for 2016 from SEAI shows that 26.2% of electricity demand was met from renewable sources.

The Government has a range of policy measures and schemes to incentivise the use of renewable energy and although good progress towards the target has been made to date, meeting the 16% target remains challenging. The Department of Communications, Climate Action and the Environment is currently developing a proposed new Renewable Electricity Support Scheme (RESS) and a new Renewable Heat Incentive (RHI) Scheme, designed to assist in meeting our RES-E and RES-H targets. The introduction of any new scheme - including the overall costs and technologies to be supported - will be subject to Government approval and State Aid clearance from the European Commission.

In the transport sector, the biofuels obligation under the Energy (Biofuel Obligation and Miscellaneous Provisions) Act 2010 requires transport fuel suppliers to provide a proportion of their sales in the form of biofuels. Ireland aims to meet its renewable target mainly through the increased use of sustainable biofuels, with electric vehicles also making a small contribution. Further increases to the obligation rate in the Biofuels Obligation Scheme took effect from 1 January 2017 when the rate increased to 8% by volume.

Energy Efficiency in the Built Environment

Under the framework of the Government's White Paper, energy efficiency is central to the achievement of the transition to a low carbon energy future.

Ireland has an extremely challenging, legally binding target to reduce emissions in the non-ETS sector by 2020 as well as a non-binding target to improve the efficiency of the economy by 20% 2020. Achievement of our national goals as well as of our statutory EU targets in renewable energy (increasing to 16%) and non-ETS emissions (reducing by 20%) assumes full achievement of the 2020 energy efficiency target.

SEAI estimates indicate that by the end 2015 measures carried out across the residential, commercial, industry, public and transport sectors have saved approximately 19,204 GWh of energy, reduced the energy bills of households and businesses by over €1 billion and reduced emissions by over 4 million tonnes per annum since 2009. This saving equates to 12 of the 20% NEEAP target.

The residential sector in Ireland is just over half way towards the 3,000 gigawatt hours (GWh) of energy savings from building retrofit required to meet Ireland's overall energy efficiency target of 31,925 GWh which also includes transport by 2020. These savings have been achieved through a range of measures including the Better Energy Programme which encourages and funds the retrofit of older housing stock to achieve higher levels of energy efficiency and reduce emissions.

A significant scale up of the number of dwellings and businesses undertaking energy efficiency measures will be required to achieve Ireland's 2020 target. Up scaling of activity is already underway, Budget 2017 allocated significant extra funding for energy efficiency – which will reduce the potential shortfall to the 2020 target. Some existing schemes and measures are being expanded while others are being piloted and introduced – further details are provided in the Draft National Mitigation Plan and the forthcoming fourth National Energy Efficiency Action Plan. The up scaling of measures and piloting of new ones that this increased investment facilitates will also build capacity to absorb further investment in following years should that become available. Continued increases in the level of investment allocated to the domestic sector will be needed to continue up to and after 2020.

€5m in new funding has been allocated in 2017 to carry out a number of pilot schemes for deep retrofit. These pilots are designed to promote fuel switching, demonstrate the multiple benefits of energy efficiency and investigate how best to support consumer investment in deep retrofit. A targeted pilot for those reliant on solid fuel will be carried out as well as the continuation of the Warmth and Wellbeing pilot scheme, which upgrades the homes of those with chronic respiratory conditions. Testing the mechanisms for promoting and delivering deep retrofit now will inform energy efficiency policy post 2020 and contribute towards both 2020 and 2030 energy and climate targets.

Energy poverty is a core focus of Ireland's energy efficiency strategy. Further funding has been made available to upgrade the homes of those in fuel poverty, as well as a targeted expansion in 2017 to target the worst-performing homes. Landlords participating in the Housing Assistance Payment scheme will be offered *Warmer Homes* upgrades on a pilot basis in 2017. A consultation paper on minimum standards for energy efficiency in the rented sector will also be published. Addressing energy poverty through energy efficiency will contribute to the achievement of Ireland's climate targets, while also providing social and health benefits to some of the country's most vulnerable persons.

To provide leadership on energy efficiency for the whole of our economy and society Ireland's public sector has a higher target of 33% energy efficiency improvement by 2020. By end 2015 (compared to a 2009 baseline) the public sector has avoided €619m in energy spend as result of energy efficiency measures and has achieved 21% of the 33% target. The first **Public Sector Energy Efficiency Strategy** is now being implemented. It puts in place a new governance structure as well as enhanced guidance and support to assist public sector bodies in achieving their target. This includes a renovation scheme delivered through an SEAI/OPW partnership and clarity that financial savings from energy efficiency can be retained. The review by the European Commission of the current Eurostat rules on the treatment of energy efficiency investments is welcome in the context of promoting favourable conditions for investment in energy efficiency in the public sector.

Target 4 - Early School Leaving; Tertiary Education

Ireland's Headline Target: To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; and to increase the share of 30-34 years olds having completed tertiary or equivalent education to at least 60%.

Tertiary Attainment Rate and progress in retention

Ireland ranks 3rd in the EU28 in its tertiary attainment rate (Higher Education Qualification) (52.3% in 2015) for 30 – 34 year olds. We are still significantly ahead of the EU28 average which rests at 38.7% in 2015. This strong performance is confirmed in the recent OECD publication Education at a Glance which was published on 15 September 2016 and which placed Ireland 6th in the OECD in terms of its Tertiary Attainment Rate amongst 25-34 year olds.

In line with the overall mission of higher education in Ireland there has been a steady increase in student enrolments over recent years. The most recent report by the HEA on retention and progression, entitled 'A Study of Progression in Higher Education 2012/13 to 2013/14', is available on the HEA website, www.heai.ie.

The report shows that 84% of full-time undergraduate new entrants in 2012/13 progressed to their second year of study in 2013/14. The rates of non-progression in 2012/13 varied within and between sectors ranging from 26% and 28% at levels 6 and 7 to 17%, 11% and 6% at level 8 in universities, institutes of technology and colleges respectively.

The report demonstrates that the overall new entrant non-progression rate was 15% in 2007/08 and has remained constant at 16% from 2010/11 to 2012/13. However, rates of progression do vary across the sector and between disciplines and further work will be done to see how students can best be supported to continue on their course or transfer to another programme.

Increasing the level of funding to the third level sector is a key concern for the Government, particularly in light of the expected increases in the number of students expected in the years ahead. The Report of the Expert Group on the Future Funding for Higher Education is currently with the Oireachtas (parliamentary) Committee for consideration and following its deliberations it is hoped to put in place an agreed approach as to how the sector should be funded in the long term.

In addition, in Budget 2017 a policy review was announced with the aim of designing and implementing a sustainable and predictable multi-annual funding model for higher and further education and training involving increased Employer and Exchequer contributions from 2018. The review will be undertaken as part of the overall response to meeting the anticipated skills needs in the economy over the coming years, in line with the policy framework set out in the National Skills Strategy.

It will include an analysis of the business case for enhanced investment in the higher and further education and training sectors and of the most effective funding mechanisms to deliver outcomes in respect of our ambitions in this area. In this context it will identify key elements of the new funding model and of the expected impacts including those on employers. It is expected that the policy review will be published by the end of April 2017, and will complement the ongoing work by the Oireachtas Committee.

The Action Plan for Education 2016 – 2019 provides a key statement on the reform agenda across education and training and contains a range of actions to be implemented with particular focus on disadvantage, identified skills shortages, and continuous improvement within the education service.

Early School Leaving Rate

Ireland's current share of early school leavers (i.e. 18-24 year olds with at most lower secondary education and not in further education and training) fell to 6.9% in 2015, which is a very significant achievement and is substantially below our 8% target. Provisional figures indicate that this has further improved in 2016.

The DEIS Plan 2017 sets out the Department of Education and Skills goals, targets and actions for improving the learning outcomes and overall life opportunities of children and young people at greatest risk of not reaching their potential by virtue of their socio-economic circumstances.

The DEIS Plan contains specific targets as regards pupil retention and progression to Further and Higher Education. It aims to continue to improve retention rates at second level in DEIS schools from their current rate of 82.7% to the national norm, currently 90.2%, by 2025. The targets under Progression to Further and Higher Education include one to increase the percentage of people from the non-manual worker group in Higher Education to 30% by 2019 and to increase the percentage of people from the semi/unskilled manual worker group in higher education to 35% by 2019.

FET Policy Framework for Employee Development

National policies including the National Skills Strategy 2025, the Further Education Strategy and the Action Plan for Education 2016-2019 all acknowledge that the development of the skills of those at work will play a key role in the context of future growth, improve **lifelong learning targets** and confirm the need to work with employers and employees to incentivise flexible learning opportunities.

The decision was therefore taken in 2016 to develop a FET policy framework to provide for employee development. Implementation of the framework will contribute to and support the increase of overall rates of lifelong learning participation. Progress on development of the framework is well advanced with publication scheduled for Q2 2017.

Target 5 - Poverty Reduction

*Ireland's Headline Target: To reduce the number of people in consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.
The Irish contribution to the Europe 2020 poverty target is to reduce by a minimum of 200,000 the population in 'combined poverty' (i.e. at-risk-of-poverty or basic deprivation).*

Since 1997 Ireland has developed national anti-poverty strategies to provide a strategic framework in which to tackle poverty and social exclusion. The current strategy, the *National Action Plan for Social Inclusion*, identifies a wide range of targeted actions and interventions to achieve the overall objective of reducing consistent poverty.⁹ The active inclusion approach underpins the Plan with the three main components captured: (i) adequate minimum income; (ii) inclusive labour markets; and (iii) access to quality services. Active inclusion means enabling every citizen, notably the most disadvantaged, to fully participate in society, including having a job. The Plan contains 14 goals which include a focus on early childhood development, youth exclusion, access to the labour market including measures for people with disabilities, migrant integration, social housing and affordable energy.

The Department of Social Protection is preparing the biennial Social Inclusion Report to report on the cross-departmental implementation of policies to tackle poverty in 2015 and 2016. The Department, in consultation with relevant stakeholders, will also review the National Action Plan in 2017, with a view to developing a successor plan for future periods. The aligned national social target for poverty reduction will also be reviewed.

Progress towards the national social target for poverty reduction is reported annually in the Social Inclusion Monitor (SIM).¹⁰ Work has begun on the latest Monitor, which is based on the 2015 CSO Survey on Income and Living Conditions. In 2015, incomes rose by 6.2% mainly due to rising employment, the deprivation rate fell for the second year running, and 13,000 children were lifted out of consistent poverty.

There was an improvement in 'combined poverty', the Irish contribution to the Europe 2020 poverty target, with the rate falling from 37.4% in 2014 to 33.7% in 2015 – see Figure 2. This equates to 1.6 million people, and represents an increase of 150,000 on the 2010 baseline. Thus, over 350,000 people will have to be lifted out of combined poverty to meet the Europe 2020 target.

Consistent poverty having fallen from 9.1% in 2013 to 8.8% in 2014 was essentially unchanged at 8.7% in 2015. Ireland was more equal in terms of the income distribution than at any time this decade; the Gini coefficient was 32 in 2014 and 30.8 in 2015.

⁹ www.welfare.ie/en/downloads/Updated%20National%20Action%20Plan%20For%20Social%20Inclusion%202015-2017.pdf

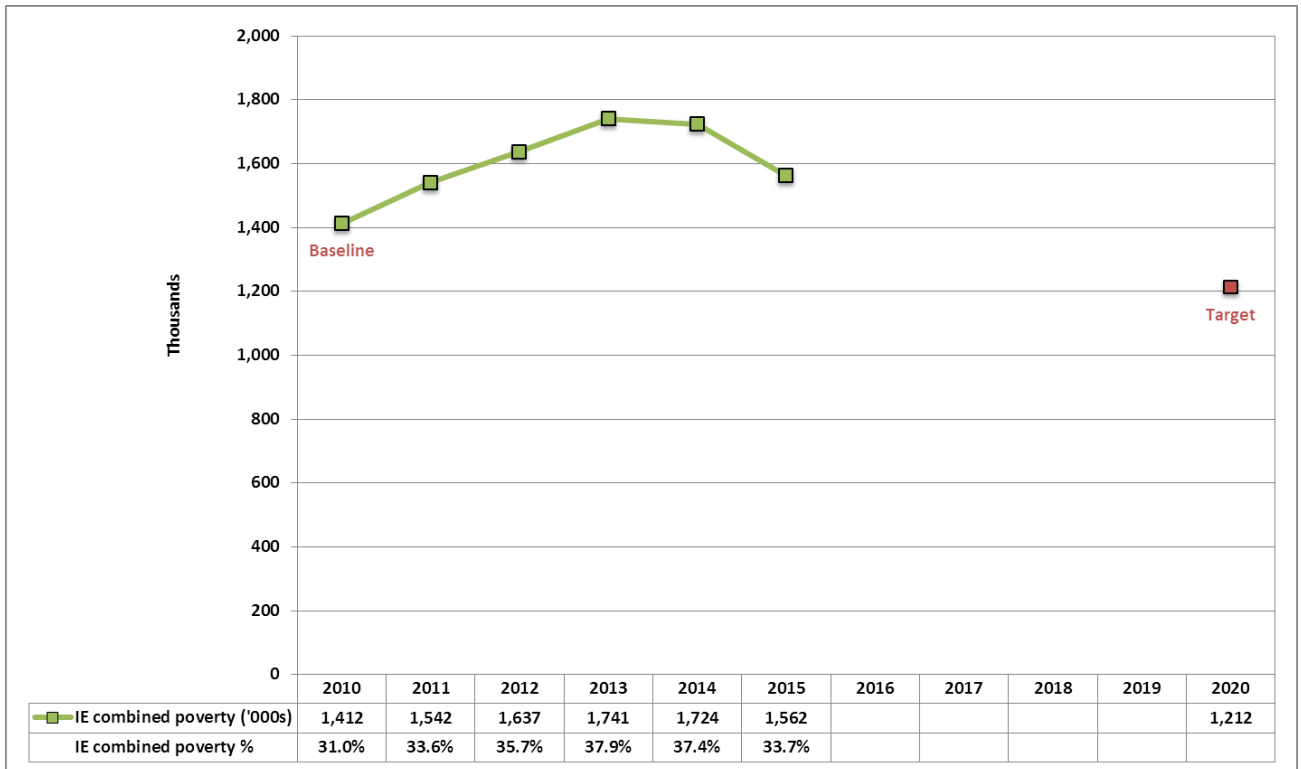
¹⁰ www.welfare.ie/en/Pages/Social-Inclusion-Monitor.aspx

Progress on the child-specific poverty target and measures to address child poverty are outlined in discussion of CSR 2 in Section 3.

Comparable data from Eurostat for 2015 show that social transfers continued to perform strongly in reducing the at-risk-of-poverty rate from 36% to 16%, a poverty reduction effect of 55%. Ireland’s performance in reducing poverty was far in excess of the EU-28 norm of 33.5% and above the 42.8% reduction achieved in the UK. Ireland is the best in the EU for reducing poverty through social transfers; ranking 1st of the 28 member states.

While the latest results point to the improvements in living conditions and in tackling poverty, there is a long way to go to achieve the national social target for poverty reduction. Given the continuing employment growth and economic recovery throughout 2016 and measures introduced in Budgets 2016 and 2017, figures for those years, when they become available, should show further improvements.

Figure 5: Ireland’s contribution to the Europe 2020 poverty target



Source: SILC, various years

5. EU Funds

Use of European Structural and Investment Funds

Ireland has been allocated approximately €2.19 billion for European Agricultural Fund for Rural Development (EAFRD), €147 million for the European Maritime and Fisheries Fund and just over €1.2 billion in relation to the other funds (European Regional Development Fund (ERDF), European Social Fund (ESF) and European Territorial Co-operation (ETC) programmes over the period 2014–2020.

Of the €1.2 billion (in current prices) for Structural Funds (ERDF and ESF), €409 million is for the two ERDF co-funded Regional Programmes and €542 million is for ESF co-funded programmes. There is also an additional €68 million provided for the Youth Employment Initiative which is programmed through the ESF programme. The balance (€169 million) is for European Territorial Co-operation programmes; the PEACE Programme, the Ireland/Northern-Ireland/Scotland Programme, the Ireland/Wales Programme; and the Northern Periphery, North West Europe and Atlantic Area trans-national programmes.

In accordance with the regulations governing the ESIF, Ireland has prepared a Partnership Agreement which assesses its development needs and defines national priorities to support its National Reform Programme and the achievement of national targets for delivering the Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth. The Partnership Agreement constitutes the formal agreement between the European Commission and Ireland regarding the use of funds. On 18 November 2014 the Government and the European Commission both approved Ireland's Partnership Agreement for the European Structural & Investment Funds for the period 2014-2020. This now constitutes a set of binding commitments from Ireland for the programming period.

The development of Ireland's Partnership Agreement and operational programmes has been informed by needs analyses, ex-ante evaluations, strategic environmental assessments and public consultations involving a wide range of stakeholders as well as with Government Departments and State Agencies. It is fully consistent with Ireland's National Reform Programme.

Funding Priorities

The funding priorities identified for Ireland's ESIF programmes take account of the Europe 2020 Strategy, the National Reform Programme and our national consultation processes. In line with these, Ireland has decided that the funding priorities for the 2014-2020 period, are:

- Promoting jobs and growth;
- Combating unemployment and social exclusion;
- Promoting R&D and ICT investment and the competitiveness of the business sector; and
- Promoting an environmentally-friendly and resource efficient economy.

Ireland's ERDF and ESF programmes also respect the requirement for thematic concentration, a feature of the new regulations that requires that minimum allocations must be fixed for a number of priority areas in line with the Europe 2020 Strategy.

For the **ERDF** at least 80% of resources at national level have been allocated to:

- research and innovation;
- information and communication technologies (ICT);
- the improvement of the competitiveness of Small and Medium-sized Enterprises (SMEs); and Ireland - National Reform Programme 2015 73
- the shift towards a low-carbon economy (energy efficiency).

At least 20% of ERDF resources had to be allocated to the low carbon economy priority. In addition, at least 5% of ERDF resources had to be allocated for integrated programmes relating to sustainable urban development. In fact Ireland chose to devote 20.6% of its ERDF resources to the low carbon economy, and almost 10% for Sustainable Urban Development.

For the **ESF** at least 80% of resources at national level have been allocated to:

- promoting sustainable and quality employment and labour mobility;
- education, training and life-long learning; and
- promoting social inclusion and combating poverty and discrimination.

In excess of 35% of the total ESF allocation has been directed to the latter category - promoting social inclusion and combating poverty and discrimination.

Under Ireland's **Rural Development Programme** for the period 2014-2020, a fund of over €4 billion (including €2.19 billion of EAFRD funding) will be spent on a range of measures designed to support the competitiveness of agriculture and the sustainable development of the rural economy. The ranges of measures in the RDP include:

- significant investment in addressing in an integrated manner a range of environmental, biodiversity and climate change challenges
- targeted investment in developing the knowledge base in the sector and supporting innovative approaches and techniques
- broad based support for a range of capital investments designed to underpin the efficiency and competitiveness of the sector, and
- continued support for delivery via the LEADER model of a range of supports to address wider rural development issues.

The Operational Programme supported by the **European Maritime and Fisheries Fund (EMFF)** in Ireland aims at achieving key national development priorities along with the EU's "Europe 2020" objectives. The Programme will support the general reform of the EU's Common Fisheries Policy and the development of its Integrated Maritime Policy in Ireland. Almost €240 million will be spent through the Programme over the period 2014-2020 including €147 million in EU Funding.

6. Institutional Issues and Stakeholder Involvement

This National Reform Programme was coordinated by the Department of the Taoiseach using a whole-of-government approach in relation to its preparation and delivery.

Stakeholder engagement is regarded as an important part of the process. As preparatory work at official level progressed, the Department of the Taoiseach coordinated central engagement with a wide range of stakeholders following publication by the European Commission of the Country Report on Ireland in February.

Stakeholders consulted included regional representatives, representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations.

Submissions were received from ten groups, and the submissions have been published on the website of the Department of the Taoiseach:

- IBEC
- ICTU
- Irish Delegation to the EU Committee of the Regions
- Community and Voluntary Pillar
- Environmental Pillar
- European Anti-Poverty Network
- Social Justice Ireland
- St. Vincent de Paul
- Better Europe Alliance
- North Western Regional Assembly.

Each of the submissions was circulated to relevant Government Departments and stakeholder views were considered in the preparation of this NRP. Stakeholders had a further opportunity to provide comments on a draft NRP.

All submissions were given consideration and, where possible and appropriate, were reflected in the development of the text. However, this was not always possible. Some submissions went beyond the scope of the NRP. Others advocated new or different policy initiatives in particular areas. The engagement by external stakeholders was very welcome and suggestions not reflected in the final text, will be further considered as valuable inputs to future policy development.

The Joint Oireachtas Committee on European Union Affairs was also provided an opportunity to share their views on the European Semester process, a draft of the NRP was provided to the Committee, and the Minister of State for European Affairs briefed the Committee on developments in the European Semester and on the NRP at its meeting on 12 April.

Beyond the immediate focus of the preparation of this NRP, engagement at sectoral and departmental level is encouraged with regard to the range of specific issues that arise in the context of this NRP. It should be noted that an extensive and wide ranging process of engagement with stakeholders takes place.

In recognition of the significant implications of the UK decision the Government commenced a series of consultations and dialogues with civic society. Led by Ministers, these are an invaluable opportunity to hear directly about the all-island implications of Brexit, from a variety of stakeholders and across a wide range of sectors.

Consultation and engagement with stakeholders is an essential component of the Government's preparations for the Article 50 negotiations and in navigating our domestic response to Brexit. The Government launched the 'All-Island Civic Dialogue' on Brexit in November 2016, hosted by the Taoiseach and the Minister for Foreign Affairs and Trade, with the aim of having the widest possible conversation across a range of sectors about the implications of Brexit. The Government heard directly from representatives of civic society groups, trade unions, business groups, non-governmental organisations and political parties from across the island of Ireland about the challenges presented by Brexit and how they might impact on different elements of society and the economy on an all-island basis.

Building on the first plenary session, the Government launched a series of sectoral All-Island Civic Dialogue events. These are hosted by Ministers and present an invaluable opportunity for an in-depth discussion on the all-island implications of Brexit, with a variety of stakeholders and across a wide range of sectors. Fourteen All-Island Sectoral Dialogues have been held to date, covering a range of issues from agri-food to human rights. The second plenary session of the All-Island Civic Dialogue took place in February and provided a further opportunity to capture the views of those most directly affected from across the island.

Up to 500 representatives of civic society groups, trade unions, business groups, non-governmental organisations and political parties from across the island of Ireland attended the two plenary sessions and over 1200 civic society and industry representatives participated in the fourteen All-Island sectoral dialogues. A report capturing the output from the Civic Dialogue process to date has been published and is available here:

http://www.merriestreet.ie/en/EU-UK/Consultations/Dialogue_Report_on_Brexit_Compodium.pdf.

In addition to the events organised as part of the All-Island Civic Dialogue process, over 285 meetings have been held with key stakeholders so far. Through this engagement and consultation, the Government is continuing to work with, and listen to, those who will be most affected by the implications of Brexit. This ongoing stakeholder engagement plays a key role in deepening and expanding our analysis in preparation for the months and years ahead.

Over 1,200 people have participated in the dialogue process, and over 285 other stakeholder meetings have taken place in addition to the dialogue events.

Some examples of other engagements include:

- The Department of Finance and Department of Public Expenditure and Reform hosted a **National Economic Dialogue** in Dublin Castle on 27-28 June 2016. The objective of the dialogue was to facilitate an open and inclusive exchange on the competing economic and social priorities facing the Government as it prepared for Budget 2017. It was informed by the macro-economic and fiscal parameters, including the EU budgetary framework.
- The Department of Social Protection engages with a wide range of stakeholders on social protection and inclusion policies and practice. The national and local stakeholders include people experiencing poverty, civil society groups, government/public officials, social partners and experts. Examples of the Department's stakeholder engagement activities include bilaterals with civil society groups, annual events like the **Pre-Budget Forum and the Social Inclusion Forum (SIF)** and social inclusion initiatives that provide support to community groups for local level projects across Ireland to raise awareness of the UN Day for the Eradication of Poverty. SIF 2016, with a theme of Growing an Inclusive Recovery, was held on the 14th September. A report summarising the inputs from speakers, discussions during workshops/plenary sessions and common themes that emerged is due to be published shortly. Preliminary arrangements for SIF 2017 have commenced.
- The Department of Education and Skills engaged extensively with stakeholders in relation to the **development of the DEIS (Delivering Equality of Opportunity in Schools) Plan 2017** This included a DEIS Advisory Group comprising:
 - The Department of Education and Skills.
 - The Department of Social Protection.
 - The Department of Health.
 - The Department of Housing, Planning, Community and Local Government.There was also extensive engagement with the Education Partners throughout the process in the form of invited submissions, a forum, various briefing sessions.
- **Innovation 2020**, Ireland's strategy for research and development, science and technology, commits to reviewing the full range of RDI supports for enterprise. As part of this activity, extensive consultation around the challenges and barriers to enterprise RDI activity has taken place with industry representative bodies. A further commitment in Innovation 2020 is the identification of strategic areas of commercial opportunity for Irish based enterprise in global markets. Consultation with key stakeholders including industry representative organisations, companies and market experts has been a critical feature of this study.

The five national outcome areas in Better Outcomes, Brighter Future, the national policy framework for children and young people 2014-2020 are underpinned by children and young people's right to have a voice and influence in all decisions affecting them. The first constituent strategy of Better Outcomes Brighter Futures is the **National Strategy on Children and Young People's Participation in Decision-making, 2015-2020**. The Strategy contains cross government commitments relevant to a range of specific issues that arise in the context of this NRP which affect the lives of children and young people. These include developments in health and social care services, education, child poverty, and childcare, as well as the development of policy, research, legislation and services relevant to children and young people. The first Annual Report on Implementation shows a positive picture of how the Strategy is being implemented. The priority action in the strategy for the Department of Children and Youth Affairs in 2017 is the establishment of a Children and Young People's Participation Hub, as a national centre for excellence.