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**IRELAND – REVIEW OF PROGRESS ON POLICY MEASURES RELEVANT FOR THE  
CORRECTION OF MACROECONOMIC IMBALANCES**

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## Executive summary

**The 2019 Specific Monitoring Report for Ireland reviews the policy initiatives taken to correct the macroeconomic imbalances identified in the 2019 Country Report.** In February 2019, Ireland was found to be experiencing macroeconomic imbalances, in particular involving vulnerabilities from large stocks of public and private debt and net external liabilities. Risks related to the high stock of non-performing loans and rapid growth of house prices were also identified, but not considered imbalances. The 2019 Country-Specific Recommendations to Ireland address these imbalances. The cut-off date for this report is 27 November 2019.

**Strong economic growth helped reducing stock imbalances in 2018, and this trend continued in 2019.** The domestic economy is expected to remain strong in the short term, underpinned by robust, albeit moderating, private consumption and investment in construction. Risks to the outlook remain mainly to the downside. External risks include a disorderly Brexit and changes to the international taxation and trade environment. Multinational companies heavily influence the Irish economy and their activities can shift headline figures in either direction.

**Ireland is still running high levels of public debt, which limits the room to respond to negative economic shocks.** While general government debt as a share of GDP has significantly declined, reaching 63.5% in 2018, GDP is inflated by the activities of multinational companies and therefore this ratio does not capture the actual burden of public debt on the domestic economy. A range of other metrics, including debt-to-GNI\* and interest-to-revenue ratios, suggests that Ireland's stock of public debt remains high by historical and international standards. According to the Draft Budget 2020, the government intends to direct receipts from the return of funds set aside for the resolution of the financial crisis to reduce public debt. According to the Finance Bill 2019 food supplements will become subject to a 13.5% VAT. However, the Draft Budget 2020 does not report further measures to broaden the tax base and indeed some measures would even increase the scope of tax expenditures. Measures taken to address the cost-effectiveness of the healthcare system and the sustainability of the pension system are ongoing, but risks to their implementation remain. Ireland has established a "rainy day fund" in 2019, with an initial transfer of EUR 1.5 billion from the Irish Strategic Investment Fund, but the planned annual contribution from the exchequer has been postponed. In view of the heightened risk to the economic outlook and the favourable cyclical situation including buoyant corporate tax revenue, the resilience of public finances to adverse shocks could be enhanced by further strengthening fiscal buffers and automatic stabilisers. This could be achieved by firming up the rainy day fund, reducing public debt or broadening the tax base.

**The reduction of banks' non-performing loans (NPLs) has continued throughout 2019, supported by sales and targeted policies.** The decline in the NPL ratio, to 4.2% of total loans in the second quarter of 2019, has so far been broad-based, primarily resulting from loan sales. The share of long-term mortgage arrears is increasing from already high levels (60% of all mortgage arrears in the second quarter of 2019). While a number of schemes exist to help resolving those arrears, borrowers make limited use of personal insolvency procedures. The Central Credit Register is now operational for all loan categories.

**House price growth has significantly moderated but measures to increase housing supply are still required to support affordability.** House prices rose faster than disposable income in recent years, making macroprudential loan-to-income limits more binding in the most expensive markets of Dublin and the Mid-East regions. This, coupled with increasing housing supply, has led to a rapid moderation in house price inflation from 13.3% in April

2018 to 1.1% in September 2019. House prices do not seem to have been overvalued in 2018 but affordability remains a concern. Annual housing completions in the third quarter of 2019 reached the highest level since 2009, but they were still 14% below the lower demand estimates. As a result, housing rental prices continue increasing, albeit at a slower pace. The Draft Budget 2020 allocates over EUR 1.7 billion to support the construction of social and affordable housing. The 1.5 percentage point increase of the stamp duty rate applicable to non-residential property could incentivise commercial real estate investors to turn to the residential sector. Changes in planning regulations aim at improving housing affordability. Adopted legislative reforms in the rental sector could have mixed effects in the rental stock.

**With the current account in surplus, external sustainability risks in Ireland stem mainly from the highly negative net international investment position.** The headline current account was in large surplus of 10.6% GDP in 2018 and is expected to moderate but remain in surplus in 2019. The *modified current account*, which better captures the resources generated by domestic residents, was also in surplus in 2018. The net international investment position continues to be highly negative, at -166% of GDP in the second quarter of 2019. While large part of these liabilities belongs to the companies with very limited links to domestic economy, the adjusted NIIP, which aims at assessing net external liabilities of the domestic sector, is estimated to be around 90% of modified gross national income (GNI\*), a smaller but still elevated level.

**Private sector debt remains high in relation to GDP, but has declined following active deleveraging in both household and corporate sectors.** Private sector debt amounted to 223% of GDP in 2018, largely on account of non-financial corporations' (NFC) debt (182% of GDP), which comprises intra-company liabilities of multinational enterprises that have a strong presence in Ireland. Household debt appears high when compared to disposable income or modified GNI. Moreover, long-term mortgage arrears remain a persisting challenge for some households.

**In conclusion, measures to reduce the high stocks of public debt and long-term mortgage arrears have been taken, but their implementation requires monitoring.** No new measures have been implemented to accelerate the reduction of the general government debt, which has however declined as a share of GDP due to high growth. NPLs have declined, supported by a number of previously implemented measures and favourable economic conditions, but long-term arrears remain a concern. House price growth has moderated and is now below the scoreboard threshold, but measures to support housing supply are still required to improve affordability.

**Table 1: Key findings on the implementation of policy reforms<sup>(1)</sup>**

On track	Wait-and-see	Action wanted
<ul style="list-style-type: none"> <li>• Central credit register</li> <li>• Macroprudential policies</li> <li>• Change in planning guidelines to reduce the cost of construction</li> <li>• Regulatory reforms of the short-term letting sector</li> </ul>	<ul style="list-style-type: none"> <li>• Build-up of countercyclical fiscal buffers.</li> <li>• Use of windfall gains to reduce public debt</li> <li>• Increase the cost-effectiveness of the healthcare system</li> <li>• Pursue the envisaged pension reforms</li> <li>• Effectiveness of the <i>Abhaile</i> aid-and-advice scheme</li> <li>• Impact of Mortgage-to-Rent scheme</li> <li>• Land and Conveyancing Law Reform Act</li> <li>• Home Building Finance Ireland</li> <li>• Construction of Social Housing</li> <li>• Serviced Site Fund</li> <li>• Impact of 1.5pps. stamp duty hike on non-residential property</li> </ul>	<ul style="list-style-type: none"> <li>• Measures to broaden the tax base and reduce the scope of tax expenditures.</li> </ul>

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<sup>(1)</sup> The table classifies reforms under review on the basis of their respective adoption and implementation process, uncertainty and their level of detail. “On track” are measures for which the legislative or implementation process has been completed or is progressing well according to the foreseen timeline, and which are expected to be sufficiently effective. “Wait and see” are measures for which the legislative process is ongoing, but is still in a relatively early phase, or measures for which there is still uncertainty on the complete implementation and effectiveness. “Action wanted” are measures for which limited or no action has been taken, or measures that have been announced but which are not sufficiently detailed yet to be assessed.

## 1. Introduction

On 21 November 2018, the European Commission presented, in the context of the Macroeconomic Imbalance Procedure (MIP), its ninth alert mechanism report<sup>(2)</sup>, which identified Ireland as requiring an in-depth investigation into the evolution of the macroeconomic imbalances. The in-depth review in the country report – published on 27 February 2019<sup>(3)</sup> – examined the nature, origin and severity of macroeconomic imbalances and risks in Ireland. In the accompanying Communication<sup>(4)</sup>, the Commission concluded that "Ireland is experiencing imbalances". These imbalances relate to large stocks of public and private debt and net external liabilities. Risks related to the high stock of non-performing loans and rapid growth of house prices were also identified, but not considered imbalances. This leads to the following MIP objectives: (i) increase the resilience of public finances, (ii) reduce private debt and (iii) monitor developments in the housing market.

In April 2019, Ireland submitted its Stability Programme<sup>(5)</sup> and National Reform Programme (NRP)<sup>(6)</sup>, respectively outlining the fiscal targets and the policy measures undertaken or planned to improve its economic performance and to unwind imbalances. On the basis of an assessment of these plans, the Commission proposed three country-specific recommendations (CSRs)<sup>(7)</sup>, which were adopted by the Council on 2 July 2019<sup>(8)</sup>. MIP-relevant CSRs are, in particular: (i) the use of windfall gains to accelerate the reduction of the general government debt ratio, limiting tax expenditures and broadening the tax base; (ii) addressing the expected increase in age-related public expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans; and (iii) focusing investment-related economic policy on affordable and social housing. The present report assesses the latest key policy initiatives<sup>(9)</sup> undertaken by the Irish authorities, structured along the MIP objectives.

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<sup>(2)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1547734121275&uri=CELEX%3A52018DC0758>

<sup>(3)</sup> [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-country-report-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-country-report-ireland_en.pdf)

<sup>(4)</sup> [https://ec.europa.eu/info/sites/info/files/file\\_import/2019-european-semester-communication-country-reports\\_en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/file_import/2019-european-semester-communication-country-reports_en_0.pdf)

<sup>(5)</sup> [https://ec.europa.eu/info/sites/info/files/2019-european-semester-stability-programme-ireland\\_en.pdf](https://ec.europa.eu/info/sites/info/files/2019-european-semester-stability-programme-ireland_en.pdf)

<sup>(6)</sup> [https://ec.europa.eu/info/sites/info/files/business\\_economy\\_euro/economic\\_and\\_fiscal\\_policy\\_coordination/documents/2019-european-semester-national-reform-programme-ireland-en\\_0.pdf](https://ec.europa.eu/info/sites/info/files/business_economy_euro/economic_and_fiscal_policy_coordination/documents/2019-european-semester-national-reform-programme-ireland-en_0.pdf)

<sup>(7)</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1560258172482&uri=CELEX%3A52019DC0507>

<sup>(8)</sup> <http://data.consilium.europa.eu/doc/document/ST-10160-2019-INIT/en/pdf>

<sup>(9)</sup> Details on the policy measures taken can be found in the overview table in the Annex.

## 2. Outlook and recent developments of imbalances

### 2.1 Recent economic developments and outlook

**Domestic activity remains robust, but risks to the economic outlook have increased.** Real GDP grew by 6.6% year-on-year (y-o-y) in the first half of 2019 and is projected to expand by 5.6% in 2019 before moderating to 3.5% in 2020 and 3.2% in 2021. *Modified domestic demand*, a measure of domestic activity that strips out some of the effects of multinationals, grew by 2.3% y-o-y in the first half of the year, driven by consumption and investment in construction. However, domestic activity is moderating, as increased uncertainty weighs on business and consumer sentiment. The headline government balance is projected to improve to 0.2% of GDP in 2019 and further to 0.3% in 2020. The structural balance is estimated at -0.8% of GDP in 2019 and -0.3% in 2020, above Ireland's Medium Term Objective of -0.5%. Important risks continue to overshadow the economic outlook. Primarily external in nature, they relate to the future relationship between the UK and the EU, as well as to changes to the international taxation and trade environment. On the domestic side, signs of overheating could become more apparent going forward if adverse external shocks do not materialise. A large degree of unpredictability remains linked to the activities of multinationals, which could drive headline growth in any direction.

### 2.2 Developments of imbalances

#### Public debt

**The public debt ratio has been declining, but the stock of debt remains elevated.** Public debt as a share of GDP declined to 63.5% in 2018, but this was solely on the back of strong GDP growth, whereas the stock of debt has increased by around EUR 5 billion compared with 2017. As a proportion of modified-GNI<sup>(10)</sup>, debt remains high, at 104% in 2018. The interest-to-revenue ratio was also high, at 6.4%. The general government debt ratio is projected to decline to 59.0% of GDP in 2019 and to fall further to 53.9% and 52.6% of GDP in 2020 and 2021, respectively. This is contingent on continued economic growth and positive primary balances. The headline government balance is projected to increase to 0.2% of GDP in 2019, from 0.1% in 2018, and to further improve in 2020 to 0.3% of GDP and to 0.6% in 2021. The structural deficit, at -0.6% of GDP in 2018, is expected to deteriorate in 2019 to -0.8% of GDP before improving in 2020 and turning into a surplus in 2021.

#### Private debt

**The high level of private sector debt suggests continued sustainability risks in both the household and corporate sectors.** According to the MIP scoreboard, private sector debt amounted to 223% of GDP in 2018, largely on account of non-financial corporations' (NFC) debt of 182% of GDP, with households accounting for the difference. The high NFC debt reflects to a large extent intra-company liabilities of multinational enterprises that have a strong presence in Ireland, with limited exposure of Irish domestic sectors. However, underlying domestic trends remain hard to interpret, and benchmark estimates suggest some further deleveraging needs in the corporate sector. While household debt appears to be low relative to GDP, this mainly reflects the fact that GDP is considerably inflated by activities of

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<sup>(10)</sup> The Modified Gross National Income (also known as GNI\*), provided by the Irish statistical authorities, reflects more accurately the income of Irish residents than GDP. It differs from actual GNI in that it excludes inter alia the depreciation of foreign-owned, but Irish-resident, capital assets (most notably intellectual property and assets associated with aircraft for leasing) and the undistributed profits of firms that have re-domiciled to Ireland.

multinational enterprises <sup>(11)</sup>. Its high level relative to disposable income indicates further deleveraging needs in the sector. Moreover, mortgage arrears still remain a challenge for some households. The share of mortgages with longer fixation periods, i.e. five years or more, increased <sup>(12)</sup>, which strengthens households' resilience against adverse interest rate shocks.

**The stock of NPLs continues to decline, notably on the back of sales.** In the second quarter of 2019, the overall NPL ratio reached 4.7% of total loans, about half its level one year earlier. While the reduction is broad-based, the NPL ratio was higher for households (9%) than for NFCs (5%). Mortgage arrears are declining steadily, but, at 60%, the share of deep arrears is high and increasing. The level of long-term mortgage arrears remains substantial in absolute terms (EUR 9.4 billion in the second quarter of 2019). Approximately two thirds of these deep arrears relate to primary dwelling homes, with the rest related to buy-to-let properties. Although the decline in the NPL ratio points to an improvement in asset quality, aggregate provisioning remains low, hovering around 30%.

### External sustainability

**External sustainability risks mainly stem from the highly negative net international investment position.** The headline current account (CA) surplus increased dramatically, from 0.5% of GDP in 2017 to 10.6% in 2018. It is expected to fall to 0.8% of GDP in 2019. Volatility in imports of intellectual property assets and contract manufacturing contributed to the swings in the CA balance in the past years <sup>(13)</sup>. This volatility highlights the importance of alternative indicators such as the *modified current account*, which better captures the resources generated by domestic residents. It increased moderately, from 2.3% of GDP in 2017 to 4.0% in 2018. The net international investment position has little changed since 2018. It stood at -166% of GDP in the second quarter of 2019, compared to a peak level of -243% in Q1-2015. The level of net external liabilities is bloated by the operations of some multinationals and the negative net position of the International Financial Services Centre (IFSC), to which domestic sectors have only limited exposure. An adjusted NIIP (NIIP\*), which tries to eliminate these impacts and rather capture net external liabilities of the domestic sector, is estimated by the Commission to be around 90% of modified gross national income (GNI\*). Although much smaller than the headline figure, it points to still elevated levels of net external debt.

### Housing markets

**Annual residential property inflation moderated, while prices in the lower end of the market were still growing briskly.** Annual residential property price inflation moderated from 13.3% in April 2018 to 1.1% in September 2019. However, there were sizeable differences across regions. Residential prices declined in regions with high average prices – Dún Laoghaire-Rathdown (-6.8%) or Dublin city (-1.2%) — while prices were still briskly increasing in those regions with lower average prices such as the Border (11.8%) or West regions (5%). With house prices having grown faster than disposable income in recent years, the 3.5 loan-to-income and 90% loan-to-value limits imposed by the Central Bank of Ireland

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<sup>(11)</sup> In 2018, GDP exceeded GNI\* by a factor of 1.6.

<sup>(12)</sup> Central Bank of Ireland, *Household Credit Market Report 2019*.

<sup>(13)</sup> Contract manufacturing is a process in which resident multinational companies issue contracts to foreign firms to produce goods on their behalf. As resident companies own these goods, their sales are recorded as exports of the resident country even though they do not enter the domestic economy.



have become more binding in markets with higher market values <sup>(14)</sup>. In combination with a higher housing supply, this seems to have curbed residential price inflation. In 2018, house prices did not seem to be overvalued, but affordability — while slightly improving — is still a concern.

**Residential construction continues increasing, but is still falling short of long-term demand.** Annual housing completions amounted to 20 249 in the third quarter of 2019, 18.6% more than in the same period last year. This level is still below annual demand, estimated between 23 000<sup>(15)</sup> and 50 000<sup>(16)</sup>. Annual rent inflation was around 5% in October 2019, i.e. 1.2 pps lower than in October last year.

### 3. Policy implementation and assessment

#### 3.1 Increase resilience of public finances

The 2019 CSRs call on Ireland to use windfall gains to accelerate the reduction in government debt ratio, to limit the tax expenditures and to broaden the tax base. They also recommend to address the expected increase in age-related expenditure by increasing the cost effectiveness of the healthcare system and by pursuing the envisaged pension reforms.

**Some expected receipts may be used to accelerate the reduction of public debt.** According to the Draft Budget 2020, the government intends to direct estimated receipts amounting to EUR 4.7 billion (1.4% of GDP) towards lowering the public debt. EUR 0.7 billion (0.2% of GDP) of this are expected in 2019 from the return of funds set aside for the resolution of the financial crisis. In addition, estimated receipts of EUR 4.0 billion (1.2% of GDP), spread over 2020 and 2021, arising from the winding down of the National Asset Management Agency, are expected to be used.

**Firming up the rainy day fund could contribute to prudent management of public finances.** Legislation to establish a rainy day fund (RDF) was passed on 26 June 2019. In November 2019, EUR 1.5 billion (0.4% of GDP) have been transferred from the Ireland Strategic Investment Fund into the RDF. Initially, it was planned that EUR 500 million (approximately 0.2% of GDP) would also be transferred from the exchequer every year to the RDF. However, the Draft Budgetary Plan (DBP) for 2020 is predicated on the assumption that the UK leaves the EU without a deal and projects a budget deficit in 2020. As a consequence, the start of the annual transfers of EUR 500 million to the RDF was postponed until 2021.

**The measures included in the 2020 DBP are not contributing to the broadening of the tax base.** The revenue raising measures include an increase in the carbon tax rate, amendments to the electricity and vehicle registration taxes, an increase in stamp duty on non-residential property and an increase in excises on tobacco products. According to the Finance Bill 2019 food supplements will become subject to a 13.5% VAT, a measure not reported in the DBP 2020 and which contributes to some extent to broadening the tax base. However, some measures in the DBP increase the scope of tax expenditures, notably

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<sup>(14)</sup> Central Bank of Ireland (2018) *Review of residential mortgage lending requirements. Mortgage measures 2018* (<https://www.centralbank.ie/docs/default-source/financial-system/financial-stability/macprudential-policy/policy-documents/2018-review-of-mortgage-market-measures.pdf?sfvrsn=4>)

<sup>(15)</sup> Duffy, D., Foley, D., McInerney, N. and McQuinn, K. (2016), ‘*Demographic Change, Long-Run Housing Demand and the Related Challenges for the Irish Banking Sector*’. The Economic and Social Research Institute (ESRI) (<https://www.esri.ie/pubs/CB201617.pdf>)

<sup>(16)</sup> Lyons, R(2017), ‘*How to Build Enough Homes*’ (<http://www.ronanlyons.com/category/blog/propertymarket>)

increases in certain tax credits, an extension of the Help-to-Buy scheme and an increase in the capital acquisition tax threshold.

**Measures to address the cost-effectiveness of the healthcare system and the sustainability of the pension system are ongoing.** The ambitious *Sláintecare* reform, introduced in 2019, provides a credible vision for making the health system universally accessible and sustainable. However, its implementation is endangered by the difficulties in improving budget management in the health system to avoid recurrent overspends. According to the DBP, supplementary expenditure of around EUR 335 million (0.1% of GDP) is needed in 2019 to cover for overruns. A Health Budgetary Oversight Group was established in 2019 with the aim to monitor and help controlling health spending and staffing numbers within the budget allocation and to act as an early warning mechanism for any variances. The Roadmap for Pension Reform, published in 2018, aims to address the long-term sustainability of the state pension system. However, the envisaged reforms have not yet been finalised. The DBP has not reported on any new measures to address these issues.

**To conclude, although policy action aimed at reducing debt and enhancing public finances is ongoing, challenges remain.** Areas of progress include building fiscal buffers, *inter alia*, with the creation of the rainy day fund. The government also intends to direct some receipts from the resolution of financial crisis towards lowering the public debt. The impact of measures outlined in the 2020 DBP on the overall policy goal of limiting tax volatility and addressing the cost-effectiveness of the healthcare system and the sustainability of the pension system is limited.

### **3.2 Reduction of private debt**

**While no major new initiatives were implemented in 2019, there are a number of schemes in place to reduce mortgage arrears.** Public initiatives, such as the *Abhaile* aid-and-advice scheme<sup>(17)</sup> and the *Mortgage-to-Rent*<sup>(18)</sup> scheme aim to help resolving mortgage arrears, but the long-term category is particularly persistent and utilisation of personal insolvency for borrowers is relatively low. Some recent measures focus on strengthening the rights of mortgage holders in arrears and remain to be assessed once fully implemented. This applies, for instance, to the Land and Conveyancing Law Reform Act, which entered into force in August 2019, and will affect the arrears resolution process by setting out the considerations courts must take into account when a lender is seeking an order for the repossession of land.

### **3.3 Monitor developments in the housing market**

**Measures announced in the DBP 2020 are expected to increase housing supply.** Over EUR1.5 billion have been allocated to the provision of 8 500 social houses, 7 700 of which will be new constructions (18% more than in Budget 2019). In addition, over EUR 200 million will support the provision of infrastructure to service land so as to enable the construction of additional affordable and social housing. The increase of the rate of stamp duty applicable to non-residential property by 1.5 percentage points could also incentivise commercial real estate investors to turn to the residential sector.

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<sup>(17)</sup> Scheme that provides independent expert financial and legal advice to people who are insolvent or in serious mortgage arrears on their home.

<sup>(18)</sup> Scheme that supports mortgage holders in arrears. Under this scheme, a homeowner's property is bought by an approved housing body and rented out to the original mortgage holder, who remains in it as a social tenant.

**Changes in planning regulations could support housing affordability.** In December 2018, the government amended the guidelines for planning authorities regarding urban development and building, removing general blanket restrictions on building height. This could contribute to reducing housing supply constraints while promoting a more compact growth <sup>(19)</sup>.

**New regulatory measures implemented in the rental sector could have mixed effects on the rental stock.** Legislative reforms to regulate the short-term letting sector in areas with high housing demand came into effect in July 2019. These may reduce the use of residential homes for short-term tourism and in turn increase the rental stock. The impact of recent reforms to protect tenants and provide greater housing security should be monitored to ensure that they fulfil their goals of having a positive social impact without discouraging landlords to rent their houses.

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<sup>(19)</sup> Growth which leads to compact cities, towns and villages, i.e. high residential density areas with mixed land uses, supported by an efficient public and clean transport network.

## Annex 1: Overview table of MIP-relevant reforms

<b>MIP objective: Increase the resilience of public finances</b>			
<b>Public finances and taxation</b>			
Fiscal policy and fiscal governance			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p><b>Announced in October 2019:</b> Estimated exchequer receipts of EUR 0.7 billion (0.2% of GDP) in 2019 from the return of funds from the resolution of the financial crisis, and of EUR 4.0 billion (1.2% of GDP), spread over 2020 and 2021, arising from the winding down of the National Asset Management Agency to be used to reduce debt.</p>	<p><b>Legislation to establish the Rainy Day Fund (RDF) passed in 2019.</b> EUR 1.5 billion (around 0.4% of GDP) was transferred from the Ireland Strategic Investment Fund to the RDF in November 2019. The planned annual transferred of EUR 500 million (0.15% of GDP) from the exchequer was deferred for 2021.</p>		<p>CSR (1) – 2019 "[...] Use windfall gains to accelerate the reduction of the general government debt ratio [...]"</p>
Tax bases			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<p><b>Proposed in October 2019:</b> Finance Bill 2019 announced a VAT rate of 13.5% to be applied to food supplement products from 2020.  Measures, which may <b>narrow the tax base and increase the scope of tax expenditures</b> in the DBP 2020 include: increases to tax credits for self-employed and home carers; an</p>			<p>CSR (1) – 2019 "[...] limit the scope and the number of tax expenditures and broaden the tax base [...]"</p>

<p>increase in the capital acquisition tax threshold; an extension of the Help to Buy scheme and several measures directed to support businesses, in particular SMEs.</p>			
<p>Cost-effectiveness of the healthcare system and the sustainability of the pension system</p>			
<p><b>Healthcare, announced in 2018:</b> The publication of the Sláintecare Implementation Strategy, which sets out the actions to be taken in the first three years of the healthcare reform programme.</p> <p><b>Pensions: announced in 2018 to be implemented in 2020.</b> The introduction of the Total Contributions Approach is expected to improve the sustainability of the State Pension system and to lead to a fairer and more transparent system whereby benefits will more closely match contributions made. However, the envisaged reforms have not yet been implemented.</p>		<p><b>Implemented in 2019:</b> A Health Budgetary Oversight Group was established in 2019 with the aim to monitor and help controlling health spending and staffing numbers within the budget allocation and to act as an early warning mechanism for any variances.</p>	<p>CSR (1) – (2019) “ [...] Address the expected increase in age-related expenditure by increasing the cost effectiveness of the healthcare system and by pursuing the envisaged pension reforms.”</p>

<b>MIP objective: Reduce private debt</b>			
<b>Financial Sector</b>			
<b>Private indebtedness</b>			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
		Land and Conveyancing Law Reform Act 2019 (entered into force in August 2019): sets out the considerations courts must take into account when a lender is seeking an order for the repossession of land.	CSR (3) – 2018 "Promote faster and durable reductions in long-term arrears, building on initiatives for vulnerable households and encouraging write-offs of non-recoverable exposures..."
<b>MIP objective: Monitor developments in the housing market</b>			
<b>Housing Market</b>			
<b>Housing Supply Shortages</b>			
<i>Announced measures</i>	<i>Adopted measures</i>	<i>Implemented measures</i>	<i>Sources of commitment</i>
<b>February 2019:</b> Draft Budget 2020 proposed to allocate EUR1.5 billion in 2020 to build and acquire 8 536 social housing units. This represents a 7% increase in resources with respect to those allocated in 2019. However, it does not add additional resources with respect to those planned in Budget 2019 for 2020.	<b>February 2019:</b> 1.5 percentage points stamp duty hike on non-residential property  <b>July 2019:</b> Legislative reforms to regulate the short-term letting sector in areas of high housing demand came into effect.	<b>December 2018:</b> The government issued amended guidelines for planning authorities on urban development and building heights, which are expected to reduce the cost of housing construction.  <b>January 2019:</b> Home Building Finance Ireland (HBFI) started to operate in January 2019. This state-owned company, which aims at providing finance to commercially viable residential property	MIP matrix and CSR (2) – 2019 "Focus investment-related economic policy on [...] affordable and social housing [...]"

		<p>developments, had already approved EUR 41 million in funding for the construction of 228 units by June 2019.</p> <p><b>June 2019:</b> Since 2016, 13 036 social houses have been newly constructed or renovated to bring them back to productive use.</p> <p><b>July 2019:</b> The Service Site Fund aims at servicing land with the necessary infrastructures to facilitate the development of affordable housing. Under the first call for proposals, EUR 43 million were approved under the Serviced Site Fund for 10 projects with capacity to deliver 1 400 affordable houses. 31 additional projects with capacity to deliver 1 900 affordable units were submitted under the second call launched in April 2019.</p>	
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