Rialtas na hÉireann
Government of Ireland

Draft Budgetary Plan 2020

Prepared by the Department of Finance
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DRAFT BUDGETARY PLAN 2020

October 2019

Introduction

Regulation (EU) 473/2013 of the European Parliament and of the Council (part of the so-called ‘two-pack’) introduces a common budgetary timeline for euro area Member States. Specifically, Draft Budgetary Plans for the forthcoming year must be submitted to the European Commission and to the *Eurogroup* between the 1st and the 15th October each year.

The document herein is being submitted to the European Commission and *Eurogroup* in accordance with the Regulation.

This Draft Budgetary Plan has also been laid before the Houses of the Oireachtas. It is consistent with *Budget 2020,* which was presented to Dáil Éireann on 8th October 2019.

The format and content of the document are in line with the requirements of the ‘Code of Conduct’ which *inter alia* requires macroeconomic and budgetary forecasts for the current and forthcoming years (in this case 2019 and 2020). Pre-Budget macroeconomic forecasts for this year and next were endorsed by the Irish Fiscal Advisory Council (IFAC), as required under article 4(4) of the Regulation.

The analysis and forecasts contained in this document are based on data to early October. All data presented herein are on an ESA 2010 statistical basis.

Summary

Many of the risks identified in the Department's spring forecasts have now come to pass. The global economic backdrop is much less benign than previously assumed and, for budgetary planning purposes, the UK is now assumed to exit the EU at end-October without ratifying the *Withdrawal Agreement*.

This Draft Budgetary Plan is based on GDP growth of just 0.7 per cent for next year, following a projected outturn of 5.5 per cent growth this year. The deceleration reflects the economic impact of a disorderly UK exit from the European Union, the central scenario upon which the Irish Government's budget planning is based. Given the unprecedented nature of such a shock, the uncertainty attached to this point-estimate is much higher than normal, with risks skewed to the downside. The macroeconomic forecasts contained in this document were produced by the Department of Finance and subsequently endorsed by the *Irish Fiscal Advisory Council* on the 30th of September 2019.[1]

A headline general government surplus of 0.2 per cent of GDP is projected for this year, unchanged relative to the spring forecasts. For 2020, however, the headline balance is expected to move into deficit, largely on foot of weaker revenue growth associated with the Brexit-related slowdown. A deficit of 0.6 per cent of GDP is in prospect for next year.

The ratio of debt-to-GDP is projected to continue its downward trajectory, reaching to 59.3 per cent by the end of this year, below the 60 per cent threshold set out in the *Stability and Growth Pact* for the first time in the post-crisis era. A further decline to 56.5 per cent of GDP is projected for next year.

[1] The endorsement letter from the Chairman of the IFAC is available at:
https://assets.gov.ie/34855/fe9db7202e7044089e8c0db6c4207fa3.pdf

The presentation provided by Department of Finance staff to the IFAC is available at:
https://assets.gov.ie/34856/7d7300227c4a4d418e62fb47a8a01dc2.pdf

Section 1
Economic Developments and Outlook

1.1 External Environment: implications for the Irish economy

Several external factors appear to be weighing on the global economy at present. Some of these are cyclical in nature, including a 'natural' end to what has been a prolonged cyclical upswing in many regions. More problematic, however, are several structural developments that are undermining growth prospects. For instance, the pace of global economic integration has slowed, with evidence that cross-border supply chains have begun to unravel, a phenomenon that pre-dates the economic tensions between the US and China. Heightened uncertainty – including that related to the rules-based multilateral trading framework – is weighing on investment in advanced economies, depressing demand in the short-term and holding back productivity in the medium-term. From an Irish perspective, any rolling back of globalisation is problematic, given the integration of Irish production in global value chains.

A more immediate concern from an Irish perspective is the United Kingdom's exit from the European Union which, for budgetary purposes, is assumed to occur without ratification of the *Withdrawal Agreement* at the end of October, i.e. a disorderly exit. This will involve a significant shock to the Irish economy, albeit one with considerable sectoral heterogeneity. UK-facing firms (especially small- and medium-sized enterprises (SMEs)) and the agri-food sector are among those sectors most exposed to a fall in demand, while parts of the retail sector – often characterised by just-in-time supply chains – are vulnerable to supply disruption.

Against this difficult external backdrop, a sharp slowdown in the pace of Irish economic growth is in prospect for next year, with GDP projected to increase by just 0.7 per cent. While the economy is projected to expand, it is very much a "two-speed" economy: sectors dominated by multinational enterprises are assumed to step up a gear, while activity in UK-facing sectors will hit the brakes.

1.2 Macroeconomic developments 2019

Against a background of elevated global economic growth uncertainty, the data-flow over the summer confirm that economic conditions in many of Ireland's export markets have taken a turn for the worse. The pace of expansion since the start of this year has slowed almost to a standstill in several regions and has even gone into reverse in some, with signs of distress now evident in some large emerging market economies. Moreover, forward-looking indicators suggest that this softness in the global economy may not be short-lived.

The slowdown in Ireland's external markets has not yet fed through to exports, although the headline figure is being boosted by very strong growth in pharma and computer services. Taking into account the strong growth rates recorded in the first half, export growth this year is now projected at just over 10 per cent.

Domestically, a range of indicators point to a moderation in the pace of (underlying) domestic demand growth (the headline figure is distorted by a surge in investment in intangible assets

in the second quarter – the transactions are GDP-neutral as the assets were sourced from abroad). Retail sales and vehicle licenses, as well as the Department's own 'now-cast' models, point to growth in consumer spending of 2.7 per cent this year, a moderation on growth rates recorded in recent years. Despite solid growth in employment and incomes, and continued muted inflation, consumption growth appears to be lagging somewhat, with an elevated savings rate as a result. Household consumption decisions appear to have been affected by heightened uncertainty associated with Brexit, as reflected in very weak consumer confidence in recent months.

Modified investment is now expected to grow by only 3.2 per cent this year, about 4 percentage points below expectations in the spring forecasts. Private investment is being squeezed by the twin uncertainties of Brexit and the broader global downturn, with machinery and equipment investment (excluding aircraft) particularly weak as a result. On the housing side, completions data for the year to date are indicative of a modest softening in the pace of expansion; 21,000 additional units are expected to be completed this year, a 17 per cent annual increase.

Import growth is projected at 22.6 per cent, broadly in line with final demand (headline final demand is inflated by the impact of IP on-shoring in the second quarter). Therefore, overall GDP growth this year is projected at 5.5 per cent, an upward revision of just over 1½ percentage points since the SPU publication last April.

1.3 Macroeconomic Outlook 2020

For next year, the external economic environment is expected to become even more challenging. Rising trade tensions, wider geo-political developments and the prospect of a disorderly Brexit are projected to weigh on Irish economic activity in 2020 (box 1). Most notable is the impact on exports: model simulations suggest that the impact of a disorderly Brexit will reduce Irish exports by around 5 percentage points, a figure which has been incorporated into the short-term projections. Weaker demand in the UK and the impact of (WTO) tariffs are the main channels through which exports are affected.

Heightened uncertainty is expected to hold back investment, most notably in the small- and medium-sized enterprise sector, while consumers are expected to adopt a cautious approach by increasing savings from disposable income. In overall terms, a disorderly Brexit is projected to slow GDP growth to just 0.7 per cent next year.

Table 1: external assumptions, per cent change (unless stated)

	2018	2019	2020
External GDP growth			
United States	4.6	2.9	2.2
Euro area	3.0	3.1	2.7
United Kingdom	0.7	2.7	1.0
Technical assumptions			
Euro-sterling exchange rate (€1=)	0.88	0.89	0.90
Euro-dollar exchange rate (€1=)	1.18	1.12	1.10
Brent crude (dollars per barrel)	71.6	63.1	57.5

Oil prices (futures) in 2019 – 2020 are calculated on the basis of futures markets as of mid-September 2019.
Exchange rate outturns as of mid-September 2019 and unchanged thereafter.
It is important to note that the economic forecasts outlined in this table are on the basis of an orderly exit of the UK from the EU. The Department of Finance forecasts are based on the assumption of a disorderly exit, necessitating an element of judgement when compiling the external demand assessment.
Source: IMF World Economic Outlook (April 2019 Update) with adjustments to 2019 and 2020 calculated based on OECD Economic Outlook (September 2019).

Table 2: macroeconomic prospects

	2018	2019	2020
		year-on-year per cent change	
real GDP	8.2	5.5	0.7
nominal GDP	9.1	5.9	2.4
real GNP	6.5	4.3	-0.1
components of GDP		year-on-year per cent change	
personal consumption	3.4	2.7	1.4
government consumption	4.4	4.5	3.5
investment	-21.1	50.4	-24.0
stock changes^	-1.7	-0.1	0.0
exports	10.4	10.2	0.9
imports	-2.9	22.6	-6.5
contributions to real GDP growth		annual percentage point contribution	
domestic demand (excl. stocks)	-5.0	13.2	-7.2
net exports	15.4	-7.6	7.9
stock changes	-1.65	-0.1	0.0
statistical discrepancy	-0.6	0.0	0.0

Rounding can affect totals.
^ contribution to GDP growth.
Source: 2018 - CSO; 2019 to 2020 - Department of Finance.

1.4 Price Developments

For 2019, energy price inflation is expected to ease over the remainder of the year, notwithstanding recent developments in wholesale markets and the geopolitical uncertainty surrounding oil supply. The moderate appreciation of the euro-sterling bilateral exchange rate may result in a slight decrease in goods import prices. On the domestic front, some pick-up in services price inflation is expected *inter alia* reflecting reasonably strong domestic demand as well as increasing wage inflation. For the year as a whole, inflation in Ireland is forecast at 0.9 per cent, with ‘core’ inflation projected at 1.0 per cent.

For next year, a disorderly Brexit however is expected to increase the rate of consumer price inflation in Ireland, largely due to higher tariffs on imported goods. HICP inflation in Ireland next year is forecast at 1.3 per cent, with ‘core’ inflation projected at 1.5 per cent (table 3).

Table 3: price developments, per cent change

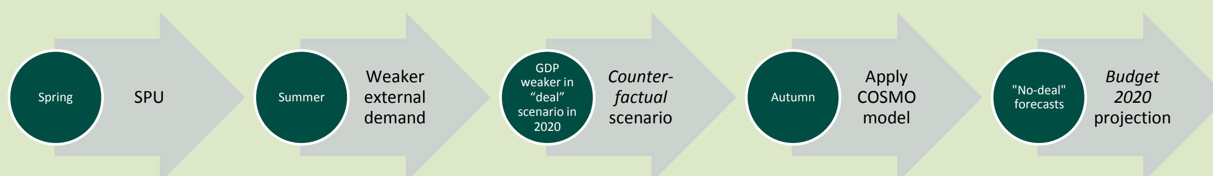
	2018	2019	2020
GDP deflator	0.8	0.4	1.6
Personal consumption deflator	1.8	1.7	1.7
Harmonised index of consumer prices (HICP)	0.7	0.9	1.3
Core HICP inflation	0.2	1.0	1.5
Export price deflator (goods and services)	-0.2	0.0	1.5
Import price deflator (goods and services)	1.2	0.6	1.5
Terms-of-trade (good and services)	-1.3	-0.6	0.0

^ ‘Core’ inflation excludes energy and unprocessed food.
Source: 2018 - CSO; 2019 to 2020 - Department of Finance.

Box 1: constructing a disorderly exit macroeconomic forecast

The Irish Government decided in September that *Budget 2020* will be based on the assumption of a disorderly Brexit in the final quarter of this year. This necessitates the production of macroeconomic forecasts based on a disorderly exit. Operationalising this involved a number of steps, set out in figure 1 below.

Figure 1: Operational Sequencing



Source: Department of Finance

First, an updated assessment – incorporating new economic information – was made regarding the short-term outlook for the economy, based on the assumption that an orderly UK exit takes place. Since the Department's spring forecasts, the outlook for the world economy has deteriorated, warranting a downward revision to the export growth forecast for next year. Implicit within this view is an assumption that the rapid expansion in computer services tapers in 2020. On the domestic front, a moderation in (modified) domestic demand has become evident, suggesting more modest growth, including in employment.

Table 4: Deal Counterfactual Projection

Growth rate (unless otherwise stated)	2018	2019	2020
GDP	8.2	5.9	3.1
Employment growth	2.9	2.4	1.7
Unemployment rate	5.8	5.2	5.1

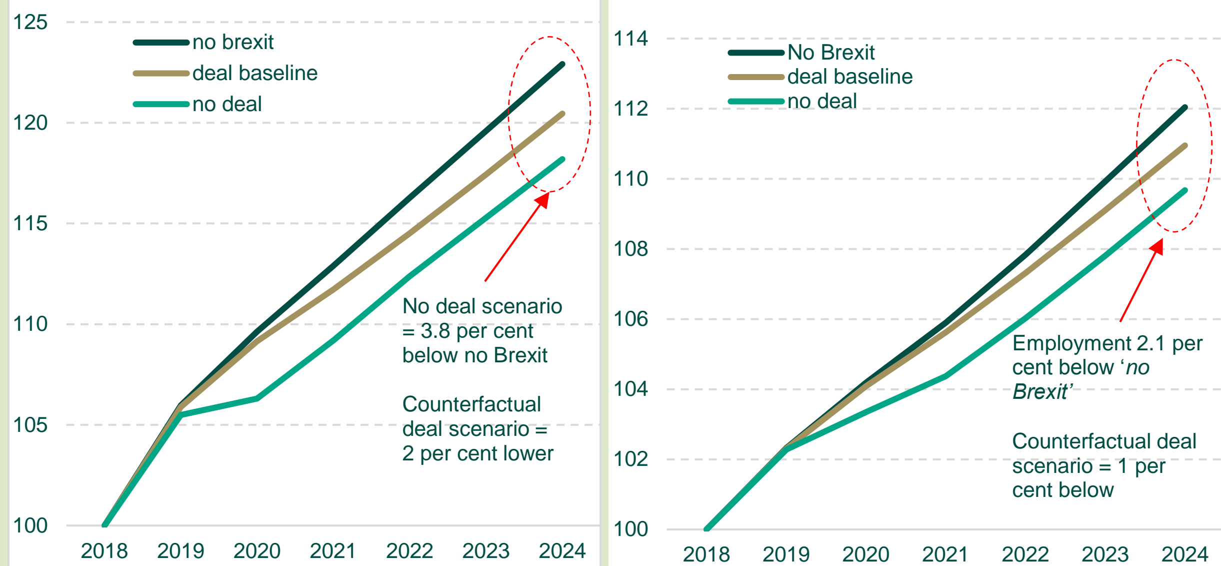
Source: Department of Finance

The results of this 'counterfactual' deal scenario are presented in table 4. Once this counterfactual projection has been produced, the results of joint work by the Department of Finance and ESRI using the COSMO macroeconomic model are then applied to these projections in order to produce a disorderly exit forecast.[2] In applying these results to construct a short-term forecast, it is important to note that these models are mainly anchored in the medium-term: the model results are primarily used to determine the level of output and employment in the medium-term (see box 5 in the *Budget 2020 Economic and Fiscal Outlook* publication).

Accordingly, a number of adjustments are necessary. Firstly, expert judgement is used alongside the model predictions to calibrate the short-term impact and to assess the year-to-year trajectory. Secondly, an adjustment arises because of timing; the original modelling work assumed a Brexit shock in the first quarter of this year and this has now shifted to the fourth quarter. Finally, an assumption is required regarding the timing of increased FDI flows (relocation of existing investment from the UK and diversion of new investment from the UK). In the no-deal forecasts, the additional FDI flows are assumed to occur with a 2-year lag, i.e. there is no additional (Brexit-induced) inward FDI for 2 years (see figure 2).

[2] ^ See Bergin *et al* (2019): Ireland and Brexit: modelling the impact of deal and no-deal scenarios. Available at: https://www.gov.ie/en/publication/ca41b6-r/

Figure 2: Impact of Brexit on Ireland (real GDP, employment 2018=100)



Source: Department of Finance

The central forecast set out above in this document is the Department's best assessment – combining model results with expert judgement – of the short-to-medium term prospects for the Irish economy. However, given the uncertainty associated with such an unprecedented event, the impacts could potentially be more severe, especially in the short-run. These could arise, for instance, if a disorderly exit was to have significant supply-chain disruption that inhibited the completion of final products, or if the impacts were to disproportionally fall on certain groups for whom reallocation to other activities was not feasible. Over the medium-term, output would be lower if the assumed uptick in foreign direct investment did not materialise.

1.4 The Labour Market

An expansion in employment of 2.4 per cent (54,000 persons) is projected for 2019, with the unemployment rate averaging 5.2 per cent. The impact of the assumed disorderly UK exit in the fourth quarter of this year is not expected to have an immediate impact on the labour market, with some of the impact essentially already 'priced-in' to hiring decisions that have already taken place. However, the impact in 2020 will be very significant, as the initial shock to the traded sector feeds through to the rest of the economy. Employment growth of just 0.8 per cent (19,000 persons) is projected. With the labour force also growing due to natural increase and net migration, the number of unemployed persons is projected to rise, with an average unemployment rate of 5.7 per cent forecast for 2020.

Table 5: labour market prospects, per cent change (unless stated)

	2018	2019	2020
Employment	2.9	2.4	0.8
Unemployment rate (QNHS basis)	5.8	5.2	5.7
Labour productivity^	5.1	3.0	-0.1
Compensation of employees*	5.9	6.5	4.3
Compensation per employee*	1.9	3.5	3.0

^ GDP per person employed.
*Non-agricultural sector.
Source: 2018 - CSO; 2019-2020 - Department of Finance.

Table 6: sectoral balances, per cent of GDP

	2018	2019	2020
Net lending/net borrowing vis-à-vis the rest of the world	10.6	0.1	7.0
of which:			
- Balance on goods and services	33.1	23.5	31.1
- Balance of primary incomes and transfers	-22.6	-23.4	-24.1
- Capital account			
Net lending / borrowing of the private sector	10.5	-0.1	7.6
Net lending / borrowing of general government	0.1	0.2	-0.6
Statistical discrepancy	-0.6	0.0	0.0

Source: CSO; Department of Finance. Rounding can affect totals.
Net lending to private sector residually determined as current account less general government balance.

Section 2
Budgetary Developments and Outlook

Tax revenue is set to increase by 4.3 per cent next year. This figure takes into account the assumed increase in customs receipts arising from the fact that imports from the UK will be subject to tariffs (a direct consequence of the assumption of a disorderly exit at end-October). The bulk of these receipts (80 per cent) pass-through directly to the EU budget contribution.

On foot of these tax revenue developments as well as other factors, general government revenue in 2020 is projected at €88.7 billion compared with €86.4 billion this year. General government expenditure, including contingent expenditure associated with smoothing the impact of the Brexit shock, is projected at €90.7 billion next year, up from €85.7 billion this year. As a result, a general government deficit of €2.0 billion (-0.6 per cent of GDP) is in prospect for next year.

Table 7: general government balance broken down by subsector, per cent GDP (unless stated)

	ESA Code	2018	2019	2020
General government	S.13	0.1	0.2	-0.6
: central government	S.1311	0.1	0.3	-0.4
: local government	S.1313	0.0	-0.1	-0.1
: social security funds	S.1314	M	M	M
Interest expenditure	D.41	1.6	1.4	1.1
Primary balance		1.7	1.6	0.6
One-off and other temporary measures		-0.1	0.0	0.0
Real GDP growth		8.2	5.5	0.7
Potential GDP growth		7.3	4.9	3.2
Output gap (% of potential GDP)		2.3	2.8	0.4
Cyclical budgetary component (% of potential GDP)		1.2	1.5	0.2
Cyclically-adjusted balance		-1.2	-1.3	-0.8
Cyclically-adjusted primary balance		0.5	0.1	0.4
Structural balance		-1.1	-1.3	-0.8

Source: CSO; Department of Finance forecasts.

The debt-to-GDP ratio peaked in 2012/2013 at almost 120 per cent and has subsequently been on a downward trajectory (almost entirely due to the large increase in nominal GDP). This year, the debt-to-GDP ratio is projected at 59.3 per cent, below the 60 per cent threshold set out in the *Stability and Growth Pact*. For next year, the debt-GDP ratio is projected at 56.5 per cent.

Net public indebtedness – which takes account of accumulated cash and other assets – is much lower than the gross figure at 51.4 per cent of GDP at end-2019.

Table 8: general government debt developments, per cent of GDP

	2019	2020
Gross debt	59.3	56.5
Change in gross debt	-4.2	-2.9
Contributions to change in gross debt ratio		
Primary balance	1.6	0.6
Interest expenditure	-1.4	-1.1
Stock-flow adjustment	-0.5	-2.0
Composition of stock-flow adjustment		
- Change in cash	-0.2	-2.4
- Differences between cash and accruals [b]	0.3	0.3
- Net accumulation of financial assets [c]	-0.4	-0.8
of which:		
- Privatisation proceeds	M	M
- Valuation effects and other [d]	M	M
Implicit Interest rate on debt [e]	2.3	2.0
Other relevant variables		
Liquid financial assets [f]	8.0	7.6
Net financial debt	51.3	48.9

Source: Department of Finance
Notes:
(a) As defined in Regulation (EC) No 479/2009.
(b) The differences concerning interest expenditure, other expenditure and revenue could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
(c) Liquid assets (currency), government securities, assets on third countries, government controlled enterprises and the difference between quoted and non-quoted assets could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
(d) Changes due to exchange rate movements, and operation in secondary market could be distinguished when relevant or in case the debt-to-GDP ratio is above the reference value.
(e) Proxied by interest expenditure divided by the debt level of the previous year.
(f) Liquid assets are here defined as AF.1, AF.2, AF.3 (consolidated for general government, i.e. netting out financial positions between government entities), A.F511, AF.52 (only if quoted in stock exchange)

Table 9: Contingent liabilities, per cent GDP

	2016	2017	2018
Public guarantees	1.5	0.1	0.0
of which linked to the financial sector			
Eligible Liabilities Guarantee	0.5	0.1	0.0
National Asset Management Agency	1.0	0.0	0.0
Other	0.0	0.0	0.0

Source: Department of Finance

Table 10: expenditure and revenue projections on a no-policy change basis, per cent GDP

	ESA Code	2019	2020
Total revenue at unchanged policies	**TR**	**25.2**	**25.1**
of which:			
Taxes on production and imports	D.2	7.8	7.7
Current taxes on income, wealth, etc.	D.5	10.6	10.6
Capital taxes	D.91	0.1	0.1
Social contributions	D.61	4.4	4.4
Property income	D.4	0.5	0.4
Other		1.8	1.9
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		23.0	23.4
Total expenditure at unchanged policies	**TE**	**25.0**	**25.2**
of which:			
Compensation of employees	D.1	6.7	6.7
Intermediate consumption	P.2	3.9	4.0
Social payments	D.62 / D.632	8.7	8.7
of which unemployment benefits			
Interest expenditure	D.41	1.4	1.1
Subsidies	D.3	0.5	0.4
Gross fixed capital formation	P.51g	2.3	2.5
Capital transfers	D.9	0.5	0.7
Other		1.0	1.1

Source: Department of Finance forecasts

Table 11: Expenditure and revenue targets, broken down by main components, per cent GDP

	ESA Code	2019	2020
Total revenue target	TR	25.2	25.2
of which:			
Taxes on production and imports	D.2	7.8	7.8
Current taxes on income, wealth, etc.	D.5	10.6	10.7
Capital taxes	D.91	0.1	0.1
Social contributions	D.61	4.4	4.4
Property income	D.4	0.5	0.4
Other		1.8	1.9
p.m.: Tax burden		23.0	23.4
(D.2+D.5+D.61+D.91-D.995)			
Total expenditure target	TE[3]	25.0	25.8
of which:			
Compensation of employees	D.1	6.7	6.8
Intermediate consumption	P.2	3.9	4.0
Social payments	D.62, D.632	8.7	8.8
of which: unemployment benefits			
Interest expenditure	D.41	1.4	1.1
Subsidies	D.3	0.5	0.4
Gross fixed capital formation	P.51g	2.3	2.5
Capital transfers	D.9	0.5	0.7
Other		1.0	1.1

Source: Department of Finance forecasts

Table 12: Amounts to be excluded from the expenditure benchmark, per cent of GDP (unless stated)

	2018	2018	2019	2020
	€billion			
Expenditure on EU programme matched by EU funds	0.6	0.2	0.2	0.2
Cyclical unemployment benefit expenditure*	-0.4	-0.1	-0.1	0.0
Effect of discretionary revenue measures**	0.9	0.3	0.3	0.3
Revenue increases mandated by law	M	M	M	M

*The cyclical component of unemployment benefit expenditure is derived by applying a projected cost per person employed to an estimate of the unemployment gap (i.e. difference between the actual and structural unemployment rates. The latter is the estimated NAWRU consistent with the harmonised EU methodology
**This captures the multi-annual impact of all discretionary revenue measures enacted in all budget announcements to date (not just those in excess of 0.05% GDP)
M = not applicable
Source: Department of Finance forecast

Table 13: Discretionary measures taken by General Government (All Central Government, unless stated)

Measures	Detailed description	Target ESA Code	Accounting principle	Adoption Status	Budgetary Impact (% GDP) 2019	2020	2021***
Revenue Measures							
Carryover from Budget 2019 and previous years	Income Tax, Excise, CT, VAT.	D.51, D.21, D.91	Cash	Implemented	0.0	0.1	0.0
Income Tax changes	Such as Help to Buy, Home Carer Credit and Earned Income Tax Credit, Living City, KEEP, EII, SARP and FED.	D51	Cash	Legislation pending	0.0	0.0	0.0
Corporation Tax Measures	Amendments to Real Estate Investment Trusts (REITs), Irish Real Estate Funds (IREFs) and Section 110 Companies, BEPs implementation, compliance measures	D.51	Cash	Legislation pending	0.0	0.0	0.0
Excise Duties	Carbon Tax, Betting Tax De Minimus Threshold, Electricity Tax, VRT Measures, Tobacco Tax,	D21	Cash	Legislation pending	0.0	0.0	0.0
Other Discretionary measures*	CAT, CGT and compliance measures	D.51, D.21	Cash	Legislation pending	0.0	0.0	0.0
National Training Levy	Tapered increase in employer contribution over 2020.*	D.51	Cash	Legislation pending	0.0	0.0	0.0
Non-indexation of income tax system		D.51	Cash	Implemented	0.0	0.1	0.0
Expenditure^							
Total Measures **					**0.0**	**0.3**	**0.0**

* See appendix 1 - summary of tax measures

** The discrepancy in the reconciliation between the no-policy change scenario, the impact of discretionary measures and the final budget tables can be explained by second round effects arising from the introduction of the budgetary package. This is not included in the table above.

*** 2021 only reflects the impact of any carry forward from measures introduced in previous years or announced in *Budget 2020.*

^ *A wide range of discretionary expenditure measures have been taken. Details for 2019 are contained in the 2019 Expenditure Report.*

Section 3
Comparison with April 2019 Stability Programme

Tables 14 and 15 below compare the projection for the general government balance and general government debt in the Draft Budgetary Plan (the Department's autumn forecasts) with that at the time of the April 2019 Update of Ireland's Stability Programme (the Department's spring forecasts).

Table 14: General government balance, per cent GDP

	2018	2019	2020
GG Balance – April Stability Programme	0.0	0.2	0.4
GG Balance – Draft Budgetary Plan	0.1	0.2	-0.6
Difference (pp)	0.1	0.0	-1.0

Source: Department of Finance forecasts

Table 15: General government debt, per cent GDP

	2018	2019	2020
GG Debt – April Stability Programme	64.8	61.1	55.8
GG Debt – Draft Budgetary Plan	63.5	59.3	56.5
Difference (pp)	-1.3	-1.8	0.7

Source: Department of Finance forecasts

Section 4
Distributional Impact of the Main Budgetary Measures

Article 6(3) of Regulation 473/2013 requires Member States, where possible, to provide information (either qualitative or quantitative) on the distributional effects of budgetary measures. Material on the effect of *Budget 2020* measures on different income categories is presented in the Budget and some of it is reflected in this section.

The full documentation is available at:
http://www.budget.gov.ie/Budgets/2020/Documents/Budget/Budget%202020_Economic%20and%20Fiscal%20Outlook_B.pdf

The Departments of Finance, Public Expenditure and Reform, and Employment Affairs and Social Protection conduct distributional assessments of proposed tax and welfare measures in line with the Government's commitment to undertake a Social Impact Assessment (SIA) of the Budget. An extensive volume of distributional analyses of various tax and social welfare options has been carried out by the three Departments in the lead-up to the Budget. These analyses are in addition to the comprehensive social impact assessment document that the Department of Social Protection publishes in the months following the Budget.

Table 16 shows the impact on net income of changes in Income Tax and Universal Social Charge for various categories of income earners. The calculations are based on specimen incomes with the basic tax credits including the Home Carer Credit and Earned Income Credit, where relevant. The examples do not take account of additional tax reliefs such as Mortgage Interest Relief. Variations may arise due to rounding.

Table 16: distributional analysis of Budget 2020: measures on a variety of household family types / income levels

	Single person, no children, private sector employee taxed under PAYE Full rate PRSI contributor	Married couple, one income, no children, private sector employee taxed under PAYE full rate PRSI contributor	Married couple, one income, two children, private sector employee taxed under PAYE full rate PRSI contributor	Single person, no children, taxed under Schedule D	Married couple, one income, no children, taxed under Schedule D	Married couple, one income, two children, taxed under Schedule D
Gross Income	**Change as % of Net Income**					
€	%	%	%	%	%	%
12,000	0.0	0.0	0.0	0.0	0.0	0.0
14,000	0.0	0.0	0.0	0.0	0.0	0.0
18,000	0.0	0.0	0.0	0.9	0.0	0.0
20,000	0.0	0.0	0.0	0.8	0.0	0.0
25,000	0.0	0.0	0.0	0.7	0.6	0.0
30,000	0.0	0.0	0.0	0.6	0.6	0.0
35,000	0.0	0.0	0.3	0.5	0.5	0.8
45,000	0.0	0.0	0.3	0.4	0.4	0.6
55,000	0.0	0.0	0.2	0.4	0.4	0.6
70,000	0.0	0.0	0.2	0.3	0.3	0.5
100,000	0.0	0.0	0.2	0.2	0.2	0.4
150,000	0.0	0.0	0.1	0.2	0.2	0.3
175,000	0.0	0.0	0.1	0.2	0.2	0.3

Section 5
European Union's Strategy for Growth and Jobs

The European Council adopted the following Country Specific Recommendations (CSRs) for Ireland. These may be found at:

https://ec.europa.eu/info/publications/2018-european-semester-country-specific-recommendations-commission-recommendations_en

Table 17 summarises measures taken to address the CSRs.

Europe 2020 was adopted by the European Council in June 2010 and is the growth strategy for the Union over the period to the end of this decade. The strategy is aimed at promoting smart, sustainable and inclusive growth in the EU. Five headline targets for 2020 have been set at the level of the EU as a whole, covering employment, research and development, climate change, education and poverty. All EU Member states have committed to achieving Europe 2020 targets and have translated them into national targets. Table 18 shows the Irish national targets and the most important policy measures that are being taken in order to achieve the targets set within the framework of the European Union's Strategy for Growth and Jobs

Table 17: CSR Recommendations

Country Specific Recommendation	Progress to Date
CSR 1.	
- Achieve the medium-term budgetary objective in 2020.	- *Budget 2020* forecasts a structural budget balance of -1.3 per cent of GDP for 2019, improving to -0.8 per cent of GDP in 2020 and -0.3 per cent of GDP in 2021. This implies we will make progress towards our MTO next year and are expected to achieve it in 2021
- Use any windfall gains to accelerate the reduction of the general government debt ratio.	- The fiscal forecast contains estimated receipts of €0.7 billion in 2019 from the return of funds from the resolution of the financial crisis and a further €4 billion, spread over 2020 and 2021, arising from the winding down of the National Asset Management Agency. It is the stated position of Government that these proceeds, along with others arising from the resolution of the financial crisis will be directed towards lowering our elevated stock of debt.
- Limit the scope and the number of tax expenditures and broaden the tax base	Tax Expenditures - The *Budget 2020* did not change the entry threshold for USC and there were no general increases to income tax credits, so the existing breadth of the income tax and USC bases was maintained. The only changes to income tax were an increase to two targeted income tax credits, the Home Carer Credit and the Earned Income Credit. - The total first year cost of the *Budget 2020* income tax reductions will be €27 million, a relatively limited cost in the context of a projected income tax yield for 2020 of almost €24 billion, and less than the cost of indexing the income tax system in line with inflation, which would have been in the region of €583 million. The non-indexation of income tax credits and rate bands in general was a base-broadening aspect of *Budget 2020*. - The reduced rate of USC for medical card holders was also extended for a further year, costing €59m in 2020 and €68m per annum thereafter. This measure is revenue neutral as it is already included in the tax base. Medical card holders whose aggregate income does not exceed €60,000 will continue to pay a maximum USC rate of 2% until 1 January 2021. - As a first step towards meeting our commitment to raise the carbon tax to €80 per tonne, *Budget 2020* increases the tax by €6 per tonne bringing carbon tax to €26 per tonne. This will take effect from Budget night (8th October) for auto fuels but its implementation for other fuels is being delayed until May 2020, after the winter heating season. This will raise an estimated additional revenue of some €90m in 2020

Country Specific Recommendation	Progress to Date
	and €130m in a full year. It is the Government's intention to put in place a trajectory for further increases on €6 on an annual basis to 2029, bringing Carbon Tax to €80 per tonne by 2030. - The additional revenue raised by the increase in carbon tax will be ring-fenced to protect those most exposed to higher fuel and energy costs, to build a Just Transition and to support new investment in climate action. In practical terms, this means that €90m in additional funding will be provided in 2020 for new climate schemes or increases to existing schemes.
- Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments.	Aggressive Tax Planning - Ireland continues to take action in line with Ireland's Corporation Tax Roadmap to ensure our corporation tax system is in line with international standards. Irelands Transfer Pricing Rules are being updated through the upcoming Finance Bill to modernise our regime and ensure it is in line with latest OECD Guidelines. Work in this area is at an advanced stage following a public consultation process and a feedback statement. - Anti-Hybrid legislation will be introduced through this year's Finance Bill. The anti-hybrid provisions are aimed at preventing arrangements that exploit the differences in the tax treatment of an entity or instrument under the laws of two or more tax jurisdictions to generate a tax advantage. - Ireland is also constructively engaged in the ongoing work at the OECD on addressing the tax challenges of the digitalisation of the economy. This is consistent with Ireland's longstanding position that global tax issues, such as aggressive tax planning are best addressed at OECD level.
- Address the expected increase in age-related expenditure by increasing the cost effectiveness of the healthcare system and by pursing the envisaged pension reforms.	Age Related Expenditure - The current National Development Plan commits €10.9 billion investment in health capital facilities and eHealth over the next decade. This includes provision for significant additional capacity in acute hospitals, primary care and residential care to meet demographic growth pressures. Over the next 15 years, the 65+ age group will increase by close to 60% and the 85+ population will double. The Government has been

Country Specific Recommendation	Progress to Date
	clear that a programme of investment along with a programme of continued reform is required to ensure that the health system remains financially sustainable. - Following from the all-party Parliamentary Committee's Sláintecare report, the Government published a Sláintecare Implementation Strategy in 2018 setting out the actions to be taken in the first three years of the reform programme. An Implementation Office in the Department of Health is charged with leading the implementation of delivering the reform programme. In delivering Sláintecare strategic priorities, work will continue to develop more integrated models of care for older persons including integrated hospital and community responses to meet their needs. - The healthcare system throughout 2020 will continue to emphasise the provision of home support and community support services to enable older persons to live independently, in their own homes, for as long as possible. In 2020 the HSE will deliver a substantial increase of 1 million hours more than the 2019 target. This investment is focused on enabling older people to remain at home and as appropriate, provision of hours will also be targeted at times of peak demand to ensure more timely egress from hospital for our older citizens. - The Department of Health is currently developing plans for a new statutory scheme and system of regulation for home support services. The Sláintecare Implementation Strategy anticipates the introduction of the new scheme in 2021 and it is intended to test the core design elements of the scheme in 2020. - Other age-related issues are being addressed and managed: for example, while the primary focus is on the continued development of community supports and keeping people at home for as long as possible the role and importance of residential care is also acknowledged. Additional investment in 2020 will ensure that the Nursing Homes Support Scheme will continue to deliver affordable and accessible nursing home care for Irish citizens with long term care needs. In 2020 there will also be further exploration of key community policy initiatives such as the implementation of the joint policy Statement on Housing Options for Our Ageing population and exploring the potential for the models of reablement to improve the resilience of our older population. - Irish Pharmaceutical Healthcare Association (IPHA) agreement: This agreement between the State and the Irish Pharmaceutical Healthcare Association (IPHA), is expected to deliver approximately €600 million

Country Specific Recommendation	Progress to Date
	in savings from IPHA companies over the four year lifetime of the Agreement and €150 million in savings from non-IPHA companies and is ensuring the State achieves better value for money on medicines as, for example, prices will be set annually on a basket of 14 countries so that Irish medicine prices can be reduced in line with price reductions across the reference countries. - Biosimilar policy: A public consultation on a National Biosimilar Medicines Policy was undertaken in 2017 with a view to developing a National Biosimilar Medicines Policy. At an operational level, the HSE has a strategy in place since 2017 which is making considerable progress using a collaborative approach with hospital pharmacists and clinical teams to bring about changes in prescribing practice. In that respect, hospitals are working towards a targeted minimum prescribing rate for biosimilars of 50%. Initiatives taken to date show a greater uptake in the usage of biosimilars, which is evident by hospital dispensing data. The Department of Health will be issuing a Biosimilar Policy Statement before the end of the year to support and complement the various initiatives already undertaken. - A Health Budget Oversight Group (HBOG) was established in 2019 comprising the Department of Public Expenditure and Reform and the Department of Health as well as the Health Service Executive. The Group's role is firstly to monitor and help control Health spending and staffing numbers within the Budget allocation and secondly to act as an early warning mechanism for any variances. - *Budget 2020* made a number of additional commitments: o extended medical card income thresholds for those over the age of 70, o extends free primary health care provision to children ages 6 and 7 (from the existing under 6 cohort). o funds an additional 1 million home care hours in 2020 to support older people to remain in their own homes, instead of hospitals or care homes. Pension Reform - The Roadmap for Pension Reform, published in 2018, is addressing the long term sustainability of the State Pension system and it will build on reform already introduced to move the State pension eligibility age to 68 by 2028.

Country Specific Recommendation	Progress to Date
	- The introduction of the Total Contributions Approach from 2020 onwards will not only play a role in improving the sustainability of the State Pension system, but will lead to a fairer and more transparent system whereby benefits will more closely match contributions made. The Roadmap also proposes that the contributory and non-contributory payments be benchmarked to 34% of average earnings and that future changes to rates should be linked to CPI and average earnings.
CSR 2. - Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity.	- The Irish Government has a major focus on upskilling the working age population. *Budget 2020* will see the final increase of 0.1% in the National Training Fund levy, bringing the rate to 1%. The 2020 increase will provide €74 million of additional investment in the Higher Education and Further Education and Training sectors in 2020. This increase, together with the additional €49m in 2018 and additional €69m in 2019 from the previous rate increases, will provide a cumulative additional c. €190m of funding annually to the sectors in 2020. The National Training Fund priorities for 2020 are skills development for a workforce in a changing world of work reflecting technological change. This will meet priority human capital and skills needs in the economy as well as supporting workers, sectors and regions particularly exposed to risks from Brexit. - As part of the response to the challenges faced by the Irish economy, resulting from the UK departure from the EU, the Human Capital Initiative will be launched in 2020. This initiative is a key element of the Government's strategic response to Brexit and to meeting skills priorities through enhanced and innovative provision in higher education. A further €60 million will be allocated in 2020 through the Human Capital Initiative providing an estimated 3,000 additional places for sectors with identified priority skills needs, for facilitating existing graduates in acquiring advanced training in high-demand skill areas, for greater future-proofing of graduate level education and to drive continued reform and innovation in higher education provision. - The Department of Education and Skills recently launched a new policy framework for employee development, 'Supporting Working Lives and Enterprise Growth in Ireland'. The policy sets a target of having over 40,000 workers, whose skills level is below Level 5 on the National Framework of Qualifications (NFQ), engaged in state supported skills development by 2021. Skillnet Ireland is the national agency with responsibility for the promotion and facilitation of upskilling for those in employment, helping Irish businesses and workers to address their current and future skills needs. It provides a wide range of ICT skills training through their specific ICT skills networks. In 2020, €8 million will be provided additionally to

Country Specific Recommendation	Progress to Date
	the €28 million received in 2019. This will help the launch of the Digital Skills Initiative and SME Direct Upskilling Scheme. - *Budget 2020* will also provide €27 million to increase apprenticeship training to cater for an apprenticeship population reaching almost 20,000 by end 2020 with almost 7,000 new registrations during the year, while €11 million is allocated for employee development, upskilling, reskilling and lifelong learning for people in or entering the labour force. - Ireland continues to have a wide range of initiatives in place across the education and training system, including Skills to Advance, Skills for Growth EXPLORE and Springboard+ aimed at identifying skills needs and ensuring a quality response from the education and training system.
- Increase access to affordable and quality childcare.	- Additional resources are provided in *Budget 2020* to support children and families. - *Budget 2020* will allow for an increase of €54m to childcare services bringing its total allocation to €628m – an increase of over 9% over 2019. The additional resources will allow for, amongst other things: o The introduction of the National Childcare Scheme and an increased level of uptake for both the universal under 3 subsidy, and targeted subsidies to families, o Meet the continuing cost of two years of Early Childhood Care and Education Scheme (ECCE), - The effect of these will help to make quality childcare more affordable and accessible, through the ongoing implementation of the National Childcare Scheme as well as other childcare initiatives introduce over the last number of years. - There will also be increased funding under the Access and Inclusion Model to support the full participation of children with disabilities in ECCE. This will support the full roll out of Access and Inclusion Model over the 2 year Early Childhood Care and Education programme and respond to growing demand due to greater awareness of the scheme.
CSR 3.	
- Focus investment-related economic policy on low carbon and energy transition, the	*Project Ireland 2040* is the long-term overarching strategy to social and economic development. Previous approaches saw public investment spread too thinly and investment decisions which were not aligned with a wider spatial strategy. By 2040, there will be an extra one million people living in our country. Project Ireland

Country Specific Recommendation	Progress to Date
reduction of greenhouse gas emissions, sustainable transport, water, digital infrastructure and affordable and social housing, taking into account regional disparities.	2040 aims to accommodate this growth in a balanced and sustainable way and put in the place the investment required to enable prosperity. In the first year since its launch, Project Ireland 2040 has been enhancing regional connectivity, supporting national competitiveness and improving environmental sustainability. Low - Carbon and Energy Transition and Reduction of Greenhouse Gas Emissions - The Government's Climate Action Plan 2019, published on 17 June 2019, sets out how Ireland can reach its 2030 greenhouse gas emission targets, and simultaneously putting Ireland on a trajectory towards net-zero carbon emissions by 2050. - To achieve Ireland's 2030 greenhouse gas targets, the Plan sets out a detailed sectoral roadmap designed to deliver cumulative reductions (2021-2030) of 58.MtCO2 eq in the non-ETS sector over the 2021 -2030 period, with a target abatement range identified for each of the key sectors that contribute to Ireland's greenhouse gas emissions: *Electricity; Enterprise; the Built Environment; Transport; Agriculture, Forestry and Land Use; Waste and the Circular Economy; and the Public Sector.* - The Climate Action Plan will be supported by the climate related National Development Plan investment of €8.1 billion and a further €13.7 billion of investment by our State companies. - *Budget 2020* marks An important step in our response to climate change and moving towards achieving our 2030 climate and energy targets. - All revenues raised from the increase in carbon tax introduced in *Budget 2020* (approximately €90 million) will be ring-fenced to fund new climate action measures. The aim of these measures is to protect the most vulnerable in our society from the impacts of climate change while also supporting a just transition to a low-carbon, sustainable economy, by supporting sustainable mobility projects, delivering new agri-environmental schemes and investing in our low carbon future. - €5 million has been allocated for peatland rehabilitation in *Budget 2020*. This will support the reduction of greenhouse gas emissions and enhanced bio-diversity. In addition, €20million will be dedicated to the creation of a new energy efficiency scheme targeted, initially, at the social housing stock in the region. This will create new, sustainable employment in the region. In addition, a dedicated new Just Transition Fund is being created. This fund will be devoted to those priorities identified by local communities. Six million euro will be available for this Just Transition Fund in 2020.

Country Specific Recommendation	Progress to Date
	- Furthermore, the 1% diesel surcharge introduced in *Budget 2019* will be replaced with a nitrogen oxide (NOx) emissions-based charge. This surcharge will apply to all passenger cars registering for the first time in the State from 1 January 2020. The charge will apply on a euro (€) per milligram/kilometre basis, with the rate increasing in line with the level of nitrogen oxide emitted. Sustainable Transport Project Ireland 2040 contains a commitment to a more environmentally sustainable public transport system to enable economic growth and meet growing passenger demand. - In *Budget 2020*, an additional €357 million will be allocated to advance transport projects and investment in our transport network, local and regional roads. - The increased capital funds allocated in *Budget 2020* will also be invested in progressing public sector transport projects currently under development, including: o the commencement of construction of the National Train Control Centre and a new train station at Pelletstown o Take delivery of 8 new longer trams in 2020 and continued delivery of tram extensions for the existing fleet as part of the LUAS Green Line capacity enhancement and investment in the PSO bus fleets o Continue to progress major Capital Plan projects including the BusConnects Programme, MetroLink and the DART Expansion Programme. Water The upgrading of Ireland's water and wastewater networks will take sustained capital investment by Irish Water over many investment cycles in order to deliver efficient, fit-for purpose water infrastructure and services to meet Ireland's needs. - As part of *Budget 2020*, Irish Water will receive almost €1.2 billion (€602.5 million current and €582 million capital) to improve domestic water services; - The Department of Housing, Planning and Local Government will receive €49 million for the Rural Water Programme to support capital investment in the rural water sector as well as current funding towards the

Country Specific Recommendation	Progress to Date

annual operational and management subsidies for group water schemes. The priority objective of the programme is to address drinking water quality in private rural water supplies, group water schemes and individual private wells;

- The Department will also implement a number of measures under the River Basin Management Plan 2018-2021, which outlines the measures the State and other sectors will take to improve water quality in Ireland's groundwater, rivers, lakes, estuarine and coastal waters over the period to 2021;

Digital Infrastructure

The Government remains committed to delivering access to high speed broadband to every premises in Ireland. In May 2019, Government approved the appointment of a "Preferred Bidder" for the National Broadband Plan (NBP). This is the final step in the NBP procurement process before a Contract is awarded and deployment begins in the State intervention area. The State subsidy to be invested is capped at a maximum of €3 billion, including VAT and contingency. In 2012, less than 700,000, or 30% of Irish premises had access to high speed broadband. As of 2019, 74% of the 2.4 million premises in Ireland can access high speed broadband.

- The Department of Communications, Climate Action and Environment will receive funding from *Budget 2020* which will:
    - Commence the rollout of the high speed broadband network under the National Broadband Plan, facilitating balanced regional development and equality of opportunity for all communities;
    - Continue to promote engagement in the digital economy by indigenous micro enterprises, supporting a further 1,250 small businesses to trade online and develop their ecommerce capability through the Trading Online Voucher Scheme;
    - Enable 25,000 citizens to participate in the digital world, by providing digital literacy training under the Digital Skills for Citizens Scheme to citizens who do not have the skills or confidence to get online; and
    - Support the National Cyber Security Centre in its various roles around the protection of critical national infrastructure and public sector data and networks.

Country Specific Recommendation	Progress to Date

Affordable and Social Housing

- The Government has allocated €6.6 billion for the delivery of social housing supports in the last four years. Building on this, €2.5 billion will be allocated to the Housing Programme in 2020 and will support a number of initiatives, including those aimed at ensuring the delivery of our Rebuilding Ireland targets.

- An overall provision of almost €2.615 billion will support the social housing needs of over 27,500 households in 2020. This breaks down as follows:
  - 11,167 new social homes will be delivered through build, acquisition and leasing programmes.
  - Capital funding of €1.5 billion for housing in 2020, to deliver over 8,500 new social homes through build and acquisition programmes.
  - 2,631 social homes through long-term leasing by local authorities and approved housing bodies (AHBs).
  - 16,350 new households to have their housing needs met under the HAP and Rental Accommodation Scheme (RAS) schemes, as well as supporting over 71,100 existing tenancies under these schemes.

- Other key elements of the housing capital programme in 2020 include:

  - The provision of €126 million for the Serviced Sites Fund to provide infrastructure to support the delivery of homes to purchase or rent at discounted prices, with 6,200 homes in total to be delivered over the life of the Fund;
  - €60 million is allocated to the Local Infrastructure Housing Activation Fund (LIHAF), providing continued support for a programme of infrastructure projects that will support the delivery of almost 20,000 new homes, of which over half will be either social/affordable or sold at prices at a discount from market price;
  - An additional €14.5 million for the delivery of Traveller specific accommodation and €59 million to deliver up to 12,000 grants to adapt the homes of older people and people with a disability;
  - An allocation of €503 million (+€80m) for the Housing Assistance Payment (HAP) will enable 15,750 new households to be accommodated in 2020, as well as continuing to support the 53,000 households already in tenancies at end 2019;

Country Specific Recommendation	Progress to Date

- Funding of €133 million will allow for a further 600 new households to be supported under Rental Accommodation Schemes in 2020, along with the ongoing cost of supporting over 18,100 households already in the scheme.

Housing Energy Efficiency Retrofitting

- €25m is provided to support and improve the energy efficiency of a further 1,000 social housing homes and an additional €20 million is being provided, from the proceeds of the Carbon Tax, to commence a programme of deep retrofitting social housing homes in the midlands.
- An allocation of €72 million is provided for the National Regeneration Programme which will benefit some of the most economically disadvantaged communities;

The OECD 2018 Economic Review of Ireland contained a special focus on productivity, providing policy recommendations to revive productivity growth, particularly with respect to domestic firms. These focused on enhancing business dynamism, allocation of financing, and maximising productivity spillovers from foreign firms.

- In 2018, the Government included the €500 million Disruptive Technologies Innovation Fund as one of the National Development Plan funds under Project Ireland 2040 which aims to create the right conditions to facilitate such collaboration. Disruptive Technologies Innovation Fund is about fostering collaboration between the Irish research sector and our enterprise sector.

- Under Call 2 of the Disruptive Technologies Innovation Fund, industry participation and collaboration are enhanced and provide opportunities for innovative companies, including SMEs, to collaborate together and with our public research bodies, to help them translate their research into a commercial reality. €30m has been allocated to the DTIF in 2020, part of the €500m investment over the period to 2027.

- Enterprise Ireland supports and de-risks RDI by supporting companies to do RDI in-house, by supporting collaboration with Higher Education Institutions (HEIs); or by sourcing/licencing new technologies from HEIs which can provide a step change in their innovative capabilities. With its RDI allocation EI will be able to:
    - Support 90 Innovative High Potential start Up Companies in 2020 across a range of sectors including Life Sciences, ICT and Food.

Country Specific Recommendation	Progress to Date
	o Support over 1,000 Collaborative Innovations between Industry and Third level, though Technology Gateway projects, redemption of innovation vouchers and approval of Innovation Partnership Programmes. o Fund over 130 in-company R&D projects for client companies that are valued in excess €50,000. o Enable the participation of over 700 companies in its Technology Centres. o Continue the development of Knowledge Transfer Ireland and the wider national Technology Transfer system with a view to creation of around 30 new spinout companies and delivering over 165 new pieces of commercially valuable technologies for industry. - Science Foundation Ireland will continue to support its network of world-leading SFI Research Centres, driving R&D engagement and collaboration between industry and academia. Phase two funding was announced early this year with €230 million of Government funding for six SFI Research Centres over the next six years. Industry partners are contributing a further €230 million, bringing the total investment to €460m. - An additional €2 million in capital funding for Science Foundation Ireland has been secured which will go towards the renewal of the cutting-edge research programme run by the SFI Research Centres. - Amongst other initiatives, its funding allocation in 2020 will enable SFI to: o Provide training, in collaboration with the Higher Education Institutes, for 700 postgraduate students in areas of nationally and internationally identified future skills needs such as digital, data and ICT through the Centres for Research Training initiative; o implement challenge-based funding calls focused on addressing real world problems, such as Zero Emissions, carbon neutrality and AI for Societal Good; and o Support excellent independent researchers to conduct highly innovative, collaborative research through the Frontiers for the Future Programme, with the first awards under this programme being announced in 2020. - Changes to the Research and Development tax credit announced in *Budget 2020* will provide enhanced supports to micro and small companies. The 25% R&D credit will be increased to 30% and existing limits on the payable credit will be enhanced for micro and small companies, subject to State aid approval. A new provision will also be introduced, again subject to State aid approval, to allow micro and small companies conducting pre-trading R&D to claim the credit before trading commences, limited to offset

Country Specific Recommendation	Progress to Date
	against VAT and payroll tax liabilities only. Finally, in respect of all claimants, the current limit on outsourcing to third level institutes of education will be increased from 5% to 15%. Future Jobs Ireland - Future Jobs Ireland 2019 published in March 2019, provides a strategic framework for the development of Ireland's economy over the coming decades. It aims to ensure enterprises and jobs that are sustainable over the longer term – accepting that the economy must evolve and adapt to new technologies, new business models and new opportunities. Some of the key deliverables under Pillar 2 'Improving SME Productivity' completed by end September 2019 include: o Strengthening the capacity of Local Enterprise Offices (LEOs), to provide a comprehensive suite of supports for indigenous Irish businesses and entrepreneurs o Launch the Future Growth Loan Scheme to provide long term debt financing for strategic investments. o Develop a Regional Innovation and Technology Clustering Programme to link SMEs and Institutes of Technology. o Support digital skills development within micro and SME management teams through existing e-marketing supports and assess the need for a potential Digital Skills Voucher Scheme.

Table 18: Progress against Europe 2020 Targets

Target 1: Employment Target: 69 – 71% of the population aged 20 – 64 to be employed	
Labour Market Activation and Youth Guarantee	
Increased engagement with, and training of, the long-term unemployed as part of the labour market activation reforms included in the Pathways to Work Strategy	The Momentum programme is discontinued. FET provision for the long term unemployed (LTU) and unemployment blackspots. Unemployment continues to fall and the seasonally adjusted unemployment rate for September 2019 was 5.3 percent. It is estimated that 21 percent of starters on FET provision in 2018 will be long-term unemployed. As noted earlier in the report, although the unemployment rate has fallen to below 5.5 percent (September 2019) Census 2016 has identified 79 unemployment blackspots. As part of the 2018

service planning process, ETBs have been requested to renew efforts to ensure that suitable FET programmes and services are provided to residents of these areas.

The CSO reports that in the year to Q2 2019, the number of persons classified as long-term unemployed decreased by 8,100 (-16.5 percent), bringing total long-term unemployment to 40,800. Long-term unemployment accounted for 31.2 percent of total unemployment in Q2 2019.

Implementation of Pathways to Work Strategy 2016-2020

The Pathways to Work strategy ensures that as many new jobs as possible are filled by jobseekers, particularly the long term and young unemployed. Pathways to Work 2016-2020 builds on progress made under the initial strategy to modernise and integrate the State employment services with the State's welfare services (Intreo) but reflects much improved economic circumstances, and now reflects a shift in focus from 'activation in a time of recession' to 'activation in a time of recovery and growth.' Key priorities include activating the long term unemployed, and also those not classified as unemployed jobseekers in the traditional sense but who have the potential and desire to play a more active role in the workforce.

Expand and accelerate the implementation of activation policies to increase the work intensity of households and address the poverty risk of children: Implementation of Pathways to Work Strategy 2016-2020

The Pathways to Work Strategy 2016-2020 provides a four year activation and employment framework policy. In particular the Strategy focuses on increased engagement with and training of the long-term unemployed and groups who would benefit from closer attachment to the labour market.

Given the improved economic context, D/EASP is currently engaged in a programme of change to build on the success of previous versions of Pathways to Work and capitalise on a much improved economic landscape, while preparing for the possibility of a Brexit-related economic shock.

The new Pathways to Work strategy, covering the period 2020-2024, will complement the ambitions of Future Jobs Ireland, with a particular focus on increasing participation levels among underrepresented groups and those most distant from the labour market (i.e. female returners, jobseekers with disabilities, one parents, Traveller/Roma and migrants), ensuring that all jobseekers have the opportunity to compete for available job vacancies.

An extensive consultation process has just concluded, involving: a public call for submissions, the rollout of regional workshops in conjunction with the INOU, a series of bilateral engagement with key Government Departments/Agencies/Community Groups and focus groups with internal front-line staff.

	The emerging themes and issues from the consultation process will inform the drafting of the new Pathways to Work strategy for the period 2020-2024 and it is expected that the strategy will be published early in 2020.
Action Plan for Jobless Households	The plan sets two new headline targets for 2020 - reducing the proportion of households that are jobless to 13% or less, and reducing the share of the 18-59 population residents in such households to less than 8%. The Government is pleased to report that the latest available CSO figures (Q2 2019) show that significant progress has been made against each of these targets: • The proportion of persons aged 0-59 living in jobless fell from 11.7% in 2016 to 10.5% in 2017 and to 9.6% by the second quarter of 2019. Thus exceeding the 2020 target set out in the Action Plan for Jobless Households. • The share of the 18-59 population residents in Jobless Households has fallen to 8.8 % (Q2 2019) from a figure of 12% in 2015.
Total of 60,000+ LTU referrals to Jobpath over 2017	Job Path initiative, a contracted, payment-by-results public employment service targeted at the long-term unemployed, is fully rolled out.
Total of 28,000 places on Community Employment and TÚS schemes (21,500 Community Employment and 6,500 Tús) in 2018.	The Community Employment, TÚS, and Gateway provide work placements for Jobseekers.
Youth Employment Support Scheme	A new Youth Employment Support scheme (YESS) was launched from 1st October 2018. YESS is aimed at providing work experience for young people aged 18-24 who face barriers to entering the labour market. Over 400 young jobseekers have participated in the scheme to date, receiving a payment of €229.50 per week.
Pursue measures to incentivise employment by tapering the withdrawal of benefits and supplementary payments: Back to Work Family Dividend	The Back to Work Family Dividend helps families make the transition from welfare to work by enabling social welfare recipients to retain the child dependent portion of their weekly social welfare payment for up to 2 years upon entering employment.

Further Education and Training

On-going implementation and development of the Further Education and Training Strategy 2014-2019

The FET literacy and numeracy strategy delivered and objectives achieved including improved screening and assessment systems, ESOL policy, and awareness.

The second Further Education and Training Strategy, covering the next five year period from 2020, is currently in development and is expected to be published in Q4 2019.

Individual Strategic Performance agreements are in place with each ETB and reporting against the targets within these agreements are part of the discourse between SOLAS and ETBs. The midterm review of these agreements will commence in November 2019.

The FET literacy and numeracy strategy delivered and objectives achieved including improved screening and assessment systems, ESOL policy, and awareness. Recommendations relating to literacy and numeracy are progressed via the Strategic Performance Agreements. SOLAS also utilises data from the Programme and Learner Support System (PLSS) which can be used to measure certain outcomes for FET leaners and the overall impact of FET provision generally.

Plans to Progress Actions for Literacy and Numeracy 2020-2025

- Addressing Barriers
- Translating increased awareness into engagement
- Strengthening the instructional core
- Developing a thorough understanding what’s valuable to particular learners in particular situations
- 21st Century literacies for those most distant from training and education
- Successfully addressing areas of progress that are harder to measure (increased confidence, grit, ability to plan one’s own education/training trajectory.
- Strong, sustainable links linkages up, down and across from grass-roots to management, funders, and policy-makers.

A series of independent FET programme evaluations continue take place over the lifetime of the current FET Strategy. The completed evaluations include a review of PLC (Published in 2018) and a review of the national Youthreach programme (Published in 2019). It is anticipated that the joint evaluation of VTOS and Specific Skills training will be published shortly. In September 2019 a further two evaluations began. The first is in

relation to Specialist Training Provisions for persons with a disability, and the second is in relation to a review of NFQ programmes at Level 3&4.

2017 FET Services Plan

The Annual Further Education and Training Service Plan, agreed between SOLAS and the 16 ETB's, provides details of FET provision to be funded including numbers, costs and estimated outputs. The 2018 FET Services Plan set out the detail of FET provision for 337,966 beneficiaries across the full range of FET programmes. The Services Plan is available at http://www.solas.ie/Pages/FETServicesPlan.aspx
Services plans for each year have been published and are available on the SOLAS web site.

New Apprenticeship Programme

As of end of September 2019 there are now 29 new apprenticeship programmes live. Over 20 programmes are at various stages of development and are due to get underway during 2020. In recent weeks, 9 new programmes have become live. These are Geo-Driller, Engineering Services Management, Hairdressing, CGI Technical Artist, Telecommunications and Data Network Engineering Technician, Lean Sigma Manager, Supply Chain Manager, Supply Chain Specialist, Retail Supervisor.

Among the new apprenticeships there are 12 sectors represented: Biopharma, Construction, Electrical, Engineering, Finance, Hair, Hospitality & Food, ICT, Logistics, Motor, Property Services, and Sales.

The Review of Pathways to Participation in Apprenticeship was completed and published in November 2018. There were 5 actions identified for completion including:

- Increase participation in apprenticeship by diverse groups
- Launch an online apprenticeship 'jobs market' to increase visibility of opportunities for all potential apprentices
- Create new pathways via pre-apprenticeship courses around the country
- Promote the bursary incentive with employers
- Promote diverse pathways to participation in apprenticeship in the 2018-2020 Generation Apprenticeship campaign

Progress has been made in 2019 on many of these areas, including the completion of an apprenticeship jobs market which is now live on www.apprenticeship.ie; pre-apprenticeship courses are being rolled out in PLCs and national promotion has continued as part of the Generation Apprenticeship campaign. The inaugural Ireland Skills Live event took place in March 2019, which was a national showcase for apprenticeship, skills and World Skills, 15,000 visitors attended. The World Skills Kazan competition in August 2019, in which Team

Ireland won numerous medals and accolades has also significantly contributed to national apprenticeship promotion.

As of the end of September there were 4,451 new registrations on apprenticeship programmes in 2019. The total apprentice population is now over 17,000.

Skillnet

Skillnet Ireland funds and facilitates training through 68 networks of private sector companies under the Training Networks Programme (TNP), in a range of sectors and regions across the country. The networks identify their own common training needs typically on a regional or sectoral basis. In 2019, Skillnet Ireland will provide training and related services to 62,000 individuals, of which 1,700 are unemployed.

Regional Skills Fora

During 2018 the Regional Skills Fora managers engaged with over 1,000 enterprises. Engagement was mostly with Manufacturing (46%), ICT (12%) and Construction (9%), although there were a number of other Sectors of Enterprise engaged with and there was regional variation in the composition. 75% of engagement was with Small, Medium and Micro enterprises. This is considered a key achievement as it empowers smaller companies to think strategically about their skills needs and how best to address them.

Apart from the essential work of building collaborative relationships between Enterprise and Education and Training the Fora have also played a key role by:

- Signposting to existing provision and services;
- Course creation – Higher and Further education;
- Apprenticeship/traineeship development;
- Course modification – Higher Education and Further Education;
- Work placements.

National Skills Strategy

The National Skills Council was established in April 2017. The Council which is Chaired by Mr. Bob Savage, oversees research, advises on prioritisation of identified skills needs and on how to secure delivery of identified needs and also has a key role in promoting and reporting on the delivery of responses by education and training providers to those priorities. Information is provided to the Council from a range of sources, including the Expert Group on Future Skills Needs, the Skills and Labour Market Research Unit in SOLAS and the Regional Skills Fora.

Higher Education – Springboard	9,139 people participated in Springboard+ 2018/19, 2,041 participants were unemployed people, 360 were Returners and 6,738 were in employment. Since 2011 over €164m has been spent on Springboard+ and over 52,000 people have benefitted from the programme. A further €34.438m has been allocated to Springboard+ 2019 providing for over 9,000 places on 275 courses. All Springboard+ courses are courses are open to people irrespective of their employment status. Returners and those in receipt of certain allowances, including Jobseekers Benefit, can access courses free of charge. Level 6 courses are free to all participants and for employed participants on courses NFQ level 7 – 9, 90% of the course fee will be funded by the Government, with participants required to contribute just 10% of the fee.

Target 2: Research and Development (R&D) Headline Target: Approximately 2% of GDP (2.5% of GNP) to be invested in R&D

Strategy	Innovation 2020, a new national Strategy for Science, Technology and Innovation was published on 8th December 2015. Four Progress Reports on its implementation and a Mid-term Review have been published as of July 2019.
Science Foundation Ireland	Science Foundation Ireland is maintaining supports to 16 world-leading Research Centres that conduct excellent and impactful applied and basic research, attracting industry and talent to Ireland. A cohort of 4,924 people work on SFI supported research projects. Furthermore, SFI awards directly supported 1,715 industry collaborations -of these, 712 with MNC's and 1,003 with SMEs.
Increase in Investment	Ireland has increased its investment in R&D over the past decade while also introducing a range of measures to improve commercialisation of research and build strong linkages between the higher education sector and enterprise. Ireland has committed to an investment intensity rate of 2.5% GNP as part of Europe 2020. Initiatives to reach this target are identified in Innovation 2020, Enterprise 2025 Renewed and Future Jobs Ireland. GERD (Gross Expenditure on R&D) has increased by almost 125% from €1,637 million in 2003 to an estimated €3,671 million in 2017. Within this, HERD (Higher Education Expenditure on R&D) has also doubled from €378 million in 2002 to an estimated €758 million in 2016.

Results from the 2017-2018 Business Expenditure on Research and Development (BERD) survey show that almost €2.8bn was spent on R&D activities by enterprises in Ireland in 2017. This represents an increase of 24% compared with actual expenditure in 2015 and is the largest biennial increase in the last 10 years.

In 2019, the Disruptive Technologies Innovation Fund (DTIF) will also invest €50 million in collaborative projects with strong commercialisation potential. DTIF funding committed totals €180 million to 2022.

Research Intensity

Ireland's research intensity rate for 2017 is an estimated 1.57% of GNP (1.55% in 2015).

R&D Supports

Enterprise Ireland is successfully driving the achievement of the target of €1.25bn in R&D expenditure per annum by 2020. In 2018, Enterprise Ireland client companies achieved R&D expenditure of €970m.

Enterprise Ireland provides a range of in-company RD&I offers that supports companies in the development of new or substantially improved products, services or processes which will have a competitive advantage in their target market.

In 2018, 1,048 collaborative projects between Irish based companies and Irish Higher Education Institutes were supported by Enterprise Ireland. This includes 558 Innovation Vouchers and 55 companies involved in Innovation Partnerships giving companies new commercial opportunities, savings or increased innovative capability. This also includes 435 industry funded Technology Gateway projects completed at Institutes of Technology across Ireland.

There are over 500 members across 10 Technology Centres. These centres support collaboration between companies and research institutions to respond rapidly to industry defined needs.

The Health Innovation Hub is driving collaboration between the health service and enterprise sector. 22 companies selected through the 2018 HIHI call have been linked with clinical locations.

The Knowledge Development Box has been in operation since 1 January 2016. This gives support to all Irish companies that carry out substantive innovative activities. Since the commencement of the Knowledge Development Box (Certification of Inventions) Act 2017 on the 19th May 2017, this support now applies to indigenous SMEs with inventions that are not patented but which are certified by the Controller of Patents etc. as novel, non-obvious and useful.

The Knowledge Development Box has a sunset clause of 31 December 2020. The Department of Finance will review the incentive under tax expenditure guidelines ahead of next year's Budget.

Disruptive Technologies

In 2020, the Disruptive Technologies Innovation Fund (DTIF) has an allocation of €30 million to build on the investments made in 2018 and 2019 in collaborative projects with strong commercialisation potential. DTIF funding committed totals €180 million to 2022. For Call 1, 27 projects were funded with an allocation of approximately €75m.

Target 3: Climate Change and Energy

3(a) Greenhouse Gas (GHG) Emissions - Headline Target: 20% reduction in Carbon Emissions relative to 2005

Climate Action Plan 2019

Ireland's most recent strategy to address greenhouse gas emissions is the Climate Action Plan 2019. This plan sets out, for the first time, how Ireland can reach its 2030 targets to reduce greenhouse gas emissions and also puts Ireland on the right trajectory towards net-zero carbon emissions by 2050.

The plan has a strong focus on implementation, and includes over 180 actions which must be taken in every Government Department and body, with clear timelines and steps needed to achieve each action, assigning clear lines of responsibility for delivery.

Investment to support the objectives of the Climate Action Plan will be underpinned by the National Development Plan which commits €30 billion to address the transition to a low-carbon and climate-resilient society and provide for major investment in sustainable transport measures.

In relation to Ireland's 2020 targets, the latest available projections, published in June 2019, indicate that emissions from relevant sectors of the economy could be between 5% and 6% below 2005 levels by 2020. These projections reflect the recent pace of economic growth, with increases in emissions from the agriculture

and transport sectors in particular. Ireland expects to fully meet its obligations under the Effort Sharing Decision through the purchase of additional credits.

3(b) Renewable Energy – Headline Target: 16% of total energy consumption from renewable sources

Ireland is committed to meeting 16% of total energy consumption from renewable sources (40% of electricity demand, 12% of heat and 10% of transport). Provisional figures for 2018 indicate that 11.3% of Ireland's energy came from renewable sources (electricity 33.2%, heat 6.3% and transport 7.2%).

Achieving the level of renewable energy in heat remains challenging particularly given Ireland's settlement patterns (with Eurostat showing Ireland as having the highest share of the population living in predominantly rural regions). The deployment of sustainable biofuels through the Biofuels Obligation Scheme is the main mechanism to help achieve the transport target, along with grant-aid for purchase of electric vehicles. In addition, two support schemes in renewable electricity and heat are being developed - a Renewable Electricity Support Scheme (RESS) and a Support Scheme for Renewable Heat (SSRH). The RESS was approved by Government in July 2018. Phase One of the SSRH - targeting installation of heat pumps - opened in September 2018.

Phase two of the SSRH – targeting operational support for biomass and biogas heating and HE-CHP systems - opened in June 2019. Both schemes are subject to State Aid approval. In the instance of SSRH, State Aid approval was received from the European Commission in March 2019.

3(c) Energy Efficiency – Headline Target: to move towards 20% increase in Energy Efficiency

National Energy Efficiency Action Plan

The National Energy Efficiency Action Plan (NEEAP) sets out Ireland's approach in pursuit of the 20% energy efficient target. Based on latest available data Ireland had achieved 65% of the energy efficiency 2020 target (i.e. 13 of the 20%) at end 2017. Meeting the 20% target presents significant challenges across the commercial, domestic and public sectors. SEAI projects that at current levels of effort some 16 of the 20% should be achieved by end 2020. DCCAE secured very significant additional resources in Budgets 2018 and 2019 (with the allocation to SEAI for energy efficiency schemes and programmes increasing to €120m in 2019) to facilitate an intensification of effort to reduce the shortfall to target and to absorb the level of investment identified in the National Development Plan. This investment will also build capacity to deliver the efficiency targets set out in the Government's Climate Action Plan. Ireland's 4th NEEAP published by DCCAE in April

2017 sets out the range of measures including new and enhanced measures in place and in development. Ireland has set a more ambitious energy efficiency target of 33% the public sector. This public sector effort also contributes to the national effort on the NEEAP 20% target as well as ensuring our public sector provides leadership on energy efficiency for the whole of our economy and society. This ambitious effort by the public sector is supported by a new Public Sector Energy Efficiency Strategy developed by DCCAE, approved by Government and published in January 2017. Monitoring by SEAI showed that at end of 2017 Ireland's public sector had achieved 24% improved energy efficiency.

Energy Efficiency Fund

In 2014 the Government committed €35m to an Energy Efficiency National Fund. This was committed to a commercial fund which attracted additional commitments from private investors totalling €73m. The Government's commitment period has now ended. €10.8m of the Government's commitment was drawn down by the Fund. This included the Fund's investment in the energy efficiency upgrade of the Mater Hospital – a flagship project in the context of the obligation on the public sector to improve its energy efficiency by 33% by 2020.

The remaining (Government) funds will be used for the Climate Action Fund.

National Energy Services Framework

The National Energy Services Framework, which defines an approach to best practice for project implementation with energy performance at its core, remains in place as a support to the public and private sector for developing projects. The National Energy Services Framework is a suite of tools, templates, guides, model contracts and project development funding. SEAI continue to develop it in line with market changes.

It continues to support the implementation of the Public Sector Energy Efficiency Strategy as public bodies explore options for delivery of energy based projects.

This will be used by public bodies as they work towards the 33% energy efficiency target for 2020 and specifically as they approach the implementation of the Public Sector Energy Efficiency Strategy, published by DCCAE in January 2017, one element of which is the establishment of a project pipeline.

TARGET 4(a) Education

Early Leaving from Education and Training - Headline Target: Reduce percentage of 18-24 year olds with secondary education and not in further education to 8%

Progress towards target

The EU2020 headline target for this category is <10%. The national target set by Ireland is 8%. The EU average is currently 10.6% (2018) while Ireland's average now stands at 5% (2018).

The EU2020 headline target for this category is <10%. The National target set by Ireland is 8%. The EU average is currently 10.6% (2018). Ireland's current share of early school leavers fell from 11.1% in 2011 to 9.9% in 2012, to 8.7% in 2013, 6.7% in 2014, 6.8% in 2015, 6% in 2016, 5% in 2017 and 5% in 2018, which exceeds Ireland's adopted target of 8%.

Implementation of the Delivering Equality of Opportunity in Schools (DEIS) Programme

In the 2019/20 school year the DEIS Programme is available to over 190,000 students in 891 schools broken down as follows; DEIS Band 1 - 231, DEIS Band 2 - 104, DEIS Rural - 358 and Post Primary - 198. Leaving Certificate Retention Rates in DEIS post-primary schools (completion of senior cycle in post-primary school) have improved significantly since 2001 when the retention figure stood at 68.2% to 85% in 2011.

The findings in the latest evaluation of the DEIS programme, "The Evaluation of DEIS at post-primary level: Closing the achievement and attainment gaps", published by the Educational Research Centre (ERC) in January 2019 shows a narrowing of the gap between DEIS and non-DEIS schools both in terms of performance at Junior Certificate level and retention rates. It is also very encouraging to see a rise in the percentage of students in DEIS schools taking English and Mathematics at Higher Level. This research provides further valuable evidence that the DEIS programme is working. It is giving young people in disadvantaged areas strong support, better prospects and successful results. The study also supports the rationale for providing additional supports to those schools with the highest concentrations of students from disadvantaged backgrounds.

Work has commenced on identifying such interventions that are having the greatest impact on tackling disadvantage educational disadvantage. This will involve testing new approaches in groups of schools and working closely with schools in school self-evaluation and planning improvements.

The Home School Community Liaison Scheme (HSCL) and the School Completion Programme (SCP) are two key supports for DEIS schools in these areas and operate as part of the integrated Educational Welfare Service (EWS) under the remit of the Child and Family Agency, Tusla. Tusla, which is the dedicated state agency responsible for improving wellbeing and outcomes for children, works collaboratively with the Department to ensure that children's participation in the education system is maximised. The underlying vision and thrust of the HSCL Scheme is preventative; therefore, it seeks to promote and develop real partnership between parents, schools and communities, in order to enhance pupils' outcomes and learning opportunities, through

improved attendance, participation and retention in the education system. Central to the HSCL initiative, is the identification of educational needs and the provision of a tailored and proportionate response to those needs, through a range of interventions, which are evidence-based, focused and structured. All DEIS Urban primary schools and all post primary schools are currently included in the HSCL scheme.

HSCL Coordinators also play a key role in effecting successful transitions through the education system – from pre-school to primary school, from primary school to second level, within second level from Junior to Senior Cycle, and onwards through appropriate pathways to further and higher education. The role of the HSCL coordinator is to empower parents to support their child's education and to ensure parents are linked in with the various stages of the education continuum by facilitating engagement between teaching and other staff and parents.

There has been a particular emphasis in the Irish context on the adoption of a whole school approach, which is recognised internationally, to enable schools respond to new and complex challenges linked to increasing diversity in society. This involves the entire school community (school Principals, teaching and non-teaching staff, learners, parents and families) in a cohesive, collective and collaborative engagement with external stakeholders and the community at large to effect better outcomes for all.

School Excellence Fund (SEF)

The School Excellence Fund (SEF) – DEIS allows schools to trial creative interventions with the intention that the learning from successful approaches will be shared across the school sector. Some examples of themes of projects include improving outcomes for EAL students, improving students' well-being through the arts and ensuring the attainment of higher ability students.

On 13th November 2017 the pilot phase of the SEF was launched. Ten clusters comprising 34 urban and rural, pre-school, primary and post-primary schools were invited to participate in the pilot phase.

Tranche 2 of the SEF-DEIS was launched in April 2018 and 10 Clusters were selected to participate in Tranche 2. Tranche 3 of the SEF – DEIS was launched in May 2019 with a closing date of 31st October 2019 for applications.

Monitoring and Evaluation

The DEIS Plan includes actions related to monitoring and evaluation processes and these are bring put in place to improve transparency and to determine which interventions are having the greatest impact in terms of delivering better outcomes for learners.

Work by the ERC on behalf of the Department of Education and Skills began in 2007 on an ongoing independent evaluation of the SSP (School Support Programme) component of DEIS in primary and post-primary schools.

Since 2007 the ERC evaluation has been monitoring implementation of the programme and assessing its impact on participants.

Details of the ERC Evaluations of the DEIS Programme are available on the ERC Website at http://www.erc.ie/studies/deis/

The findings from research carried out by the DES Inspectorate shows that the majority of DEIS schools are engaging in effective planning for improvement and indicate that where schools have taken a whole-school, evidence-based approach to improving literacy, especially at primary level, improvements in pupil attainment levels are observed.

A Monitoring and Evaluation Working Group has been established and work is underway on identifying gaps in current research and evaluation as well as identifying what data is currently available to support ongoing monitoring of the programme. A programme of work will be prepared with priority areas set out and this will be agreed by the Working Group before going to the DEIS Advisory Group for their input and observations. This group will consider key areas such as data sources and existing evaluations, capturing the impact of interventions, identifying challenges for schools and identifying the necessity for a longitudinal element. It is intended that the group's findings will be disseminated to the wider school and education system.

Role of Tusla

Tusla provides statutory and other educational welfare services through its Educational Welfare Services (EWS) structure. Tusla has appointed a senior management team to drive the reform of structures that will lead to a more fully integrated service provision across the range of its educational welfare services such as Home School Community Liaison, School Completion Programme and Statutory School Attendance Services. Tusla also works closely with the Department of Education and Skills with a particular focus on the DEIS programme.

Significant gains have been made in improving school attendance and school completion rates. School completion rates across DEIS schools is currently around 83% indicating that a significant cohort of the students who need support are located in these schools. The EWS Home School Community Liaison and School Completion Programmes (SCP) are based around meeting the needs of students and parents attending these schools in order to support those most at risk of dropping out of school early. The reforms of SCP

currently being planned are designed to ensure that SCP is flexible and responding in an evidence based way to identified needs.

The European Commission has identified the reduction of early school leaving as essential for achieving several key objectives in the Europe 2020 strategy. The strategy recognises that early school leaving is one of the major risk factors for unemployment, poverty and social exclusion. The strategy therefore includes a headline target to reduce early school leaving to less than 10% by 2020 from 14.4% in 2009, with the main headline target of lifting 20 million people out of poverty and social exclusion in the next decade. In relation to Ireland, the Eurostat 2018 figures on early leavers from education and training (young people aged 18-24 who have completed at most a lower secondary education) report that Ireland's rate of 4.7% is the 3rd lowest in the EU. This is well below the EU average of 10.7% and the Europe 2020 target.

TARGET 4(b): Tertiary Education

Headline Target: At least 60% of 30-34 year olds should complete third level education

Continued investment in Third-Level Education to meet increased student numbers

Ireland is aiming to have 60% of the 30-34 year old population with a tertiary level qualification by 2020.

In 2018, tertiary education attainment was at 56.3% among 30-34 year olds, in Ireland while the figure for 2017 was 54.5%. This compares to an EU average of just over 40%.

The adult education level for 25-64 olds in 2017 was 45.66%, remaining above the OECD average of 36.91%.

The participation rate of students from underrepresented group including socio-economic disadvantaged areas increased since the Implementation of the National Plan for Equity of Access to Higher Education 2015-2019. The recent published Progress Review (December 2018) confirms the non-manual worker group increased from 23% (2012/13) to 27% (2016/17) and the Semi/unskilled manual worker group increased from 26% (2012/13) to 36% (2016/17). Initiatives as part of the Programme for Access to Higher Education Fund (PATH) target underrepresented groups including students from socio-economically disadvantaged areas is impacting positively on participation by these groups.

There has been a decline since 2014 in the number of research graduates, when the number stood at 2,155. The number of graduates in 2017 was 1,850.

The latest Horizon 2020 (2014 – 2020) success statistics to May 2019 shows that Ireland achieved an overall success rate of some 15%, similar to the EU average. The HEIs accounted for 55% of the €709m Horizon 2020 drawdown to May 2019. The drawdown % is less than under the previous programme because Horizon 2020 budgets are more Enterprise orientated.

The total PhD enrolments in 2017/18 was 8,513, having increased from 8,158 in 2014/15. Including Research Masters students gives a total of 10,015 for 2017/18; having increased from 9,606 in 2014/15.

3.1% of public spending is spent on tertiary education while 0.216% of GDP is privately spent on the tertiary sector. Ireland spends USD 13231 per student in tertiary education which falls below the OECD average of USD 15,656.

Development of a new National Access Plan for Higher Education

The Steering Group of the National Access Plan has met three times in 2019, most recently on 26th September, to monitor progress towards implementation of the National Access Plan for 2015-2019.

• To advise the Department of Education and Skills, and the Higher Education Authority, on challenges and opportunities that arise during implementation of the Plan.

• To ensure a coordinated approach to the implementation of the Plan.

• To assist in the development of specific actions and targeted initiatives contained in the Plan.

• To participate in sub-groups that may be established to progress work on specific aspects of the Plan

Funding under PATH 2 supports 600 bursaries (€5000 per annum) for the most socio-economically disadvantaged students has been allocated to clusters of higher Education institutions. 200 students per year have benefited from this funding in 2017/18 and 2018/19 for the course of their undergraduate studies and a further 200 students will benefit in 2019/2020. PATH 3 Higher Education Access Funding has been allocated to all regional clusters of higher education institutions, working with community partners to support initiatives to attract 2000 additional students into higher education from the underrepresented target groups identified in the National Access Plan 2015-2019. A Seminar on PATH will took place on 23 November 2018 as part of an overall package of evaluation measures to facilitate the sharing of learning from PATH initiatives. The Fourth National Access Forum will take place Q1 2020.

A Progress Review of the National Plan for Equity of Access to Higher Education and the Priorities to 2021 was published in December 2018. The Progress Review acknowledges a number of significant positive

developments and characterises the first phase of implementation of the NAP as a period of achievement and investment. It was recommended that the term of the National Access Plan be extended by 2 years to 2021, this is necessary to allow for the implementation of the Access Data Plan and to ensure that the targets for the new National Access Plan are set based on the new data.

A Data Plan to support Equity of Access to Higher Education has been published and a package of student success measures have been agreed and are being rolled out to support students from target groups succeed in higher education. The HEA will shortly publish a report entitled "A Spatial and Socio-Economic Profile of Higher Education Institutions in Ireland".

TARGET 5: Reduction of Population at Risk of Poverty

Headline Target: To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.

Living Alone Allowance	This allowance is an extra payment for people on social welfare payments who are living alone. It is primarily aimed at people aged 66 years and older but also includes those under 66 years who live alone and are in receipts of Disability Allowance, Invalidity Pension, Incapacity Supplement or Blind Pension. *Budget 2020* increases this allowance by €5 per week from €9 to €14.
Qualified Child Increase	Most weekly social welfare payments include an additional payment in respect of each qualified child up to age 18, which is extended to encompass older school/college going children to age 22 under certain circumstances. *Budget 2020* raises the rate of the Qualified Child increase by €2.00 for children under 12, from €34 to €36 per week, and by €3.00 for children aged 12 and over, to €40 per week. This is in recognition of the higher costs associated with raising older children.
Fuel Allowance	The Fuel Allowance is a means-tested payment, paid at €22.50 per week for the duration of the fuel season. *Budget 2020* provides for an increase of €2 per week up to €24.50.
Jobseeker Allowance for those aged 25 years	This allowance is a means-tested payment for people who are unemployed and seeking work. The rate for people aged 25 years has previously been lower than the standard rate for people aged 26 years and older. *Budget 2020* increases the rate from €157.80 to €203.00 to bring it in line with the standard personal rate.

Working Family Payment threshold increases	Working Family Payment - a social welfare payment which provides an income support for employees on low earnings with families. The weekly threshold has been increased by €10 for the first three bands. Raising the income earnings thresholds for a family with; one child from €521 to €531, two children from €622 to €632 and three children from €723 to €733.
One-parent Family Payment increase to income disregards	One-parent Family Payment and Jobseekers Transition - means-tested payments for people who are lone parents. The means- disregard has been increased from €150 to €165 per week.
Housing Assistance Payment (HAP)	Spend for the HAP scheme was €276m in 2018. This allowed for the continued support of existing HAP households and also enabled the additional 17,000 households targeted under Rebuilding Ireland to be supported by HAP in 2018, as well as supporting the roll-out of the HAP Place Finder Support Service across the country. *Budget 2019* increased the funding for the HAP scheme to €422 million. This facilitates continued support of existing HAP households and also enable an additional 16,760 households targeted under Rebuilding Ireland to be supported by HAP in 2019.
Community Childcare Subvention Scheme	The National Childcare Scheme (NCS), previously known as the Affordable Childcare Scheme, is set to launch in October 2019. The NCS will replace all targeted subsidised childcare schemes other than the Early Childhood Care and Education (ECCE) programme. This means that the Community Childcare Subvention (CCS) Scheme will be replaced by the NCS once it has launched. The NCS will represent a major landmark for all children and families in Ireland, and especially for lower income families and lone parents. It is the first ever statutory entitlement to financial support for childcare. It establishes an equitable and progressive system of universal and income-related subsidies for children up to the age of 15. It also provides an innovative and user-friendly online application process to access those subsidies. Through all of the above, the National Childcare Scheme aims to improve children's outcomes, support lifelong learning, make work pay, reduce child poverty and tangibly reduce the cost of quality childcare for thousands of families across Ireland. The Scheme can be accessed by all families and not just those working or studying full time. In addition, arrangements will be in place to ensure that no one loses out in the initial transition to the new Scheme. Families can choose to continue to access their current targeted supports, including CCS, until at least August 2020.

Annex

Table A: Methodological aspects

Estimation Technique	Step of the Budgetary Process	Relevant features of the model	Assumptions
Demand side forecasting	In advance of endorsed and final budgetary forecasts	Iterative-analytic approach: several partial models based on various national account outputs.	Technical assumptions on trading partner growth, exchange rates and commodity prices are assumed.
Supply side forecasting	In advance of endorsed and final budgetary forecasts	Potential GDP is modelled as per the harmonised methodology endorsed by the EPC and with changes to reflect revisions to Ireland's national accounts in 2015	Supply side variables modelled endogenously to 2021 in line with Commission approach with mechanical closure of the output gap between 2022 and 2024. To forecast the capital stock from 2019 to 2021, the adjusted capital stock level in t-1 is grown by the net change (as opposed to the growth rate) of the unadjusted AMECO capital stock.
Tax forecast	In advance of final budgetary forecasts	Iterative-analytic approach: partial models based on relationship of tax trends to macro variables	The short-term impact of tax policy changes is included

Source: Department of Finance forecasts

Taxation Measures for Introduction in 2020

Additional details on the measures below may be found in the Summary of Budgetary Measures in the 2020 Tax Policy Changes Book. The forthcoming Finance Bill will include legislative provision where necessary.

Measure	Yield/Cost 2020	Yield/Cost Full Year
Personal Income Tax		
Income Tax		
An increase in the Home Carer Tax Credit from €1,500 to €1,600	-€7m	-€8m
An increase in the Earned Income Credit from €1,350 to €1,500	-€20m	-€35m
USC		
1 year extension of reduced rate of USC for medical card holders	-	-
Measures to support Enterprise/SMEs/Agri-sector	-€30m	-€90.9m
Key Employee Engagement Programme (KEEP)		
Enhancements to the programme		
Employment and Investment (EII)		
Enhancements to the programme		
Special Assignee Relief Programme (SARP)		
Extension in its present format until 31 December 2022.		
Foreign Earnings Deduction		
Extension in its present format until 31 December 2022.		
Research and Development Tax credit		
• Enhancements to credit for small and micro companies. • Increase third level outsourcing limit.		
Microbrewery relief		
Production ceiling for qualification raised from 40,000hl to 50,000hl		
Diesel Rebate Scheme		
Relief for users of the scheme from increase in carbon tax		
Betting Tax		
Introduction of a relief from betting duty and betting intermediary duty up to a limit of €50,000 per calendar year. This relief only applies to single undertakings.		
Extension of Section 604B Capital Gains Tax Relief for Farm Restructuring		
Housing		
Help to Buy (HTB)		
Extension in its present format until 31 December 2021.	-€40m[3]	-€40m

[3] Full cost of this measure is estimated to be €100 million of which €60 million is in the tax base.

Living City Initiative Extension in its present format until 31 December 2022	-	-
Climate and Environmental measures **Carbon Tax** Increase the rate by €6 to €26 per tonne	+€90m	+€130m
Electricity Tax Equalise the rate for businesses with that of non-business	+€2.5m	+€2.5m
Vehicle Registration Tax VRT Environmental Health (NOx) Surcharge	+€25m	+€25m
Extension of VRT relief for hybrids and plug-in hybrid electric vehicles	-	-
Anti-Avoidance **Allowance for capital expenditure on scientific research** • Correction of unintended additional relief	+€4m	+€4m
Corporation Tax – Collective Property Investment **Corporation Tax – Compliance Measures** • Irish Real Estate Funds (IREFs) and Section 110 anti-avoidance • Real Estate Investment Trusts (REITs) – capital disposals	+€80m	+€80m
Corporation Tax – BEPS Implementation • Introduction of Anti-Hybrid Rules (EU Anti-Tax Avoidance Directive – ATAD) • Modernisation of Transfer Pricing rules	+€10m	+€10m
Stamp Duty on Schemes of Arrangement involving a 'Cancellation Scheme' where used for the sale of a Company The Stamp Duties Consolidation Act 1999 will be amended by financial resolution to provide that a stamp duty charge of 1% is applicable where a scheme of arrangement, in accordance with Part 9 of the Companies Act 2014, is used for the acquisition of a company.		
Additional Taxation Measures **Tobacco Products Tax** Increase in 50c on pack of 20 cigarettes with pro-rata increase on other tobacco products	+€57.1m	+€57.1m
Increase in Stamp Duty on Non-residential Property The rate of stamp duty applicable to non-residential property transactions will be raised from 6% to 7.5% from Budget night. This will be subject to transitional arrangements whereby the existing 6% rate will apply to instruments executed before 1 January 2020 where a binding contract existed prior to Budget day (8th October 2019).	+€141m	+€141m

Consequential amendments will also be made to the legislation relating to the repayment of stamp duty where the land involved is subsequently used for residential development, so as to ensure that the rate of stamp duty chargeable after a full refund remains at 2%. **Amendment to section 126AA of SDCA 1999 – Further Levy on Certain Financial Institutions (Bank Levy)** Section 126AA of the Stamp Duties Consolidation Act 1999 will be amended by Financial Resolution in order to increase the rate of the "Bank Levy" from 59% of DIRT in base year 2015 to 170% of DIRT for base year 2017 in order to protect the €150m yield in 2019 and 2020.	-	-
Capital Acquisitions Tax The current Group A tax free threshold which applies primarily to gifts and inheritances from parents to their children is being increased from €320,000 to €335,000. This increase applies in respect of gifts or inheritances received on or after the 9th of October.	-€9.6m	-€11.2m
Compliance **Increase rate of Dividend Withholding Tax from 20% to 25% from 1 January 2020** As the first step in a two-stage process, the rate of Dividend Withholding Tax (DWT) will be increased from 20% to 25% from 1 January 2020. This will better align the amount of tax remitted by companies with the income tax and USC that is ultimately payable by the individual taxpayer. The 25% rate is considered to be a reasonable combination of the standard 20% rate of income tax and the most common rate of USC which is the 4.5% that applies to income between €19,874 and €70,044. In the event that the 25% rate results in an overpayment of tax, the relevant amounts will be refunded, as is the normal procedure. It is important to highlight that this measure does not alter the underlying liability to tax for Irish tax residents. The second step is to introduce a modified Dividend Withholding tax regime from 1 January 2021. Utilising real-time data collected under the newly modernised PAYE system, it is intended that Revenue will apply a personalised rate of DWT to each individual taxpayer based on the rate of tax that they pay on their PAYE income. Revenue will shortly be launching a consultation in order to engage with stakeholders on how the proposed new system will operate.	+€80m	+€80m

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