Rialtas na hÉireann
Government of Ireland

Draft Budgetary Plan 2021

Prepared by the Department of Finance
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DRAFT BUDGETARY PLAN 2021

October 2020

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 of 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 2021*, which was presented to Dáil Éireann on the 13th of October 2020.

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 2020 and 2021). Estimates of the structural balance are provided only for completeness; the figures should be treated with caution given the elevated uncertainty regarding estimates of the output gap at this point in time. Figures for 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 compiled on the *European System of Accounts* (ESA) 2010 statistical basis.

Summary

The projections set out in this document have been prepared against the backdrop of extraordinary uncertainty associated with the epidemiology of the *Covid-19* virus. Additionally, the so-called 'transition period' – during which the *status quo* governs bilateral trade between Ireland (as part of the European Union) and the UK – concludes at end-year; at this point, there remains no clarity regarding what form bilateral trade will take from January.

Constructing a set of macro-economic and fiscal projections in these circumstances is more akin to 'scenario-analysis' than forecasting *per se,* and the numbers set out in this document should be seen in this context. In terms of the key building blocks for the projections and for the policy response, the Irish Government's budget for next year assumes 'co-existence' with the virus, with sporadic waves resulting in tailored containment measures – with knock-on economic implications – rather than full 'lockdowns'. A second building block relates to the assumption of a disorderly end to the 'transition period'.

Against this backdrop, this *Draft Budgetary Plan* is based on GDP growth of 1.7 per cent for next year. This takes account of the macroeconomic impact of the policy measures introduced in the Budget; the pre-budget macroeconomic forecasts were endorsed by the *Irish Fiscal Advisory Council* on the 28th of September 2020.[1]

A significant deterioration in the fiscal accounts is in prospect this year, as the Government has used budgetary policy in a pro-active way: supporting household incomes, providing life-lines to firms and ramping-up healthcare capacity. A headline general government deficit of 6.2 per cent of GDP is projected for this year. For next year, the headline deficit is projected at 5.7 per cent of GDP.

The downward trajectory in the debt-to-GDP ratio, evident since 2013, has been reversed on foot of the counter-cyclical budgetary policies that are being adopted. This year, the debt-to-GDP ratio is projected at 62.6 per cent, with a further increase to 66.6 per cent assumed for next year.

[1] The endorsement letter from the Chairman of the *Irish Fiscal Advisory Council* is available at: http://budget.gov.ie/Budgets/2021/Documents/Budget/Budget_2021_Endorsement_Letter_September_2020.pdf

Section 1
Economic Developments and Outlook

1.1 External Environment

Following an unprecedented fall in the first half of this year, the globally-synchronised economic shock began to gradually unwind in the third quarter, certainly for advanced economies with whom Ireland conducts the bulk of its trade. From around the beginning of September, however, the infection curve began to rise once again in several of Ireland's main export markets. Many of these countries have responded by introducing tailored lockdowns (sector-specific; location-specific, etc.) to slow disease progression, rather than the more stringent, or full, lockdowns that were introduced in the second quarter of this year.

Only time will tell how temporary, or successful, these tailored containment measures will be or, indeed, if more stringent measures will be needed to 're-flatten' the curve. What is clear at this point, however, is that without a vaccine or improved therapeutics, some form of containment measures will almost certainly persist – social distancing, bans on mass gatherings, etc. – over the forecast horizon. In addition, uncertainty will continue to dominate the landscape in many advanced economies, weighing on both consumer and business confidence.

Another serious concern is the future trading relationship between the United Kingdom and the European Union. For policy-planning purposes in Ireland, it is assumed that, from January, trade between the Ireland (as a member of the EU) and UK is undertaken on the basis of *World Trade Organisation* tariff schedules.

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

	2019	2020	2021
External GDP growth			
United States	2.2	-3.8	4.0
Euro area	1.3	-7.9	5.1
United Kingdom	1.5	-10.1	7.6
Technical assumptions			
Euro-sterling exchange rate (€1=)	0.88	0.89	0.91
Euro-dollar exchange rate (€1=)	1.12	1.14	1.18
Brent crude (dollars per barrel)	64.1	43.2	46.6

Oil prices (futures) in 2020 – 2021 are calculated on the basis of futures markets as of mid-September 2020.
Exchange rate outturns as of mid-September 2020 and unchanged thereafter.
Source: OECD Economic Outlook, Interim Report (September 2020)

This disorderly end to the transition period will involve a significant shock to the Irish economy, albeit one with considerable sectoral heterogeneity: a potentially severe impact in the more traditional / SME sectors (compounded by the possibility of non-tariff measures on UK-sourced intermediate inputs leading to production shortages), while the impact on exports from the multinational sector is assumed to be fairly modest. Model estimates, combined with expert judgement (given the lack of historical precedent) suggest an aggregate export 'hit' of about 4 percentage points relative to a baseline 'orderly' exit scenario.

Against this background, short-term prospects in Ireland's main export markets remain poor, and this will weigh on demand for Irish-produced goods and services. While the aggregate export performance was resilient in the first half of the year – with higher-technology sectors providing a counter-cyclical buffer to the global downturn – the situation elsewhere was considerably worse. Overall, export growth of just under 2 per cent is now expected for the year. For next year, and taking account the assumptions set out above, exports are expected to increase by just 1 per cent.

1.2 Macroeconomic developments 2020

The containment measures necessary to limit virus transmission had a dramatic impact on Irish economic activity in the second quarter of this year. GDP recorded its largest ever quarterly decline, falling by 6 per cent in the second quarter. While this was at the lower-end of the international distribution, the Irish GDP figure is boosted by a surge in exports of pharmaceutical and medicinal products, and masks a very sharp hit to the domestic economy.

Private consumption fell by 22 per cent between the fourth quarter of last year and the second quarter of this year. The household savings rate reached 35 per cent in the second quarter (see Box 1 for a more detailed discussion), the highest level ever, reflecting both voluntary (precautionary) saving and involuntary saving (closure of many retail outlets).

Following the gradual easing of restrictions, consumer spending rebounded rapidly, with 'official data' pointing towards a partial (though very much uneven) pent-up-demand-led recovery during the summer. Towards the tail-end of the summer, however, available evidence suggests that spending appears to have stabilised. For instance, real-time data (payments, mobility data) point to a levelling off in consumption in August and September, possibly correlated with the rising infection rate. In the face of continued uncertainty and the potential for periodic localised restrictions, household consumption is expected to remain relatively flat for the rest of the year, with an overall decline of 7.5 per cent in prospect.

Modified investment[2] fell by 27 per cent in the first half of the year, in no small part due to the 40 per cent fall in construction investment associated with the shutdown of construction sites until mid-May. While this will be reversed in the second half of the year, ongoing uncertainty will be a major headwind for wider business investment in the second half. Against this background, modified investment is expected to fall by nearly one-fifth this year.

In Ireland, as elsewhere, imports evolve in line with final demand, namely the sum of domestic demand and exports. On this basis, overall imports are projected to decline by 12.5 per cent this year.

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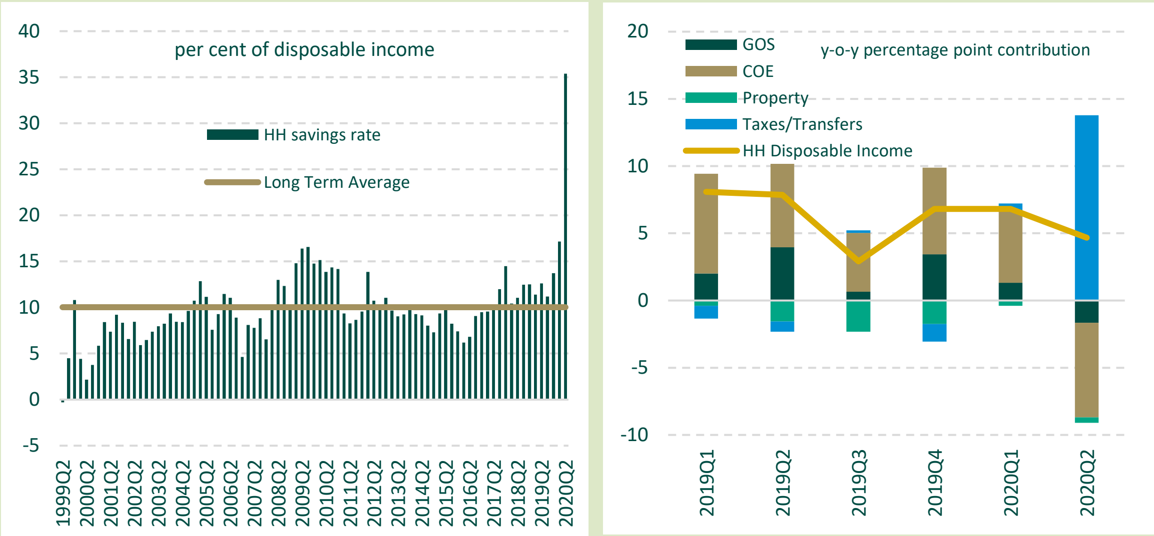
[2] The international reader is directed to Annex 2 of the *'Economic and Fiscal Outlook 2021'* published by Department of Finance, which documents several of the 'modified' concepts that are relevant when discussing the evolution of the Irish economy.
http://budget.gov.ie/Budgets/2021/Documents/Budget/Budget%202021_Economic%20and%20Fiscal%20Outlook.pdf

Box 1: Household income, consumption and savings during the first wave of the pandemic

The Covid-19 containment measures introduced earlier this year prompted households in Ireland to ramp-up their savings. The (seasonally adjusted) household savings rate – the difference between household disposable income and what households spent on goods and services – increased to 35 per cent of disposable income in the second quarter, its highest level ever (figure 1a). Put another way: around one euro was saved for every three euros of disposable income. A similar pattern was evident in our main trading partners: the second quarter savings rate in the euro area (25 per cent), UK (29 per cent) and US (25 per cent) were all without historical precedent.

Figure 1: a) household savings rate; b) change in household disposable income



Source: Central Statistics office (CSO) and Department of Finance calculations.
Note: in figure b, GOS = gross operating surplus (self employed income) and CoE = compensation of employees (wages).

To understand the key drivers behind this savings surge, it is necessary to look at developments in both household income (figure 1b) as well as and spending.

On the income side, notwithstanding the scale of the economic shock, household disposable income actually increased slightly in the second quarter of the year relative to the previous quarter (by 0.4 per cent) and by almost 5 per cent year-on-year (figure 1b). That said, there was a large change in the source of disposable income: labour income declined in line with the massive fall in employment but this was offset by increased transfer income from the general government sector. These transfers took the form of direct payments to households (e.g. the Pandemic Unemployment Payment) and indirect payments to households (e.g. the subsidising of wages via the Temporary Wage Subsidy Scheme). In addition, the decline in labour income was also offset, in part, by lower income taxes and social contributions paid by households (the operation of the automatic stabilisers on the revenue side).

On the expenditure side, 'involuntary' savings arose because the closure of many retail and service sector outlets during the second quarter meant that households simply could not consume (although this was partly offset by a shift to on-line retail, a trend which has accelerated on foot of the pandemic). Additionally, given the potentially long-lasting nature of the pandemic and the economic changes that will likely be left in its wake, households are less certain regarding future income prospects. Households have, accordingly, voluntarily ramped-up precautionary (rainy day) savings and reduced spending accordingly.

The very high savings rate in the second quarter has an important read-across to both short-term economic prospects and budgetary policy. In terms of the near-term outlook, involuntary savings appear to have triggered the release of 'pent-up' consumer demand in the third quarter. On the other hand, the precautionary element will likely persist for some time.

In terms of budgetary policy, the increased household savings rate is financing – via the flow-of-funds between institutional sectors of the economy – at least part of the general government deficit. In other words, the nation as a whole is not increasing its external indebtedness, as evident from the surplus on the balance of international payments.

On foot of all of these developments, GDP is projected to fall by 2.4 per cent this year. Modified domestic demand – which paints a more accurate picture of underlying developments in Ireland – is projected to decline by 6.1 per cent.

1.3 Macroeconomic Outlook 2021

Household income will benefit from the assumed labour market recovery next year, as some – though not all – of the jobs lost this year are replaced. Nevertheless, continued uncertainty will continue to weigh on consumer spending next year, with households expected to maintain savings from disposable income at relatively high levels. Against this background, growth in personal consumer spending is projected at 7 per cent; it must be remembered that this figure takes account of the 'base effect' associated with the temporary closure of many retail outlets in the second quarter of this year.

On top of what is already a subdued outlook for investment, the absence of a free trade agreement between the EU and UK will significantly affect the pathway for investment next year, with a decline of around 26 per cent assumed.

Table 2: macroeconomic prospects

	2019	2020	2021
		year-on-year per cent change	
real GDP	5.6	-2.4	1.7
nominal GDP	8.9	-1.8	2.6
real GNP	3.4	-2.9	1.6
components of GDP		year-on-year per cent change	
personal consumption	3.2	-7.5	7.0
government consumption	6.3	15.2	-1.6
investment	74.8	-39.9	-25.7
stock changes^	0.1	0.0	0.0
exports	10.5	1.9	1.0
imports	32.4	-12.5	-5.6
contributions to real GDP growth		annual percentage point contribution	
domestic demand (excl. stocks)	22.9	-19.1	-5.3
net exports	-17.5	16.7	7.0
stock changes	0.1	0.0	0.0
statistical discrepancy	-0.1	0.0	0.0

Rounding can affect totals.
^ contribution to GDP growth.
Source: 2019 - CSO; 2020 – 2021 - Department of Finance.

The 5.6 per cent decline in imports is broadly in line with assumptions for final demand. In overall terms, GDP growth of 1.7 per cent is forecast next year, around 3 percentage points below what would have been expected under a 'deal' scenario.

Box 2: Modelling a disorderly end to the 'transition period'

Operationalising macroeconomic forecasts based on a disorderly exit involves a number of steps (see Box 4 in *Economic and Fiscal Outlook*, Department of Finance, October 2019). Importantly, however, the economic forecasts which underpinned *Budget 2020* examined the impact of a disorderly Brexit on the Irish economy based on a pre-pandemic world and, additionally, were based on an economy operating at 'full employment'. Accordingly, it was necessary to update previous work, by examining the inter-relationship between the two shocks and how this could influence the *Budget 2021* macroeconomic forecasts.

To take account of both the simultaneous pandemic and disorderly trade shocks, the calibration of economic forecasts required, in the first instance, the production of counterfactual 'orderly' ('deal') forecasts – the 'baseline'. In other words, the counterfactual forecasts took account of the impact of Covid-19 on the economy but assumed that a trade deal was reached between the UK and the EU. To calibrate the disorderly ('no deal') forecasts, the results of joint work by the Department of Finance and ESRI using the COSMO macroeconomic model were super-imposed on the baseline forecasts.[3]

Simulations using macro-models such as COSMO tend to be anchored in the medium-term. Accordingly, a number of subsequent adjustments are necessary to construct a short-term forecast. 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 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). The Department's approach is to assume that additional FDI flows occur with a 2-year lag, i.e. there is no additional (Brexit-induced) inward FDI for 2 years.

Overall, therefore, the main (first-year) impact of a disorderly UK exit is via the trade channel, with exports falling by four percentage points relative to a scenario where a deal is reached; the imposition of tariff and non-tariff barriers is the main reason why trade is affected. The overall impact is to reduce GDP by c. three percentage points relative to the 'deal' baseline.

Overlap of the two shocks

In order to correctly calibrate the no-deal shock, it was important to understand the degree to which the two shocks could potentially overlap. For example, are the two shocks likely to exacerbate each other or could the impact of a no deal Brexit be somewhat lessened given the significant decline in demand already experienced as a result of Covid-19?

In this regard, additional joint research by the Department of Finance and ESRI examined the sectoral overlap between the Covid-19 and no-deal shocks.[4] The analysis ranked each sector (57 sectors) of the economy according to its exposure to either shock, with each sector 'RAG-ranked' (Red = severely affected; Amber = moderately affected; Green = relatively unaffected). In terms of the results of this analysis, no sector was found to be severely affected by both shocks (figure 2). However, a small number of sectors did fall into the category of being severely exposed to one shock and moderately exposed to the other, a combination that leaves them at risk if the two shocks are combined.

Figure 2: Comparison of sector rankings, Covid-19 vs Brexit

		BREXIT			
		Green	Amber	Red	Sum Covid
COVID	Green	7	10	6	23
	Amber	2	11	5	18
	Red	12	4	0	16
	Sum Brexit	21	25	11	57

Source: Daly and Lawless (2020)

[3] ^ 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/

[4] See Daly, L. and Lawless, M. (2020) "Examination of the Sectoral Overlap of Covid-19 and Brexit shocks," ESRI Working Paper Series No. 677. Available at: https://www.gov.ie/en/publication/e2c5f-examination-of-the-sectoral-overlap-of-covid-19-and-brexit-shocks/

1.4 Price Developments

Inflationary pressure remain contained, with demand-side effects (lower demand) of the pandemic outweighing supply-side effects (lower supply), at least at this point. For this year, (HICP) inflation in Ireland is forecast at -0.3 per cent, with 'core' inflation – stripping out the impact of oil and unprocessed food prices – projected at 0.1 per cent.

Inflation next year is forecast at 0.4 per cent, with 'core' inflation projected at 0.2 per cent. The wedge between these two price measures arises because of higher energy prices on foot of the increase in the wholesale price of oil.

Table 3: price developments, per cent change

	2019	2020	2021
GDP deflator	3.1	0.6	0.9
Personal consumption deflator	2.4	1.5	1.6
Harmonised index of consumer prices (HICP)	0.9	-0.3	0.4
Core HICP inflation^	0.9	0.1	0.2
Export price deflator (goods and services)	1.5	-0.7	0.8
Import price deflator (goods and services)	-0.4	-0.5	1.4
Terms-of-trade (good and services)	1.9	-0.2	-0.6

^ 'Core' inflation excludes energy and unprocessed food.
Source: 2019 - CSO; 2020 to 2021 - Department of Finance.

1.5 The Labour Market

The labour market has borne the brunt of the pandemic, with an unprecedented (in both speed and scale) turn-around in fortunes. The unemployment rate, which have been at around 5 per cent at the beginning of the year, reached 30 per cent at the height of the first wave: this figure, more than any other, illustrates the scale of the shock to the economy.

Table 4: labour market prospects, per cent change (unless stated)

	2019	2020	2021
Employment^	2.9	-13.7	7.6
Unemployment rate^	5.0	15.9	10.3
Labour productivity^^	2.6	13.1	-5.5
Compensation of employees*	7.3	-11.0	8.9
Compensation per employee*	3.5	2.9	1.2

^ Forecasts for employment and unemployment are based on CSO Covid-adjusted monthly unemployment measures. Many persons in receipt of the PUP do not meet the official statistical classification of unemployment as defined by the International Labour Organisation (ILO) and reported by the CSO Labour Force Survey official measures of employment and unemployment. For the purposes of these forecasts, all PUP recipients are classified as 'unemployed' as they are receiving an income support payment having lost employment, and this payment is considered transfer income. These figures thus correspond to the CSO's 'upper bound' measure of unemployment, meaning the total employment measure may be considered a 'lower bound'. Wage subsidy scheme recipients (TWSS/EWSS) are classified as 'in employment'.
^^ GDP per person employed.
*Non-agricultural sector.
Source: 2019 - CSO; 2020 - 2021 - Department of Finance.

While the unemployment rate has subsequently fallen, it remains very high, and reflects the labour-intensity of production in the sectors subjected to the various containment measures. With employment falling by almost 14 per cent (c. 319,000 jobs) this year, an unemployment rate of just under 16 per cent is now projected this year.

For next year, as the economy continues to co-exist with the virus and begins what will be a very difficult adjustment to tariff-based trade with the UK, employment is expected to recover only slowly. The annual average increase in employment of 7.6 per cent (153,000 jobs) next year takes account of the 'base effect' associated with the massive fall in employment in the second quarter of this year. The unemployment rate remains elevated next year, at around 10.3 per cent.

Table 5: sectoral balances, per cent of GDP

	2019	2020	2021
Net lending/net borrowing vis-à-vis the rest of the world	-11.3	5.2	10.7
of which:			
- Balance on goods and services	12.3	29.1	34.8
- Balance of primary incomes and transfers	-23.6	-23.9	-24.1
- Capital account	0.0	0.0	0.0
Net lending / borrowing of the private sector	-11.8	11.4	16.4
Net lending / borrowing of general government	0.5	-6.2	-5.7
Statistical discrepancy	0.0	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.

1.6 Scenario analysis: 'stringent lockdown'

The baseline projection is based on a 'co-existence' assumption: the economy (and wider society) co-exist with the virus, with epidemiological peaks-and-troughs triggering different, phased restrictions, but no full 'lockdown'. Of course, nothing is assured in the current environment and this begs the question as to the economic impact of a severe epidemiological scenario that triggers the re-introduction of stringent restrictions.

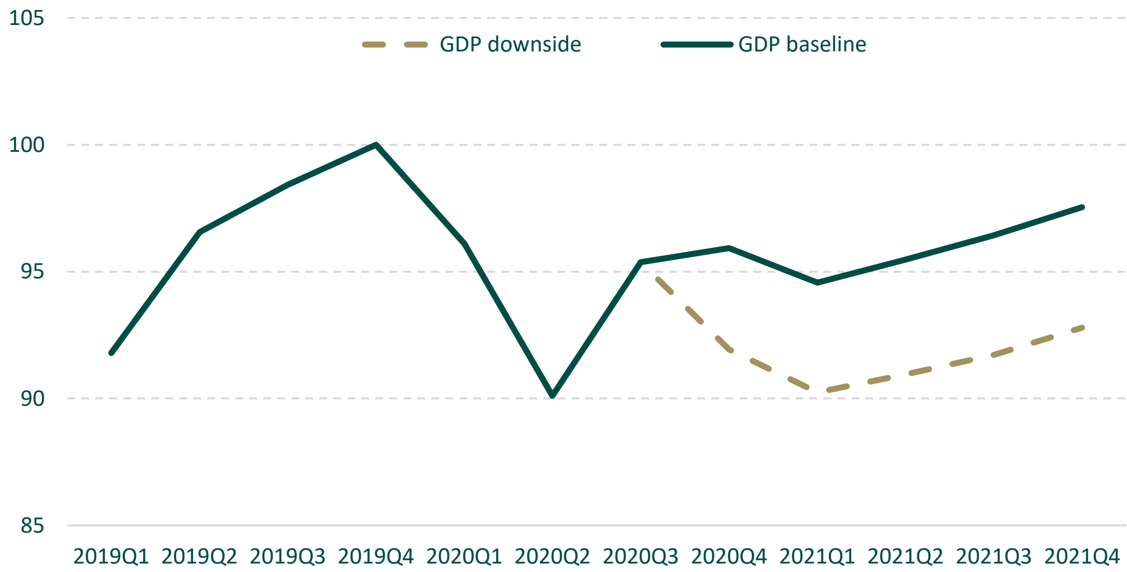
To answer this question, joint research by the Department of Finance and the Economic and Social Research Institute is drawn on.[5] For purely illustrative purposes, the severe lockdown is assumed to be triggered in the final quarter of this year; this is not a forecast, it is a hypothetical assumption necessary to illustrate the economic costs of a second wave.

Constructing this scenario requires a number of conditioning assumptions. Firstly, it is assumed that the economic costs of a second lockdown will be less severe than in the first lockdown – capacity in many areas such as 'testing-and-tracing' has improved (relative to the starting point in March); knowledge including public health knowledge of the virus has advanced, and many behavioural changes such as home-working are already embedded. Secondly, an additional stringent lockdown would probably induce permanent behavioural changes by households and firms: economic agents would 'price-in' the probability of future,

[5] Source: Bergin, A., A. Garcia Rodriguez, L. Rehill and É. Sweeney (2020) '*Exploring the Impacts of COVID-19, A Hard Brexit and Recovery Paths for the Economy*', Quarterly Economic Commentary, Autumn 2020 (ESRI).

additional lockdowns and adapt their behavioural response accordingly. Heightened uncertainty would dampen the (already gradual) assumed recovery in consumption and investment in the baseline. 'Scarring' effects would be more substantial, as more jobs are permanently lost and firm-survival rates are lower. Finally, a similar situation is assumed to play out internationally, with containment measures in key export markets reducing the demand for Irish exports.

Figure 3: GDP downside scenario quarterly profile, 2019q4=100



Source: Department of Finance analysis based on Bergin *et al* (2020).

Overall, the level of GDP would be reduced by 1 percentage point this year (a 3.4 per cent contraction) and by almost 4 percentage points next year (a 2.1 per cent contraction). At end-2020, the Irish economy would be approximately 7¼ per cent smaller than it was at end-2019, and facing a long and protracted road to recovery.

The implications for the public finances would be significant, with general government deficits of 6.3 per cent and 7.0 per cent of GDP this year and next, respectively.

Table 6: Baseline versus downside projections, per cent

	2020	2021
GDP baseline	-2.4	1.7
GDP downside	-3.4	-2.1
Employment baseline	-13.7	7.6
Employment downside	-15.0	1.7
Unemployment rate baseline	15.9	10.3
Unemployment rate downside	16.9	14.1
General government deficit baseline (€bn)	21.6	20.5
General government deficit downside (€bn)	22	25

Source: Department of Finance estimates

Section 2
Budgetary Developments and Outlook

In Ireland, as elsewhere, the fiscal response to the pandemic has been enormous, with the Irish Government adopting a counter-cyclical approach, the scale of which is without historical parallel. Pro-active budgetary policy has taken many forms: income supports for households, liquidity injections for firms, loan guarantees, targeted taxation reductions, to name just some. In addition, Government has ramped-up funding to provide enhanced public health capacity. From a macroeconomic perspective, the objective has been to stabilise, in so far as possible, short-term demand and to limit the supply-side fall-out from the pandemic (so-called 'scarring effects').

The upshot of this exceptionally large fiscal support has been the opening-up of a very large gap between revenue and expenditure. For this year, the fiscal deficit is projected at 6.2 per cent of GDP, narrowing to 5.7 per cent next year. The modest improvement in the fiscal accounts next year reflects inter alia an increase in taxation (see Box 3).

Allowing the public indebtedness to increase is the most appropriate strategy to absorb the impact of the pandemic. Accordingly, the debt-GDP ratio is set to rise to 62.6 per cent this year and to 66.6 per cent next year. Net public indebtedness – which takes account of accumulated cash and other assets – is much lower at 55.6 per cent of GDP at end-2020. From a financing perspective, the cost of sovereign borrowing remains low, with only a very minor premium vis-à-vis borrowing costs for the German sovereign. Importantly, there are no roll-over requirements next year, i.e. the Irish Government does not need to borrow to fund maturing debt instruments.

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

	ESA Code	2019	2020	2021
General government	S.13	0.5	-6.2	-5.7
: central government	S.1311	0.6	-5.9	-5.4
: local government	S.1313	-0.1	-0.3	-0.3
: social security funds	S.1314	M	M	M
Interest expenditure	D.41	1.3	1.1	1.0
Primary balance		1.8	-5.1	-4.7
Potential GDP growth		4.3	2.0	1.5
Output gap (% of potential GDP)		1.3	-3.1	-2.9
Cyclical budgetary component (% of potential GDP)		0.8	-1.8	-1.7
Cyclically-adjusted balance		-0.3	-4.4	-4.0
Cyclically-adjusted primary balance		1.0	-3.3	-3.0
Structural balance		-0.3	-4.4	-4.0

Estimates of the structural balance are subject to considerable uncertainty at this point in time and should be interpreted with caution. The Department will publish updated estimates in the spring, when there may be more certainty regarding estimates of the output gap.
In line with advice from the European Commission, expenditure on Covid-19 related items has not been classified as temporary or once-off expenditure.
Source: CSO; Department of Finance forecasts.

Box 3: Tax revenue forecast for 2021: some technicalities behind the headline

The Department's tax revenue forecast – in cash terms – for next year implies a 6.5 per cent (€3.7 billion) relative to this year. This figure is in excess of the nominal GDP growth rate, the latter being an approximation for the total tax base (in some of the modelling work, modified GNI is sometimes seen as a better proxy for the tax base). The implied tax-GDP elasticity is, therefore, well in excess of unity for next year. This reflects a number of policy measures detailed below.

Customs revenue

A key building block of *Budget 2021* is the assumption that, from the beginning of next year bilateral trade with the UK will be conducted according to *World Trade Organisation* terms. On this basis, many goods imported from the UK would be subject to tariffs; these are essentially a tax on imports and are classified as 'customs duties'.

Quantifying the impact is not straight-forward – the higher domestic price associated with tariffs is likely to result in behavioural changes. These substitution and other effects mean that the volume of imports from the UK will likely decline. Taking into account these price and volume effects, the Department estimates that the revenue from customs duties will increase by around €700 million next year.

This, of course, boosts overall taxation revenue but, importantly has only a limited impact on the central government (Exchequer) balance. This is because customs revenues are a key component of each Member State's EU contribution: at present, four-fifths of customs receipts are ear-marked for the EU budget.** In other words, any increase in revenue from this source is 80 per cent offset by non-voted expenditure.

Tax Warehousing

In May 2020, the Government announced a tax warehousing scheme for the largest income tax sub-head (PAYE) and Value Added Tax (VAT). Under the scheme – essentially a liquidity support scheme for the corporate sector – firms can declare a PAYE / VAT liability but 'warehouse' the payment for twelve months.

The tax revenue forecast for next year includes the payment of €750 million from these 'warehoused' liabilities. Importantly, the tax warehousing scheme is neutral in general government terms and does not impact the general government balance, although Exchequer revenue (in cash terms) is boosted.

Corporation tax loss relief

A key measure announced as part of the Government's *July Stimulus* was to allow accelerated loss relief for firms with corporation tax liabilities. Again, this is a liquidity measure designed to provide cash-flow support to firms.

The measure allows firms to bring forward (to 2020), loss relief that they would have been entitled to claim in 2021. Essentially the measure provides cash flow benefits to companies that would, ordinarily, have to wait until the following year (2021) to claim loss relief.

The loss relief entitlement is estimated at €450 million and, again, is neutral in general government terms. It does, however, depress corporation tax revenues in 2020, with a corresponding benefit to the Exchequer in cash terms in 2021.

** for more information, see *Annual Report on Ireland's Transactions with the EU in 2018,* Department of Finance (2020), available at:
https://www.gov.ie/en/publication/70cad-annual-report-on-irelands-transactions-with-the-eu-in-2018/

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

	2020	2021
Gross debt	62.6	66.6
Change in gross debt	5.2	4.1
Contributions to change in gross debt ratio		
Primary balance	-5.1	-4.7
Interest expenditure	1.1	1.0
Stock-flow adjustment	-2.1	0.0
Composition of stock-flow adjustment		
- Change in cash	-1.0	-0.2
- Differences between cash and accruals [b]	0.9	0.2
- Net accumulation of financial assets [c]	-2.0	0.0
of which:		
- Privatisation proceeds	M	M
- Valuation effects and other [d]	M	M
Implicit Interest rate on debt [e]	1.9	1.6
Other relevant variables		
Liquid financial assets [f]	6.9	6.4
Net financial debt	55.6	60.3

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

	2017	2018	2019
Public guarantees	0.1	0.0	0.0
of which linked to the financial sector			
Eligible Liabilities Guarantee	0.1	0.0	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	2020	2021
Total revenue at unchanged policies	**TR**	**24.2**	**24.3**
of which:			
Taxes on production and imports	D.2	7.1	7.2
Current taxes on income, wealth, etc.	D.5	10.8	10.7
Capital taxes	D.91	0.1	0.1
Social contributions	D.61	4.0	4.3
Property income	D.4	0.3	0.1
Other		1.8	2.0
p.m.: Tax burden		22.3	22.3
(D.2+D.5+D.61+D.91-D.995)			
Total expenditure at unchanged policies	**TE**	**30.3**	**28.2**
of which:			
Compensation of employees	D.1	7.0	7.2
Intermediate consumption	P.2	4.8	3.9
Social payments	D.62, D.632	11.2	10.7
of which: unemployment benefits			
Interest expenditure	D.41	1.1	1.0
Subsidies	D.3	1.8	1.0
Gross fixed capital formation	P.51g	2.6	2.7
Capital transfers	D.9	0.6	0.6
Other		1.1	1.1

Source: Department of Finance forecasts

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

	ESA Code	2020	2021
Total revenue target	TR	24.1	24.7
of which:			
Taxes on production and imports	D.2	7.1	7.2
Current taxes on income, wealth, etc.	D.5	10.7	10.7
Capital taxes	D.91	0.1	0.1
Social contributions	D.61	4.0	4.3
Property income	D.4	0.3	0.1
Other		1.8	2.4
p.m.: Tax burden		22.2	22.6
(D.2+D.5+D.61+D.91-D.995)			
Total expenditure target	TE[3]	30.3	30.4
of which:			
Compensation of employees	D.1	7.0	7.2
Intermediate consumption	P.2	4.8	4.1
Social payments	D.62, D.632	11.2	10.7
of which: unemployment benefits			
Interest expenditure	D.41	1.1	1.0
Subsidies	D.3	1.8	1.3
Gross fixed capital formation	P.51g	2.6	2.7
Capital transfers	D.9	0.6	0.6
Other		1.1	1.2

Source: Department of Finance forecasts

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

	2019	2019	2020	2021
	€billion			
Expenditure on EU programme matched by EU funds	0.8	0.2	0.2	0.2
Cyclical unemployment benefit expenditure*	-0.6	-0.2	1.6	0.7
Effect of discretionary revenue measures**	1.0	0.3	0.3	0.0
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) 2020	2021	2022***
Carryover from *Budget 2020* and previous years	Income Tax, Excise	D.51, D.21, D.91	Cash	Implemented	0.1	0.0	0.0
Income Tax changes	Such as Help to Buy, Dependent Relative Credit Earned Income Tax Credit, USC threshold	D.51	Cash	Legislation pending	0.0	0.0	0.0
Corporation Tax Measures	Accelerated Capital Allowance scheme for Energy Efficient Equipment	D.51	Cash	Legislation pending	0.0	0.0	0.0
Excise Duties	Carbon Tax, VRT Measures, Tobacco Tax	D.21	Cash	Legislation pending	0.0	0.0	0.0
Other Discretionary measures*	VAT reduction	D.51, D.21	Cash	Legislation pending	0.0	0.0	0.0
Non-indexation of income tax system		D.51	Cash	Implemented	0.0	0.0	0.0
Total Measures **					**0.0**	**0.0**	**0.0**

^Revenue measures are detailed here. In addition, a wide range of discretionary expenditure measures have been taken. Details for 2021 are contained in the 2021 *Expenditure Report*. Available at: http://budget.gov.ie/Budgets/2021/Documents/Budget/Expenditure%20Report%202021.pdf
* See Annex for 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.
*** 2022 only reflects the impact of any carry forward from measures introduced in previous years or announced in *Budget 2021*.

Section 3
Comparison with April 2020 Stability Programme

Tables 14 and 15 below compare the projection for the general government balance and general government debt in this *Draft Budgetary Plan* (the Department's autumn forecasts) with that at the time of the April 2020 Update of Ireland's Stability Programme (the Department's spring forecasts).

Table 14: General government balance, per cent GDP

	2019	2020	2021
GG Balance – April Stability Programme	0.4	-7.4	-4.1
GG Balance – Draft Budgetary Plan	0.5	-6.2	-5.7
Difference (pp)	0.1	1.2	-1.6

Source: Department of Finance forecasts

Table 15: General government debt, per cent GDP

	2019	2020	2021
GG Debt – April Stability Programme	58.8	69.1	68.4
GG Debt – Draft Budgetary Plan	57.4	62.6	66.6
Difference (pp)	-1.4	-6.5	-1.8

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 2021* 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://budget.gov.ie/Budgets/2021/Documents/Budget/Budget%202021_Economic%20and%20Fiscal%20Outlook.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 2021*: measures on a variety of household family types / income levels

Gross Income	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
	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	0.7	0.0
30,000	0.0	0.0	0.0	0.6	0.6	0.0
35,000	0.0	0.0	0.0	0.5	0.5	0.4
45,000	0.0	0.0	0.0	0.5	0.4	0.4
55,000	0.0	0.0	0.0	0.4	0.4	0.3
70,000	0.0	0.0	0.0	0.3	0.3	0.3
100,000	0.0	0.0	0.0	0.3	0.2	0.2
150,000	0.0	0.0	0.0	0.2	0.2	0.2
175,000	0.0	0.0	0.0	0.2	0.2	0.1

Source: Department of Finance

Section 5
European Union's Strategy for Growth and Jobs

During the summer, the European Council adopted the Country Specific Recommendations (CSRs) for Ireland. These may be found at:

https://ec.europa.eu/info/publications/2020-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.	
In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery.	Direct fiscal support from Central Government stood at approximately 6 per cent of GDP (€20½ billion) at end-September. Measures have focused on three main areas: keeping businesses in operation through targeted liquidity supports; keeping the employee and employer relationship strong through a wage subsidy scheme; and providing necessary income supports to those who have lost employment. A Recovery Fund was announced as part of *Budget 2021*. The Recovery Fund will be targeted and will help to stimulate increased domestic demand and employment. Crucially, given the evolving nature of Covid-19 and Brexit, the Fund will be flexible in its design in order to provide the Government with the means to react swiftly to a constantly changing environment. It will focus on three main areas: infrastructure development; reskilling and retraining; and supporting investment and jobs. It will support both those in employment and those whose jobs have not survived the pandemic.
When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	Medium-term projections will be published in the *Stability Programme Update* in Spring 2021, setting out a pathway towards moving the national finances back to a balanced position once the public health situation allows. A National Economic Plan will also be published in November 2020, setting out a longer term economic strategy focussed around three broad themes: building resilience across enterprise and sectors; balanced and inclusive recovery; and transitioning to a future economy.
Improve accessibility of the health system and strengthen its resilience, including by responding to health workforce's needs and ensuring universal coverage to primary care.	*Budget 2021* builds up permanent capacity and resilience in the health service in line with the Health Service Capacity Review and Sláintecare; this is in addition to the immediate priorities of protecting core health services, enhancing the workforce and supporting the resilience of the health service in the face of the Covid-19 pandemic. The Government has also agreed to continue the extraordinary public health measures and healthcare service supports introduced in 2020. Such measures are essential to protect health care workers, vulnerable groups and the wider public from the worst impacts of Covid-19. With additional resources allocated, the Department of Health and the HSE will deliver the following changes next year: • An additional 1,146 acute beds; an increase in permanent adult critical care beds from 255 pre-Covid to 321 by end 2021 and 1,250 community beds in 2021 which includes over 600 new rehabilitation beds; • 5 million additional homecare hours following on from the 19 million provided in 2020 – this will help alleviate community waiting lists for home care and support hospital avoidance and delayed discharges; • 2021 funding will support the implementation of the Sláintecare Public-Only Consultant Contract and for the accelerated implementation of a number of national strategies, including the National Cancer Strategy, the National Maternity Strategy, the National Trauma Strategy; as well as the roll-out of other social care strategies;

Country Specific Recommendation	Progress to Date
	• Funding is also provided to cancer screening to create greater resilience in the cancer services pathway; • *Budget 2021* will enhance the scale, range and accessibility of services to be provided in the community with €425m allocated to deliver enhanced community and social care services, in line with Sláintecare. It will also accelerate reform through the implementation of key national strategies and introduce targeted measures in 2021 – €318m is provided for immediate actions to improve access to care.
CSR 2.	
Support employment through developing skills.	Employment is supported through skills development at all levels of education. In particular, three areas that are relevant are: • A review (by the National Council for Curriculum and Assessment) is currently being finalised of the **senior cycle** at secondary level, which aims to identify the purpose of senior cycle education; how to establish continuity and progression with the new junior cycle; the range of learning programs and pathways available to students; how to provide flexibility and choice; the alignment of key skills with the needs of students; the arrangements for assessment, reporting and certification; • Ireland's Strategy for Foreign Languages in Education 2017-2026 aims to increase and diversify the range of languages taught and learned in our education system; • **STEM** Education Policy Statement 2017–2026, sets out the ambitious goals and actions required to achieve and improve the STEM education experience and outcomes for all learners from early education to post-primary levels. **Regionally**, there are a number of notable programs, including: • the **EXPLORE** Programme developed in 2018 to help address the issue of Ireland's low level of participation in lifelong learning amongst persons over 35 years of age working in different sectors of the economy. In particular, EXPLORE seeks to improve the level of digital skills amongst this group of people. During 2019, 447 people from 82 different companies participated in EXPLORE; • And the **Skills for Growth program** which aims to increase the quality and quantity of data available on skills needs in individual enterprises, to allow for enhanced engagement between enterprise, education and training providers and other relevant members of Regional Skills Fora nationally. The following policies are relevant as part of the **lifelong learning** skills support, • Adult **Literacy, Numeracy and Digital Literacy** is considered an important skill and a new strategy is expected to be developed in 2021 in order to further this work; • **Skills to Advance** enables targeted support for vulnerable groups in the Irish workforce, with a particular focus on employees who have lower skills levels and who need more opportunities to advance in their working lives and careers, to sustain their

Country Specific Recommendation	Progress to Date
	employment and to avoid displacement or to avail of emerging job opportunities. The policy also supports small and medium-sized enterprises (SMEs) who need assistance to invest in and develop their workforce; • Ireland's **National Strategy on Education for Sustainable Development** 2014-2020 aims to ensure that education contributes to sustainable development by equipping all learners with the relevant knowledge, the key dispositions and skills and the values that will motivate and empower them throughout their lives to become informed citizens who take action for a more sustainable future.
Address the risk of digital divide, including in the education sector.	Covid-19 has highlighted the digital divide amongst our economy and our society. There is significant overlap between those presently impacted by Covid-19 and those with low levels of digital skills. **Infrastructure investment** In November 2019 the Government signed the contract for the National Broadband Plan (NBP). This involves a State subsidy of up to €3bn and will ensure that 100 per cent of premises in the State will have access to a high-speed fibre network. The entity delivering this, National Broadband Ireland (NBI), commenced its work in January 2020. While progress in 2020 has been impacted by Covid-19, progress is now ramping up and the investment in *Budget 2021* should allow NBI to reach its target of passing 115,000 premises by end-2021. The NBP investment also provides that in early 2021 there will be up to 300 Broadband Connection Points. These are sites such as sports halls or community centres in remote rural locations that have suffered from connectivity challenges. These sites will facilitate remote working, training and e-learning activities, and help to address the digital divide. In addition, it is expected that 270 schools will be connected under this project. **Training/Re-training initiatives:** As part of wider work addressing digital divide, the Department of Public Expenditure and Reform (DPER) have led in the implementation of a new ICT Apprenticeship scheme in partnership with civil service and local providers. The Digital Springboard is a conceptual model developed by DPER with various employer and educational stakeholders for re-training people whose jobs have been taken away by Covid-19. It will involve a jobs campaign focused on getting more Irish citizens into current and emerging digital/technology jobs and will be underpinned by sponsorship from employers across industries that have technology roles (not just tech companies). It will be supported by relevant education and training bodies. It will comprise blended learning and working experience and ultimately accreditation. The scheme would be linked to a recognised competency/skills framework. The Digital Springboard concept is currently being considered by the relevant Ministers. **Risk of digital divide in the education sector**

Country Specific Recommendation	Progress to Date
	In addition to the work of the National Skills Council and the National Training Fund Advisory Group, the Expert Group on Future Skills Needs, the Skills Labour Market Research Unit in SOLAS and the Regional Skills Fora have all identified digital skills as a priority for our economy and our society. Accelerating the broad and wide-scale development of digital skills in all sectors of the economy is one of the key skill priority areas included in the National Skills Council, Statement of Priorities Summer 2020. Online and digital learning will be crucial to the quick and agile response that is needed and for this reason the Council recommends an acceleration of online and blended education and training programmes. In particular, it acknowledges that providers of further and higher education will need to be supported to enhance their platforms and capacity in this area and learners will need to be supported to ensure disadvantage does not become embedded. There are already a range of supports to learners, wishing to develop their digital literacy. • See reference to the Explore program above, which has a focus on improving the level of digital skills amongst people aged over 35. • See reference to literacy, numeracy and digital literacy strategy above. • A range of programmes are provided within Education and Training Boards (ETBs) for individuals who wish to develop their digital literacy.
Increase the provision of social and affordable housing.	There has been a reduction in the number of homeless people with a decrease from around 10,000 in total, including 3,500 children, to 8,702 homeless people and 2,620 homeless children as of August 2020. While data is not currently available on the number of new social homes delivered in 2020, the Department of Housing, Local Government and Heritage have provided a projected outturn for the number of new social units delivered this year through the following mechanisms; • Build – 5,642 • Acquisition – 1,625 • Lease – 2,000 • Private rental supports (Housing Assistance Payment and Rental Accommodation Scheme) – 16,647 • **Total – 25,914** In spite of the challenges caused by the pandemic, if this projection is realised it would represent just a 7.7 per cent fall in total social housing delivery compared to 2019.

Country Specific Recommendation	Progress to Date
	An outturn of 25,914 social houses in 2020 would also be higher than the pre-pandemic target of 24,767 established under Rebuilding Ireland. The Department of Housing, Local Government and Heritage received an additional €773m in *Budget 2021*. This provides a total housing programme funding of €3.2 billion split between €1.3 billion current and €1.9 billion capital. This funding will deliver 12,750 social homes in 2021. The build programme will deliver 9,500 units, 2,900 of which will be directly built by the Local Authorities and 550 regenerated by them. The rest will be delivered by way of Turnkey and Part V agreement by both Local Authorities and Approved Housing Bodies (AHBs). There will be in the region of 800 acquisitions next year and it is intended to lease a further 2,450 units. In addition the current spend will support 60,000 existing Housing Assistance Payment (HAP) tenancies and a further 15,000 next year with an allocation of €558m. Social Housing Current Expenditure Programme will support in the region of twenty thousand tenancies and will target a further six thousand with its €250m budget and Rental Accommodation Scheme will support its 18,000 tenancies and fund an additional 800 tenancies with its €133m allocation.
CSR 3.	
Continue to provide support to companies, notably small and medium-sized enterprises, especially through measures ensuring their liquidity.	The Department of Business Enterprise and Innovation provides supports for enterprise, and SMEs in particular, including access to finance, management development, mentoring supports, business development programmes, market supports and trade promotion. These supports have been adapted in response to Covid-19. **Microfinance Ireland** is making finance available to microenterprise in response to Covid-19. Microfinance Ireland will receive an additional €5 million to support microenterprises. These are firms that operate as sole traders, co-ops or partnerships, and other small businesses which employ less than 10 people, with a turnover under €2 million. This support offers microenterprises loans of up to €25,000 that includes a six-month repayment free moratorium, the equivalent of one-year interest free, and rates as low as 4.5 per cent for the remaining period of the loan. Rates are slightly higher (5.5 per cent) for microenterprises applying directly for loans instead of coming through banks or local enterprise offices. There is strong demand for this product, which is expected to continue into 2021. To be eligible for the scheme, the business has to have been impacted by Covid-19 resulting in a 15 per cent or more reduction in turnover or profit, and unable to secure finance from the bank or commercial lending provider.

Country Specific Recommendation	Progress to Date
	Covid-19 Credit Guarantee Scheme is providing support to business. The new €2 billion Covid-19 Credit Guarantee provide supports for businesses that have been negatively impacted as a result of the outbreak of Covid-19. The Scheme provides an 80 per cent State guarantee on lending until the end of this year, for terms between 3 months and five and a half years and offers a range of lending products between €10,000 and €1 million including working capital and term loan facilities. Loans up to €250,000 are unsecured. The Scheme will receive €25m to cover the cost of potential claims in 2021 under the guarantee. A key focus of the Covid-19 Credit Guarantee Scheme is to make additional lending available to business for liquidity purposes and investment. More details on the scheme are available on www.dbei.gov.ie . Access to appropriate forms of **external equity finance** is vital for the development of indigenous enterprises. The State has identified the need to continue to facilitate the creation of a comprehensive and competitive funding environment to support entrepreneurship and enterprise in framework documents for Enterprise 2025, Innovate 2020 and the National Development Plan 2040. As part of the July 2020 Stimulus package, the Government announced an increase of €10 million in funding for the Seed and Venture Capital Scheme, which supports venture capital funds to invest in early-stage innovative Irish companies. The €10 million funding is in addition to the €175 million that the Irish Government, through Enterprise Ireland, has made available through the Seed and Venture Capital Scheme (2019 – 2024). The additional €10 million provides a new tranche of funding for Irish venture capital funds to invest in their portfolio of companies who have been adversely impacted by Covid-19 and where significant unforeseen additional investment is required.
Front-load mature public investment projects and promote private investment to foster the economic recovery.	The Jobs stimulus package presented in July 2020 included an additional capital expenditure allocation of €500 million for projects across a range of sectors including education, transport, culture, heritage, climate action, housing, agriculture and justice, with €100 million scheduled to be rolled forward into 2021. In addition, excess of €900 million capital funding was distributed to the Department of Business, Enterprise and Innovation arising from the need to support enterprises in the context of the Covid-19 Pandemic through grant and liquidity measures. A further €220 million capital was assigned to Health for Covid-19 related infrastructure and capacity expansion, including ICT investment, procurement of ventilators and other items; expansion of capacity through the creation of new critical care, intermediate care, and acute hospital beds; additional community nursing beds; and the creation of community assessment units. An additional suite of capital stimulus measures, across a range of sectors, was announced by Government on Budget day for 2021. The new measures will cost €146 million. *Budget 2021* announced that capital expenditure will increase to €10.1 billion, the largest amount that has ever been allocated to public capital investment. This is an increase of €1.9 billion over the original 2020 capital allocations of €8.2 billion. Investment will be spread

Country Specific Recommendation	Progress to Date
	across all sectors and regions and will include capital expenditure related to Brexit and Covid-19 measures, climate and environmental measures, infrastructure projects in schools, homes and public transport. **Business taxation** There are a number of business taxation measures, including a measure to support investment by businesses in highly energy efficient equipment, the scheme of Accelerated Capital Allowances for Energy Efficient Equipment is being extended in *Budget 2021* for a further 3 years. A short-term, tapered regional uplift to the Film tax credit was introduced for the period 2019 to 2022. However the film industry is one of many sectors badly affected by Covid-related shut-downs. As a result, much of the planned incentive effect of the regional uplift for 2020 has been lost. The relief is therefore being amended to provide for an additional year of uplift. The uplift will now be in place until 31 December 2023. The Government are introducing a digital gaming credit. Work on this measure will take place over the coming year, with a view to supporting qualifying activity from January 2022 onwards. **Investment in Research & Innovation** A new Department for Further and Higher Education, Research, Innovation and Science has been established by the Government. This new Department will assume responsibility for overseeing the remaining implementation of Innovation 2020, Ireland's whole of Government, national strategy for research, development, science and technology and for developing the successor to this strategy, which will cover the period 2021-2027. The establishment of this new Department and the development of the next national strategy on research, development and innovation, provides an opportunity to ensure that investment in research and innovation as a means of addressing economic and social challenges and opportunities will be prioritised, in particular in areas such as public health and the green and digital transition. Increasing public research investment in key sectoral areas in order to leverage greater private investment remains critical, as does ensuring a continuous and healthy pipeline of skilled post-graduates that will provide the expertise to perform world beating research and inspire innovation. Ireland will continue its emphasis on: • Investing in people, infrastructure and associated facilities to build the science base across many areas of scientific research in both our higher education institutions and public research organisations; and • Direct support to the enterprise sector to help individual companies to build their capacity for research, development and innovation.

Country Specific Recommendation	Progress to Date
	Science Foundation Ireland (SFI) is maintaining supports to 16 world-leading Research Centres that conduct excellent and impactful applied and basic research, attracting industry and talent to Ireland. 5,272 people work on SFI-supported research projects. Furthermore, SFI awards directly-supported 1,860 industry collaborations - of these, 1,077 with Multi National Corporation's and 783 with SMEs. Six SFI Research Centres progressed to a second six-year research programme. As part of the commitments in Project Ireland 2040, this investment of €230 million will directly benefit approximately 850 researchers employed by the Centres, while also supporting the Government's Future Jobs Ireland initiative. The investment is also buoyed by industry support, with 170 industry partners committing to investing over €230 million in cash and in-kind contributions to support collaborative research with the Centres. The SFI Industry Fellowship Programme provides industry partners with access to innovative researchers and cutting-edge technology through collaborative research with Irish academic institutions, stimulating excellence through knowledge exchange and the training of engineers and scientists. Over 154 industry partnerships have been forged to-date, in areas such as renewable energy, smart manufacturing, rehabilitation robotics, next generation medical devices. The six SFI Centres for Research Training, representing an investment of €104 million, will provide training for over 700 postgraduate students in the complementary areas of Machine Learning, Digitally Enhanced Reality, Foundations of Data Science, Genomics Data Science, Artificial Intelligence and Advanced Networks for Sustainable Societies. Collaborations involve 11 Higher Education Institutions and 90 industry partners coming together.
Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy, sustainable public transport, water supply and treatment, research and innovation and digital infrastructure.	The Programme for Government commits to an average 7 per cent per annum reduction in overall greenhouse gas emissions from 2021 to 2030 - a 51 per cent reduction over the decade - and to achieving net zero emissions by 2050. The 2050 target will be set in law by the Climate Action Bill, which was published by the Government on the 7th of October and will shortly be introduced in the Dáil. The Bill will define how five-year carbon budgets will be set and will make the adoption of five-year carbon budgets, setting maximum emissions by sector, a legal requirement. The next iteration of the Climate Action Plan will identify and set out the far reaching policy changes across every sector to deliver these emissions reductions. Development of this plan has now commenced. €30.4 billion is allocated for investment in climate action over the lifetime of Ireland's National Development Plan 2018 – 2027 (NDP), and the Programme for Government commits to legislating to hypothecate all additional carbon tax revenue raising an estimated €9.5 billion over the next ten years. The Programme for Government also commits to directly draw on the National Economic Plan and associated funding to front load investment that is directly aligned with our climate ambition.

Country Specific Recommendation	Progress to Date
	In terms of EU funding, the €750 billion Next Generation EU recovery package and proposed €1 trillion Multiannual Financial Framework require that money can only be spent on projects that meet certain green criteria, with 30 per cent of all funding to go on climate change mitigation. Ireland will seek to maximise the drawdown of its share of this funding. On transport, *Budget 2021* has increased the support available for sustainable transport by • Providing an additional €460million to support the Public Service Obligation, in recognition of the severe impact the pandemic has had on public transport; • Continuing to progress major Project 2040 programmes including the BusConnects Programme, MetroLink and the DART Expansion Programme (including signalling, additional carriage capacity and progress other railway planning projects); • Providing support for active travel and greenway projects. The Government has signalled its support for driving the green economy in *Budget 2021*, with significantly increased funding for the SEAI and a number of existing and new retrofit schemes: €221.5 million in capital funding has been provided for residential and community retrofit programmes in 2021. This represents an 82 per cent increase on the 2020 allocation and is the largest amount ever allocated for the schemes. This allocation will kick-start the first phase of a new retrofit programme. The State is progressing the build of a Government Data Centre at Backweston in County Kildare. The purpose of this project is to create an economically and environmentally preferable alternative to existing means of hosting computer systems that cannot or should not run on a public cloud. Total Exchequer funding to Irish Water will increase by €108m in 2021, bringing the total to just under €1.3bn. The increased capital funding will also allow for an additional €90 million investment in critical water infrastructure projects, including wastewater services, water quality and leakage reduction, as well as playing a critical role in facilitating housing delivery and delivering environmental compliance. The material above relating to research and innovation should also be read as being relevant here.
CSR 4.	
Broaden the tax base.	At the current point in the economic cycle, when Ireland is engaged in supporting the economy to restart and recover, it would be counterproductive to broaden the tax base, as it may have the opposite effect to that intended. However, the following measures are base broadening in nature.

Country Specific Recommendation	Progress to Date
	Income Tax The *Budget 2021* income tax package was primarily comprised of an increase to two targeted income tax credits, the Earned Income Credit and the Dependent Relative Credit, and the extension of existing relief that gives a reduced rate of USC for medical card holders. The entry threshold to USC did not change and there were not general increases to income tax credits, so the existing breadth of the income tax and USC bases was maintained. The total additional cost in 2021 of the *Budget 2021* income tax reductions will be €35 million; a relatively limited cost in the context of a projected income tax yield for 2020 of €18 billion, and less than the cost of indexing the income tax system by 1 per cent in line with expected wage growth, which would have been in the region of €165 million. The non-indexation of income tax credits and rate bands in general was a base-broadening aspect of *Budget 2021*. **Carbon Tax** *Budget 2021* increases the carbon tax rate by €7.50 per tonne of Carbon Dioxide emission bringing the rate to €33.50 per tonne. This was applied from Budget night to auto fuels and will apply to all other fuels from 1st May 2021. The Finance Act 2020 will also provide a legislative basis to increase the tax each year by €7.50 up to 2029 and by €6.50 in 2030 to achieve a rate of €100. This will raise an estimated additional revenue of some €108 million in 2021 and €147 million in a full year. All of the resulting revenues raised will be allocated in line with the Programme for Government commitment to use increases in the carbon tax to: • Ensure that the increases in the carbon tax are progressive through targeted social welfare and other initiatives to prevent fuel poverty and ensure a just transition; • Fund a socially progressive national retrofitting programme targeting all homes but with a particular emphasis on the Midlands region and on social and low-income tenancies; • Allocate funding to a REPS-2 programme to encourage and incentivise farmers to farm in a greener and more sustainable way.
Step up action to address features of the tax system that facilitate aggressive tax planning, including on outbound payments.	Ireland continues to implement actions outlined in the Corporation Tax Roadmap to ensure our tax system is in line with international standards and helps tackle aggressive tax planning. • Finance Act 2019 comprehensively reformed Ireland's transfer pricing rules, as well as introducing new ATAD compliant anti-hybrid rules, which came into force on 1st January 2020. The OECD Multilateral instrument is fully in force in Ireland and has already been used to shut down the so-call 'single malt' tax structure.

Country Specific Recommendation	Progress to Date
	• Through Finance Bill 2020, we are in the process of applying defensive measures covering countries listed in the EU list of non-cooperative tax jurisdictions, as well as further updating our transfer pricing rules. • Work continues on bring our pre-existing robust interest limitation rules into line with ATAD. • Ireland remains committed to finding a solution at the OECD to address 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. • We continue to meet international best practices on exchange of information and support efforts to further enhance information exchange Further to the above an update to Ireland's Corporation Tax Roadmap will be published before the end of 2020, charting progress and detailing future plans to continue to reform our tax code and tackle aggressive tax planning.
Ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services.	Trust and Company Service Providers (TCSPs) were assessed as part of Ireland's most recent National Risk Assessment (NRA) under two separate categories: 1. TCSPs that are subsidiaries of credit and financial institutions – rated as low risk 2. TCSPs excluding subsidiaries of credit and financial institutions – rated as medium-high risk Ireland's risk assessments are prepared by members of the Anti-Money Laundering Steering Committee (AMLSC). The AMLSC was established to assist government departments, agencies, and competent authorities with fulfilling their mandates with respect to measures to combat money laundering and terrorist financing. The AMLSC, members of which come from supervisors and regulators, such as the Department of Justice, the Central Bank and Ireland's Financial Intelligence Unit, helps to inform the development and implementation of policy and is also responsible for coordinating the development and delivery of Ireland's National AML/CFT Risk Assessments. The AMLSC has recently agreed to re-examine the rating given to TCSPs and revise the relevant chapter in the National Risk Assessment in line with the EU's Supranational Risk Assessment (SNRA) methodology in order to 'Ensure effective supervision and enforcement of the anti-money laundering framework as regards professionals providing trust and company services'. A subgroup of the AMLSC has been formed and is commencing work on a targeted risk assessment shortly. The subgroup is expected to report on this in 2021.

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 per cent. It is estimated that 21 per cent 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 per cent (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 per cent), bringing total long-term unemployment to 40,800. Long-term unemployment accounted for 31.2 per cent of total unemployment in Q2 2019. The Programme Learner Support System (PLSS), the database for further education and training, records indicate that 21 per cent of the total Starters on FET Provision in 2019 can be confirmed as long-term unemployed.
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 per cent or less, and reducing the share of the 18-59 population residents in such households to less than 8 per cent. 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 per cent in 2016 to 10.5 per cent in 2017 and to 9.6 per cent 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 per cent (Q2 2019) from a figure of 12 per cent 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 National Further Education and Training (FET) Strategy 2020-24, "Future FET: Transforming Learning" was launched by Minister Simon Harris on the 16th July 2020 and is framed around a vision for future FET in Ireland. This outlines how FET will provide pathways for a diverse group of learners, will support societal participation and strong communities, will prepare people for successful careers and a lifetime of learning and development and will be a major driver of Ireland's next critical phase of economic and social development. The strategy sets out the role of FET within a more collaborative and cohesive further and higher education system for Ireland. It outlines the contribution FET will make alongside higher education providers to serve school leavers, lifelong learners, employees looking to upskill and marginalised people who want to re-engage in education, while also supporting employers and communities. Priorities are set out across three core pillars: • building skills • creating pathways • fostering inclusion There is also a strong focus on enabling themes, including staffing, capital investment and measurement and data. Increased literacy and numeracy support is a key component of the new FET Strategy 2020-2024's strategic priority of Fostering Inclusion. Reflecting this commitment it was announced on 8th September 2020 – International Literacy Day – that SOLAS had been tasked with the development of a new 10 year strategy for adult literacy, numeracy and digital skills within the next six months. The strategy will take a whole-of-government approach and provide a framework to support individuals to improve their literacy, numeracy and digital skills. The aim of this new strategy will be to ensure that everyone has the literacy, numeracy and digital skills to meet their needs and participate fully in society. Its development will involve input by relevant Government Departments and agencies. A series of independent FET programme evaluations was initiated under the first FET Strategy 2014-19. The aim of these evaluations was to generate policy-relevant knowledge concerning the outputs and outcomes of the programmes and the effectiveness of provision, particularly in relation to labour market relevance and the effective progression of learners. The first of these evaluations to be completed was the review of the Post Leaving Certificate (PLC) programme, which was published in 2018. The second evaluation to be completed

	was the evaluation of the national Youthreach programme, which was published in June 2019. Evaluations of the Vocational Training Opportunities Scheme (VTOS), Specific Skills Training (SST) and Specialist Training Provision (STPs) are all currently underway.
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 2019 FET Services Plan set out the detail of FET provision for 329,293 beneficiaries across the full range of FET programmes.
New Apprenticeship Programme	The current Action Plan for Apprenticeship 2016-2020 is coming to an end and has seen the introduction of 34 new apprenticeship programmes (11 in 2019 and 4 to date in 2020). This brings the total number of apprenticeships currently available to 58, with a further 20 in development. Programmes now range from 2-4 years in duration and are available at levels 5-10 of the Irish National Framework of Qualifications (EQF levels 4-8). Programmes are available across 13 sectors: Biopharma, Construction, Electrical, Engineering, Finance, Hair, Hospitality & Food, ICT, Logistics, Motor, Property Services, Recruitment and Sales. The Programme for Government has committed to finalising a successor plan by the end of 2020. Work to diversify the apprentice population continued with the 'Generation Apprenticeship' promotional campaign which seeks to showcase the range of skills involved in apprenticeship, promote apprenticeship to second level students and increase the number of employers utilising apprenticeship to build skills within their own organisation. In addition to promotional activity, an employer portal has been provided to simplify employer accreditation; a jobs portal is now available for people wishing to access apprenticeships and there has been a significant rollout of pre-apprenticeship courses. Given the impacts of Covid-19 on access to workplaces in Ireland during 2020, recruitment to apprenticeship slowed from Q2, 2020. The Government have responded to support employers through a grant of €3,000 for every apprentice registered between March and December 2020. As of the end of August there were 2,281 new registrations on apprenticeship programmes in 2020. The total apprentice population is now over 17,700. 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.
Skillnet	Skillnet Ireland partners with 57 industry bodies and enterprise clusters, supporting over 18,000 businesses annually, through its 70 Skillnet Networks across most sectors and all regions in Ireland in order to advance the competitiveness, productivity and innovation of Irish businesses through enterprise-led workforce development. In 2020, Skillnet Ireland will provide training and related services to 69,000 individuals, of which 1,700 are unemployed.
Regional Skills Fora	In 2019, the RSF Managers engaged with over 1,400 individual companies employing over 100,000 people. Apart from the essential work of building collaborative relationships between Enterprise and Education and Training the Fora have also played a key role by facilitating: • 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 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	9,843 people participated in Springboard+ 2019/20, 1,717 participants were unemployed people, 343 were Returners and 7,783 were in employment. Since 2011 over €250m has been spent on Springboard+ and over 65,000 people have benefited from the programme.

	Under Springboard+ 2020, 11,074 places are being provided on 332 courses. This includes additional places as a response to Covid-19 related skills needs, funded through a repurposing of a small element of the HCI Pillar 3 allocation. 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 per cent of the course fee will be funded by the Government, with participants required to contribute just 10 per cent 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. A successor strategy is in development at the newly formed Department of Further and Higher Education, Research, Innovation and Science for delivery in 2021.
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 5,272 people work on SFI supported research projects. Furthermore, SFI awards directly supported 1,860 industry collaborations – of these, 1077 with MNC's and 783 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 per cent 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 126 per cent from €1,637 million in 2003 to an estimated €3,704 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 per cent compared with actual expenditure in 2015 and is the largest biennial increase in the last 10 years. 75 per cent of all RDI expenditure in Ireland is by private enterprises. GBARD (Government Budget Allocations on R&D) amounted to an estimated €808.1m in 2019, the highest amount since 2010 and up from a low of €719 million in 2016. 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 2018 is an estimated 1.46 per cent of GNP or 1.14 per cent of GDP. A key challenge to reaching the RDI target is the gap between increases in RDI investment and the increase in GNP growth rate. GNP grew by 84 per cent between 2011 and 2018. GDP grew by 89 per cent in the same period. Even when using GNI* as a complementary indicator (GNI* removes globalisation impacts on the Irish economy), the R&D intensity rate is estimated at 1.88 per cent for 2018.
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 2019, Enterprise Ireland client companies achieved R&D expenditure of €1.085bn. 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 2019, Enterprise Ireland supported 1,084 collaborative innovations between industry and Higher Education Institutions and 452 Technology Gateway projects were completed for industry. 2019 was a record year for companies engaging with Technology Gateways, with over 640 companies working on more than 880 projects. In addition, 559 Innovation Vouchers worth up to €5,000 each were redeemed. 73 Innovation Partnerships were approved between Irish-based companies and researchers. Enterprise Ireland helped clients to innovate by supporting 160 RD&I approvals at more than €50,000 each. In 2019 Enterprise Ireland launched a Capital Equipment fund for Technology Gateways which will enable them to deliver industry-access to critical, leading-edge equipment and infrastructure to help them build resilience and remain globally competitive. €6m was awarded in respect of 43 successful applications from Institutes of Technology and TU Dublin. A second Capital Equipment Call issued in 2020 to include applicants from both Technology Centres and Technology Gateways. A further 37 applicants from across the third level sector have secured over €6m in funding. In 2019, 593 companies were involved across the 10 Technology Centres. These Centres support collaboration between companies and research institutions to respond rapidly to industry defined needs. In addition, increased funding was approved for the Irish Manufacturing Research (IMR) Technology Centre of €23.5m over 5 years to scale and deliver a €65.7m centre over the five years to address challenges to Irish manufacturing. Additional funding of €12m was also approved for CeADAR Technology Centre over 5 years to accelerate the development and deployment of AI, data analytics and machine learning. The Health Innovation Hub Ireland (HIHI) continues to drive collaboration between the health service and enterprise sector. Due to the ongoing health response to Covid-19, the 2019 HIHI call has been postponed. The HIHI Covid-19 Solutions Portal has been implemented to enable Healthcare businesses submit 'ready to implement' solutions to address both urgent and longer term needs, which HIHI endeavours to link with clinical requirements.
	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. On Budget Day, the Minister for Finance announced an extension of the measure in its current form for a two year period, until 31 December 2022. The extension provides certainty for businesses during the current challenging circumstances, in the context of a no-deal Brexit and Covid-19.
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 under the National Development Plan totals €180 million to 2022. For Call 1, 27 projects were funded with an allocation of approximately €75m out to 2021, while a further 16 projects were awarded funding of €65m out to 2022 under Call 2. A third Call was announced on 24 September, with further awards expected to be made in March 2021.
Target 3: Climate Change and Energy	
3(a) Greenhouse Gas (GHG) Emissions - Headline Target: 20% reduction in Carbon Emissions relative to 2005	
Programme for Government	The Programme for Government commits to an average 7 per cent per annum reduction in overall greenhouse gas emissions from 2021 to 2030 - a 51 per cent reduction over the decade - and to achieving net zero emissions by 2050. The 2050 target will be set in law by the Climate Action Bill, which will be introduced in the Dáil in October. The Bill will define how five-year carbon budgets will be set and will make the adoption of five-year carbon budgets, setting maximum emissions by sector, a legal requirement. The next iteration of the Climate Action Plan will identify and set out the far reaching policy changes across every sector to deliver these emissions reductions. €30.4 billion is allocated for investment in climate action over the lifetime of Ireland's National Development Plan 2018 – 2027 (NDP), and the Programme for Government commits to legislating to hypothecate all additional carbon tax revenue raising an estimated €9.5 billion over the next ten years. The Programme for Government also commits to directly draw on the National Economic Plan and associated funding to front load investment that is directly aligned with our climate ambition. In terms of EU funding, the €750 billion Next Generation EU recovery package and €1 trillion budget require that money can only be spent on projects that meet certain green criteria, with 30 per cent of all funding to go on climate change mitigation. Ireland will seek to maximise the drawdown of its share of this funding. In relation to Ireland's 2020 targets, the latest available projections, published in June 2020, indicate that emissions from relevant sectors of the economy could be between 2 per cent and 4 per cent 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 has a 2020 target of 16 per cent of total energy consumption to come from renewable sources (40 per cent of electricity demand, 12 per cent of heat and 10 per cent of transport). Provisional figures for 2019 indicate that 12.0 per cent of Ireland's energy came from renewable sources (electricity 36.5 per cent, heat 6.3 per cent and transport 8.9 per cent). Ireland has made significant progress towards its 16 per cent target and will be at or close to the 40 per cent electricity target by end-2020. 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 have been developed - a Renewable Electricity Support Scheme (RESS) and a Support Scheme for Renewable Heat (SSRH). Approved by Government in July 2018, the RESS was approved for State aid by the European Commission and become operational in July 2020. The RESS is an auction-based scheme which invites renewable electricity projects to compete for a guaranteed price for the electricity they generate. The first of these renewable electricity auctions (RESS-1) took place in July 2020. The final results were approved by Government in September 2020. The Support Scheme for Renewable Heat was developed to financially support the adoption of renewable heating systems by commercial, industrial, agricultural, district heating and other non-domestic heat users. The scheme, which is operated by the SEAI, has been allocated €300 million for the period up to 2027 under the National Development Plan.
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 per cent energy efficient target. Based on latest available data Ireland had achieved 60 per cent of the energy efficiency 2020 target (i.e. 12.1 of the 20 per cent) at end 2018. The SEAI's latest projection for 2020 is to achieve 16 per cent improvement of the 20 per cent target. Meeting the 20 per cent target presents significant challenges across the commercial, domestic and public sectors. DECC secured very significant additional resources in recent Budgets 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 (CAP, 2019), the National Energy & Climate Plan (NECP) 2021-2030 (NEEAP's successor) and the recent Programme for Government. Ireland's public sector has set a more ambitious energy efficiency target of 33 per cent by 2020 (increasing to 50 per cent by 2030). This public sector effort is also contributing to the national effort on the NEEAP 20 per cent 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 the

	Public Sector Energy Efficiency Strategy (2017). Energy performance by the sector at end 2018 indicates Ireland's public sector had achieved 27 per cent improved energy efficiency, cumulative savings of €1.3 billion on energy spend and avoided 4.58 mtCO2 emissions since 2009 - end 2019 data is currently being finalised.
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 per cent 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 per cent 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 per cent. The National target set by Ireland is 8 per cent. The EU average is currently 10.3 per cent (2019). Ireland's current share of early school leavers fell from 11.1 per cent in 2011 to 9.9 per cent in 2012, to 8.7 per cent in 2013, 6.7 per cent in 2014, 6.8 per cent in 2015, 6 per cent in 2016, 5 per cent in 2017, 5 per cent in 2018 and 5.1 per cent in 2019, which exceeds Ireland's adopted target of 8 per cent.
Implementation of the Delivering Equality of Opportunity in Schools (DEIS) Programme	In the 2020/21 school year the DEIS Programme is available to over 185,000 students in 887 schools broken down as follows; DEIS Band 1 - 229, DEIS Band 2 - 104, DEIS Rural - 356 and Post Primary - 198. Leaving Certificate Retention Rates in DEIS post-primary

schools (completion of senior cycle in post-primary school) have improved from 80.1 per cent for the 2006 entry cohort to 84.7 per cent for the 2012 entry cohort.

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 Cycle 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) – 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.
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 https://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 is established 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 Tusla Education Support Services. Tusla appointed a senior management team to drive the reform of structures which led to a more fully integrated service provision across the range of its education support services such as Home School Community Liaison, School Completion Programme and the statutory school attendance service. 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 per cent indicating that a significant cohort of the students who need support are located in these schools. The Home School Community Liaison scheme and School Completion Programme (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. Work is ongoing in

	relation to developing the SCP to ensure that SCP is flexible and responding in an evidence based way to identified needs of those children and young people who are at risk of early school leaving. 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 per cent by 2020 from 14.4 per cent 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 per cent is the 3rd lowest in the EU. This is well below the EU average of 10.7 per cent 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 per cent of the 30-34 year old population with a tertiary level qualification by 2020. In 2018, tertiary education attainment was at 56.3 per cent among 30-34 year olds in Ireland while the figure for 2017 was 54.5 per cent. This compares to an EU average of just over 40 per cent. The adult education level for 25-64 olds in 2017 was 45.66 per cent, remaining above the OECD average of 36.91 per cent. 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 per cent (2012/13) to 27 per cent (2016/17) and the Semi/unskilled manual worker group increased from 26 per cent (2012/13) to 36 per cent (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 2018 was 1,837. The Horizon 2020 (2014 – 2020) success statistics to April 2020 shows that Ireland achieved an overall success rate of some 15.5 per cent, similar to the EU average. The HEIs accounted for 56 per cent of the €911m Horizon 2020 drawdown to April 2020. The drawdown % is less than under the previous programme because Horizon 2020 budgets are more Enterprise orientated. The total PhD enrolments in 2018/19 was 8,643, having increased from 8,158 in 2014/15. Including Research Masters students gives a total of 10,065 for 2018/19; having increased from 9,606 in 2014/15.

	3.1 per cent of public spending is spent on tertiary education while 0.216 per cent 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 four times to date in 2020, 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 The Programme for Access to Higher Education introduced in 2016 to support implementation of the NAP, has now been confirmed as a permanent scheme. The various strands of PATH funding with be subject to review. PATH 1 funding to support access to Initial Teacher Training is now extended by a further three years. 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, 2018/19 and 2019/20 for the course of their undergraduate studies and a further 200 students will benefit in 2020/2021. The PATH 2 funding has been extended by a further three years which will benefit a further 600 students – commencing with 200 new awards for 2020/21. 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 review of the early implementation of PATH 3 has recently been submitted to the Department and will inform the future direct of PATH 3. The Fourth National Access Forum will took 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. It highlighted a number of priority areas to 2021, including; 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 published a report in 2019 entitled “A Spatial and Socio-Economic Profile of Higher Education Institutions in Ireland”. A second report is due to be published in 2020. An Action Plan for increasing Traveller participation in Higher Education 2019-2021 was published in 2019.

	A research project is currently underway on Mature student participation in higher education – this arose from a fall in the number of mature students. The report is due to be published in 2020. Planning for next National Access Plan will commence in late 2020.
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%.	
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 2021* raises the rate of the Qualified Child increase by €2 for children under 12, from €36 to €38 per week, and by €5 for children aged 12 and over, to €45 per week. This is in recognition of the higher costs associated with raising older children.
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 in *Budget 2021*. Raising the income earnings thresholds for a family with; one child from €531 to €541, two children from €632 to €642 and three children from €733 to €743.
One-parent Family Payment – removal of income threshold	One-parent Family Payment is a means-tested payment for lone parents with children aged under 7. *Budget 2021* removes the €425 income threshold at which lone parents lose their entitlement to the payment. This will enable lone parents to earn more from employment while retaining a portion of their social welfare payment.
Living Alone Allowance	The Living Alone 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 2021* increases this allowance by €5 per week from €14 to €19.
Fuel Allowance	The Fuel Allowance is a means-tested payment, paid at €25.50 per week for the duration of the fuel season. *Budget 2020* provides for an increase of €3.50 per week up to €28.
Disability Allowance income disregards	Disability Allowance is a means-tested payment for people with a specified disability whose income falls below certain limits and who are aged between 16 and 66. A person who is in receipt of Disability Allowance (DA) may take up employment and retain their payment, or a proportion of their payment, while working. *Budget 2021* increases the amount of money that recipients can earn from employment without their payment being reduced by €20, from €120 to €140 per week.

Housing Assistance Payment (HAP)	Spend for the HAP scheme was €382m in 2019. This allowed for the continued support of existing HAP households and also enabled the additional 17,025 households, 265 more than targeted under Rebuilding Ireland to be supported by HAP in 2019, as well as supporting the roll-out of the HAP Place Finder Support Service across the country. *Budget 2020* increased the funding for the HAP scheme to €498 million. This facilitates continued support of existing HAP households and also enable an additional 15,000 households targeted under Rebuilding Ireland to be supported by HAP in 2020.
Community Childcare Subvention Scheme	The National Childcare Scheme (NCS), previously known as the Affordable Childcare Scheme, launched in 2019. The NCS replaced all targeted subsidised childcare schemes other than the Early Childhood Care and Education (ECCE) programme. This means that the Community Childcare Subvention (CCS) Scheme has been replaced by the NCS. The NCS 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.

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

Table B: Taxation measures for introduction in 2021

Measure	Yield/Cost 2021	Yield/Cost Full Year
Personal Income Tax		
Income Tax		
Increase in the Earned Income Credit: from €1,500 to €1,650[6]	€24m	€24m
Increase in the Dependent Relative Credit: from €70 to €245	€5.2m	€5.9m
Sea-going Naval Personnel Tax Credit: extension to 31 December 2021; and increase to €1,500 for 2021 (from €1,270 in 2020).	-€0.5m	-€0.5m
USC		
Increase in €20,484 band ceiling: by €203 to €20,687 (2% increase) ensures minimum wage increase does not lead to USC 'band-creep' The reduced rate of USC for medical card holders is being extended for a further year, at an estimated cost of €44m in 2021 and €53m per annum thereafter. This measure is revenue neutral as it is already included in the tax base.	-€6m	-€7m
Measures to support Enterprise/SMEs/Agri-sector		
Knowledge Development Box Two year extension of the Knowledge Development Box to 31/12/2022[7]	-	-
Film Relief The Section 481 Regional Uplift scheme is being extended by one year by inserting an additional year of uplift at the rate of 5% in 2021. The uplift will then reduce to 3% in 2022, 2% in 2023, and Nil thereafter.	-€2m	-€2m
CGT Amend CGT Entrepreneurial Relief	-	-
Farm Consolidation (Stamp Duty) Relief Extension in its present format until 31 December 2022	-	-
Consanguinity (Stamp Duty) Relief Extension in its present format until 31 December 2023	-	-
Warehousing Expansion of Warehousing of tax liabilities	-	-

[6] This measure will also be applied for the 2020 tax year with a 2020 cost of €13m.
[7] The annual cost of this measure is estimated to be €14m, which is included in the tax base

Housing		
Residential Development (Stamp Duty) Refund Scheme Extension from 31 December 2021 to 31 December 2022 with minor amendments	-	-
Help-to-Buy Extension of Help to Buy additional measures to end 2021 (additional cost)	-	-
Climate and Environmental Measures		
Carbon Tax €7.50 Increase in Carbon Tax Rate	+€108m	+€147m
Vehicle Registration Tax Changes to Vehicle Registration Tax	-	-
Motor Tax Changes to Motor Tax	-	-
Accelerated Capital Allowances for Energy Efficient Equipment[8] The Accelerated Capital Allowance scheme for Energy Efficient Equipment is being extended for three years to 31/12/2023	-€1m	-€1m
Anti-Avoidance Amend Section 541 TCA 1991 to close an avoidance scheme	-	-
Corporation Tax – BEPS/ATAD Implementation Amend Section 541 TCA 1991 to close an avoidance scheme	-	-
Additional Taxation Measures		
VAT Temporary Reduction of VAT for Tourism and Hospitality items from 13.5% to 9%[9]	-€336m	-
Increase in the Farmers Flat Rate Addition from 5.4% to 5.6%	-€10m	-€12m
Capital Allowances for Intangible Assets Revised balancing charge rules with effect from 14 October 2020	-	-
Covid Restrictions Support Scheme Estimated. cost of €40m for every week nationwide at Level 3[10]	-	-
Tobacco Products Tax Increase in 50c on pack of 20 cigarettes with pro-rata increase on other tobacco products. The Minimum Excise Duty rate on cigarettes is increasing such that any 20 pack priced below €11.50 will be subject to excise as if it were priced at €11.50.	+€57m	+€57m

[8] The annual cost of this measure is estimated to be €4m, which is partially included in the base

[9] Estimated cost of measure from 1 November 2020 to 31 December 2021 is €401m in total

[10] The actual cost will be determined by reference to Covid-19 restrictions. Any costs arising in 2021 will be met from the *National Recovery Fund.*

Employer's PRSI From 1 January 2021 the weekly income threshold for the higher rate of employer's PRSI will increase from €394 to €398. This follows a recommendation of the Low Pay Commission to ensure that the increase in the hourly minimum wage does not lead to work disincentives for workers, in particular those seeking to work full-time.	-€3.1m	-€3.7m

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