National Reform Programme

Ireland

April 2015

Contents

1. Introduction

Having emerged from an unprecedented crisis, Ireland is now on the path to sustainable economic recovery and growth.

The process of reform, including within the framework of the European Semester, is well established and embedded.

Ireland's National Reform Programme 2015 (NRP) sets out work underway across a range of polices towards that goal. It identifies what has been done to implement the country-specific recommendations (CSRs) made to Ireland in 2014, and it also charts progress towards our Europe 2020 targets.

Among the priorities the Government has set for itself for the period ahead are strengthening the domestic economy and prioritising new jobs for the unemployed; delivering better working and living standards; and responsible and sustainable management of the public finances. These priorities guide and underpin the work set out in this Programme.

Reforms undertaken in recent years in Ireland are bearing fruit.

Economic growth is strong, increasingly broad based and balanced.

Unemployment continues to fall - down to 10.0% from a high of 15.1% in early 2012. Both long-term and youth unemployment are decreasing, and we are aiming to achieve 2.1 million people in employment by 2018, recovering all of the employment lost during the downturn.

Investment is growing and there are strong signals of growing confidence from business and the public.

Ireland is on target to bring its deficit below 3% this year, thereby exiting the excessive deficit procedure, and is committed to meeting our medium-term budgetary objective.

The Government is determined to ensure that reform continues so as to ensure that recovery is deepened and broadened, and, most importantly, that it is felt directly in the lives of the people of the country.

Ireland strongly supports the mechanisms put in place in recent years to enhance policy scrutiny and coordination in the EU and, especially, the euro area, and believes the Member States and institutions of the Union must continue to work closely together on the three priorities identified in the Annual Growth Survey: a boost to investment; a renewed commitment to structural reforms; and the pursuit of fiscal responsibility.

2. Macroeconomic Context

First estimates of full-year economic activity for 2014 were published by the Central Statistics Office (CSO) in mid-March. These show GDP growth of 4.8% (GNP growth of 5.2%) last year. Overall, the contribution to growth was more broadly balanced than in recent years, with domestic demand growing on a full-year basis for the first time since 2007.

These trends have continued into the first months of 2015. Retail sales, industrial production, exports as well as purchasing managers' indices support an assessment of another year of strong growth. On foot of this, as well as relatively strong external demand projections and competitiveness improvements, export growth of 7.6% is projected for this year. Domestic demand should contribute positively once again this year. Private consumption is forecast to grow by 2.4%, on the back of increases in household incomes as well as the assumption of a modest decline in the savings rate. Investment spending is set to increase at a double-digit rate once again this year, with strong contributions from all the sub-components of investment.

Taking all of these factors into account, GDP growth of 4.0% is forecast for this year. Over the medium term, GDP growth is set to slow to 3%, in line with potential.

Labour market dynamics show continued evidence of on-going strengthening. Latest available data indicates nine successive quarters of annual employment growth have now been recorded, with employment levels some 95,000 (or about 5%) above the low-point seen in 2012. Since the trough in early 2012, a third of all employment lost over the crisis has now been regained. Over the forecast horizon, annual average employment growth of 2% is forecast. This will see unemployment fall to 9.6% by the end of this year and 6.9% by the end of the forecast horizon.

% change unless otherwise stated	2014	2015	2016	2017	2018	2019	2020
Real GDP	4.8	4.0	3.8	3.2	3.2	3.0	3.0
Employment	1.7	2.2	2.2	1.9	1.9	1.8	1.7
Employment (000)	1,915	1,960	2,000	2,040	2,080	2,115	2,155
Unemployment (rate)	11.3	9.6	8.8	8.4	7.8	7.3	6.9

Source: 2014 - CSO; 2015 to 2020 - Department of Finance

3. Country-Specific Recommendations

In 2014, Ireland participated fully for the first time in the revised economic governance arrangements forming the European Semester, receiving seven country-specific recommendations (CSRs).

This section provides a brief summary of key reform measures, before considering each CSR in more detail.

CSR 1 – Public Finances

- Ratification of Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and incorporation into national law
- Irish Fiscal Advisory Council established
- Budget timeline revised in line with 'two pack'
- Multi-annual expenditure ceilings placed on a statutory basis
- Performance budgeting incorporated into Estimates process, linking Departmental expenditure with Strategy Statement and outputs
- Enhancement of the value-for-money framework and publication of Public Spending Code
- Second Comprehensive Review of Expenditure (CRE) completed in October 2014 and Comprehensive Expenditure Report 2015-2017 published
- Tax base broadened, including through introduction of annual property tax, abolition or curtailment of tax reliefs and increases in minimum tax rates for high earners
- Road Map for Ireland's Tax Competitiveness launched in Budget 2015, setting out a medium-term strategy for Ireland's corporation tax policy (including changes to company residence rules).

CSR 2 – Reform of Healthcare Sector

- Government's Future Health strategy, published in 2012, driving reforms across four strands – health and wellbeing, structural reform, services reform and financial reform
- Priorities for 2015-2017 published by Minister for Health in January 2015
- Pharmaceutical spending reduced – 2012 agreement with IPHA reviewed in 2014, with the State seeking further savings in 2015
- Incremental introduction of generic substitution and reference pricing during 2014, delivering €50 million in savings in 2014 with a further €25 million expected in 2015 and reaching 68% penetration of generics by volume by end 2014 (against 60% target)
- Continued implementation of HSE Medicines Management Programme, facilitating more cost-effective and evidence-based prescribing
- Phased introduction of single Integrated Financial Management System (IFMS) continuing, with detailed business case submitted by HSE to Departments of Health and Public Expenditure, and industry engagement
- Use of individual health identifiers to start with introduction of free GP care to children under 6 in June 2015
- Activity-Based Funding (ABF) model for 38 largest public hospitals introduced in respect of inpatient and day case activity on a phased basis from 2014

- White Paper on Universal Health Insurance published in April 2014, with a major costing exercise now underway
- Lifetime Community Rating in the voluntary private health insurance market introduced in 2014 and effective from 1 May 2015.

CSR 3 – Labour Market Activation, including Long-term Unemployment, Youth Guarantee and Reform of Further Education and Training

- Action Plan for Jobs (APJ) 2015 published in January 2015, setting a target of 2.1 million people in employment by 2018 (two years ahead of schedule)
- Particular focus under APJ 2015 on regional development and measures to support domestic economy in sectors including construction, retail, tourism and hospitality and agriculture and food
- Updated Pathways to Work 2015 published in October 2014 enhancing reforms with special focus on long-term and youth unemployed
- Rollout of integrated public employment and benefits services through Intreo 'one-stop-shop' model progressed, with all local offices expected to be operational by end-2015
- New employment services model for long-term unemployed – JobPath – to be rolled out in 2015
- 57,000 Education and Training placed reserved for the long-term unemployed in 2015, subject to demand. Minimum of 16,000 places for long-term unemployed in public employment programmes, including extension of JobsPlus initiative
- Dedicated section for Employer Engagement in the Department of Social Protection developed and expanded in 2014
- Professional account management and sales capability within Intreo to be established in 2015 to target local employers
- Employers' Charter to be rolled out to 200 top employers in 2015, including a '50% unemployed candidates' pledge (90 companies signed up by February)
- Medium-term objective of ensuring young people 18-25 receive an offer of employment within four months of becoming unemployed set in Ireland's Youth Guarantee Implementation Plan
- Pathways to Work 2015 sets new targets to be met under the Guarantee, including First Steps developmental internships for 1500-2000 young people particularly distant from labour market and JobsPlus for Youth
- National Youth Strategy Task Group established by Department of Children and Youth Affairs to oversee development of a youth strategy
- Major reform of Further Education and Training underway following establishment of SOLAS in October 2013 and Education and Training Boards in July 2013
- Five-year national strategy for further education and training (FET) launched by SOLAS in May 2014 with five strategic goals: skills for the economy; active inclusion; quality provision; integrated planning and financing; and standing of FET. Detailed implementation plan being taken forward
- Review of apprenticeships published in December 2013; Apprenticeship Implementation Plan published in June 2014; enterprise-led Apprenticeship Council established in November 2014; proposals for new model of apprenticeships received March 2015 and under consideration
- Enterprise-led training facilitator Skillnets providing up to 32,000 places for in-work training

- More than 15,000 job-seekers trained under Springboard since 2011
- Momentum 2015 to allow 6,500 job-seekers gain skills and access work opportunities in growing sectors.

CSR 4 – Low Work Intensity Households, Child Poverty and Childcare

- Progress under Pathways to Work supporting jobless households access the labour market
- Incremental reform of One Parent Family (OPF) payments strengthening links between lone parents – a key cohort in the jobless household population - and the labour market. 30,000 recipients to transition from the payment in 2015
- New tailored childcare schemes, including for after-school care, introduced to support this process
- For remaining OPF recipients (those with children under seven), income disregard of €90 per week maintained in Budget 2015
- Welfare reforms, including Housing Assistance Payment and Back to Work Family Dividend, introduced to help tackle unemployment and to reduce inactivity traps by making work pay
- €260 million invested annually by Government in childcare support programmes reaching more than 100,000 children each year
- Inter-departmental Group established to explore ways to ensure that current and future investment delivers more affordable, accessible and high quality early years and school-age care and education and to deliver options to Government by June 2015.

CSR 5 – Supports for SMEs, including Access to Finance

- Establishment of the Strategic Banking Corporation of Ireland (SBCI) providing up to €800 million of funds;
- Development of an innovative SME State Support On-line tool to provide an entrepreneur with a list of the possible government business supports
- Amendment of the Credit Guarantee Act 2012 and introduction of a new more flexible Credit Guarantee Scheme
- Commencement of work on an integrated Export Finance Strategy in 2015
- Implementation of the Development Capital Scheme Strategy
- Commitment by Enterprise Ireland of €99.5 million to a number of funds under its Seed and Venture Capital Scheme (2013-2018)
- Review of the Microfinance Fund Ireland (MFI)
- Transitioning of the NPRF into the Ireland Strategic Investment Fund (ISIF)
- Roll-out of a National Information Campaign on Late Payments.

CSR 6 – Mortgage Arrears Targets and SME Debt

- CSR on Mortgage Arrears Targets for 2014 fully implemented
- 114,674 private dwelling home (PDH) mortgage accounts classified as restructured at end 2014, an improvement of 29% over 2013
- Decline in the number of PDH mortgage accounts of greater than 90 days
- Further mortgage arrears resolution targets (MART) for Q3 and Q4 2014 set by Central Bank of Ireland (CBI). CBI continues to monitor banks' progress regarding MART requirements, most notably through: intensive ongoing supervisory engagement; audits; on-site reviews of operations and compliance

with the Code of Conduct on Mortgage Arrears (CCMA); and ongoing monitoring of performance

- CBI has reported that the banks continue to meet or exceed the targets set for them and has conducted MART audits to examine the banks' processes of proposing and concluding sustainable solutions in accordance with CBI sustainability guidelines. CBI has completed three MART audits to date
- Sustainability guidelines, published in September 2013 by CBI and subsequently updated in June 2014
- CBI has confirmed that the banks have reported that they have met their required targets on SME loans arrears to date
- NAMA – which addresses distressed real-estate exposures - continues to outperform targets and is well ahead of schedule, having to date redeemed €17.6 billion of NAMA Senior Bonds, exceeding its target of 50%
- To end 2014, NAMA records:
  - total cash generated: €23.7 billion / €8.6 billion
  - property and loan sale proceeds: €18.7 billion / €7.8 billion
  - non-disposal & other (mainly rental) income: €5 billion / €0.8 billion
- Outside NAMA, strong progress made by banks in dealing with the resolution of non-retail distressed loans. AIB and BOI's full-year results for 2014 show a year-on-year reduction in non-retail NPLs, including CRE, of c. 25%
- Credit Reporting Act, 2013 commenced in Jan 2014, providing that the CBI is responsible for the establishment and operation of a Central Credit Register. CBI selects its preferred bidder and design phase commenced
- Initial phase of CCR to focus on consumer credit market and expected to become operational by mid-2016. A later phase to address commercial credit tentatively scheduled to be operational by end 2017.

CSR 7 –Legal Services Regulation Bill and Courts Data Collection

- Legal Services Regulation Bill completed passage through the Dáil on 22 April 2015; expected to commence Seanad second stage in mid-May
- Aim to complete Legal Services Regulation Bill to allow the Legal Services Regulatory Authority come into operation without delay in 2015
- Courts Caseload Data Committee established in 2013 to oversee work on computerised case support systems, with development/upgrading work completed on a number of systems.

CSR 1: Public Finances

Fully implement the 2014 budget and ensure the correction of the excessive deficit in a sustainable manner by 2015 through underpinning the budgetary strategy with additional structural measures while achieving the structural adjustment effort specified in the Council recommendation under the Excessive Deficit Procedure. After the correction of the excessive deficit, pursue a structural adjustment towards the medium-term objective of at least 0.5% of GDP each year, and more in good economic conditions or if needed to ensure that the debt rule is met in order to put the high general government debt ratio on a sustained downward path. Enhance the credibility of the fiscal adjustment strategy, effectively implement multi-annual budgetary planning and define broad budgetary measures underlying the medium term fiscal targets. Make the government expenditure ceiling more binding by limiting the statutory scope for discretionary changes. To support fiscal consolidation, consideration should be given to raising revenues through broadening the tax base. Enhance the growth and environmental friendliness of the tax system.

Public Finances

Implementation of Budget 2015 is fully on track and a general government deficit of 2.3% of GDP in 2015 is now expected, consistent with the requirement to correct the excessive deficit this year. Further improvements in the headline and structural balance are foreseen post-2016 with achievement of the MTO over the forecast horizon. These projections are carried out on a no-policy-change basis and do not preclude specific policy measures to be announced at Budget time. Details of the fiscal position and medium term strategy are outlined in the Stability Programme Update.

Reform of the Budgetary Process and Multiannual Expenditure Ceilings

The first publication of multiannual expenditure ceilings took place in the *Comprehensive Expenditure Report 2011 – 2014*. These multiannual ceilings were later put on a statutory basis as part of the Ministers and Secretaries (Amendment) Act 2013. While significant, the adoption of multiannual expenditure ceilings is just one of the many wide-ranging reforms to Ireland’s budgetary process to take place in recent years.

Other such reforms include:

- The ratification of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union and the adoption of its provisions into national primary legislation
- The establishment of the Irish Fiscal Advisory Council
- The adoption of the revised budgetary timetable in line with the ‘two pack’
- The integration of performance budgeting into the annual Estimates process which links Departmental expenditure with their statement of strategy and outputs
- The ongoing enhancement of the value-for-money framework and the publication of the Public Spending Code
- Periodic reviews of all areas of voted public expenditure

With respect to this last point, periodic reviews of public expenditure now form a fundamental part of Ireland’s revised budgetary process. This allows a review of the entirety of public expenditure on a periodic basis. The focus of this process is to ensure that public resources are used in an efficient way in order to deliver effective services. This requires a whole-of-government approach and extensive engagement with all stakeholders. Furthermore, cross-cutting analytical papers, combined with internal analysis and

Departmental submissions, ensure that expenditure priorities and the expenditure pressures likely to emerge are fully identified.

The second *Comprehensive Review of Expenditure* (CRE) was completed in October 2014 and culminated in the publication of the *Comprehensive Expenditure Report 2015 – 2017*. This document sets out the Ministerial expenditure ceilings for the three-year period covering 2015 to 2017. These ceilings take into account the detailed analysis during the CRE. In respect of 2015, this document provides extensive information on the expenditure allocations of all Vote Groups broken down into pay, non-pay, pension and capital expenditure, with summary details of the public services to be delivered and the measures being introduced by Government.

Ireland's adherence to the new fiscal framework following its entry into the preventive arm of the Stability and Growth Pact (SGP) will further ensure that public expenditure pressures are managed in a sustainable manner. The introduction of the multiannual expenditure ceilings, as with other legislative changes to fiscal policy, is designed to assist with the effective formulation of fiscal policy during more normal economic times. As the economy continues to recover and return to previous levels of output growth and employment, this measure will assist in ensuring that expenditure policy contributes to restoring the stability of the public finances whilst also maintaining the flexibility needed to support growth that is in line with the economy's productive capacity.

Broadening the Tax Base

In the context of the economic crisis, Ireland has addressed structural shortcomings in the tax system, characterised by both an over-dependency on cyclical property transaction taxes, such as stamp duty, and a narrow income tax base.

These structural frailties have been addressed by the introduction of a recurrent annual property tax, while at the same time considerably reducing the scale and pro-cyclical impact of stamp duty on property transactions, and a broadening of the tax base through the abolition or curtailment of tax reliefs, such as those relating to property investment and interest relief as well as increases in minimum tax rates for high earners.

In addition, Ireland was one of the first Member States to introduce a Carbon Tax which further contributes to base broadening while also going some way towards addressing environmental concerns. The tax was introduced in Budget 2010 and extended to all fossil fuels at a rate of €20 per tonne of CO2 emissions in Budget 2013. In Budget 2015, Ireland made provision for the use of Natural Gas as a Propellant which allows for the taxation of natural gas and biogas when used as a road transport fuel. This measure, as well as broadening the tax base, should contribute to reducing Ireland's CO2 transport emissions and facilitate the development of biomethane on a more commercial basis, thus enhancing the growth and environmental friendliness of the tax system.

A new *Road Map for Ireland's Tax Competitiveness* was launched in Budget 2015, setting out a medium-term strategy for Ireland's corporation tax policy in the context of a changing international tax environment. The *Road Map* announced changes to Ireland's company residence rules in tandem with a comprehensive package of competitive tax measures designed to reposition Ireland to reap the benefits, in terms of sustainable foreign direct investment, of the changing international tax landscape.

Economic research conducted by the Department of Finance identified a quantifiable upside to economic growth in Ireland from a selected range of structural reform efforts.[1] For example, the substitution of property tax in place of income taxes in a budget-neutral manner is found to increase GDP growth by an average of 0.3 percentage points per annum and employment growth by 0.4 percentage points per annum after three years. As regards the benefits of carbon tax, these are shown to support GDP growth by an average of 0.1 percentage point and employment growth by some 0.4 percentage points per annum relative to a baseline scenario under no structural reforms.

[1] *Quantification of the economic impacts of selected structural reforms in Ireland* (Department of Finance, July 2014)

CSR 2: Reform of the Healthcare Sector

Advance the reform of the healthcare sector initiated under the Future Health strategic framework to increase cost-effectiveness. Pursue additional measures to reduce pharmaceutical spending, including through more frequent price realignment exercise for patented medicines, increased generic penetration and improved prescribing practices. Reform the financial management systems of the national health authority to streamline systems across all providers and to support better claims management. Roll out individual health identifiers starting in January 2015.

Reform of the Healthcare Sector

In 2012 the Government published *Future Health*, outlining how it would reform the health system across four strands – health and wellbeing, structural reform, services reform and financial reform. The aim is to achieve a sustainable health and social care system that ensures access to high quality services based on need, not income. Arising from *Future Health* the Department is progressing an ambitious reform programme.

In January 2015, the Minister for Health published a list of priorities for the period 2015-2017. The priorities provide a clear direction for the development of health services and health policy, identifying clear priorities and a targeted plan against which progress can be measured.

Reducing Pharmaceutical Spending

The 2012 Agreement with the Irish Pharmaceutical Healthcare Association (IPHA) provided for a mid-term review during 2014.

There were a number of engagements with IPHA, with the State side seeking further savings in 2015. The preference is for these additional savings to be delivered in co-operation with the pharmaceutical industry so long as it enables the needs of all parties to be met. However, Section 21 of the Health (Pricing and Supply of Medical Goods) Act 2013 affords the Health Service Executive (HSE) powers to review and alter prices. This is an option which is open to the HSE to exercise in the event that agreed approaches are not capable of meeting the funding pressures that the HSE faces in relation to drugs.

Generic substitution and reference pricing continued to be incrementally introduced during 2014. In 2014, reference pricing delivered almost €50 million in savings for the State, and a further €25 million is expected in 2015.

The successful introduction of generic substitution and reference prices has significantly impacted on the levels of generic penetration for the off-patent market. By the end of Q4, 2014 generic penetration levels reached 68% by volume. This exceeded the target of 60% by end 2014, which was set as part of Ireland's wider commitments under the EU/IMF Programme of Support.

The continued implementation of the HSE’s Medicines Management Programme has facilitated more cost-effective prescribing initiatives in relation to high-cost medicines and has enhanced evidence-based prescribing.

Reform of the Financial Management Systems

The Health Service Executive (HSE) commenced the Finance Reform Programme in 2012. One of the main outputs of Phase 1 of the programme was the development of a new operating model for finance in health.

A critical enabler for the transformation of financial management is the introduction of a single Integrated Financial Management System (IFMS). Phase 2 of the programme involved the preparation of a detailed business case for a new operating model. The Business Case defines the case for change and scope as well as providing an estimate of the resources required to deliver the operating model and supporting technology. The HSE has submitted a business case to the Department of Health and the Department of Public Expenditure and Reform and it is receiving attention.

Phase 3 of the programme focused primarily on an industry engagement exercise on the Financial Operating Model and due diligence of finance systems. This Phase commenced in September 2014 under the leadership and direction of the new Assistant Chief Financial Officer for Operations Excellence with responsibility for finance reform at the HSE. There was an intensive phase of work between September and 2014 year-end, focused primarily around one-to-one market engagement sessions and due diligence of finance systems.

Phase 4 of the programme commenced in January 2015. The main areas of focus are on implementing the recommendations of the interim reports from the market engagement and due diligence process completed in phase 3. There are a number of important work streams in this phase including the Integrated Financial Management System; Legacy Systems; Accounting Lead; Corporate Development; and Programme Management. It is expected that a final Chart of Accounts will be available later in the year.

Roll out of Individual Health Identifiers

The issue of rolling out a system of unique identification is complex and, as the initiative is primarily a patient safety one, it requires significant planning and care. The approach to the use of health identifiers starts with free GP care to the under 6 cohort due to be rolled out in June 2015. The under 6 scheme will be first to use the identifier and when completed, other priority areas will be considered and brought in to the process on a phased basis. The Health Service Executive is currently developing an implementation plan for the initial phase and further updates will be available over the coming period. Progress has been made on the setting up of structures and governance to support Ireland's eHealth Strategy.

Other Reforms Underway

<u>Activity Based funding (ABF)</u>

An activity-based funding (ABF) model for budget allocations in the 38 largest public hospitals has been introduced in respect of inpatient and day-case activity on a phased basis from 2014, but a full switch to activity-based funding is a multi-year project. The focus in 2014 was to get the new system started and promote greater engagement by clinical and management/administrative staff in the hospitals. Good progress has been achieved on these aims as can be evidenced by the significant improvement in the timeliness of hospital activity coding in 2014.

Productivity and a Sustainable Health System

ABF will support better productivity initially within the hospital system and ultimately within the health system. As part of the process the aim is to build in patient safety and quality measures over time. This will in turn support the achievement of better health outcomes, which in turn supports growth, productivity and employment in the wider economy.

Universal Health Insurance

The Government has embarked on a major reform programme for the health system, the aim of which is to deliver a single-tier health service, supported by universal health insurance (UHI), where access is based on need, not ability to pay. The White Paper on Universal Health Insurance was published on 2nd April 2014 and provides detailed information on the UHI model for Ireland.

The Department of Health, in conjunction with the ESRI and other state agencies, is now undertaking a major costing exercise to examine the cost implications of a change to a multi-payer UHI model, as proposed in the White Paper. The analysis will include a review of evidence of the effects on healthcare spending of alternative systems of financing and of changes in financing methods and entitlements. It will also estimate the cost of UHI for individuals, households and the Exchequer. The initial results from this exercise will be available in the near future, following which the Minister for Health will revert to Government with a roadmap on the next steps to UHI.

Private Health Insurance

Statutory Instrument 312 of 2014 provides for the introduction of Lifetime Community Rating in the voluntary private health insurance market. The Regulations were signed on 7 July 2014, and from 1 May 2015, late entry loadings will be applied to the premiums of those who join the health insurance market at age 35 or over. This policy support is necessary to encourage more people to join the market at younger ages, thereby helping to spread the costs of older and less healthy people across the market to support affordable premium levels for all.

CSR 3: Labour Market Activation, including Long-term Unemployment, Youth Guarantee and Reform of Further Education and Training

Pursue further improvements in active labour market policies, with a particular focus on the long-term unemployed, the low-skilled and, in line with the objectives of a youth guarantee, young people. Advance the on-going reform of the further education and training (FET) system, employment support schemes and apprenticeship programmes. Offer more workplace training; improve and ensure the relevance of FET courses and apprenticeships with respect to labour market needs. Increase the level and quality of support services provided by the *Intreo* labour offices. Put in place a seamless FET referrals system between *Intreo* offices and Education and Training Boards.

The Government remains strongly focussed on the twin challenges of increasing employment and reducing unemployment, including through its *Action Plan for Jobs* and *Pathways to Work* strategies. Much progress has been made.

Action Plan for Jobs

The Action Plan for Jobs (APJ) 2015, published on 29 January, builds on previous iterations in the areas of competitiveness, innovation and entrepreneurship and in fostering new sources of growth for the economy, and contains five overarching strategic objectives:

1. To support 100,000 additional jobs by 2016
2. To get Ireland back to a top-five ranking in international competitiveness
3. To stimulate the domestic economy and generate employment in the locally traded sector
4. To build an indigenous engine of growth that drives up the export market share of Irish companies
5. To build world-class clusters in key sectors of opportunity

The APJ 2015 target is to achieve employment of 2.1 million by 2018 - two years earlier than the original target of 2020. There is a particular focus in the Plan on regional development, medium-term labour market activation and welfare reform, to ensure that work always pays. It also provides for strategies in a number of other specific sectors, reflecting the Government's commitment to growing the domestic economy through local employment in sectors such as construction and retail, tourism, hospitality, agriculture and food, and developing sectors with potential for jobs growth.

In February 2015, the Government launched Action Plan for Jobs – Regional: a five-year, €250 million strategy aimed at accelerating jobs recovery throughout the country, based on the principle that the best way to do this is to support regional agencies and organisations to build on the particular strengths and assets of their area and drive new job-creation strategies and projects. Each of the eight regions will develop an Action Plan by Q3 2015, coordinated by an Enterprise Ireland or IDA Ireland official in each region. Stakeholders - including enterprise agencies, educational institutions, local authorities, business and community groups - will work together to develop the plans.

National Talent Drive

The APJ 2015 also contains five disruptive reforms, the first of which is the National Talent Drive focusing on strengthening the employability of learners and enhancing employer engagement at all levels to ensure that the quality and quantity of skills supply from both the

Further Education and Higher Education systems align with the skills requirements of enterprise. Key elements of the National Talent Drive include the development of a new National Skills Strategy, the expansion of apprenticeships and the delivery of the ICT Skills Action Plan, including provision of places under Springboard/ICT Conversion Programmes and Momentum and an expansion of Apprenticeships.

The focus of education and training provision identified by the Expert Group on Future Skills Needs (EGFSN) in specific areas - such as manufacturing, ICT, data analytics, International Financial Services, freight transport, distribution and Logistics - assists in informing the alignment of programmes in FET and Higher Education with the skills needs as identified in those sectors. In relation to programmes for jobseekers, this research has been instrumental in guiding the provision of short courses in higher education under Springboard/ICT conversion. Potential areas for new apprenticeships have also been addressed in the EGFSN research in certain key enterprise sectors of the economy.

Pathways to Work

The *Pathways to Work* Strategy sets out comprehensive reform of the State's approach to helping unemployed jobseekers return to work. It was initiated in 2012 and is designed to complement the *Action Plan for Jobs* as part of a twin-pronged approach to tackling the jobs crisis that emerged in the final years of the last decade. The *Action Plan for Jobs* is focused on stimulating employment growth; *Pathways to Work* on making sure that as many as possible of these new jobs - and other vacancies that arise in the economy - are filled by people who are unemployed jobseekers.

Pathways reforms adopted earlier continued to have an enhanced impact in 2014. The Youth Guarantee Implementation Plan (YGIP) under *Pathways to Work* was also launched in January 2014, and YGIP measures were progressively introduced throughout 2014.

Further policy measures adopted since mid-2014, and announced in the updated document *Pathways to Work* 2015, will enhance reforms already underway, especially for the long-term unemployed and youth unemployed.

Intreo

The roll-out of integrated public employment and benefits services through the Intreo 'one-stop-shop' model has been progressing throughout 2014. It is expected that all local offices will operate to the Intreo model no later than end 2015.

There are three stages to the Intreo model. The first is integrated reception, which streamlines access to both services and leads to more timely decision on claims. The second is integrated decision-making, where claims are awarded and the client is profiled (using a PEX, probability of exit, score); a record of mutual commitments is signed and an appointment for a Group Information (GI) session is made at this stage. The final stage is referral to activation services, where the client attends GI, then a face-to-face meeting (1-2-1) with a case officer, at which a personal progression plan is agreed. This may include referral to further education, training or to public employment programmes. All clients also receive follow-up engagement and intervention; the frequency is differentiated by their PEX score.

In 2014, 186,900 people were referred to group engagements, up from 130,100 in 2013. 169,200 people attended initial one-to-one interviews and a further 164,000 follow-up one-to-one interviews were also completed.

A comprehensive evaluation of Intreo activation processes will be undertaken in 2015; this will include an econometric evaluation of the effectiveness of reforms, an assessment of the implementation of reforms and a qualitative evaluation to capture customer and staff satisfaction. Specific activation programmes will also be evaluated in 2015 and 2016.

A Focus on the Long-Term Unemployed in 2015

There has also been an ongoing process of engagement with the long-term unemployed under *Pathways to Work*. In 2014, there were 186,900 group engagement sessions, of which approximately 56,000 were with the long-term unemployed, and 169,000 initial one-to-one guidance interviews were held, of which approximately 47,000 were with long-term unemployed. Some 57,000 places on a range of further and higher education courses were reserved for the long-term unemployed.

The JobsPlus recruitment subsidy, launched in the second half of 2013 is designed specifically for the long-term unemployed. This incentive scheme encourages employers to recruit long-term unemployed people. By the end of February 2015, almost 4,300 employees were being subsidised under the scheme – some 62% of whom had been unemployed for more than two years prior to being recruited.

A range of public employment programmes are also available. There were over 31,000 people participating on Community Employment and Tús in December 2014. Participation on JobBridge, the national internship programme, was in excess of 6,000 at end 2014.

As part of the Pathways to Work Programme, the further education and training sector developed and implemented a new contracted payment-by-results training programme, which sought to align the training needs of unemployed jobseekers with the workforce requirements of employers. This programme, known as Momentum, was implemented in 2013 and repeated in 2014 and provided places to around 12,000 unemployed jobseekers.

Pathways to Work 2015 includes additional measures to enhance engagement with the long-term unemployed. From early 2015, a structured process of engagement with the existing long-term unemployed will commence. This will see at least 8,300 long-term unemployed people being referred to the activation process (Group Engagement followed by regular one-to-one case officer contact) each month in early 2015.

In support of these enhanced engagement processes, 57,000 Education and Training places will continue to be reserved for the long-term unemployed in 2015, subject to demand. A minimum of 16,000 places for the long-term unemployed will also be provided through key public employment programmes. This includes an expansion of the JobsPlus initiative.

JobPath

In addition, a new employment services model, JobPath, will be rolled out in 2015. This is a significant policy development, which will operate as a payment-by-results contract model with third party providers of employment services specifically targeted at long-term unemployed jobseekers. JobPath will provide additional capacity to the Public Employment Service, enabling it to engage more systematically with long-term unemployed jobseekers; it is estimated that the additional resources provided will reduce the effective ratio of clients to case officers from 500:1 to approximately 200:1. Referrals to JobPath providers are expected to commence early in the second half of 2015.

Employer Engagement
Persuading employers to offer employment opportunities to jobseekers, and especially to people who are long-term unemployed, is a particularly difficult challenge. Therefore, a number of reforms have been initiated, first through establishing a dedicated section for Employer Engagement in the Department of Social Protection (DSP), which was developed and expanded during 2014.

In addition to on-going efforts to communicate and engage with employers, a number of activities and measures are planned for 2015. They aim to assist employers in recruiting unemployed jobseekers and to incentivise employers to offer opportunities to unemployed people, particularly long-term unemployed people and youth unemployed. A core focus of activities in 2015 is better information sharing, communications, early identification of employment opportunities and development of networks at local levels.

The principal additional specific measures for 2014-2015 include:
- Establishing a professional account management and sales capability within Intreo PES services, targeted at large employers
- Roll-out of the employer charter to the top 200 employers – including the '50% unemployed candidates' pledge. By February 2015, 90 companies had signed the charter.
- Information-sharing with enterprise development agencies to identify in advance new job opportunities (e.g., from FDI) and to match these with clients from the Live Register
- Redeveloping and upgrading the http://jobsireland.ie/ website to better respond to employer and client needs via a new job matching system on a successor site, which should be in place by late 2015.

Tackling Youth Unemployment
Ireland's Youth Guarantee Implementation Plan identifies measures to build on services and initiatives already in place and to increase their impact by tailoring them to address the particular challenges of youth unemployment.

The Youth Guarantee sets a medium-term objective of ensuring that young people 18-25 receive an offer of employment within four months of becoming unemployed. Due to the universal nature of the unemployment benefits available to young people in Ireland (subject to meeting eligibility criteria on the basis of means), most of those classified as not in education, employment or training are registered with the Public Employment Service. The main plank of the guarantee therefore is assistance to young people 18-25 in finding and securing sustainable jobs through the Public Employment Service.

For those who do not find employment, additional offers are provided, with most offers (over 70%) in further education or training. Others are in community-based employment programmes such as CE, Gateway and Tús, or through the JobsPlus employment subsidy for private employment. During 2014, almost 25,000 places were taken up under the Youth Guarantee.

Relevant reforms implemented in 2014 include:

- Engaging earlier and faster with young people under Intreo
- Reserving places on existing programmes for young people who are already long-term unemployed
- Developing variants of these programmes/offers tailored specifically for unemployed young people.

Some of the initiatives planned under the guarantee required primary legislation to allow positive discrimination on age grounds in the provision of employment services and supports. This legislation was enacted as part of the Social Welfare Bill over the summer 2014.

Pathways to Work 2014 targets with respect to the Youth Guarantee have largely been achieved. In addition, it is expected that the following targets in Pathways to Work 2015 will be met:

- As of January 2015, the new process for engaging with young people in Intreo centres has commenced
- The First Steps developmental internships programme for 1500 – 2000 young people was launched in February 2015. It aims to offer young people who are particularly distant from the labour market a work experience opportunity with sponsor employers
- *JobsPlus for Youth* was also launched in February; it offers employers who recruit a young person under 25 years of age and who was unemployed for four months or more a subsidy of up to €416 per month. The unemployment duration threshold for other age cohorts is 12 months
- Allocate 1,000 places on the Tús scheme to young people
- Introduce a pilot programme to support young unemployed people to take up opportunities under schemes such as Your First EURES Job
- Ring-fence a minimum of 2,000 training places for under-25s by the Department of Education and Skills under a follow-up to the Momentum programme
- The Department of Jobs Enterprise and Innovation will make €2.5 million available to young entrepreneurs via Micro finance Ireland and other business start-up schemes.

In addition, the Ballymun Pilot Youth Guarantee project came to a close in December 2014. Lessons learned from the project will be considered in the national roll-out of the Youth Guarantee over 2015. Expenditure on programmes providing employment, training and further education opportunities for young people will be in excess of €500 million in each of the years 2014 and 2015.

The Youth Guarantee also focuses on early school leavers aged 15-17 with the key objective of providing second-chance education and learning and training opportunities through the following programmes:

- **Community Training Centres**: SOLAS and the Education and Training Boards (ETBs) in partnership with Community Training Centres (CTCs) provide a range of learner-centred, proactive training and related services to assist early school leavers enter the labour market or progress to further education and training.
- **Youthreach:** The Youthreach Programme provides two years integrated education, training and work experience for unemployed early school leavers without any qualifications or vocational training who are between 15 and 20 years of age.

Youth Strategy – Youth Employment

The Department of Children and Youth Affairs is committed to bringing a youth policy perspective to the issue of youth employment and social inclusion. This was manifested through the Department's work as chair of the EU Youth Council during the Irish Presidency of the European Union in 2013, which resulted in the adoption of Council Conclusions on maximising the potential of youth policy in addressing the goals of the Europe 2020 Strategy and the contribution of quality youth work to the development, well-being and social inclusion of young people.

The Department of Children and Youth Affairs holds responsibility for youth policy and youth work provision, and in 2015 provided funding of €49.93 million to the youth work sector. The youth work infrastructure supported by the Department, through its programmes and services, enables youth work organisations and services to enhance the employability of young people. It is contributing to other education, training, skills and labour activation initiatives and strategies through its focus on skills and competencies and diverse programme provision, all of which serve to enhance young people's preparedness and progression to employment, education or training as well as their social inclusion.

A National Youth Strategy Task Group comprising representatives of Government Departments, the youth services and other interests has been established by the Department of Children and Youth Affairs to provide oversight to the development of a youth strategy. The National Youth Strategy will set out cross-cutting actions that will improve the effectiveness of services in supporting young people to attain the national outcomes. It is anticipated that the National Youth Strategy will be finalised following a consultation process with key stakeholders and young people.

Further Education and Training

The further education and training sector in Ireland has recently undergone significant change. SOLAS, the new further education and training authority, was established on 27 October 2013 and became responsible for funding, planning and co-ordinating training and further education programmes to ensure the provision of 21st century high-quality further education and training programmes to jobseekers and other learners. SOLAS will ensure that funding has regard to outcomes and bring greater coherence, co-ordination and oversight to the further education and training sector.

The 33 former Vocational Education Committees (VECs), which were the main providers of further education in Ireland, were amalgamated into 16 Education and Training Boards (ETBs) on 1t July 2013. The former FÁS training centres, 19 in total, and their related staff transferred on a phased basis to the appropriate Education and Training Board (ETB) which was based on geographic location. On 1 January 2014, seven training centres transferred over to ETB's with the remaining 12 training centres transferring to their respective ETB's on 1 July 2014. Further education and training provision is now the responsibility of the local ETBs, which deliver further education and training programmes directly and also through contracted services.

These changes to the further education and training sector have paved the way for greater co-ordination of education and training at national, regional and local level in 2014 and 2015. Programmes will be integrated, flexible, value-for-money and responsive to the needs of learners and the requirements of a changed and changing economy. A five-year national strategy for further education and training was launched by SOLAS in May 2014 following a consultation process with key stakeholders.

The *Further Education and Training Strategy* identifies five high level strategic goals;

1. Skills for the Economy: to address the current and future needs of learners, jobseekers, employers and employees and to contribute to national economic development
2. Active Inclusion: to support the active inclusion of people of all abilities in society with special reference to literacy and numeracy
3. Quality Provision: to provide high quality education and training programmes and to meet the appropriate national and international quality standards
4. Integrated Planning and Funding: FET provision will be planned and funded on the basis of objective analysis of needs and evidence of social and economic impact
5. Standing of FET: to ensure a valued learning path leading to agreed employment, career, developmental, personal and social options.

SOLAS has prepared a detailed implementation plan for the Strategy in conjunction with stakeholders. The Implementation Plan includes actions required, timelines for delivery, performance indicators and identifies the lead organisation(s) responsible for each action.

The implementation plan includes specific actions around, for example, the development and rollout of a co-ordinated data structure for the FET sector, and a Programme and Learner Support System (PLSS), which has three elements, namely: A FET course database; a learner database; and a course calendar. The development has commenced and this process will be ongoing throughout 2015 and beyond.

The implementation of the 'Youth Guarantee' has been a priority consideration in the development of the 2014 Further Education and Training Services plan. Approximately one third of the 6,500 places on the new Momentum training programme, for example, are reserved for under 25s – an important contribution to the Youth Guarantee initiative.

The Department of Education and Skills is undertaking a renewal of its national skills strategy, which will incorporate education and training policy at all levels of the system. It will include an examination of the skills identification infrastructure used to direct policy and provision.

Apprenticeship Review

Following a recent independent review of apprenticeship in Ireland, a comprehensive set of recommendations was developed to improve the current system. The review of apprenticeship considered that the current system could, *inter alia*, be expanded into a number of other sectors and industries, which would have the effect of making apprenticeships more appealing to a broader spectrum of participants, particularly females.

The Review Group recommended greater flexibility in a range of areas, including the education and training providers involved in apprenticeship, the range of occupations covered, the progression options for apprentices and the qualifications and levels of the National Framework of Qualifications (NFQ) to which programmes might lead.

The Review Group characterised apprenticeship as being substantial in depth and duration, and stated that apprenticeship programmes should:

- be at least 2 years in length
- contain at least 50% on-the-job training, and
- be covered by a contract of employment between the apprentice and their employer
- be at level 5 or upwards on the NFQ

Following on from the review, which was published in December 2013, an Apprenticeship Implementation Plan was published by the Department in June 2014. As part of this plan a new Apprenticeship Council was launched on 18 November 2014. The Council is enterprise-led and has representatives from business and trade unions, as well as further and higher education bodies.

The new Apprenticeship Council developed a call for proposals from industry for new apprenticeships, which launched in January 2015. The closing date was 31 March 2015. 90 separate proposals were received by the Council in response to that process. The proposals will be assessed by the Apprenticeship Council against a range of sustainability and deliverability criteria before recommendations are submitted to the Minister for Education and Skills in Q2 2015. The key determinant of the potential for the development of new apprenticeships will be the level of employer commitment to sustainable apprenticeships.

Alongside this work, the curricula for current apprenticeships will continue to be reviewed under existing structures. Following a number of years of decline, the number of registrations in the 27 existing apprenticeship trades, which are mainly in the construction, motor and engineering sectors, continues to rise as the employment and economic situation improves. At the end of 2014, registrations were up approximately 40% on the same point in 2013. This recovery in numbers is forecast to continue over the coming years and this has implications for off-the-job provision. Arrangements are underway to increase provision to meet rising demand but arrangements in this regard will have to be reviewed for future years. There are also significant staffing implications, both in relation to apprenticeship instructors and to the roles involved in supporting and liaising with employers and apprentices.

Workplace Training

Skillnets (an enterprise-led training facilitator, which operates on the basis of sectoral or geographical networks of employers defining their training needs and arranging training at a reduced cost to the employer) continues to provide up to 32,000 places annually for training for those in employment. In addition, a new call for proposals for training requirements was launched in January 2015.

As part of the implementation of the FET strategy, SOLAS is undertaking a workforce development strategy process based on ascertaining the level of workplace training and identifying gaps in provision. This will be progressed in 2015.

Examples of programmes tailored to labour market needs include

- **Springboard**: The Springboard programme was introduced as part of the Government's Jobs initiative in May 2011, and assists unemployed and previously self-employed people to remain as close as possible to the labour market, by accessing part-time higher education and training opportunities to up-skill or re-skill in areas where there are identified labour market skills shortages or expanding employment opportunities. Since 2011 Springboard has supported more than 15,000 unemployed

people and job seekers to undertake higher education programmes in areas of identified skills needs.
- **Momentum**: MOMENTUM 2015 will fund the provision of free education and training projects to allow 6,500 jobseekers (who are unemployed for 12 months or more) to gain skills and to access work opportunities in identified growing sectors.

CSR 4: Low Work Intensity Households, Child Poverty and Childcare

Tackle low work intensity of households and address the poverty risk of children through tapered withdrawal of benefits and supplementary payments upon return to employment. Facilitate female labour market participation by improving access to more affordable and full-time childcare, particularly for low income families.

Measurement of and Trends in Household Joblessness

The Country-Specific Recommendation uses the very low work intensity indicator (VLWI) based on the Survey on Income and Living Conditions (SILC) to report on jobless households in Ireland. Ireland has had extensive engagement on the analysis of jobless households since 2011, following the adoption of VLWI as one of the three indicators for the Europe 2020 poverty target. It has produced a number of research reports on the topic involving the Economic and Social Research Institute (ESRI) and the National Economic and Social Council (NESC).[2]

Household joblessness is also measured in the Labour Force Survey (LFS).[3] Differences between SILC and LFS are common across EU Member States; however, the magnitude is much larger in Ireland. The pattern over time is also different. A recent ESRI study of this data divergence suggests that the SILC measure overstates the level of jobless households as compared to the LFS measure, due to the composition of the Irish SILC sample.[4] This has implications both for the level of jobless households and for recent trends. The LFS data shows a persistent decline in jobless households in line with the fall in unemployment, whereas the SILC measure is unchanged, probably due to the time lag built into the VLWI reference period.

The national statistical institute (CSO) is undertaking a project to explore the reasons for the data divergence between the two surveys. In the meantime, it has advised that the LFS is the definitive source of employment data, including household joblessness. Ireland has requested the Commission not to use the VLWI indicator in reporting on jobless households until the CSO project is completed.[5]

Figure 1 monitors the evolution in household joblessness in Ireland and the EU, from 2007 to 2014, using the LFS measure. It shows that the proportion of adults (aged 18-59 years) in jobless households in Ireland doubled from 7.9% in 2007 to 15.9% in 2012, before falling to 13.6% in 2014. While the baseline share of children in jobless households is higher than for adults, the trend is similar: initial increase from 11.6% to 20.2%, with subsequent decrease to 17.7%. These trends are in accordance with the pattern in unemployment during the crisis (see section on employment target).

[2] Watson, D, Maitre, B and Whelan, C (2013), *Work and Poverty in Ireland*, Dublin: Department of Social Protection. National Economic and Social Council (2014), *Jobless Households: An Exploration of the Issues,* Dublin: NESC

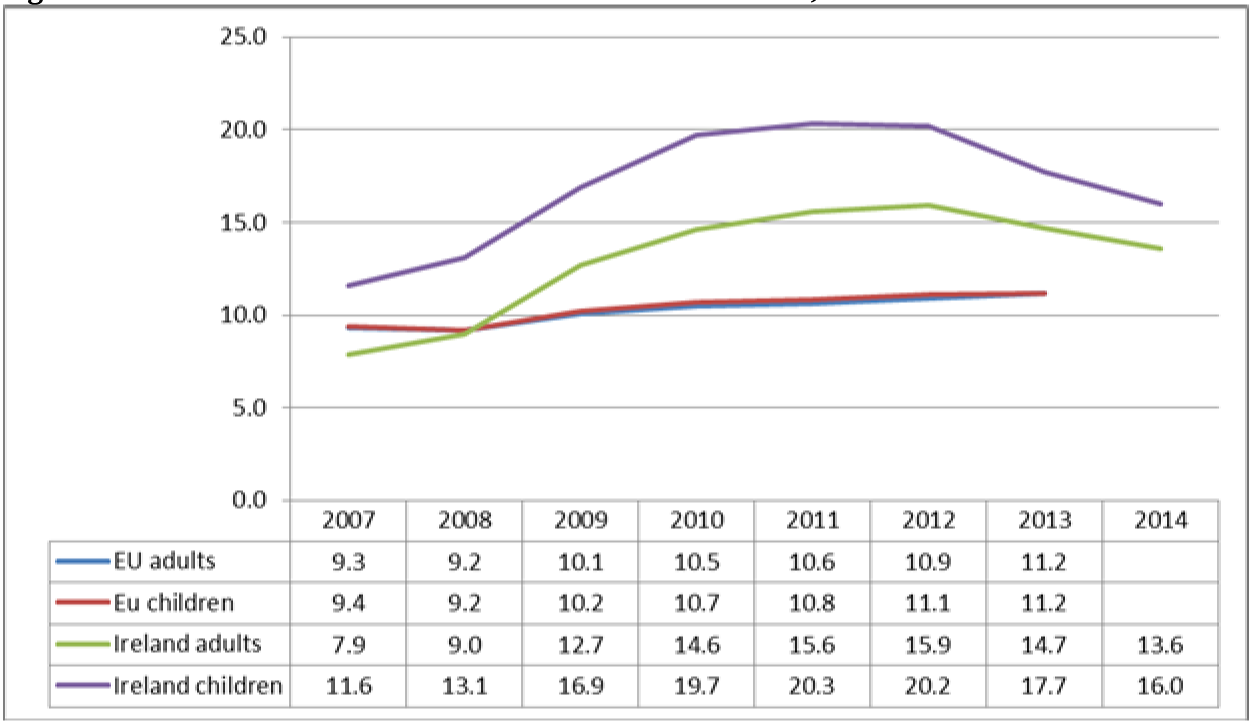
[3] A jobless household is one where no member of the household is engaged in employment (i.e., all members are either ILO unemployed or inactive).

[4] Watson, D., Maître, B., and Russell, H. (2015 – forthcoming), *Technical Paper on the Measurement of Household Joblessness in SILC and QNHS, 2004-2012 : An Analysis of the CSO Survey of Income and Living Conditions (SILC) and the Quarterly National Household Survey (QNHS)*, Dublin: Department of Social Protection.

[5] Communication with the Social Protection Committee (SPC) and the Commission in February 2015. A presentation on this issue was made to the March 2015 ISG meeting.

Figure 1 also shows the trends at EU level. This shows that the share of adults in jobless households in the EU was higher than for Ireland before the crisis (9.3% vs. 7.9%), while the child rate was lower (9.4% vs. 11.6%). During the crisis, the increase in adults and children in jobless households was approximately 2 percentage points, much lower than in Ireland. However, the gap between the EU and Irish rates has narrowed since 2012 and by 2013 was 3 percentage points for adults and 6 percentage points for children. The rates are likely to have converged further in 2014, based on the downward trend in the Irish data.

Figure 1. Trends in Household Joblessness: Ireland and EU, 2007 to 2014[6]



	2007	2008	2009	2010	2011	2012	2013	2014
EU adults	9.3	9.2	10.1	10.5	10.6	10.9	11.2	
Eu children	9.4	9.2	10.2	10.7	10.8	11.1	11.2	
Ireland adults	7.9	9.0	12.7	14.6	15.6	15.9	14.7	13.6
Ireland children	11.6	13.1	16.9	19.7	20.3	20.2	17.7	16.0

Source: LFS, various years

Implementation of Policies to Tackle Household Joblessness

As the Irish economy recovers, active labour market policies are key to addressing the employment needs and capacities of jobless households in an inclusive labour market. Pathways to Work, especially the further reforms announced in Pathways to Work 2015 for the long-term unemployed, will directly impact on jobless households. From early 2015, a structured process of engagement with the long-term unemployed will commence. A new employment services model, JobPath, will be rolled out in 2015. Further details of these initiatives are outlined in the employment section.

The delivery of activation measures to the most disadvantaged through the European Social Fund (ESF) operational programme is an essential element of national recovery. A specific objective of the ESF is to promote active inclusion by engaging unemployed and/or inactive persons, including young people, from disadvantaged groups and at risk of poverty or social exclusion, in a process of learning and development in order to increase their employability. Some 32% of the ESF funding is devoted to social inclusion measures, amounting to €366 million over the OP period (2014-2020).

[6] Figures based on annual averages

One of the co-funded measures under the ESF is the Social Inclusion Community Activation Programme (SICAP) administered by the Department of the Environment, Community and Local Government. SICAP aims to tackle poverty and social exclusion through local engagement and partnership between disadvantaged individuals, community organisations and public sector agencies. The SICAP target groups are children and families from disadvantaged areas, lone parents, new communities (including refugees/asylum seekers), people living in disadvantaged communities, people with disabilities, Roma, the unemployed (including those not on the Live Register), Travellers and young unemployed people from disadvantaged areas. Some €28 million will be available for the nine month period April to December 2015 for the SICAP programme.

Welfare Reforms

The Department of Social Protection continues to implement reform of the One Parent Family Payment (OFP), so that by July 2015 the maximum age limit of the youngest child will be reduced to seven years for all OFP recipients. The purpose of the reform is to strengthen the links between lone parents and the labour market, thereby reducing the risk of long-term welfare dependency. Lone parents are a key cohort in the jobless household population, especially those with children. They also face by far the highest risk of consistent poverty and are strongly associated with child poverty.

While the reform has been introduced on an incremental basis since 2013, the biggest impact will be in 2015 when c. 30,000 OFP recipients (with an estimated 50,000 children) will transition from the payment (over 40% of the remaining cohort). The majority of these (c. 20,000) will move to a jobseeker’s payment where they will have access to activation services and labour market programmes. The remaining c. 10,000 lone parents, who are already in employment, can receive the in-work support, Family Income Supplement (FIS), subject to working a minimum of 19 hours per week. Lone parents exiting OFP who take up work can also benefit from the new Back to Work Family Dividend (see further details below). As well as qualifying for existing childcare supports, new tailored schemes have been introduced, including after-school care, for lone parents affected by these changes. To better inform its policy approach to activating lone parents, the Department of Social Protection is undertaking a research study of best European practice and is informed by national stakeholder engagement.

This reform addresses the two core concerns of the CSR: increasing the work intensity of jobless households and facilitating female labour market participation.

In addition, for the remaining OFP recipients (those with children aged under seven years), the Government decided in Budget 2015 to maintain an earnings disregard of €90 per week. This is a reversal of a previous policy decision to reduce the disregard to €75 in 2015 and to €60 in 2016. Again, this will encourage lone parents to take up work.

The Department of Social Protection provides a number of initiatives to support people with disabilities (another cohort of the adult jobless household population) into employment. The Wage Subsidy Scheme supports the employment of people with disabilities in the private sector. This scheme supported 1,560 people with disabilities in employment in 2014. The Disability Action Project is an ESF programme that seeks to increase the capacity of people with disabilities to access employment. Almost 3,000 people participated in this programme between 2013 and 2015. In addition to these work schemes, people with a disability in receipt of a welfare payment are allowed to work on a part-time basis, subject to an income threshold (assistance payment) or a percentage of the payment (insurance payment).

The majority of replacement rates are structured to incentivise the take-up of employment opportunities. Recent analysis confirms that there is a strong incentive for the majority of jobseekers to take up employment – even when in-work costs like childcare and travel to work are taken into account.[7] Higher replacement rates do exist in the small number of cases where couples with children are also in receipt of housing benefits.

Two welfare reforms are underway that will help tackle unemployment and inactivity traps by making work pay. The first involves the introduction of the new housing assistance payment (HAP), which is a new form of social housing support provided by local authorities to replace the rent supplement scheme. Its two main objectives are:

- To integrate social housing supports under the aegis of the local authorities
- To remove barriers to work and facilitate the take-up of full-time employment.

The initial target for HAP is the transfer of persons who are currently in receipt of rent supplement for 18 months or more. Approximately 48,000 households are in receipt of the supplement for 18 months or more.

Rent supplement is not generally payable where a person or their spouse/partner is in full time employment, i.e., 30 hours or more per week. This '30 hour rule' creates a potential poverty trap for rent supplement recipients; a person returning to full-time work will lose their rent supplement and now must pay their rent out of their income from employment.

HAP is being introduced on a phased basis. Wave 1 commencements took effect from 15 September 2014 in Limerick City and County Council, Waterford City and County Council and Cork County Council, and from 1 October in Louth County Council, Kilkenny County Council, South Dublin County Council and Monaghan County Council. A HAP pilot commenced in December 2014 in Dublin city to specifically target homeless households.

As of 20 April 2015, 1,539 rent supplement recipients have transferred to HAP. Numbers are increasing at a significant rate following an initial bedding-in period for the local authorities. There is a target to achieve some 8,400 HAP cases in 2015, as set out in the *Social Housing Strategy 2020: Support, Supply and Reform*.

The second reform is the introduction of the Back to Work Family Dividend (BWFD) in Budget 2015. This is a targeted scheme of support designed to further improve the incentive to take up employment or self-employment for welfare recipients with children. The scheme targets those most vulnerable to being in a jobless household: the long-term unemployed and adults not in the labour market due to caring responsibilities. It also recognises the vulnerability to poverty of households with children as they exit welfare dependency. The scheme also supports the growth in employment arising from the nascent economic recovery in Ireland, with a sunset clause of 2018. It is estimated that an average of 10,000 unemployed families will benefit from this measure in 2015, rising to 30,000 in 2017.

The BWFD complements Family Income Supplement, which is the main in-work support for low paid working families. The number of families in receipt of FIS has increased from c.

[7] Savage, M., Callan, T., Keane, C., Kelly, E. and Walsh, J.R. (2014) *Welfare Targeting and Work Incentives*, Dublin: ESRI. See: https://www.esri.ie/UserFiles/publications/JACB201239/BP201503.pdf

29,000 in 2011 to c. 50,000 currently, an increase of over 70%. This growth reflects greater publicity about the scheme and improvements in administration and employment trends. FIS is a generous in-work support, with an average payment per family of €113 per week. An original design feature of FIS is that it is a guaranteed payment for 12 months, though earnings may increase in this period. This feature provides a strong incentive to increase earnings from employment (through additional hours or a better-paid job), while not losing welfare benefits over a period of 12 months.

In November 2014, the Government agreed that persons who return to work after having been continuously unemployed for 12 months or more will continue to retain their (and their dependents') medical cards for three years.

Research

An ESRI study on the transitions into and out of household joblessness is nearing completion for the Department of Social Protection. This study investigates the extent to which there is movement into and out of household joblessness, and whether those in persistently jobless households are a substantially more disadvantaged group in terms of education and other characteristics. These are important questions from a policy perspective, as is the issue of the type of labour market transition linked to movements into and out of joblessness. In order to design policy to address the needs of all of those in jobless households, we need to know which groups are most likely to be in households that remain jobless for a longer period and the factors that facilitate movement out of joblessness and those that act as barriers.

NESC is about to undertake a study on the policy response to jobless households from an active inclusion perspective, in particular on the role of services. This qualitative study will involve field research in an urban locality, and will include interviews with jobless households and service providers.

Childcare

Approximately €260 million is invested annually by the Government specifically to support the provision by the Department of Children and Youth Affairs of childcare support programmes – the Community Childcare Subvention (CCS) programme, the Early Childhood Care and Education (ECCE) programme and the Training and Employment Childcare (TEC) programmes.

The childcare programmes funded by the Department of Children and Youth Affairs support the provision of childhood care and education for more than 100,000 children each year.

Early Childhood Care and Education (ECCE) Programme

The free pre-school year under the Early Childhood Care and Education (ECCE) programme was introduced in January 2010. Almost every pre-school service (more than 4,300) in the State is participating, with up to 68,000 children, or 95% of the eligible age cohort, expected to avail of the programme in 2015. The objective of the programme is to make early learning in a formal setting available to eligible children in the year before they commence primary school.

This programme represents an annual investment of approximately €175 million. The support is provided through capitation payments, paid to services in advance of and during each school term. Participating services currently receive a capitation fee of €62.50 per week per qualifying child attending. A higher capitation fee of €73 a week is available to services with more highly qualified staff.

Community Childcare Subvention (CCS) Programme
The CCS programme provides funding to community childcare services to enable them to provide quality childcare at reduced rates to disadvantaged and low-income working parents. Parents qualify as disadvantaged or low-income on the basis of means-tested entitlements. In the case of full day care, parents qualifying for the higher rate of subvention under the CCS programme can have up to €95 per week deducted from the overall charge for childcare in the participating childcare facility. To ensure that access to subvention funding is not a disincentive for parents to return to employment, the CCS programme allows a parent who is in receipt of the higher level of subvention support, and who secures employment, to retain that level of funding support until the end of that school year in the same service, and also to have a reduced level of funding support for one further school year following that.

About 25,000 children are catered for under the CCS each year in almost 900 community childcare services. The programme has an annual budget of €45 million.

Training and Employment Childcare (TEC) Programmes
1. <u>Childcare Education and Training Support (CETS) programme</u>
Under the CETS programme, childcare services are contracted to provide childcare places to qualifying Solas or Education and Training Board (ETB) trainees or students for the duration of their courses. This programme also provides part time and after school places. Under the programme, €145 per week is provided towards the cost of a full day childcare place and the service is permitted to charge the parent up to a further €25 per week towards the cost of the place. The Programme has a budget of €17 million per year and in the region of 8,000 children are catered for annually.

2. <u>After-School Childcare (ASCC) programme</u>
The After-School Childcare (ASCC) programme is designed to support low-income and unemployed people to take up a job, increase their days of employment or take up a place on a Department of Social Protection Employment programme. The ASCC provides after-school care for primary school children of eligible parents for a period of 52 weeks. The programme contributes €40 per week for an after school place or €80 per week in situations where a pick-up service is required to take the child from school to the childcare provider. The programme also provides a full day care rate of €105 per week, for a maximum of ten weeks, to cater for school holiday periods. In all cases, the maximum fee payable by parents is €15 per week per child. The programme has a funding allocation of €1.32 million in 2015, which will provide between 300 to 500 places, depending on the mix between afterschool and afterschool with pick-up places.

3. <u>Community Employment Childcare (CEC) programme</u>
The Community Employment Childcare (CEC) programme is targeted specifically at participants in the Community Employment (CE) schemes operated by the Department of Social Protection. Under the programme, €80 per week is provided for pre-school places for children up to the age of five and €40 per week for afterschool places for primary school children up to the age of 13, with a set charge of €15 per week to the parent in either case. The programme also provides a part-time day care rate of €80 per week, for a maximum of ten weeks, to cater for school holiday periods. Places are approved for 50 weeks. The CEC programme has an annual budget of €7.5 million to provide 2,000 places.

Future Investment
As funding becomes available, the Department of Children and Youth Affairs will consider how best to increase the affordability of childcare while continuing to improve quality. The Department is currently progressing the development of an Early Years Strategy in line with the commitment made in Better Outcomes, Brighter Futures: National Policy Framework for Children and Young People. The commitment is to develop a strategy *"for all children 0-6 covering all aspects of children's experiences in their early years and their inclusion in the Early Years Care and Education Services."* Issues to be considered in the development of the strategy will include ensuring accessibility to early childhood care and education as well as a range of other supports to parents in respect of child-rearing, which are linked to the reduction of poverty; supporting participation in the workforce; and ensuring the quality of early years provision.

In order to develop a coherent whole-of-government approach to investment in childcare services, an Inter-Departmental Group has been established to:

- Clarify the goals for public investment, including ensuring that services are of a high standard, to improve outcomes for children, support parents in raising children, address issues of poverty and disadvantage, and support parents' participation in education, training and employment;
- Review current investment in light of these goals to ensure that any gaps and duplication are addressed, and that programmes are a good 'fit' to achieve policy goals. The issue of workforce sustainability is also important in this regard;
- Analyse evidence and best practice, both here and abroad, to identify the best way to deliver investment to realise these goals;
- Identify and assess options for future investment, specifying the costs and benefits of each option; and
- Make recommendations for future investment.

The Group is currently deliberating on the above and will submit its final report to Government in June 2015.

CSR 5 Supports for SMEs, including Access to Finance

Develop further policy initiatives for the SME sector including policy initiatives to address the availability of bank and non-bank financing and debt restructuring issues. Advance initiatives to improve SME's access to bank credit and non-bank finance. Introduce a monitoring system for SME lending in the banking sector. In parallel, work to ensure that available non-bank credit facilities, including the three SME funds co-funded by the National Pensions Reserve Fund, Microfinance Ireland and the temporary loan guarantee scheme, are better utilised. Promote the use of these and other non-bank schemes by SMEs. Enhance the Credit Review Office's visibility and capabilities in mediating disputes between banks and prospective SME borrowers who have been refused credit

The Government has clearly identified SMEs as the lifeblood of our economy and recognise that they play a crucial role in economic and employment growth. Therefore, supporting SMEs and improving the availability and awareness of financing options has been a key focus of Government, including through the Action Plan for Jobs process, and there are signs that the recovery in the SME sector is gaining momentum. A number of initiatives to improve SME access to bank and non-bank credit have been introduced. The Action Plan for Jobs 2015 switches the focus to go beyond access to finance for SMEs but also to enable Finance for Growth.

In 2014 a number of key policy initiatives were developed, which are contributing to the evolution of a more robust and effective institutional architecture for the financing of SMEs. These include:

- The establishment of the Strategic Banking Corporation of Ireland (SBCI) providing up to €800 million of funds;
- The development of an innovative SME State Support On-line tool (www.localenterprise.ie/smeonlinetool) to provide an individual with a list of the possible government business supports available to their particular business;
- Government agreement to amend the Credit Guarantee Act 2012 and introduce a new, more flexible Credit Guarantee Scheme;
- The announcement by the Minister for Finance of the commencement of work on an integrated Export Finance Strategy in 2015;
- The implementation of the Enterprise Ireland Development Capital Scheme Strategy;
- The commitment by Enterprise Ireland (EI) of €99.5 million to a number of funds under its Seed and Venture Capital Scheme (2013-2018);
- The review of the Microfinance Fund Ireland (MFI);
- Transitioning of the NPRF into the Ireland Strategic Investment Fund (ISIF); and
- The roll-out of a National Information Campaign on Late Payments.

The support environment for SMEs has also been enhanced by the establishment of the network of Local Enterprise Offices (LEOs).

Overleaf is a summary of some of the main initiatives introduced with the aim of supporting SMEs and promoting the various supports available.

Strategic Banking Corporation of Ireland
On 19 February 2015, the SBCI launched its initial range of products. The SBCI has already signed up the two largest SME lenders in the country, AIB and Bank of Ireland, to deliver products to SMEs. Loans have been available from 9 March 2015 at branches of both banks throughout the entire country. SBCI's funding must be passed to SMEs and the SMEs must receive the full benefit of any discounted rate offered to the partner lenders. SBCI has committed €200 million to each of the initial bank lending partners and has a further €400 million available to other future lenders. Talks are continuing with a number of other potential funding partners from both the banking and non-banking worlds. The SBCI will offer longer-term loans, working capital facilities of two years duration, loans to agriculture, and loans for the refinancing of credit originally extended by banks who have since exited the Irish market.

Credit Guarantee Scheme
The Credit Guarantee was reviewed and resulted in the Minister for Jobs, Enterprise and Innovation requesting Government permission in June 2014 to amend the Credit Guarantee Act 2012. Work has commenced on drafting amended legislation that will increase the level of guarantee, as well as broadening the number of providers and products that can be covered by the Guarantee. It is also intended that this work will result in the Scheme being aligned with the SBCI. This should improve the take-up and impact of the Scheme.

In advance of introducing this primary legislation, on foot of the review of the Credit Guarantee Scheme (CGS) and immediate concerns raised by the Credit Review Office, Business Representative Organisations and the banks, the Minister decided to take urgent action to assist SMEs whose banks have left or are leaving the Irish SME lending market. A new CGS 2015 has now been made in accordance with the terms of the Credit Guarantee Act 2012, which will allow guarantees for refinancing loans where an SME's bank has exited or is exiting the Irish SME market. This new Scheme will also increase the maximum length of guarantees under the CGS from three years to seven years.

Microfinance Ireland
Microfinance Ireland (MFI) operates the Microenterprise Loan Fund Scheme on behalf of the Minister for Jobs, Enterprise and Innovation. In order to determine appropriate actions to improve the uptake and impact of the Scheme, the Minister undertook a review of the operation of MFI. This Review has resulted in a number of recommendations that are now being actioned. This will see a removal of the requirement of a bank refusal, an automatic bank referral system and a renewed communications and marketing strategy.

Ireland Strategic Investment Fund
The legislation to replace the National Pensions Reserve Fund (NPRF) with the Ireland Strategic Investment Fund was enacted in July 2014 and commenced in December 2014. The mandate of the Ireland Strategic Investment Fund is to invest on a commercial basis to support economic activity in Ireland. It will focus in part on SMEs and manage assets worth €7.2 billion by end 2014 (4% of GDP). The investment strategy for ISIF is currently being prepared. The consultation process with both the Ministers for Finance and Public Expenditure and Reform on the ISIF investment strategy is due to conclude shortly.

The ISIF recently announced its first investment since establishment in December, with a €50 million commercial investment as a cornerstone investor in one of the largest healthcare IPOs in Europe. This investment includes a commitment from the company to invest at least three times (€150 million – including €100 million of third party capital) the ISIF investment amount in Irish companies or companies with significant operations in Ireland in the coming years.

Monitoring System for SME Lending in the Banking Sector

In line with the commitment contained in the 'Finance for Growth' chapter of Action Plan for Jobs 2015, AIB and Bank of Ireland provide granular monthly lending data to the Department of Finance. This data is broken down in terms of product, sector and region.

It should be noted that both AIB and Bank of Ireland increased their lending to SMEs in 2014.

Utilisation of Non-Bank Credit Facilities

The SME Credit Fund has completed ten loan transactions totalling approximately €173 million. The SME Equity Fund is active in the market sourcing transactions and it has concluded two deals. The NTMA has advised that there is a strong pipeline under development.

Awareness of State Supports

A supporting SMEs Online Tool was launched in May 2014 to increase awareness among SMEs of the array of Government business supports available. Since its launch, a communications campaign has been sustained through social media and printed media. In addition, officials deliver presentations on the Online Tool at key business events on a regular basis across the country. To date, almost 50,000 sessions have now taken place on the Online Tool, an average of nearly 4,500 every month.

Credit Review Office

The Supporting SMEs Online Tool highlights the role of the Credit Review Office (CRO) to all users. In addition, the CRO has regular advertising campaigns across a number of media – including radio and the printed media - to increase awareness. With more banks opting to join the appeals process, awareness of the Office should increase.

Integrated Export Finance Strategy

As indicated in the Budget 2015, both the SBCI and the ISIF, working closely with Enterprise Ireland, will have a key role in developing the finance products and platforms associated with a new integrated Export Finance Strategy that is being co-ordinated jointly by the Department of Finance and the Department of Jobs, Enterprise and Innovation. Furthermore, both of these key financing institutions have the potential to leverage additional private sector investment into the economy, including the SME sector.

SME State Bodies Group

Since 2012, the SME State Bodies Group has been responsible for developing and implementing the integrated set of actions on Access to Finance / Finance for Growth as set out in the various Action Plans for Jobs, and this will continue in 2015. The establishment of the SBCI is a clear example of a more comprehensive and ambitious delivery over the initial Action Plan for Jobs commitment. The OECD has commended the approach taken by the State Bodies Group in gathering together the main Government Stakeholders into one body with collective responsibility for delivering on time-bound, meaningful actions to help SMEs.

CSR 6: Mortgage Arrears Targets and SME Debt

Monitor banks' performance against the mortgage arrears restructuring targets. Announce ambitious targets for the third and fourth quarters of 2014 for the principal mortgage banks to propose and conclude restructuring solutions for mortgage loans in arrears of more than 90 days, with a view to substantially resolving mortgage arrears by the end of 2014. Continue to assess the sustainability of the concluded restructuring arrangements through audits and targeted on-site reviews. Develop guidelines for the durability of solutions. Publish regular data on banks' SME loan portfolios in arrears to enhance transparency. Develop a strategy to address distressed commercial real-estate exposures. Establish a central credit registry.

Tackling mortgage arrears is a priority for the Government. A whole-of- Government approach has been adopted in addressing the issue with a view to maximising the level of loan restructuring arrangements and minimising the number of home repossessions. Initiatives such as the enactment of Personal Insolvency legislation and establishment of the Insolvency Service of Ireland, the reform of bankruptcy legislation, the introduction of a Mortgage Arrears Information and Advice helpline, and the availability of the mortgage to rent scheme ensure that borrowers are assisted in dealing with their arrears.

Significant progress was made in 2014 in restructuring mortgage accounts. The number of PDH accounts classified as restructured at end 2014 stood at 114,674, an improvement of 29% over the number of restructured accounts for the same period in 2013. Data compiled by the Central Bank on Residential Mortgage Arrears shows that the number of PDH mortgage accounts of greater than 90 days is declining. The Government continues to keep its strategies to address mortgage arrears under review with a view to maintaining the positive progress achieved to date, increasing the uptake and effectiveness of personal insolvency solutions, and further reducing the number of accounts in arrears.

Mortgage Arrears Targets

Ireland has fully implemented the CSR on Mortgage Arrears Targets for 2014. The Central Bank of Ireland (CBI) set further Mortgage Arrears Resolution Targets (MART) for Q3 and Q4 2014. The CBI has reported that all Irish banks that participate in the Mortgage Arrears Resolution Targets have met the MART requirements for Q4 2014.

Mortgage arrears resolution remains a key focus for the CBI and they continue to monitor banks’ progress in this regard, most notably through: intensive ongoing supervisory engagement; audits; on-site reviews of operations and compliance with the Code of Conduct on Mortgage Arrears (CCMA); and ongoing monitoring of performance.

Recognising the material changes to the supervisory landscape since 4 November, the Central Bank has reassessed the supervisory approach to mortgage arrears and, accordingly, has written to each bank setting out new requirements including, *inter alia*, that ‘concluded sustainable solutions’ are in place for the vast majority of distressed borrowers by the end of 2015 and that they meet the ‘terms being met’ target of 75% of concluded solutions to the end of 2015 and beyond.

The banks will also be required to continue to comply with the CCMA, and where they take legal action that may result in loss of ownership for a borrower, they should be prepared to re-engage with the borrower and explore alternative solutions if the borrower re-engages.

Banks are further required to engage fully and appropriately in the process set out in the Personal Insolvency Act, 2012.

Over and above its enhanced supervisory engagement with the banks regarding mortgage arrears resolution, the Central Bank of Ireland has conducted MART audits to examine the banks' processes of proposing and concluding sustainable solutions in accordance with CBI sustainability guidelines. The CBI has completed three MART audits to date.

CBI published sustainability guidelines in September 2013 and subsequently updated them in June 2014.[8]

SME Loan Arrears
CBI has confirmed that the banks have reported that they have met their required targets to date. The sustainable resolution of distressed commercial loans (including SME, Corporate and CRE) remains a significant priority for the Central Bank and will continue to be central to supervisory focus throughout 2015 and beyond.

Develop a Strategy to Address Distressed Commercial Real-Estate Exposures.
NAMA – which addresses distressed real-estate exposures - continues to outperform targets and is well ahead of schedule. It is important to emphasise that a feature of the Irish situation is that SME- and property-related debt are inextricably linked for a variety of reasons; hence, the priority in the restructuring process is to disentangle viable debt from unsustainable property debt. Therefore, banks do not generally manage problem SME and CRE exposures separately.

To date NAMA has redeemed €17.6 billion of NAMA Senior Bonds, exceeding its target of 50%. From inception / Year End 2014 respectively, NAMA has achieved the following:

- total cash generated: €23.7 billion / €8.6 billion
- property and loan sale proceeds: €18.7 billion / €7.8 billion
- non-disposal & other (mainly rental) income: €5 billion / €0.8 billion

Outside of NAMA, the banks have made strong progress in dealing with the resolution of non-retail distressed loans. AIB and BOI's full-year results for 2014 show a year-on-year reduction in non-retail NPLs, including CRE, of around 25%.

Establish a Central Credit Registry
The Credit Reporting Act, 2013 was commenced in January 2014. The Act provides that the CBI is responsible for the establishment and operation of the Central Credit Register (CCR). The CBI has now selected its preferred bidder and the design phase has commenced. As part of this, the CBI recently opened a public consultation process on certain aspects of the detailed design of the CCR.

Overall, the CBI is taking a phased approach to the establishment and development of the Register. The initial phase of the CCR will focus on the consumer credit market and is expected to become operational by mid-2016. A later phase will address commercial credit and is tentatively scheduled to be operational by end 2017.

[8] http://www.centralbank.ie/regulation/industry-sectors/credit-institutions/Documents/Internal%20Guideline%20-%20Sustainable%20Mortgage%20Arrears%20Solutions.pdf

CSR 7: Legal Services Regulation Bill and Courts Data Collection

Reduce the cost of legal proceedings and services and foster competition, including by enacting the Legal Services Regulation Bill by the end of 2014, including its provision allowing the establishment of multi-disciplinary practices, and by seeking to remove the solicitor's lien. Monitor its impact, including on the costs of legal services. Take executive steps to ensure that the Legal Services Regulatory Authority is operational without delay and that it meets its obligations under the legislation, including in terms of publishing regulations or guidelines for multi-disciplinary practices and the resolution of complaints. Improve data collection systems to enable quality and efficiency of judicial proceedings.

Current Situation

The Legal Services Regulation Bill, which was published on 12 October 2011, has completed both Second and Committee Stages in the Dáil. It commenced Dáil Report Stage on 11 July 2014, which was completed on 22 April 2015. It is planned to commence Seanad Second Stage in mid-May 2015. The intention is that the Bill be completed so that the new Legal Services Regulatory Authority can come into operation without delay in 2015.

A series of new amendments that were introduced at Dáil Report Stage strengthen the regulatory powers of the new Authority and make additional prudential provision for any future participation in Legal Partnerships (LPs) and Multi-Disciplinary Practices (MDPs), such that there will be minimal, if any, need for further primary legislation.

Legal Partnerships will be subject to a public consultation process (in relation to their operation and management) to be completed within six months of the establishment of the new Regulatory Authority, to enable their introduction within a year of the Authority’s establishment.

In recognition of the fact that MDPs are still being rolled out in other jurisdictions, provision will now be made to conduct detailed research on the likely effects that their introduction will have on competition, on the Irish legal services market and in relation to the legal professions. The findings of this research on MDPs will then inform the six-month public consultation process already envisaged under the Bill. The commencement of the provisions governing MDPs will become a matter for the Minister following these processes, on foot of their outcomes and recommendations.

These further amendments to Part 8 of the Bill will combine to ensure that the proposed alternative business models for the provision of legal services in the State can be better informed, better established, better operated, better regulated, better for consumers and enterprise and better for the economy.

Seanad Stage

Further significant areas of amendment for the Seanad Stages will arise in relation to matters such as inspections and complaints; the Legal Practitioners’ Disciplinary Tribunal; Limited Liability Partnerships; pre-action protocols for medical negligence cases; and e-filing in the courts.

Data Collection in the Courts Service

The administration and management of the courts is a matter for the Courts Service under the Courts Service Act 1998. There has been significant investment in the courts since the establishment of the Courts Service and that includes the provision of improved ICT systems.

The Courts Service established a Court Caseload Data Committee in 2013 to oversee work to enable the Courts Service's various computerised case support systems to generate, insofar as is feasible, additional data on court caseload disposal as required for the EU Justice Scoreboard, Council of Europe statistical reports, and its own operational requirements.

It is satisfactory to note that the Country Report 2015 observes that progress has been achieved in compliance with the country-specific recommendation on caseload data collection systems. This reflects the work carried out last year to develop and upgrade a range of caseload support systems.

Development/upgrading work has been completed on the following case support systems upgrades:

- District Court Criminal Case Tracking System (CCTS)
- Criminal proceedings on Indictment Case Management System (ICMS) – appeals from trials on indictment only
- District Court Civil excluding Family Law (DCCMS)
- Circuit Court Civil (CCMS)
- District Court Family Law system (all Districts except Dublin)
- Circuit Court Family Law system.

Data extracted would indicate that the systems concerned have capacity to provide caseload data including incoming cases under relevant case categories, cases disposed of in those categories and average time from initiation to disposal. Test reports are currently being evaluated to verify the accuracy of caseload data extracted.

The requirements for reports from the separate Dublin District Court Family Law system are currently in development.

This development/upgrading work is ongoing and, following completion, test reports will be run on those systems to evaluate accuracy of data retrieved. Continued investment in IT (both systems and development) is needed to continue this work.

The aim is to continue to enhance data collection systems to assist in the evaluation of caseload disposal timeframes and other efficiency measures.

4. Progress Towards our Europe 2020 Targets

Target 1: Employment

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

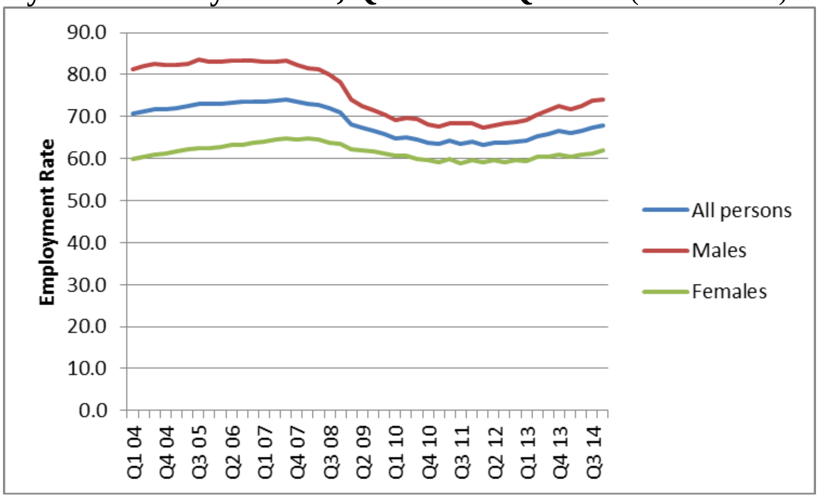
Employment

The employment rate for women and men aged 20-64 was 67.0% in 2014, up by more than 3 percentage points since 2012, showing a continuing improvement in the labour market after a fall from 74% in 2007 to 71% in 2008 and less than 64% in 2012. The employment rate for men in 2014 was 73.0%, up from 68.1% in 2012. The female employment rate has shown a more modest but still significant increase, from 59.4% in 2012 to 61.2% in 2014. The gender gap in employment rates had almost halved from 16 percentage points in 2008 to 9 percentage points in 2012, but has widened slightly since then as male employment began to recover relatively rapidly. The employment rate for young people aged 20-24 has risen from 46.1% in 2012 to 49.4% in 2014.

The employment recovery was initially led by a relatively narrow group of sectors – agriculture,[9] accommodation and food service activities, and professional services.[10] During 2014, employment growth extended more widely in sectoral terms, most notably into construction and manufacturing.

In terms of reaching the mid-point of the 2020 target of employment rates of 69-71%, the employment rate will have to increase by 0.5 percentage points each year. This rate of increase is feasible, provided the recent recovery is maintained into the medium-term.

Figure 2. Employment Rate by Gender, Q1 2004 to Q4 2014 (Source: CSO)

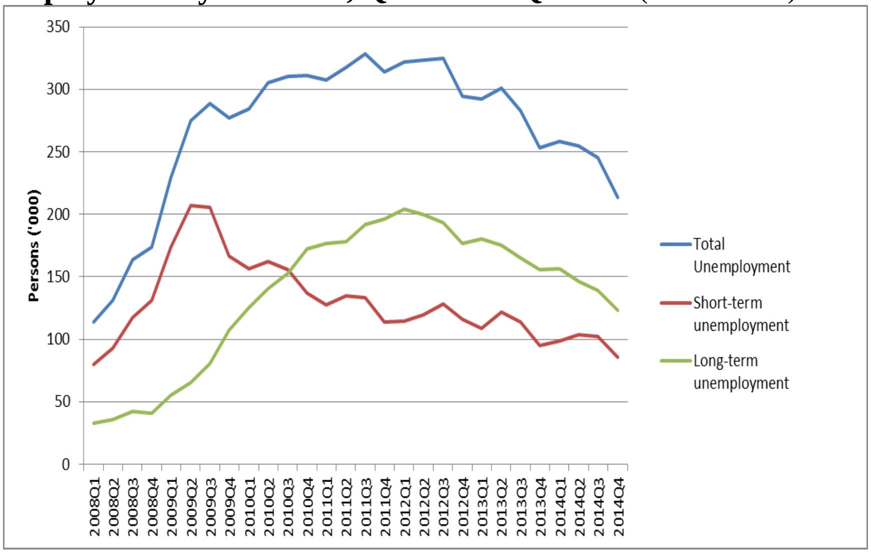


[9] In the case of the Agriculture, forestry and fishing sector it can be noted that estimates of employment in this sector have shown to be sensitive to sample changes over time. Year-on-year growth in 2013 is likely to have been less marked in agriculture, and rather better in all other sectors, than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

[10] These are predominantly legal, accounting and engineering/architecture services.

Unemployment
The seasonally adjusted unemployment rate is currently 9.9% (February 2015 Eurostat estimate); while it has fallen from a peak of 15.1%, the rate remains unacceptably high. The male seasonally adjusted unemployment rate of 11.4% compares with a female unemployment rate of 8.0%.

Figure 3. Unemployment by Duration, Q1 2008 to Q4 2014 (Source: CSO)



While the number who are long-term unemployed has fallen by 73,000 or 37% over the last three years, it is of continued concern that long-term unemployment (defined as being unemployed for a year or more) accounted for almost 58% (123,000) of total unemployment at the end of 2014.

Youth Unemployment
Overall, the under-25 age group had an unemployment rate of 23.9% in 2014 (32.5% for 15-19 year-olds and 21.6% for 20-24 year-olds) down from 30.4% in 2012. This compares to an unemployment rate of 10.4% for prime age workers (ages 25–54). About 38%, on average, of the young unemployed in 2014 were out of work for more than one year.

Despite the high rate of youth unemployment, the absolute number of young unemployed people has fallen somewhat – from close to 80,000 on average in 2009 to 47,000 on average in 2014. The most recent figures show youth unemployment down by 10,000 year-on-year to 39,000 in Q4 2014.

While some of the fall in youth unemployment has been due to the improvement in the labour market it has also partly been a result of demographic developments arising from birth trends in the 1980s and 1990s, the tendency for some young people to stay longer in education rather than seeking work in a depressed market and the impact of emigration. As a result of this fall, young people now represent 19% of all the unemployed, down from a share of 35% in mid-2008.

Based on current trends and projections, the youth unemployment rate should fall below 20% in 2015.

Target 2: Research and Development

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

Ireland has significantly increased its investment in R&D over the past decade and more, while also introducing a range of measures to improve commercialisation of research and build strong linkages between the higher education sector and enterprise. It is estimated that in 2013 the R&D intensity rate is at 1.94% of GNP, which is 1.65% GDP.

GERD (Gross Expenditure on R&D) increased from €1,637 million in 2003 to €2,877 million in 2013 (+78%). Within this:

- HERD (Higher Education R&D) increased from €378 million in 2002 to €708 million in 2010 (+87%), although 2010 witnessed a contraction from a peak of €750 million in 2008.
- GovERD (Government Expenditure on R&D) increased from €145.8 million in 2002 to €169 million in 2008, although it has since fallen back to €129 million in 2013.
- Meanwhile, BERD (Business Expenditure on R&D) increased significantly from €1,245 million in 2003 to €2,099 million in 2013 (+68%).

As a result of this investment, Ireland has built a strong science base and has joined the world's top twenty countries for scientific output.

This investment in the science base has had a positive impact on Ireland's industrial development. More than two thirds of Ireland's R&D is in the private sector, creating new product and service innovations that will drive exports, growth, and jobs. In 2014, of 189 foreign direct investments in Ireland, 24 were in research, development and innovation, activities that are central to productivity and new business development in Ireland's multinational sector.

Despite the challenging economic conditions, indigenous enterprises continue to invest in R&D and these enterprises have proven they can grow exports and create employment. R&D performing firms are gaining an increasing share of sales, export sales and are accounting for increasing shares of employment. Exports from R&D performing companies increased from €44 billion in 2003 to €117 billion in 2013, while for non R&D performing companies, exports decreased from €48 billion to €26 billion, over the same period. In addition, R&D performing firms have demonstrated better employment retention during the challenging economic period.

These trends have been supported through a range of measures, including improvements in fiscal measures to support research and development (modifications to the R&D tax credit), supports for higher education-industry linkages and supports for in-company R&D and start-up companies. The R&D tax credit is a valuable tax-based incentive that is designed to encourage investment in R&D by companies in Ireland. The credit operates by giving businesses 25% of qualifying R&D expenditure in a tax credit or in cash (subject to certain conditions being met). The credit was provided on incremental expenditure to that in 2003 (the 'base year'). As recommended in the 2013 Review of Ireland's R&D Tax Credit regime, Budget 2015 removed the base year restriction, effective from 1 January 2015.

Investment in Science, Technology and Innovation (STI) for Ireland's on-going and future economic and social development and well-being is based on a dual approach. Firstly, investing in people, infrastructure and associated facilities to build and maintain the science base and secondly, direct support to the enterprise sector in order to build its capacity for research and development, including support for the development of technology-based firms as well as encouraging innovative activities in other sectors. Significant steps have been made in establishing a strong public research environment based on scientific excellence in a number of strategic areas.

Ireland's current focus is on accelerating the economic and societal return on STI investment, further strengthening enterprise engagement with public research and driving more commercialisation of publicly performed research. Within this, Research Prioritisation (Ireland's Smart Specialisation Strategy) has been the primary pillar of Ireland's STI policy. The majority of competitive funding is now concentrated on 14 Priority Areas that are deemed most likely to secure greater economic and societal impact, particularly in the form of jobs. The first Progress Report on the implementation of Research Prioritisation was published in July 2014 and reflects progress made in its implementation. An independent assessment of Research Prioritisation is also underway and its findings will inform the development of a new Strategy for STI.

Research Prioritisation was complemented with a range of other policies, including the consolidation of investment in units of scale, increased collaboration between Higher Education Institutes as well as with enterprise, and further facilitation of transfer of knowledge from Research Performing Organisations to enterprise to optimise support for maintaining and creating of jobs.

In this context, legislation to extend the mandate of Science Foundation Ireland (SFI), Ireland's national science foundation, to allow it to fund the full continuum of research (applied as well as basic research) in institutions across all of the 14 Priority Areas entered into force in 2013. SFI is now mandated to invest in research most likely to generate new knowledge, leading edge technologies and competitive enterprises, based on academic excellence and impact.

Thus, SFI has significantly increased the number and range of industry-facing programmes that it supports. It now supports 12 SFI Research Centres of international scale and excellence, involving collaboration between Higher Education Institutes and over 200 companies (split approximately 50/50 between MNCs and SMEs). Government investment of €350 million is matched by €190 million from industry and will support the employment of approximately 1,300 researchers. The 12 Centres are focused on a range of strategic areas of importance to Ireland.

Other industry-facing SFI funding programmes include the SFI Partnership Programme, which supports collaborative projects between companies and academic researchers, and the SFI Industrial Fellowship programme, which funds placement of academic researchers in companies. Overall, more than 900 companies (50/50 SMEs and MNCs) collaborate with SFI funded researchers.

Further key SFI supports include the Starting Investigator Research Grant (SIRG) and Career Development Awards (CDA), which support early career researchers and the prestigious SFI President of Ireland Young Researcher Award (PIYRA) programme.

SFI's Discover Programme seeks to promote the awareness and engagement of the Irish public with science, technology, engineering and maths (STEM) by investing in developing and extending capacity in this area and also exploring and encouraging novel means of public engagement and communications. SFI's Discover Smart Futures initiative aims to deliver and increase the uptake of Science, Technology, Engineering and Maths (STEM) subjects by students at second and third level by 2016.

By establishing a collaborative research ecosystem with a focus on excellence and impact, SFI is also positioning Ireland's researchers to compete effectively for EU funding through the Horizon 2020 Research Programme. International collaboration is a key element of that drive. 2014 has seen an increase in the numbers applying, being short-listed and securing funding from the European Research Council (ERC) programmes. SFI programmes incentivise ERC applications via rewarding ERC awardees and by providing development funding for excellent proposals not funded by the ERC. The first calls to the ERC in the Horizon 2020 era have seen Ireland make enormous strides in terms of applications and award successes.

Through Enterprise Ireland, the government organisation responsible for the development and growth of Irish enterprises in world markets, the Government provides supports for the commercialisation of academic research and collaboration with industry, and there are a number of supports to directly assist companies with research and innovation activities that will lead to job creation and increased exports.

Following on from the publication of an IP Protocol in 2012, the central Technology Transfer Office, known as 'Knowledge Transfer Ireland' (KTI), was established in 2013. KTI's primary role is to be the identifiable access route to the wealth of technology opportunities and academic talent that exists in Research Performing Organisations (RPOs), signposting entrepreneurs and industry towards the relevant sources of knowledge and capability within Ireland's RPOs in order to enable companies to become more innovative and competitive, leading to new products and services, company growth and job creation.

IDA Ireland has a key role in seeking to win high-value R&D investments for Ireland by promoting collaboration between industry, academia, government agencies and regulatory authorities. It also funds in-company R&D. Ireland's strengthened national research ecosystem has enhanced IDA's capacity to attract increased levels of high-value R&D projects, which qualitatively transform and deepen the roots of key multinationals here.

A joint Enterprise Ireland–IDA Ireland Technology Centres programme supports 15 industry-led research centres (Technology Centres), which are undertaking research in specific areas. Generally, the centres are based in a university with support from partner universities to deliver on the research needs of enterprise.

A significant measure in support of the Europe 2020 Strategy is the Horizon 2020 EU Programme for Research and Innovation. The national strategy for participation in Horizon 2020 was approved by the Government in December 2013. It sets out a comprehensive range of actions designed to maximise Ireland's participation in the Programme. A target of €1.25

billion for Ireland's drawdown of funding from Horizon 2020 was adopted. All government Departments and Agencies whose remit includes research and innovation have a role in implementing this strategy and securing the maximum benefits for Ireland. Oversight and direction setting for the implementation of the strategy is carried out on an ongoing basis by the Horizon 2020 High Level Group under the chairmanship of the Department of Jobs, Enterprise and Innovation.

Ireland is now in the process of developing a new Strategy for STI, due for completion in Summer 2015, to place Research Prioritisation and the focus on research relevance and impact within a broader context. The new Strategy will articulate a vision for science, and in doing so incorporate policy around research to support the broader knowledge base and research to support the development of policy in key sectors of relevance to the economy and society (e.g., health, agriculture, marine, energy, environment, communications) and address key challenges.

The new Strategy provides the opportunity for Ireland to build on the progress made to date in developing Ireland's research and innovation system, and to address identified challenges and advance fresh strategic ideas that will distinguish Ireland globally through its ability to make research work to maximum effect for the country.

Actions to Complete the European Research Area

More effective national research systems

One of the most important impacts of the national Research Prioritisation exercise undertaken in 2013 has been the enhanced coordination and cooperation it has engendered between the state agencies and government departments funding research. The funding agencies and departments have a range of mandates, spanning enterprise development (IDA Ireland, EI, SFI); sectoral development (DAFM, MI, Teagasc, SEAI); societal challenges (HRB, EPA) and cross-cutting (HEA, IRC). The Prioritisation Action Group (PAG), by convening senior officials and executives from the funders on a regular basis, provides a forum that facilitates communication and coordination between these bodies while respecting the diversity of their mandates. Furthermore, the development and implementation of the Prioritisation Action Plans has driven practical cooperation at the operational level as the majority of the actions in the Plans require several funders to cooperate in their implementation.

A National Framework for Doctoral Education has been agreed and it will underpin excellence in all forms of doctoral education in Ireland. It provides a set of principles for doctoral education, while recognising the diversity in the Irish higher education system. It is consistent with European and international standards, principles and guidelines, including, for example, the Salzburg Principles, the Salzburg II Recommendations and the Principles for Innovative Doctoral Training.

Optimal transnational co-operation and competition

The national research prioritisation strategy is aligned with grand challenges identified at European level to be addressed through optimal transnational co-operation and competition. Through the Research Prioritisation action plans, the strategy seeks to ensure that Ireland optimises research and innovation investment internationally and leverages international infrastructure as appropriate. Ireland is actively participating in the Joint Programming and ESFRI processes.

An open labour market for researchers

Ireland is recognised as having a very open and transparent system for recruiting researchers. Irish research funding is very open to access by non-national researchers, subject to the research generally having to be carried out in Ireland. The Euraxess Office in Ireland provides an advisory service to both inward and outwardly mobile researchers and supports the implementation of the Third Country Researchers Directive, including through maintaining a database of Hosting Agreements for third country researchers.

A key priority for SFI is the recruitment of leading scientists to Ireland. To this end, SFI runs a suite of prestigious programmes that have been established to attract talent. These include the SFI Research Professorship Programme, which is targeted at very senior level researchers.

Gender equality and gender mainstreaming in research

Ireland has a comprehensive employment equality legislation framework. SFI is committed to redressing gender imbalance among its award holders, of whom 19% are female (source: SFI census 2012). SFI has a performance target to increase the proportion of female award holders to 25% by 2020 by implementing measures to facilitate the retention of excellent female researchers within academia. In support of this, SFI allocated €1.75 million to its Advance Award in 2014 to fund ten awards for early career and established female researchers.

Optimal circulation, access to and transfer of scientific knowledge including via digital ERA

A Policy Statement on National Principles for Open Access was published in October 2012. This was prepared by a committee of Irish research organisations working in partnership to coordinate activities and to combine expertise at a national level to promote unrestricted, online access to outputs that result from research which is wholly or partially funded by the State. The Technology Transfer initiatives described above are strongly aligned with the ERA priority on open access and knowledge transfer.

Target 3: Climate Change and Energy

Reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.

Progress on 2020 Non ETS Targets

Ireland has a very challenging headline target for a 20% reduction in non-ETS emissions by 2020. There are also targets for each year from 2013 onwards. The 2013 target requires Ireland to reduce emissions by 3.5% relative to 2005. Each subsequent target for the years 2014-2019 will be on a linear trajectory between the targets for 2013 and 2020.

The Environmental Protection Agency (EPA) publishes inventories of and projections for greenhouse gas emissions on an annual basis. In the most recently published projections, two scenarios were produced, one which reflects policies and measures in place at the end of 2012 (With Measures Scenario) and another which also incorporates the achievement of 2020 targets for Renewable Energy and Energy Efficiency (With Additional Measures Scenario). The emissions projection for the year 2020 in the two scenarios is 5% and 12% below 2005 levels respectively. Targets for the years 2013-2016 are within reach and beyond this point deficits will arise.

The EPA recently published provisional inventory data for 2013, which estimates that emissions in 2013 totalled 42.122 Mt CO_2e, well below the 2013 target of 46.892 Mt CO_2e (or about 10.5% below the 2005 level); however, emissions in both agriculture and transport grew by more than 2% relative to 2012. This latter development is significant given that these are the two largest sectors in the Irish non-ETS profile, accounting for more than 70% of the total. Finalised inventory data for 2013 and a new set of national greenhouse gas emissions projections will become available over the coming weeks.

National Policy Position on Climate Action and Low Carbon Development

The extent of the challenge to reduce greenhouse gas emissions, in line with our EU and international commitments, is well understood by Government, as reflected in the National Policy Position on Climate Action and Low Carbon Development, published in April 2014, and in the Climate Action and Low-Carbon Development Bill 2015, published in January 2015. The National Policy Position provides high-level policy direction for the adoption and implementation by Government of plans to enable the State to move to a low-carbon economy by 2050. It sets out the high-level, longer-term transition vision for 2050, and it outlines both the level of greenhouse gas mitigation ambition envisaged, and the proposed process to pursue and achieve the overall vision.

The evolution of climate policy in Ireland will be an iterative process based on the adoption by Government of a series of national plans over the period to 2050.

Greenhouse gas mitigation will be addressed in National Mitigation Plans and will be guided by a long-term vision of low carbon transition based on the following greenhouse gas mitigation ambition level, as set out in the National Policy Position:

- an aggregate reduction in carbon dioxide (CO_2) emissions of at least 80% (compared to 1990 levels) by 2050 across the electricity generation, built environment and transport sectors; and
- in parallel, an approach to carbon neutrality in the agriculture and land-use sector, including forestry, which does not compromise capacity for sustainable food production.

The planned climate legislation will provide the statutory basis for the national transition vision for 2050, as set out in the National Policy Position, and statutory obligations in relation to the development of National Mitigation Plans.

Legislation

In accordance with the commitment contained in the *Programme for Government 2011-2016* to introduce primary legislation on climate change, the Minister for the Environment, Community and Local Government published outline Heads of a Climate Action and Low Carbon Development Bill in February 2013. The outline Heads were published in tandem with the final policy analysis report from the Secretariat to the National Economic and Social Council (NESC) entitled *Ireland and the Climate Change Challenge: Connecting 'How Much' with 'How to'*.

Both documents have been the subject of wide-ranging public consultation as part of an examination of the issues by the Oireachtas Joint Committee (Parliamentary Committee) on the Environment, Culture and the Gaeltacht. As part of its work, the Joint Committee invited written submissions from interested individuals/groups and held oral hearings involving selected individuals/groups. Having considered the outline Heads of the Bill, the policy analysis by the NESC Secretariat and the views of stakeholders, the Joint Committee forwarded a report to the Minister for the Environment, Community and Local Government in November 2013. The report and the policy analysis by the NESC Secretariat were key inputs for consideration by Government in adopting a national policy position on the transition to a low-carbon future (see above), including appropriate institutional arrangements, and finalising the introduction of climate legislation.

Subsequently, in April 2014, the Government approved the General Scheme of the Climate Action and Low Carbon Development Bill. The Bill was drafted on the basis of this approved General Scheme, with publication of the Bill occurring in January 2015. The Climate Action and Low Carbon Development Bill 2015 is currently being considered by the Irish Parliament, with enactment expected during the course of 2015.

In summary, the Bill provides a statutory basis for the national objective of transition to a low-carbon, climate resilient and environmentally sustainable economy by the year 2050. In doing so, it also gives a solid statutory foundation to the institutional arrangements necessary to enable the State to pursue and achieve that 'national transition objective'.

In particular, the Bill provides for the development and approval by the Government, of:

- iterative, five-yearly National Mitigation Plans, which shall specify the policy measures to be adopted by various Ministers of the Government to reduce greenhouse gas emissions; and
- iterative, five-yearly National Adaptation Frameworks, which shall specify the national strategy for the application of adaptation measures in different sectors and by

local authorities to reduce the vulnerability of the State to the negative effects of climate change.

The Bill also provides for the establishment of an Expert Advisory Council to provide independent advice to Ministers and the Government on climate change-related matters and which will publish annual and periodic review reports.

National Mitigation Plan

In anticipation of the enactment of the Climate Action and Low Carbon Development Bill 2015, work is already underway on developing the first National Mitigation Plan. The primary objective of this Plan will be to track implementation of measures already underway, and identify additional measures within the longer term to reduce greenhouse gas emissions and progress the overall national low carbon transition agenda to 2050.

Departments with responsibility for four key sectors - electricity generation, the built environment, transport and agriculture – are in the process of developing sectoral mitigation measures for incorporation into the National Mitigation Plan, guided by the vision set out in the National Policy Position.

It is envisaged that the National Mitigation Plan will be developed in tandem with environmental analysis to be carried out through the Strategic Environmental Assessment (SEA) and Appropriate Assessment (AA) processes to ensure that environmental concerns can be adequately integrated into the decision-making and developmental process of the Plan. It is intended to release a draft National Mitigation Plan, together with the draft environmental reports arising from the SEA and AA processes, for a substantial period of open consultation in due course.

Progress Towards EU 2020 Renewable Energy Target

The overarching objective of the Government's energy policy is to ensure secure and sustainable supplies of competitively priced energy to all consumers. Ireland is currently heavily reliant on imported fossil fuels to meet our energy needs. While it is acknowledged that fossil fuels will remain part of the energy mix for some time to come, progress is being made towards increasing the share of indigenous renewable energy in our generation portfolio. The 2009 EU Renewable Energy Directive set Ireland a legally binding target of meeting 16% of our energy requirements from renewable sources by 2020. Ireland is committed to 40% electricity demand from renewable sources, with 10% for transport and 12% for heat.

In 2013, 7.8% of Ireland’s overall energy requirement was met by renewable energy. As a percentage of the targets for each of the three sectors, this equates to 20.9% of electricity demand, 5.7% of heat and 4.9% of transport energy needs, being met by renewable energy in 2013.

To date, wind energy has been the largest driver of growth in renewable electricity, contributing most towards the achievement of the 2020 target. The principal supports in place to incentivise renewable generation of electricity are the three Renewable Energy Feed-in Tariff schemes. In 2013, 16.5% of electricity demand was met by wind generation. There is now over 2,500MW of renewable electricity generation connected to the grid, of which in excess of 2,200MW is wind. It is estimated that a total of between 3,500 and 4,000MW of onshore renewable generation capacity will be required for Ireland to meet its 40% renewable electricity target. Currently, around 3,000MW of renewable generation has taken up connection offers under the Gate 3 grid connection programme. In addition, in February 2014 the Offshore Renewable Energy Development Plan (OREDP) was published, which will provide a framework for the sustainable development of Ireland's abundant offshore renewable electricity resources in the period beyond 2020.

The Department for Communications, Energy and Natural Resources is considering the appropriateness of a new support scheme for electricity to be available from 2016 onwards. A key component of this will be consideration of the available technologies, their cost effectiveness and the level of any support. Any scheme would be subject to State Aid Clearance and the initial public consultation on its development will commence shortly.

With regard to renewable transport, Ireland expects sustainable biofuels to be the largest contributor of renewable energy to the 10% target. The biofuels obligation was increased to 6% by volume from January 2013 and it is proposed to increase the rate progressively between now and 2020, taking into account, *inter alia*, the outcome of the discussions of the Commission's legislative proposal to limit the contribution of certain food-based biofuels – the 'ILUC' proposal.

Electrification of transport is expected to make a small contribution to decreasing our reliance on fossil fuels and increasing renewable energy in the transport sector, and Ireland's third National Energy Efficiency Action Plan to 2020 estimates that approximately 50,000 electric vehicles (EVs) could form part of the transport fleet in 2020. A grant support scheme for Electric Vehicle consumers has been in place since 2011 where the consumer receives up to €5,000 off the cost price of the vehicle. In addition, Electric Vehicles are treated favourably under Ireland's motor tax system and qualify for VRT reliefs of up to €5,000. However, the extent to which electric vehicles are adopted in the short-to-medium term will depend on a range of factors including, *inter alia*, the strength of the economy, the overall numbers of new cars being purchased, the cost of purchasing and running electric vehicles compared to fossil fuel comparators, and the number of different electric vehicle models available to purchase. Although the initial uptake of Electric Vehicles has been lower than originally anticipated, there has been significant growth in demand since 2014 and in the year to date. There has also been significant progress made with respect to the deployment of a publicly accessible charging infrastructure and as of the end of 2014, there were 901 public charge-points installed including 69 DC fast chargers, most of which have been installed on the main interurban routes.

The deployment of renewable sources of heat is currently underpinned through Part L of the Building Regulations and REFIT 3, which supports biomass combined heat and power. Furthermore, the Draft Bioenergy Plan, which was published in October last year, recommends, subject to further approvals, the introduction of a Renewable Heat Incentive (RHI) for larger heat users to change to heating solutions that produce heat from renewable sources. It is proposed to have the scheme in place in 2016.

Energy Efficiency

The EU has set a target of a 20% improvement in energy efficiency by 2020. While the target is not binding, implementation of a comprehensive range of measures set out in the 2012 Energy Efficiency Directive is obligatory and supports the rationale for a national energy improvement target of 20%. This target is equivalent to 31,925 Gigawatt hours (GWh) and includes a target of 33% for improvement in energy efficiency in the public sector.

The National Energy Efficiency Action Plan (NEEAP) provides the policy framework for energy efficiency in Ireland and includes the measures through which the Energy Efficiency Directive is being implemented here. In April 2014, the Department of Communications, Energy and Natural Resources submitted Ireland's third NEEAP to the European Commission, reporting our progress to end 2012. At that point Ireland had recorded savings of 11,419 GWh, representing 36% of our national target. That figure had risen to 14,764 GWh by end 2013, or 46%.

The mix of energy policy measures across the various sectors of the economy will be kept under constant review and adapted as necessary to ensure they are contributing the energy savings required to meet our 2020 objectives.

Through the *Better Energy Homes* programme, which provides grant support to householders who undertake energy efficiency improvements, 163,471 homes have undertaken energy efficiency retrofits, with a total government investment of €171 million. Under the *Better Energy Warmer Homes* programme, 112,834 homes in energy poverty have received free energy efficiency improvements, with a total Government investment of nearly €137 million. A further 9,644 homes have received energy efficiency upgrades under the *Better Energy Areas and Communities Programme*, with €46.8 million in government funds invested.

BETTER ENERGY PROGRAMMES:

	2011		**2012**		**2013**		**2014**	
Programme	**Homes Grant Aided**	**Spend**	**Homes Grant Aided**	**Spend**	**Homes Grant Aided**	**Spend**	**Homes Grant Aided**	**Spend**
Better Energy Homes	49,236	€57.6m	26,426	€28.95m	13,710	€13.16m	9,927	€9.9m
Better Energy Warmer Homes	20,388	€21.4m	12,175	€20.5m	9,803	€17.55m	9,056	€20.7m
Better Energy Communities	n/a	n/a	18 projects	€1.8m (pilot)	50 projects	€10.7m	58 projects	€14.6m
Better Energy Areas	n/a	n/a	1933	€4.1m	2877	€6.9m	3209	€9.05m
Totals	**69,624**	**€79m**	**40,534**	**€55.35m**	**26,390**	**€48.31m**	**22,192**	**€53.75m**

In total, nearly one sixth of all homes in the country have received a government-supported energy efficiency upgrade. Some €39.4 million has been allocated to the Better Energy Programme in 2015.

2014 SEAI Capital Spend

Programme	Grant Spend (€M)	total spend including leveraged (€M)	Energy Saved (GWh)	Value of Energy Savings (€M)	CO2 Savings (kt)	Jobs supported
Better Energy Homes	€9.90	€51.20	54.6	€3.70	13.5	1,056
Better Energy Warmer Homes	€19.90	€20.70	19	€1.30	4.7	427
Better Energy Communities	€14.50	€30.90	70.6	€4.20	17.5	637
Better Energy Area Based	€9.05	€15.20	24.9	€1.70	6.2	313
Totals	**€53.30**	**€118.00**	**169.1**	**€10.90**	**41.9**	**2,433**

Funding for SEAI also supports a number of programmes aimed at encouraging energy efficiency among businesses. For example, the *Large Industry Energy Network* (LIEN) is a voluntary grouping of companies that work together to develop and maintain robust energy management. The network provides sharing of best practice and case studies. Information seminars are organised on a regular basis to build capacity and exchange new learning and approaches to reducing energy consumption. 160 of Ireland's largest energy users are members of the LIEN. Over 80 of these companies are also members of the Energy Agreement programme and are now working towards the new international standard ISO 50001. LIEN membership accounts for over 60% of Ireland's industrial energy requirement.

A dedicated support programme for small to medium energy users has also been operated by SEAI since 2008. The programme offers free energy management advice, mentoring, training and other support services to any business willing to show a commitment to becoming more energy efficient. This service delivery includes the provision of an initial energy audit and offers a structured approach to energy management in a form that can be adapted and tailored to the level of energy costs in the company. The programme has been successful in identifying and assisting in the implementation of energy efficiency retrofits in a large number of commercial buildings.

National Energy Services Framework (NESF)

Energy Performance Contracting (EPC) and Energy Service Companies (ESCOs) have long been recognised as a potential route for overcoming financing and other barriers to energy efficiency projects. While there are recognised barriers to the large-scale deployment of ESCO/EPC contracting, there are also benefits in terms of energy savings.

This National Energy Services Framework aims to overcome barriers to ESCO/EPC models by providing guidance on routes to project development, sources of finance, model contracts and exemplar projects. The first National Energy Services Framework guidance document was launched in January 2013. The guidance document is kept under ongoing review by the framework implementation group and any updates necessary are made by that group without delay.

The Exemplar projects are designed as a proving ground for the ESCO model of energy efficiency delivery and as a means to promote and transfer this model to accelerate and leverage energy efficiency investment projects in both the public sector and business sectors. There are 17 active Exemplar projects, 11 in the public sector and six in the private sector. Of these, two are complete – Tesco and the Intercontinental Dublin; the remaining 15 are making good progress and are being actively supported with technical assistance from SEAI.

There are a further ten projects (three public and seven private sector), which SEAI are liaising with, who may in time utilise the Framework and Fund for support. Of note is that there are two Irish Water projects from the public sector bundle that are being prioritised based on their being the largest energy consumers identified. Finally, there are an additional 13 projects from 12 organisations conducting 'special investigations', which are at an early stage assessment to see if they are potentially viable. In general, these are projects looking to trial innovative energy saving technologies and include several members of the Large Industry Energy Network (LIEN).

Energy Efficiency Fund
Ireland's first ever National Energy Efficiency Fund was launched in March 2014, with a capital injection of €17.2 million from the Irish Government and private sector capital from London & Regional Properties (€12.8 million) and Glen Dimplex Group (€5 million). The Fund Manager is actively seeking additional finance and expects to proceed to second close, which will involve an additional capital injection of €17.8 million from the Government and at least matching private sector funds.

This Fund is analogous to a green investment bank. The Fund will make finance available to support the clear opportunity that exists in both the public and commercial sectors. In addition, by demonstrating the viability of such investments, the Fund will help to promote finance from other sources in the energy efficiency sector. Sustainable Development Capital LLP (SDCL) has been selected to manage the Fund.

Tesco Ireland has become the first company to avail of the Fund as part of a significant retrofit programme, and the first Sustainable Energy Authority of Ireland Exemplar project under the National Energy Services Framework to reach financial close. A second project has also received funding and the pipeline for projects in 2015 appears encouraging.

Should the Fund invest all its monies, it is estimated that it will stimulate at least 600 additional jobs and potentially many more depending on the leverage used in individual investments. Furthermore, cumulative energy savings of over 900GWh are anticipated, which will assist Ireland to meet our 2020 energy savings target.

Better Energy Financing (BEF) Scheme
A BEF project team has carried out detailed analysis of similar schemes in other jurisdictions and is facing the same problems evident elsewhere. Cost is a key issue. The level of indebtedness of Irish households cannot be ignored and it is unlikely that there is much appetite here for the shouldering of yet more debt to finance energy efficiency in the home.

The SEAI has been tasked to draw up a detailed implementation plan for the design, development and execution of the Scheme. BEF pilots will be included in the Better Communities Scheme in 2015. It is application-led, with a closing date of March 2015. Applications will be evaluated and projects selected on a competitive basis.

The core elements of the Scheme are likely to include:

- Accredited over-the-counter loan products that are accessible and convenient and which the retail banks and credit unions will be asked to design;
- A quality assurance code of practice and warranty scheme to ensure consumer confidence in the Scheme;
- A framework and procedures for the accreditation of individual or company participants in the various roles necessary for the operation of the BEF Scheme;
- A BEF Scheme brand, marketing strategy and a quality mark to raise awareness and provide consumer assurance and confidence in the benefits of an energy efficiency retrofit Scheme as a whole;
- A BEF Scheme assessment and quotation process and software tool.

Given the necessary technical, administrative and financial pillars to underpin the Scheme, and the likely need for primary legislation, an energy efficiency loan scheme will need to be rolled out gradually over the next two years.

The BEF Scheme is anticipated to introduce Energy Improvement Plans (EIP), which will simplify the information-gathering and decision-making process for the consumer by providing clear advice on which measures should be undertaken, in what order and their potential benefits. By providing the consumer with detailed information on energy efficiency improvements, the BEF Scheme will clearly highlight to the consumer how they could begin the process of making their home more energy efficient and comfortable by undertaking smaller measures or part measures in the short-term.

Target 4: Education

To reduce the percentage of 18-24 year olds with at most lower secondary education and not in further education and training to 8%; to increase the share of 30-34 year olds who have completed tertiary or equivalent education to at least 60%.

Our highly adaptable and effective workforce has proven to be one of our competitive advantages in the past. A key focus of Government is ensuring that we continue to have the right skills to attract, retain and grow job opportunities and investment. A well-educated workforce will support Ireland's recovery, and remains the principal means by which we can deliver high standards of living for our citizens.

The IMD World Talent Report 2014 ranked Ireland sixth in the world. Notable underlying metrics in the report include the fact that we are ranked number one in the world for availability of skilled labour and fifth for an education system that meets the needs of a competitive economy.

Ensuring that all our school pupils have essential life skills like literacy, numeracy, language skills and scientific competence will continue to be accorded priority. This will be increasingly complemented by an emphasis on developing the intellectual capacity of children to innovate, solve problems and apply their own intelligence in a creative manner.

Ireland's capacity to compete internationally will need a higher education sector with a reputation for innovation, quality and a capacity to work with enterprise to transform intellectual capital into economic value. An increasingly competitive international economy requires that Ireland's education system adapt and provide skills that allow Irish graduates to compete for employment with others from around the world. To make this possible, the effectiveness and sustainability of our higher education system are essential.

Reforms to our education system will not be targeted only at those currently at school or affected by unemployment. We must also endeavour to continue developing the skills of people who are currently at work. The rapid pace at which technology is advancing and new industries are emerging make this objective an imperative for small, open economies such as ours.

Tackling Early School Leaving

The percentage of early school leavers in Ireland fell from 11.4% in 2010 to 8.4% in 2013. This represents very positive progress towards achievement of our 8% target. A number of measures have been put in place to support achievement of the target as outlined below.

Implementation of the National Action Plan: Delivering Equality of Opportunity in Schools (DEIS)

DEIS focuses on addressing the educational needs of children and young people from disadvantaged communities, from pre-school through second-level education. 849 primary and second-level schools are participating in DEIS. All of these schools are eligible for a range of additional supports to assist them in working to improve attendance, retention and educational outcomes for their students.

There is clear evidence that the DEIS programme is having a positive effect on tackling educational disadvantage. The Educational Research Centre published a bulletin report in December 2013 entitled ‘Changes in pupil achievement in urban primary schools between 2010 and 2013’. This report provides research findings on how pupils in DEIS schools are performing in Reading and Mathematics. The report found that test scores in DEIS primary schools at all grades have increased significantly.

An overall report on the ‘Learning from DEIS’ has been commissioned from the ESRI in order to inform future policy on educational disadvantage, including DEIS.

Retention

The latest Report on Retention Rates in second-level schools presents the retention rates of pupils who entered the first year of the Junior Cycle in the year 2008 and completed second level schooling no later than 2014. The report shows that:

- the percentage of students sitting the terminal Leaving Cert examination has risen by 8.3% to 90.6% in 11 years;
- the average Leaving Certificate retention rate in DEIS schools increased from 68.2% for the 2001 cohort to 82.1% for the 2008 cohort.

Integration of Educational Welfare Services

The Educational Welfare Services have developed a new Integrated Model of Service Delivery involving the Educational Welfare Service, the Home School Community Liaison Scheme, the School Completion Programme and schools themselves, which is aimed at improving service delivery to schools, children and their families. This new service model is designed to facilitate a standardisation of service delivery across the country whilst also taking into consideration the need for flexibility, given the unique nature of difficulties presenting in individual children's lives. Pilot testing of the model was undertaken by Tusla, the Child and Family Agency, in 2014.

National Strategy to Improve Literacy and Numeracy Among Children and Young People

The Literacy and Numeracy Strategy, launched in 2011, continues to be rolled out in 2015. A commitment has been made to increase the annual budget to some €14 million in 2015, as compared with the 2014 allocation of €9 million. The Strategy responds to areas of weakness identified in national studies and sets ambitious targets for improvement covering early childhood, primary and secondary education. All primary and post-primary schools are participating in the implementation of the strategy, and all are required to set targets for the improvement of literacy and numeracy skills. Children who do not learn to read, write and communicate effectively are more likely to leave school early and, therefore, the Strategy is an important measure assisting achievement of the national early school leaving target.

Significant progress has been made since the launch of the Strategy. The time spent on literacy and numeracy at primary level has increased and the revision of the English and Irish curriculum is being prioritised in Junior Cycle Reform (see below). Major changes have been made to initial teacher education programmes, and literacy and numeracy units are now in place in the National Teacher Induction Programme. School self-evaluation has been rolled out and new requirements have been introduced on standardised testing, including the return of aggregate data to the Department of Education and Skills. A national programme of Continuing Professional Development for primary and second level teachers continues.

There have been significant improvements in literacy and numeracy standards at primary as demonstrated in the results of the national assessments published in January 2015. PISA 2012 results also show improvements for our post-primary students.

Reform of the Junior Cycle of Secondary Education

In October 2012, the Minister for Education and Skills published the Framework for Junior Cycle Reform, which will see students - rather than examinations - at the centre of the new approach to assessment. The new Framework amounts to a radical shake-up of the three year junior cycle programme for young people from age 12 – 15/16 years. National research of the current Junior Cycle has highlighted that some students are:

- Not progressing in first year
- Disengaging in second year
- Not developing their particular skills and interests.

The new Junior Cycle is about providing our students with a broad and balanced learning experience, incorporating the development of a range of knowledge, skills and competences. It is about engaging our young people and giving them a quality learning experience that interests them and will prepare them for Senior Cycle and for life beyond second level education. It will contribute to tackling the problem of early school leaving.

Following intense discussions with education stakeholders, the Minister for Education and Skills accepted the proposals of an independent facilitator as the basis for agreement in relation to the implementation of the Junior Cycle reform. Work is now underway with the education partners, apart from the Teacher Unions, on what resources are required for the successful implementation of the reform. When the Teacher Unions also accept the facilitator's proposal, they will be welcome on board.

The immediate focus is on the roll-out of Continuing Professional Development for teachers, particularly English teachers, so as to support them with the information and knowledge they need to effectively deliver a curriculum that is already in place in schools since September 2014. A dedicated team, the Junior Cycle for Teachers, has been established by the Minister and is working to provide a professional resource that can upskill teachers and give them the confidence and competence to teach and assess their students in this new quality learning environment.

Other resources will be needed by schools to successfully implement the reform. For example, the National Council for Curriculum and Assessment will continue to prepare new subject specifications, the State Examinations Commission will continue to provide examinations for certified aspects of the junior cycle assessment and the new Support Service for Assessment will provide independent advice and support to schools and teachers in relation to school-based assessment.

Tertiary Attainment

The latest Eurostat data shows that Ireland's tertiary attainment rate for 30-34 year olds was 52.6% in 2013, up from 49.7% in 2011. Since 2009, Ireland has had the highest rate for this indicator of the EU27 countries. In the tertiary attainment rate for 25-34 year olds' indicator presented by the OECD, Ireland ranks first in the EU27 and fourth in the OECD. This increase is due to the high participation rates for school leavers - rates that have been growing steadily over the last decade, and the growing participation of adults in higher education.

Combined full- and part-time enrolments in publicly-funded higher education institutions rose by 2.4% between the 2012/13 and 2013/14 academic years. Combined full- and part-time graduate numbers increased by 6.7% between 2012 and 2013. Full-time mature enrolments increased by approximately 1,000 (or 2%), while the number of full-time mature new entrants also increased by around 2% to almost 6,000. The number of part-time enrolments remained steady at approximately 35,000.

Implementation of a wide-ranging reform programme in higher education is underway to enhance the quality of research, teaching and engagement in the system, modernise the governance and accountability of institutions and restructure the system to achieve those aims. In particular, the setting-up of regional clusters of higher education institutions will lead to significant improvements in the delivery of programmes to students as well as to better links with industry.

A new System Performance Framework for 2014-2016 is now in place and government system objectives have been conveyed to higher education institutions (HEIs) by the Higher Education Authority (HEA). This framework formed the basis for agreement of performance compacts between each HEI and the HEA earlier this year. It also framed the production of the first ever Annual System Performance Report, which was published in 2014.

Having established a baseline, we will now be able to both steer and track system performance on an annual basis. The introduction of the System Performance Framework, coupled with the Strategic Dialogue process and performance funding, will provide a coherent and structured framework for a changed relationship between the State and the higher education sector in the future.

Overall, these changes are intended to create a more dynamic, responsive and high quality higher education sector with a strong network of outward-facing institutions with critical mass and with the strengths in research, innovation and teaching to support economic well-being, which will help to raise the international profile and performance of Ireland's institutions.

Specific initiatives that are being progressed include:

- The Department of Education and Skills is leading on the development of a new National Skills Strategy, which will present an opportunity to comprehensively assess skills needs and provision at a national level and respond accordingly.
- A report on the results of the 2014 survey of employer satisfaction is currently being finalised.
- A project is underway to develop employer engagement structures at regional level to encompass providers in Further Education and Training and Higher Education.
- Foreign Languages: A consultation exercise has recently concluded that will underpin the development of a new *Foreign Languages in Education Strategy*, to be published in 2015. The development of appropriate policy responses will also involve further detailed engagement with industry on their requirements.
- Targeted skills initiatives in higher education under the Government’s Skills to Work programmes:
    - ICT Skills Action Plan is intended to make Ireland the most attractive destination in the world for ICT Skills availability.
    - Springboard provides free part-time higher education and training courses for unemployed and previously self-employed people who require up-skilling in areas

of emerging skills needs, including ICT, high-level manufacturing, international financial services, international selling (including languages) and cross-enterprise skills including the skills needs of exporting sectors.

In 2013, the Minister for Education and Skills announced agreed commitments to a number of measures by second and third level education partners that will improve the transition between second level and higher education, entitled *'Supporting a Better Transition from Second Level to Higher Education: Key Directions and Next Steps'.* This initiative will, among other things, contribute to achieving improvements in retention and completion rates both at second level and in higher education.

Widening Participation in Higher Education

A new National Plan for Equity of Access to higher education will be published in 2015 to promote access for disadvantaged groups and to put in place coherent pathways from second level education, from further education and from other non-traditional entry routes, with the objective of progressing towards the Bologna Process objective of ensuring that the student body entering, participating in and completing higher education reflects the diversity of Ireland's population.

Under the new performance framework for higher education, specific system objectives have been established, which include the promotion of access for disadvantaged groups, the putting in place of coherent pathways to higher education, and pursuing excellence in teaching and learning to underpin a high quality experience for a more diverse student population. The high-level system indicators for 2014-2016 will specifically cover these areas and the HEA will report to the Minister on the performance of the system in meeting these targets on an annual basis.

The Department has also commenced work on the development of a strategic life-course approach to social inclusion across the continuum of education as part of its Education and Training Integrated Reform Delivery Plan 2014.

Financial Support for Students

Student Universal Support Ireland (SUSI), the new single on-line student grant application system, provides students with a single point of contact and is a more cost efficient and effective service delivery channel, introducing extensive electronic information sharing between Government Departments and public bodies to simplify the application process. It also reforms the payment system for students, introducing monthly electronic payments directly to students' bank accounts. The system is progressively taking on all new grant applications and annual grant renewals. The development of a data strategy between SUSI and the HEA will enable increased visibility and better management data on those qualifying for student grants.

In 2014/2015, SUSI continued to make significant improvements to its systems and procedures to streamline the grant application, processing and payment processes. These and other SUSI changes have led to speedier processing of grant applications and payment of awarded grants and a much improved experience for applicants in the second year of operation. SUSI met its targets for processing and payment of student grants to end-December 2014 in line with its agreed performance metrics. By end December 2014, 87% of new applications had been processed to completion compared to 60% processed to completion by end December 2012. In addition, by end December 2014, SUSI had 37,700 (98%) of its renewal applications processed to completion.

In addition to these improvements, Budget 2015 announced that an additional monthly student maintenance payment will be brought forward into the first semester from the 2015/2016 academic year, providing earlier support for students. Staged payment of the Student Contribution to institutions on behalf of qualifying students will also facilitate those who drop out or change course to benefit from this support if they return to higher education.

Target 5: Poverty

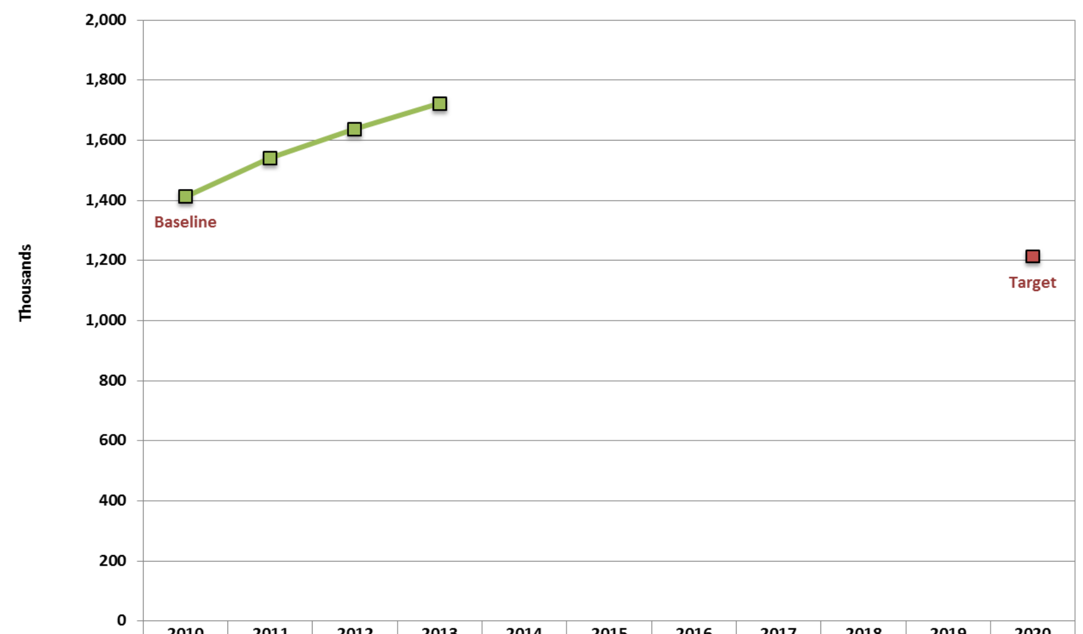
To reduce the number experiencing consistent poverty to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%.

The Irish contribution to the Europe 2020 poverty target is to reduce by a minimum of 200,000 the population in combined poverty (either consistent poverty, at-risk-of-poverty or basic deprivation).

The Social Inclusion Monitor is the official statement on progress towards meeting the national social target for poverty reduction and supporting indicators. The latest poverty figures for 2013 show that consistent poverty increased marginally to 8.2%, leaving a gap of four percentage points to be bridged to meet the interim poverty target by 2016. In 2013, groups with the highest rates of consistent poverty (20-24%) were individuals who were unemployed and those living in lone parent families or social housing. While the Border, South-East and West regions have the highest levels of consistent poverty (9-18%), in overall terms poverty is not spatially concentrated. See the Social Inclusion Monitor 2013 for more details.

The population affected by 'combined poverty' was 37.5% in 2013, compared to 35.7% in 2012. This figure reflects an increase in the national indicator of basic deprivation (up 3.6 percentage points to 30.5%), while the national indicator of at-risk-of-poverty reduced by 1.3 percentage points to 15.2%. Nominally, this equated to 1.7 million people and is 310,000 people over the 2010 baseline figure (see Figure 4).

Figure 4. Ireland's Contribution to the Europe 2020 Poverty Target

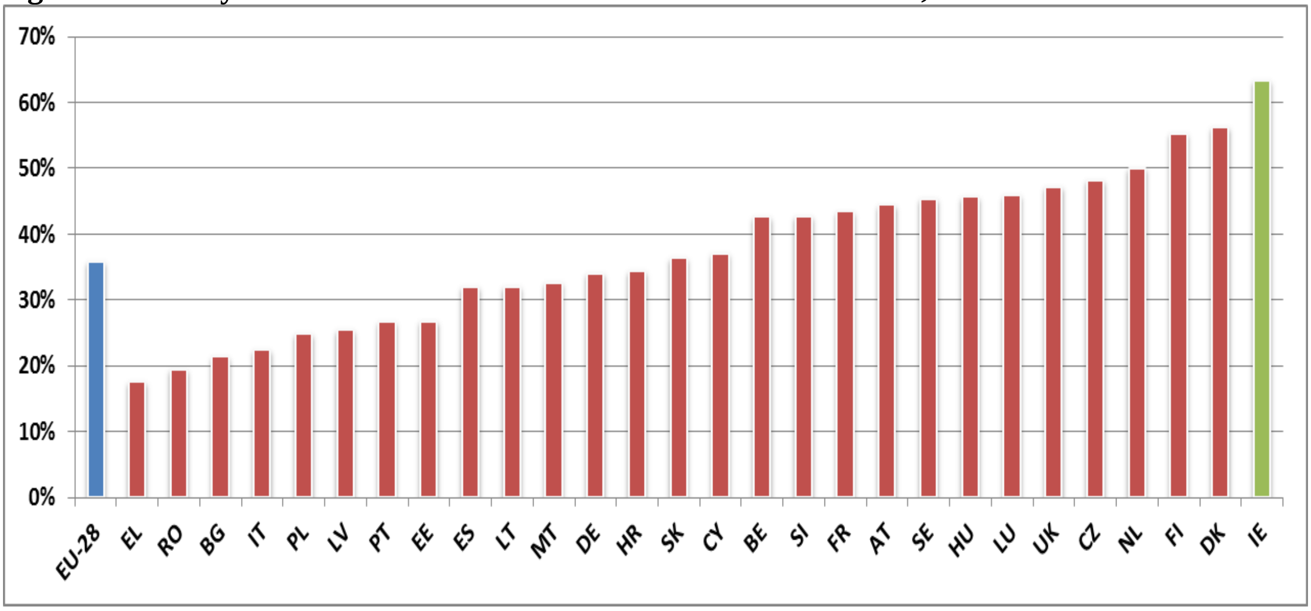


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IE combined poverty ('000s)	1,412	1,542	1,637	1,722							1,212
IE combined poverty %	31.0%	33.6%	35.7%	37.5%							

Source: CSO SILC, various years

The Europe 2020 indicators show that in 2013, the at-risk-of-poverty rate fell from 15.7% to 14.1%. The EU average is 16.6% and Ireland ranks seventh of the 28 Member States. One of the reasons for the reduction is the enhanced impact of social transfers. According to Eurostat, Ireland is the best performing countries in the EU in reducing poverty through social transfers (excluding pensions) at 63%. This compares to the EU average of 35%. The rate of severe material deprivation was 9.9%, which is largely unchanged on 2012. Ireland ranks 16th of the 28 member states on this indicator. Ireland does not report on the very low work intensity indicator of jobless households, for the reason previously outlined in the discussion on CSR 4.

Figure 5. Poverty Reduction Effect of Social Transfers in the EU-28, 2013



Source: EU-SILC, various years

In 2014, Ireland adopted a child poverty target, which is to lift 70,000 children out of consistent poverty by 2020, a reduction of two-thirds on the 2011 baseline. There was an increase in consistent poverty among children to over 11%. The child poverty target now requires 101,000 children to be lifted out of poverty by 2020.

Policy Framework for Tackling Poverty

Ireland's active inclusion strategy for meeting the national social target for poverty reduction is based on the 'developmental welfare state', as outlined in the National Action Plan for Social Inclusion (NAPinclusion). This adopts a lifecycle approach which places the individual at the centre of policy development and delivery. It has three main policy components:

a) Adequate minimum income
b) Inclusive labour markets
c) Access to quality services

Over the duration of NAPinclusion, Ireland experienced a major economic recession complicated by banking and fiscal crises. The challenges now are very different to when the plan was drawn up in 2007. Many new strategies have emerged that are relevant to poverty and social inclusion but which are not adequately reflected in NAPinclusion. These include the National Reform Programme, the European Semester and the Statement of Government Priorities 2014-2016. Also, certain NAPinclusion high level goals and their associated actions now appear out of date.

It is recognised that a broader updating of NAPinclusion for the extended period 2015-2017 is necessary. To facilitate this update, government departments have been requested to indicate how the high level goals might be re-formulated. In addition, the 2015 Social Inclusion Forum featured a consultation with community and voluntary groups on the current poverty challenges and the key priorities for the period 2015-2017. It is expected that an updated NAPinclusion will be prepared in April 2015. This updating task is a transitional measure pending a full review of NAPinclusion in 2017.

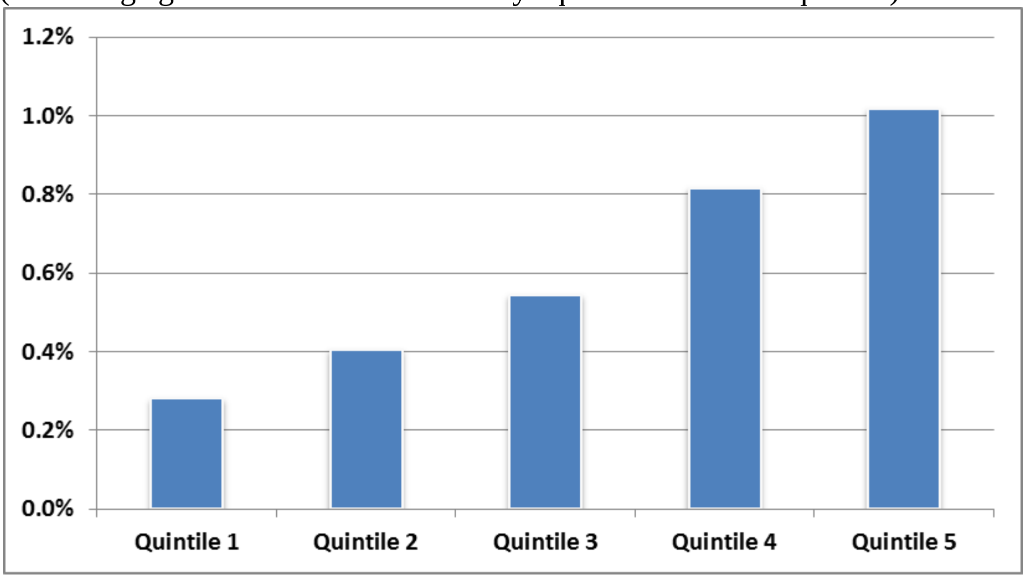
New measures to support inclusive labour markets were presented in the discussion on CSR 4. The focus on this section will be on the distributive impact of Budget 2015 and access to quality services for children.

Distributive Impact of Budget 2015[11]

In Budget 2015, the Government was in a position to target additional welfare spending to help families and to support the most vulnerable, amounting to over €160 million. Measures to reduce income tax were also introduced. A social impact assessment of the Budget, including the new water charges, found that for the first time since the economic crisis, welfare and income tax policy will result in an increase in average household incomes of 0.7% (equivalent of almost €6 per week). The gains for low income households will be between 0.2 and 0.4%.

Figure 6. Distributive Impact of Budget 2015 (Source: SWITCH, the ESRI tax-benefit model)

(Percentage gain in household income by equivalised income quintile)



[11] SIA is an evidence-based methodology to estimate the likely distributive effects of policy proposals on income and social inequality. It uses a tax-welfare simulation model known as SWITCH to measure the distributive and poverty impacts, including the impact on family types, lifecycle groups and gender. The Department publishes an integrated SIA which includes both the welfare and tax measures. Both it and the ESRI are working with line departments to improve the capacity of the model to conduct SIA in a broader range of policy areas (e.g., the housing assistance payment (HAP) and medical cards).

Access to Quality Services for Children

Better Outcomes, Brighter Futures represents the first overarching national children's policy framework comprehending the age ranges spanning children and young people (0 – 24 years). It adopts a whole-of-government approach to improving outcomes for children and young people and will be underpinned by a number of constituent strategies in the areas of early years, youth and participation, which are due for completion in 2015.

Better Outcomes, Brighter Futures establishes a shared set of national outcomes for children and young people towards which all government departments and agencies, statutory services and the voluntary and community sectors will work to ensure a coherent response for children and young people. Children and young people should be:

- Active and healthy with physical and mental wellbeing
- Achieving full potential in all areas of learning and development
- Safe and protected from harm
- Enjoying economic security and opportunity
- Connected, respected and contributing to their world

Area Based Childhood Programmes

An area-based approach to child poverty initiative, the Area Based Childhood programmes (ABC), designed to deliver prevention and early intervention programmes, is undergoing significant expansion. The ABC Programme aims to break "*the cycle of child poverty within areas where it is most deeply entrenched and where children are most disadvantaged, through integrated and effective services and interventions.*" These interventions and services cover a broad range of areas, including parenting, early education, speech and language therapy, and pro-social behaviour, and involve programmes that have been tested in an international context. The ABC Programme is co-funded by Department of Children and Youth Affairs and the Atlantic Philanthropies on a matched basis with €29.7 million being provided over the life-cycle of the programme. 13 Sites were approved for entry into programme including three former Prevention and Early Intervention Programme (PEIP) Sites.

The Centre for Effective Services in cooperation with an ABC Expert Advisory Council is developing an evaluation programme for the ABC Programme. The evaluation will be focusing on the impact of the ABC programmes on the children and families directly involved in the ABC Programme.

In the shorter term, CES will also work with the ABC sites to develop their ability to collect and use data to inform and improve their service delivery at operational, management and strategic levels. In supporting this, each ABC site will be provided with regular evaluations of their work. In the longer term, it will also evaluate whether service provision (including inter-agency work) to children and families has improved.

Children and Young People's Services Committees (CYPSCs)

Previously Children's Services Committees (CSCs), Children and Young People's Services Committees (CYPSCs) arose from the Department of Children and Youth Affairs' *Working Together for Children Initiative* to develop and implement a local planning model for interagency working to improve outcomes for children. CYPSCs bring together a diverse group of agencies in local county areas to engage in joint planning of services for children and are firmly embedded in *Better Outcomes, Brighter Futures: The National Policy*

Framework for Children and Young People 2014-2020 as an important vehicle for local interagency work.

All major organisations and agencies working locally on behalf of children and young people are represented on CYPSCs. These committees work to improve the lives of children, young people and families at local and community level through integrated planning and improved service delivery. At present 21 CYPSCs are in place, the majority fully established and others in the developmental phase. Work is ongoing towards full national roll-out of CYPCs.

Educational Welfare Services

Since January 2014, the Child and Family Agency has a statutory remit to support children and young people to participate in and benefit from the education system. The Agency has responsibility to ensure that each child attends a recognised school or otherwise receives a certain minimum education

The Agency delivers an integrated approach to educational welfare services through the continued reform of work practices to provide an enhanced response to the needs of children, families and schools. Three service strands – the statutory Educational Welfare Service and the School Support Programme services under the Department of Education's DEIS Action Plan (namely, the Home-School Community Liaison Scheme and the School Completion Programme) - collectively form the Educational Welfare Services (EWS) of the Agency.

Whole-of-Government Approach to Child Poverty

As part of *Better Outcomes, Better Futures*, government departments are developing a whole-of-government approach to child poverty as a priority action in 2015. To inform the development of this approach, a national seminar on ‘Investing in children – breaking the cycle of disadvantage’ was held with the European Commission and attended by national stakeholders in November 2014. The Advisory Council for *Better Outcomes, Better Futures* has also been consulted. The whole-of-government approach includes child and family income supports, prevention and early intervention services for children and parents in disadvantaged areas, a national programme to tackle educational disadvantage, a new physical activity plan and increased provision of school meals.

Educational Disadvantage

DEIS (Delivering Equality of Opportunity in Schools) is the policy initiative of the Department of Education and Skills to tackle educational disadvantage and promote social inclusion. The aim of the action plan is to ensure that the educational needs of children and young people from disadvantaged communities are prioritised and effectively addressed. Ongoing evaluations of DEIS have found that bringing a range of interventions to tackle educational disadvantage together in a single integrated School Support Programme (SSP) has worked to improve outcomes. There are currently 849 schools (657 primary and 192 post-primary) in the SSP under DEIS for 2014/2015. Expenditure on the programme in 2014 was €96 million. Further funding on tackling educational disadvantaged included €37 million by the Department of Social Protection on school meals and and €24.8 million by the Department of Children and Youth Affairs on school completion programmes.

5. Additional Reform Measures and the use of European Structural and Investment Funds

Public Service Reform

There has been very significant progress on Public Service Reform since 2011 and it will continue to play a key role in Ireland's recovery. These reforms have been implemented at a time of increased demand for many services: population up 475,000 since 2005; life expectancy up by three years (male) and 2.5 years (female) since 2003; joint-highest birth rate in the EU; highest percentage of under-15s in the EU; increased number of over-65s; 10% more primary school pupils since 2007; 23% more beneficiaries of weekly social protection since 2008; 31% more medical cards than in 2008.

A second Public Service Reform Plan (2014-2016) was published in January 2014, the priority focus of which is on improved service delivery and better outcomes, alongside ongoing efficiency measures.

An Annual Progress Report on Public Service Reform was published on 4 March 2015. This sets out details of some 150 concrete examples of progress made on reform across the Public Service, including:

- The Public Service pay-bill has been reduced by 20% (from €17.5 billion in 2009 to a provisional outturn of €13.9 billion (net of PRD) in 2014);
- Staffing levels have been reduced by 10% (from 320,400 in 2008 to 289,600);
- New Public Service ICT Strategy was published in January 2015;
- Ireland's first national Open Data Portal (data.gov.ie) was launched last July;
- Major alternative service delivery initiatives are being implemented, such as JobPath and the call centre for the Local Property Tax;
- Roll out of Intreo offices is ongoing - 46 offices have been opened to date, with the remaining 14 to open in 2015;
- Implementation of the new postcodes system has commenced;
- PeoplePoint already services more than 26,000 employees across 21 organisations and the Payroll Shared Services Centre already services 20,000 payees across 21 organisations;
- The procurement reform programme is generating significant savings in non-pay expenditure (€63 million in 2014) - 93% of the State's expenditure is with firms within the State, with €2 out of every €3 spent going to SMEs;
- Measures for improved and better integrated property management are being implemented;
- The Government's agency rationalisation programme is significantly advanced and, when completed, will see 181 fewer bodies operating in the Irish Public Service than in 2011;
- Over 12,000 public servants have been redeployed since the crisis began;
- New sick leave scheme introduced during 2014;
- A range of budgetary reforms have been implemented such as two Comprehensive Reviews of Expenditure; multi-annual expenditure ceilings; performance budgeting; and the Irish Government Economic and Evaluation Service (70 economists working on a range of policy issues);

- Extensive programme of political reform through legislation such as the Ombudsman (Amendment) Act, 2012; the Freedom of Information Act, 2014; Protected Disclosures Act, 2014; and the Regulation of Lobbying Bill, 2014;
- The Civil Service Renewal Plan was launched on 30 October 2014. The Plan contains a Vision and three-year Action Plan that will create a more unified, professional, responsive, open and accountable Civil Service. Implementation of the Renewal Programme is underway and a Civil Service Management Board has been established to provide collective leadership and management to the Civil Service.

The Public Service Stability (Haddington Road) Agreement has played a critical role in maintaining the delivery of frontline public services, reducing the cost of delivering those services and enabling the reform programme. The achievement of the Government's fiscal targets, and keeping the Public Service pay bill at sustainable levels, was significantly aided by the substantial reductions and constraints that have applied to Public Service pay and pensions, as well as the revenue accruing from the Pension Related Deduction and Public Service Pension Reduction.

In addition to the reductions applied to the pay and pensions bill, the measures introduced through the Haddington Road Agreement have seen an unprecedented structural increase in productivity across the Public Service. This includes almost 15 million additional working hours annually including through increasing the standard working week by 2.25 hours. These extra hours are used to provide higher levels of service at a significantly reduced cost in a number of key sectors. Examples of these include:

- In the schools and education sector, the additional hours are being used to provide supervision of students and teacher substitution cover, saving approximately €116 million per annum which was being paid in allowances and maintaining smooth delivery of this key public service.
- Nearly five million hours of additional working time have been added to the health service annually. These have helped to reduce dependency on overtime, relieve pressure in emergency departments, and to extend clinic opening hours. The extra hours in these areas have also contributed to the introduction of a longer working day (8am–8pm) in many areas.
- In the Local Government sector, an additional one million hours have helped to continue the provision of front line services in the light of a reduction both in staff numbers and in the use of overtime in the sector.
- During 2014, the Revenue Commissioners implemented six projects using accumulated additional hours.

The agreed arrangements under the Haddington Road Agreement, and its predecessor, are ensuring that management can smoothly deal with the impacts those changes have on staff, including through rationalisation, changed work practices, redeployments and voluntary exits where necessary. A notable achievement of the Croke Park and Haddington Road agreements is the fact that public servants have made this contribution in an atmosphere of cooperation with significant reform and the maintaining of industrial peace

Office of Government Procurement (OGP).

The reform of the procurement system across the public service is a key element of the reform programme for the public service. The contribution which procurement savings make to deficit reduction will enable all public service organisations to deliver the services to citizens within the tighter budgets that they operate within. The fragmented procurement arrangements across the public service have enabled suppliers to charge different public service bodies different prices for the same goods and services. Reforms in these areas are being carried out in a manner that recognises the importance of SMEs in the economic recovery of the country. Whilst it is appreciated there is a perception that these reforms will impact negatively on business, this not the case. The objectives of the recently established Office of Government Procurement (OGP) make it clear that a healthy competitive business sector is vital to securing value for money.

The Office of Government Procurement has issued new instructions to public sector buyers that will accelerate some of the key business-friendly initiatives provided for under the new EU Public Procurement Directives, which were agreed under the Irish Presidency of the European Union. The main components of this advice are as follows:

- supplies and general services contracts with an estimated value of €25,000 or more to be advertised on the www.etenders.gov.ie website;
- it encourages suppliers including SMEs to fully use e-Tenders and avail of its facilities in relation to registration, e-tendering and automatic alerts in relation to future tendering opportunities.
- buyers are encouraged to set turnover thresholds at twice contract value and puts limits on insurance levels for suppliers where possible
- promotes greater use of "open" tendering and less use of "restrictive" tendering
- it encourages SMEs to consider using consortia where they are not of sufficient scale to tender in their own right or where they may lack certain capabilities necessary to provide a compelling proposition
- it encourages buyers to sub-divide larger requirements into lots where this is practical.

In addition, the Office of Government Procurement is currently engaged with industry representatives to:

- improve supplier education through initiatives such as Meet the Buyer events which have been running since 2010 and the very popular Go 2 Tender programme,
- standardise and simplify the processes for suppliers, and
- reduce unnecessary bureaucracy in procurement.

The Office of Government Procurement will continue to work with industry to ensure that winning government business is done in a fair, transparent and accessible way.

Green Public Procurement

The National Climate Change Strategy 2007–2013 recognised the potential of Green Public Procurement (GPP) to 'move the market' towards the competitive provision of more sustainable products and services. The Government's 2009 framework document – Building Ireland's Smart Economy - also notes the potential of GPP practices to contribute to improving the capacity of Irish companies to supply high quality competitively priced goods and services that meet high environmental and carbon emission standards.

Green Tenders, an Action Plan on Green Public Procurement published in 2012 aims at boosting the uptake of GPP: an important tool in advancing the green economy agenda. As part of the deliverables under that Plan and the Action Plan for Jobs, the EPA published Green Procurement Guidance for the Public Sector in September 2014. It is a practical resource tool designed to assist procurers to build green criteria into public tenders. The Guidance provides a practical overview of the issues at stake, best practice examples and detailed criteria for insertion in tenders. Producing similar guidance for suppliers is planned for 2015.

Waste Management

As regards household waste, all household waste collectors will be required to operate a pay by weight system from 1 July 2015. Weight-based charges give households the opportunity to reduce waste bills and give more control over living costs while also offering clear financial incentives to prevent and recycle waste, supporting the development of domestic treatment capacity and job creation in the waste industry. The new charging system will also introduce more transparency in the market and make it easier for consumers to compare prices.

The Department of Environment, Community and Local Government is preparing a consultation paper on measures to support the transition to a more resource efficient, circular economy and position Ireland as an early mover with respect to the European Commission's revised circular economy package, expected to be published later this year. The paper will contain specific measures to support job creation in the waste industry by, *inter alia*, supporting the development of greater levels of domestic treatment capacity and reducing Ireland's reliance on export of municipal waste for recovery / recycling

ICT Strategy

A new *Public Service ICT Strategy*[12] was approved by the Government in January 2015. It was developed by the Office of the Government Chief Information Officer in conjunction with the Public Service CIO Council.

The *Public Service ICT Strategy* (which supersedes *eGovernment 2012-2015*) sets out a high-level vision to reinforce ICT's role in supporting Public Service Reform and transformation. It identifies a number of key strategic objectives that will set the future direction for innovation and excellence in ICT within the Public Service:

- **Build to Share**: creating ICT shared services to support integration across the wider Public Service to drive efficiency, standardisation, consolidation, reduction in duplication and control cost;
- **Digital First**: Digitisation of key transactional services and the increased use of ICT to deliver improved efficiency within Public Bodies and provide new digital services to citizens, businesses and public servants;
- **Data as an Enabler**: In line with statutory obligations and Data Protection guidelines, facilitate increased data sharing and innovative use of data across all Public Bodies to enable the delivery of integrated services, improve decision making and improve openness and transparency between Government and the public;
- **Improve Governance**: Ensure that the ICT strategy is aligned, directed and monitored across Public Bodies to support the specific goals and objectives at a whole-of-government level and with an emphasis on shared commitment; and
- **Increase Capability**: Ensure the necessary ICT skills and resources are available to meet the current and future ICT needs of the Public Service.

The Strategy sets out to build on the ICT foundations that will deliver government services of the future. It is aligned with the objectives of the *Public Service Reform Plan 2014-2016*[13]

[12] Public Service ICT Strategy: http://ictstrategy.per.gov.ie/index.html
[13] Public Service Reform Plan 2014-2016: http://reformplan.per.gov.ie/

and the goals of the *Civil Service Renewal Plan*[14] and has the overarching objective of providing better outcomes for citizens, businesses and public servants though embracing the latest technological advances.

The expected outcomes of the Strategy are that:
- The Public Service will be more agile and deliver more user centric and innovative services for citizens and businesses.
- Innovative use of ICT in the Public Service will deliver better value for taxpayers by creating efficiencies through integration, consolidation and sharing of common infrastructure, systems and resources.
- Adoption and facilitation of digital technologies will increase productivity, improve the relationship between citizens, businesses and government and will deliver social and economic benefits for Ireland.
- Integrated services and increased data sharing will drive significant efficiencies; will facilitate insight driven decision making; will increase openness and transparency between Government and the public; and will provide a much higher user experience and quality of service for citizens, businesses and public servants.
- Improved ICT governance will ensure alignment, reduce risk and support unification as envisaged under the Public Service Reform Plan and Civil Service Renewal Plan.
- The future needs for ICT skills will be met through professionalisation of ICT streams, targeted recruitment and improved mobility and succession planning across all Public Bodies.

The Strategy provides a five-year horizon for delivering better outcomes through innovation and excellence in ICT but given the ever-changing nature of ICT, the Strategy will be reviewed for currency and updated accordingly on an annual basis.

Examples of new or enhanced eGovernment services include:
Revenue developed a range of new electronic systems in 2014, including a new Electronic Manifest System to facilitate imports and exports, a system to administer the Home Renovation Incentive Scheme, and an e-Form 12 Return of Income. It also introduced a Charitable Donations refund scheme and the VAT Mini One-Stop-Shop to facilitate the filing of returns and payment of VAT by suppliers of telecommunications, broadcasting and e-services in the EU.

In 2014, the **Department of Agriculture, Food and the Marine** completed a significant extension to its online services offering with the addition of the Online Payment and Account Enquiry application. This new application is available to all of its customers as the Financial Self-Services (FSS) application within the agfood.ie portal.

The www.myplan.ie portal has seamlessly integrated over 400 forward plans of the 31 city and county councils with a wide range of other spatial planning relevant maps and data including floodplain mapping, heritage designations, location of schools, unfinished housing survey data and census data within a free to use browser.

Fix Your Street (www.fixyourstreet.ie) is an online facility through which non-emergency issues can be reported to a local authority. It enables members of the public to report incidents related to the public realm anywhere in Ireland and for these issues to be redirected

[14] Civil Service Renewal Plan: http://www.per.gov.ie/civil-service-renewal/

to the appropriate local authority for attention. In 2014, there were 10,923 uses of Fix Your Street, with an average response time of 1.5 working days by the relevant local authority.

The **Office of Public Works** (OPW) now ensures that all water level and river flow archive data is published on the near real time website www.opw.ie/hydro-data with 58 station data sets now posting. Usage of the real time website, www.waterlevel.ie, is strong - there were more than 250,000 visits recorded during 2014.

Access to public services continues to be improved through the ongoing roll-out of the **Public Services Card** (PSC) by the Department of Social Protection. The PSC provides for robust personal identification and enables individuals to access public services more efficiently, reduces the possibility of theft, forgery and fraud and preserves personal privacy to the maximum extent possible. Over twenty five percent of people living in the State now have their own PSC, with a total of 1,217,000 in use. Some 368,000 of this number includes free travel variants, which are being used to replace the old travel pass.

The **Department of Justice and Equality** (Irish Naturalisation and Immigration Service) and the Department of Social Protection are working to develop a single Common Format EU Residence Permit (EURP) and Public Services Card.

The Environment Protection Agency (EPA) has developed a range of online and social media services. The new map-based section of its website (gis.epa.ie/myenvironment) gives the public information on the quality of the environment in their local area. Similarly, www.splash.epa.ie is the EPA’s online service with up to date information on bathing water quality. The Air Quality Index for Health (www.epa.ie/air/quality) is another online service from the EPA, which provides information about air quality.

Housing

After some very difficult years, Ireland is starting to see growth in activity in the construction sector. However, significant challenges remain, particularly with regard to housing supply.

The Government has published a comprehensive strategy for the sector - Construction 2020 - which commits to 75 detailed, time-bound actions to support the return of the construction sector to sustainable levels. The central aim of the strategy is to identify and remove blockages to appropriate development, including in relation to housing, and to maximise employment in the sector.

Key issues addressed include:

- a strategic and measured approach to the provision of housing, nationally and in Dublin, including through the work of a new Housing Supply Coordination Task Force for Dublin;
- the availability of sustainable bank and non-bank financing for viable projects;
- continuing improvement of the planning process, striking the right balance between current and future requirements;
- supporting ex-construction workers on the live register return to the workforce.

Work on two Planning and Development Bills is well advanced with a view to their enactment as a matter of priority this year. These will fulfill a number of commitments made to address barriers to growth from a planning perspective. The first bill will include revision of Part V requirements for developers; the retrospective application of reduced development levies; a provision for a vacant site levy; and ‘use-it-or-lose-it’ planning permissions.

Notwithstanding significant improvements in activity in the sector, housing activity in Dublin, in particular, remains a challenge. For this reason, a Housing Supply Coordination Task Force for Dublin has been established, involving the four Dublin Local Authorities, with an immediate focus on monitoring trends in the supply of viable and market-ready approved developments and acting on those trends where supply is believed to be below what is required. It is working closely with industry and other parties, including those responsible for key infrastructure, to identify and address any obstacles to viable and appropriate development.

Improving the availability of social housing is a key priority for Government. An additional €2.2 billion in funding was announced for social housing in Budget 2015, and a Social Housing Strategy 2020 was published in November 2014. The Strategy builds on the provisions contained in Budget 2015 and sets out clear, measureable actions and targets to increase the supply of social housing, reform delivery arrangements and meet the housing needs of all households on the housing list.

The Strategy targets provision of over 110,000 social housing units, through the delivery of 35,000 new social housing units and meeting the housing needs of some 75,000 households through the Housing Assistance Payment and Rental Accommodation Scheme. Implementation of this strategy will address the needs of the 90,000 households on the housing waiting list in full, with flexibility to meet potential future demand. In 2015, some 7,400 new social housing units will be provided through a range of measures.

Reform of Local Government and Reorganisation of Regional Structures

The overall vision in the Government’s 2012 Action Programme for Effective Local Government is as follows:

> “Local government will be the main vehicle of governance and public service at local level - leading economic, social and community development, delivering efficient and good value services, and representing citizens and local communities effectively and accountably.”

The mechanism set out in the policy statement to progress towards that vision is the implementation of a range of measures to reform and strengthen local government structures, functions, funding, governance and operational arrangements.

As signalled in the Action Plan, 1 June 2014 marked the activation of a range of significant reforms in the local government system, including the reorganisation of regional structures, and enhanced roles for local authorities in economic and community development, including the formulation of local economic and community plans.

Consolidation of regional structures from eight regional authorities and two regional assemblies into three regional assemblies has been progressed. The first phase in this restructuring involved the dissolution of the eight former regional authorities with effect from 1 June 2014 and transfer of their functions to the two existing regional assemblies. The process was completed with the making of an order establishing a third regional assembly (Eastern and Midlands) with effect from 1 January 2015.

The new assemblies incorporate the functions of both the former regional authorities and assemblies, with significant enhancement of some powers, particularly in relation to spatial planning and economic development, as follows:

- A stronger role in economic development through the adoption of Regional Spatial and Economic Strategies, which will replace the regional planning guidelines.
- Linking local economic development with regional and national planning through oversight of Local Economic and Community Plans.
- Management of EU structural funds programmes (ERDF) and ad hoc EU-funded projects, and linkage between these functions and spatial and economic strategy.

Local Economic and Community Plans
The Local Government Reform Act 2014 provides a stronger and clearer role for local government in economic development and community development. The Act provides for Local Economic and Community Plans (LECP) to set out, for a six-year period, the objectives and actions needed to promote and support the economic development and the local and community development of the relevant local authority area, both by itself directly and in partnership with other economic and community development stakeholders.

Use of Structural and Investment Funds

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

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

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

The Partnership Agreement covers the following funds:

- European Agricultural Fund for Rural Development (EAFRD)
- European Regional Development Fund (ERDF)

- European Social Fund (ESF)
- European Maritime & Fisheries Fund (EMFF)

The Partnership Agreement for Ireland includes the:

- selection of thematic objectives that Ireland will pursue in line with the *Europe 2020* Strategy;
- investment priorities for each thematic objective;
- conditions which will be a pre-requisite for EU funding;
- targets to be reached by the end of the programming period, as well as performance indicators and milestones.

As well as the Partnership Agreement covering the four funds, operational programmes covering the EAFRD, the ERDF and the ESF have been prepared by the relevant Government Departments and Managing Authorities and submitted to the Commission. The two ERDF Regional Operational Programmes were agreed by the Commission and the Irish Government in December 2014 and the ESF Operational Programme was agreed by the Commission in February 2015.

The other Operational Programmes covered by the Partnership Agreement are at different stages of negotiation with the EU Commission. Negotiations are continuing with the EU Commission regarding the Rural Development Programme and LEADER Programme funded under EAFRD. The EMFF Operational Programme is expected to be submitted to the Commission in June 2015.

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

Funding Priorities

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

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

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

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

- research and innovation;
- information and communication technologies (ICT);
- the improvement of the competitiveness of Small and Medium-sized Enterprises (SMEs); and

- the shift towards a low-carbon economy (energy efficiency).

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

For the **ESF** at least 80% of resources at national level have been allocated to:
- promoting sustainable and quality employment and labour mobility;
- education, training and life-long learning; and
- promoting social inclusion and combating poverty and discrimination.

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

Under Ireland's Rural Development Programme for the period 2014-2020, a fund of over €4 billion (including €2.19 billion of EAFRD funding) will be spent on a range of measures designed to support the competitiveness of agriculture and the sustainable development of the rural economy. The ranges of measures in the RDP include:
- significant investment in addressing in an integrated manner a range of environmental, biodiversity and climate change challenges
- targeted investment in developing the knowledge base in the sector and supporting innovative approaches and techniques
- broad based support for a range of capital investments designed to underpin the efficiency and competitiveness of the sector, and
- continued support for delivery via the LEADER model of a range of supports to address wider rural development issues.

Under the EMFF Seafood Development Programme 2014-2020, a fund of €241 million (including the €147 million EMFF allocation to Ireland) will be spent on a range of measures designed to support the implementation of the Common Fisheries Policy, including measures for developing more selective fishing gear and other measures supporting the new discards ban. It supports the sustainable development of enterprises in the fisheries, aquaculture and seafood processing sectors. It also supports the delivery of sound scientific advice and control and compliance.

6. Institutional Issues and Stakeholder Involvement

The Department of the Taoiseach coordinated the preparation of this NRP ensuring a whole–of-government approach to its preparation and delivery.

Actions and policies outlined in the NRP under each policy area are not mutually exclusive but are addressed in their broader context in order to support and reinforce the other objectives. These linkages are particularly pronounced in relation to employment, education and poverty targets. Examples of some of these linkages are as follows:

- Increasing participation in employment and reducing the number of jobless households at high risk of poverty;
- Promoting labour activation of welfare recipients and reducing the high poverty rate for lone parents and the long-term unemployed;
- Promoting the re-engagement by groups (including youth, older persons and women) who are currently detached from the labour market;
- Tackling educational disadvantage and preventing the inter-generational transmission of poverty;
- Achieving education targets while simultaneously ensuring a sufficient supply of science, mathematics and technology graduates to meet the skills requirements for the achievement of the R&D target and employment objectives.

Stakeholder engagement is regarded as an important part of the process. Engagement at sectoral and Departmental level is encouraged with regard to the range of specific issues that arise in the context of this NRP.

By way of example, the Department of Social Protection held a consultation workshop with the community and voluntary sector and social partners during March 2015. The consultation focused on progress towards the Irish contribution to the Europe 2020 poverty target and the policy response to accomplish this. It also discussed the measures taken to address the country-specific recommendation on jobless households and the progress achieved to-date.

The Social Inclusion Forum is a national consultative event convened by Government to review the implementation of the *National Action Plan for Social Inclusion*. It includes participation of national and local stakeholders, including those experiencing poverty. The report of the 2014 Social Inclusion Forum has been published. The 2015 Forum was held towards the end of March. The theme was social policy innovation for social inclusion and it included a discussion on updating and extending the national action plan. Workshops were also organised to discuss social housing, migrant poverty, prevention and early intervention services for children and youth exclusion.

Community and voluntary groups and trade unions raised a number of issues at the consultative workshop held by the Department of Social Protection in March. A key point related to the need for a joined-up policy response across Government Departments, particularly in relation to childcare and education and training. This cross-governmental approach extended to the link between the employment, education and poverty targets. Literacy issues and low educational levels were highlighted as a key barrier to further education and employment. Creating inclusive labour markets requires an activation approach that goes beyond focusing on those on the Live Register. The quality of employment and supports provided to facilitate the movement of people into employment are crucial in providing a route out of poverty. A consistent point raised on the activation of lone parents related to access to quality, affordable childcare, particularly after-school care. The importance of monitoring the new Housing Assistance Payment was highlighted to determine the profile of people transitioning onto it.

The Department of Children and Youth Affairs, as part of the implementation structure for Better Outcomes, Brighter Futures, established an Advisory Council to advise on implementation. This Council brings together a range of stakeholders from the community and voluntary sector in the areas of early years, children and youth.

The Department of the Environment, Community and Local Government convened the third annual meeting of the Implementation Group under *Our Sustainable Future* in March 2015. The Group includes participation by a range of stakeholders including local government elected representatives and staff as well as ENGOs represented by the Environmental Pillar. The forum provides a key opportunity for senior officials from across government and other stakeholders to consider Ireland's progress for smart, sustainable growth.

As the preparation of the NRP progressed, the Department of the Taoiseach coordinated central engagement with a wide range of stakeholders following publication by the European Commission of the Country Report in February. Subsequently, the Minister of State for European Union Affairs sought views on the contents of the draft NRP from stakeholders before the NRP was considered and finalised by Government. Stakeholders consulted included regional representatives, representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations. Stakeholder submissions have been published on the website of the Department of the Taoiseach.

To support engagement with the national parliament the Minister of State for European Union Affairs discussed a draft of this NRP with the Joint Oireachtas Committee on European Union Affairs on April 23, and further engagement by this Committee on the National Reform Programme is planned. The Minister has highlighted his strong support for engaging with the parliament on the NRP and the European Semester process more generally.

We are also committed to further engagement with key stakeholders in the context of the 2015 European Semester and the mid-term review of the Europe 2020 strategy.