National Reform Programme

Ireland

April 2014

Contents

1. Introduction

Ireland is emerging from the deepest economic crisis in its history. Through the hard work and sacrifice of the people of Ireland we exited the three-year EU/IMF Programme of Financial Support in December, without any further support.

The Government has already expressed and demonstrated its commitment to continuing the process of economic reform and recovery. In its Medium Term Economic Strategy 2014-2020 (MTES), it has set out how it will continue the work of rebuilding the Irish economy, achieving sustainable economic growth, strong public finances, and enduring job creation.

The Government's purpose is to ensure a job-rich recovery and to set Ireland on the path to sustainable prosperity, providing jobs and opportunity for our people and high quality public services, and encouraging innovation in business and across society.

The MTES provides an over-arching high-level and integrated whole-of-government framework, designed to drive the development of appropriate horizontal and sectoral policies to deliver its goals. All Departments, when reviewing, updating or publishing new strategy statements or plans, will have to ensure they are aligned with the MTES.

The MTES and the policies and strategies that flow from it, will enable the building of a fairer Ireland by helping to reduce inequality and improve poverty outcomes across society, with a particular emphasis on child poverty in line with the commitment in the Programme for Government. Sustainable development will be at the core of our development strategy, recognising that economic growth, social cohesion and environmental sustainability must be advanced in a mutually supportive way.

This is the first time we are participating fully in the European Semester process and submitting a full National Reform Programme (NRP) under the enhanced economic governance arrangements, having presented comprehensive NRP updates in 2012 and 2013. This NRP is presented in conjunction with the medium-term macroeconomic outlook provided by our Stability Programme Update.

In the NRP we set out the broad macroeconomic context – comprehensively elaborated in our Stability Programme Update – and outline implementation of some of the key policy reforms underway following our programme exit. The NRP also provides an update on our progress under the Europe 2020 Strategy, and sets out the alignment of our use of structural funds with our NRP objectives.

As a committed Member State of the European Union and of the euro zone, Ireland strongly supports the enhanced mechanisms for economic policy scrutiny and coordination put in place in recent years. Ireland believes that the five priority areas identified in the 2012 and 2013 Annual Growth Surveys:

- Pursuing Growth Friendly fiscal consolidation
- Restore normal lending to the economy
- Promoting Growth and Competitiveness for today and tomorrow
- Tackling unemployment and social consequences of the crisis
- Modernising public administration

are the right ones for the Union to pursue.

They are reflected in our NRP and in the Government's policy choices. As the NRP sets out, we are working to ensure conditions are supportive of economic growth, and we are aiming to achieve full employment by 2020.

This will be achieved within a prudent and sustainable macroeconomic and fiscal framework, and the Government remains committed to the achievement of its fiscal goals and its medium term budgetary objective.

In particular, we have adopted and published annual Action Plans for Jobs, beginning in 2012. The 2014 Action Plan sets out how the Government will continue to work to build and sustain a competitive economy that can pay its own way, serve our society, and that can survive and thrive in a reformed euro zone and an increasingly globalised international economy.

2. Macroeconomic context and scenario

Macroeconomic developments
Macroeconomic developments in Ireland have shown diverging trends of late. Gross domestic product (GDP) shrank by 0.3 per cent in 2013, mainly due to developments in the multinational-dominated sectors, in particular the impact of the patent cliff in the pharma-chem sector. Developments in the domestic economy have been more positive. Gross national product (GNP) which strips out the effect of the multinational-dominated sector grew by 3.4 per cent. Services exports were strong in 2013 (3.9 per cent), while investment returned to full-year growth for the first time since 2007 (4.2 per cent). Data from the Q4 Quarterly National Household Survey showed average employment growth of 2.4 per cent in 2013, with employment increasing in each of the last five quarters. Unemployment has fallen to below 12 per cent, from a high of over 15 per cent just two years ago.

Turning to the outlook, exports are projected to continue to expand this year, despite some continuing drag from the patent cliff. Domestic demand is expected to grow – driven by car sales and business investment, although this will be offset to some extent by strong imports. GDP is projected to grow by 2.1 per cent this year, strengthening to 2.7 per cent over next year. Employment is set to continue to grow, with unemployment falling to 8 per cent by 2018.

Fiscal position at Budget 2014
The Government's overarching fiscal strategy has been to ensure that the excessive deficit will be corrected by 2015 in line with Ireland's EDP requirements. This will ensure that the public finances are placed on a more sustainable footing and considerable progress has been made in this regard to date. All of the annual deficit targets have been achieved and a deficit of 7.2 per cent (inside the 7.5 per cent EDP ceiling) was achieved last year.

Taking into account the measures announced in Budget 2014, it is estimated that over 90 per cent of the consolidation necessary to reach the 3 per cent deficit target in 2015 has been implemented. The Stability Programme Update (SPU) 2014 which accompanies this document contains a forecast deficit of 4.8 per cent of GDP, comfortably inside the 5.1 per cent of GDP ceiling. Budget 2014 also targeted a primary surplus for 2014. Fiscal performance on the revenue and expenditure side in the first quarter of this year has been consistent with achievement of these targets.

TABLE 1: SNAPSHOT OF THE IRISH ECONOMY 2013-2018						
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
activity						
GDP growth	-0.3	2.1	2.7	3.0	3.5	3.5
GNP growth	3.4	2.7	2.3	2.5	2.7	2.7
labour market						
Employment	2.4	2.2	2.0	2.0	1.9	1.9
unemployment,%	13.0	11.5	10.5	9.7	8.9	8.0
prices						
HICP inflation	0.5	0.5	0.9	1.4	1.6	1.6
external trade						
exports	0.2	2.1	3.2	4.2	4.4	4.4
current account, % GDP	6.6	5.8	5.2	5.3	5.3	5.3

Source: Source: 2013 CSO; 2014-2018 Department of Finance forecasts – SPU April 2014

3. Sustaining the Reform Momentum - Follow Up to the EU/IMF programme

Exiting the EU/IMF Programme
Ireland successfully exited the EU-IMF programme of financial support on 15 December 2013, and did so without the need for a pre-arranged backstop. The programme met its key objectives, which were:

- to put the public finances back on a sustainable path,
- to restore financial sector viability,
- to return Ireland to financial market funding and to raise growth potential.

During the three years of the programme Ireland underwent 12 quarterly reviews and delivered some 290 actions. In some of the areas where actions were successfully completed, work is continuing. In this section we highlight some key recent developments.

In January 2014, Ireland successfully raised €3.75 billion from the sale of a new 10-year benchmark bond and in March raised €1 billion in its first bond auction since September 2010, reflecting confidence in the country and cementing our return to international credit markets. A further €1 billion was raised in April.

Also in January, Moody's Credit Rating Agency restored Ireland's sovereign credit rating to investment grade and changed its rating outlook to positive from stable, meaning that Ireland now enjoys investment-grade status with all three of the main ratings agencies for the first time since July 2011.

Medium Term Economic Strategy
In our Medium Term Economic Strategy 2014-2020, launched in December 2013, we have put in place an overarching high-level and integrated whole-of-Government framework to drive the development of appropriate sectoral and horizontal policies. The Strategy is based on three pillars:

- **Ensuring Debt Sustainability** - through a combination of rigorous new debt, deficit and spending rules, institutional reforms and better management of public spending, gross public debt will be brought down to safer levels. At the same time the Government will preserve the competitiveness of our tax system and efficiently deliver the public services and infrastructure needed to support a high quality of life and strong economic growth.

- **Financing Growth** - rigorous management of the public finances will support strong growth if accompanied by measures to ensure adequate flows of domestic and international finance into enterprise and investment opportunities in Ireland, and to resolve legacy debt problems of households and enterprises. The Government will continue to repair and restore trust in the banking system, prioritising credit availability at competitive interest rates for productive enterprise and sustainable investment. At the same time, the Government will responsibly open up new innovative sources of non-bank finance for job creation and infrastructure development.

- **Supporting Employment and Living Standards** - in the medium to long term, growth in Ireland depends on continually improving productivity, which, in turn, depends on investment in people and boosting competition and innovation. Being part of the euro zone presents not just opportunities but domestic challenges. Barriers to growth are being identified and removed in key sectors of our economy. Sheltered sectors of the economy will be opened up to competition and investment and we will intensify efforts to enhance the capacity of Ireland's workforce, through investment in education and training and through measures to support people to set up business or move between jobs and sectors as the economy grows.

The MTES also highlights a number of important policy initiatives to be progressed in the near term.

In the area of **Fiscal Policies***,* the Finance (No. 2) Act was enacted in December. Our Stability Programme Update will be submitted to Commission in accordance with the end-April deadline.

Building on the progress of our first Public Service Reform Plan in November 2011, the Government has published a new Public Service Reform Plan 2014-2016 outlining the key cross-cutting and sectoral reform initiatives that will be implemented over the next three years.

A Comprehensive Review of Expenditure and a Review of the Capital Investment Framework are underway. A White Paper on Universal Health Insurance was published on 2 April (further detail on page 13 below).

In the area of **Financing Growth**, we have continued our work to rebuild our banking sector and to ensure that it is lending into the economy to support economic growth and job creation. Ensuring a flow of lending to SMEs is a central feature of our recovery and growth strategy, and a priority within the Action Plan for Jobs 2014 which sets out a suite of timed and targeted actions to support bank and non-bank lending. The NTMA (Amendment) (No. 2) Bill, to be published shortly, will provide for both NewERA (NewEconomy and Recovery Authority) and the Ireland Strategic Investment Fund.

We have continued to work to support employment and living standards. The **Action Plan for Jobs 2014**, published on 27 February, is central to the Government's campaign to make 2014 'the year for jobs', placing a strong focus on the key areas of SME support, enhanced competitiveness, and the local delivery of assistance to entrepreneurs and smaller firms via the new Local Enterprise Offices. These newly established 31 Local Enterprise Offices (LEOs) deliver the combined services of the former County and City Enterprise Boards and the Business Development Units of the Local Authorities supported by the new Centre of Excellence in Enterprise Ireland. The LEOs represent a transformation of the support structure for micro and small enterprises across every county. The new service means that national enterprise policy and local business supports have been brought together to strengthen the business culture and environment at the local level. The LEOs offer both financial and soft supports to eligible clients, as well as a first-stop-shop front line service through which all information in relation to State supports for small and micro businesses can be accessed. This enhanced service includes access to national bodies with programmes relevant to small and micro business as well as important local services and compliance requirements (Revenue, Department of Social Protection, Department of Education and Skills, Microfinance Ireland, Credit Review Office, etc).

The Action Plan for Jobs also has a focus on specific sectors in the economy, such as agriculture and food, tourism, aviation services, the green economy, retail and construction and property.

A strong commitment to oversight and implementation is key to ensuring the effectiveness of the Plan. In 2013, four progress reports were published showing strong implementation across the year, with 90% of the 333 actions for delivery completed.

Implementation is overseen by a Monitoring Committee, chaired by the Secretaries General of the Departments of the Taoiseach and of Jobs, Enterprise and Innovation which reports to the Cabinet Committee on Economic Recovery and Jobs. Quarterly reports - measuring delivery against targets - are considered by the Government and published. Monitoring of the impact of the Action Plan is based on a number of elements:

- Monitoring national trends in employment and unemployment (e.g. CSO Quarterly National Household Survey and analysis of the Live Register)
- Monitoring Ireland's overall competitiveness, based on international benchmarking, and each of the specific elements making up Ireland's overall competitiveness score (e.g. National Competitiveness Council Scorecard)
- Measurement of trends in high-level aggregates such as exports, foreign direct investment, research and development expenditure as well as gross and net job creation by agencies such as Enterprise Ireland and IDA Ireland and
- Measurement of the delivery of specific actions contained in the Action Plan for Jobs on a quarterly basis.

We are committed to improving our capacity to assess the impact of the Action Plan and have stated our aim to strengthen further the framework for this in 2014. Key areas of focus will be establishing, where possible, the links between actions in the Action plan and the achievement of intermediate impacts in areas such as entrepreneurship, innovation, internationalisation, skills enhancement and access to finance; and establishing the links between these intermediate impacts and the policy objectives of increasing employment and reducing unemployment, while also increasing competitiveness and productivity in the Irish economy.

In addition, as part of the EU/ IMF Programme, a preliminary review of the impact of the 2012 and 2013 Action Plans was concluded in July 2013. This helped to inform policy choices for the Action Plan in 2014. As part of Ireland's determination to build a strong enterprise economy, the Government recently invited the OECD to review the annual Action Plan process to benchmark efforts to date, identify improvements to the existing process, or areas for more detailed policy consideration. Based on the latest available data, the number of people at work has increased by 62,100 since the Action Plan process was launched and implemented.

'Pathways to Work' is the Government's complementary policy designed to ensure that as many as possible of the new jobs created in the recovering economy go to the unemployed. Work has commenced on the preparation of Pathways to Work 2014, due to be published in the second quarter of the year, which will build on progress to date.

The Pathways process is aimed at:

- Creating an Environment Conducive to Job Creation and Innovation
- Helping the Unemployed Back to Work
- Meeting the Future Skills Needs of the Economy
- Competition and Regulation.

Under Pathways, there are now 44 Intreo offices[1] in operation, and 300 staff have been redeployed to casework duties, representing a doubling of staff levels on these activities. Strong progress has been made against our targets for integrating the long-term unemployed in group sessions and one-to-one sessions. The target for referrals to group sessions in 2013 was 85,000 with 130,100 referrals achieved; the target/forecast for initial one-to-one interviews was 185,000 with 156,700 achieved.

By the end of 2013, all people on the Live Register had been profiled for the purposes of measuring their distance from the active labour market. This will be used for identifying unemployed jobseekers for referral to activation and the scheduling of activation interventions. To support service enhancement a tender to outsource delivery of JobPath employment services under contract to the Department of Social Protection has been issued.

The provision of **Further Education and Training** is undergoing significant transformation.

A Strategy for the sector is at an advanced state of preparation. The board of SOLAS – the new Further Education and Training Authority – submitted the draft Strategy to the Minister for Education and Skills at the end of March.

The Strategy will include an overarching implementation plan which will set out key strategic actions, and an operational plan will subsequently be developed which will set out more detail around the objectives, key indicators, lead responsibility for actions and suggested timelines for implementation.

SOLAS as part of its overall organisational design, is establishing four inter-related units that will work collectively to ensure high quality labour market research, consultation with enterprise and other stakeholders, systematic evaluation of programmes, annual planning of investment in the context of a results driven strategy and engagement with providers.

Under the Education and Training Boards Act, 16 Education and Training Boards (ETBs) were established on 1st July 2013. ETBs and Intreo Offices are covered by local protocols which better define recruitment and referral arrangements and make the relationship with employers work more effectively.

Improving engagement with employers and improving the labour market relevance of education and training programmes will be a major focus of the Further Education and Training (FET) Strategy.

Separately, the Minister for Education and Skills initiated a review of apprenticeships in 2013 and the report of an independent review group was published in January. The Group's

[1] Intreo is a new service offering a single point of contact for all employment and income supports to job seekers. To ensure a more streamlined approach, Intreo offers practical, tailored employment services and supports for jobseekers and employers alike.

membership included employers, representatives of business and unions and academic experts. The Minister for Education and Skills has expressed his agreement with the broad thrust of the recommendations contained in the report. Given the comprehensive nature of what is involved, and the wide array of stakeholders involved, a detailed implementation plan will be finalised by mid-year following the detailed analysis of the feasibility of the proposals with each of the relevant stakeholders.

Further detail on education and training is provided under the Employment Target heading in Chapter 4.

An **Advisory Group on Tax and Social Welfare** has been meeting over the past eighteen months to consider ways to address disincentives to work and will report its findings in Q2.

On 24 February the Government launched its **Review of the Trade, Tourism and Investment Strategy**, which updates targets for growth in exports, investment, tourism and jobs and which sets out a new market approach for Ireland's priority markets. Work is advancing on a number of sectoral initiatives to be delivered in 2014, including a strategy for the Construction Sector, completion of a Tourism Policy Review and finalisation of a new detailed tourism strategy and action plan, and publication of a new Aviation Policy.

A new **Children and Young People's Policy Framework** *Better Outcomes: Brighter Futures* was published on 16 April. In recognition of the higher risks and life-long consequences of child poverty, a new child-specific poverty target has been set.

Health Care Reforms

It is acknowledged that there are many challenges facing the Irish health and social care system including a high birth rate, an ageing population, and an increase in chronic disease.

In 2012 the Government published *Future Health* outlining how it would reform the health system across 4 strands –

- health and wellbeing,
- structural reform,
- services reform, and
- financial reform.

The aim is to achieve a sustainable health and social care system which ensures access to high quality services based on need, not income. Arising from *Future Health* the Department of Health is progressing an ambitious reform programme. Some of the work in this regard formed part of the commitments made as part of the EU/IMF programme.

Medicinal Products

Solid progress is being made with regard to increasing the share of generic drug usage. Ireland is aiming for a target of 70% generic penetration of the off-patent market by volume by 2016. In Q4 2013 generics accounted for over 58% of the total off-patent market by volume.

The implementation of generic substitution and reference pricing has been prioritised by the Department of Health, the Health Service Executive, and the Irish Medicines Board. At Quarter 1 2014 some 16 of the 20 active substances that are of greatest cost to the State had been assessed for interchangeability and all 20 will be assessed by April 2014. Reference prices were implemented for 6 with all 20 scheduled for completion by end of Quarter 2.

The Health (Pricing and Supply of Medical Goods) Act 2013 also provides for a review of products (including prices) on the Reimbursement List by June 2016.

Savings will be achieved in 2014 arising from the agreements with pharmaceutical manufacturers (Irish Pharmaceutical Healthcare Association, IPHA, and the Association of Pharmaceutical Manufacturers of Ireland, APMI), implementation of reference pricing, delisting of products from the Reimbursement List. A mid-term review of the current agreement with IPHA will commence in June 2014.

eHealth

EU/IMF commitments in this regard related to the publication of an eHealth Strategy and the publication of the Health Identifiers Bill. The *eHealth Strategy* was published December 2013 and the Department is proceeding with its implementation.

Actions that will be progressed in 2014 include the establishment of an entity called *eHealth Ireland*, the recruitment of a Chief Information Officer for the health system to lead eHealth Ireland, and the formulation of plans to progress key priority projects. While it is generally acknowledged that eHealth has the potential to transform healthcare delivery systems, Government has also recognised the potential for eHealth for economic development and includes it in the 2014 Action Plan for Jobs as a sectoral opportunity.

The *Health Identifiers Bill* was also published in December 2013 and is being progressed steadily through the Oireachtas. It is envisaged that it will be enacted by Quarter 2 2014. The Bill provides the legal basis for Individual Health Identifiers for health service users and unique identifiers for health service providers. The identifiers will be used across the health service, both public and private. Individual Health Identifiers are primarily about patient safety and ensuring that the right information is associated with the right individual at the point of care. Individual Health Identifiers will also help in managing the health service more efficiently and will be a building block for health reform initiatives including Money Follows the Patient.

Financial Reform

Central to the establishment of the financial reform programme is the recognition that successful implementation of the Government's *Future Health* reform agenda will require fundamental changes in the way financial management is delivered across the health system in Ireland. The EU/IMF programme sought commitment to adopt a framework to streamline and consolidate multiple and fragmented financial management and accounting systems and processes. Phase 1 of the Financial Reform Programme was the development of a new financial operating model outlined in *Defining Financial Management: A Financial Operating Model for Health in Ireland.* Phase 2 of the programme commenced in January 2014 and includes, inter alia:

- Finalisation of the business case for procuring a new integrated financial management system;
- Designing a new Chart of Accounts;
- Organisational redesign and change management.

Money Follows the Patient

Money Follows the Patient (MFTP) is a new model for the funding of public hospital care which involves a move away from inefficient block grant budgets to a system whereby hospitals are paid for the level of inpatient and day case activity undertaken. Budgetary discipline will be delivered through the use of fixed budgets for MFTP activity. Given that this is a significant change in the way hospitals are funded, implementation of MFTP is being pursued on a phased basis. The aim in 2014 is to introduce the concept of linking funding to actual activity, without destabilising hospital budgets. This follows a considerable amount of preparatory work in 2013. The first phase commenced in January 2014 across 38 case-mix Hospitals.

The Healthcare Pricing Office (HPO) was established in January 2014 on an administrative basis in advance of establishment as a statutory body. The key functions of the HPO will be to (i) set the national Diagnosis Related Group prices on which the MFTP system will be based; and (ii) manage the HIPE dataset[2].

The financial elements associated with MFTP will also be progressed as part of the Finance Reform Programme, ensuring that the blueprint for financial management is in line with the new Operating Model for Finance and is developed to support subsequent phases of implementation over time.

White Paper on Universal Health Insurance (UHI)

The recently published White Paper outlines the key elements of the new UHI system and how it will work. The areas covered include:

- the model of UHI for Ireland, including the design of the new system;
- the process for determining the future basket of health services, including the package of services that will be covered under UHI; and
- the funding mechanisms for UHI.

The White Paper identifies those key building blocks, already underway, that will deliver efficiencies and pave the way for the introduction of UHI. Critically, the key steps on the road ahead for full implementation of UHI by 2019 are also set out. The publication of the White Paper at this stage demonstrates the Government's resolve to deliver on health reform commitments set out in the Programme for Government.

Reform of Legal Services

The Legal Services Regulation Bill is an ongoing commitment of the Programme of the Government which undertakes to "*establish independent regulation of the legal profession to improve access and competition, make legal costs more transparent and ensure adequate procedures for addressing consumer complaints*". Similarly, the Bill was a core undertaking of the EU/IMF Programme of Financial Support.

The Government's continued commitment to the Bill's wide-reaching structural reforms is reflected in the fact that the Bill is also a key component of the Action Plan for Jobs, the MTES and of this NRP. Enactment of the Legal Services Regulation Bill will better balance the interests of legal professionals and those of consumers of legal services as appropriate to

[2] HIPE is a health information system designed to collect demographic, clinical and administrative data on discharges and deaths from acute hospitals nationally.

a modern, open and recovering economy. To that end, the Bill provides four main drivers of change in the form of:

- **a new, independent, Legal Services Regulatory Authority** with responsibility for the oversight of both solicitors and barristers. The Authority will be appointed independently by means of nominating bodies and will be independent in the exercise of its functions.

- **an independent complaints system** to deal with public complaints including those relating to professional misconduct. There will also be an independent **Legal Practitioners' Disciplinary Tribunal** to deal with allegations of misconduct by both legal professions. The public will no longer make complaints about legal practitioners through the professional bodies as happens at present.

- **an Office of the Legal Costs Adjudicator** that will assume the role of the existing Taxing-Master. The new Office, headed by a Chief Legal Costs Adjudicator, will modernise the way disputed legal costs are adjudicated, will issue guidelines and will publish its determinations. For the first time in statute, the Bill provides a set of Legal Costs Principles and there will be enhanced transparency requirements in relation to legal costs.

- **a framework for Alternative Business Models.** The Bill facilitates new forms of legal services provision that take account of the emergent new business models in other common law jurisdictions and the huge advances made in business technology. These new or "alternative" business structures will be optional alongside the current forms of legal practice. Their availability will redress a growing competitive disadvantage.

The Legal Services Regulation Bill completed Committee Stage in the Dáil on 12th February 2014. Detailed preparations are ongoing with a view to completion of Report Stage of the Bill in June 2014 so as to ensure its early enactment and the establishment of the new Legal Services Regulatory Authority by the end of 2014.

Financial Sector

To restore viability to the Irish financial sector, a number of actions were completed under the EU/IMF Programme to address non-performing SME loans and mortgage arrears. Following strong programme implementation, work in both areas is on-going as a matter of priority for Government.

The broader task of reform of the Financial Sector is also carried forward in the MTES under Pillar 2 "Financing Growth" with measures such as:

- A suite of State-sponsored financing instruments that provide a broader range of capital, equity, and debt funding across all stages of the business cycle.
- Legislating to establish the Ireland Strategic Investment Fund which will absorb the resources of the National Pensions Reserve Fund and redirect them to commercial, Ireland-focused investments that support economic activity and employment;
- Establishment of NewERA to work with stakeholders and accelerate investment in strategic infrastructure;

- Intensified engagement with the EIB in order to increase the scale of EIB funding for economic activity in Ireland (infrastructure and SMEs); and
- An integrated mortgage arrears strategy incorporating Personal Insolvency, a Mortgage Advisory Service, the Mortgage to Rent Scheme and intense engagement with the banks.

Non-performing SME loans
While the Central Bank does not publish figures on arrears or non-performing loans specific to the SME Sector, in June 2013 it set quarterly institution-specific performance targets for covered banks to move distressed SME borrowers onto longer-term forbearance solutions. The targets set reflect the banks' capacity, processes and systems.

The Central Bank has informed the Department of Finance that the banks have reported that they have met their required targets to date. This perspective has been reaffirmed by both the IMF and the European Commission who report that the workout of SME arrears is progressing and that imposed targets are being met.

Recently published results from the covered Irish banks indicate that both banks are well advanced in restructuring their SME loan books. It is also worth noting that defaulted loans for both banks have reduced year-on-year.

The Central Bank's process of assessing financial institutions in their efforts to move distressed SME borrowers onto longer-term sustainable solutions is an important element in assisting SMEs to potentially transition from a distressed to a more sustainable state and will continue in 2014. Additionally, the Government's decision to fast track legislation to allow small companies (as defined by the Companies Acts) to apply to the Circuit Court for examinership and the on-going work of the Credit Review Office, which has been given an expanded remit, are all initiatives that will assist viable SMEs in addressing their debt situation.

SME Lending Initiatives
The Government recognises that SMEs are the lifeblood of our economy and play a crucial role in employment growth in our country. Evidence shows a stable and appropriate supply of credit promotes growth, encourages start-ups and enables incumbent firms to grow by exploiting trade and investment opportunities. It also brings benefits to the economy by accelerating growth, intensifying competition and boosting demand for labour and jobs.

Government strategy is premised on ensuring that all viable SMEs have access to an appropriate supply of finance from a diverse range of bank and non-bank sources. In this context a suite of State-sponsored financing initiatives has been developed to provide a broader range of capital, equity and debt funding across all stages of the business cycle. Three of these — the National Pension Reserve Fund SME funds, Microfinance Ireland and the Credit Guarantee Scheme — are described in more detail below.

During 2013, a number of initiatives were rolled out in key areas such as: extending the remit of the Credit Review Office; issuing the first call for proposals under the Seed and Venture Capital Scheme 2013 – 2018; increased engagement with the European Investment Bank and European Investment Fund; State involvement in new Development Capital Funds for Irish SMEs; an examination of how companies can be supported to scale by way of IPO which resulted in the Budget decision to remove the stamp duties charge on shares listed on the Enterprise Securities Market; and the transposition of the Late Payments Directive.

The Government's Action Plan for Jobs 2014 contains an integrated plan of measures designed to improve access to finance for micro, small and medium sized enterprises.

Our focus in 2014 will be to:
- Increase new lending to SMEs, drawing on both bank and non-bank sources of funding;
- Increase participation in Government sponsored access to finance schemes for SMEs such as the Microenterprise Loan Fund, the Credit Guarantee Scheme, the Seed and Venture Capital Scheme, Seed Capital Scheme, Employment and Investment Incentive Scheme, the NPRF SME Funds and the Credit Review Office;
- Develop new sources of finance for SMEs;
- Raise the level of awareness amongst SMEs and entrepreneurs of the full suite of developmental business supports available through a comprehensive communications strategy involving the widest possible range of stakeholders; harness the full potential of the soon to be established Local Enterprise Offices as the key conduit for providing advice, information and guidance to SMEs on access to finance issues including available state sponsored supports;
- Enhance the financial capability of SMEs; and
- Enhance research and policy evaluation on access to finance for SMEs and the potential for innovative sources of finance.

The Department of Finance and the Department of Jobs, Enterprise and Innovation, with Enterprise Ireland and the NPRF, are actively engaging with the European Investment Bank (EIB) and the European Investment Fund (EIF) to determine how their assistance can continue to be leveraged to the maximum benefit of the Irish economy. Developments such as the loans between the EIB and AIB to provide funding to SMEs and for small to medium renewable energy projects in Ireland will provide an additional €200 million of finance for innovative Irish companies. The EIF has also made significant commitments to Funds and co-invested with Enterprise Ireland under a number of schemes focused on increasing access to finance for Irish SME.

It is important that constraints on export-orientated firms accessing working capital and competitive bonding facilities do not become more acute as demand for credit increases. This highlights the need to ensure that Irish SMEs are not hindered in taking advantage of improvements in the international economy by a lack of access to the types of trade finance and working capital for exporters products that are well established in competitor countries and backed by their respective Governments. Government Departments and their agencies are examining the potential for policy development in this area and as indicated in Budget 2014 a key element of the State's engagement with the EIB in 2014 will be to seek to develop an appropriate initiative to provide a suite of customised financial products and services with EIB backing that support the continued growth of Ireland's export sector.

Table 2 - National Pension Reserve Fund Supports

Investment	NPRF Commitment Capital (€m)	3rd Party Capital (€m)	Total project size	Multiple of NPRF Commitment
SME Equity Fund – Cardinal Carlyle	125	125	250	2.0x
SME Equity Fund – Better Capital	50	50	100	2.0x
SME Credit Fund – BlueBay	200	250	450	2.3x

In anticipation of the passing of legislation establishing the Ireland Strategic Investment Fund (ISIF) with a mandate to invest on a long-term commercial basis to support economic activity and employment in Ireland, the National Pensions Reserve Fund (NPRF), within the constraints of its existing mandate, has committed to a number of investments dedicated to providing equity and debt capital to Irish SMEs. These investments include

- Better Capital Ireland Fund (total fund size €100 million, transaction signed Q1 2013),
- Carlyle Cardinal Ireland Fund (total fund size €250 million plus, transaction signed Q1 2013) and
- BlueBay Ireland Corporate Credit (total fund size €450 million, transaction signed Q3 2013)

as well as a transaction entered into with Silicon Valley Bank (transaction signed Q2 2012) whereby SVB committed to lending $100 million to the Irish technology sector.

Since the respective transactions were signed with the NPRF, each manager has set up a Dublin office, recruited senior team members, integrated the Irish platform within their wider international business and begun to develop local market awareness of their platform and investment offering. These activities have positioned the managers as important new players in the Irish market and as alternative sources of funding to Irish businesses.

By its nature, establishment of a new business activity and capability takes some time. However the managers' activities have generated significant 'deal flow' to date. Across the four different managers, over 200 investment opportunities have been reviewed and this has resulted to date in the funding of 8 transactions. A large number of potential transactions are at various stages of underwriting and the National Treasury Management Agency (NTMA) is pleased with the high quality and scale of 'deal flow' generated by the managers. The NTMA is currently working on further commercial investment opportunities in the SME sector that will meet the strategic objectives and investment strategy of the ISIF and intends to publish a report each year regarding investments made by the ISIF, including an assessment of economic impact.

Microenterprise Loan Fund Scheme

The Microenterprise Loan Fund Scheme facility was introduced in October 2012 to provide loans of up to €25,000 to micro-enterprises in a difficult economic environment, where they have been refused bank credit. It has now developed a presence in the Irish financial market. As of 4 April 2014, Microfinance Ireland (MFI), who manage the Fund on behalf of the

State, has approved 192 applications to the value of €3.021m supporting 440 jobs. Under the Action Plan for Jobs 2014 a review of the Fund will commence in Q2 2014. Appropriate action will be taken as a result of this review with a view to increasing the take-up and impact of this Scheme.

The SME Credit Guarantee Scheme
The SME Credit Guarantee Scheme was launched in October 2012 to facilitate the provision of additional bank lending to eligible SMEs by providing a 75% State Guarantee to banks against losses on qualifying loans. Its objective is to encourage additional lending to SMEs, not to substitute for conventional lending that will otherwise have taken place. As of 11 April 2014 the CGS has 77 live facilities valuing €9.957 million, with a further 5 facilities valued at €450,000 repaid. The live facilities have resulted in 338 jobs created and 276 jobs maintained, with no information available on 5 live facilities. The 5 repaid facilities have resulted in an increase of 33 jobs and the maintenance of 10 jobs. The Scheme has now been reviewed and the necessary legislative amendments will be made by the Oireachtas in 2014 to enhance the take-up and impact of the Scheme.

Communication of State SME Supports
In order to improve levels of awareness of state supports in Budget 2014 the Minister for Finance announced a cross-Governmental campaign to ensure that Irish businesses are aware of the supports for which they are potentially eligible – be it start-up funds, supporting loans or other non-financial supports such as mentoring, assistance pertaining to international fairs and skills training.

Key to the Supporting SMEs campaign are:
1. An online guide
2. Regional Roadshows
3. Other Information material in a variety of formats, tailored for Irish SMEs.
4. Training opportunities about these SME business supports

Mortgage Arrears
To address mortgage arrears, the Central Bank Mortgage Arrears Resolution Targets (MART) process was launched in March 2013. Under this process, performance targets have been set for six mortgage lenders (who together comprise around 90% of the mortgage market) for the resolution, on a sustainable basis, of both primary dwelling and buy to let mortgages which are more than 90 days in arrears.

The public targets that have so far been published are set out in the table below:

	2013 Targets			**2014 Targets**			
	Q2	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Proposed	20%	30%	50%	70%	75%	TBC	TBC
Concluded	N/A	N/A	15%	25%	35%	TBC	TBC
Terms met	N/A	N/A	N/A	75%	75%	75%	75%

The Central Bank has indicated[3] that all the banks have reported sufficient proposed solutions to meet the Quarter 2 and Quarter 3 2013 targets, and the aggregate returns as submitted are set out in the further table underneath.

	2013 Returns	
	Q2	**Q3**
Proposed	33%	43%
Concluded	N/A	N/A
Terms met	N/A	N/A

The Central Bank conducted an audit of the quarter two proposed solutions submitted by the banks. It was found that any issues arising would not have resulted in any of the banks' failing to reach the Quarter 2 target of 20% proposed sustainable solutions. The MART audit process is continuing and the next round, which is expected will be completed in April, will be on the submissions made by the relevant banks in response to Quarter 4 2013 MART targets (for both "proposed" and "concluded" solutions).

[3] See the statement by the Governor of the Central Bank of Ireland to the Oireachtas Committee of Finance, Public Expenditure and Reform on 25 September 2013 and also a Central Bank press release dated 29 November 2013.

4. Progress Towards National 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 rate

The employment rate for women and men aged 20-64 was 65.5% in 2013, up by almost two percentage points from 2012, showing the beginnings of an 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 2013 was 70.9%, up from 68.1% in 2012. The female employment rate showed a more modest increase, from 59.4% in 2012 to 60.3% in 2013. The gender gap in employment rates had reduced from 16 percentage points in 2008 to 9 percentage points in 2012, but widened slightly in 2013 as male employment began to recover relatively rapidly.

There are positive signs emerging, with employment numbers and the employment rate for 20-64 yr olds increasing quarter on quarter. Between Q4 2012 and Q4 2013 the employment rate rose by 2.5% while employment numbers rose by 56,400. The employment rate for young people aged 20-24 rose from 46% in 2012 to 49% in 2013.

While employment has increased in 10 of the 14 economic sectors[4], the employment recovery to date has largely been led by a relatively narrow group of sectors – agriculture[5], industry, accommodation and food service activities, and professional services[6]. However, the only significant sectoral decline over the last year was recorded in the financial, insurance and real estate activities sector (-5.6% or -5,700).

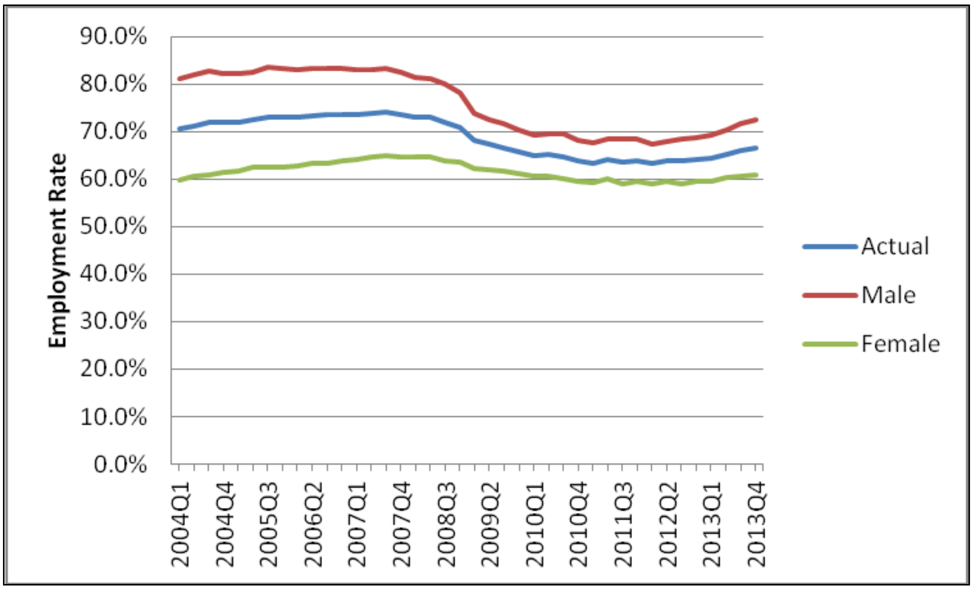
In terms of reaching the 2020 target of employment rates of 69-71%, the employment rate will have to increase by 0.6 percentage points each year. This rate of increase is feasible provided the recent recovery is maintained into the medium-term.

[4] Quarterly National Household Survey, Q4 2013, CSO February 2014.

[5] 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 may have been less marked in agriculture, and rather better in all other sectors in aggregate, than is indicated by the current estimates. The first fully valid year-on-year comparisons of employment at the sectoral level, for quarters based entirely on the new Census of Population sample, will not be available until Quarter 4 of 2014.

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

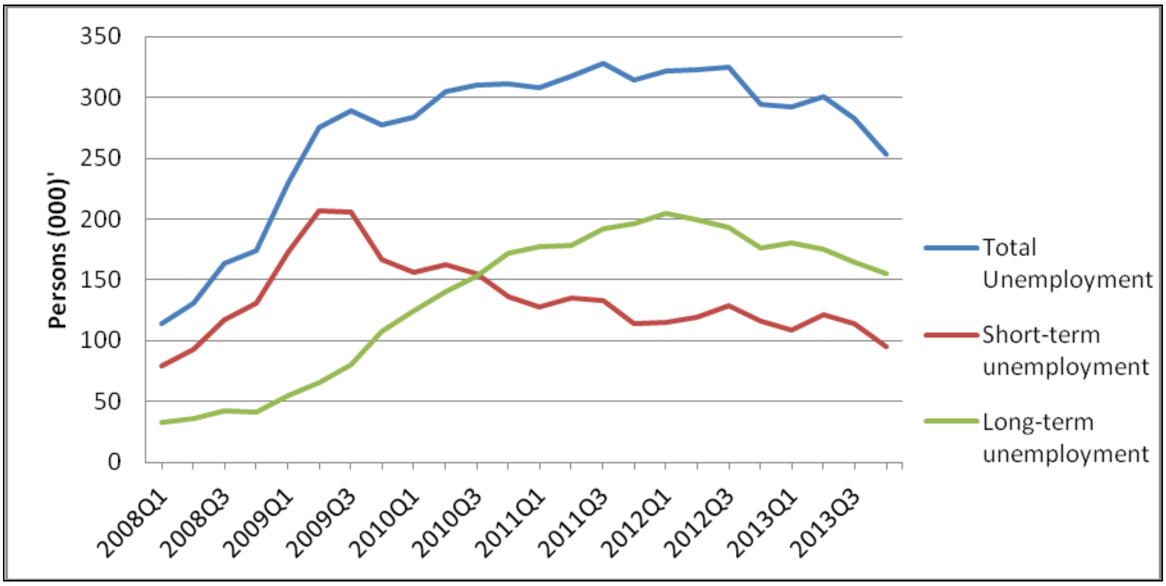
Figure 1: Employment Rate by Gender, Q1 2004 to Q4 2013



Source: CSO

Unemployment
The seasonally adjusted unemployment rate is currently 11.8% (March, 2014). While it has fallen from a peak of 15% in early 2012, the rate remains unacceptably high. The male seasonally adjusted unemployment rate of 13.2% compares with a female unemployment rate of 10.3%.

Figure 2: Unemployment by duration, Q1 2008 to Q4 2013



Source: CSO

While the number who are long-term unemployed has fallen by 21% over the last two years, it is of continued concern that long-term unemployment (defined as being unemployed for a year or more) accounted for over 60% (156,000) of total unemployment at the end of 2013.

Youth Unemployment

Overall, the under-25 age group had an unemployment rate of 26.7% in 2013 (35.5% for 15-19 year-olds and 24.5% for 20-24 year-olds) down from 30.4% in 2012. This compares to an unemployment rate of 12% for prime age workers (ages 25–54). About 40% of the young unemployed are out of work for more than one year.

Despite the high rate of youth unemployment, the absolute number of young unemployed people has fallen – from close to 80,000 on average in 2009 to 57,000 on average in 2013. The most recent figures show youth unemployment down by 10,000 year-on-year to 49,000 in Q4 2013.

While some of the fall in the number of young unemployed 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 20% of all the unemployed, down from a share of 35% in mid-2008.

Based on current trends and projections, the youth unemployment rate could fall to circa 20% by 2015.

Household Joblessness

The extent to which joblessness may be concentrated in certain households has been a matter of concern in the EU in recent years.

Based on the most recent EU LFS data, Ireland has an above average share of the adult population in jobless households (approaching 16% in 2012 as against the EU average of 11%). However, the LFS data suggest this primarily reflects the high level of overall cyclical joblessness that has resulted from the crisis. Prior to the crisis the LFS data show the share of the adult population in jobless households (typically 9%) was below the EU average (typically 10%).[7] The national data to hand for 2013 suggest that the population in jobless households is now falling again in line with the decline in overall joblessness that began in 2012.

Even in the pre-crisis years, a slightly higher proportion of the child population was found in jobless households in Ireland (typically 11%) than in the EU on average (typically 10%). Analysis of different household types indicates that was primarily because joblessness was more prevalent in lone parent households in Ireland than elsewhere in the EU.

[7] EU SILC data tend to suggest that pre-crisis the share of the Irish adult and child population combined – aged 0-59 – in jobless households (typically 13%) was somewhat above the EU average (typically 10%). Technical research has been commissioned to examine differences between the LFS and SILC data for Ireland and other countries. The research will also look at labour market transitions at the household level.

Twin Strategies
The main issues giving rise to unemployment continue to be the depressed level of aggregate demand in Ireland and weak growth among key trading partners. However, much progress has been made since 2011. The Government is continuing to support employment growth and to tackle unemployment through the twin strategies of the Action Plan for Jobs and Pathways to Work.

Action Plan for Jobs
The Government's 2014 Action Plan for Jobs was published on 27th February 2014. The year's Plan builds on the 2012 and 2013 Action Plans and includes 385 actions for delivery across all Government Departments and 46 agencies. The number of actions in the Plan reflects the whole-of-Government focus on job creation.

Key themes in the 2014 Action Plan include:
- Competitiveness (costs, infrastructure, R&D, skills and regions)
- Entrepreneurship
- Winning abroad (increasing exports and FDI)
- Supporting the Domestic Economy
- Improving the uptake of supports available to business.

The 2014 Plan also continues to focus on areas included in the 2012 and 2013 Action Plans, such as access to finance, growing Irish enterprises, developing and deepening FDI and sectoral opportunities. Targeted actions will continue to address the employability of specific groups that experience labour market disadvantage including groups that may be discriminated against on the basis of age, race, family status and disability. These will include specific technical supports to develop the equality capacity of employers, vocational education and training providers and labour market providers.

Sectoral focus
As was the case in previous years, the 2014 Action Plan for Jobs places a focus on developing sectors with potential for jobs growth. The 2014 Plan focuses in particular on Ireland's competitive advantage in Agri-food, International Financial Services and the Green Economy which have strong export potential. It also places an emphasis on supporting sectors in the domestic economy such as Retail, Construction and Tourism which need to re-build following the economic crisis.

The EU 2012 Employment Package identifies ICT, the green economy, and health services as the sectors with the most job potential for the future, and these sectors are all addressed in the Action Plan for Jobs. For example, a Disruptive Reform aims to develop opportunities for enterprise job creation in the health sector through the establishment of a National Health Innovation Hub. The initiative aims to drive collaboration between the health system and enterprises leading to the development and commercialisation of new healthcare technologies, products, and services, emerging from within the health system and/or enterprise.

The Department of Education and Skills and the Department of Jobs Enterprise and Innovation jointly led development of a new ICT Action Plan which was launched in March. The new plan replaced the 2012 ICT Action Plan, which was launched as collaboration between Government, industry and the education system.

Pathways to Work

The Pathways to Work strategy, which was launched in February 2012, introduced a new integrated employment and support service involving the transformation of local social welfare offices into a 'one-stop-shop' (called *Intreo*) allowing jobseekers to access their entitlements and get help with planning their return to work.

In 2013 a renewed focus was given to targeting activation places to the long-term unemployed and the planned extension of the activation process to the significant numbers of long-term unemployed. Although the transformation of the existing service infrastructure to deliver this type of approach is a major undertaking, the progress made in 2013 is highlighted below.

Intreo

The establishment of a locally delivered, fully integrated single 'one stop shop' public employment and benefits service in the framework of Pathways to Work has been progressed through the on-going conversion of former local offices and Employment Services offices to the new INTREO operating model as outlined below. This comprises a number of key elements:

a) Integration of welfare services – leading to a single income supports decision process
b) Integration of welfare services with employment services such that each person who registers with the income support service is also provided with an employment service
c) The introduction of a record of mutual commitments centred on social contract – rights and responsibilities
d) The implementation of a new activation process based on:
    i. Profiling of all new clients to determine their probability of exit from the Live Register
    ii. The roll-out of a Group Engagement process for all new clients to provide information on the supports available
    iii. The scheduling of initial one-to-one interviews with case officers based on client profiles
    iv. The implementation of a new personal progression plan - involving detailed actions and periodic one-to one reviews based on client profiles.

The implementation of a single 'one-stop-shop' service means a physically co-located service with a single reception providing information and access to all jobseeker services – income support, including Community Welfare, and Employment Services. The implementation of extended opening hours is also an important element.

All of the elements (a) to (d) (i) to (iv) have been rolled out nationwide. The implementation of a single 'one-stop-shop' reception service and extended opening hours will be rolled out progressively to the end of 2014. Forty-four offices have been rolled out to date with the remaining 16 offices expected to be delivering the full Intreo service by the end of 2014.

In 2013, 130,100 people attended group engagements, up from 68,600 in 2012. 156,700 people attended initial one-to-one interviews and a further 136,900 follow up one-to one interviews were also completed.

In addition by the end of 2013,

- The Department of Social Protection doubled the number of staff deployed on case work duties

- Some 300 staff were re-trained as case workers
- profiling had been extended to every client on the Live Register to help prioritise and direct interventions

Recruitment, Work Placement and Training Provision for the Long-term unemployed
The Pathways to Work strategy has been devised to maximise the number of new job opportunities available to the long-term unemployed on the Live Register. The main initiatives in this regard are:

***JobsPlus*:** The JobsPlus recruitment subsidy, launched in the second half of 2013 as a commitment under the Action Plan for Jobs, is designed specifically for the long-term unemployed. This incentive scheme encourages employers to recruit long-term unemployed people. The incentive is payable monthly in arrears, over a 2-year period. There are two levels of incentive: €7,500 for recruits unemployed for more than 12 but less than 24 months and €10,000 for recruits unemployed for more than 24 months. To date over 1,800 jobseekers have benefitted from this subsidy, ca. 60% of whom were two years unemployed.

Start Your Own Business: This Budget 2014 initiative provides for relief from Income Tax for long-term unemployed individuals who start a new business. The scheme provides an exemption from Income Tax (up to a maximum of €40,000 per annum) for a period of two years to individuals who set up a qualifying business, having been unemployed for a period of at least 12 months prior to starting their business.

Gateway: Gateway, a local authority labour activation scheme launched in the second half of 2013, that provides short-term work and training opportunities for long-term unemployed people who have been on the Live Register for over 2 years. There will also be 3,000 places available on Gateway in 2014.

***Temporary Employment*:** The Department of Social Protection also manages a number of schemes providing temporary employment for the long-term unemployed on works and services of value to the community. There were almost 31,000 people participating on Community Employment and Tús in December 2013.

To date over 40,800 additional training and education places have been provided, exceeding the 30,000 target set out in the 2011 Programme for Government:

- 5,800 places on the SOLAS Specific Skills Training programme
- More than 15,000 places have been provided under the three rounds of the Springboard programme that have issued to date
- Almost 1,500 places have been provided for jobseekers under two rounds of the ICT graduate skills conversion programmes since 2012
- 9,000 places on the Back to Education Initiative 2011-2013
- 3,000 Post Leaving Certificate places 2011-2013
- 6,500 Momentum places in 2013 (Labour Market Education and Training Fund)

Further rounds of Momentum and Springboard will be announced in 2014 providing further additional places.

In 2013 the Department of Education and Skills committed to approximately 51,000 places for Long Term Unemployed participants across the range of its further and higher education and training provision. The estimated LTU participation in 2013 was 59,530 or 27% of total starters. This represents 115% of the 2013 target. However, it should be noted that this was driven largely by higher than anticipated participation in part-time courses.

The Department of Education and Skills has agreed to retain the target for part-time provision for LTU participants in 2014 and increase participation by full-time participants by approximately 10%. This is an ambitious but achievable target.

Together, all these measures, along with the growth of the economy are having a positive effect on long-term unemployment. The Pathways to Work Target for 2013 was to move 20,000 people from long-term unemployment into employment. That target was exceeded – with 26,611 moving into employment. A more ambitious target of 22,500 has been set for 2014.

JobPath
To further support these existing measures, JobPath is the Government's new labour market activation service aimed specifically at the long-term unemployed and those most at risk of becoming long-term unemployed. JobPath will be delivered by private/third party providers of employment services under contract to the Department of Social Protection. JobPath will augment and complement the Department's existing employment service capacity as well as that of the Local Employment Service (LES) and Job Clubs, which already operate under contract to the Department, thereby increasing capacity to provide supports to assist jobseekers in obtaining employment.

In December 2013, the Department published a contract notice inviting tenders for the provision of JobPath services. Taking account of the time required for the tender evaluation process and the establishment of operations it is expected that JobPath should be fully operational towards the end of 2014.

Employer Engagement
Developing closer links with employers and supporting them in generating job opportunities is a key objective of the Pathways to Work programme.

As part of the process of engaging with employers, a number of activities have been undertaken to raise awareness of the supports and services available from DSP, including briefings, job fairs, employer-focused materials and direct engagement with employers at national and regional level. A further series of employer briefings are taking place from February to April 2014. These events will provide employers with information on the range of services and supports available to assist them with their employment needs.

Jobless Households
Given the significance of joblessness in lone parent households, current reforms are concentrated in this area. The Social Welfare and Pensions Act, 2012, which was enacted on 1 May, 2012, introduced changes to the One-Parent Family Payment (OFP) scheme, which provides for payments to lone parents without labour-market conditionality. These changes reduced on a phased basis the maximum age limit of the youngest child at which an OFP recipient's payment ceases to 7 years of age from 2014 for new entrants and from 2015 for existing recipients.

The reforms aim to provide the necessary supports to lone parents to help them to minimise their risk of poverty and social exclusion. They will encourage more lone parents to participate in education and training, develop their skills set and enter the workforce. Ultimately the aim is to enable lone parents attain financial independence and social well-being for their families.

As previously mentioned, research has also been commissioned to look in greater detail at the data sources on household joblessness, including the extent of transitions in the labour market situation of households over time. The outcome of the research will further inform policy development in this area.

Tackling Youth Unemployment

During the Irish Presidency in 2013, agreement was reached on the Recommendation on an EU-wide Youth Guarantee. Ireland published its Youth Guarantee Implementation Plan in January 2014. The 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. Given the fiscal constraints facing Ireland, a gradual implementation approach is being adopted. As a result the Youth Guarantee will be delivered on a phased but continually widening basis. The approach is to prioritise the support of individuals most at risk of long-term unemployment first before dealing with lower risk groups. Elements of this initiative are already being piloted in the Dublin suburb of Ballymun, an area with a particularly high rate of unemployment.

In summary, the national Youth Guarantee will involve:

- Developing the Intreo activation process to ensure earlier and more intensive engagement with young people.
- Delivering opportunities for young people through education and training programmes.
- Earmarking a quota of places/opportunities on employment schemes for young people.
- Varying the eligibility conditions for access to these schemes by young people. (e.g., so that young people can access places/opportunities after 4 to 6 months of unemployment rather than the general requirement of 12 months' unemployment).
- Expanding the number of opportunities currently availed of by young people in the form of internships, subsidised private-sector recruitment, and supports for self-employment.
- Introducing new options for young unemployed people in particular in the area of youth entrepreneurship and international work experience and training.

Expenditure on programmes providing employment, training and further education opportunities for young people will be in excess of €500m in each of the years 2014 and 2015.

As part of this overall provision for 2014, and as an initial step towards preparing for implementation of the Guarantee, provision was made in the 2014 Budget for:

- Reducing the threshold (in terms of duration of unemployment) for JobsPlus scheme eligibility from 12 months to 6 months or less in the case of persons aged less than 25 years
- An additional intake of 1,500 young people on to the very successful JobBridge intern scheme
- Ensuring that 1,000 places on the Tús scheme are targeted at young people

- Developing a pilot programme to support young unemployed people to take up opportunities under schemes such as Your First EURES Job
- Ring-fencing a minimum of 2,000 training places for under-25s by the Department of Education and Skills, under a follow-up to the successful Momentum programme that operated in 2013, with income support for participants being provided by the Department of Social Protection

The Department of Jobs Enterprise and Innovation is making €2.5m available to young entrepreneurs via Micro finance Ireland and other business start-up schemes.
A particular focus of the education sector's contribution to the Youth Guarantee will be on support for early school leavers through the following programmes:

Community Training Centres
SOLAS and the Education and Training Boards in partnership with Community Training Centres 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. Basic skills training, practical work training and general education are features of the programme, and the application of new technology is integrated into all aspects of programme content. There is a strong emphasis on personal development, on the core skills or literacy/numeracy, communications and IT, along with a choice of vocational options and a work experience programme. Learners on the Youthreach programme are entitled to receive training allowances. Additional allowances for meal, travel and accommodation are also available.

Education/Training Measures to Address Supply Bottlenecks
While the main cause of unemployment in Ireland over the last 6 years has been on the demand side, significant supply-side issues have also arisen, particularly in relation to persons who had previously been employed in sectors worst affected by the recession. Many of the measures under the twin strategies outlined above are designed to address these issues.

In addition, significant steps have been taken to better align the content of education and training schemes so that they provide skills required in the expanding sectors. In particular, a fundamental reform of the Further Education and Training (FET) sector is currently taking place. The main elements of the FET reform are outlined below.

Establishment of Education and Training Boards
The Education and Training Boards Act 2013 was passed in May 2013. The Act provides for the dissolution of Vocational Education Committees (VECs) and for the establishment of the 16 Education and Training Boards (ETBs) through a process involving the merger of some of the 33 existing VECs. It reforms and modernises the governance provisions and articulates the functions of the boards to better reflect the current mission of ETBs. The Act replaced the 9 extant Vocational Education Acts with one piece of primary legislation. Arising from the commencement of the Education and Training Boards Act, the 16 ETBs were established on 1st July 2013.

The Further Education and Training Act 2013 was signed into law in July 2013. The Act provides for the establishment of SOLAS and the dissolution of FÁS. The legislation also provides for the gradual transfer of FÁS training centres and training staff to the newly formed Education and Training Boards. The legislation strengthens consultation between SOLAS, the Department of Social Protection, the Department of Jobs, Enterprise and Innovation and employers to support the delivery of further education programmes that are relevant to the labour market and activation of the unemployed.

Establishment of SOLAS
SOLAS was established on 27th October 2013 with a statutory mandate to develop, fund and oversee an integrated further education and training sector. One of the first major tasks to be carried out by SOLAS was the development of a national five year strategy for further education and training. The strategy was submitted to the Minister for Education and Skills at the end of March 2014.

A companion operational plan, including component actions, timescales, performance indicators and ownership is currently in preparation. In addition, a detailed cost proposal will be prepared that will, in the first instance, take into account the need to widen the funding base if possible and to identify efficiencies. The annual FET Services Plan and the annual individual Education and Training board (ETB) Service Plans will reflect funding allocations to ensure the priorities in the FET Strategy can be implemented. SOLAS will also complete the transfer of the former FÁS Training Centres to the ETB's by the middle of 2014.

Review of the Irish Apprenticeship System
In line with a commitment in the Action Plan for Jobs a review of the Irish Apprenticeship system commenced in 2013 to determine whether the current model of apprenticeship should be retained, adapted or replaced, taking into account the needs of learners, employers, the economy and the need for cost effectiveness into the future.

The Review Group's report was submitted in December 2013 and published in January 2014. The group made recommendations both with regard to the expansion of apprenticeship into new industrial sectors as well as to the existing apprenticeship trades. Stakeholders are being consulted and arrangements being developed for implementation of the recommendations. An implementation plan, which will cover how existing apprenticeships will be further developed and how progress will be made on developing apprenticeships in new sectors, will be finalised by mid-year.

Skillnets
Skillnets is a non-Governmental Agency tasked with the facilitation of work-based training and up-skilling as key elements in sustaining Ireland's national competitiveness and economic recovery. Skillnets is funded from the National Training Fund through the Department of Education and Skills. Many of the Skillnets courses delivered during 2013 addressed ICT, sales & marketing, communications, financial services and technical skills requirements. In its Budget 2014, the Government made provision for a new training initiative aimed at enhancing the skillsets of SMEs to improve their financial capabilities.

In 2014, four Skillnets networks have been awarded funding under the Skillnets Future Skills Needs Programme (FSNP) to develop new programmes, in collaboration with higher level institutions, targeting National Framework of Qualifications level 5-9 in the areas of aviation leasing, engineering for medical technologies and brewing/distilling.

Target 2 - Research and Development (R&D)

<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.

GERD (Gross Expenditure on R&D) increased from €1,637m in 2003 to €2,826m in 2012 (+73%). Within this, HERD (Higher Education R&D) increased from €378m in 2002 to €708m in 2010 (+87%) although 2010 witnessed a contraction from a peak of €750m in 2008.

GovERD (Government Expenditure on R&D) increased from €145.8m in 2002 to €169m in 2008 although it has since fallen back to €132m in 2012. Meanwhile, BERD (Business Expenditure on R&D) increased significantly from €1,245m in 2003 to €1,962m in 2012 (+58%).

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. Approximately 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 2013, of 164 foreign direct investments in Ireland, 27 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.

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 were announced in October 2013, following a review of the scheme), supports for higher education-industry linkages and supports for in-company R&D and start-up companies. As a consequence of this increased investment, the research intensity rate for 2012 for Ireland has been confirmed at 2.13% of GNP (1.72% of GDP) and at this point Ireland is on track to achieve its Research and Development target of 2.5% of GNP (2.0% of GDP) by 2020.

Science, Technology and Innovation (STI) policy has evolved in recent years and the current strategy is focussed 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.

Investment in 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 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.

A key initiative to deliver on this overarching strategy is the National Research Prioritisation Exercise, which is being implemented on a cross-Government basis since March 2012, following approval by Government. The report of the Research Prioritisation Steering Group (1st March 2012) recommended 14 areas of opportunity which should receive the majority of competitive public investment in STI over the coming five years, as well as underpinning technologies and infrastructure to support these priority areas. The majority of competitive public STI investment will be aligned with these 14 areas of opportunity. The Research Prioritisation process is Ireland's smart specialisation strategy for research and innovation.

The priority areas were identified on the basis of existing strengths of the enterprise base, opportunities that exist in terms of the global marketplace and those which are most likely to deliver economic and societal impact, and ultimately, jobs. Implementation of Research Prioritisation, through the Research Prioritisation Action Group which is chaired by the Minister for Research and Innovation, and includes representatives from all research funding Government Departments and State Agencies, is also addressing a range of issues aimed at improving the efficiency and effectiveness of the STI eco-system as a whole.

Action Plans, which are designed to identify the actions that are required across research funding organisations to re-align the majority of competitive public research funding around the priority area, have been developed for each of the priority areas. Moreover, a detailed "Framework of Metrics and Targets for Monitoring Public Investment in Science, Technology and Innovation" has been drawn up to measure the outputs and impact of funding provided. This ambitious Framework of Metrics and Targets was adopted to stretch the public enterprise support system in order to maximise the impact of public investment in R&D under the National Research Prioritisation Exercise and to assess the success over time of the implementation of Research Prioritisation.

The National Target in this Framework is to increase GERD as a percentage of GNP to 2.5% by 2020, in line with the Europe 2020 R&D Target. Another Target seeks, through performance monitoring and strategic dialogue, to incentivise an increase of 20% in the proportion of research funding (cash) secured by HEIs (Higher Education Institutions) from enterprise by 2017. The Action Plans and Framework of Metrics and Targets were approved by Government in June 2013 and published in July 2013.

In order to fully support implementation of Research Prioritisation, the 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 November 2013. SFI is mandated to invest in research most likely to generate new knowledge, leading edge technologies and competitive enterprises, based on academic excellence and impact.

In order to improve enterprise engagement in public research, SFI has recently increased in a significant manner the number and range of industry facing programmes that it supports.

Seven world class SFI Research Centres will be funded over 6 years supporting key strategic areas of importance to the economy. SFI is a key part of the enterprise ecosystem and in 2013 SFI had links to 41% of jobs announced by IDA Ireland in all fields.

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. With a view to further driving the commercialisation of publicly-funded research, a new national Intellectual Property (IP) Protocol is helping to provide industry with easier access to IP arising from publicly funded research.

A key initiative linked to the IP Protocol is the new central Technology Transfer Office (cTTO) located in Enterprise Ireland, which is providing a crucial interface between industry and the research community and is helping to drive a world class technology transfer system in Ireland, ensuring it is responsive to the needs of both academia and enterprise. The cTTO will play a key role in the Irish innovation system by providing a responsive interface between companies and the wealth of technology, skills and "know how" available in the higher education system. One of the many functions of the new office will be the provision of a central hub that will enable companies to explore, through a web interface, the research resources available to them throughout Ireland.

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 14 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.

SFI's new legislation provides a legislative basis for SFI to provide funding to promote the study of, education in and awareness of, science, technology, engineering and mathematics (STEM). The Discover Science and Engineering programme had been transferred to SFI on an administrative basis with effect from 2012. SFI has been working to consolidate STEM education and outreach funding provided to third parties following the transfer. As part of this process SFI has established a new funding programme modelled on the processes used by SFI to manage and deliver scientific calls. Through the SFI Discover programme, SFI supports a range of activities promoting STEM, including both education and public engagement focused activities.

A significant measure in support of the Europe 2020 Strategy is the European Union's Horizon 2020 Programme for Research and Innovation. In December 2013, the Government approved a national strategy for participation in Horizon 2020 together with a target of €1.25 billion in funding to Ireland over the lifetime of Horizon 2020. The strategy sets out a comprehensive range of actions designed to maximise Ireland's participation in the programme and achieve the target, involving all of the key Departments, agencies and research performers.

Actions to complete the European Research Area

- **More effective national research systems**

One of the key aims of the research prioritisation strategy is to reduce the fragmentation and lack of cohesion of public research funding. A competitive funding approach is widely used by research funders involving international peer review. The Higher Education Authority has published national guidelines for access by researchers to research infrastructure hosted by higher education institutions or other research bodies in Ireland.

- **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. SFI has initiated a number of new funding programmes involving international collaboration. The new SFI legislation permits SFI to provide funding in Northern Ireland and, with the consent of the Minister, to participate in international collaborative projects.

- **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 being 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.

- **Gender equality and gender mainstreaming in research**

Ireland has a comprehensive employment equality legislation framework. A new SFI Advance Fellowship funding initiative assists female researchers to return to research. SFI has set performance targets for increasing women in research. Universities have gender balanced recruitment committees.

- **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 which result from research that 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

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

Reducing Emissions in the Non-traded Sector by 20% Compared to 2005 Levels
Under the 2009 EU Effort Sharing Decision, which applies to greenhouse gas emissions (GHG) outside the scope of the EU Emissions Trading Scheme, Ireland must limit growth of emissions to 20 per cent below 2005 levels over the period 2013 to 2020.

Having regard to Ireland's greenhouse gas emissions profile, a -20% mitigation target for 2020 is hugely challenging. Compliance will involve a very substantial mitigation effort and a potentially significant cost for access to available flexibilities to supplement the domestic effort. The potential costs in complying with our 2020 targets pose serious problems of affordability for Ireland.

Ireland has also highlighted its concerns about the methodology used in the 2009 Effort-Sharing Decision on which Ireland's target is based, including the modelling assumptions and data used to estimate Ireland's cost-efficient point, and the use of GDP per capita as the primary metric in determining relative wealth and affordability. The 2009 Effort-Sharing Decision estimated the marginal costs of climate and energy policy from two separate perspectives. First, the cost efficiency perspective suggested a target of -17%. The equity perspective then extended Ireland's final target to -20%, in effect giving Ireland the highest possible target in the range of targets allocated to Member States. Subsequent analyses by the Commission of the 2020 cost-efficient point for Member States have revealed materially different outcomes for Ireland. The first revised analysis, published in early 2012, suggested that Ireland's cost-efficient point was +0.4%, whilst the Commission's Communication on an EU 2030 Climate and Energy Framework, published in January 2014 suggested a cost-efficient point for Ireland of -7%.

Ireland's target to 2020 is particularly onerous given the unique scale and highly carbon-efficient nature of our agriculture and food sector, and the scale of greenhouse gas emissions associated with it. The Environmental Protection Agency has projected that agriculture emissions, in the absence of abatement measures, will increase by 9.7% between 2010 and 2020. The recently published Environmental Analysis Report on Food Harvest 2020 recommended the adoption and use of high technology and best production methodologies at farm level to minimise adverse environmental impact. The preparation of the new Rural Development Programme (RDP) for the period 2014-2020 is being informed by the findings and recommendations in this report, and will support the Smart Green Growth message of Food Harvest 2020 and thus will encompass the themes of technology, efficiency and sustainability.

The European Commission communication on a framework for energy and climate policy to 2030 (January 2014) includes a section that recognises the nexus between agriculture and land use/forestry. It provides an opportunity for Ireland and other member states to engage with the Commission to progress the formulation of a realistic, cost-effective climate ambition for these sectors while sustainably increasing production to meet the food security challenges associated with increased global demand to 2030 and beyond.

Notwithstanding the concerns outlined above regarding the 2020 target, Ireland's emissions reduction trajectory to 2020 consists of a series of declining annual targets. The Environmental Protection Agency publishes annual inventories of, and projections for, national greenhouse gas emissions. This shows that Ireland is on course to comply with the mitigation trajectory in the first half of the eight-year compliance period. Compliance in the years 2017 to 2020 is more challenging. Ireland continues to implement its programme for the development of national climate policy and legislation in response to 2020 targets, and in pursuit of our medium- to long-term approach to becoming a competitive and sustainable low-carbon economy by 2050.

Figure 3

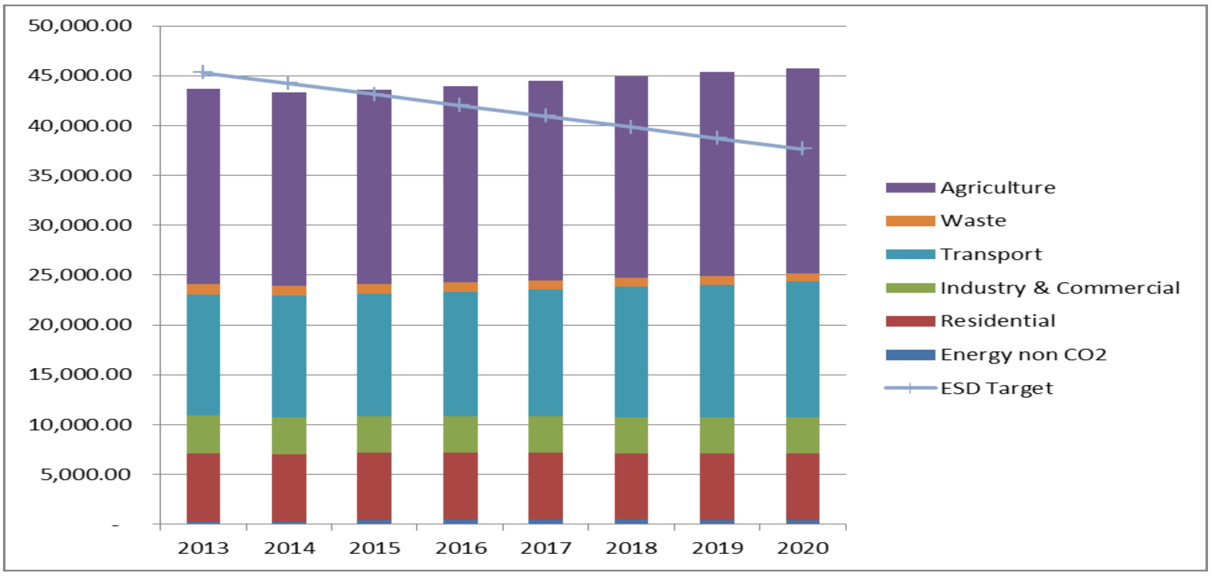


Figure 3 – Effort Sharing Decision *With Measures* emissions projection and targets 2013-2020

Legislation

In accordance with the commitment contained in the Programme for Government 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) - *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 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, will be key inputs for consideration by Government in adopting a national policy position on the transition to a low-carbon future, including appropriate institutional arrangements, and finalising the introduction of climate legislation. Subject to the approval of Government, it is expected that the final Heads of the Bill will be published in April 2014.

Low Carbon Roadmapping
In anticipation of the planned primary legislation, a National Low-Carbon Roadmap to 2050 is being developed. The planned Roadmap will focus on greenhouse gas mitigation and Government Departments with responsibility for four key sectors in this regard have been asked to develop sectoral input. The key sectors are electricity generation, the built environment, transport and agriculture.

The roadmapping process will focus in detail on:

- narrowing the distance to Ireland's greenhouse gas emissions reduction target under the 2009 EU Effort-Sharing Decision in the compliance period 2013-2020; and
- putting in place appropriate plans to mobilise further mitigation action in response to the level of mitigation ambition envisaged for the purposes of national low-carbon transition over the period to 2050.

It is intended that the first draft 2050 National Low-Carbon Roadmap will be released, together with a draft Strategic Environment Assessment, for a substantial period of open consultation later in 2014.

Progress towards Europe 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. In order to meet this target, Ireland is committed to meeting 40% of electricity demand from renewable sources, with 10% for transport and 12% for heat.

In 2012, 7.1% 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 19.6% of electricity demand, and 2.4% and 5.2% respectively of transport and heat power needs, being met by renewable energy in 2012.

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 2012 15.3% of electricity demand was met by wind generation. At the end of 2013, the total amount of renewable generation connected to the grid was 2,300 MW. It is estimated that a total of between 3,500 and 4,000 MW of onshore renewable generation capacity will be required to allow Ireland to meet its 40% renewable electricity target. Currently, around 3,000 MW of renewable generation has taken up connection offers under the Gate 3 grid connection programme. In addition, in February 2013 Minister Pat Rabbitte launched the Offshore Renewable Energy Development Plan (OREDP), which will provide a framework for the sustainable development of Ireland's abundant offshore renewable electricity resources in the period beyond 2020. The objectives of the OREDP are fully aligned with those of the 'Blue Energy' initiative as outlined in the recent European Commission Communication.

With regard to renewable transport, the uptake of electric vehicles has been slower here than expected – a common experience across the EU although significant progress has been made with respect to the deployment of publicly accessible charging infrastructure. The ESB expects 1,000 such charge points, including 60 fast charge points, to be deployed by this year. This means that Ireland will aim to meet the 10% binding target in transport principally through the deployment of sustainable biofuels through the Biofuel Obligation scheme. The obligation was increased to 6% by volume from January last year. Certainty as to the outcome of discussions on the Commission's proposal to limit the contribution of certain food-based biofuels will be required before further increases to the obligation can be considered.

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. Further targeted measures on supporting renewable heat are being considered in the context of the forthcoming Bioenergy Strategy.

Energy Efficiency
Ireland's second National Energy Efficiency Action Plan reaffirms the commitment to deliver 20% energy savings in 2020. This equates to energy savings of 31,925GWh; the calculation of which was based upon the methodology outlined in Annex 1 of the Energy Services Directive (ESD) i.e. the average of the most recent 5-year period of unadjusted final energy consumption, expressed as 'primary energy equivalent'. The relevant data period was 2001–2005.

The national target was calculated as 20% of the average of unadjusted final energy consumption for the period 2001–2005, expressed as 'primary energy equivalent'. The emission trading sector is included in the national target, as opposed to the targets set out in the ESD.

The absolute level of primary energy consumption in 2020 is estimated to be 158,423 GWh (13,622 ktoe). The absolute level of final energy consumption in 2020 is estimated at 129,802GWh (11,161 ktoe).

The conversion to primary energy equivalent takes into account the conversion losses in electricity generation and makes units of different energy streams more comparable. The final energy consumption is converted to primary energy equivalent by multiplying the electricity component by a factor (assumed to be 2.5) to reflect the average electricity generation efficiency during the reference period (assumed to be 40%) and adding it to the remainder of the final energy consumption.

The second Action Plan, which will be renewed in 2014, includes 97 measures designed to deliver energy savings across the economy in 2020. The Better Energy Programme remains the main driver of energy savings and contains a number of strands, each targeted at specific sectors of the economy. A three-year energy saving target of 2,000GWh was set and delivered[8] for the period 2011 – 2013, with a new three-year target to be set for the period 2014-2017 in accordance with the new Energy Efficiency Directive provisions, specifically Article 7. In this regard, a new programme of energy saving obligations has been established for all energy suppliers.

The Better Energy Programme has consistently delivered energy savings in the domestic, commercial and public sectors over the past four years, while a retrofit programme for low-income housing was integrated in 2009. Given the economic challenges faced by the country, the Better Energy Programme is moving from a grant-based programme to one that relies upon sustainable financing. A number of initiatives are under development including the recent launch of an Energy Efficiency Fund, the publication of a National Energy Performance Contracting Policy Framework and a suite of Exemplar Projects.

Future Energy Policy

There have been many developments since the last White Paper "Delivering a Sustainable Energy Future for Ireland" was published in 2007. In particular, the significant changes in Ireland's economic position mean that key assumptions supporting policy, as outlined in that White Paper, are no longer valid. The external environment, at EU level and internationally, has been transformed from both economic and energy perspectives. Some of the key changes that have occurred are falling demand for energy as a result of declining growth in many western economies and more recently a slowing down of growth in China and some of the emerging economies.

It is timely that Ireland's energy policy is re-evaluated having regard to these significant changes and future developments. The key objectives of energy policy, competitiveness, security and sustainability remain at the heart of Irish energy policy. It must also support economic growth and job creation. The Minister for Communications, Energy and Natural Resources will shortly publish a Green Paper on Energy Policy to stimulate a broad and informed debate about Ireland's future energy policy. The feedback from that debate will contribute to the preparation of a new White Paper that will set out a balanced and workable energy policy framework for the next five years.

[8] Subject to final calibration

Target 4 - Education

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

Our highly adaptable and effective workforce has proven to be one of our competitive advantages in the past. A key element of the Government's MTES 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.

Ensuring that all our school pupils have the 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 which 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 9.7% in 2012. This represents 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. 860 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 titled "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.

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 2007 and completed second level schooling no later than 2013. The report shows that:

- the percentage of students sitting the terminal Leaving Cert examination has risen by nearly 8% to 90.1% in 10 years.
- the average Leaving Certificate retention rate in DEIS schools increased from 68.2% for the 2001 cohort to 80.4% for the 2007 cohort.

Integration of educational welfare services
On 1st January 2014, with the commencement of the Child and Family Agency Act 2013, the National Educational Welfare Board became part of the Child and Family Agency and now operates as the Educational Welfare Services of that Agency. 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 is currently underway with full service roll-out anticipated over 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 2014. Almost €9 million has been included in the 2014 allocation for the Strategy. The Strategy was launched in July 2011. It 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.

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 will place the needs of students at the core of teaching and will improve the quality of their learning experiences and outcomes. It will also contribute to tackling the problem of early school leaving. The new approach seeks to ensure that all students will achieve their full potential and will be properly challenged in their learning, thereby raising educational standards. To achieve this, assessment must become a key part of teaching and learning across the three years of junior cycle, and provide high quality feedback to students and parents. The opportunities for such approaches to assessment are even greater in situations where assessment is no longer such a 'high-stakes' event.
The terminal Junior Certificate Examinations will be replaced with a school-based model of assessment with an emphasis on the quality of students' learning experience.

All subjects will be recast, beginning with English, which is to be introduced to students entering post-primary education in 2014. Following intense discussions with education stakeholders, the pace of implementation been changed to allow more time to enhance teachers' competence and confidence in the new methodologies required.

Reform of the Further Education and Training Sector
The establishment of SOLAS, the new Further Education and Training Authority, and the Education and Training Boards in 2013 will ensure that Ireland has a Further Education and Training sector that, amongst other targets, aims to address the needs of early school leavers, is fit for purpose, and is responsive to the needs of both Learners and Industry. SOLAS will bring a strategic direction to the sector and enable and empower the new Education and Training Boards to deliver an integrated further education and training sector.

As part of the Irish Government's Action Plan for Jobs initiative, the Government initiated a review of the Irish Apprenticeship system to determine whether the current model should be retained, adapted or replaced, taking into account the needs of learners, employers, the economy and the need for cost effectiveness into the future.

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 to progress to further education and training.

Early school leavers in Ireland are defined as young people aged 16-21 without upper secondary certificate qualifications and who face difficulties in entering the labour market. The Community Training Centres, now operating under the aegis of the ETBs, provide training and related services in a professional, supportive and inclusive manner for early school leavers as part of the joint "Youthreach" initiative with the Department of Education and Skills.

Training provision in Community Training Centres is constructed to address the needs of learners who have often had poor experiences of education. They can present with high levels of education and training needs as well as challenging behaviours. This demands continued innovation in terms of learner supports, staff development and content. The delivery methodology adopted must take these factors into account and incorporate approaches that are learner-centred, flexible and delivered within a supportive learner focused environment.

Further details of these initiatives are outlined in the section on employment above.

Tertiary Attainment

The latest Eurostat data shows that Ireland's tertiary attainment rate for 30-34 year olds was 51.1% in 2012, up from 49.7% in 2011. Since 2009, Ireland has the highest rate for this indicator of EU27 countries. In the tertiary attainment rate for 25-34 year olds indicator presented by the OECD, Ireland ranks 1st in the EU27 and 4th 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 1.8% between the 2011/12 and 2012/13 academic years. Combined full- and part-time graduate numbers increased by 1% between 2011 and 2012. Part-time mature enrolments increased by over 2,000 (or 7%) while the number of full-time mature new entrants declined slightly. This is not surprising, as part-time provision is often more suitable to the needs of mature new entrants and, as the range and availability of part-time courses increases – such as the part- time labour market relevant programmes under the Springboard Initiative – learners may opt for these in preference to full-time courses.

Since the onset of the recession, there has been a notable rise in the participation of males in higher education. Undergraduate new entrant gender trends show that the number of male new entrants continues to grow at a faster rate than female. From 2007/08 to 2012/13, there has been a 23.9% increase in male new entrants and just a 5.6% increase in female new entrants over the same period. Males now comprise 50.6% of new entrants compared to 46.6% in 2007/08.

The *National Strategy for Higher Education to 2030,* published in early January 2011, provides a framework for the development of the higher education sector for the next twenty years. An Implementation Oversight Group, established in February 2011, is supervising the implementation of the Strategy, which is taking place in partnership with the Higher Education sector and other stakeholders. Detailed Progress Reports are published on the Department's website.

Engagement with enterprise is one of the core pillars of the National Strategy and a range of recommendations to ensure the system continues to respond to enterprise needs is being implemented. This includes structured employer surveys, increased work placement opportunities, staff mobility into enterprise, and a renewed focus on transversal skills. The Higher Education Authority (HEA) has also published guidelines for the establishment of higher education institutional clusters at a regional level to support enterprise development and employment needs.

The first pilot national survey of employers, which was completed in December 2012, showed that over 75% of companies were confident that graduates have the right workplace and transferable skills and relevant subject or discipline knowledge.

The Department of Education and Skills has also introduced two new competitive funding streams at higher education level that address the specific skills needs of industry, that support jobseekers into employment, and help increase the skills profile of the labour force.

The Springboard programme strategically targets funding of free part time higher education courses for unemployed people in areas of identified skills needs, such as ICT, Manufacturing and International Financial Services. More than 15,000 places have been provided under the three rounds of the programme to date. A new call for proposals, which issued during February, is expected to provide for an additional 5,000 places in 2014. A first stage evaluation report, published in February 2012[9], showed that 70% of participants were male and 20% had previously been employed in construction. A second stage evaluation report, completed in February 2013, shows that 30% of participants were back in work within 6 weeks of completing a Springboard course, and that 40% were back in work within 6 months of completion.

The joint Government-Industry ICT Action Plan[10] has been developed as a direct response to identified ICT skills shortages, and contains a comprehensive range of short, medium, and long-term measures to build the domestic supply of ICT graduates. As part of the Plan, almost 1,500 places have been provided for graduate jobseekers under two the rounds of the ICT graduate skills conversion programmes that have issued to date. A new call for proposals, which issued during February, is expected to provide for up to 700 additional places in 2014. To date, the ICT conversion programmes have seen a 25% female participation rate as compared to mainstream undergraduate ICT programmes which see a 15% female participation rate.

In 2013, the Minister for Education and Skills announced agreed commitments to a number of measures by 2nd and 3rd 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. It is envisaged that an implementation plan, including the scope and timeframe for implementation of the three commitments and other further work, will be available by the end of 2014.

Widening participation in Higher Education

A new National Access Plan for higher education will be developed 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

[9] www.hea.ie/en/node/1463

[10] Joint Government - Industry *ICT Action Plan: Meeting the High Level ICT Skills Needs of Enterprise in Ireland:* www.education.ie/en/Publications/Policy-Reports/ICT-Action-Plan-Meeting-the-high-level-skills-needs-of-enterprise-in-Ireland.pdf

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 will also commence 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 financial supports to enable students from less well-off families to participate in further and higher education. Following the current transition period, the number of grant awarding bodies will be reduced from sixty-six to one. SUSI 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.

In 2013/14, SUSI made significant improvements to its systems and procedures to streamline the grant application, processing and payment processes. The performance metrics and targets which now underpin the monitoring and evaluation of the system by the Department have been simplified and clarified. 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 2013 in line with its agreed performance metrics. By end December 2013, 88% of new applications had been processed to completion compared to 60% processed to completion by end December 2012. In addition, by end December 2013, SUSI had 23,065 (98%) of its renewal applications processed to completion.

Target 5 - Poverty

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

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).

National social target for poverty reduction

Following a review in 2012[11], the Government agreed a revised and enhanced national social target for poverty reduction, which is to reduce consistent poverty (overlap of at-risk-of-poverty and basic deprivation) to 4% by 2016 (interim target) and to 2% or less by 2020, from the 2010 baseline rate of 6.3%. This is supported by a wide range of actions across diverse policy areas in the *National Action Plan for Social Inclusion 2007-2016*. More recent measures which address the social impact of the crisis are set out in the annual updates of the National Reform Programme[12].

The Social Inclusion Monitor is an official report on progress towards the national social target and associated indicators. The inaugural monitor for the period 2011 was published in March 2013, using data from SILC. The monitor was developed in conjunction with a Technical Advisory Group on poverty indicators and data. The monitor also reports on supporting indicators which capture key dimensions of poverty and on contextual indicators relating to lifecycle and vulnerable groups. The monitor for 2012 will be prepared following the publication by the CSO of the results of SILC 2012. It is planned to add a section to the monitor outlining the spatial distribution of poverty.

Irish contribution to the Europe 2020 poverty target

The national social target includes the Irish contribution to meeting the Europe 2020 poverty target, i.e. those who are in consistent poverty, at-risk-of-poverty or basic deprivation. In doing so it captures a similar percentage of the population as the EU 'at risk of poverty or social exclusion' measure. There is an overlap of approximately 80 per cent in the populations captured by either measure. The population using the Irish combined poverty measure is 35.7 per cent in 2012, compared to 33.6 per cent in 2011. This equates to 1.6 million people. This higher figure reflects an increase in both basic deprivation (+ 2.4 per cent to 26.9 per cent) and at-risk-of-poverty (+ 0.5 per cent to 16.5 per cent). Nominally, this represents an increase of 95,000 in the Europe 2020 target population. This upward trend in the Europe 2020 target population highlights the social impact of the economic crisis in Ireland (see Figure 4).

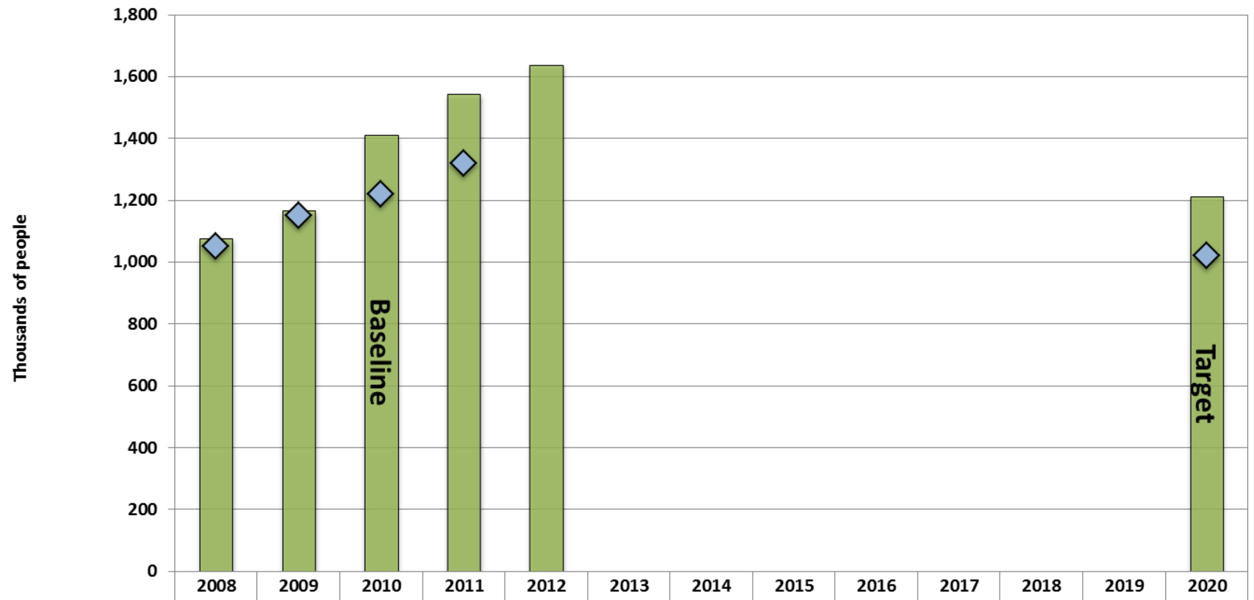
[11] Ireland's Former Headline Target: To reduce the number experiencing consistent poverty to between 2-4% by 2012, with the aim of eliminating consistent poverty by 2016, which will lift at least 186,000 people out of the risk of poverty and exclusion.

[12] The National Social Report 2014 also reflects measures that will help to address the social impact of the crisis, specifically in the achievement of the objectives of the Social Open Method of Coordination (OMC).

The latest (2012) data show no statistically significant change in the rate of consistent poverty at 7.7 per cent, from 2011. Spatially, the Border Midland and Western region had the highest rate at 9.4 per cent, compared with 7.1 per cent in the Southern and Eastern region. The consistent poverty rate in rural areas was 7.3 per cent, as compared to 8 per cent in urban areas. Changes in the at-risk-of-poverty rate reflects different dynamics: one, the fall in the 60% median income threshold as household incomes have declined since the economic crisis; but, two, the cushioning effect through increasing performance (poverty reduction effectiveness) of social transfers, in reducing pre-social transfer at-risk-of-poverty rates. A recent report[13] shows that this performance increased from 53% in 2004 to 71% in 2011, thereby lifting almost 40 per cent of the population out of at-risk-of-poverty in 2011. Ireland is now at the top of the range of EU-15 countries with an overall effectiveness of 90% in reducing the poverty gap through social transfers. The report shows the poverty reduction effectiveness for children and for jobless households was also high at 87%.

A significant impact of the crisis is registered in rising basic deprivation rates, increasing from 14% in 2008 to 22.6% in 2010 and 26.9% in 2012. The risk of being deprived has spread to groups that are not income poor, reflecting the social impact of the crisis for the Irish population as a whole. A supporting indicator, vulnerable to consistent poverty, has been developed that captures those whose income is between 60% and 70% of the median and who are experiencing basic deprivation.

Figure 4 - Progress towards the Europe 2020 national target for the reduction of poverty and social exclusion 2008-2012 (IE and EU indicators)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
IE combined poverty	1,076	1,165	1,412	1,542	1,637								1,212
EU AROPE ('000s)	1,050	1,150	1,220	1,319									1,020
IE combined poverty %	24.0%	25.7%	31.0%	33.6%	35.7%								26.6%
EU AROPE %	23.7%	25.7%	29.9%	29.4%									25.0%

Source: CSO SILC

Note: For further analysis of the two methodologies, see Watson, D and Maître, B (2012) Technical Paper on Poverty Indicators, Dublin: Department of Social Protection. The EU AROPE target figure

13 Watson, D, and Maître, B (2013) Social Transfers and Poverty Alleviation in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004 - 2011, Social Inclusion Report No. 4. Dublin: DSP/ESRI.

in 2020 is indicative. The percentage targets are also indicative and based on 2010 population figures.

A child-specific poverty target

As part of the review of the national poverty target, the Government agreed to set specific sub-targets[14]. In recognition of the higher risks and life-long consequences of child poverty, a new child-specific poverty target has been set in the National Policy Framework for Children and Young People 2014-2020 (*Better Outcomes: Brighter Futures*): To lift over 70,000 children out of consistent poverty by 2020, a reduction of at least two-thirds on the 2011 level. This target will include reducing the higher consistent poverty risk for households with children as compared to non-child households (8.8% vs 4.2%), and for children as compared to adults (9.3% vs. 6%). The Framework centralises common outcomes, captures policy commitments, prioritises key transformational goals and ensures an innovative and effective way of working across Government as they relate to children and young people aged 0-24 over the next seven years. It will accommodate a number of constituent strategies.

The Framework is broadly in line with a multi-dimensional social investment approach and seeks to improve children and young people's lives and life chances, addressing child poverty and social exclusion and promoting wellbeing and well-becoming. It puts forward an integrated and positive approach to creating and sustaining a nurturing environment that reduces risk and enhances protective factors and one in which there are roles and responsibilities: for children and young people; for parents and families; for communities and neighbourhoods; for service providers; for schools; for policy makers; and for society. The Framework works from an evidence base that identifies what these risk and protective factors are, the mediating roles different stakeholders can play in these, and the policy levers necessary to create change.

Ireland has long experience in setting national poverty targets, beginning in 1997 with the first *National Anti-Poverty Strategy –Sharing in Progress*. It has had successes in meeting and even exceeding these targets to date. However, there is a significant challenge in meeting the current target. Using the baseline year of 2008 to set the EU2020 poverty target has proved especially challenging for Ireland. Poverty rates have been increasing since that year. From the period 2010 to 2012 the target population has increased by 225,000 people.

A new policy tool of social impact assessment (SIA) is being developed to assess the impact of policy on poverty and related social inequalities, as a way of ensuring greater policy coordination in the social sphere. The social impact of a range of potential welfare and tax measures were assessed as part of the deliberative process for Budget 2014. The application of SIA to Budget 2014 was published in March 2014. Over time, there is considerable potential to incorporate different impact assessments (e.g. health, housing, gender, equality) into the policy tool of social impact assessment, but this is dependent on resources, data quality and capacity.

The Government is committed to growing the economy and to creating new employment opportunities. At the same time, it is important that the most vulnerable in society, notably

[14] Consideration of an agreed sub-target on jobless households is pending the completion of further analysis, including investigation of the apparent discrepancy between SILC and QNHS measurements of jobless households in Ireland. In the meantime, the National Reform Programme contains a number of references to jobless households, both under the employment target and the poverty targets, reflecting its policy priority.

jobless households and children in poverty, are enabled to benefit from economic recovery through activation programmes and services. A coordinated implementation of targeted policies across all policy areas is required to ensure progress on the poverty target.

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. This adopts a lifecycle approach which places the individual at the centre of policy development and delivery. It has three main policy components, similar to the EU active inclusion strategy:

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

a) Adequate minimum income

In 2013, the Department of Social Protection spent over €20 billion in providing income support to 1.5 million recipients with a further 750,000 beneficiaries. The Government has sought to maintain the rates of the main weekly payments; reflecting concerted State intervention and investment in the social protection system. Social transfers lifted almost 40% of the population out of poverty in 2011, equating to a reduction of 71% in the pre-social transfer at-risk-of-poverty rate.

A recent report shows that the effectiveness of social transfers in reducing poverty was very high for all groups. In 2011, it ranged from 84% for working age adults to 95% for retired people. It was 87% for children and the same for people in jobless households. The biggest percentage (relative) improvement in poverty reduction effectiveness since 2004 was for children (20 per cent improvement). Social transfer payments were particularly effective at reducing poverty among adults of retirement age. This was linked to the greater prevalence of non means-tested payments and occupational pensions among this group[15].

Recent analysis of the cumulative Budgets 2009-2014[16] finds that the average loss in household income is 11%. The highest losses have been borne by those in the top 10% of the income distribution. Since 2009, this group experienced losses of about 15.5% in their disposable income. The next highest losses (-12.5%) occurred in the bottom decile. The group with the smallest loss is the third decile, who would be largely comprised of older people in receipt of pensions. The analysis suggests a broadly proportional impact for the vast bulk of income groups; neither a progressive or regressive pattern is evident. It should be noted that certain items, like the impact on public services, are not included in the assessment. The Government has continued a redistributive policy focus in recent Budgets by maintaining the value of the main weekly social welfare payments, despite the requirements for significant welfare savings as part of fiscal consolidation under the EU/IMF programme.

[15] Watson, D, and Maître, B (2013) Social Transfers and Poverty Alleviation in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004 - 2011, Social Inclusion Report No. 4. Dublin: Department of Social Protection and Economic and Social Research Institute.
[16] Callan, T., Keane, C., Savage, M and Walsh, J.R. (2013) 'Distributional Impact of Tax, Welfare and Public Service Pay Policies: Budget 2014 and Budgets 2009-2014'. ESRI: Dublin.

Making work pay

The Family Income Supplement is a weekly tax-free top-up payment for employees on low pay with children. At present, more than 44,000 working families with more than 98,000 children benefit from the scheme. The 2014 budget for the scheme of more than €280 million represents an increase of 25% since 2012, when the total FIS spend was €224 million. These increases have been assisted by operational improvements and enhancements in the publicity of the scheme. The increasing take-up and expenditure on FIS represents a significant support for in-work families.

The Advisory Group on Tax and Social Welfare was established in June 2011 to address a number of specific issues and make cost-effective proposals for improving employment incentives and achieving better poverty outcomes, particularly child poverty outcomes. The Advisory Group is currently considering the issue of working age income supports. In particular the Group is considering how employment incentives might be addressed and what role in-work benefits, such as the Family Income Supplement, might play in supporting employment and encouraging people to move from welfare into work by smoothing the progression into employment and ensuring that work pays. In this examination it is also considering the position of other working age adults, such as qualified adults, lone parents and those with a disability.

The Housing Assistance Payment (HAP) introduced in July 2013 will transfer responsibility for recipients of rent supplement with a long-term housing need from the Department of Social Protection to local authorities. Payments under the HAP scheme will be based on the local authority differential rent means test under which the full-time employment restriction does not apply and therefore will remove a key barrier to persons on social welfare in getting back to work. This will benefits families as well as individuals.

b) Inclusive labour markets

The links between work and poverty are well-established; employment is critical as a route out of poverty. Creating inclusive labour markets is an important element in addressing the needs of those furthest from the labour market and with the highest poverty risk. This is recognised in the Government's *A Strategy for Growth: Medium-Term Economic Strategy 2014-2020.*[17] It states: 'the Government's purpose is to ensure a job rich recovery and to set Ireland on the path to sustainable prosperity, which will provide jobs and opportunity for our people, provide high quality public services and encourage innovation in business and across society. This will enable the building of a fairer Ireland by helping to reduce inequality and improve poverty outcomes across society, with a particular emphasis on child poverty in line with the Programme for Government' (p 15). Ireland faces a number of challenges in addressing unemployment and high poverty risks, particularly for the long-term unemployed, for in-work families (especially lone parent families) and for jobless households. It is also important to consider the gendered dimensions of inclusive labour markets, not only in terms of female labour market participation and work-life balance, but also in terms of positive outcomes for individuals and for their children. Inclusive labour markets help to create the conditions that ensure that work pays.

[17] Government of Ireland (2013) *A Strategy for Growth: Medium-Term Economic Strategy 2014-2020*. Dublin: Government Stationery Office.

The long-term unemployed

The second iteration of the *Pathways to Work* strategy builds upon the first strategy launched in February 2012 and contains a number of specific actions to target supports to those long-term unemployed. This includes further roll-out and development of the 'one-stop shop' model of integrated employment and support services (called Intreo) allowing jobseekers to access their entitlements and get help with planning their return to work. New individualised and group engagement processes have been developed, including profiling of all new clients to determine their probability of exit from the Live Register; and implementation of a new personal progression plan. Further details of initiatives in this area are outlined above in the employment section.

Lone parents

The age limit of the youngest child at which a One-Parent Family Payment (OFP) recipient's payment ceases is being reduced on a phased basis to 7 years of age from 2014 for new entrants and from 2015 for existing recipients. Transitional arrangements were put in place for the period between 2013 and 2015 – depending on the date that a recipient first claimed the OFP payment. By 2015, the maximum age limit of the youngest child will be 7 years for all OFP recipients. The reforms to the OFP scheme that are being introduced recognise parental choice with regard to the care of young children while, at the same time, having an expectation that parents will not remain outside of the workforce indefinitely. They aim to provide the necessary supports to lone parents, most frequently women, to help them to escape poverty and social exclusion, participate in education and training, develop their skills set, enter the workforce and, ultimately, attain financial independence and social well-being for both themselves and their families.

Last June the Department introduced the Jobseeker's Allowance (JA) transitional arrangement, which caters for OFP recipients who lose their entitlement to the OFP payment, who have a youngest child aged under 14 years, and who are entitled to the Jobseeker's Allowance (JA) payment. These persons are now exempt from the JA conditions that require them to be available for, and genuinely seeking, full-time work. The exemptions from the full JA conditionality will remain in place until a recipient's youngest child reaches the age of 14 years. At this point, should they continue to claim the JA payment, they will be subjected to the full JA conditionality.

Jobless households

Some data relating to jobless households has been set out in the Employment section above. A recent report examining the relationships between work and poverty[18] shows that jobless households face particularly high poverty risks. Of these households, 18% are adults with a disability and 41% are people who live in a household with one or more adults with a disability. Further research is underway to examine the factors influencing the level of jobless households in Ireland, to inform the development of policy in this area. Major structural reforms have already been initiated which will impact on these households including labour market activation for the long-term unemployed and the reform of the One Parent Family Payment outlined above.

[18] Watson, D, Maître, B and Whelan, C.T. (2012) *Work and Poverty in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004-2010*, Social Inclusion Report No. 3. Dublin: Department of Social Protection.

Considering other groups furthest from the labour market
The Advisory Group's findings/ recommendations will have an important bearing on possible approaches to the reform of working age supports and in turn will assist the Government in considering important elements in the appropriate direction of active inclusion policy and especially inclusive labour markets. This includes the consideration of those groups furthest from the labour market, such as carers, the position of second earners especially in low income households and those with a disability. These groups face a number of additional barriers to entering employment, ranging from individual circumstances, health issues, education and training needs, as well as demand-side issues and ensuring that work pays.

c) Access to quality services
In 2011, children were 1.6 times more likely to be in consistent poverty compared to adults. In recognition of the higher risks and life-long consequences of child poverty, a new child-specific poverty target has been set in the *Better Outcomes: Brighter Futures - The National Policy Framework for Children and Young People 2014-2020.* The Framework recognises the nested contexts of children's lives in which support for parents to access employment though inclusive labour markets; adequate income support; and access to appropriate and affordable quality services are essential to improving children's outcomes[19].

Access to quality services is especially important for prevention and early intervention, particularly during the formative early years but also across the life course of the child. With the roll-out of the Framework in 2014, there is a renewed emphasis on investment in quality services. The Framework adopts a whole-of-Government approach on horizontal and vertical levels, which transfers to all sectors and settings working with children and young people. This approach establishes a shared set of outcomes; identifies the range of commitments in place and will progress these based on a structured, systematic, evidence informed and outcomes focused approach; with a prioritisation on achieving cross-cutting transformational goals. Effective, efficient, trusted and outcomes-driven quality services is one of these goals. These efforts are intended to lead to a more seamless approach between a range of child, youth and adult services, and to provide a unifying policy focus on children and young people.

Budget 2013 also provided new funding of €20 million to improve services for children, covering two discrete measures and in 2014 these will be developed further:

An area-based approach to child poverty initiative, the **Area Based Childhood programme** (ABC), designed to deliver prevention and early intervention programmes, is undergoing significant expansion. These interventions and services cover a broad range of areas, including parenting, early education, speech & language therapy, and pro-social behaviour, and involve programmes that have been tested in an international context. Recently the Government and Atlantic Philanthropies, through their respective processes, have been able to release nearly €30m in funding for the roll out of such programmes in the period 2013-2016. As well as ensuring continuing funding for the existing three sites, previously funded under the Prevention and Early Intervention Programme (PEIP), this has allowed nine additional sites to be invited to enter the design stage of the ABC programme, and for a tenth to be supported as an element of another proposal. The approach will also seek to mainstream

[19] See EU Commission *Investing in children: Breaking the cycle of disadvantage.* http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32013H0112:EN:NOT

the lessons from successful early intervention programmes into existing services for children and families.

Community-based initiatives have a vital role to play in supporting social participation and enabling access to services, in particular the local and community development programme and the family resource centres programme. Housing and health services are also important in the fight against poverty, especially for marginalised groups, as detailed in the *National Action Plan for Social Inclusion*.

Childcare supports
Approximately €260 million is invested annually by the Government specifically to support the provision of early childhood care and education through three childcare support programmes – the Childcare Education and Training Support (CETS) programme, the Community Childcare Subvention (CCS) programme and the Early Childhood Care and Education (ECCE) programme. The childcare programmes implemented by the DCYA support the provision of childhood care and education for more than 100,000 children each year and are a key support for working parents.

Early Childhood Care and Education (ECCE) Programme provides for a free pre-school year and 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 94% of the eligible age cohort, expected to avail of free pre-school this year.

The Community Childcare Subvention (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. About 25,000 children each year benefit from this programme in over 900 community childcare services. 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 funding 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.

The Childcare Education and Training Support (CETS) programme allows low income parents take up training and education opportunities. About 8,000 children each year benefit from this initiative. A new element of this scheme in 2014 allows Community Employment (CE) participants to avail of childcare places. 1,800 part-time subsidised childcare places will be available under this scheme.

Another childcare programme is the **After-school Child Care (ASCC) scheme**, targeted at low-income families with children at primary school, where parents are availing of employment opportunities. It aims to help offset some of the after-school child care costs that are associated with availing of an employment opportunity in a bid to encourage more individuals to take up employment. Places on the scheme are heavily subsidised and are time limited. It is expected that, in 2014, the ASCC scheme will provide 800 subsidised after-school child care places at a cost of €2 million.

5. Additional Reform Measures and the use of Structural Funds

Annual Growth Survey 2014

The 2014 Annual Growth Survey (AGS) published in November 2013 adopted the same priority areas as those identified in the Surveys for 2012 and 2013:

- Pursuing Growth Friendly fiscal consolidation
- Restore normal lending to the economy
- Promoting Growth and Competitiveness for today and tomorrow
- Tackling unemployment and social consequences of the crisis
- Modernising public administration.

Consistent with the AGS priority of **pursuing growth friendly fiscal consolidation**, we have been conscious of the need to balance the necessary fiscal consolidation with creating growth and jobs throughout government policy. Roughly 60% of the fiscal consolidation package over the period 2013-2015 relates to expenditure-reducing measures with the balance coming from revenue-raising measures. This strikes a balance to make the overall policy as growth-friendly as possible. The government has sought to protect investments in productive capacity and has introduced an additional €2.25 billion (2012-2018) stimulus package which will leverage private and other investment. Budget 2014 contains a mix of revenue raising policy actions designed to maximise future growth in employment including a tax package of 25 Measures to Build Business and Create Jobs. Many of the measures introduced over the last few years are aimed at areas (property tax, capital tax increases) which are less damaging to economic growth than direct forms of taxation, as well as measures to encourage economic activity and targeted supply-side measures. Income tax has largely been left unchanged given the focus on job creation, and the VAT rate on the hospitality sector has been kept at its lower level.

The restoration of financial sector viability, thereby **restoring normal lending to the economy,** was one of the main goals of the EU-IMF Programme and many reforms were introduced to repair the financial sector. This reform is ongoing. The Prudential Capital Assessment Review (PCAR) 2011 was a stress test of the capital resources of the domestic banks under a given stress scenario, undertaken in order to calculate the cost of re-capitalisation necessary to meet Central Bank imposed requirements. The Prudential Liquidity Assessment Review (PLAR) 2011 established targets for banks participating in the PCAR in order to reduce the leverage of the banking system, reduce banks' reliance on short-term, largely Central Bank funding, and ensure convergence to Basel III liquidity standards over time.

Core Tier 1 capital ratios at the PLAR banks remain well above minimum requirements with buffers available for future losses. The Central Bank completed a Balance Sheet Assessment of Allied Irish Banks (AIB), Bank of Ireland (BOI) and Permanent TSB (PTSB) and communicated the results to the three banks at end-November 2013. The assessment included a review of provisioning, classification of non-performing loans and the calculation of Risk Weighted Assets. Each of the banks confirmed that their capital ratios were in excess of the regulatory minimum. Covered banks' deposits remain relatively stable and have increased by €13bn from the Q3 2011 low. The profitability of the banks continues to improve with net interest margins for AIB, BOI and PTSB all improving as a result of deposit re-pricing and higher margins on lending volumes.

In addition to the reforms introduced to repair the financial sector, a suite of state-sponsored financing initiatives have been developed to provide a broader range of capital, equity and debt funding to businesses across all stages of the business cycle. These initiatives are outlined in detail in Section 3 above.

To **promote growth and competitiveness**, as set out above, the Government presented its Medium Term Economic Strategy in December 2013. The Medium-Term Economic Strategy ("MTES") sets out a framework for sustainable public finances over the period to 2020, the achievement of which is a pre-requisite for growth. The Strategy thereby aims to provide stability and market confidence in the policy environment in the post-Programme period. Secondly, it sets out measures to ensure that adequate levels of domestic and international finance are available to support enterprises. Thirdly, the Strategy contains a programme of growth-enhancing structural reforms designed to remove barriers to growth and enable sustained levels of productivity. Under the Strategy, the Government will continue to operate a multi-annual budgeting approach to infrastructure investment and publish 5-year Exchequer investment envelopes. The MTES, in conjunction with the full range of sectoral strategies and plans referenced throughout this document, is also a framework for social and economic policy for the next seven years.

Our Action Plan for Jobs is a mechanism to drive competiveness in all areas of economic activity. The 2014 plan commits to an increased focus on competitiveness across the economy, and this work will include reviewing the key competiveness issues facing businesses, including cost competitiveness, and taking action to address key challenges identified. This work will help tackle industry costs across all sectors.

Tackling unemployment is one of the most important priorities for Government. The Government is pursuing a twin track approach to cutting unemployment and supporting employment creation through the Pathways to Work strategy and the Action Plan for Jobs. A number of initiatives have been introduced that are intended to reduce the number of long-term unemployed, these have been detailed above in both Section 3 and Section 4.

Similarly, policy has responded to **the social consequences of the crisis**. The effectiveness of social transfers in reducing the poverty gap for people of working age has increased following the onset of the crisis from 82% to 84% in 2011. The improvement in poverty effectiveness is even greater for people in jobless households, from 82% to 87%[20]. In both cases, the improvement reflects a greater reliance on means-tested payments together with a fall in the at-risk-of-poverty (threshold as market income declined), rather than higher payment rates. Despite the improved performance of social transfers, the unemployed and those in jobless households record high rates of basic deprivation. In addition, measures to address household over-indebtedness have been introduced, including the establishment of a national insolvency service.

Modernising public administration has been a key focus for the Government. A new *Public Service ICT Strategy* is being developed in conjunction with the Public Service CIO Council. This strategy, to be published in 2014, will support the objectives of the recently published *Public Service Reform Plan 2014-2016*. The eGovernment Strategy, *eGovernment*

[20] Watson, D, and Maître, B (2013) *Social Transfers and Poverty Alleviation in Ireland: An Analysis of the CSO Survey on Income and Living Conditions 2004 - 2011*, Social Inclusion Report No. 4. Dublin: Department of Social Protection and Economic and Social Research Institute.

2012-2015, was launched in April 2012 following approval by Government. It contains 44 actions across eight key priority areas:

- Continue Momentum with Online Services
- Use New and Emerging Technologies and Media
- Ensure that eGovernment is Designed around Real Needs
- Take Steps to Improve Take-Up
- Ensure that Public Service Data is available for Re-Use
- Digital Mapping/Geographic Information Systems
- Identity and Authentication
- Back-End Integration

Examples of new or enhanced eGovernment services that have been introduced since the start of 2013 include:

- SUSI (Student Universal Support Ireland), the online student grant application system;
- Local Property Tax (LPT) System for online LPT returns;
- Passport Office Appointments Service
- Ongoing enhancements to Revenue's Online Services, including electronic filing of share option data (by end Q3, 2014) and the Customs electronic manifest system (Phase 2 by October 2014);
- Ongoing enhancements to the Department of Agriculture, Food and the Marine's Animal Identification and Movement (AIM) system (next module in Q3 2014)
- New online forestry grant payments system
- New online registration system for pesticide advisors and inspectors
- The Building Control Regulations Online Portal, with Phase 1 go-live in March 2014

A project to bring the Central Vetting process online is underway with a pilot planned in Q2 2014.

Progress in some areas is dependent on the development of a number of key enablers and significant progress was achieved in 2013 with the ongoing roll-out of the Public Services Card, commencement of the Postcode Implementation Project, extension of the PPSN number range to ensure future supply, in Ordnance Survey the PRIME 2 data re-engineering project creating an industry standards-based mapping database is complete, and development of a National Payments Strategy which will enable a comprehensive move to ePayments for all Government services.

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 guidance to Contracting Authorities designed to encourage SME access. 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;
- less use of "restrictive" tendering procedures and greater use of "open" tendering;
- ensuring that the levels set by contracting authorities for suitability criteria are justified and proportionate to the needs of the contract; and,
- sub-dividing 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 shortly issue new instructions to public sector buyers that will accelerate some of the key business-friendly initiatives under the new EU Public Procurement Directives which were agreed under the recent Irish EU Presidency. The Office of Government Procurement will work with industry to ensure that winning government business is done in a fair, transparent and accessible way.

The Government is not just committed to ensuring that Ireland's public finances are placed on a sustainable footing but we want to ensure that Ireland's public finances remain on a sustainable path into the future. Over the last number of years, a series of reforms have been introduced to reform our budgetary architecture. While some of these changes are a consequence of new EU rules, others build on this Government's determination to ensure sustainable public expenditure by developing and linking existing procedures with new mechanisms. Together these elements constitute a framework that concentrates attention on whether or not the limited public resources available to the Government are being used in an efficient manner to deliver effective public services to the citizens.

In particular, the Public Expenditure Framework is built around four key elements:

- Medium Term Expenditure Framework – under this approach there are three year ceilings on government expenditure (that set the maximum volume of financial resources that will be made available in each of three years) and three year ceilings on what each Department can spend;
- Comprehensive Review of Expenditure – in 2014 there will be spending reviews of both current and capital expenditure. These will involve an in-depth examination of expenditure and will allow the Government to recalibrate ministerial expenditure ceilings in light of changing priorities and evaluations of expenditure.
- On-going evaluation – the on-going evaluations of public expenditures processes and the increased capacity for carrying out such evaluations following the establishment of the Irish Government Economic and Evaluation Service will contribute to informing next year's spending reviews and continue to inform budgetary decisions on an annual basis.
- Performance Information - the aim is to strengthen the focus upon what is being delivered with public resources and to build this information into the policy-making process.

It is also important that a structured approach to evidence and analysis is incorporated into the policy formulation process for regulatory proposals and that the unnecessary use of regulation is avoided. Regulatory impact analysis (RIA) is a specific tool used by Government Departments to assess the costs, benefits and qualitative impacts of new regulations or regulator changes. In this way the Government aims to minimise the potential burdens on business and to provide more detailed information on the implications of policy measures involving regulation.

Use of Structural Funds

Ireland's Allocation of European Structural and Investment Funds (ESIF)

Ireland has been allocated approximately €2.19bn for European Agricultural Fund for Rural Development (EAFRD) and just over €1.2bn 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), €951 million is for national ERDF and ESF co-funded programmes. There is also an additional €68m provided for the Youth Employment Initiative which will be programmed through the ESF programme. The balance (€169m 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 will constitute the formal agreement between the European Commission and Ireland regarding the use of funds. Following approval by the Government, Ireland's draft Partnership Agreement will be formally submitted to the Commission by 22nd April 2014. A formal negotiation process will follow after which the Commission will adopt a decision approving the Partnership Agreement. This will then constitute 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 will include 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 each of the Funds are being prepared by the relevant Government Departments and Managing Authorities. The operational programmes must be submitted to the Commission within three months of the submission of the Partnership Agreement.

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 and the National Reform Programme. In line with these and the Commission position paper, 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 will 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 will be 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 and renewables).

At least 20% of ERDF resources must be allocated to the low carbon economy priority. In addition, 5% of ERDF resources must be allocated for integrated programmes relating to sustainable urban development.

For the **ESF** at least 80% of resources at national level will be allocated to:

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

There is a further minimum allocation of at least 20% of ESF resources towards 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.

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. This NRP was approved by Government following prior consideration by the Government's Economic Management Council and by the Cabinet Committee on European Union Affairs.

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.

For example, 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 2013 Social Inclusion Forum has been published, and preparations for the 2014 Forum to be held in April are underway.

The Department of Social Protection also held a consultation event on the 2014 *National Social Report* and *National Reform Programme* on 3 March 2014 with national stakeholders and representatives of Government Departments, with a particular emphasis on issues relating to poverty and social exclusion. Over 50 people attended the event and comments from panel discussions were fed back to other Government Departments.

During the preparation of the Government's Medium Term Economic Strategy, which sets the context for this NRP, the Department of Finance engaged in a significant level of stakeholder engagement, including

- the holding of a number of consultative conferences and forums to garner the views of economists, business and enterprise representatives. A specific event was held aimed at young, mainly under 35, female and 'new Irish' entrepreneurs.
- engagement with civil society through the National Economic and Social Council
- appearance of officials before a parliamentary committee to brief them on the development and aims of the MTES.

To support the process of political engagement in the parliament, the Minister of State for European Affairs attended a dedicated meeting of the Joint Oireachtas Committee on European Union Affairs on 1 April to discuss a draft of this NRP with Committee members. The Minister emphasised his support for further parliamentary engagement throughout the Semester process, through this committee and other sectoral committees.

As the preparation of the NRP progressed the Department of the Taoiseach coordinated central engagement with a wide range of stakeholders representative of civil society on the contents of the draft NRP. Stakeholders consulted included regional representatives, representatives of employers, trade unions, the farming community, community and voluntary organisations, and environmental organisations.

Initial views were sought in late February and stakeholders were provided a copy of the draft NRP in early April. Written submissions were received from a number of these organisations. These were circulated to all relevant Departments and considered as the NRP was being finalised.

While in some cases observations received went beyond the specific scope of this document, Departments responsible for various elements have, where possible and appropriate, reflected the input of these organisations in the text. A number of the issues raised during the consultation process were specific to particular policy measures and will be further considered in the context of any future changes to the operation of those schemes/measures.

Specific issues were raised by regional representatives around the setting of regional targets and enhancing the role of regional bodies in the implementation of the NRP. The Government has committed to significant reform of local and regional Government. The Local Government Reform Act 2014 provides for the establishment of new regional assemblies with a more robust role in spatial and economic planning. They will be tasked with preparing new Regional Spatial and Economic Strategies which can support the delivery of our objectives set out in this NRP. To support enhanced awareness of the NRP at local and regional level we will ensure that bodies at local level are provided with details of this NRP.

We are also committed to further engagement with key stakeholders in the context of the delivery of the 2014 Country Specific Recommendations and the forthcoming Mid Term Review of the Europe 2020 strategy. In particular, this will include engagement in relation to the proposed review of the employment rate target. In March the European Commission published a communication which lays the ground for a mid-term review of the Europe 2020 Strategy. The public consultation foreseen for later this year should yield further evidence and will offer an opportunity to all Europeans to share their views on the EU's post-crisis growth strategy.