Questions and answers: European Commission endorses Ireland's recovery and resilience plan

Brussels, 16 July 2021

How did the Commission assess Ireland's recovery and resilience plan?

The Commission is assessing the recovery and resilience plans based on eleven criteria set out in the Regulation itself. The 11 criteria require an assessment of whether:

- the measures have a lasting impact;
- the measures address the challenges identified in the country specific recommendations or a significant subset of them;
- the milestones and targets which allow for monitoring the progress with the reforms and investments are clear and realistic;
- the plans meet the 37% climate expenditure target and the 20% digital expenditure target;
- the plans respect the do no significant harm principle;
- the plans provide an adequate control and audit mechanism and set out the plausibility of the costing information.

The Commission has summarised its assessment in the proposal for the Council Implementing Decision. The accompanying staff working document provides detailed documentation on the assessment.

Does Ireland's recovery and resilience plan effectively support the green transition?

The Irish plan's contribution to the green transition amounts to 42% of its total allocation of €989 million. This exceeds the minimum of 37% required by the RRF Regulation.

The plan addresses Ireland's climate and biodiversity challenges and aims to accelerate the decarbonisation of the Irish economy. The plan includes ambitious environmental reforms that will strengthen the overall green governance framework, and enshrine into legislation commitments to reduce greenhouse gas emissions by 51% from 2021 to 2030 and to achieve carbon neutrality by 2050. Another reform will dis-incentivise fossil fuel usage through carbon tax increases.

Investments in the plan direct relevant funding towards decarbonising projects, such as retrofitting of private and public buildings, and towards green data systems (energy metering and monitoring systems) that will support businesses in accelerating their efforts to reduce greenhouse gas emissions. Investment in sustainable transport through the upgrade and electrification of railways in Cork aims to encourage the use of public transport and reduce the number of journeys made by car, thus contributing to reduced greenhouse gas emissions. A number of other measures contribute to improving biodiversity and enhancing ecosystem resilience and rehabilitation, while measures to encourage research and innovation also contribute to Ireland achieving its climate target.

Does Ireland's recovery and resilience plan effectively contribute to the digital transition?

The Irish plan's contribution to the digital transition amounts to 32% of its total allocation of €989 million. This exceeds the minimum of 20% required by the RRF Regulation.

One of the plan's three components is dedicated to accelerating and expanding Ireland's digital transformation. The plan includes investments in the digitalisation of businesses, digital infrastructure for schools, improving digital skills, and digitalisation of the public administration, including the health service.

One of the most important contributions to the digital target ensures that pupils in primary and post-primary schools can develop their digital skills by providing connectivity and ICT equipment, notably

to disadvantaged students. The plan also includes investments to support the digitalisation of businesses, mainly small and medium-sized enterprises. The plan further includes the development of a new shared government data centre that will replace the current outdated public server rooms and data centre facilities, which are mostly located in city centre office locations that are inherently energy inefficient. Finally, the plan provides support for the digitalisation of the Irish healthcare system.

Does the recovery and resilience plan represent a balanced response to the economic and social situation of Ireland?

The Irish plan represents a comprehensive and balanced response to the economic and social situation of Ireland, thereby contributing appropriately to all six pillars referred to in the RRF Regulation.

The Irish plan includes measures supporting smart, sustainable and inclusive growth. Social and territorial cohesion is supported by several measures, including the electrification and upgrade of the commuter rail network in Cork. This investment will play an important role in connecting areas in the south of Ireland and facilitate sustainable urban development around Cork. The plan also aims to support the upskilling and reskilling of workers and young people to take account of the green and digital transitions and facilitate integration in the labour market.

In addition, a scheme aiming at the digital transformation of businesses in Ireland will target enterprises across the country, thereby also providing support and opportunities for companies located in outer regions. Finally, the plan will support the education and training capacity of regionally-based technological universities. This will support high quality education and labour market participation across regions, taking into account differing local needs.

Do the reforms presented by Ireland effectively address a significant part of the country-specific recommendations issued to it in the context of the European Semester?

The Irish plan includes a set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations addressed to Ireland.

The plan includes important reforms in the areas of housing, pensions, health and regulatory barriers to entrepreneurship. The plan also addresses country-specific recommendations to frontload mature public investment projects, promote private investment and the use of more direct funding instruments to stimulate research and innovation.

The plan is also expected to contribute to partially addressing features of the Irish tax system that facilitate aggressive tax planning. In particular, legislative measures already in place applying to outbound payments to EU-blacklisted jurisdictions, and those Ireland has committed to legislate by 2024 applying to all other zero-tax and no-tax jurisdictions, are expected to limit the possibility of outbound payments not being taxed. More efforts may be required in the future in this area. In particular, it would be important to further expand the geographical scope of withholding taxes or non-deductibility that apply to outbound payments to include low tax jurisdictions.

The plan is expected to partially address challenges to the effective supervision and enforcement of the anti-money laundering framework. The publication of a sectoral risk assessment of service providers and an increased number of inspections have the potential to improve the understanding of the risk exposure of these professionals and strengthen their supervision. In addition, new legislation operationalising any recommendations from a working group reviewing the regulatory enforcement toolkit could lead to better enforcement by expanding the regulatory toolkit to include an administrative financial sanctions regime. Again, more efforts may be required in the future. In particular, the plan does not include measures that would bring about effective risk-based supervision by self-regulatory bodies, which supervise professions such as lawyers and accountants.

For More Information

Press release: European Commission endorses Ireland's recovery and resilience plan

Recovery and Resilience Facility: Questions and Answers

Factsheet on Ireland's recovery and resilience plan

Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Ireland

Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Ireland

Staff-working document accompanying the proposal for a Council Implementing Decision

Recovery and Resilience Facility

Recovery and Resilience Facility Regulation

QANDA/21/3728

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