

## Summary of the assessment of the Irish recovery and resilience plan

Non-repayable support: EUR 988 966 534

25 measures: 9 reforms and 16 investments divided into three components

Number of milestones and targets: 109, of which 74 milestones and 35 targets

Climate target: 41.8%

Digital target: 31.6%

### 1. Summary of the Commission's assessment of the recovery and resilience plan

Criterion	Commission assessment	Rating A-C
2.1	<p>The plan includes measures that contribute towards all the six pillars, with all components of the plan addressing multiple pillars, and represents to a large extent a comprehensive, and <b>adequately balanced response to the economic and social situation</b>.</p> <p>The plan has a strong focus on the <b>green transition</b> with energy and climate related measures. Those measures include increasing the carbon tax and reforming the climate governance, promoting investments in energy efficiency, decarbonising the enterprise sector, promoting sustainable railway transport, rehabilitating peatlands, improving water treatment, and promoting green research and development.</p> <p>The plan also contributes to the <b>digital transformation</b>, with an emphasis on connectivity and the digitalisation of the public sector. Digitalisation of companies, mainly small and medium-sized enterprises (SMEs), is supported through measures that should also increase their productivity and competitiveness. The plan focuses specifically on enhancing digital skills in schools and beyond, to bridge the digital divide.</p> <p>The plan is expected to contribute to the pillar on <b>smart, sustainable and inclusive growth</b>. Several measures, such as support for labour intensive energy renovation of buildings or active integration support and upskilling programmes have a focus on economic cohesion, jobs, productivity, and competitiveness. The National Grand Challenge Programme aims to facilitate the realisation of research and innovation projects. The plan supports the application of the SME test, which has the potential to reduce regulatory barriers to the business activity of SMEs.</p> <p>Reforms and investments such as those aiming to improve the provision of social and affordable housing, to simplify and harmonise the supplementary pension landscape, or to support education capacity in regional technological universities are expected to contribute directly to <b>social and territorial cohesion</b>.</p> <p>The healthcare system, as well as economic, social and institutional <b>resilience</b> are expected to be reinforced by a set of reforms and investments, such as the deployment of ePharmacy and an integrated financial management system in the field of healthcare, support for the digitalisation of SMEs, and the reinforcement of Ireland's anti-money laundering framework.</p> <p>Finally, measures in the plan aim to help the <b>next generations</b> develop the necessary skills and support young people in gaining or regaining their footing in the labour market.</p>	A
2.2	<p>The reforms and investments underpinning the plan can be expected to contribute to addressing <b>a significant subset of the 2019 and 2020 country-specific recommendations (CSRs)</b>. The plan focuses on reforms and investments facilitating the green and digital transitions, but also on active labour market integration support and upskilling. The investments also contribute to the front-loading of mature public investment projects, the promotion of private investment and the use of more direct funding instruments to stimulate research and innovation. Furthermore, the plan commits to reforms in the areas of housing, pensions, health and regulatory barriers to entrepreneurship, while also introducing measures that are expected to partially address</p>	A

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	challenges related to anti-money laundering and aggressive tax planning.	
2.3	The aims of the plan are in line with the flagship areas identified by the 2021 annual sustainable growth survey for their potential to <b>create jobs and growth</b> and help reap the benefits from the green and digital transitions. Model simulations conducted by the Commission using the QUEST model show that the economic impact of the NextGenerationEU (NGEU) in Ireland could lead to an increase of GDP of between 0.3% and 0.5% by 2026. Cross border (GDP) spillovers account for 0.4 percentage points in 2026, showing the value added of synchronised expenditure across Member States. This stylised scenario does not include the possible positive impact of structural reforms, which can be substantial. A model-based benchmarking exercise shows that undertaking structural reforms that would result in halving the gap vis-à-vis best performers in terms of indicators of structural reforms could raise Ireland GDP by 11% in 20 years' time, in line with findings for the EU average.	A
2.4	Most measures in the Irish plan have passed the ex-ante assessment of the <b>'do no significant harm'</b> principle. In addition, for some measures, the 'do no significant harm' principle has been reflected in the milestones and targets specified in the Annex to the Commission Proposal for a Council Implementing Decision.	A
2.5	The measures in the plan have the potential to accelerate the <b>green transition</b> and protect the environment. They are expected to support Ireland's decarbonisation and energy objectives for 2030, as set out in the national energy and climate plan and in the programme for Government, and are thus a step towards achieving climate neutrality by 2050. The plan therefore supports a sustainable recovery of the Irish economy. It includes a broad set of measures aiming at improving energy efficiency in private and public buildings, decarbonising industries, promoting sustainable railway mobility, restoring biodiversity through the rehabilitation of peatlands, improving water treatment and facilitating green research and innovation. The plan also commits Ireland to a speedy entry into force of the amendments to the climate law and its associated increase in climate targets, and to securing a significant increase in the carbon tax over the RRF period. With respect to the climate tagging of all three components in the plan, measures contributing to climate objectives account for 42% of the plan's total allocation.  The rehabilitation of peatlands is expected to promote <b>biodiversity</b> and eco-systems, water quality improvements, increased carbon storage and reduced carbon emissions. The plan also invests in the development and upgrade of smaller wastewater treatment plants across Ireland, thereby contributing to the sustainable use and protection of water and marine resources, pollution prevention and control. This measure should also contribute to the protection and restoration of biodiversity and ecosystems.	A
2.6	As regards the <b>digital transition</b> , the measures contributing to digital objectives account for 32% of the financial allocation, which is above the 20% minimum requirement of the RRF Regulation. Component 2 (Accelerating and expanding digital reforms and transformation) is fully dedicated to the digital transition. Several measures aim at contributing to the digital transition by supporting the digitalisation of enterprises, addressing the risk of the digital divide, including in the education sector, enhancing digital skills, and supporting the development of digital infrastructure and the delivery of digital public services. In addition, Component 1 is expected to partially contribute to the digital objectives, particularly by supporting digital-related research and development activities.	A
2.7	The implementation of the envisaged measures is expected to have a <b>lasting impact</b> . The plan is fully aligned and integrated into the government's wider national economic and recovery plan, the review of the national development plan, and the forthcoming update of the climate action plan. This is expected to help ensure that the implementation of the plan is well coordinated and lasting. The plan includes several measures that are expected to lead to structural change in public administration, housing, healthcare, education, digitalisation and green policies.	A
2.8	The <b>milestones and targets</b> are clear and realistic and the proposed indicators for those milestones and targets are relevant, acceptable and robust. The milestones and targets constitute an appropriate system for monitoring the plan's implementation. The verification mechanisms, data collection and responsibilities described by Ireland are sufficiently robust to justify in an	A

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	adequate manner the disbursement requests once the milestones and targets are assessed as completed.	
2.9	Ireland has provided individual <b>cost estimates</b> for the measures in the plan. The estimates and supporting documents show that the costs are justified, reasonable, plausible and commensurate, in line with the principle of cost-efficiency. The amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent. The avoidance, detection and prevention of double funding from the EU is expected to be ensured at all stages of the projects' lifecycle, through robust procedures structured within the plan.	B
2.10	Ireland's <b>control and audit system</b> is adequate to prevent, detect and correct potential fraud, corruption and conflicts of interest, and avoid double funding. The system presents a robust process and structure, where the roles and responsibilities are clearly defined and the relevant control functions are appropriately segregated. The proposed measures give assurance that there is an adequate level of control to prevent, detect and correct irregularities identified when using funds provided by the Recovery and Resilience Facility. Ireland committed in specific milestones to having in place an efficient repository system and to having allocated sufficient administrative capacity to perform such audits by the time of the first disbursement request.	A
2.11	The reforms and investments in each of the individual components are <b>coherent</b> and targeted to the same objectives. The components pursue complementary aims. The measures in each of the individual components are mutually reinforcing, as investments are accompanied by reforms that aim to address underlying structural challenges. There is an adequate balance between investments and reforms in view of the main challenges to be addressed, and between investments in different territories.	A

## 2. Horizontal principles and additionality

Horizontal principle	Commission assessment
<b>Complementarity with EU programmes 2021-2027</b>	European priorities such as ensuring a just transition, advancing the twin transition and ensuring a high level of social and territorial cohesion are reflected in the recovery and resilience plan. In order to promote wider coherence across instruments, notably with the European cohesion policy funds, a balanced territorial allocation of resources is encouraged. When complementarities with other EU funds are already identified, Ireland's plan mentions them, such as with the EU LIFE nature funding. Ireland is expected to take into account further complementarities when finalising the programming of other EU funds, such as the European regional development fund (ERDF) or the just transition fund. Double funding is expected to be avoided thanks to a verification procedure relying on regular reporting, cross-checking with EU fund managers and coordination with the work of cohesion policy programmes.
<b>Principle of additionality</b>	Investments in the plan financed through the RRF are expected to be growth-enhancing expenditure additional to the baseline without the RRF. According to the data presented in the plan, the baseline of growth-enhancing public expenditures not financed by the RRF over the period of 2021-2026 is slightly above the average level in the three-year period before the pandemic (2017-2019).
<b>Recurring costs</b>	[N/A]

## 3. Reply to the European Parliament's questions

**Contribution to equality and gender equality:** the plan describes challenges regarding gender equality as well as challenges faced by persons with disabilities, Roma and Travellers, LGBTIQ+ people and people with a minority racial background in Ireland. The section on gender equality and equal opportunities for all briefly explains which reforms and investments contribute to overcoming the challenges identified, while the detailed descriptions in part 2 of

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the plan also include information on whether and how equality considerations were taken into account in each measure. Several measures are expected to contribute to addressing challenges related to gender equality and equal opportunities for all. The plan refers notably to the work placement experience programme and the SOLAS recovery skills response programme aiming to provide work experience, reskilling and upskilling opportunities to workers adversely impacted by the COVID-19 crisis – among whom women in vulnerable situations might be overrepresented. With regard to monitoring, the plan refers to overall employment levels disaggregated by gender and age, as well as to the gender employment gap as key metrics, which are due to be used at the national level to measure Ireland's recovery efforts, including the contribution of the plan.

**Contribution to high-quality employment creation:** the aims of the plan are in line with the flagship areas identified by the 2021 annual sustainable growth survey for their potential to create jobs and growth and help reap the benefits from the green and digital transitions. Measures to improve energy efficiency, such as labour-intensive renovations, are expected to contribute to creating jobs. Investments and policies to accelerate digitalisation are expected to improve productivity over different horizons, as well as create jobs. Model simulations conducted by the Commission using the QUEST model show that the economic impact of NextGenerationEU (NGEU) in Ireland would translate into up to 6 200 additional jobs.

**Contribution to the implementation of the European Pillar of Social Rights:** the plan addresses a number of employment and social policy challenges relevant for the implementation of the European Pillar of Social Rights. To foster equal opportunities and access to the labour market, the plan envisages re- and upskilling measures in the green and digital sectors for all that have lost their job due to the pandemic. A particular focus on those furthest away from the labour market is given through a work placement programme that supports people which have been in unemployment for more than 6 months. Their re-entering the labour market is envisaged by acquiring relevant on-the-job experience with a view to an employment contract. The challenge of the digital divide is addressed by the plan through a combination of infrastructure and skills-focused projects. The measures proposed include the provision of high-speed connectivity for primary schools and digital devices and software for disadvantaged students in (post)-primary schools. Further measures, as outlined in the reform to address the digital divide, are laptops for disadvantaged students in further and higher education and a 10-year adult literacy, numeracy and digital literacy strategy. While these measures go in the right direction, the focus on disadvantaged groups in the plan could be stronger. The high need for affordable and social housing is addressed through numerous reforms and investments, which are outlined in the plan but are financed through other sources. Affordable housing is well addressed by the plan, but measures on social housing could require further efforts to address the challenge given its size.

**Addressing regional disparities:** the plan includes measures that are expected to reduce disparities between different territories. Investments in five regionally-based technological universities are expected to contribute to tackling persistent regional economic disparities by supporting training and education, building on local strengths through strong links with stakeholders in the region. Reducing local bottlenecks in public transport in the Cork area is expected to have a positive impact for the whole transport network. Investments in regional commuter rail are expected to help facilitate local firms in attracting talent. The rehabilitation of 33 000 hectares of peatlands is expected to help mitigate the negative impact of the exit from peat for electricity generation in the Midlands region. In addition, the plan also aims at reducing disparities by enhancing connectivity of a number of schools, many of which are in rural areas, and by supporting the digital transformation of enterprise in Ireland.

**Contribution to upward economic and social convergence:** the productivity-enhancing measures in the plan have the potential to advance convergence between domestic and foreign firms, as well as between sectors. To tackle the unbalanced digitalisation among companies, the plan includes the programme to drive digital transformation of companies, particularly SMEs, across all sectors in Ireland. Regulatory barriers to entrepreneurship, which negatively affect firm entry and exit and thereby the productivity of indigenous Irish firms, are expected to be lowered by increasingly applying the SME test. Access to the labour market and productivity of the workforce are expected to be improved by the activation support and upskilling measures included in the plan, especially in economic sectors most relevant for the green and digital transitions. The plan also includes a set of measures that are aimed at addressing risks of a digital divide, including in the education sector. Some measures in the area of healthcare are also expected to contribute to alleviating social and territorial disparities.

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### **Contribution to CSRs on taxation and anti-money laundering:**

Reforms in the plan are expected to partially address features of the tax system that facilitate aggressive tax planning (CSRs 2019.1.3 and 2020.4.2). The commitment to future measures, including withholding taxes or, where relevant, non-deductibility, applying to outbound payments to EU blacklisted and all other zero-tax and no-tax jurisdictions is expected to limit the possibility of outbound payments not being taxed. The plan does not contain specific measures to broaden the tax base, although the issue could be addressed by measures outside the plan (CSRs 2019.1.2 and 2020.4.1).

The plan is expected to partially address challenges to the effective supervision and enforcement of the anti-money laundering framework as regards trust or company service providers (CSR 2020.4.3). The publication of a sectoral risk assessment of trust or company service providers may improve the understanding of the risk exposure of these professionals. Supervision is expected to be intensified through the recruitment of additional specialist staff to assist with the supervision and management of trust or company service providers in 2021 and an increased number of inspections. In addition, new legislation operationalising any recommendations from a working group is expected to lead to better enforcement, by expanding the regulatory toolkit to include an administrative financial sanctions regime. At the same time, the plan does not include actions to bring about effective risk-based supervision by self-regulatory bodies.

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## Annex

**Table 1: Coverage of the six pillars of the RRF by the Irish plan components**

	<b>Green transition</b>	<b>Digital transformation</b>	<b>Smart, sustainable and inclusive growth</b>	<b>Social and territorial cohesion</b>	<b>Health and economic, social and institutional resilience</b>	<b>Policies for the next generation</b>
<b>1 Advancing the green transition</b>	●	○	●	●	●	
<b>2 Accelerating and expanding digital reforms and transformation</b>	○	●	●	●	●	●
<b>3 Social and economic recovery and job creation</b>	○		●	●	●	●

Key: “●” investments and reforms of the component significantly contribute to the pillar; “○” the component partially contributes to the pillar

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**Table 2: Mapping of country challenges identified in 2019-20 country-specific recommendations and the Irish recovery and resilience plan components**

Country challenges (as identified in Section 2)	Associated CSR (2019-2020) and European Semester recommendations	Component 1- Advancing the green transition	Component 2- Accelerating and expanding digital reforms and transformation	Component 3- Social and economic recovery and job creation
Address investment needs related to sustainable transport	2019.3.2, 2020.3.5	●		
Address investment needs related to water	2019.3.3, 2020.3.6	●		
Address the risk of digital divide, including in the education sector	2020.2.2		●	○
Focus investment on digital infrastructure	2019.3.4, 2020.3.8		●	
Front-load mature public investment projects	2020.3.2	●	●	
Promote private investment	2020.3.3	●	○	
Provide personalised active integration support and facilitate upskilling	2019.2.1		●	●
Support employment through developing skills	2020.2.1		●	●
Use more direct funding instruments to stimulate research and innovation (R&I)	2019.3.6, 2020.3.7	○	○	
Reduce regulatory barriers to entrepreneurship	2019.3.7			●
Effective supervision and enforcement of the anti-money laundering framework	2020.4.3			○
Curbing aggressive tax planning	2019.1.3, 2020.4.2			○
Increase the provision of affordable and social housing	2019.3.5, 2020.2.3			●
Ensure the long-term fiscal sustainability of the pension system	2019.1.4			●
Improve the cost-effectiveness, accessibility, and resilience of the healthcare system	2019.1.4, 2020.1.2		●	●
Broaden the tax base	2019.1.2, 2020.4.1			

Key: “●” investments and reforms of the component significantly address the challenge; “○” the component partially addresses the challenge.