National Reform Programme

For Ireland

under the

Europe 2020 Strategy

Submitted to the European Commission
29 April 2011

Contents

1. Introductory Statement

The Irish Government welcomes the opportunity to submit Ireland's first National Reform Programme under the Europe 2020 Strategy.

This is being prepared at a time of great challenge for the Irish economy. Ireland is adjusting to a severe recession complicated by banking and fiscal crises. The scale of this challenge is without domestic precedent, and has few international parallels.

The economy contracted for the third consecutive year in 2010, leaving real GDP and GNP around 12% and 15% respectively below 2007 levels.

Employment has also fallen by around 15%, with over 320,000 job losses. The seasonally adjusted unemployment rate has climbed more than threefold to 14.7%, with around half of this total now accounted for by long-term unemployment.

We believe that implementation of the Europe 2020 Strategy will respond to these challenges by contributing to the creation of employment and smart, sustainable and inclusive growth.

This National Reform Programme is fully consistent with the aims and objectives of the Programme of Financial Support for Ireland agreed with the IMF and European institutions. As outlined in that Programme, the restoration of sustainability to the public finances is a key priority. The Irish Government has committed to the implementation of a budgetary consolidation package of €9.6 billion over the 2011-2012 period, with a commitment to review progress on deficit reduction in preparation for Budget 2013 to enable Ireland reduce the General Government Deficit to below 3% of GDP by 2015.

The Irish Government is committed to getting the economy moving, restoring confidence, fixing the banking system and taking all necessary measures to support the protection and creation of jobs. In order to do so we are frontloading extensive structural reforms to increase competitiveness, support enterprise, remove barriers and disincentives to employment, and generate sustainable economic growth across all regions.

This is consistent with the actions identified in the European Commission's Annual Growth Survey (January 2011) which are essential to strengthen the recovery in the short-term and to keep pace with our main competitors. Taken together, Ireland's National Reform Programme, Stability Programme Update and the EU/IMF Programme amount to a comprehensive strategy for recovery consistent with the aims of Europe 2020. Many of the commitments agreed in these three programmes are also relevant in the context of the recently agreed Euro Plus Pact.

In framing this National Reform Programme, Ireland is also seeking to ensure that these reforms address the longer term economic, social and environmental challenges facing the EU and Member States including climate change, food and energy security, sustainable use of resources, an ageing population, migration and social exclusion.

Such an approach is consistent with the territorial aspects of the Europe 2020 Strategy, to achieve smart, sustainable and inclusive growth by recognising and harnessing the potential of different regions, each with their diverse but complementary development opportunities.

Ireland looks forward to continued engagement with our European colleagues throughout the lifetime of this Programme, including in the context of a proposed review in 2014. We will seek to involve key national stakeholders in the delivery of the Programme and in particular in relation to the measures designed to ensure that Ireland reaches its targets. We are committed to ensuring that the Programme remains as ambitious as possible, within the confines of severe macroeconomic and fiscal constraints.

2. Macro Economic Scenario

The macroeconomic scenario underpinning this National Reform Programme is summarised below, along with the budgetary outlook. Further details of both the economic and fiscal outlooks can be found in Ireland's Stability Programme Update of April 2011.

Following three consecutive years in which output fell, the Irish economy is expected to grow once again this year. While near-term prospects remain subdued on the whole, reflecting significant headwinds on the domestic front, a strong export performance is projected to translate into GDP growth of 0.8% in 2011 and 2.5% in 2012.

Exports are expected to continue supporting economic activity over the medium-term, with a gradual pick-up in domestic demand also foreseen as the recovery broadens out and spills over to the labour market. For the period 2013-15, the Irish economy is forecast to grow by 3% per annum on average.

On the budgetary front, a General Government Balance of -10% of GDP is projected for 2011, with a General Government Balance of –8.6% of GDP forecast for 2012. The Irish Government is committed to bringing the General Government Deficit to below 3% of GDP by 2015, and will review progress in this respect as part of its preparations for Budget 2013.

General Government Debt at end-2011 is currently forecast at 111% of GDP. It is projected to peak at 118% of GDP in 2013, coming back down to around 111% of GDP by 2015. Nonetheless, the level is set to remain high, requiring a sustained tight budgetary position and the implementation of growth-friendly economic policies beyond the forecast horizon.

3. Macro Economic Surveillance

Macro Structural Obstacles to Growth

The *National Recovery Plan*, published last November, outlined a pathway to achieving a reduction in the General Government Deficit to below 3% of GDP by the end of 2014. The Ecofin Council has agreed to extend by 1 year the time frame to achieve this target.

The Plan which has been endorsed by the IMF and European authorities, with whom Ireland agreed to enter into a programme of financial support last November, provides a blueprint for a return to sustainable growth in the Irish economy. In particular, it:

- sets out the measures that will help restore order to the public finances
- identifies the areas of activity which will provide growth and employment, acknowledging in this regard the importance of the agriculture/agri-food sector for economic growth
- specifies the reforms that will be implemented to accelerate growth in key sectors.

The new Government has committed itself in its Programme for Government[1] to "stick to the aggregate adjustment as set out in the *National Recovery Plan* for the combined period 2011-2012" and will, in preparation for Budget 2013, review progress on deficit reduction, in terms of achieving the objective of reaching the 3% of GDP deficit target by 2015.

The purpose of the €85 billion joint EU/IMF financial support package is to assist the Irish economy in returning to sustainable growth and to ensure the existence of a properly functioning healthy banking system.

Reducing the budget deficit is necessary but it will not, by itself, solve the economic difficulties. Economic growth must be aided by improving competitiveness and building on strong export performance. To this end, Ireland's economy has already regained competitiveness over the past two years, as wages have adjusted and costs have fallen helping to price ourselves back into global markets. The Irish economy retains many underlying strengths, including a skilled, flexible labour force with one of the highest levels of formal education in the OECD, much improved physical infrastructure, and a good regulatory environment for enterprises.

The big challenge for Ireland is to allow job growth and sustainable enterprise. Job creation is clearly central to any recovery strategy. In light of this, the Government will present a Jobs Initiative in May which will include a range of measures to support job creation. The Initiative will also provide for a substantial number of training, education and employment places for the unemployed, which should assist them in returning to work and reducing the level and impact of long-term unemployment. This is an important labour market supply side measure to improve entry into employment and reduce the overall cost of welfare payments.

In the area of pensions reform, the National Pensions Framework (NPF) will provide for, among other changes, an increase in the age at which individuals qualify for the State Pension to 66 years in 2014; 67 years in 2021 and 68 years in 2028. A new supplementary pension using an "auto-enrolment" system will be introduced to provide additional retirement income for employees. The Government and private sector

[1] *Government for National Recovery 2011-2016 (March 2011)*

employers will support the saving by providing matching contributions. The Government has made it clear that the introduction of this supplementary pension in 2014 will be dependent on economic conditions. The objective of the NPF is to deliver a sustainable and affordable pension system which will provide an adequate retirement income for all.

Sustainable growth in the years ahead will be supported by further competitiveness improvements, continued investment in economic and human capital, ensuring adequate credit availability, tax policies which are favourable to entrepreneurship, investment and work, and policies to support growth in key enterprise and productive sectors.

4. Thematic Coordination

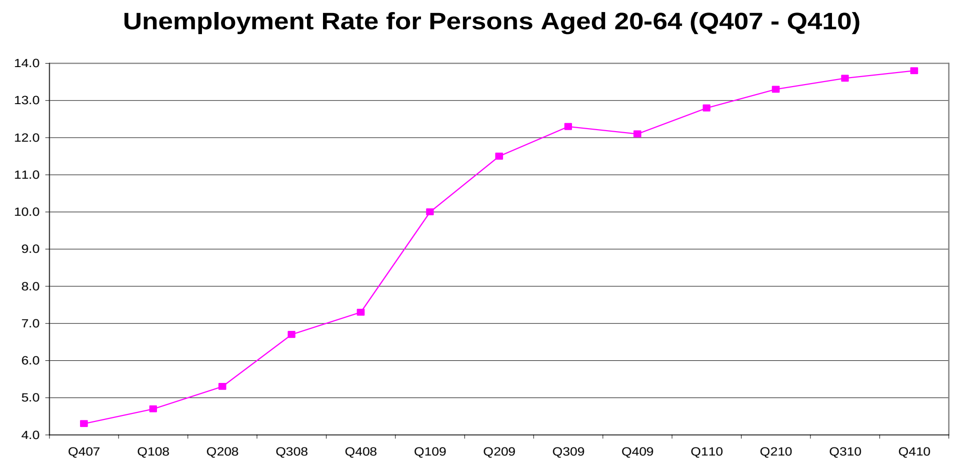
4.1 Target 1- Employment

EU Headline Target: **To raise to 75% 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.**

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.**

Total employment in the Irish economy has experienced significant changes in recent years. Figure 1 shows how unemployment has risen dramatically since 2007:

Figure 1:



Source: Central Statistics Office

Between the years 2000-2008, Ireland had record economic and employment growth. A large proportion of the increased employment during this period was attributable to employment in the construction and manufacturing sectors. Both of these sectors have been severely impacted as a result of the present economic and financial crisis and, as a result, tens of thousands of individuals have been made redundant.

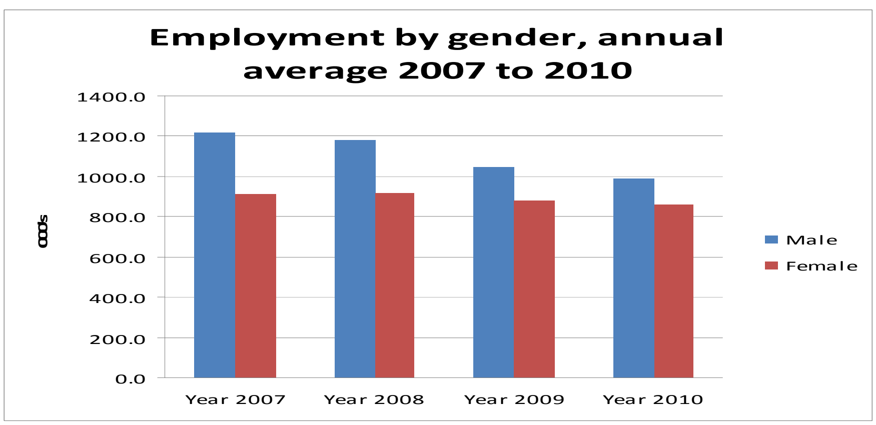
In line with other countries Ireland has adopted a target range for 2020, with a commitment to review its level of ambition in 2014. Figure 2 shows the trend in Ireland's employment rate.

Figure 2:

Source: Central Statistics Office

The recent trends in the employment rate reveal a contrasting gender experience. Men have fared very differently to women, losing jobs in greater numbers, remaining unemployed in greater numbers, and exiting the workforce in larger numbers. However these trends may change over time as economic sectors react to continuing pressures.

Figure 3:



Source: Central Statistics Office

This gender disparity suggests a marked increase in women's significance as earners within their households and a shift away from the traditional pattern whereby women withdrew from the labour force in larger numbers than men with the onset of recessionary conditions.

Ireland's Labour Market Bottlenecks

Given the large difference in Ireland's current employment rate and the EU target for 2020, it is clear that there are significant labour market bottlenecks in Ireland. The Irish Government believes that the bottlenecks in the Irish labour market include:

(i) weak labour market demand, particularly in domestic services - without a return to growth in these sectors labour market demand will remain subdued;

(ii) long-term and structural elements of unemployment - long-term unemployment now accounts for 51.5% of total unemployment, and many of the jobs lost in the recession are in sectors where substantial numbers of jobs are unlikely to return in the short-term;

(iii) access to opportunities for upskilling and reskilling, especially in the case of those who were employed until recently in sectors that have been most affected by the impact of the recession;

(iv) the challenge - in the face of tight fiscal conditions - of targeting cost-effective activation programmes to those most at risk of losing contact with the labour market and drifting into long-term unemployment, and of increasing labour market participation of those cohorts with lower than average participation rates, including lone parents and people on illness/disability payments, and to reintegrate into the labour market the group of women who have interrupted their careers for child rearing; and

(v) developing a more effective and streamlined response to the needs of the unemployed and removing disincentives to participation in training, education and employment opportunities.

While these labour market bottlenecks need to be addressed, Ireland's key focus remains on employment creation through export growth and improved competitiveness. There are further opportunities for enhanced export growth in areas which would have a significant direct and indirect employment potential, for example in the agri-food and fisheries sectors. Addressing labour market bottlenecks will have a significant impact on reducing the number of individuals who are long-term and very long-term unemployed as increased employment is generated through economic growth. Structural unemployment is now a pervasive feature of those that are unemployed, and this is a particular issue in rural areas. Those affected will be assisted to re-skill to other sectors/occupations to secure employment in line with the National Skills Strategy and the skills and occupational trends identified by the Expert Group on Future Skills Needs.

The *National Employment Action Plan* (NEAP) supports activation measures for jobseekers and provides for a systematic engagement of the employment services with unemployed people. It has been in operation since 1998 and is being re-invigorated to ensure deeper engagement with those at risk of long-term unemployment.

Initiatives outlined in the *National Recovery Plan* in relation to activation policies include:

- A rationalisation of the NEAP towards greater capacity and efficiency;
- More frequent and intense intervention with priority cohorts;
- The development of a Profiling and Case Management system in 2011;
- Sanctions in the case of unemployed persons on the Live Register unreasonably refusing to co-operate with the plan and/or with appropriate training, education and employment interventions;

- Changes to provision for One Parent Families to alter the passive nature of income maintenance that prevails currently.

In order to minimise the drift into very long-term unemployment and in response to concerns that certain individuals who, without special attention, are likely to be most at risk of becoming distant from the labour market, the Irish Government decided to prioritise four cohorts of the unemployed. These are as follows:

- People with low skills or education levels, i.e. unemployed people who do not have a Leaving Certificate qualification or equivalent;
- People who are on the Live Register (i.e. registered claimants) for long periods (over one year);
- People who are under 35 years of age;
- People who were previously employed in sectors that have been most affected by restructuring.

Decisions on employment/labour market programmes will take cognisance of their impact on both men and women and the need to encourage the participation of specific groups who are currently outside the labour market to re-engage in order to achieve long-term economic growth. This includes women and older persons, two groups whose re-entry into the workforce contributed to the expansion of the labour force and tax base in the late 1990s and during the period of growth in the 2000s.

Furthermore, the *National Women's Strategy 2007 - 2016* includes commitments to increase the availability of childcare services and other initiatives to assist the return to employment of the often highly educated women who have interrupted their careers for family purposes. Ireland will undertake further analysis to establish measures to meet this objective. In respect of people with disabilities, the National Disability Strategy provides a comprehensive strategy for this lifecycle cohort. The aim of this strategy is to address the diversity of circumstances, needs and abilities of people with disabilities, and to enhance the operation and effectiveness of the range of FÁS supports and services for facilitating increased participation of the cohort in the labour market.

A re-configuration of Government departments has already taken effect to develop a more comprehensive and effective activation strategy that will strengthen the links between getting benefits, searching for a job and participating in employment and training programmes. The development of a National Employment and Entitlements Service (NEES) integrating all work-related benefit and support services – a key commitment of the Programme for Government – is designed to improve the targeting of the resources applied to work placement, training and education for the unemployed.

Key Measures

In the current economic climate Ireland has substantially increased the supports and services to individuals who find themselves unemployed, in line with the objectives of the *National Employment Action Plan*.

<u>Job Search Supports</u>

Job search supports are provided by FÁS Employment Service and the Local Employment Service. Policy responsibility for FÁS functions in relation to employment and community employment services transferred to the Department of Social Protection with effect from 1 January 2011.

Training and education measures that have been introduced

In 2011 there are approximately 276,000 training and further education places available for the unemployed to access. These include 90,000 training places to be provided by FÁS, the National Training and Employment Authority, 8,000 places delivered by Skillnets, an enterprise-led initiative and 10,500 places delivered under the Labour Market Activation Fund. The remaining 168,000 will be provided by the Further Education sector and will be primarily delivered through the Vocational Education Committees. These places are in addition to the employment activation places that are delivered through community and voluntary organisations through such programmes as the Community Employment Scheme and the new Tús Scheme. The Tús scheme is a Community Work Placement Scheme that aims to provide up to 5,000 additional places in the community and voluntary sector for the unemployed. This initiative will provide short-term quality and suitable working opportunities for people who are unemployed while at the same time carrying out beneficial work within communities.

The Tús scheme and the existing Work Placement Programme are designed to help those who are unemployed to gain valuable work experience, ensuring that they maintain close linkages with the labour market and to improve their employability.

Higher Education Places

An estimated 162,000 learners, including those unemployed, will benefit from full-time education places. In the Higher Education sector, a new €20 million multi-annual higher education labour market fund to enable unemployed people access innovative part-time higher education opportunities from certificate to post graduate levels (Levels 6 to 9 on the National Framework for Qualifications, NFQ) was announced. This Springboard Fund will operate on a competitive basis. An initial call for proposals for €5 million has been issued with selection of programmes to be completed in April 2011.

The fund has been designed to help the unemployed cohort who holds awards at NFQ Level 5 or 6 or equivalent with a previous history of employment in construction, manufacturing or other sectors of the economy where employment levels are unlikely to recover to pre-recession levels. The fund also targets those with a previous history of employment with higher levels of qualifications who may also require additional upskilling or reskilling to enable them to re-enter employment.

Almost 1,800 unemployed people were supported to embark on part-time undergraduate and postgraduate programmes from September 2009 in areas that support the goals of the 'Smart Economy'. Over 70% were between 6-12 months on the Live Register and 55% indicated that their motivation for undertaking the programme was to enhance their career prospects.

New Programme for Government and proposed Jobs Initiative

The Government is committed to creating an economic environment that will create new jobs as well as supporting existing ones. To further this aim a new Ministerial portfolio has been created with a focus on jobs. In addition the new Programme for Government announced the Government's intention to bring forward a Jobs Initiative and committed the Government to adhere to the structural reforms required to accelerate growth, job creation and debt sustainability broadly in line with the provisions of the EU/IMF/ECB programme of financial support for Ireland. In this regard, the Government is committed to reversing the recent cut in the national minimum wage, while offsetting any effect on business costs through a reduction in the amount of PRSI that employers must pay. An independent review has been undertaken of the continued relevance, fairness and efficiency of statutory wage setting mechanisms covering a range of low-paid sectors. An action plan will be developed in consultation with the European Commission Services, in line with the provision in the EU/IMF Programme, to ensure that these statutory mechanisms work effectively and efficiently and that they do not have a negative impact on economic performance and employment levels

The Jobs Initiative to be announced in May 2011 is expected to include a range of further measures to support job creation. These will include a reduction in employers' social insurance contributions, as well as a capital works programme concentrated upon "shovel ready" labour intensive projects, the creation of a substantial number of places across a range of education and employment programmes, as well as new taxation and sectoral measures to promote job creation.

4.2 Target 2- Research and Development (R&D)

***EU Headline Target*: Improving the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP; the Commission will elaborate an indicator reflecting R&D and innovation intensity.**

***Ireland's Headline Target*: Improving the conditions for research and development, in particular with the aim of raising 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 Research and Development (R&D) over the past decade, while also introducing a range of measures to improve commercialisation of research, and build strong linkages between the higher education sector and enterprise. Higher Education R&D (HERD) increased over the period 2005 to 2009 from €550m to €829m (+ 42% in real terms). As a result of this investment, Ireland has built a strong science base, and has joined countries such as Finland, Germany and the USA in the world's top twenty countries for scientific output.

This investment in our science base has had a positive impact on our industrial development. 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 2009, nearly half of foreign direct investments in Ireland were in research, development and innovation - activities that are central to productivity and new business development in Ireland's multinational sector. These investments will continue to drive growth in Business Enterprise Research and Development (BERD) in the years ahead. Even during the downturn, 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 (R&D tax credit), supports for higher education – industry linkages and supports for in-company R&D and start-up companies. BERD increased from €1.32 billion in 2005 to €1.87 billion in 2009 (+ 31% in real terms).

As a consequence of this massively increased investment, the research intensity rate for 2009 is estimated to have reached 2.17% of GNP (1.75% GDP). However, achievement of this rate took place in the context where GNP decreased by 10% in 2009 compared with 2008.

Ireland's *National Recovery Plan 2011 – 2014*, as endorsed by the EU Commission and the IMF, takes account of the fact that strategic R&D investment is one of the Government's infrastructure investment priorities and to that end includes a range of actions to support innovation in the economy, drawing in particular on the recommendations of the Innovation Taskforce, with a strong emphasis on commercialisation of research and supporting start-up enterprises.

The assumptions underpinning the *National Recovery Plan* are that the public investment in R&D will, at a minimum, be maintained at the existing level to 2014. This is reinforced by the new Programme for Government which outlines a significant set of Innovation and Commercialisation strategies and goals which confirms that this productive investment is seen as one of the key drivers of Ireland's economic recovery. Research has a significant role to play across a range of sectors including developments in the agri-food area, and in meeting environmental and social objectives.

While the Strategy for Science, Technology and Innovation (SSTI) adopted in 2006 set out a target to achieve research intensity of 2.5% of GNP by 2013, developments over recent years have caused an interruption in this trajectory. Taking account of the constraints on productive investment to 2014 imposed by the *National Recovery Plan* we are using the assumptions that public funding of R&D would remain constant over this period, while private funding would increase by an average of 3% per annum. This scenario would give a Research Intensity Level at end-2014 of 1.51% GDP (1.93% GNP).

Post 2014, in the context of a return to sustainable growth domestically and a recovered global economy, we anticipate a renewal of the pattern of annually increasing public investment in R&D coupled with a quickening of the average rate of growth of private R&D investment from the relatively modest rate of 3% forecast to 2014. This growth will be driven through a continuation of a supportive fiscal environment for R&D investment as well as supports for higher education R&D, industry linkages with higher education researchers, commercialisation of research results, in-company R&D and start-up companies. Accordingly, the circumstances expected post 2014 will enable a resumption of progress towards the SSTI target of 2.5% GNP to take place. Assuming an average annual growth in public investment of 6.5% in R&D from 2015 coupled with average annual growth in private investment of 11% from 2015 yields a projected R&D intensity indicator for 2020 of 2.5% GNP (2.0% GDP).

With a view to progressing both a qualitative and quantitative increase in R&D investment in Ireland and to realising the optimal return from that investment we are, in addition to the measures outlined above, undertaking a number of national supporting initiatives including:

<u>Research Prioritisation</u>
A comprehensive research prioritisation project is in train, scheduled for completion in October 2011. The purpose of this review is to identify those areas of opportunity or challenge for Ireland with potential to deliver the greatest return to the economy via jobs and/or the exploitation of tangible or intangible goods. The findings from this project will shape priorities for public R&D investment.

<u>Mathematics and Science Literacy</u>
Project Maths, the introduction and application of revised syllabuses for both Junior and Leaving Certificate Mathematics, was introduced nationwide in September 2010 for second-level schools at 1st and 5th years. Project Maths places much greater emphasis on student understanding of mathematical concepts, with increased use of contexts and applications to relate mathematics to everyday experience. Bonus points will be awarded for Leaving Certificate Maths from Summer 2012. In addition, the Programme for Government outlines the following goal "*Maths and science teaching at second level will*

be reformed, including making science a compulsory Junior Cert subject by 2014. Professional development for maths and science teachers will be prioritised."

National IP protocol and associated structures

An Intellectual Property (IP) Policy Group composed of representatives from key research funding agencies, is currently developing overall proposals for a national IP protocol and appropriate supporting structures. To that end, the IP Policy Group is engaging with a parallel IP Implementation Group. The IP Implementation Group, composed of technology transfer practitioners and industry representatives, is working to develop a proposal for a clear and consistent system to maximise the opportunities for industry and entrepreneurs to commercialise intellectual property created in Ireland's third level institutions.

Regional Research Development and Innovation Capacity

Ireland's R & D investment is partly co-funded by the European Regional Development Fund under the National Strategic Reference Framework 2007-2013 through the Border, Midlands and Western (BMW) and Southern and Eastern (S&E) Regional Operational Programmes. These Regional Operational Programmes include measures to improve their competitiveness and innovation capacity taking account of their respective existing positions.

For the BMW Region, the objective is to enhance the research, innovation and ICT infrastructure and capacity of the BMW Region, to promote entrepreneurship and enterprise development, and to support collaboration and technology transfer between research institutions and the business sector that respond to the economic development needs of the region. For the S&E Region, particular attention is given to enhancing the region's research, technological development and innovation capacity by optimising its higher education institutions' research facilities and developing greater connection between small and medium enterprises and the research community.

4.3 Target 3- Climate Change

EU Headline Target: **Reducing greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency; the EU is committed to taking a decision to move to a 30% reduction by 2020 compared to 1990 levels as its conditional offer with a view to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.**

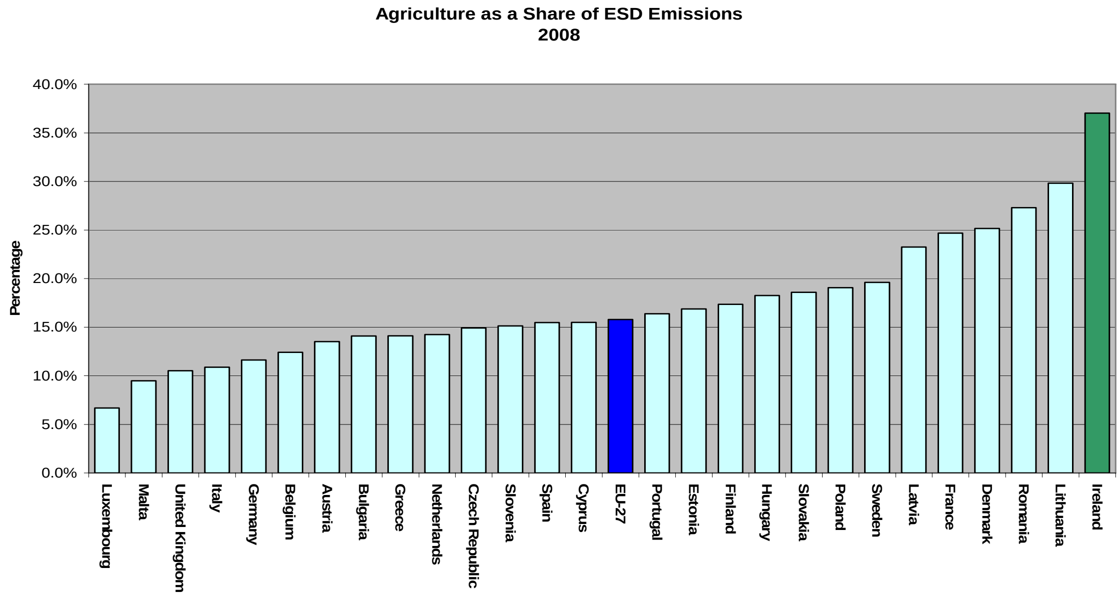
Ireland's Headline Target**: Reduce greenhouse gas emissions in the non-traded sector by 20% compared to 2005 levels; increase the share of renewables in final energy consumption to 16% by 2020; to move towards a 20% increase in energy efficiency.**

Reducing Greenhouse Gas Emissions

Ireland will meet its EU emission limitation target for the purposes of the Kyoto Protocol on the basis of the response set out in the *National Climate Change Strategy 2007-2012*, and the policies and measures subsequently adopted by Government. The fundamental principle of the strategy is domestic emission reductions (including participation by Irish installations in the EU Emissions Trading Scheme) supplemented as necessary by use of the flexible mechanisms provided for in the Kyoto Protocol.

Looking beyond Kyoto Protocol commitments, Ireland's 2013-20 mitigation target under the 2008 EU Effort-Sharing Decision (ESD) presents a unique climate policy challenge given the size of the agriculture sector and the scale of emission associated with it – as shown in Figure 4. However, the European Commission Joint Research Centre evaluation of livestock sector emissions shows that, based on a life-cycle analysis approach, Ireland is among the most emission-efficient producers of food in Europe. Building on that achievement is paramount, in view of the importance of Ireland's agriculture sector for food production, economic growth and employment in rural areas. Ireland is committed to continued efforts to improve the carbon intensity of food production, including through research and collaboration.

Figure 4:



Source: Department of the Environment, Heritage and Local Government based on European Environment Agency data

Under the *National Climate Change Strategy*, measures introduced to date include the establishment of a robust structure for administration of the EU Emissions Trading Scheme in Ireland; the introduction in 2007 of a series of annual carbon budgets, to enable the Dáil (national parliament) to review progress on mitigation and to engage in the introduction of further policies and measures; the restructuring in 2008 of vehicle registration tax and annual road tax on the basis of emissions rather than engine size; the adoption of an ambitious policy on *Smarter Travel, A Sustainable Transport Future* in 2009; and the introduction of a carbon tax on fossil fuels in 2009.

Beyond the current National Climate Change Strategy, the Programme for Government includes a commitment to primary legislation on climate change which will provide certainty surrounding Government policy and a clear pathway for emission reductions in line with EU 2020 targets.

Ongoing and anticipated EU policy developments which are likely to impact on climate policy for 2020 and which will contribute to informing the preparation of national policy and legislation include: the 2050 EU climate policy roadmap (addressing the long-standing EU objective of reducing greenhouse gas emissions by at least 80% by 2050); the EU 'CAP towards 2020' agenda; the EU Green Paper on research and innovation funding; a revised EU Energy Efficiency Action Plan; the EU White Paper on transport and climate change; and an EU initiative on land use, land use change and forestry (LULUCF).

Increase the share of Renewable Energy Sources in final energy consumption

The *National Renewable Energy Action Plan* (NREAP) sets out the Government's strategic approach and concrete measures to deliver on Ireland's 16% target under Directive 2009/28/EC. The development of renewable energy is central to overall energy policy in Ireland.

The Government's commitment to accelerating the development of renewable energy is set out in the Government's Energy Policy *Delivering a sustainable energy future for Ireland - The Energy Policy Framework 2007-2020* and in the Programme for Government. The Government's ambitions for renewable energy and the related national targets are fully consistent with energy policy objectives and the targets addressed to Ireland under the Renewable Energy Directive.

<u>Electricity</u>
The Government has set a target of 40% electricity consumption from renewable sources by 2020, and is on track to exceed the national target of 15% in 2010. All key national entities, including the Energy Regulator, the distribution and transmission system operators and the renewable energy sector are working with the Government to deliver the 2020 target through grid connection and grid development strategies.

The significant growth in electricity from renewable sources in recent years is largely attributable to onshore wind. The Government is committed to developing a comprehensive microgeneration framework which will be taken forward up to 2020. In addition a draft Offshore Renewable Energy Development Plan has been published which notes Ireland's involvement in many initiatives and its openness at a strategic level to considering the possibilities and opportunities offered by offshore renewable energy.

<u>Transport</u>
Like most countries, Ireland's transport sector is dependent on imported oil. The Government is working to transform this dependency. A two pronged strategy has been put in place which combines significant increases in the use of biofuels with the accelerated development and use of electric vehicles in Ireland.

The national Biofuel Obligation Scheme 2010 obliges all road transport fuel suppliers to use biofuel in the fuel mix to ensure that they represent a certain percentage of their annual fuel sales. The initial penetration rate will be 4% per annum, to be increased over time. Ireland has also set a target of 10% electric vehicles by 2020 and has introduced a range of supporting measures.

<u>Heat</u>
The Government has set a target of 12% renewable heat by 2020. A series of related and complementary support programmes have been put in place to address the delivery of this target, aimed at supporting both demand and supply sides. To that end, work is nearing completion on a new framework to ensure delivery of these targets using the full range of resources available, with an initial focus on the biomass sector but also including geothermal resources in due course. A roadmap for the development of the bioenergy sector in Ireland is currently being completed.

Delivering 20% energy savings in 2020
Ireland has internalised the principle e*nergy efficiency first*, as energy efficiency is internationally recognised as the most cost effective means of reducing greenhouse gas emissions. Investments in energy efficiency help create and retain jobs, while providing an important outlet for innovation in the fledgling green tech sector. Ireland's energy policy framework contains a longstanding commitment to deliver 20% energy savings in 2020, with a more ambitious target of 33% for the public sector as part of a drive for Government to lead by example.

Ireland has identified 90 actions and measures with the *National Energy Efficiency Action Plan*, of which the following five are considered essential to the delivery of our national energy savings targets:

1. National Retrofit Programme

The retrofit programme will target the realisation of energy efficiencies in both the domestic and non-domestic sectors through innovative financing models, such as on-bill financing. The retrofit programme will leverage the existing customer relationships of energy suppliers to ensure energy savings are delivered and directed at low-income households. For every €10 million invested by Government in the National Retrofit Scheme, a further €23 million of private funding is leveraged, leading to annual cost savings of €6 million and CO_2 savings of over 20kt per annum.

2. Public Sector Initiatives

This considerable purchasing power of the public sector, at over €6 billion per annum, is being used to leverage the market to provide more efficiency goods and services.

3. Building Regulations

Revised Building Regulations introduced in December 2007 require that new homes be 40% more energy efficient than those built to 2002 Building Regulations. A new set of Building Regulations, which seek to improve the energy performance of new dwellings by 60% relative to 2002 Building Regulations, are being finalised.

4. Large Industry Support Programme (LIEN)

The LIEN is a well-established networking and information programme for large industrial energy users. Now in operation for 15 years, it engages over 100 of the largest energy users in ongoing relationships, including site visits, workshops and annual performance reporting. Energy spend across the LIEN is approximately €900 million and accounts for almost two-thirds of all industrial energy usage and for more than 10% of national primary energy usage. A grant programme was introduced for commercial organisations in 2009 to further stimulate investment in energy efficiency.

5. Efficient Boiler Standards

From 31 March 2008, all oil and gas-fired boilers installed in new dwellings must meet a minimum seasonal net efficiency of 86%. New oil and gas boilers in existing dwellings must also meet this efficiency standard, where practicable. Grant support is provided under the Home Energy Saving Scheme for boilers that have a minimum seasonal net efficiency of >90%.

All of the above measures are kept under constant review to ensure that they are in our economic interest, and are subject to review in the context of the second *National Energy Efficiency Action Plan*.

4.4 Target 4- Education

***EU Headline Target*: Improving education levels, in particular by aiming to reduce school drop-out rates to less than 10% and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40%.**

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

The national targets that Ireland has adopted in relation to early school leaving and tertiary attainment are based on the following related pre-existing 2020 targets in our National Skills Strategy (NSS), which was launched in 2007:

- the proportion of 20-24 year olds with at least upper secondary education (Levels 4/5 in our National Framework of Qualifications (NFQ)) to increase from 86% in 2005 to 94% by 2020;
- the progression rate to tertiary education (Levels 6-10 in our NFQ) to increase from approximately 55% in 2005 to 72% by 2020;
- 48% of the labour force (i.e. those in the population in the age range 25-64 inclusive) to have tertiary attainment (i.e. qualifications at NFQ Levels 6-10) by 2020.

Early School Leaving
Ireland's current share of early school leavers (i.e. 18-24 year olds with at most lower secondary education and not in further education and training) is 11.3% (based on Eurostat data for 2009, the latest available).

<u>Key Measures to reach national target</u>
Delivering Equality of Opportunity in Schools (DEIS) is a national action plan for educational inclusion. Focusing on the needs of 3 to 18 year olds from disadvantaged communities, DEIS adopts an integrated approach with early intervention as a core principle**.**

Among the key issues and needs addressed by DEIS are:

- improved identification of disadvantage enabling resources to be targeted more effectively;
- targeted reductions in pupil teacher ratios and additional non-pay allocations for schools based on level of disadvantage;
- access to additional literacy/numeracy supports and programmes;
- access to Home/School/Community Liaison and School Completion Programme (SCP) services;
- enhancing research and evaluation of outcomes.

The SCP directly targets those in danger of dropping out of the education system through an integrated cross-community approach based on the development of local strategies. Strategies may encompass actions for the whole-school/school cluster, for individual students and those who are already outside of the formal system. Provision includes in-school, after-school, out-of-school and holiday time supports. A School Business Partnership programme works with the schools in the SCP to bring together education and business expertise in tackling early school leaving.

The SCP and a number of other educational welfare related programmes have recently been brought together under a common management team under the remit of a statutory agency, the National Educational Welfare Board (NEWB). The NEWB are to bring forward recommendations for a single strategic approach to delivery of the relevant services with a view to further improving local and national responses to tackling poor attendance and early school leaving.

The Educational Research Centre has been commissioned to conduct an independent evaluation of DEIS, to assess its impact and to inform the direction of future policy. A report is expected to be finalised shortly.

In a separate development, the rollout later this year of a new plan to improve literacy and numeracy teaching and learning in Ireland's schools, will also contribute to achievement of the national early school leaving target. This plan responds to areas of weakness identified in recent national studies and sets ambitious targets covering early childhood, primary and secondary education.

In addition, the introduction in Ireland in 2010 of the free pre-school year is a major development in the area of early childhood care and education. This is a change of direction from that of targeted pre-school provision to one of universal provision. 63,000 children, or 95% of the eligible child cohort, are now taking part in the universal pre-school scheme. International experience points to the importance of providing high-quality early childhood education services, and these are particularly important for children from low-income homes.

Tertiary Education

Ireland has already achieved a high tertiary attainment rate for 30-34 year olds (49% based on Eurostat data for 2009, the latest available) due to the high participation rates for school leavers that have been growing steadily over the last decade.

The *National Strategy for Higher Education to 2030* was published in early January 2011 and provides a framework for the development of the higher education sector for the next twenty years. The recommendations of the Strategy aim to increase the quality and flexibility of the system to ensure that it is responsive to the needs of an increasingly diverse cohort of students. Implementation of the Strategy will allow the following key measures to be delivered.

<u>Key Measures to reach national target</u>

The most important measures to ensure that the national target for tertiary attainment will be met are:

1. To continue to meet the high demand from school leavers for higher education through the provision of a sustainable funding base;

2. To widen access for students facing social and economic barriers and students with disabilities to higher education through the provision of appropriate supports and access measures;
3. To put in place policy measures to maximise progression through and completion of higher education degrees;
4. To ensure accessibility to higher education of adults, particularly those in the workforce, by increasing flexible provision, particularly part-time provision, and through developing other entry routes into higher education, including Recognition of Prior Learning (RPL).

Internal monitoring mechanisms will continue to include the following performance indicators:

1. Participation rates in higher education;
2. Access and participation rates by under-represented and disadvantaged groups;
3. Progression and completion rates in the higher education sector;
4. Numbers of adults participating in higher education;
5. Numbers of students in part-time education;
6. Number of courses available through flexible provision;
7. Higher education attainment rates in the population by age group.

Ireland's *National Plan for Equity of Access to Higher Education 2008-2013* establishes a number of benchmarks and actions to increase access by under-represented groups, particularly disadvantaged students, mature students and students with disabilities. The plan also recognises the importance of further education in providing the relevant skills to enable learners to access higher education. A mid-term review of the plan is currently being finalised.

In addition, the student grant schemes administrative function for tertiary education is currently undergoing a radical restructuring. It is envisaged that this reform will deliver a significant service enhancement benefit to student grant applicants. Within the student grant schemes, special rates of maintenance grants are provided for eligible disadvantaged students who receive almost twice the level of an ordinary grant payment.

Ireland's proposed national targets for early school leaving and tertiary attainment as stated above are linked with the related NSS targets. Consequently, any revisions made to NSS targets between now and 2020 may necessitate revision of the related EU 2020 targets.

4.5 Target 5- Poverty

***EU Headline Target:* To promote social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and exclusion[2].**

***Ireland's 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.**

National poverty indicators

Ireland uses two indicators to measure poverty and exclusion: at-risk-of-poverty (below 60% median income threshold) and material deprivation (lacking two or more basic necessities). The indicators reflect the official definition of poverty as inadequate income and resources. They are similar to two of the EU indicators, though the definitions differ somewhat.[3] A third EU indicator, low work intensity, is not used as its added value as a measure of poverty is unproven in the Irish context. In 2008, 24% of the population (1.1 million people) is identified as being *at risk of poverty and exclusion* using the national indicators, the same percentage identified by the three EU indicators. The major difference between the Irish and the EU approach is in the significance given to the overlap of the indicators. For Ireland, the overlap identifies a segment of the population suffering basic deprivation due to lack of resources which is distinguished from those experiencing single forms of poverty.[4] To emphasise its significance, the overlap is categorised as an indicator of 'consistent poverty'. By comparison, the EU indicators make no differentiation between levels of poverty.

National poverty target

The Irish poverty target in the *National Action Plan for Social Inclusion 2007-2016* is to reduce the rate of consistent poverty to between 2-4% by 2012 and to eliminate it by 2016, from a baseline rate of 7% in 2005. The use of consistent poverty to express the national poverty target reflects the policy priority on those most in need. The new Programme for Government contains the objective to eliminate poverty and to achieve the national poverty targets in the *National Action Plan for Social Inclusion*.

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[2] The EU population at risk of poverty and exclusion is identified using three indicators: at-risk-of poverty, material deprivation and low work intensity. Member states can use appropriate national indicators to set their national targets, taking into account national circumstances and priorities.

[3] The Irish deprivation indicator is based on the enforced lack of two items from a set of 11 basic necessities; the EU deprivation indicator is defined as enforced lack of four items from a set of 9. There is also a difference in how the income concept is defined for the at-risk-of-poverty indicator.

[4] The consistent poverty indicator was developed by the Economic and Social Research Institute (ESRI) based on extensive research which shows that it is a powerful indicator of the likelihood of a range of economic pressures such as coping with unanticipated expenses, debt problems and arrears, housing costs, and general difficulty in making ends meet. In addition, those in consistent poverty differ sharply from the rest of the population in terms of the full range of life-style deprivation items. See Maitre et al (2006), *Reconfiguring the measurement of deprivation and consistent poverty in Ireland*, Dublin: ESRI. The consistent poverty indicator has been applied at an EU level using national income poverty lines and an EU deprivation measure. See Whelan and Maitre (2009), *Poverty and deprivation in Ireland in comparative perspective*, Dublin: ESRI.

Taking the 2008 consistent poverty rate of 4.2% as the baseline year, the numerical expression of the national poverty target is to lift 186,000 people out of the risk of poverty and exclusion by 2016.[5] Similarly, the interim target is to lift between 9,000 and 97,000 out of the risk of poverty and exclusion by 2012. The 186,000 figure represents 17.5% of the Irish population at risk of poverty and exclusion, which is similar to the EU poverty target in relation to the European population (17%).

Underpinning the national poverty target is the policy of ensuring that the incomes of the poorest families are protected as much as possible during the economic recession and that these families are enabled to benefit from the economic recovery and growth in employment when it arrives. The challenge of meeting the national poverty target is considerable, as indicated by the rise in the consistent poverty rate to 5.5% in 2009 and it is possible that the rate may even be higher in 2010. The timescale for achieving the poverty target will be influenced by the pace at which economic and employment growth returns to the Irish economy. It is envisaged that in the early years fewer people may be lifted out of poverty or indeed the numbers may increase due to the effects of the economic recession and the implementation of the *National Recovery Plan*, in particular changes in the structure and operation of the social welfare system and child income support (as occurred in 2010 and 2011).

Review of national poverty target

Given the challenging economic and fiscal context, the Government proposes to initiate a comprehensive review of the national target in 2011. The review will take account of progress made towards the interim target in the National Action Plan for Social Inclusion (reducing consistent poverty to between 2-4% by 2012), the likely economic and fiscal scenario for the immediate years ahead and new data for 2010 which, it is anticipated, will give a clearer indication of poverty trends since the economic downturn. It will take account of expert opinion about the statistical feasibility of eliminating consistent poverty and the arguments for adopting multiple or tiered poverty targets to address the complexity of poverty.[6] It will also consider how Government can set out different levels of ambition for poverty reduction having regard to the economic circumstances. The Technical Advisory Group on poverty data and indicators under the *National Action Plan for Social Inclusion* will be consulted in the review, along with the social partners and people experiencing poverty. It is envisaged that the review will conclude in November 2011 to enable the Government to adopt appropriate and achievable national poverty targets to meet Ireland's contribution to Europe 2020 and commitments in the Programme for Government.

Poverty challenges: multiple disadvantages across the lifecycle

The *National Action Plan for Social Inclusion* adopts a lifecycle approach to poverty reduction, based on four categories: children, people of working age, older people and people with disabilities. It also identifies groups facing multiple disadvantages across the lifecycle, such as economic dependency, exclusion from the labour market and marginalized location.[7] The consistent poverty rate and the share of the poverty

[5] The numerical figure is based on the Central Statistics Office estimate of the national population in 2008 (4,422,100).

[6] See for example Maitre et al (2006), op cit.

[7] There is little variation in the consistent poverty rate between men and women, though female-headed households are significantly more likely to be in poverty than male-headed households, which is related to the gender make-up of lone parents.

population for lifecycle and vulnerable groups are set out in Table 1, using data from the baseline year of 2008.[8]

Table 1: Poverty rates for lifecycle and vulnerable groups (2008)

	consistent poverty rate	*rate as proportion of total population rate*[9]	*share of poverty population*[10]
children	6.3%	1.5	39%
people of working age	3.9%	0.9	58%
older people	1.4%	0.3	4%
people with disabilities[11]	6.0%	1.4	*n/a*
lone parent families	17.8%	4.2	*29%*
unemployed	9.7%	2.3	*12%*
people not at work due to illness/disability	13.2%	3.1	*12%*
jobless households	13.2%	3.1	*69%*
households in social rented housing	16.4%	3.9	*52%*

Source: CSO Survey on Income and Living Conditions (2008)

Among the lifecycle groups, children face the highest rate of consistent poverty at 6.3%, 1.5 times the rate for the total population. Children also represent a large share (39%) of the population in consistent poverty. Of added significance for children are the negative effects of poverty on childhood development and their legacy into adulthood. People with disabilities have a higher poverty rate at 6%. By contrast, people of working age and older people have poverty rates in line with or below the average.

Among groups with high rates of consistent poverty are lone parent families at almost 18%, over 4 times the rate for the total population. Lone parent families account for three out of ten people in consistent poverty and half of all children in consistent poverty. The unemployed, including the long-term unemployed and those unable to work due to a disability, are between two and three times more likely to be in consistent poverty. Collectively, the unemployed account for almost a quarter of those in consistent poverty. The link between poverty and unemployment is likely to have intensified with the trebling of unemployment since 2008 and the increase in the proportion of long-term unemployed.

Jobless households are three times more likely to be in consistent poverty, reflecting the absence of anyone in employment and the presence of dependent children.

[8] The comparable 2009 data are children (8.7%), people of working age (4.9%), older people (1.1%), people with disabilities (5.5%), lone parent families (16.6%), unemployed (11.5%), not at work due to illness/disability (8.8%), jobless households (14.9%), and households in social rented housing (17.9%).
[9] Expressed as the ratio of the poverty rate for lifecycle and vulnerable groups over the poverty rate for the total population, e.g. for children the ratio is 6.3 over 4.2, which is 1.5,
[10] Only the three lifecycle age groups of children, working age and older people sum to 100%. All the other groups overlap with one another and so do not sum to 100%.
[11] This definition, developed by the National Disability Authority, is based on people aged 16 and over who self-report a chronic illness or health problem.

Significantly, such households account for the vast majority (69%) of all those in consistent poverty. The extent of jobless households in Ireland is reflected by Ireland's high rate of low-work intensity (20%). Households living in social rented housing bring together in substantial numbers the most vulnerable in society, often located in marginalised urban communities. These communities can have a limited involvement in the wider economy and with employment opportunities, and their children can face added difficulties in maximising their educational potential.[12] Other vulnerable groups of concern include migrants, Travellers, ethnic minorities, the homeless, carers and the working poor.[13]

Improving the position of vulnerable groups is critical to the achievement of the national poverty target and will require targeted interventions to address their multiple problems. In particular, a new approach is planned to break the cycle of child poverty where it is most deeply entrenched, as is outlined in the Programme for Government and also emphasised by the EU.[14] Consideration will be given to the setting of subsidiary poverty targets for vulnerable groups in the context of updating relevant policies, such as the National Children's Strategy.

Cross-cutting measures and linkages with other targets

A joined-up and multi-disciplinary approach to policy, involving a wide range of actors, is critical to meet the poverty target. The lifecycle approach in the *National Action Plan for Social Inclusion* highlights three inter-connected policy themes for tackling poverty: income support, activation and services. The joined-up approach is underpinned by the EU concept of 'active inclusion' based on minimum income, inclusive labour markets and access to quality services.

The policy focus in the NRP is on the linkages between poverty, employment and education, as emphasised in the integrated employment guidelines for the Europe 2020 Strategy. The national priorities for tackling poverty are access to the labour market and to education and training in order to restore economic growth and to maximise employment. Supporting measures include targeted social inclusion programmes, welfare reform and domestic energy efficiency initiatives. The achievement of these measures is dependent on the level of public resources available. The national policy response to poverty will be supported at EU level through the new flagship initiative, the *European Platform against Poverty and Social Exclusion: a European Framework for Social and Territorial Cohesion.*[15]

<u>Employment, labour market participation, upskilling and life-long learning</u>

Employment policy is key to boosting labour market participation in jobless and low-work intensity households. A strong emphasis is placed on supporting all long-term welfare recipients (including lone parents, the long-term unemployed and people with a disability) into education, training and employment. The *National Employment Action*

[12] It is hard to capture the spatial dimension in much detail in household surveys. The limited spatial disaggregation in SILC shows little variation in poverty rate between regions or between urban and rural areas. However, significant variation in living standards between localities is shown in census data.
[13] Data on the poverty rate for these groups are very limited.
[14] See draft Council Conclusions on tackling child poverty and promoting child well-being, March 2011.
[15] The European Platform encompasses social inclusion actions across the policy spectrum, more effective use of structural funds to support social inclusion, use and promotion of evidence-based approach and social innovation, the strengthening of partnership approaches to social inclusion, encouragement of the social economy and the application of active inclusion principles.

Plan is being reinvigorated to provide a more effective service to all those who are unemployed in order to assist them in returning to work. There are additional supports for those at risk of long-term unemployment, including training and education places and job search referrals. The provision of affordable childcare continues to be an important element of increasing access to employment opportunities with some achievement already in this area. Specific measures include:

- employment initiatives, skills training and labour market activation;
- programmes for unemployed women/women returners;
- programmes for disabled unemployed, including employment initiatives, skills training and education;
- provision of childcare.

From 27 April 2011 entitlement to one parent family payment for new claimants will cease when the youngest child reaches 14 yrs of age. Customers will be contacted when their youngest child reaches 11 yrs of age and advised of available employment, education and training opportunities.

<u>Education and training at all levels</u>
Education and training are important in two ways in tackling poverty: to counter educational disadvantage and to prevent the inter-generational transmission of poverty. The focus of the education targets is on participation in higher second level and third level education. In addition, early childhood care and education provision has been developed, along with in-school and out-of-school measures to tackle educational disadvantage, including literacy and school retention. Relevant measures include:

- early childhood care and education;
- literacy and numeracy schemes;
- school retention programmes;
- access programmes for third level education.

<u>Targeted social inclusion programmes</u>
Targeted programmes and services for disadvantaged children, families, communities and minority groups will be supported as resources allow. A new area-based approach to child poverty will be adopted, which will draw on best international practice and existing services to tackle every aspect of child poverty (*Programme for Government*). Relevant measures include:

- local and community development programme;
- family resources centres programme;
- area-based programme to tackle child poverty;
- programmes for minority groups such as Travellers and migrants.

<u>Welfare reform</u>
Ireland prioritised income support as a response to poverty in the early to mid 2000s, with the result that social transfers in Ireland are now the most effective in reducing the at-risk-of-poverty rate across the EU 27.[16] The *National Action Plan for Social Inclusion* has as its welfare goals to maintain the relative value of the minimum welfare payment and the state pension, and the combined value of child income support as a proportion

[16] The redistributive effect of social transfers can be measured by their impact on the at-risk-of-poverty rate. In the EU 27, the average poverty reduction effect is one third. In Ireland, the effect is 60%, the highest of all member states. (See *SPC Assessment of the social dimension of Europe 2020 Strategy (2011)*, February 2011.)

of the minimum welfare payment, subject to available resources. In recent years, there has been an increase in the number of people seeking welfare support at the same time when public finances have been under severe pressure, with a requirement for higher taxes and reduced public expenditure. The fiscal crisis has resulted in a reduction in welfare payments for the working age population and implementation of the *National Recovery Plan* may further impact on living standards in the short-term. However, the benefits of the improved and enhanced activation measures in the *National Recovery Plan* and a stronger financial incentive to return to work and to make work pay should become apparent. Other changes, such as control savings through reducing fraud and error and simplification of working age payments, have the potential to reduce the overall cost of welfare and the general impact of any adjustments in welfare provision arising from any fiscal changes.

<u>Domestic energy efficiency</u>
As part of the energy efficiency target, a national retrofit programme will target households at risk of energy poverty. Also of relevance is the development of an affordable energy strategy.

Monitoring and review
Poverty trends are monitored through in-depth analysis of the main poverty indicators in EU-SILC. These analyses are undertaken in conjunction with the national statistical agency and independent research bodies, including the Economic and Social Research Institute. The application of poverty impact assessment to policies and programmes at design and review stages will continue in a transparent and constructive manner, including analyses of the poverty impact of the tax and welfare measures in the annual Budget using micro-simulation models. The Government will undertake a formal review of the national poverty target in 2011 to be concluded by November 2011.

5. Horizontal and Methodological Issues

Linkage between targets

The Europe 2020 targets should not be seen in isolation under the National Reform Programme. They are interrelated and mutually reinforcing and supported by common policies. These linkages are evident in some targets more than others. Examples of some of these linkages in the Irish context are as follows:

- tackling educational disadvantage and preventing the inter-generational transmission of poverty;
- achieving education targets while simultaneously ensuring a sufficient supply of science, mathematics and technology graduates to meet the skills requirements for the achievement of the R&D target and employment objectives;
- developing and enhancing Ireland's agriculture sector to support jobs and rural development while at the same time ensuring consistency between the goals of food security and climate change mitigation, and protection of natural resources;
- promoting activation of welfare recipients and reducing the high poverty rate for lone parents and the long-term unemployed;
- promoting the re-engagement by groups (including older persons and women) who are currently detached from the labour market;
- increasing participation in employment and reducing the number of jobless households at high risk of poverty;
- promoting home energy efficiency and tackling fuel poverty;
- decoupling economic growth from resource use while at the same time turning environmental challenges into growth and employment creation opportunities.

The Irish Government will take account of these linkages when implementing the NRP.

Consultation and Stakeholder Involvement

Consultation with stakeholders, including social partners, the relevant Parliamentary Committee and regional bodies has been undertaken during the development of this National Reform Programme. This began in May 2010 and included written and direct engagement. While the National Reform Programme does not reflect all the views received, it incorporates amendments where possible and appropriate. The Government also acknowledges that there will be a need for continued engagement with stakeholders in the implementation and further development of the National Reform Programme in the years ahead.

Regional Development

A well-rounded strategy for economic recovery cannot ignore the spatial structure of the economy. The optimal performance of the country as a whole will be secured when the differing roles of every place in Ireland, regardless of size or location, are organised and co-ordinated in a manner that enables them to maximise their potential. All regions of the country have a role to play in our national economic recovery. Accordingly, prioritised and strategic investments to realise the potential of the regions, which contribute to the core strengths of Ireland's economy in service and knowledge-based industries, information technology and manufacturing together with the sustainable use of natural resources in the agriculture, fisheries, tourism and energy sectors, are vital in positioning the regions as key contributors to Ireland's national recovery.

The National Spatial Strategy (NSS), together with the strategically focused regional planning guidelines which were updated in 2010 for all NUTS III regions, provides a rational and evidence-based framework to inform the co-ordination of infrastructural and services investment and to harness regional and overall national competitive advantages and thus support sustainable economic recovery.

The approach taken within this NRP is also consistent with the overall objectives of the National Sustainable Development Strategy which is currently being developed and will be finalised shortly.

Use of EU funds

Cohesion Policy seeks to "reduce the disparities between the levels of development of the various regions and the backwardness of the least favoured regions". It is delivered through three instruments for the 2007-2013 period. These are the two Structural Funds, the European Regional Development Fund (ERDF) and the European Social Fund (ESF), and the Cohesion Fund. The level of EU Structural Funding for Ireland was reduced substantially for the 2007-2013 period. Over the period Ireland has been allocated €901 million with €750 million assigned to the Regional Competitiveness and Employment Objective (50% ERDF: 50% ESF). The balance of €151 million is allocated to the Co-operation Objective (PEACE and INTERREG Programmes).

As set out in Ireland's National Strategic Reference Framework 2007-13 (NSRF), Ireland's ERDF and ESF allocation for the 2007-2013 funding period are implemented through two ERDF co-funded Regional Operational Programmes, the Border, Midlands and Western Operational Programme (BMW OP) and the Southern and Eastern Operational Programme (S&E OP), and through the ESF co-funded Human Capital Investment (HCI) Operational Programme. Cohesion Policy for 2007-2013 is explicitly linked to goals in the National Reform Programme under the Lisbon Agenda and now Europe 2020, and to this end our current forecast is that 90% of expenditure over the period will be on actions that are earmarked to support competitiveness and sustainable development.

The NSRF for Ireland 2007-13 has three strategic priorities:

1. Upskilling the workforce and increasing the participation and activation of groups outside the workforce (ESF);
2. Supporting innovation, knowledge and entrepreneurship in the regions (ERDF); and
3. Strengthening the competitiveness, attractiveness, and connectivity of the NSS Gateways and Hubs through improved access to quality infrastructure, and promoting environmental and sustainable development

The priorities of each of the three Operational Programmes for 2007-2013 are as follows:

- BMW Regional OP: (1) Innovation, ICT and the Knowledge Economy; (2) Environment and Risk Prevention; (3) Urban Development and Secondary Transport Networks;
- S&E Regional OP: (1) Innovation & the Knowledge Economy; (2) Environment & Accessibility; (3) Sustainable Urban Development;
- HCI OP: (1) Upskilling the Workforce; (2) Activation and Participation of Groups outside the Workforce.

As well as the EU Structural Funds, Ireland is also receiving European funding from the European Agriculture Fund for Rural Development (EAFRD), the European Fisheries Fund (EFF) and the Seventh Framework Programme (FP7). With the help of the EAFRD, Ireland is undertaking measures under the Competitiveness, Environment & Land Management, Economic Diversification & Quality of Life, and LEADER axes. Under EFF Ireland is benefiting under the Adaptation of the EU Fishing Fleet, Measures of Common Interest, and Sustainable Development of Fisheries areas axes. FP7 contains four specific programmes: Cooperation, Capacities, People and Ideas.

The strategic direction for future cohesion policy will, of course, be framed by the Europe 2020 Strategy and the EU Budget review. Ireland is actively engaging in the debate on the future of Cohesion Policy through the High Level Group Reflecting on Future Cohesion Policy and the Conditionality Task Force established by Commissioner Hahn. Ireland agrees with the consensus arising, i.e. concentration of policy on the Europe 2020 Strategy, focus on performance and results, high level political debate, increased co-ordination with national and EU policies to create synergies and simplified and more efficient administration systems. The publication of the Fifth Report on Economic, Social and Territorial Cohesion is an important step in the development of the policy. Ireland is committed to ensuring that all spending in the next round of funding will be closely aligned to the targets of the Europe 2020 Strategy.

Monitoring and Review

This NRP presents Ireland's initial response to the Europe 2020 Agenda. Over the lifetime of the NRP we anticipate ongoing engagement with stakeholders and with the European Commission to ensure that the aims of the Programme are met.

While Ireland is undoubtedly in very difficult financial circumstances at present, we are committed to striving for greater ambition across each target area as the situation stabilises and we return to growth.

In that context Ireland welcomes the intention to conduct a review in 2014 and looks forward to participating in that exercise in conjunction with the relevant stakeholders.