



An Roinn Airgeadais
Department of Finance

Statement of Strategy

2023-2025



Department of Finance

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Message from the Minister

In recent years, Ireland has experienced a series of economic shocks: the departure of the United Kingdom from the European Union, a two-year pandemic and a war on European soil triggering the most severe energy price shock in decades.

The fall-out from these events has led to significant geopolitical upheaval, put pressure on household incomes and placed many businesses under severe strain.

My Department has played a leading role in the public policy response to these challenges, contributing to the design and implementation of measures to mitigate the impact on the economy and people's standard of living. In Budget 2023, and through the package announced earlier this year, we took timely and targeted measures to provide much needed assistance to households and businesses.

The expenditure rule adopted in 2021 anchors the growth rate of net expenditure to the trend growth rate of the economy, allowing for steady improvements in public services while, at the same time, keeping the debt-income ratio on a downward trajectory. For Budget 2024, the appropriate fiscal policy will be considered as part of the Summer Economic Statement.

Public debt increased significantly during the pandemic as the resources of the State were deployed to insulate the country from the unprecedented circumstances in which we found ourselves. A key priority now is to rebuild our fiscal buffers, ensuring that we are in the strongest possible position to face the fiscal challenges of the future, such as pension needs and climate change. In this regard, we have already transferred €6 billion to the *National Reserve Fund* and recently published a discussion paper *Future-proofing the Public Finances – the Next Steps*. I will bring further proposals to Government on this matter in the period ahead.

The EU's fiscal rules were temporarily suspended over the last three years. In April, the European Commission published proposals to strengthen and promote sustainable and inclusive growth. Ireland welcomes this development and will continue to engage positively with the process to ensure all Member States implement stability oriented budgetary policies and so do not jeopardise the single currency.

We are in a period which is likely to be pivotal for international taxation policy. Once the OECD Agreement is finalised, focus will shift towards legislating for and implementation of these new rules. The EU Minimum Tax Directive has now been agreed politically and I will bring forward legislation to deliver these new rules in the autumn Finance Bill.

Across Government, we have detailed plans to tackle the housing, health and climate challenges which Ireland faces. Delivery on these priorities requires a whole of Government response and the Department of Finance *Statement of Strategy 2023-2025* sets out the framework for how we will contribute to achievement of these policy objectives and other key missions.

I look forward to continuing to work with the Minister of State Jennifer Carroll MacNeill, my Department officials under the guidance of Secretary General John Hogan and a wide range of stakeholders in advancing our country's social and economic progress in the years ahead.

Michael McGrath, T.D.
Minister for Finance

Foreword by Secretary General

The mission of the Department of Finance is to lead in the achievement of the Government's economic, fiscal and financial policy goals, having regard to the goals set out in the *Programme for Government - Our Shared Future*.

This *Statement of Strategy 2023-2025* sets the framework within which the Department will advise, design and implement Government policies to support economic advancement and to ensure fiscal sustainability in the years ahead.

The experience of the last few years has shown how, in a globalised economy, shocks can be transmitted rapidly across countries. This puts a premium on the need to be agile – the need to advise and to calibrate policies on behalf of Government in a rapid manner, often with imperfect information. I believe we in the Department have stepped up, meeting this challenge head-on during the pandemic and more recently grappling with the impacts of war in Europe and its impact on energy prices.

But it is also true that rapid change is likely to continue:

- geopolitical tensions have clearly increased, with spillovers to the global economy;
- the planet is warming and irreversible scientific change is certain unless we adapt our economic structures;
- countries are working together to change the way multinational corporations are taxed;
- policy changes mean that borrowing costs are at their highest in almost a decade

Against this backdrop, it is quite likely that, at the end of this Strategy horizon, our economy could be very different than now. I and my colleagues in the Department will continue to work within the whole-of-Government structures to help navigate the economy through these potentially turbulent years. We will continue to highlight the importance of boosting supply – of housing, publically-provided healthcare, public infrastructure – in a fiscally-sustainable manner, in order to best-position our economy to meet these and other challenges. At the same time, we will continue to work with our colleagues in the European Union and elsewhere to promote multilateralism, and play our part in promoting Ireland's economic, fiscal and financial interests.

In 2022, the Department established a new division specifically to consider some of the long-term issues facing the Irish economy. The health of the economy is dependent on a range of factors, only some of which are within the scope of Irish policy makers. A better understanding of these issues will assist in more effective policy making and developing a more resilient, sustainable economy. The Strategic Economic Development Division is responsible for enhancing analysis and understanding of such matters which will include, in the first instance, Housing Policy and Climate Action including Sustainable Finance. Attention to these issues is in line with the Department's objective of promoting environmentally sustainable and well balanced economic progress.

This Statement of Strategy will be delivered by the staff of the Department, who remain central to everything we achieve. Over the Strategy's horizon, we will continue to develop the skills- and knowledge-bases of our staff, to help all of our team achieve their potential as public servants working for the interests of our society.

John Hogan
Secretary General

Our Mission, Strategic Goals and Values

Our Mission

To lead in the achievement of the Government's economic, fiscal and financial policy goals, having regard to the commitments set out in the Programme for Government - *Our Shared Future*.

Our Strategic Goals

In pursuing our Mission, the Department is working for the period 2023-2025 towards achieving the following Strategic Goals:

Goal 1	Balanced, sustainable economic growth
Goal 2	Sound Public Finances
Goal 3	Well regulated, sustainable banking and financial sector
Goal 4	International leadership in economic, fiscal and financial decision making
Goal 5	Promoting environmentally sustainable economic progress

Our Values

We strive to being an inclusive, high performing, knowledge based, professional and learning organisation.

The values of integrity, objectivity, impartiality, openness, accountability, diversity and respect are core to the Department. These shared values drive our behaviours and define the culture that supports the delivery of our strategic goals.

Goals – Actions – Outcomes – Indicators

Strategic Goal 1	Balanced, sustainable economic recovery
Actions	<ul style="list-style-type: none"> • Advise and implement economic policies that promote improved living standards, stability and job creation • In embedding our Public Sector Duty obligations, continue to develop the process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights
Outcomes	<ul style="list-style-type: none"> • Balanced and sustainable pace of economic growth that contributes to social inclusion • Reduction in the level of public and private sector indebtedness
Performance Indicators	<ul style="list-style-type: none"> • Increase in real income per capita, distribution of income and other metrics of sustainable Irish wellbeing. • Improved labour market performance • Improved living standards
Strategic Goal 2	Sound public finances
Actions	<ul style="list-style-type: none"> • Build fiscal buffers that make provision for long-term budgetary challenges, such as the cost of an ageing population and climate transition • Monitor and advise on emerging trends and risks • Implement budgetary policy in compliance with European and domestic fiscal rules, EU semester process, EU Economic Governance requirements • Advise and implement appropriate taxation policies which provide the resources required for Government programmes, taking account of the Programme for Government and consideration of the recommendations of the Commission for Taxation and Welfare
Outcomes	<ul style="list-style-type: none"> • Trajectory towards a balanced budget once allowance is made for the economic cycle and windfall corporation tax receipts • Sustainable, growth-friendly, efficient and equitable tax system which meets Ireland's policy needs • Enhanced international tax reputation including corporate taxation • A supportive taxation system for the environment, enterprise and employment • Maintain market access on favourable terms
Performance Indicators	<ul style="list-style-type: none"> • The raising of sufficient revenue to enable the Exchequer to fund the Government's response to the housing, health and other needs of the people of Ireland and to reduce the national debt. • Tax yields • Sustainable revenue and expenditure levels • Minimum cost of financing public debt
Strategic Goal 3	Well regulated, sustainable banking and financial sector
Actions	<ul style="list-style-type: none"> • Continue to oversee policy development, including implementation of the Banking Review, that ensures that our banking and financial services sectors, including credit unions, are well regulated and fit for purpose so as to support domestic economic activity as well as those more externally focused sectors

	<ul style="list-style-type: none"> • Careful management and, when appropriate, disposal of the State's bank holdings while ensuring that NAMA continues to fulfil its strategic objectives and completes its phased and orderly wind down by end December 2025 • Minister of State will take a lead role in the Government's international financial services agenda, as well as having a particular emphasis in relation to Credit Union and insurance sectors. • Lead on the review of the Funds Sector and bring forward a report to the Minister for Finance by Summer 2024.
Outcomes	<ul style="list-style-type: none"> • A competitive and resilient domestic and international banking, insurance and financial services sector that meets the needs of consumers and businesses • A resilient funds sector that positions Ireland well to play an important role in the development of the EU capital markets. • Availability of sustainable credit union, bank and non-bank funding sources to extend recovery into the domestic economy and to respond to the needs of a changing economy
Performance Indicators	<ul style="list-style-type: none"> • Sustainable levels of personal, mortgage and business debt and levels of credit funding available to households and viable small and medium sized businesses • Best return on our investment from the banking sector and assets • External and internal investment into the Irish financial services sector
Strategic Goal 4	International leadership in economic decision making
Actions	<ul style="list-style-type: none"> • Develop and implement strategies at EU/Euro area level and internationally in relation to economic, fiscal and financial policy formulation • Promote Ireland's economic and financial policy interests at EU and international fora • Maximise Ireland's engagement with International Financial Institutions • Support for the Minister for Finance at Eurogroup, Ecofin and other international fora as well as supporting the Minister for Public Expenditure, NDP Delivery and Reform in his role as President of Eurogroup
Outcomes	<ul style="list-style-type: none"> • Protecting and advancing Ireland's position in the EU and internationally • Continued development of Ireland as a location of choice for investment for international foreign financial services firms • Effective management of Ireland's relationship with, and shareholding in European and International Financial Institutions • Lead cross-Departmental and cross-Agency International Financial Services Strategy efforts
Performance Indicators	<ul style="list-style-type: none"> • Constructive engagement at relevant EU and international fora • Attraction of Ireland for international financial services businesses
Strategic Goal 5	Promoting environmentally sustainable economic progress
Actions	<ul style="list-style-type: none"> • Development and promotion of economic, fiscal and financial policy advice in support of the Government's policy on Climate Action and Climate Finance • Participate in relevant domestic and international work streams to advance consideration of the economic, fiscal and financial aspects of Climate Action • Develop and enhance Ireland's sustainable financial services policy
Outcomes	<ul style="list-style-type: none"> • Effective input of economic, fiscal and financial policy advice for the Government's Climate Action agenda at national and international levels in line with the domestic and international climate legislation • Ongoing growth of sustainable financial services and sustainable economic activities in the context of EU and international policy developments
Performance Measures	<ul style="list-style-type: none"> • Constructive engagement at domestic and international level

	<ul style="list-style-type: none"> • Commitment to Ireland's National Implementation Plan which implements the UN Sustainable Development Goals* • Alignment of sustainable financial services sector with the Ireland for Finance Strategy and EU/international policy developments
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* This Statement of Strategy is informed and guided by the Department's commitment to Ireland's National Implementation Plan which implements the UN Sustainable Development Goals (SDGs). A more detailed outline of the Department's SDG responsibilities are outlined at <https://www.gov.ie/en/publication/032fa-sustainable-development-goals/>

Key challenges and opportunities in our operating environment

The Department's strategy for the next three years is framed against the backdrop of heightened economic uncertainty. Recovery from the pandemic has been tempered by the energy price shock triggered by the outbreak of war in Ukraine and more recently by the impacts of rising interest rates in advanced economies. Addressing the ongoing macroeconomic, fiscal, financial, international and climate sector fallout from the recent period of heightened uncertainty will shape the Department's work for the foreseeable future.

Having regard to the *Programme for Government* commitments, we will continue to deliver on existing policy challenges, which include ensuring the pursuit of an overall sound macroeconomic and fiscal policy stance, dealing with the legacy of the financial crisis, managing the State's banking shareholdings as well as shaping future banking and financial services policy so as to best suit a modern vibrant economy that supports innovation and sustainability.

The Department has a significant role in EU and international matters. Officials from the Department articulate and represent Ireland's economic, fiscal and financial interests abroad, including through outreach and alliance-building efforts. Their work is enhanced by the work of the Department's staff located abroad in various bilateral arrangements, embassies and certain international institutions that Ireland participates in.

The economy of Ireland is open and interwoven into transnational value chains. Operating in a global and interdependent economy means shocks can be transmitted rapidly, and policy must remain agile and adapt to developments outside of our economy – as was required during the pandemic and energy price shock.

There is also potential for further rapid changes to the economic structure in the coming years; not least from adaptation related to climate targets, changes to how multinational corporations are taxed, and spillovers to the global economy from geopolitical tensions. Against this backdrop, it is quite likely that, at the end of this Strategy horizon, our economy could be in a very different place than now and facing new additional challenges.

The Department of Finance will continue to work within the whole-of-Government structures to help navigate through periods of future change. We will continue to highlight the importance of boosting supply – of housing, publically-provided healthcare, public infrastructure – in a fiscally-sustainable manner, in order to best-position our economy to meet these and other challenges. At the same time, we will work with our colleagues in the European Union and elsewhere to promote multilateralism, and play our part in promoting Ireland's economic, fiscal and financial interests.

We are also conscious of pre-existing challenges and opportunities. Our population is ageing and putting pressure on the public finances; we must play our part in facilitating the transition to a carbon-neutral economy; the increasing digitalisation of the global economy is raising crucial issues in terms of future ways of how we work and may well have implications for our tax base; challenges to multilateralism; competition for mobile direct investment is increasing.

As we manage the continued response to recent challenges, the Department will work to sustain the enhanced culture of innovation that has gained momentum from recent challenges, while continuing to enhance and promote good corporate governance. Finally, we will continue to play the leadership role that we play within the government system on a range of policy issues that fall within our mandate and we will also assist and offer guidance where we can on policy issues that are being led by other Departments and agencies as deemed appropriate.



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