



Rialtas na hÉireann  
Government of Ireland

# Budget 2021

## Expenditure Report

Prepared by the Department of  
Public Expenditure and Reform  
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2021

# Expenditure Report

BAILE ÁTHA CLIATH  
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR  
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(Teil: 01 – 6476834 nó 1890 213434; Fax 01 – 6476843)  
nó trí aon díoltóir leabhar.

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DUBLIN  
PUBLISHED BY THE STATIONERY OFFICE  
To be purchased from  
GOVERNMENT PUBLICATIONS,  
52 ST. STEPHEN'S GREEN, DUBLIN 2.  
(Tel: 01 – 6476834 or 1890 213434; Fax: 01 – 6476843)  
or through any bookseller.

( €10.00 )



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## Executive Summary

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Budget 2021 is being framed at a time of unprecedented uncertainty as we continue to live with the Covid-19 pandemic and face the prospect of the UK trading with the EU on WTO terms from next January.

This year it is estimated that an additional amount of almost **€16¾ billion** will be provided in 2020 for measures to support the delivery of key public services and to provide support to workers, businesses and communities who have been devastated by the impact of the pandemic.

In this context the key priorities for Budget 2021, reflected in the expenditure allocations set out in this Expenditure Report, are:

- continued significant funding of **€8½ billion** for our public services to address the challenges of Covid-19. Reflecting the uncertainty in relation to the future path of the virus, this includes a Contingency Reserve of **€2.1 billion** that would fall to be allocated across next year to meet additional costs that could arise in key sectors;
- the provision in a Recovery Fund of **€3.4 billion** to be used for measures to support the economy as we respond to Brexit and Covid;
- to ensure that we continue to deliver incremental improvements in our core expenditure and put in place the building blocks for the delivery of meaningful improvements in key priority areas in particular Health and Housing, with an overall increase of **€3.8 billion** in core current expenditure;
- continuing with a substantial public capital programme. Expenditure on core capital programmes is to increase by **€1.6 billion** next year.

### ***Response to Covid-19 and Brexit***

To safeguard the livelihoods of our people and the provision of our key public services substantial funding is being provided in particular to Health, Education, Social Protection, Further and Higher Education. An amount of €6.4 billion is allocated across a number of government departments reflecting these supports. This funding will specifically support:

- the Department of Social Protection in funding the carryover costs of the July stimulus in relation to the Pandemic Unemployment Payment (PUP) and the Employment Wage Subsidy Scheme (EWSS) and additional Live Register related expenditure taking into account the unemployment rate projection of 10.7% for next year;
- the ongoing costs in the Health service arising from Covid 19 including for PPE and testing and tracing;
- funding in Education and Further and Higher Education to ensure that our students continue to be educated in a safe environment and to provide additional training and education places;

- the operation of our public transport system given the capacity restrictions in place under public health guidelines.

Given the scale of the uncertainty in relation to the potential impact on society of the virus next year, while €6.4 billion is to be allocated to Departments in their Estimates an amount of €2.1 billion is being held in a Contingency Reserve to meet additional costs that may arise over the course of the year in our schools, health service, further and higher education sectors and in respect of Social Protection and homelessness supports.

Businesses and workers next year will be facing into the challenges posed by both Covid-19 and Brexit. In order to respond to these challenges the Government is putting in place a Recovery Fund of €3.4 billion. This fund will be used to support our economy over the coming year and will be allocated to specific revenue or expenditure measures that can be most effective at that particular time.

In addition to this, given that there is a requirement for Departments to continue with preparations for Brexit in whatever form it takes, an additional €0.1 billion is being allocated across the Revenue Commissioners, Department of Enterprise, Trade and Employment and Department of Agriculture. This funding is in addition to funding allocated in previous years for Brexit preparedness measures targeted at increasing resilience and competitiveness and also in respect of staffing and facilities for regulatory checks. In aggregate, approximately €0.35 billion is included for Brexit related measures in Departmental Estimates. Further to this, where preparations need to be accelerated, funding is available to be released from the Recovery Fund.

### ***Core Expenditure***

Core current expenditure is to grow by €3.8 billion or just over just over 6% next year, driven by an increase of almost €1.9 billion or 10.7% in Health. Health is the key priority for Budget 2021 as funding for the Health service is critical to meeting the health needs of our citizens during the pandemic. Budget 2021 seeks to address the capacity issues in our health service by reallocating between Covid related funding to core health service funding, with an amount of almost €1¼ billion provided for new measures within core funding. This is targeting a sustainable and comprehensive allocation for the Department of Health that can help build the necessary capacity and resilience into our health system. Reflecting the Government's priority in this area, the current expenditure allocation for Housing shows an increase of 10.5%. Excluding these key priority areas, the growth rate of 4% on average across the rest of Government, continues the approach in recent years of providing for steady incremental improvements in public services.

Total expenditure on core capital programmes is to increase by €1.6 billion or 19%, bringing core capital investment to over €9.7 billion. Reflective of Programme for Government priorities, the Department of Housing, Planning and Local Government will see an increase of €0.5 billion or 22% in capital funding next year. In addition a carbon tax increase will be used to fund specific climate related measures including additional funding for a retrofitting programme of €0.1 billion. In total, gross core expenditure will increase by 7.7% to almost €75.8 billion next year.

### **Shared Island Fund**

Building a Shared Island is a key commitment in the Programme for Government. In support of this, new multiannual capital funding for the Shared Island Initiative of €500 million is to be provided over five years to foster new investment and development opportunities on a North/South basis and support delivery of key cross border initiatives as set out in the Programme for Government. An initial amount of €50 million is to be made available in 2021.

<b>Estimate of Gross Voted Expenditure 2021</b>	
	€ million
Gross Voted Current Expenditure (Core)	66,042
Gross Voted Capital Expenditure (Core)	9,735
<b>Total Gross Voted Expenditure (Core)</b>	<b>75,777</b>
Covid-19 Expenditure – Including Contingency Reserve	8,487
Additional Brexit Expenditure Allocated to Departments	100
Shared Island Fund	50
<b>Sub-total</b>	<b>8,637</b>
<b>Total Gross Voted Expenditure</b>	<b>84,414</b>
<i>Recovery Fund</i>	<i>3,400</i>
<b>Total Including Recovery Fund</b>	<b>87,814</b>

*\*Rounding affects total*

The distribution of total Government voted expenditure across Departments is reflective of the importance of strategic programmes in the areas of Social Protection, Health, Education, Further and Higher Education and Housing, as part of Government's focus on protecting the most vulnerable in society and prioritising core social services. Further to this, a key pillar of budgetary strategy is the ongoing commitment to enhanced public investment under Project Ireland 2040. Budget 2021 continues to deliver on this policy which will support further expansion of economic, social and environmental infrastructure across the country.

The 2021 allocations to Departments for current and capital expenditure are outlined in the tables below against the core 2020 expenditure position outlined in the *Pre-Budget Expenditure Update* (PBEU). More details about these allocations are provided in Parts II and III of this Report.

## Ministerial Vote Group Gross Current Expenditure

	<b>PBEU 2020</b>	<b>Budget 2021</b>	<b>Change</b>
	€ million	€ million	%
Agriculture, Food and the Marine	1,373	1,439	4.8%
Children, Equality, Disability, Inclusion and Youth	1,706	1,896	11.1%
Defence	927	941	1.5%
Education	7,493	7,889	5.3%
Enterprise, Trade and Employment	341	360	5.6%
Environment, Climate and Communications	137	153	11.7%
Finance	507	513	1.2%
Foreign Affairs	808	829	2.6%
Further and Higher Education, Research, Innovation and Science	2,777	2,854	2.8%
Health	17,477	19,351	10.7%
Housing, Local Government and Heritage	2,130	2,353	10.5%
Justice	2,597	2,717	4.6%
Public Expenditure and Reform	1,109	1,148	3.5%
Rural & Community Development	166	173	4.2%
Social Protection	21,189	21,930	3.5%
Taoiseach's	206	207	0.5%
Tourism, Culture, Arts, Gaeltacht, Sport and Media	687	688	0.1%
Transport	577	601	4.2%
<b>Gross Voted Current Expenditure (Core)</b>	<b>62,207</b>	<b>66,042</b>	<b>6.2%</b>
<b>Gross Voted Current Expenditure (Covid and Brexit)*</b>	<b>15,018</b>	<b>8,251</b>	<b>-45.1%</b>
<b>Total Gross Voted Current Expenditure (Excluding Recovery Fund)</b>	<b>77,225</b>	<b>74,293</b>	<b>-3.8%</b>

*\*2020 allocation includes amounts provided as part of Budget 2021, 2021 allocation includes Covid-19 Contingency Reserve \*\* Rounding affects total*

## Ministerial Vote Group Gross Capital Expenditure

	<b>PBEU 2020</b>	<b>Budget 2021</b>	<b>Change</b>
	€ million	€ million	%
Agriculture, Food and the Marine	274	271	-1.1%
Children, Equality, Disability, Inclusion and Youth	31	32	3.2%
Defence	113	131	15.9%
Education	748	740	-1.1%
Enterprise, Trade and Employment	632	642	1.6%
Environment, Climate and Communications	377	617	63.7%
Finance	22	18	-18.2%
Foreign Affairs	13	13	0.0%
Further and Higher Education, Research, Innovation and Science	174	266	52.9%
Health	854	880	3.0%
Housing, Local Government and Heritage	2,266	2,766	22.1%
Justice	269	258	-4.1%
Public Expenditure and Reform	225	221	-1.8%
Rural & Community Development	152	167	9.9%
Social Protection	15	16	6.7%
Taoiseach's	0	0	0.0%
Tourism, Culture, Arts, Gaeltacht, Sport and Media	132	172	30.3%
Transport	1,868	2,475	32.5%
Unallocated		50	
<b>Gross Voted Capital Expenditure (Core)</b>	<b>8,165</b>	<b>9,735</b>	<b>19.2%</b>
<b>Gross Voted Capital Expenditure (Covid and Brexit)</b>	<b>1,681</b>	<b>336</b>	<b>-80.0%</b>
<i>Shared Island Fund</i>		50	
<b>Total Gross Voted Capital Expenditure</b>	<b>9,846</b>	<b>10,121</b>	<b>2.8%</b>

\*2020 allocation includes amounts provided as part of Budget 2021 \*\* Rounding affects total

## Selected Key Areas of Expenditure 2021

Outlined below are summaries of the key spending areas. Details of the services to be delivered by all Departments are set out in Part II of this Report.

*Social Protection* – The Social Protection system, through the PUP, has played a crucial role in supporting workers who have lost their jobs as a result of the pandemic, with the Wage Subsidy Scheme supporting the maintenance of the critical link between employers and employees. With the number of recipients of the PUP reaching a peak of 600,000 in early May and 360,000 being supported on the Temporary Wage Subsidy Scheme before the transition to the Employment Wage Subsidy Scheme, expenditure in the Department of Social Protection will exceed €30 billion this year.

Taking into account the carryover of the July stimulus measures in relation to the PUP and EWSS and the projected unemployment rate of 10.7% for next year, the Department of Social Protection will have an overall allocation of over €25 billion, with over €3 billion of this amount relating to income and employment supports arising from Covid-19. In addition, given the level of uncertainty in relation to the impact of the virus next year, an additional amount is being held in a Contingency Reserve to meet further costs that may arise over the course of 2021.

Core spending within the Department of Social Protection will increase by 3½%, bringing the core expenditure allocation to almost €22 billion. The significant provision of supports through the social protection system represents an important strand of the Government's commitment to tackle poverty and social inequality in Ireland. The additional amount allocated this year will fund measures including, maintaining the State Pension age at 66 in 2021, an increase in the fuel allowance in order to ensure that the increases in the carbon tax are progressive, and additional support for carers with an increase in the Carer's Support Grant.

*Health* – The Health allocation for 2021 is over €22 billion. This reflects an increase in core Health expenditure of €1.9 billion, with, a further €1.9 billion specifically earmarked for Covid-19 related expenditure. Including an amount held in the Contingency Reserve, there is an overall commitment of €4 billion this year to support the Health service in tackling Covid-19 directly, while at the same time investing to build up the capacity and resilience of the Health Service.

The specific Covid-19 funding will ensure the supply of PPE, provide capacity for 100,000 tests per week and continue all necessary Covid-19 Action Plan measures.

The additional allocation of core funding has a focus on Sláintecare priorities such as greater access to primary care and medicines but also on increasing capacity in key areas such as acutes. The increase of €1.9 billion in core funding will deliver:

- Critical care beds - funded adult critical care beds will increase to 321 by end of 2021, an increase of 66 over funded 2020 levels.
- Acute Beds - funded acute beds will increase by 1,146 by end of 2021 and sub-acute beds will increase by 135 by end of 2021.
- Community Beds - funding is provided for 1,250 community beds in 2021 which includes over 600 new rehabilitation beds.

- 5m additional homecare hours in 2021 – 19m were provided in 2020;
- the implementation of the Sláintecare Public Only Consultant Contract;
- €100m in new measures for disability, including resumption of day services, respite and provision for an increase in therapeutic staff;
- the full provision of €38m for mental health to implement our national mental health strategy with €25m for Healthy Ireland and the National Drugs Strategy;
- Access to care and alternative care pathways will be improved and cancer screening prioritised.

*Housing*- Including an additional amount for homelessness expenditure related to Covid-19, current expenditure in the Housing Vote Group will be €2.4 billion in 2021 with core current expenditure showing an increase of 10½%. This funding will deliver an additional 15,000 HAP tenancies and a further 800 RAS tenancies. HAP expenditure next year is expected to be €558m supporting over 67,000 HAP tenancies, RAS expenditure is expected to be over €130m supporting over 18,000 tenancies and SHCEP (leasing) expenditure is expected to be €250m supporting over 21,000 tenancies.

Taking into account a proposed additional allocation of €0.5 billion to the Department of Housing, a total capital allocation of €2.8 billion will add 12,750 additional build, acquisition and leased units to social housing stock. Of this, 9,500 will be build, with 800 targeted acquisitions and 2,450 leased homes. 2,900 homes will be built directly by local authorities on public land with a further 550 homes being regenerated. In addition, AHBs will deliver 2,950 homes and 1,000 homes will be built through PPPs. There will also be increased support for Water Services, with additional funding for Irish Water.

*Education* – including an amount held in a Contingency in relation to Covid-19, over €8 billion in current expenditure is being provided to our Education sector in 2021, with a further €0.7 billion in capital funding.

Education is probably the most important opportunity provided to our young people. Consequently, the safe return to school has been a key priority for Government. The allocation for next year reflects the ongoing additional costs including for PPE and cleaning required to keep our schools operating safely. In addition to the amount directly provided in the Vote, an amount is held in the Contingency Reserve to deal with any additional costs that may arise next year as we continue to work with our schools to maintain a safe environment for teachers and students.

The overall core current expenditure allocation of €7.9 billion will address the demographic pressures arising from the changes in our population. The delivery of these key services will continue to support the success of each learner. The additional 2021 allocation will support the ongoing prioritisation of Special Education with recruitment of additional Special Needs Assistants and Special Education teachers at primary and post-primary level, and allow for a reduction the primary level staffing schedule by 1 point to 25:1 and address skills shortages at post primary level teaching. In aggregate, Budget 2021 will provide an additional circa 2,100 posts in the schools system with:

- 268 extra teachers to meet demographic pressures;
- 307 extra teachers to reduce the staffing schedule at primary level by one point to 25:1; and
- 87 additional teachers at primary level to alleviate the risk of a school losing a teacher in 2021;
- 145 additional special education teachers;
- 258 additional special class and special school teachers;
- 990 additional special needs assistants, which will support the full rollout of the new frontloaded SNA model and bring the total number of SNAs to over 18,000;
- an additional 80 occupational, speech and language and behavioural therapists and 30 NEPS to support the phased roll out of the School Inclusion Model, which will ensure students with additional needs get the right supports at the right time.

The 2021 capital allocation is €0.7 billion. This allocation will support circa 145 school building projects in 2021 under the Large Scale and Additional Accommodation Scheme, which will add significant additional capacity to the school system to manage in the Covid environment and to cater for increased demographics. This is in addition to in excess of 220 existing projects which are currently in construction and being progressed through 2021 delivering up to 23,000 school places (permanent additional and replacement places).

*Further and Higher Education Sector* - Almost €3.3 billion is being provided to the newly established Department of Further and Higher Education, Research, Innovation and Science. This funding, which includes the National Training Fund, will support the educational success of learners and drive improvements in the overall performance of our higher education and FET sectors. The additional funding provided for 2021 will meet the demographic and other pressures across the sectors, including Covid-19 impacts, and will provide for additional upskilling and reskilling opportunities, as well as increased capacity and places in the higher education sector.

In the Further Education area there will be over 10,000 upskilling and reskilling opportunities through SOLAS and Skillnet Ireland, including:

- An additional 2,000 Skills to Compete places for those who have lost jobs as a result of Covid-19 and targeted at emerging growth areas and occupations;
- 1,600 Skills to Advance places for upskilling and reskilling in vulnerable sectors;
- a further 5,000 upskilling and reskilling opportunities through Skillnet Ireland, including climate upskilling;
- 1,500 places on new and existing training course specialising in Retrofitting.

This allocation will also fund the completion of courses for 19,000 learners in 2021 that were provided for in the July stimulus package. It will also fund the final payment to employers for the 6,000 apprentices taken on under the July Stimulus Apprenticeship Incentivisation Scheme, incentivise employers to take on a further c. 4,000 new apprentices under the scheme in 2021 and ensure 2,000 apprentices impacted by Covid complete their programmes.

In the Higher Education Sector, the 2021 allocation will provide for:

- an additional c.5,000 places in the sector to accommodate additional demographic and other demand pressures arising from the Calculated Grade model on this year's Leaving Certificate;
- additional 1,500 places to meet the high levels of demand for Springboard courses;
- additional €20 million in funding to ensure those students impacted by Covid have access to the necessary supports through SUSI to ensure and facilitate their active participation in higher education;
- an increase the SUSI fee grant for postgraduate study by €1,500 to €3,500 and adjustment to the income eligibility threshold;
- an additional 200 places in the 1916 Bursary Fund.

The €300 million Human Capital Initiative which was announced as part of Budget 2020, will continue.

The 2021 capital allocation of €0.3 billion will support infrastructure investment to expand student places, upgrade existing infrastructure, modernise apprenticeship provision and progress the digital agenda. It will also support the development of research capabilities in the higher education sector.

*Justice* – In 2021 the Government is committing €3 billion to the Justice sector. This investment will provide support for front-line services such as policing and the operation of the Courts and Prisons and Probation Services. The core current expenditure increase of 4.6% will allow for the recruitment of up to 620 trainee Gardaí in 2021. It will also provide for in the region of 500 Garda staff to underpin civilianisation and redeployment and to provide professional support to front-line policing. In addition, the funding provision will support a number of reform programmes across the sector.

The capital allocation of €0.25 billion will continue to facilitate the significant ongoing programme of investment in ICT modernisation to further enhance the efficiency and effectiveness of policing services and will enable ongoing construction of the new Forensic Science Ireland laboratory.

*Transport* – Inclusive of €0.4 billion in Covid-19 related funding, the Department of Transport is being allocated almost €3.5 billion in funding in 2021. The funding provided in respect of Covid-19 will support the delivery of public transport services while operating at restricted capacity as required under public health guidelines.

Core capital expenditure in the Department of Transport is to increase by €0.6 billion or over 32%. The significant increase in allocation will fund:

- progress for major Project Ireland 2040 programmes including BusConnects Programme, MetroLink and the DART Expansion Programme;
- the ongoing development of a range of Active Travel and Greenway infrastructure projects;
- the enhancement of bus, rail and Local Link services throughout the country; and a number of road projects.

*Tourism, Culture, arts, Gaeltacht, Sport and Media* – An amount of €1.1 billion has been allocated to this Department in 2021. Included within this allocation is funding of over €0.2 billion that will facilitate measures to address the significant impacts of the Covid-19 pandemic on the tourism, cultural, sport, Gaeltacht and media sectors, ensuring that these sectors are sustained during the crisis and remain viable.

## Introduction

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The fiscal position prior to the onset of the Covid-19 pandemic was reasonably positive. A General Government surplus of 0.4% of GDP was recorded in 2019, a balanced budget in structural terms was delivered, as well as a debt to GDP ratio of 59%. The economic and fiscal situation has changed dramatically this year, as the unprecedented Covid-19 pandemic has had a severe impact on the Irish economy and the public finances.

This Government has introduced significant measures to expand healthcare capacity and support households and businesses through this period. While these Covid-19 support measures should be seen as timely, targeted and temporary, to be removed as the economic impacts dissipate and as employment levels increase, it is clear that there will be ongoing Covid-19 related costs next year that will need to be funded. Indeed, the decisions detailed in the 2021 Expenditure Report reflect a determined response to continue to provide Covid-19 related supports to society and the economy next year, in particular in the Health and Education sectors. Further to this, a slower pace of recovery would result in higher expenditure on Live Register related schemes in 2021.

These Covid-19 related costs are being funded along with the usual demographic pressures that arise in sectors such as Social Protection, Health and Education. In this context, an emphasis has been placed on expenditure increases to deliver existing levels of service while incrementally improving public services. This is consistent with the expenditure strategy pursued over recent years before the Covid-19 crisis, to grow expenditure on core programmes broadly in line with the economy. In addition, taking into account the challenges arising from Covid-19, the key focus in relation to current expenditure on core expenditure programmes is Health. The increase being provided in core funding to Health is targeting a sustainable and comprehensive allocation for the Department of Health that can help build the necessary capacity and resilience into our health system.

The Government is committed to improving the long-term potential of the economy through carefully planned investment. Increased investment in the areas of infrastructure, housing, education, childcare and health not only delivers on immediate social and economic needs, but also offers sustained longer-term returns. This commitment to improving the levels of physical and human capital will boost Ireland's international competitiveness, the longer-term potential of the economy and quality of life across all parts of the country.

This Expenditure Report sets out the Government's decisions on spending allocations for each Government Department in 2021. The structure of the Report is as follows:

**Part I** provides an overview of the main fiscal and expenditure policy considerations which have been taken into account in setting the expenditure strategy for 2021.

**Part II** outlines information in relation to each vote group, describing the nature of its funding allocations for current spending and the public services to be delivered in 2021.

**Part III** contains the full details of the expenditure allocations for 2021 with a presentation of the Estimates for Public Services for each Vote.

# **Part I - Public Expenditure Strategy**

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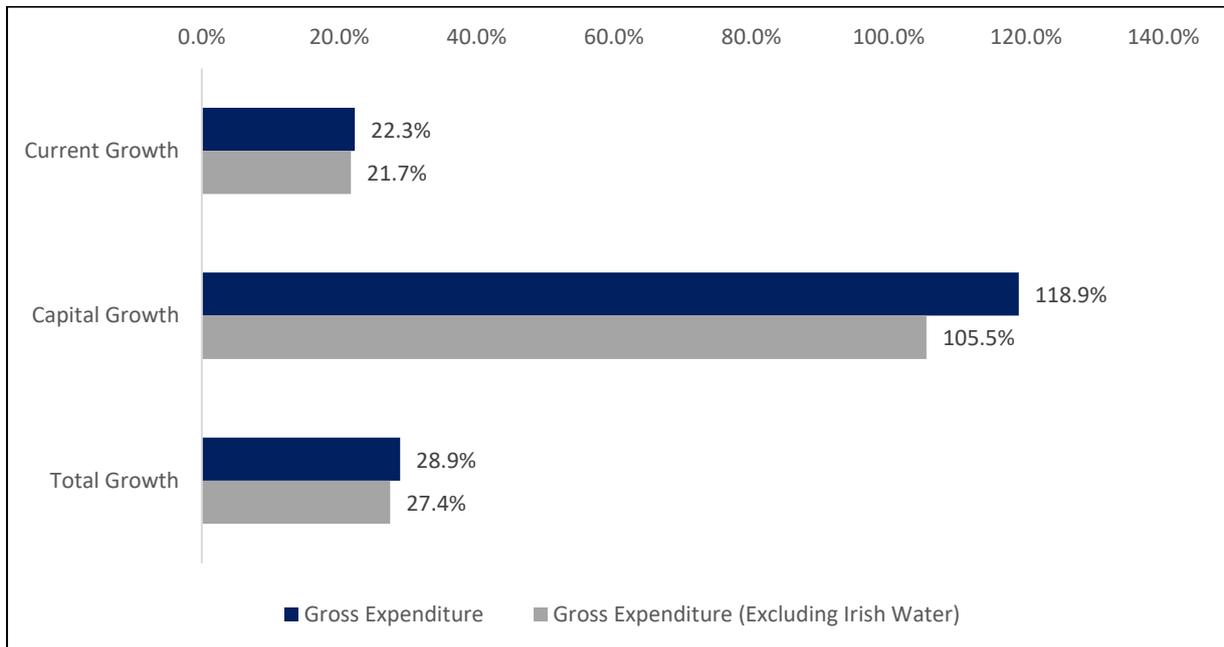
# Chapter 1 – Fiscal and Expenditure Context

## 1.1 Recent Fiscal and Expenditure Strategy

The fiscal position entering the crisis was reasonably positive. A general government surplus of 0.4 per cent of GDP was recorded in 2019 and a balanced budget in structural terms was delivered. Over the last five years, prior to the Covid-19 crisis, General Government expenditure as a proportion of GNI\* has broadly moved in line with the EU average figures for General Government expenditure as a percentage of GDP.

Over this period, spending on day to day services has grown by 4 per cent on average. These increases in current spending have seen improved allocations across a broad range of sectors. The emphasis over this period has been on catch-up growth in capital spending and sustainable growth in current expenditure targeted at key frontline services. Indeed, Gross voted capital expenditure increased from €3.6 billion to an original allocation of €8.2 billion for 2020 as set out in the Revised Estimates for Public Services (REV) 2020 published in December 2019. This represents a significant commitment from the Exchequer and provides scope for public investment to take up the slack in the construction sector as uncertainty arising from Covid-19 will likely hold back private sector investment in the short term.

**Figure 1: Growth by Expenditure Type 2015 – 2020 (REV)\***



\* REV 2018 included a significant technical adjustment in relation to the funding of Irish Water, with all funding for domestic water services now being provided from voted expenditure. 2020 amounts are as published in REV 2020 in December 2019 and do not include Covid-19 related expenditure.

## 1.2 Impact of Covid-19 on 2020 expenditure levels

REV 2020 published last December outlined a Government Expenditure Ceiling of €70,370 million in 2020, an allocation approximately 4½% above the outturn in 2019.

The onset of the Covid-19 pandemic has had a profound impact on our public finances. Indeed, the evolving nature of the public health situation required that the Government act quickly to address the challenges facing our people. In light of this, this Government has introduced a series of critically important expenditure measures designed to support our economy, enterprises and households from the unprecedented shock of Covid-19, and to provide the necessary funding to our health service to respond to the pandemic.

Budgetary policy has responded quickly in order to counter the worst effects of the pandemic. Prior to the publication of this Budget, just over €16 billion had been provided over the course of 2020 to respond to Covid-19 across a wide range of sectors, including;

- The additional funding provided for labour market supports, which will bring Social Protection expenditure to over €30 billion for the year;
- €2 billion was voted by the Dáil for the Health sector, with further expenditure to be allocated by way of Supplementary Estimate that will help deliver the winter plan;
- Additional Exchequer funding of €1.5 billion has been provided to support businesses including through restart grants, liquidity measures and commercial rates waivers; and
- Significant resources have been allocated to support the reopening of schools and the return to higher and further education.

Set out in greater detail in Part II of this Report, further additional funding of €0.5 billion will also be provided this year in respect of:

- Supports for Local Authorities in relation to the extension of Commercial Rates waiver to Q4 2020;
- Additional funding for the Department of Education in relation to minor works projects and ICT grants for schools;
- Additional Capital funding for critical Irish Water projects; and
- Additional funding across a range of Government Departments, including Health, Further and Higher Education and Justice.

While the Government has responded appropriately to the pandemic, cushioning the impact on the economy, supporting incomes and ramping-up healthcare capacity, looking ahead it is clear that significant challenges remain. Going forward, the Government will continue to assess what the appropriate measures are for the next phase of response with a focus on continuing to help people return to their jobs, assisting enterprises to remain in operation and supporting activity across the economy.

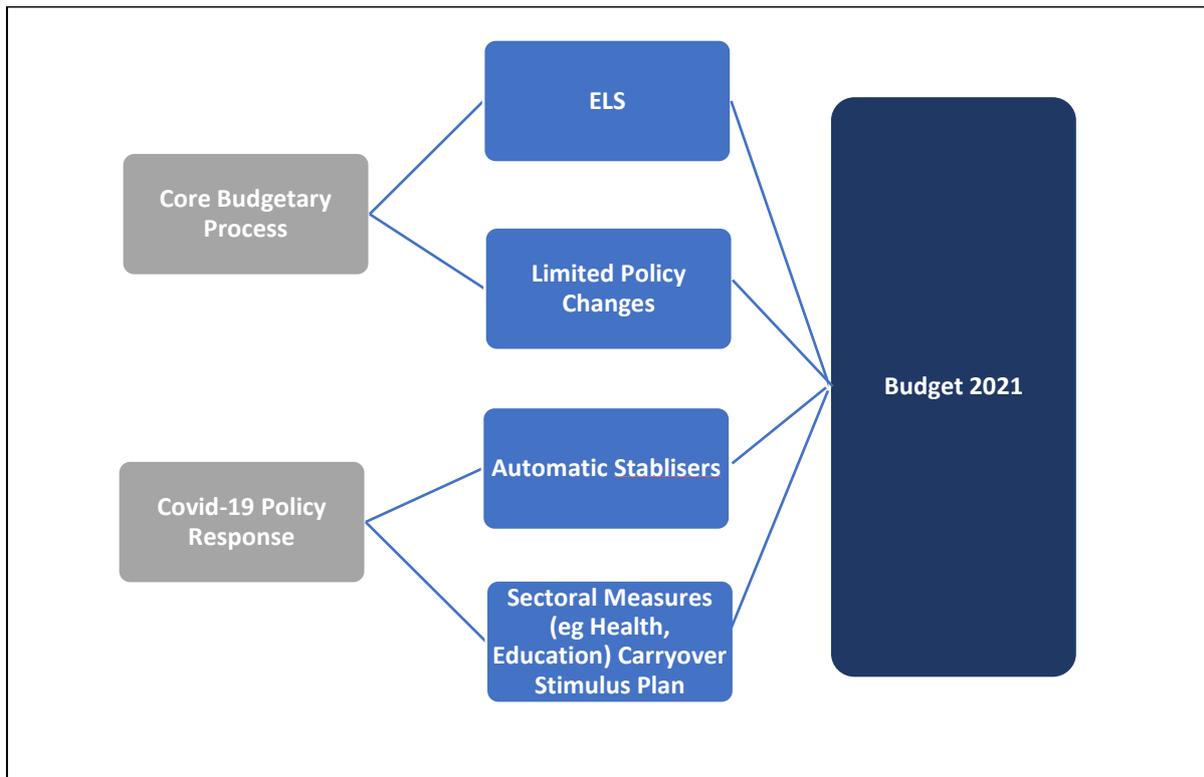
## Chapter 2 – Public Expenditure Policy

### 2.1 Estimates 2020: Dual Budgetary Strategy

From an expenditure perspective there are two distinct policy goals that will need to be addressed in budgetary decisions over the medium term: providing for the core budgetary programmes; and funding Covid-19 related policy responses. These Covid-19 support measures should be seen as timely, targeted and temporary supports that can be removed as the Covid-19 related economic impacts dissipate and as employment levels increase.

Outside of Covid-19 related expenditure, the usual budgetary pressures will still apply. This primarily includes demand led costs relating to maintaining existing levels of service (ELS) but also costs pressures inherent in delivering 'new' policy initiatives. Outside of policy decisions, cost pressures arise each year relating to demographics, inflation, public service pay and pensions and areas of expenditure that are demand-led. These will need to be managed within the overall parameters. There will also be expenditure pressures arising in relation to Brexit to consider.

**Figure 2: Dual Budgetary Process**



### Core Expenditure Strategy

The Pre-Budget Expenditure Update set out revised overall gross voted expenditure allocations for 2020 at Ministerial Vote Group level for both current and capital expenditure

accounting for transfer of functions. The core expenditure allocations set out in the report totalled to €70.4 billion, in line with the overall amount provided in the REV 2020 published last December.

In the context of the significant challenges associated with Budget 2021, the strategy adopted for core current expenditure programmes in 2021 is to primarily focus on increases to deliver existing levels of service while incrementally improving public services. However, taking into account the challenges faced by our health service in responding to Covid-19, there is to be an increase of almost €1.9 billion or 10.8% in core current expenditure funding for Health. Health is the key priority for Budget 2021 as funding for the Health service is critical to meeting the health needs of our citizens during the pandemic. Budget 2021 seeks to address the capacity issues in our health service by providing an amount of €1.25 billion for new measures within core funding. This is targeting a sustainable and comprehensive allocation for the Department of Health that can help build the necessary capacity and resilience into our health system.

Overall current expenditure growth is €3.8 billion or just over 6%. Excluding Health, the growth rate of 4% on average across the rest of Government, continues the approach in recent years of providing for steady incremental improvements in public services.

In terms of capital expenditure, as part of the July stimulus, Government committed to maintaining the planned increase of just under €1 billion in voted capital expenditure set out in the National Development Plan for 2021. In addition to this, further funding of €0.6 billion has been allocated as part of this Budget package to support the delivery of key commitments set out in the Programme for Government, such as building more houses and for retrofitting programmes. The aim of this is to allow for intensification of the priorities set out in the Programme for Government, while also providing confidence across the construction sector and support continuing capacity building for delivery into 2021. In all, the overall core capital allocation for 2021 amounts to €9.7 billion, a significant investment.

In total, this means an overall increase in gross voted core expenditure of approximately €5.4 billion for 2021 compared to the core funding allocation provided for in 2020 as set out in the Pre-Budget Expenditure Update.

### **Covid-19 Expenditure Strategy**

Assessing the impact of Covid-19 costs in 2021 formed a key part of the Estimates 2021 process. The July stimulus set out approximately €1.4 billion in Covid-19 measures for 2021. In addition to this, funding to provide for significant additional ongoing pressures related to the pandemic, particularly in the key sectors of Health and Social Protection, has been allocated to Departments as part of the Budgetary process. As set out above, these pressures have been dealt with separately from core expenditure increases in this Report.

Taking into account the number of people in receipt of the Pandemic Unemployment Payment and the Employment Wage Subsidy Scheme, the level of unemployment, and the continuing pressure on our Health and Education systems, the level of funding required for Covid-19 measures in the coming year remains significant. In total, €6.4 billion of Covid-19 related funding has been allocated in Departmental allocations in this Report. A further €2.1 billion has been provided on a contingency basis for key public services and is reflected in a

Contingency Reserve. In addition, an amount of €3.4 billion is included in a Recovery Fund that will be utilised for revenue and expenditure measures required to support the economy to deal with both Covid-19 and Brexit.

## 2.2 Medium-Term Expenditure Policy

Looking forward, as the economy continues to recover from the impacts of Covid-19, the management of voted expenditure needs to continue to be conducted in a manner that meets the Government's targets for fiscal sustainability and continued improvement in public service outcomes. To achieve this aim a sustainable Medium-term Expenditure Framework needs to be pursued that is underpinned by a visible fiscal anchor that provides a clear pathway back to a balanced budget. In this regard, a National Economic Plan will be published setting out our long-term approach to restoring employment. As the economy returns to growth and employment is restored, it is important that the deficit is reduced year-on-year to underpin the sustainability of the public finances. In light of this, the Stability Programme Update to be published in the spring will set out a medium-term trajectory towards a balanced budget. To achieve this aim a viable Medium-Term Expenditure Framework, underpinned by a sustainable expenditure strategy, will need to be pursued.

Throughout this process, this Government will prioritise policy actions that protect the most vulnerable and put in place new measures for economic decision making that reflect the welfare and quality of life of those living in Ireland. Taking into account demographic pressures and other pressures to deliver existing services, this also requires an ongoing focus on the efficiency and effectiveness of expenditure through processes such as the Spending Review, to support resources being directed towards key social and economic priorities.

### **Budget Transparency and Expenditure Management**

As noted, underpinning the strategy to be adopted in the coming years as the economy recovers from the impacts of Covid-19, the management of voted expenditure needs to continue to be conducted in a manner that delivers fiscal sustainability and continued improvement in public service outcomes; while improving the focus upon disciplined, accountable budget execution and delivery. In achieving this aim, key initiatives will include:

***Continued Departmental governance and oversight*** - Enhanced reporting requirements should form part of any sustainable expenditure policy and could be implemented in cases where Departments fail to manage expenditure within agreed allocations.

***Wellbeing Framework*** – With a view to improving the quality of public expenditure and to prioritising resources at Budget time, a Wellbeing Budget Framework with clearly identified metrics could support targeting and reporting of expenditure in this way. Preparatory work is already underway in this regard, based upon the examples of New Zealand and other international models.

***Continued commitment to the Quality and Sustainability of Expenditure*** - A key aim of public expenditure policy is to ensure that expenditure on public services can be delivered sustainably over the medium and longer term.

## Chapter 3 – 2021 Covid-19 & Brexit related Supports

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Providing the necessary funding to support our citizens and key public services over the next phase of the Covid-19 pandemic was a critical element in finalising budgetary allocations for 2021. In light of this, substantial funding is being provided to the Health, Education and Social Protection sectors to continue to support citizens in these unprecedented times. In addition to this, it is clear that the nature of the pandemic is an evolving process and a high degree of flexibility will be required from the Government to respond to the impact of the virus on our society and public finances. In light of this, and given the changed environment in relation to the risk of no agreement on a Brexit trade deal, an important element of Budget 2021 is to set out the scale of the voted expenditure resources that can be deployed next year to meet these challenges. Building on the approach adopted in Budget 2020 in relation to Brexit expenditure, it is important to point out that these Covid-19 support measures are being treated as temporary supports that will be removed as our economy continues to recover from the onset of Covid-19 and the potential impact of no trade agreement Brexit.

### 3.1 Covid-19 related Expenditure

Accounting for the provision of a further additional amount of €0.5 billion in 2020 announced as part of Budget 2021 €16¾ billion is being provided in additional Covid-19 expenditure supports in 2020. This level of funding is unprecedented. While, over the medium term as our economy recovers from the Covid-19 pandemic, these supports will need to be unwound to ensure the sustainability of the public finances, there is an ongoing need for further significant funding next year to support in particular the Health, Education and Social Protection sectors. A number of these costs can be identified at this stage and have been allocated at a departmental level in this report. In addition to this, there are a number of further supports that are likely to be needed. The scale of these requirements will vary depending on the development of the virus and its impact on our economy and society. In light of this, this funding is provided on a contingency basis in this Report. To ensure that there is transparency on the scale of Covid-19 related spend in 2021, all Covid-19 expenditure is separately identified in this Expenditure Report, as outlined in greater detail below.

#### Committed Covid Funding

There are a number of supports relating to the Covid-19 response that are reflected in Departmental Estimates in this Report. These costs amount to €6.4 billion in total and reflect:

- the carryover costs of the July stimulus programme in relation to the extension of the PUP and the EWSS and the expenditure on automatic stabilisers including job-seekers payments and related supports arising from the projected unemployment rate of 10.7% next year. This amounts to €3.2 billion;
- Ongoing costs of €1.9 billion in health to deal with Covid-19 in particular for PPE, testing and tracing and to continue all necessary Covid-19 Action Plan measures;

- An amount of €0.4 billion in aggregate for carryover costs relating to both the Roadmap for Reopening Schools, and to the package of supports to enable further and higher education students to return to college and for the provision of additional further and higher education places; and
- The ongoing requirement to fund public transport while employees continue to be encouraged to work from home that is reflected in an amount of €0.4 billion for the Department of Transport;
- A set of measures of €0.2 billion across the Tourism, Culture and Arts, Gaeltacht, Sport and Media Programmes;
- €0.1 billion in capital expenditure in the Department of Enterprise, Trade and Employment and additional funding of almost €0.1 billion in the Department of Agriculture;
- Costs in the Department of Children in relation to International Protection Seekers Accommodation, additional funding for homelessness, and costs arising in the Justice Sector and in respect of Covid-19 coordination of just over €0.1 billion in aggregate.

### **Covid Contingency Reserve**

In addition to the funding allocated at a departmental level, there is a further €2.1 billion included in a Contingency Reserve that would be allocated to Departments if required next year to ensure that delivery of public services and necessary income supports. This funding is being set aside in a reserve rather than allocated directly to Departmental Estimates as it relates to a number of potential Covid-19 expenditure costs which cannot not be finalised at this juncture, as set out below:

- Expenditure on income supports if the levels of unemployment next year prove to be worse than projected arising from for example a tightening of restrictions on economic activity;
- Health expenditure for testing that can be allocated during the course of the year and in respect of additional PCRS costs that may arise depending on the employment situation;
- Additional costs in Education for the new school year 2021/2022 that would need to be reassessed taking into account the amount required this year and developments in areas such as school transport;
- Any additional funding that may be required for further and higher education for the next academic year to ensure that this sector can continue to operate safely in the Covid-19 environment;
- Additional funding that may be required for homelessness expenditure in the Department of Housing.

As the actual scale of the funding required will vary depending on the development of the virus and its impact on our economy and society, this funding is not allocated at a Vote or Programme level in Part III of this Report.

### **3.2 Committed Brexit related Supports**

Each year since Budget 2017, funding has been provided to Departments to prepare for the impact of Brexit. This year, the Budget has been prepared on the assumption that the trading relationship between the UK and the EU will be on WTO terms in 2021. Vulnerable sectors will require additional supports this year, to mitigate the impact of this shock.

Additional expenditure of €0.1 billion has been provided to Departments for specific 2021 Brexit supports and allocated at a departmental level. This is in addition to funding allocated in previous years for Brexit preparedness measures targeted at increasing resilience and competitiveness and also in respect of staffing and facilities for regulatory checks. In aggregate, approximately €0.35 billion is included for Brexit related measures in Departmental Estimates. The additional amount provided this year including for the Department of Agriculture and the Department of Enterprise, Trade and Employment in will provide for additional supports with the amount for the Office of the Revenue Commissioners providing for necessary infrastructural and staffing costs to facilitate trade compliance with EU customs obligations and to underpin the protection of national and EU borders.

Further to this, where preparations need to be accelerated, funding is available to be released from the Recovery Fund.

### **3. Recovery Fund**

Further to this, a Recovery Fund amounting to €3.4 billion is included in Budget 2021. The purpose of this fund is to allow for specific, targeted measures to be introduced when and where the need arises and is to be used for measures to support the economy as we respond to Brexit and Covid-19. While not included in 2021 Departmental expenditure ceilings in this report, this funding will be held in reserve and made available over the course of 2021 to provide supports in either the form of revenue or expenditure measures in a timely and targeted way. Keeping these resources in a separate recovery fund allows for greater flexibility in terms of the specific nature of any schemes introduced and ensures that the level of funding provided is appropriate to circumstances existing at that time. This is particularly appropriate in the case of Brexit, given the uncertainty that is still present around the outcome of negotiations.

The table below sets out the range of Covid-19 and Brexit related supports included in Budget 2021 at a Departmental level.

**Table 1: 2021 Covid-19 & Additional Brexit Related Supports**

	<b>Covid</b>	<b>Brexit</b>	<b>Total</b>
	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>
Agriculture, Food and the Marine	88	29	117
Children, Equality, Disability, Inclusion and Youth	30		30
Defence			0
Education	232		232
Enterprise, Trade and Employment	100	26	126
Environment, Climate and Communications			0
Finance		30	30
Foreign Affairs		10	10
Further and Higher Education, Research, Innovation and Science	167		167
Health	1,881	5	1,886
Housing, Local Government and Heritage	50		50
Justice	27		27
Public Expenditure and Reform			0
Rural & Community Development			0
Social Protection	3,180		3,180
Taoiseach's	15		15
Tourism, Culture, Arts, Gaeltacht, Sport and Media	222		222
Transport	395		395
<b>Total</b>	<b>6,387</b>	<b>100</b>	<b>6,487</b>
<i>Covid Contingency Reserve</i>	<i>2,100</i>		<i>2,100</i>
<i>Recovery Fund</i>			<i>3,400</i>
<b>Total</b>	<b>8,487</b>	<b>100</b>	<b>11,987</b>

*\*Rounding affects totals*

## Chapter 4 – Budgetary Reforms and Transparency

Over the last number of years, Ireland has introduced a variety of different reforms aimed at enhancing its budgetary framework. Prior to the introduction of these reforms, the budgetary system emphasised the allocation of money. While such a narrow focus was important in terms of controlling and monitoring expenditure, it told the public little about whether or not public resources were being used to achieve worthwhile results.

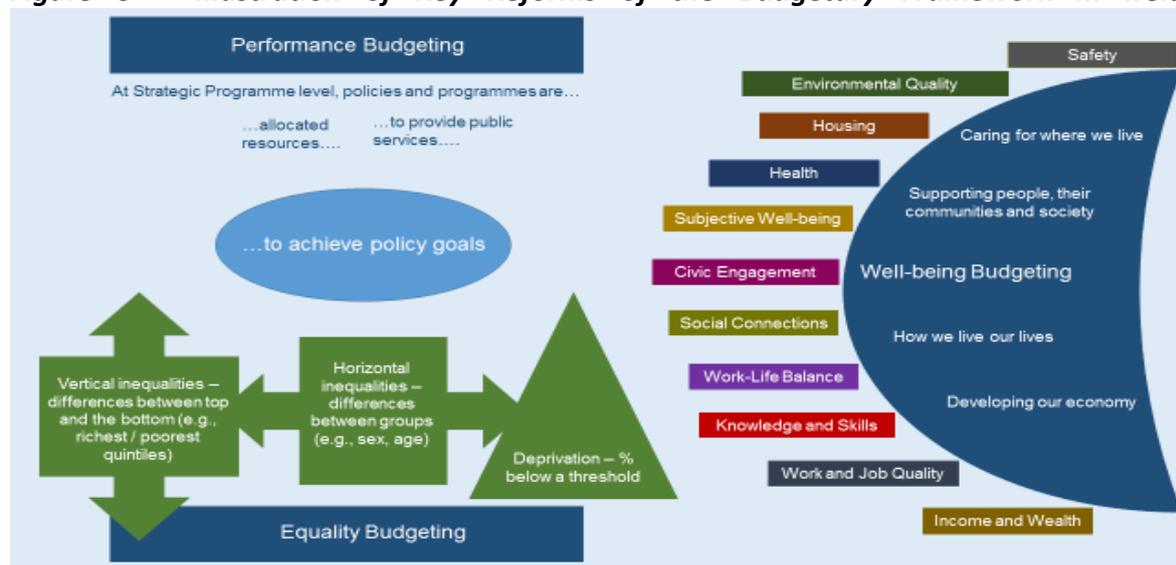
The introduction of performance budgeting in 2011 sought to give an increased focus on the public services that were being supported by public resources, and the impact that these services were having on people’s lives.

In more recent years, there has been an increasing focus on the impact of public services. Equality budgeting has deepened our understanding of the impact of public policy by going beyond average or total numbers to examine the extent to which different groups in society have benefited from a public policy.

In this year’s Expenditure Report, the Government is announcing the commencement of work on well-being budgeting. As an important cross-government initiative, well-being budgeting builds on equality budgeting by adopting a more comprehensive, multi-dimensional approach to understanding the impact of public policies. The development of a well-being framework will provide an important overarching structure to public policy across different Government departments. This overarching structure will not only support Ireland’s performance budgeting and equality budgeting initiatives but will work in tandem with them to further enhance the focus on using limited public resources efficiently to deliver effective public services.

Together, these reforms to the budgetary framework seek to provide a well-rounded, holistic view of how Ireland is progressing, highlighting where progress is unequal and shaping policies that deliver better results for our people.

**Figure 3 – Illustration of Key Reforms of the Budgetary Framework in Ireland**



## 4.1 Well-Being Budgeting

In the Programme for Government, the Government has set out its commitment to developing a set of well-being indices to create a well-rounded, holistic view of how Irish society is faring. It is intended that these well-being indicators will be used to highlight inequalities and ensure that policies are driven by a desire to do better by people. Furthermore, it is intended that the well-being framework will be utilised in a systematic way across government policymaking in setting budgetary priorities, evaluating programmes and reporting progress (as an important complement to existing economic measurement tools).

The focus on well-being is an important initiative in terms of how public policy in Ireland is designed and implemented. In particular, compared to traditional economic approaches it provides a more comprehensive way of understanding progress. For most of the twentieth century, progress has been understood in terms of the size of a country's economy and how quickly that economy has been growing (e.g., as measured by gross domestic product, GDP). While economic growth is important (especially in terms of generating the resources necessary to provide key public services), it is more a means to end rather than an end in itself. Economic growth does not capture or reflect the diversity of people's lived experiences or how they can develop the capabilities to improve the lives they live.

Over the last decade or so, people have begun to think about how public policy can enhance well-being. What is meant by well-being has been set out in the various multi-dimensional frameworks developed by international organisations, such as the OECD, and national governments, such as those in New Zealand, Finland and Germany. These multi-dimensional frameworks seek to capture the diversity of people's living conditions by focusing on both objective and subjective aspects of their current lives (e.g., "income and wealth", "housing", "health", "work and job quality", "civic engagement", "social connections"). In addition, such frameworks seek to capture distributional aspects of well-being in order to examine if everyone, or only some are better off. Finally, these frameworks also provide an opportunity to examine the sustainability of well-being. By considering the resources and risks that impact on future well-being, these frameworks pose questions about how policy decisions that promote well-being today may have a negative impact on well-being in the longer term.

The development of a well-being framework for Ireland is an important cross-government initiative. It will be developed by the Department of the Taoiseach, Department of Finance and Department of Public Expenditure & Reform working closely with other government departments as well as key stakeholders and experts.

The development of high-level well-being frameworks is important in terms of developing a shared understanding of what makes for better lives, and influencing public debate on strategic priorities. However, such frameworks do not in themselves fulfil the ambition of improving policy design and decision making. There is a need to go beyond presenting high-level indicators. Over the course of the next few years, the Department of Public Expenditure & Reform will work in an open and consultative manner with relevant government departments, public service agencies and key stakeholders in order to develop a knowledge base around well-being as a policy objective and examine how best to integrate a well-being approach into the various stages of the policy making cycle.

## 4.2 Citizen's Guide to the Budget

The Government is also publishing *The Budget in Brief: A Citizen's Guide to Budget 2021*. This is a user-friendly booklet that explains the Budget using a simple format and clear language. It aims to tell people about the main features of the Budget, describe how decisions are made, and explain how public money will be raised and spent.

The publication of this Guide is part of an open approach to the use of public money. It is important that people have an opportunity to learn about how choices are made and discuss the Government's decisions.

## 4.3 Performance Budgeting

Since its introduction in 2011, the performance budgeting initiative has been kept under constant review. Over the years, there have been changes to how performance information has been presented alongside financial allocations in the *Revised Estimates Volume* (REV). In particular, there has been an increasing focus on setting out quantitative metrics of services provided and progress achieved. The introduction of the annual *Public Service Performance Report*, provided the Department of Public Expenditure & Reform with the opportunity to update and set out in a more accessible and detailed way what had been provided in the REV (which is published before the end of the year). The consideration of this information is now a routine part of the budget process and how policy is developed (e.g., in this Expenditure Report, the sections on each Government Department provide details not only of the resources to be allocated for 2021 but also the public services that will be delivered) and also how public funds are reviewed and scrutinised in the Oireachtas and elsewhere.

In order to support the continuing development of performance budgeting in Ireland, the Department of Public Expenditure & Reform has been successful in its application to the EU's *Structural Reform Support Programme*. The project that the EU is funding under this Programme is providing Ireland with the opportunity to work with technical experts from the EU and OECD as well as other international experts in order to take stock of how effectively performance budgeting has been working and to consider future directions for ongoing reform drawing on international best practice (e.g., enhance accountability and transparency, upgrade existing budgeting and financial management systems and processes). This project will also take cognisance of the other reform initiatives (e.g., equality budgeting, green budgeting, and well-being budgeting).

## 4.4 Equality Budgeting

Equality budgeting provides a specific perspective to how evidence can be used to inform the budgetary process. By drawing on the approach set out by the performance budgeting initiative, equality budgeting can enhance budgetary processes and policy proofing by focusing attention on questions of advancing equality, reducing poverty and strengthening economic and social rights. In particular, these questions enhance budgetary decision-making by bringing to the fore evidence about the likely impact of budgetary options and decisions,

facilitating the integration of equality concerns into the budgetary process and highlighting risk of unintended consequences.

As part of the ongoing work to develop equality budgeting in Ireland, the Department of Public Expenditure & Reform is this week publishing an equality data audit that was undertaken by the Central Statistics Office. Since equality budgeting was introduced as a pilot initiative as part of the 2018 budgetary cycle, its focus has progressed from an initial focus on gender to include socio-economic inequality and disability. In developing this work, the Department of Public Expenditure & Reform has been supported and guided by an Equality Budgeting Expert Advisory Group (comprising a broad range of relevant stakeholders and policy experts) and the OECD's (2019) *Scan of Equality Budgeting in Ireland*. This OECD report was commissioned by the Department of Public Expenditure & Reform and the Department of Justice & Equality and sets out a path for developing equality budgeting in Ireland. Work is underway on implementing these recommendations, most notably the identification of national and international goals to focus equality budgeting on areas of most need.

#### 4.5 Prevention & Early Intervention Unit

Under A Programme for a Partnership Government, the Department of Public Expenditure & Reform has established a Prevention and Early Intervention Unit (PEIU). The focus of the PEIU's work is on prevention and early interventions that can improve the life outcomes of children as well as the quality of life of older people dealing within long term conditions such as chronic illness; which the PEIU is locating within the context of population health.

There is a strong common-sense appeal of such interventions; most people are familiar with the idiom that "prevention is better than cure". However, effective prevention and early interventions rely on both knowing what to do (scientific understanding of cause and effect) and being in a position to act (the capacity of the government to intervene). The Prevention and Early Intervention Unit will shortly publish two Working Papers.<sup>1</sup>

The first paper compares a range of key prevention and early intervention policies and programmes in Ireland to examine the extent to which a general understanding of prevention and early intervention reflects the reality of designing and implementing effective policies and programmes. This paper finds that:

- While government departments play a key role, they are not the sole source of ideas, expertise and resources for such policies and programmes and they operate in a context of strong expectations of engagement with local level stakeholders.
- While evidence demonstrating what works is at the core of efforts to design and implement such policies and programmes, in a context of complex policy challenges and complex policy interventions, familiar rigorous evaluations (e.g., RCTs) may not be available or appropriate and policy makers may need to rely on evidence derived

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<sup>1</sup> The work of the Prevention and Early Intervention Unit is available at: <https://igees.gov.ie/prevention-and-early-intervention-unit/>

from more incremental approaches that are focused on achieving a better understanding of the policy challenge and the factors that influence it.

- While prevention and early intervention may be associated with an expectation of an almost immediate benefit of avoiding (serious) harm, it may be some time before such benefits are realised, the benefits extend beyond the individual to society more generally and may also include the promotion of factors that support an individual's development rather than simply the avoidance of harm.

The second paper has been co-authored with officials from the Department of Health and the Department of Children & Youth Affairs. This paper sets out key issues and provides insights into methods and approaches that lend themselves to the field of prevention and early intervention. This Working Paper has an evidence-for-policy focus that underpins its consideration of both the design and implementation of prevention and early intervention policies and programme. A policy cycle has been used to structure this Working Paper in order to consider methods, approaches, and issues surrounding PEI within a framework that is familiar to policy makers.

Both of these Working Papers have built on early work of the Prevention and Early Intervention Unit, in particular:

- A series of Dialogue sessions were held with policy experts and practitioners in order to examine how a range of policy making themes resonated with them when they conceptualise prevention and early intervention; and
- A series of Focussed Policy Assessments examined key prevention and early intervention policies and programmes in Ireland by focusing on the rationale for the intervention; public resources provided to support the delivery of the intervention; outputs and services provided; and achievements of the intervention relative to its stated goal.

#### **4.6 National Development Plan**

Project Ireland 2040 – the National Development Plan (NDP) and the National Planning Framework (NPF) – was launched by the Government in February, 2018. The NDP sets out a 10 year investment of €116 billion for Ireland's public capital infrastructure priorities out to 2027 and is aligned with Ireland's new spatial strategy contained in the NPF.

Ensuring close alignment between the NDP and NPF is necessary in order to accommodate a projected 1 million additional people living in Ireland by 2040. Project Ireland 2040 provides an opportunity to successfully accommodate that growth by refocusing investment in our rural towns and villages through the support of the €1 billion Rural Regeneration and Development Fund, and by ensuring our regional centres and the cities of Cork, Galway, Limerick and Waterford grow at twice the pace of Dublin through the support of the €2 billion Urban Regeneration and Development Fund. By delivering compact growth within our rural villages, our towns and our cities it will become possible to deliver more infrastructure to

more people e.g. public transport, higher and further education, broadband, housing, health and a broad range of social, cultural, sporting and community infrastructure.

Progress on the delivery of projects and investment programmes can be found in the Project Ireland Annual and Regional Reports published in October 2020 on gov.ie<sup>2</sup>.

A number of initiatives are underway to increase transparency, reform delivery and mitigate risks to the efficient implementation of Project Ireland 2040. Measures being taken in this regard include but are not limited to:

- The **National Investment Office** has been established in DPER to coordinate reporting on the NDP and drive reforms in relation to areas such as project appraisal and selection;
- A high-level **Project Ireland 2040 Delivery Board** has been established. The board includes Secretaries General of the main capital spending Departments and their Agencies. The Project Delivery Board continues to provide strategic direction and leadership to the NDP and NPF implementation process;
- A **communication strategy** is being implemented and includes Annual and Regional Reports, an Annual Policy Conference, regular infrastructure professionals networking events, signage on all projects, presence at the National Ploughing Championships etc.;
- The **Construction Sector Group** has been established and meets once a quarter to ensure regular and open dialogue between Government and the construction sector to mitigate issues that may impact on the successful delivery of the NDP on a value-for-money basis for the State. Additional meetings of the group in 2020 were of particular benefit in responding to Covid-19 by ensuring good communication on challenges as well as actions being taken by stakeholders meet these. In line with the principles of openness and transparency, the Construction Sector Group operates under the guidelines set out in the Transparency Code. This means that the group's membership, work programme, and the minutes and agendas of all meetings are published here on gov.ie;
- The **Build 2020 Report** was published in July 2020 and sets out the trends across key indicators in the construction sector in terms of capacity and performance. This year's report included a new section on regional investment as well a section detailing the impacts of the Covid-19 crisis and the Government's response to support the sector;
- The **Prospects Report** was published in January 2020 and gives a detailed overview of fifty of the largest projects in the Project Ireland pipeline, thereby allowing the industry to plan and prepare for their delivery;
- An updated version of the **Investment Projects and Programmes Tracker** will be published in Q4 2020. The updated tracker will contain information on the current

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<sup>2</sup> Link to Project Ireland 2040 – Annual Report 2019: <https://www.gov.ie/en/publication/71afc-project-ireland-2040-annual-report-2019/>

status of projects and more granular information on delivery scheduling including milestones for key stages in the project lifecycle;

- Alongside the Tracker the **interactive map MyProjectIreland** shall also be updated, allowing citizens to see the various projects being implemented under Project Ireland 2040 in their area; and
- The four **NDP Funds** (Rural Regeneration, Urban Regeneration, Climate Action, and Disruptive Technology and Innovation) have been launched, with successful applicants announced from at least 1 call in each of the 4 funds. The criteria for success going forward is intended to support the Covid-19 response.

Delivering greater value for money in the expenditure of public funds is a key element of all public investment policy. The Public Spending Code is a continuously evolving suite of guidance and best practices to govern the efficient and effective management of public investment. It was updated in 2019 to strengthen the existing guidance to better reflect the realities of project delivery with a particular focus on financial appraisal, cost estimation and risk management. The Public Spending Code is grounded in the principle of proportionality. (i.e. the resources and time to be spent on project preparation must be commensurate with the nature, cost and complexity of the investment)

The updated Code streamlines the process for smaller projects and supports a better consideration of risks, costs and deliverability for larger projects. The update highlighted the need for more rigorous scrutiny of major capital projects with an estimated cost in excess of €100m. A new governance and assurance process for such projects is being developed by the Department of Public Expenditure and Reform. The process will involve an independent, external review of major projects at two key stages in the project lifecycle. It will increase the levels of assurance around costings, delivery and risk management of major projects supporting Government in its decision making. A programme of further technical guidance supporting the central elements of the Public Spending Code is also being prepared and will be delivered in 2020 and into 2021.

Finally, in line with Programme for Government commitments, following Budget 2021 proposals will be brought to the Government regarding the launch of a phased, structured and in-depth review of the National Development Plan (NDP) to be completed in 2021. This process will provide an opportunity to advance the many capital investment priorities identified in the Programme for Government including those relating to climate change, housing policy, transport policy, implementation of Sláintecare and balanced regional development, aligned with the associated multi-annual resourcing requirements.

#### **4.7 Spending Review 2020**

The Spending Review process is a focal point for evidence based policy making across the Civil Service. Spending Review 2020 is the first in a new three year cycle which seeks to maintain the momentum developed from the 2017-2019 process. Following a review of the previous round, the objectives of the process have been broadened and include:

- increasing the use of a wide range of data sources upon which policy analysis can be conducted;
- fostering engagement, learning and deliberation between Departments in relation to the formulation and implementation of public policy based on policy insights;
- assessing the effectiveness of public expenditure in meeting policy objectives;
- effectively feeding policy insights based on data into all stages of the policy process, including at Budget time; and
- use of evidence and insights to inform programmes of reform and initiate reform where appropriate.

Beginning in January this year, officials from across the Civil Service, including from the Irish Government Economic and Evaluation Service (IGEES), have been engaged in the process. Their analysis supports the development, and evaluation, of Government policy and contributes towards the broadening and deepening of evidence across a range of complex policy areas. In total 24 papers were either published last week, or will be published later this week.

## Chapter 5 – Conclusion

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While there remains continued uncertainty around the impact of Covid-19 on the public finance and economy, it is clear that there are challenging times ahead in 2021. The fiscal economic picture has changed drastically in the last six months, from a balanced budget to a substantial projected deficit, from strong GDP growth to a contraction of 6% in the second quarter of 2020.

Introducing the high level of Government supports to protect incomes and ensure our health service was adequately funded was unquestionably the right thing to do. Looking to next year, the key priority for Budget 2021 is to ensure the provision of the necessary funding to support our citizens and key public services over the next phase of the Covid-19 pandemic. In particular, substantial funding is being provided to the Health, Education and Social Protection sectors to continue to support citizens in these unprecedented times. Further to this, funding of €2.1 billion is being held in a Covid Contingency Reserve to allow for an agile and effective response to the impact of Covid-19 on public services and social supports.

Budget 2021 continues to prioritise investment in social and economic infrastructure. Ensuring that our existing services continue to be delivered to citizens efficiently and effectively was a key consideration in finalising Budget 2021 allocations. This is particularly important as we continue with reopening our society and turn our attention towards economic recovery. In this regard, the increase in core capital expenditure of €1.6 billion outlined in this Report is of critical importance in order to support the recovery in the economy.

Finally, taking into account the potential impact of the UK trading with the EU on WTO terms and the impact on jobs and businesses of Covid-19, an amount of €3.4 billion is being provided as part of our Recovery Fund. This fund will be used for measures support our economy as it continues to recover from the onset of Covid-19 and deals with the challenges of Brexit.

Looking forward to the medium term, in support of the adoption of a sustainable expenditure strategy, a National Economic Plan will be published setting out our long-term approach to restoring employment. As the economy returns to growth and employment is restored, it is important that the deficit is reduced year-on-year to underpin the sustainability of the public finances. Greater clarity as to how this will be achieved will be set out in the Stability Programme update to be published in April of next year. Of critical importance a viable medium-term expenditure framework will need to be pursued that facilitates a clear pathway back to a balanced budget. Throughout this process, this Government is committed to continue to prioritise policy actions that protect the most vulnerable and put in place new measures for economic decision making that reflect the welfare and quality of life of those living in Ireland.