



Rialtas na hÉireann
Government of Ireland

Overview of the Irish Budgetary System

24 June 2020

Two Treasury Departments



DPER established in July 2011, to combine the ‘expenditure’ and ‘reform’ agendas together and on an equal footing.

DPER Mission Statement: *To serve the country, its people and the Government by delivering well-managed and well-targeted public spending, through modernised, effective and accountable public services.’*

D/Fin Mission Statement: *‘To manage Government finances and play a central role in the achievement of the Government’s economic and social goals having regard to the Programme for a Partnership Government. In this way we will play a leadership role in the improvement of the standards of living of all Irish citizens.’*

EU Fiscal Rules



SGP and Policy framework pre-2008 insufficient to prevent fiscal crises:

- Limited surveillance beyond headline Deficit (<3%) and Debt (<60%) under which Ireland generally overachieved.

Recent reforms to the Stability & Growth Pact since 2010 aim to foster **long-term budgetary discipline and sustainability of public finances:**

- The “Six Pack”
- Treaty on Stability, Coordination and Governance in the EMU
- The “Two Pack”

Revised EU fiscal structure has two arms: Corrective and Preventive

Preventive Arm:

- Less focus on deficit of <3% but rather on structural measures which ensure the deficit stays below 3%.
- From 2016 onwards, Ireland was required to reach its Medium-Term Objective (MTO) and was subject to the Expenditure Benchmark.

The MTO and the Expenditure Benchmark



The Medium-term Budgetary Objective (MTO) for Ireland has been set at achieving a Structural Balance of -0.5% of potential GDP by the European Commission.

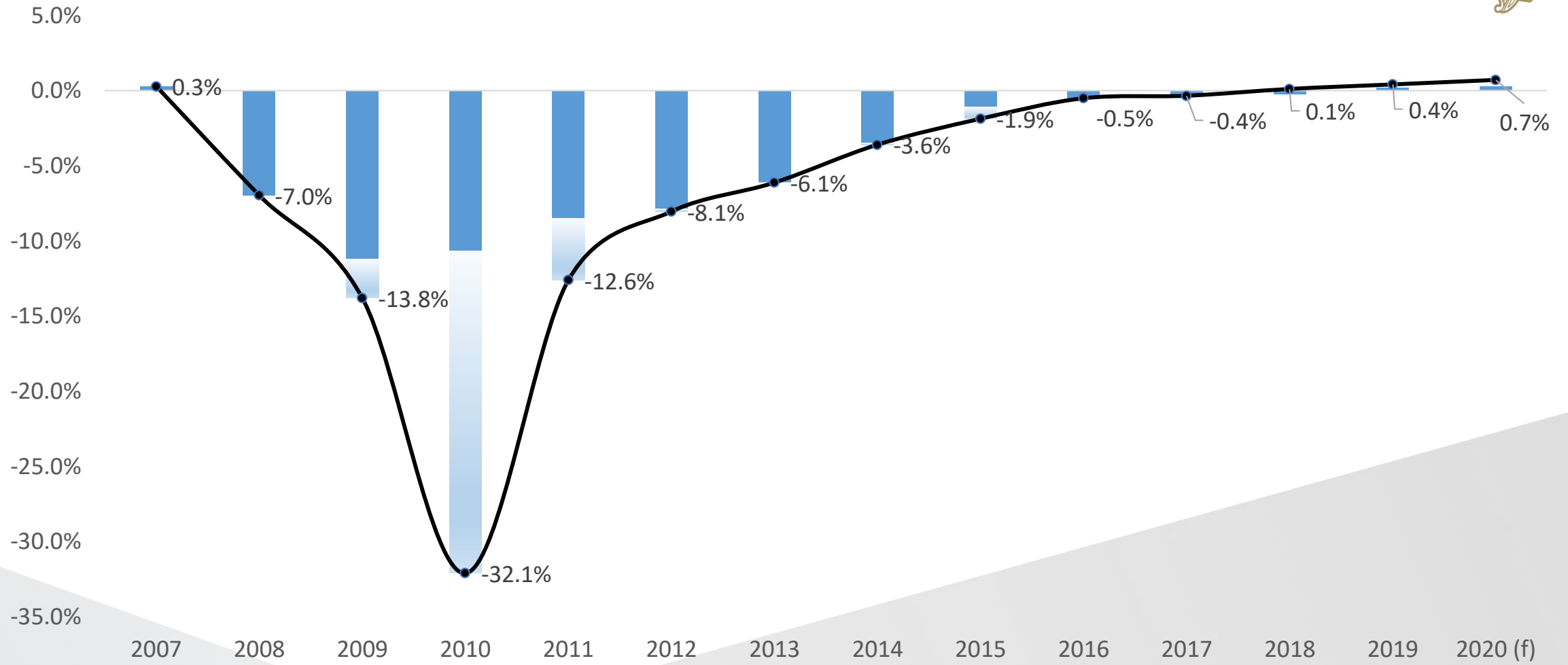
- The Structural Balance (SB) differs from the General Government Balance by taking out the positive or negative impacts of 'one-off measures' and 'cyclical budgetary component' (i.e. unemployment payments and tax revenue attributable to the economic cycle). The latest estimate of the SB stands at -0.7% of GDP at end-2019.

The Expenditure Benchmark is designed to assist Member States in reaching their MTO by limiting expenditure growth to match the economy's potential growth rate. Expenditure can only grow beyond these rates if revenue-raising measures are taken (e.g. increasing tax rates).

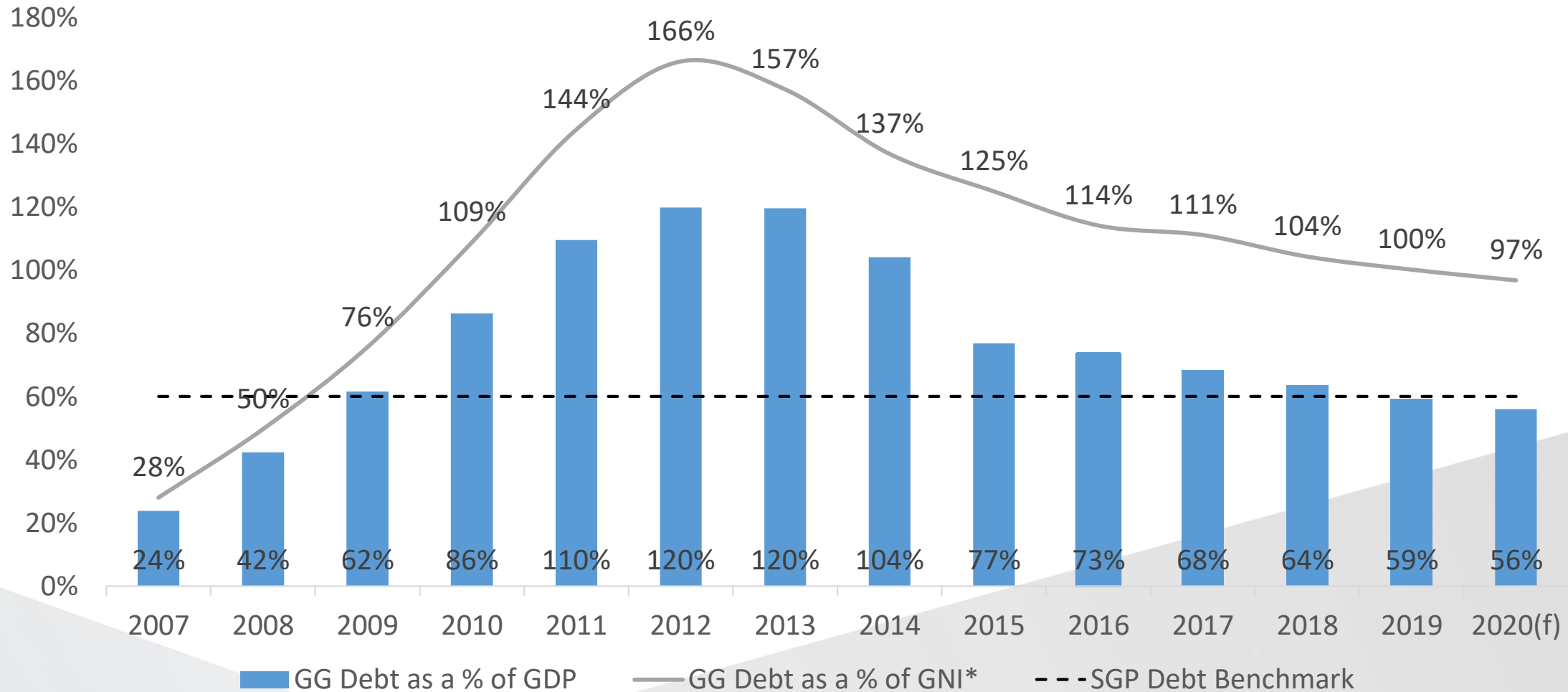
This applies to General Government Expenditure excluding debt interest payments and cyclical unemployment expenditure. There is also special treatment for capital expenditure.

Member States not yet at their MTO must reduce their SB to converge towards the MTO, which is applied in both Structural Balance targets and in an agreed convergence margin which further limits expenditure growth in the Expenditure Benchmark.

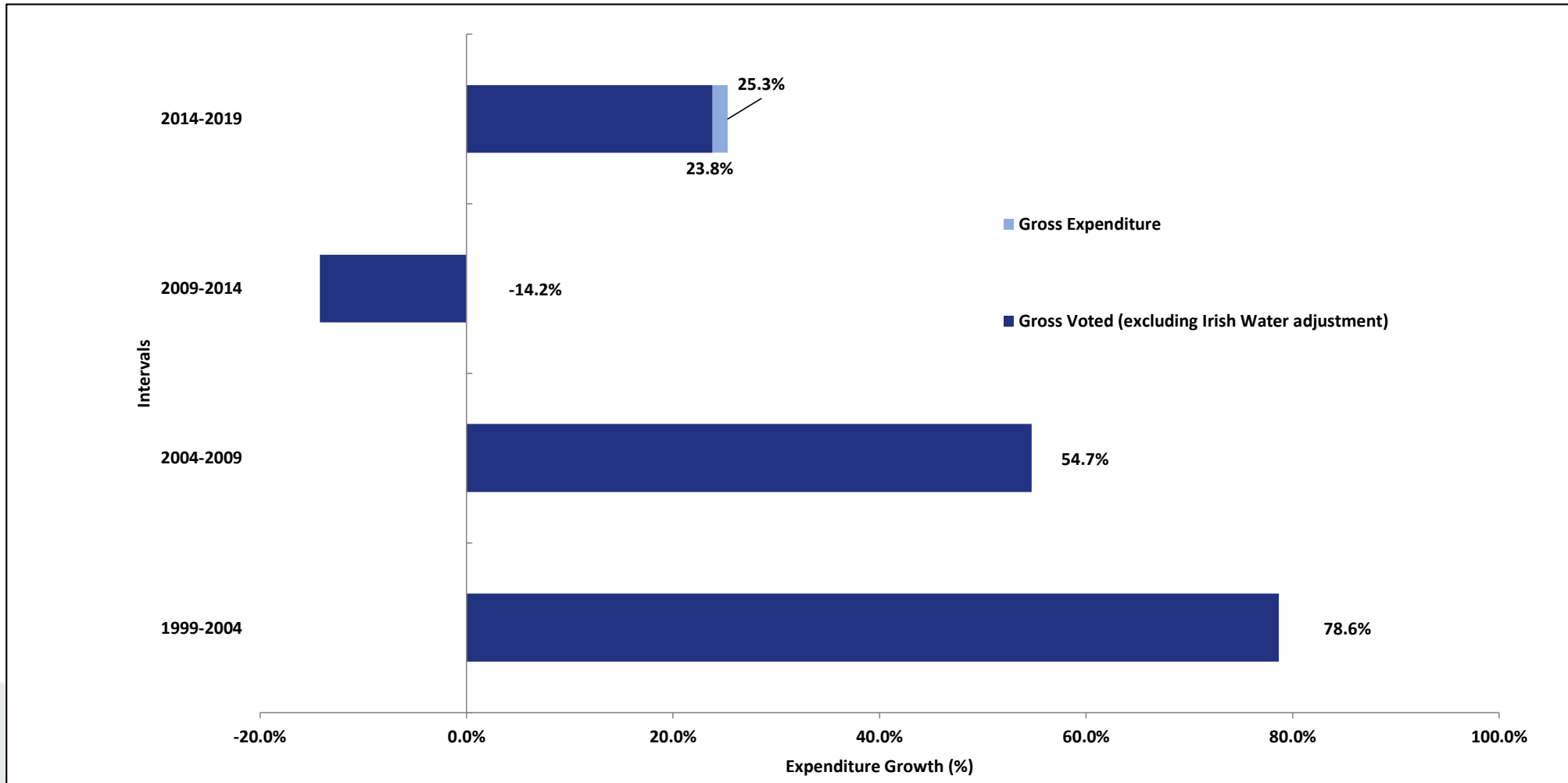
Significant Progress



High level of Debt



Expenditure Growth



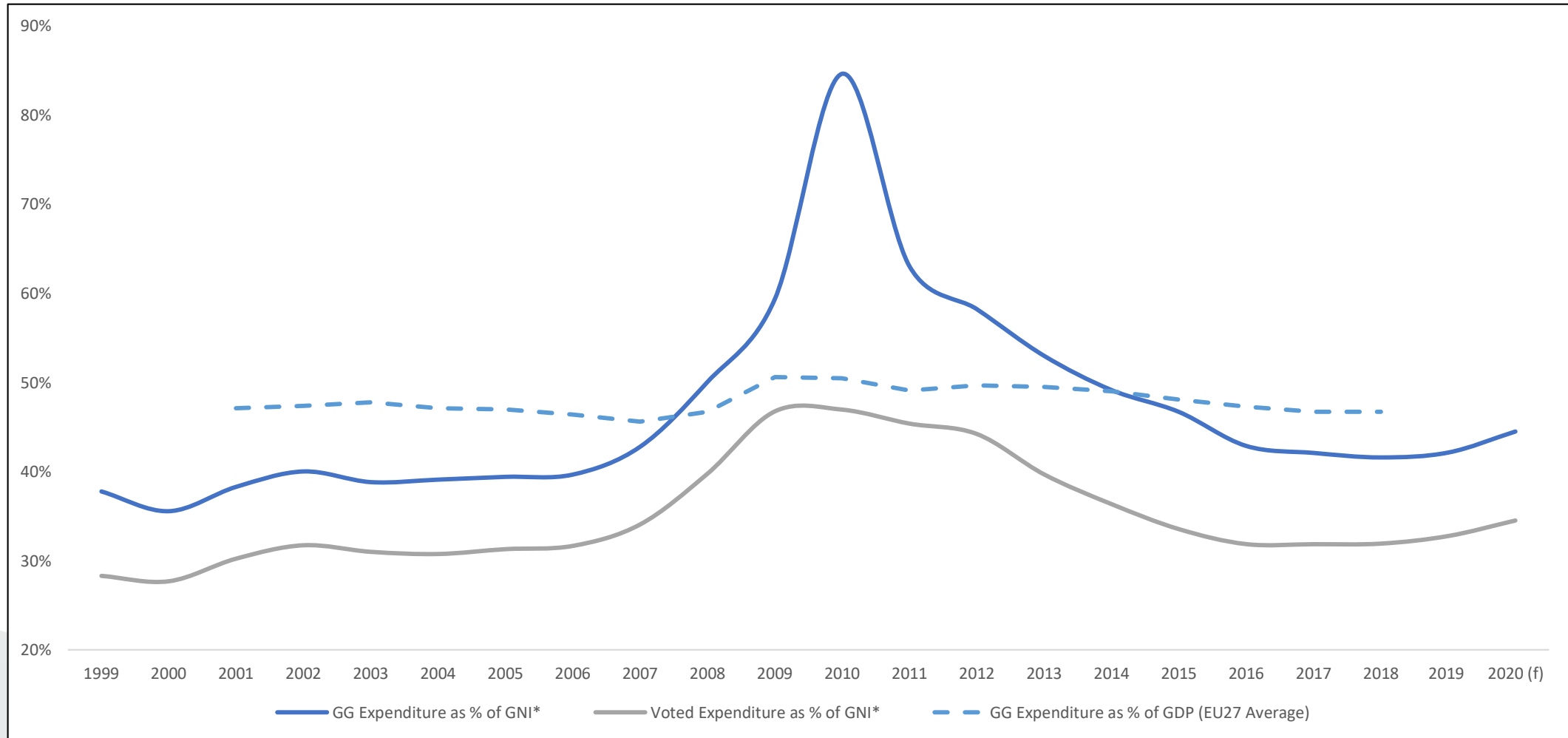
Expenditure Growth compared to Growth in Taxes



Increase/(Decrease)	2004 v 2009	2009 v 2014	2014 v 2019**
	€bn	€bn	€bn
Exchequer Tax Revenue plus PRSI***	(0.1)	7.1	20.3
Gross Voted Current	20.2	(5.2)	9.5
Gross Voted Capital	2.1	(3.7)	3.2
Gross Voted Expenditure	22.3	(9.0)	12.7
General Government Balance*	(21.5)	12.4	7.7

* 2009 General Government Balance adjusted for banking capital transfers.**Period adjusted for Irish Water Act and disestablishment of the HSE vote. ***Pre 2010 includes Health Contribution.

Expenditure as a % of Economic Activity





Strengthening the Fiscal Framework

- **Multi-annual budgeting** – Medium-Term Expenditure Framework, Government Expenditure Ceilings and Ministerial Expenditure Ceilings
- **Spending Review**
- **Performance/Equality Budgeting**
- **Irish Fiscal Advisory Council (IFAC)**
- **Irish Government Economic and Evaluation Service (IGEES)**
- **Parliamentary Budget Office (PBO)**

Expenditure Reform



"Whole of Year" budgetary process

Examine
current year's
Estimates

Ex ante
examination
next year's
Estimates

*Mid-Year
Expenditure
Report*

*Summer
Economic
Statement*

*National
Economic
Dialogue*

Medium Term Expenditure Framework

Multi-annual
expenditure ceilings

Expenditure
Reviews

Resources available
in Medium Term

Evidence-based Expenditure Policy

Performance
Budgeting
Initiative

Value for Money
&
Policy Reviews

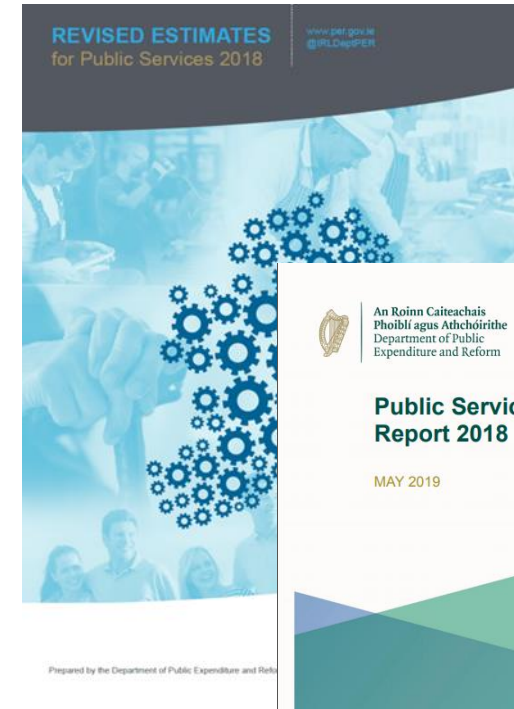
Focussed
Policy
Assessments

Build Capacity
(IGEES)



Performance Budgeting

- Aim is to strengthen focus on what is being delivered through public services with public funds, and use this information to inform the policy making process.
- In the Revised Estimates Volume/REV each Vote provides information at programme level on outputs and public service activities, and context and impact indicators.
- Since 2017 solely quantitative information on outputs and public service activities has been provided, alongside relevant legislation and key publications
- Public Service Performance Report first published in 2017, provides clear and accessible information on what was achieved in the previous year





Equality Budgeting

- Departments review and assess policies for impact on equality
- High level gender equality objectives and indicators set at programme level
- Objectives and Targets are set out in the Revised Estimates Volume
- Progress reported in the Public Service Performance Report
- An Expert Advisory Group has been established to support advancing the initiative to international standards



Irish Government Economic and Evaluation Service and the Parliamentary Budget Office



IGEES

- Established in 2012, Central Unit in DPER and staff placed in Line Departments
- *‘The Irish Government Economic and Evaluation Service (IGEES) is an integrated cross-Government service to enhance the role of economics and value for money analysis in public policy making. Established in 2012, the Service demonstrates the strong commitment of the Government to a high and consistent standard of policy evaluation and economic analysis throughout the Irish Civil Service.’*

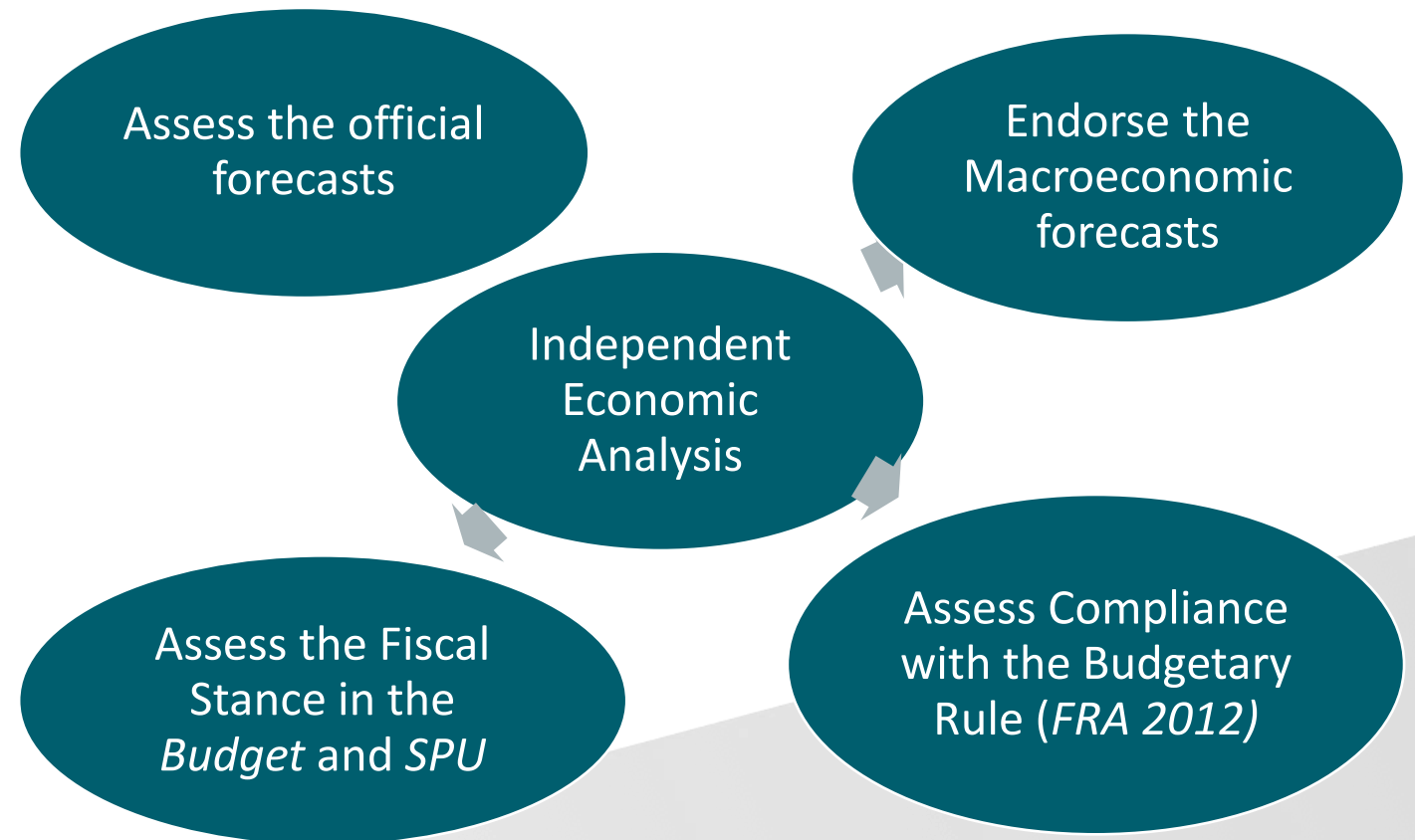
PBO

- Established in 2017, following a recommendation by the OECD in its ‘Review of Budgetary Oversight by the Irish Parliament’
- The PBO is an independent specialist unit within the Houses of the Oireachtas Service
- *‘A key source of financial and budgetary intelligence for Oireachtas Members and in particular for the Oireachtas Committee on Budgetary Oversight as it conducts ex-ante scrutiny of all budgetary matters.’*



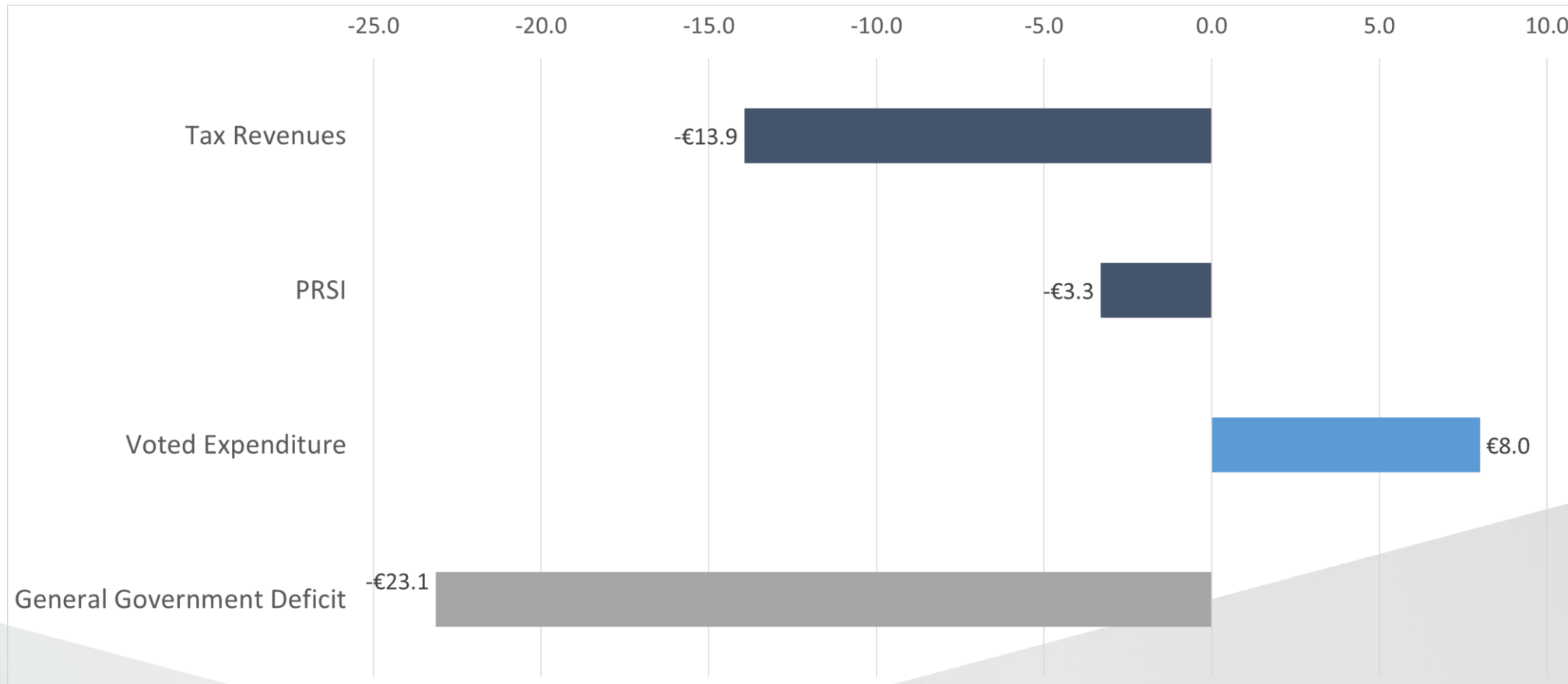
Irish Fiscal Advisory Council

- An independent statutory body established in 2011 as part of a wider agenda of reform of Ireland's budgetary architecture
- Primary purpose is to provide an independent assessment of official budgetary forecasts and proposed fiscal policy objectives.



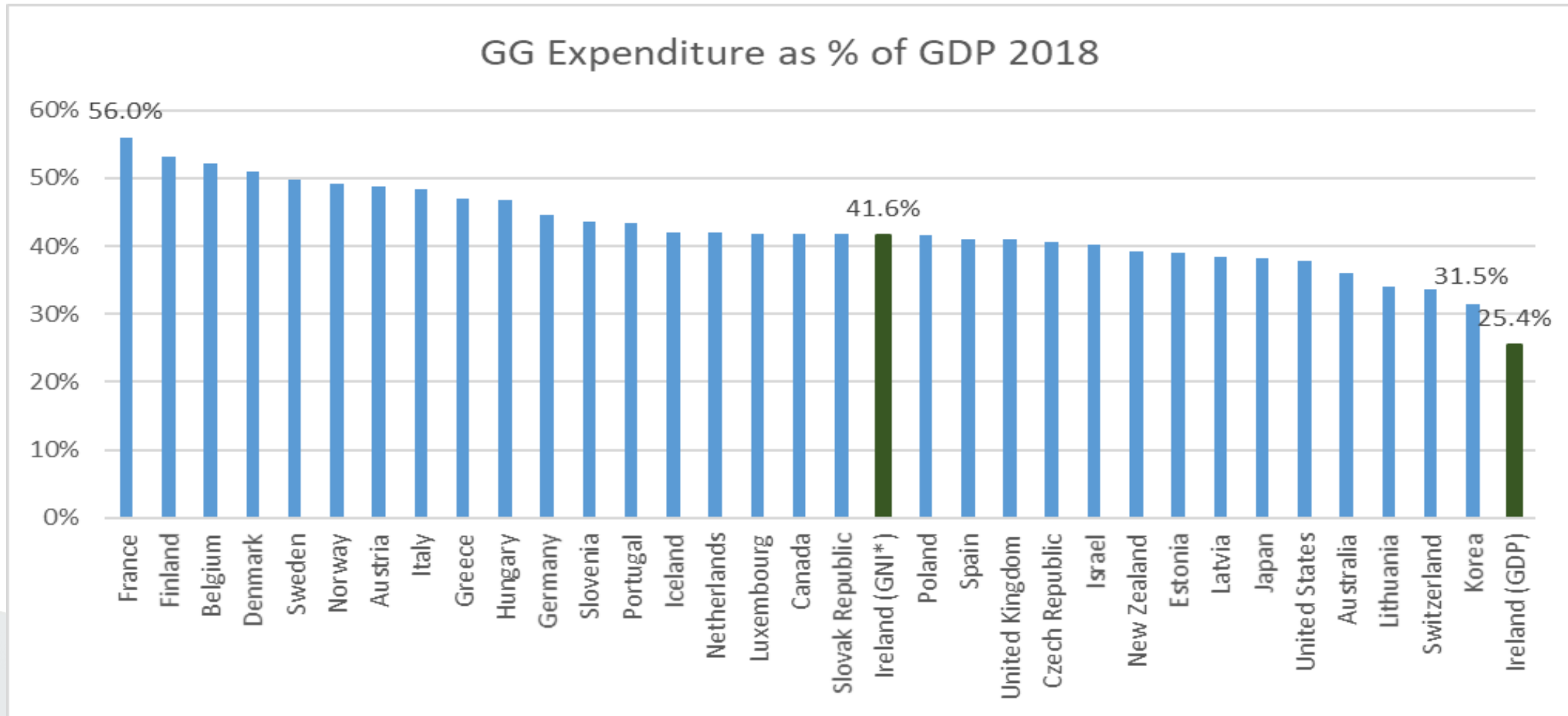
Whole-of-Year Budget Process	
Consideration of Current Year Estimates by the Oireachtas	Jan - April
Spending Review Process <i>DPER and line Depts</i>	Jan - June
Stability Programme Update <i>Updated macro forecasts published by DFIN</i>	April
Public Service Performance Report <i>Facilitates performance dialogue within the Budget process</i>	April
Summer Economic Statement <i>Sets out the parameters on what is possible for the Budget</i>	June/July
National Economic Dialogue <i>Facilitates open dialogue around priorities for the Budget</i>	June
Mid-Year Expenditure Report <i>Sets out medium-term expenditure strategy and Ministerial ceilings</i>	July
Submission of expenditure options for Budget	July/Aug
Settlement of Estimates	Sept/Oct
Budget Day <i>Publication of Expenditure Report</i>	October
Revised Estimates Volume <i>Additional detail and information on Budget allocations</i>	December

Covid-19 Impact: 2020 – From Surplus to Deficit



January Fiscal Projections – surplus of 0.7% of GDP. SPU deficit of 7.4% of GDP

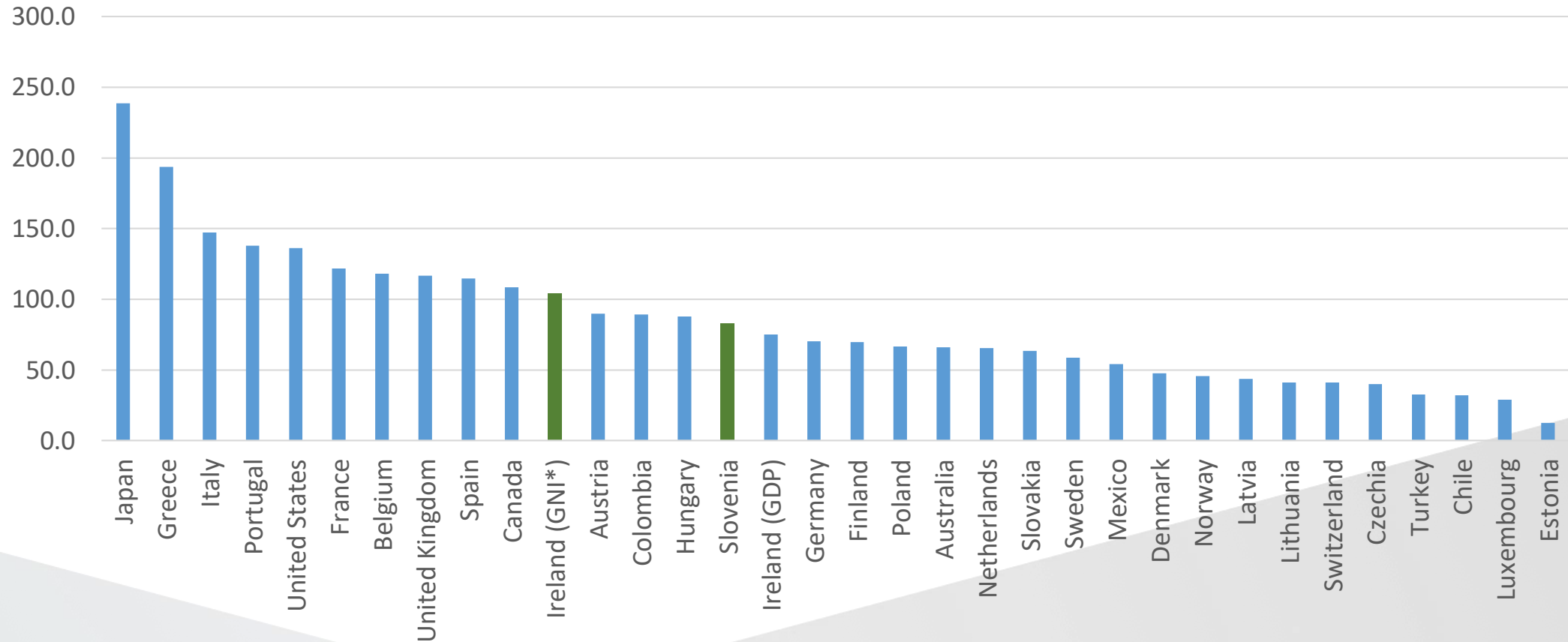
Expenditure as a % of Economic Activity



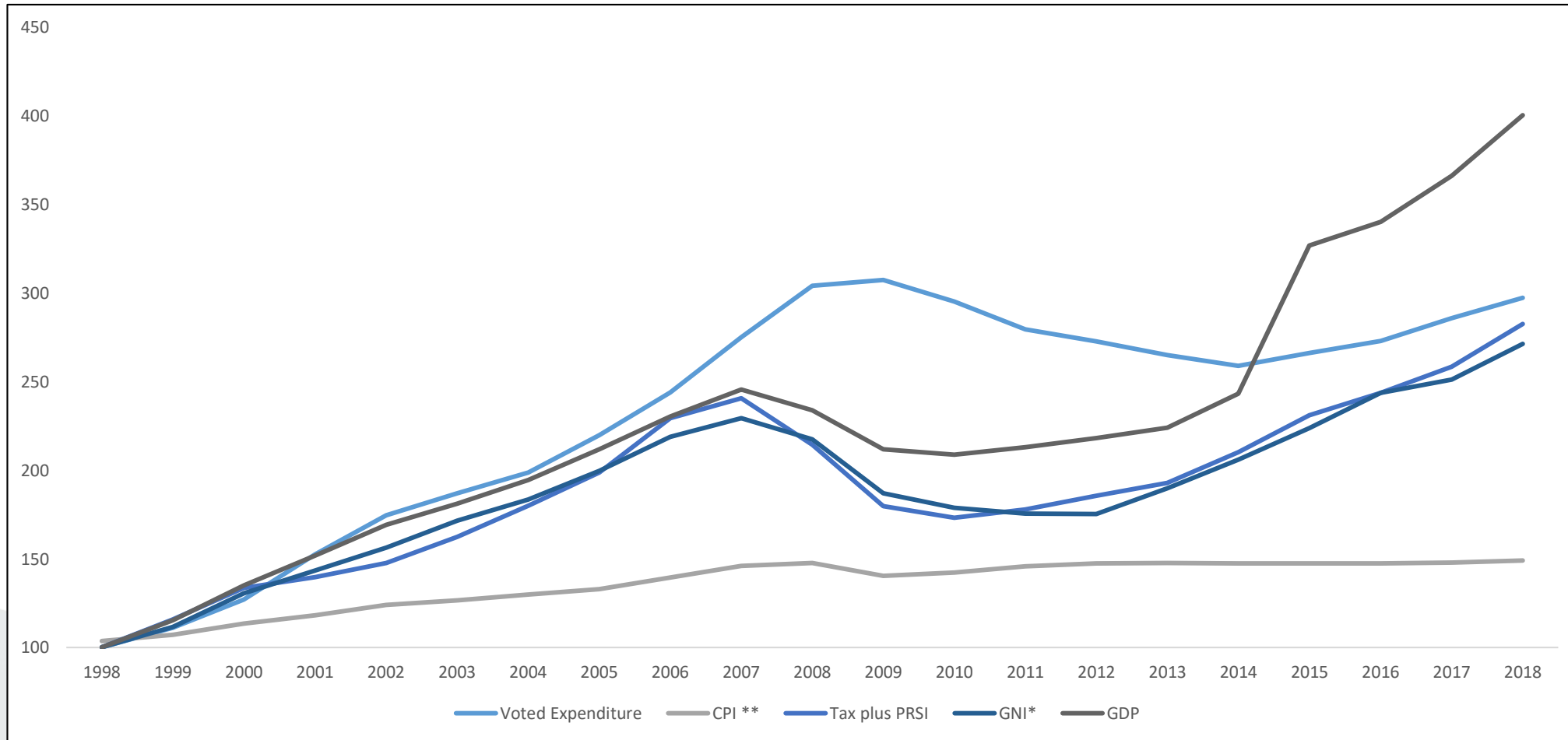
Debt as a % of Economic Activity



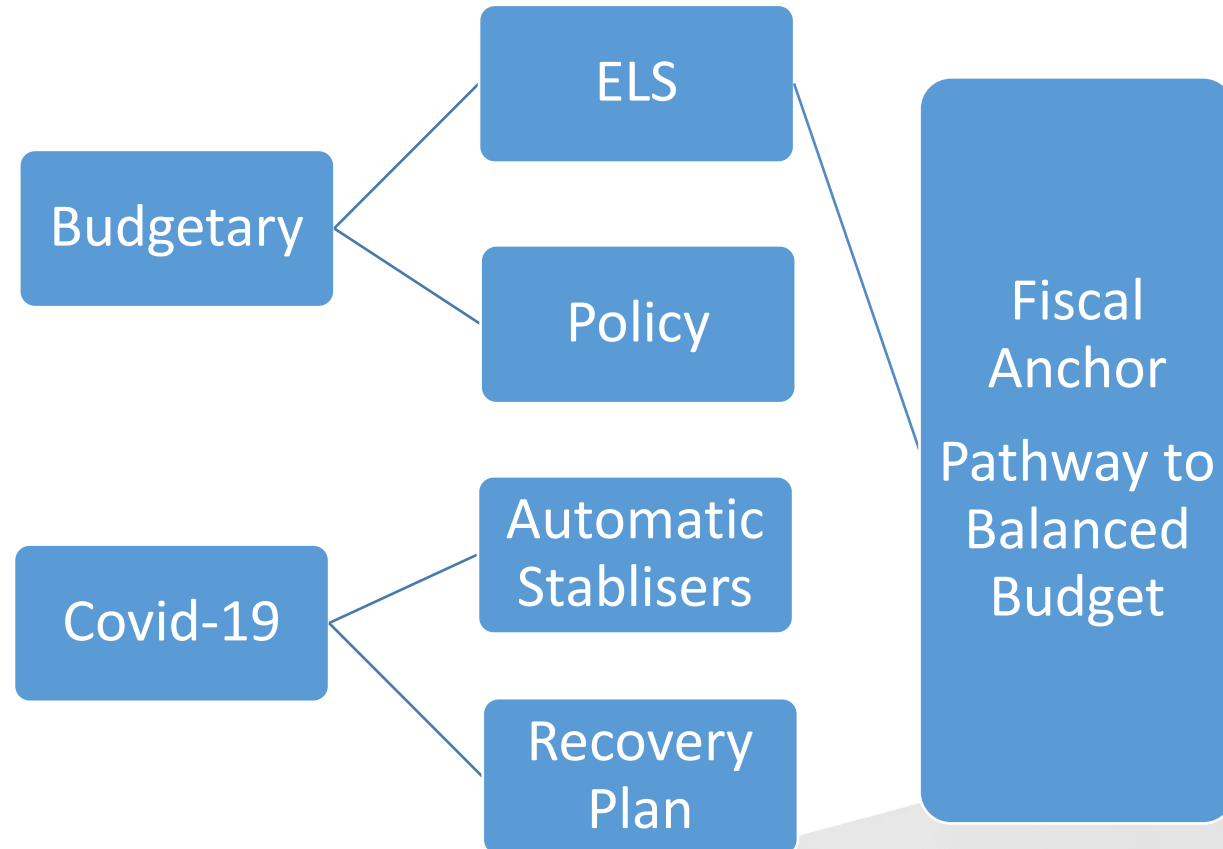
GG Debt as % of GDP 2018



Developing a Sustainable Medium-term Expenditure Framework



Dual Budgetary Process



Known Medium Term Expenditure Pressures



Potential Cost Pressures 2021 – 2024 (€bn)

	2021	2022	2023	2024
Demographics	0.5	0.5	0.5	0.5
Pay Deals (c.2½%)	0.5	0.5	0.5	0.5
Social Welfare (Inflation)	0.4	0.4	0.4	0.4
Public Service Pensions Pressures	0.2	0.2	0.3	0.3
Other Current expenditure	0.3	0.3	0.3	0.3
Committed Capital Expenditure	0.5	0.5	0.3	0.3
Total	2.4	2.4	2.3	2.3

Measures to Maintain a Sustainable Expenditure Policy



The implementation of a sustainable expenditure policy will require that certain key policies are adopted, including:

- **Maintaining a sustainable expenditure growth rate** will be of crucial importance in ensuring that the public finances remain in a stable position.
- **Embed sound expenditure management practices** that maintain a focus on the totality of spend rather than the incremental amount added each year
- Consider introducing **enhanced reporting requirements** could be implemented in cases where Departments that have not managed within budget in the previous year

Wellbeing Budgeting



- Supplementing traditional economic indicators with a broader range of indicators of economic and social progress
- Proposed to develop a National Wellbeing Framework with dashboard of key sectoral indicators
- Built around three distinct pillars:
Quality of Life, Material Conditions, Sustainability
- Each indicator will be reported for both the full population and for equality dimensions of :
Gender, Age, Disability, Socio-economic group, and Minority.