EUROPEAN
COMMISSION

Brussels, 19.6.2024
COM(2024) 607 final

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Ireland

{SWD(2024) 600 final} - {SWD(2024) 607 final}

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 121(2) and 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97[1], and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) The REPowerEU Regulation[2], adopted on 27 February 2023, aims to phase out the EU's dependency on Russian fossil fuel imports. This would help achieve energy security and diversify the EU's energy supply, while increasing the uptake of renewables, energy storage capacities and energy efficiency. Ireland added a new REPowerEU chapter to its national recovery and resilience plan in order to finance key reforms and investments that will help achieve the REPowerEU objectives.

(2) On 16 March 2023, the Commission issued a Communication on the 'Long-term competitiveness of the EU: looking beyond 2030'[3], in order to inform policy decisions

---

1 Regulation (EU) 2021/241 of the European Parliament and of the Council ([1]), which established the Recovery and Resilience Facility, entered into force on 19 February 2021. The Recovery and Resilience Facility provides financial support to the Member States for the implementation of reforms and investment, entailing a fiscal impulse financed by the EU. In line with the European Semester priorities it helps achieve the economic and social recovery and implement sustainable reforms and investment, in particular to promote the green and digital transitions and make the Member States' economies more resilient. It also helps strengthen public finances and boost growth and job creation in the medium and long term, improve territorial cohesion within the EU and support the continued implementation of the European Pillar of Social Rights.

2 Regulation (EU) 2023/435 of the European Parliament and of the Council of 27 February 2023 amending Regulation (EU) 2021/241 as regards REPowerEU chapters in recovery and resilience plans and amending Regulations (EU) No 1303/2013, (EU) 2021/1060 and (EU) 2021/1755, and Directive 2003/87/EC (OJ L 63, 28.2.2023, p. 1). http://data.europa.eu/eli/reg/2023/435/oj.

3 COM(2023) 168 final.

and create the framework conditions for increasing growth. The Communication frames competitiveness along nine mutually reinforcing drivers. Among these drivers, access to private capital, research and innovation, education and skills, and the single market emerge as paramount policy priorities for reform and investment to address current productivity challenges as well as to build up the long-term competitiveness of the EU and its Member States. On 14 February 2024, the Commission followed this Communication with the Annual Single Market and Competitiveness Report[4]. The report details the competitive strengths and challenges of Europe's Single Market, tracking yearly developments according to the nine competitiveness drivers identified.

(3) On 21 November 2023, the Commission adopted the 2024 Annual Sustainable Growth Survey[5], marking the start of the 2024 cycle of the European Semester for economic policy coordination. The European Council endorsed the priorities of the survey around the four dimensions of competitive sustainability on 22 March 2024. On 21 November 2023, on the basis of Regulation (EU) No 1176/2011, the Commission also adopted the 2024 Alert Mechanism Report, in which it did not identify Ireland as one of the Member States that may be affected or may be at risk of being affected by imbalances, and for which an in-depth review would be needed. On the same date the Commission also adopted an opinion on the 2024 draft budgetary plan of Ireland. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, which the Council adopted on 12 April 2024, as well as the proposal for the 2024 Joint Employment Report analysing the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights, which the Council adopted on 11 March 2024.

(4) On 30 April 2024, the EU's new economic governance framework came into force. The framework includes the new Regulation of the European Parliament and of the Council (EU) 2024/1263 on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97. It also includes the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure and the amended Directive 2011/85/EU on the budgetary frameworks of Member States[6]. The objectives of the new framework are public debt sustainability and sustainable and inclusive growth through gradual fiscal consolidation as well as reforms and investments. It promotes national ownership and has a greater medium-term focus, combined with more effective and coherent enforcement. Each Member State should submit to the Council and to the Commission a national medium-term fiscal-structural plan. National medium-term fiscal-structural plans contain the fiscal, reform and investment commitments of a Member State, covering a planning horizon of 4 years or 5 years depending on the regular length of the national legislature. The net expenditure[7]path in

[4] COM(2024) 77 final.

[5] COM(2023) 901 final.

[6] Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L, 2024/1264, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1264/oj) and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L, 2024/1265, 30.4.2024, ELI: http://data.europa.eu/eli/dir/2024/1265/oj).

[7] Net expenditure as defined in Article 2 of Council Regulation (EU)2024/1263 of 29 April 2024 (OJ L 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj). Net expenditure means government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by Union funds revenue, (iv) national

the national medium-term fiscal-structural plans should comply with the requirements of Regulation (EU) 2024/1263, including the requirements to put or keep general government debt on a plausibly downward path by the end of the adjustment period at the latest, or for it to remain at prudent levels below 60% of GDP, and to bring and/or maintain the government deficit below the 3% of GDP reference value over the medium term. Where a Member State commits to a relevant set of reforms and investments in accordance with the criteria set out in Regulation (EU) 2024/1263, the adjustment period may be extended by 3 years at most. For the purpose of supporting the preparation of those plans, on [21 June] 2024, the Commission is set to provide Member States with guidance on the content of the plans and the subsequent annual progress reports that they will need to submit and, in accordance with Article 5 of Regulation (EU) 2024/1263, will transmit to them technical guidance on the fiscal adjustments (reference trajectories and technical information where applicable). Member States should submit their medium-term fiscal-structural plans by 20 September 2024, unless the Member State and the Commission agree to extend the deadline by a reasonable period of time. Member States should ensure the involvement of their national parliaments, and the consultation of independent fiscal institutions, of social partners and other national stakeholders, as appropriate.

(5) In 2024, the European Semester for economic policy coordination continues to evolve in line with the implementation of the Recovery and Resilience Facility. The full implementation of the recovery and resilience plans remains essential for delivering the policy priorities under the European Semester, as the plans help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent years. The 2019, 2020, 2022 and 2023 country-specific recommendations remain equally relevant also for recovery and resilience plans revised, updated or amended in accordance with Articles 14, 18 and 21 of Regulation (EU) 2021/241.

(6) On 28 May 2021, Ireland submitted its national recovery and resilience plan to the Commission, in accordance with Article 18(1) of Regulation (EU) 2021/241. Pursuant to Article 19 of Regulation (EU) 2021/241, the Commission assessed the relevance, effectiveness, efficiency and coherence of the recovery and resilience plan, in accordance with the assessment guidelines of Annex V to that Regulation. On 8 September 2021, the Council adopted its Decision on the approval of the assessment of the recovery and resilience plan for Ireland[8], which was amended on 8 December 2023 following Article 18(2) of Regulation (EU) 2021/241 to update the maximum financial contribution for non-repayable financial support. The release of instalments is conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Ireland has satisfactorily fulfilled the relevant milestones and targets set out in the Council Implementing Decision. Satisfactory fulfilment presupposes that the achievement of preceding milestones and targets has not been reversed.

(7) On 30 April 2024, Ireland submitted its 2024 National Reform Programme and, on 10 May 2024, its 2024 Stability Programme, in line with Article 4(1) of Regulation (EC) No 1466/97. In accordance with Article 27 of Regulation (EU) 2021/241, the 2024

---

expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-offs and other temporary measures.

8 Council Implementing Decision of 8 December 2023 on the approval of the assessment of the recovery and resilience plan for Ireland (15965/2023).

National Reform Programme also reflects Ireland's biannual reporting on the progress made in achieving its recovery and resilience plan.

(8) The Commission published the 2024 country report for Ireland[9] on 19 June 2024. It assessed Ireland's progress in addressing the relevant country-specific recommendations adopted by the Council between 2019 and 2023 and took stock of Ireland's implementation of the recovery and resilience plan. Based on this analysis, the country report identified gaps with respect to those challenges that are not addressed or only partially addressed by the recovery and resilience plan, as well as new and emerging challenges. It also assessed Ireland's progress on implementing the European Pillar of Social Rights and on achieving the EU headline targets on employment, skills and poverty reduction, as well as progress in achieving the UN's Sustainable Development Goals.

(9) Based on data validated by Eurostat[10], Ireland's general government surplus remained stable at 1.7% of GDP in 2023, while the general government debt fell from 44.4% of GDP at the end of 2022 to 43.7% at the end of 2023.

(10) On 12 July 2022, the Council recommended[11] that Ireland take action to ensure in 2023 that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance[12],taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. At the same time, Ireland was recommended to adjust current spending to the evolving situation. Ireland was also recommended to expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. In 2023, according to the Commission estimates, the fiscal stance[13] was expansionary, by 0.9% of GDP, in a context of high inflation. The growth in nationally financed primary current expenditure (net of discretionary revenue measures) in 2023 provided an expansionary contribution to the fiscal stance of 0.8% of GDP. This includes the reduced cost of the targeted emergency support measures to households and firms most vulnerable to energy price hikes by 0.1% of GDP. This also includes higher costs to offer temporary protection to displaced persons from Ukraine (by 0.1% of GDP). The expansionary contribution of nationally financed net primary current expenditure in 2023 was therefore not due to the targeted emergency support to households and firms most vulnerable to energy price hikes, and only partly due to support to people fleeing Ukraine. The expansionary growth in nationally financed primary current expenditure (net of discretionary revenue measures) was also driven by permanent increases in public

[9] SWD(2024) 607 final.

[10] Eurostat-Euro Indicators, 22.4.2024

[11] Council Recommendation of 12 July 2022 on the 2022 National Reform Programme of Ireland and delivering a Council opinion on the 2022 Stability Programme of Ireland, OJ C 334, 1.9.2022, p. 52.

[12] Based on the Commission Spring 2024 Forecast, the medium-term potential output growth of Ireland in 2023, which is used to measure the fiscal stance, is estimated at 9.2% in nominal terms, based on the 10-year average real potential growth rate and the 2023 GDP deflator.

[13] The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures (and excluding temporary emergency measures related to the COVID-19 crisis) and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

sector wages and social benefits, and higher spending on healthcare. In sum, the growth of nationally financed primary current expenditure in 2023 was not in line with the Council recommendation. Expenditure financed by Recovery and Resilience Facility grants and other EU funds amounted to 0.1% of GDP in 2023. Nationally financed investment amounted to 2.3% of GDP in 2023, representing an increase of 0.2 percentage points as compared to 2022. Ireland financed additional investment through the Recovery and Resilience Facility and other EU funds. Ireland financed public investment for the green and digital transitions, and for energy security, such as electrification in commuter rail and a programme to provide digital infrastructure to schools, which are partly funded by the Recovery and Resilience Facility and other EU funds.

(11) The key projections in the 2024 Stability Programme can be summarised as follows. The macroeconomic scenario underpinning the budgetary projections foresees real GDP to grow by 2.6% in 2024 and 3.9% in 2025, while it projects HICP inflation at 2.1% in both 2024 and 2025. The general government surplus is expected to decrease to 1.6% of GDP in 2024 and increase to 1.7% of GDP in 2025, while the general government debt-to-GDP ratio is set to decrease to 41.5% by the end of 2024 and 39.5% by the end of 2025. After 2025, the general government surplus is projected to decrease to 1.5% of GDP in 2026, and increase to 1.7% in 2027. Therefore, the general government balance is planned to remain below the 3% of GDP deficit reference value over the programme horizon. In turn, after 2025, the general government debt-to-GDP ratio is projected to decrease gradually to 37.8% in 2026, and 36.7% in 2027.

(12) The Commission Spring 2024 Forecast projects real GDP to grow by 1.2% in 2024 and 3.6% in 2025, and HICP inflation to stand at 1.9% in 2024 and 1.8% in 2025.

(13) The Commission Spring 2024 Forecast projects a government surplus of 1.3% of GDP in 2024, while the general government debt-to-GDP ratio is set to decrease to 42.5% by the end of 2024. The lower surpluses reflect a cautious approach as regards the possible persistence of high expenditure growth in 2024 and 2025. The decrease of the debt-to-GDP ratio in 2024 mainly reflects the government surplus and would be larger were it not for significant stock flow adjustments. Based on the Commission's estimates, the fiscal stance is projected to be broadly neutral at -0.1% of GDP in 2024.

(14) Expenditure amounting to less than 0.1% of GDP is expected to be financed by non-repayable support ("grants") from the Recovery and Resilience Facility in 2024, similarly to 2023, according to the Commission Spring 2024 Forecast. Expenditure financed by Recovery and Resilience Facility grants will enable high-quality investment and productivity-enhancing reforms without a direct impact on the general government balance and debt of Ireland.

(15) On 14 July 2023, the Council recommended[14] that Ireland maintain a sound fiscal position in 2024. When executing their 2023 budgets and preparing their Draft Budgetary Plans for 2024, Member States were invited to take into account that the Commission would propose to the Council the opening of deficit-based excessive deficit procedures based on the outturn data for 2023. According to the Commission Spring 2024 Forecast, Ireland's structural balance is projected at 1.8% of GDP in 2024, from 1.0% in 2023, thereby above the country's medium-term budgetary

[14] Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Ireland and delivering a Council opinion on the 2023 Stability Programme of Ireland, OJ C 312, 1.9.2023, p. 58.

objective (MTO) of a structural balance of -0.5% of GDP. This is in line with what was recommended by the Council.

(16) Moreover, the Council recommended that Ireland take action to wind down the emergency energy support measures in force as soon as possible in 2023 and 2024. The Council further specified that, should renewed energy price increases necessitate new or continued support measures, Ireland should ensure that these were targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings. According to the Commission Spring 2024 Forecast, the net budgetary cost[15] of emergency energy support measures is estimated at 0.4% of GDP in 2023 and projected at 0.1% in 2024 and 0.0% in 2025. The emergency energy support measures are projected to be wound down as soon as possible in 2023 and 2024. This is in line with what was recommended by the Council.

(17) In addition, the Council also recommended that Ireland preserve nationally financed public investment and ensure the effective absorption of Recovery and Resilience Facility grants and other EU funds, in particular to foster the green and digital transitions. According to the Commission Spring 2024 Forecast, nationally financed public investment is projected to increase to 2.5% of GDP in 2024 (from 2.3% of GDP in 2023). This is in line with what was recommended by the Council. In turn, public expenditure financed from revenues from EU funds, including Recovery and Resilience Facility grants, is expected to remain stable at 0.1% of GDP in 2024.

(18) Based on policy measures known at the cut-off date of the forecast and on a no-policy-change assumption, the Commission Spring 2024 Forecast projects a government surplus of 1.2% of GDP in 2025. The general government debt-to-GDP ratio is set to decrease to 41.3% by the end of 2025. The decrease of the debt-to-GDP ratio in 2025 mainly reflects the government surplus and would be larger were it not for significant stock flow adjustments.

(19) There are concerns related to the impact on fiscal sustainability of the healthcare system’s cost--effectiveness. Ireland is the only country in the EU without universal primary care coverage, and this puts more pressure on hospitals. Population ageing is expected to put pressure on the healthcare system: It is projected to lead to a 1.5 percentage point increase in public healthcare expenditure as a percentage of GDP by 2070 for Ireland, well above the projected 0.4 percentage point increase for the EU.

(20) In accordance with Article 19(3), point (b), and Annex V, criterion 2.2 of Regulation (EU) 2021/241, the recovery and resilience plan includes an extensive set of mutually reinforcing reforms and investments to be implemented by 2026. These are expected to help effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations. Within this tight timeframe, proceeding swiftly with the effective implementation of the plan, including the REPowerEU chapter once adopted, is essential to boost Ireland’s long-term competitiveness through the green and digital transition, while ensuring social fairness. To deliver on the commitments of the plan by August 2026, it is essential for Ireland to continue the implementation of reforms and to accelerate investments by addressing emerging delays while ensuring strong administrative capacity. This includes the timely submission of the forthcoming payment requests. The systematic involvement of local and regional authorities, social partners, civil society and other relevant stakeholders

[15] Council Recommendation of 14 July 2023 on the 2023 National Reform Programme of Ireland and delivering a Council opinion on the 2023 Stability Programme of Ireland, OJ C 312, 1.9.2023, p. 58.

remains essential to ensure broad ownership for the successful implementation of the recovery and resilience plan.

(21) As part of the mid-term review of the cohesion policy funds, in accordance with Article 18 of Regulation (EU) 2021/1060, Ireland is required to review each programme by March 2025, taking into account, among other things, the challenges identified in the 2024 country-specific recommendations, as well as its national energy and climate plan. This review forms the basis for the definitive allocation of the EU funding included in each programme. Ireland has made progress in implementing cohesion policy and the European Pillar of Social Rights, but challenges remain. Ireland continues to register important economic and social disparities between metropolitan areas and other areas in the country, especially in the Northern and Western (NW) region. There are significant weaknesses in the labour market integration of disadvantaged groups, who are facing disproportionately high poverty risks and social exclusion. Whereas priorities agreed in the programmes continue to be relevant, it is important to accelerate their implementation. The objective to strengthen innovation eco-systems at regional level is still relevant, which includes the aim to reduce the innovation gap between the NW region and the other two regions. Facilitating access to social services and developing targeted skills measures for the most disadvantaged groups to address labour shortages, poverty and social exclusion remains important. Ireland could leverage the Strategic Technologies for Europe Platform initiative to boost investments in digitalisation and digital transformation in small and medium-sized enterprises and research for clean energy technologies in line with the smart specialisation strategy and the 'Vision of Ireland's Industry 4.0 Strategy 2020-2025' and the establishment of Future Manufacturing Ireland.

(22) Beyond the economic and social challenges addressed by the recovery and resilience plan and other EU funds, Ireland faces several challenges related to drinking water supply and wastewater treatment, as well as the waste management system. In addition, challenges persist in relation to the electricity system, energy infrastructure and smart grid technologies, and energy efficiency.

(23) There are still significant shortfalls in the water and wastewater sectors that affect water quality, which are exacerbated by persistently high leakage rates in the water supply system. Ireland is underperforming on the standards outlined in the Urban Wastewater Treatment Directive, as a significant amount of urban wastewater is still untreated or uncollected, largely due to outdated infrastructure. A significant share of the Irish population is still not connected to at least secondary wastewater. Water abstraction and changes to waterbodies are not sufficiently controlled due to the absence of a proper legal framework. The lack of adequate infrastructure to supply drinking water and for wastewater collection and treatment may limit building of housing or industry in certain areas, therefore affecting competitiveness.

(24) Ireland's energy system continued to show signs of vulnerability in 2023 as retail electricity prices remained higher than the EU average. In the second half of 2023, Ireland had the highest electricity prices for household consumers in the EU, and these remain high. Ireland has established ambitious targets for the share of renewable electricity generation and has started to deliver on the deployment of additional renewable energy sources, which will put a strain on the electricity system through increased volumes of variable generation. Additional grid capacity is needed at both transmission and distribution levels, including new cross-border projects. The impact of insufficient grid capacity also impacts competitiveness, especially when it comes to attracting and keeping companies. Capacity constraints also result in higher production

costs, which can deter businesses. The national regulatory authority has been tasked with delivering a plan for demand-side flexibility to allow the Irish energy system to operate efficiently with high shares of renewable electricity. Demand-side flexibility and substantial upgrades to the transmission, distribution and storage infrastructure will be crucial if Ireland is to achieve the target of 80% renewable electricity as established in its Climate Action Plan, reduce curtailment of existing renewable generation, and integrate the planned 5GW of offshore wind generation by 2030. Further action to promote demand-side flexibility and the participation of consumers in distributed energy resources is needed to enable consumer empowerment while improving energy system flexibility. This includes consumer participation in balancing and flexibility services.

(25) Despite progress in the implementation of initiatives to improve energy efficiency, further measures are still needed to reduce energy consumption and decarbonise the building stock, in particular residential energy upgrades, retrofitting and an accelerated transition to renewable heating. Ireland has still not managed to curb energy use, which is projected to increase towards 2030 according to Ireland's National Energy Projections report and exceed the sectoral emissions ceilings established for the built environment sector. While the actual volume of deep retrofits remains limited, Ireland has started to implement the ambitious targets of its Climate Action Plan. More than EUR 400 million was allocated to energy efficiency in buildings under the 2024 State budget. Implementing the comprehensive energy savings programmes for the public sector could increase the energy performance of the public building stock. Further efforts are also needed to address energy consumption in transport and industry by further electrifying commuter rails and incentivising energy monitoring and control systems.

(26) In view of the close interlinkages between the economies of euro area Member States and of their collective contribution to the functioning of the Economic and Monetary Union, in 2024 the Council recommended that the euro area Member States take action, including through their recovery and resilience plans, to implement the recommendation on the economic policy of the euro area. For Ireland, recommendations (1), (2), (3) and (4) help implement the first, second and fourth euro area recommendations.

HEREBY RECOMMENDS that Ireland take action in 2024 and 2025 to:

1. Submit the medium-term fiscal-structural plan in a timely manner. Address the expected increase in age-related expenditure by making the healthcare system more cost-effective.

2. Address emerging delays to allow for continued, swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter once adopted, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.

3. Increase investments in drinking water and wastewater infrastructure to improve water quality and reduce leakages.

4. Increase efforts to improve the flexibility of the electricity system and modernise and expand grid capacity. Develop and implement a strategy to promote demand-side

response and streamline planning and permitting for storage facilities and grid connectors. Increase efforts to improve energy performance of private buildings to reduce energy bills and energy system costs.

Done at Brussels,

For the Council
The President