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Recommendation for a
COUNCIL RECOMMENDATION
on the National Reform Programme 2011 of Ireland
and delivering a Council opinion
on the updated Stability Programme of Ireland, 2011-2014
{SEC(2011) 716 final}

Recommendation for a

COUNCIL RECOMMENDATION

on the National Reform Programme 2011 of Ireland

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on the updated Stability Programme of Ireland, 2011-2014

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies, and in particular Article 5(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

After consulting the Economic and Financial Committee,

Whereas:

- (1) On 26 March 2010, the European Council agreed to the European Commission's proposal to launch a new strategy for jobs and growth, Europe 2020, based on enhanced coordination of economic policies, which will focus on the key areas where action is needed to boost Europe's potential for sustainable growth and competitiveness.
- (2) On 13 July 2010, the Council adopted a recommendation on the broad guidelines for the economic policies of the Member States and the Union (2010 to 2014) and on 21 October 2010, adopted a decision on guidelines for the employment policies of the Member States,¹ which together form the "integrated guidelines". Member States were invited to take the integrated guidelines into account in their national economic and employment policies.
- (3) On 7 December 2010, the Council of the European Union (EU) adopted an Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland

¹ Maintained for 2011 by Council Decision 2011/308/EU of 19 May 2011.

for a period of three years under the provisions of the Treaty and the Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism. The accompanying Memorandum of Understanding signed on 16 December 2010 and its first update lay down the economic policy conditions on the basis of which the financial assistance is granted. The Council Implementing Decision was amended on 16 May 2011. The first update of the Memorandum of Understanding was signed on 18 May 2011.

- (4) On 12 January 2011, the Commission adopted the first Annual Growth Survey, marking the start of a new cycle of economic governance in the EU and the first European semester of ex-ante and integrated policy coordination, which is anchored in the Europe 2020 strategy.
- (5) On 25 March 2011, the European Council endorsed the priorities for fiscal consolidation and structural reform (in line with the Council's conclusions of 15 February and 7 March 2011 and further to the Commission's Annual Growth Survey). It underscored the need to give priority to restoring sound budgets and fiscal sustainability, reducing unemployment through labour market reforms and making new efforts to enhance growth. It requested Member States to translate these priorities into concrete measures to be included in their Stability or Convergence Programmes and National Reform Programmes.
- (6) On 25 March 2011, the European Council also invited the Member States participating in the Euro Plus Pact to present their commitments in time to be included in their Stability or Convergence Programmes and their National Reform Programmes.
- (7) On 29 April 2011, Ireland submitted its 2011 Stability Programme update covering the period 2011-2015 and its 2011 National Reform Programme. In order to take account of their interlinkages, these programmes have been assessed at the same time.
- (8) The crisis brought about a major correction of the large imbalances built during the preceding boom years. Between 2007 and 2010 real GDP declined by 12% and employment by nearly 13%, with unemployment increasing from 4.6% in 2007 to 13.7% in 2010. It also led to a dramatic deterioration in public finances, with the general government deficit ratio reaching double-digit levels in 2008 and 2009. In 2010, the general government deficit reached 32.4% of GDP, including financial sector support measures of 20.5% of GDP. The debt-to-GDP ratio increased from 25% in 2007 to 96% in 2010.
- (9) The implementation of the EU-IMF financial assistance programme is broadly on track. The agreed fiscal measures have been implemented, the 2010 fiscal target was met, and fiscal outturns in the first quarter of 2011 have also been in line with the programme targets. The general government 2011 deficit is forecast to remain below the programme ceiling, despite a downward revision in the forecast for nominal GDP in 2011. Important progress has been made in reforming the banking system and steps have been taken to achieve of the structural reform objectives.
- (10) Based on the assessment of the updated Stability Programme pursuant to Council Regulation (EC) No 1466/97, the Council is of the opinion that the macroeconomic scenario underpinning the budgetary projections in the programme is plausible. The medium-term budgetary strategy of the programme is to bring the headline general

government deficit below the 3% of GDP reference value by the deadline foreseen in the Council Recommendation of 3 December 2010. The programme targets deficits of 10.0% of GDP in 2011, 8.6% in 2012, 7.2% in 2013, 4.7% in 2014 and 2.8% by the end of the programme period in 2015. This path is underpinned by consolidation measures of 3.75% of GDP implemented in the budget for 2011, and broad consolidation measures of 5.75% of GDP in 2012-14 and a further unspecified consolidation effort of more than 1% of GDP in 2015. The stability programme restates the medium-term objective (MTO) for the budgetary position of -0.5% of GDP, which is not reached within the programme period. Ireland appears to be at high risk with regard to the long-term sustainability of public finances. Achieving sufficient primary surpluses over the medium-term and further reforming the Irish social security system is necessary to improve the sustainability of public finances.

- (11) Ireland has made a number of commitments under the Euro Plus Pact, which were submitted on 3 May 2011². These include concrete measures to foster competitiveness, including reforming wage-setting mechanisms, opening up certain professional services to competition, strengthening research and innovation, reinforce financial stability, in particular crisis resolution mechanisms, and enhance public finance sustainability through a medium-term budget framework, reforming pensions and increasing the retirement age.
- (12) The Commission has assessed the Stability Programme and National Reform Programme, including the Euro Plus Pact commitments.³ It has taken into account not only their relevance for sustainable fiscal and socio-economic policy in Ireland but their conformity with EU rules and guidance, given the need to strengthen the overall economic governance of the European Union by providing EU level input into future national decisions. In this context, the Commission stresses the urgency of implementing the planned measures to comply with Council Decision 2011/77/EU.
- (13) In light of this assessment, also taking into account the Council Recommendation under Article 126(7) TFEU of 7 December 2010, the Council has examined the 2011 update of the Stability Programme of Ireland and its opinion⁴. Taking into account the European Council conclusions of 25 March 2011, the Council has examined the National Reform Programme of Ireland,

HEREBY RECOMMENDS that Ireland should :

implement the measures as laid down in Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland, as amended by Decision of 16 May 2011, and further specified in the Memorandum of Understanding of 16 December 2010 and its update of 18 May 2011.

Done at Brussels,

*For the Council
The President*

² More details on the commitments made under the Euro Plus Pact can be found in SEC(2011) 716.

³ SEC(2011) 716.

⁴ Foreseen in Article 5(3) of Council Regulation (EC) No 1466/97.