

IRELAND

Priorities supported by indicators

Strengthen work incentives for women (2005, 2007, 2009)

Recommendations: Improve access to childcare and reconsider how second earners are taxed.

Actions taken: The number of childcare places has increased substantially, and the Early Childhood Care and Education scheme introduced in 2009 extends pre-school education, although this is a measure not targeted specifically at working parents. More families were taken out of income taxation but marginal tax and social contribution rates have increased from 2009.

► **Strengthen competition in non-manufacturing sectors (2005, 2007, 2009)**

Recommendations: Increase competition in the utilities and services sectors.

Actions taken: The government liberalised the electricity market and is upgrading interconnection with the United Kingdom grid, although ownership of the grid remains with the main generator. The Groceries Order, restricting food prices, was abolished in 2006. The pharmacy sector was partly reformed in 2007.

Enhance R&D spending and innovation (2007, 2009)

Recommendations: Improve incentives for R&D and streamline funding for public institutions.

Actions taken: The rate of deduction for R&D was increased in the 2008 Supplementary Budget. Research funding has been increasingly allocated towards centres of excellence.

Improve access to education and increase tertiary education funding (2007, 2009)

Recommendations: Extend pre-primary education, and introduce university tuition fees, accompanied by a system of student loans with income-contingent repayments.

Actions taken: Pre-primary education is being extended through the Early Childhood Care and Education scheme. Overall spending on education has increased over recent years.

Ease the regulatory burden on business operations (2005)

Recommendations: Implement the White Paper on Better Regulation.

Actions taken: The White Paper was introduced in June 2005 and has been implemented.

Other key priorities

Further improve infrastructure (2007, 2009)

Recommendations: Close infrastructure gaps in a cost-effective way. Speed up the planning process. Introduce user-charges to ensure efficient use of infrastructure.

Actions taken: Public investment has been raised to around 5% of national income in recent years. Cost-benefit analysis has been strengthened and extended to all large projects, and the planning process has been streamlined. User-charges are not widespread, although water metering is in place for non-domestic users, and there are some toll roads. Public investment is scheduled to fall substantially in future years.

Avoid excessive house price increases and volatility (2005)

Recommendations: Phase out deductibility of mortgage interest payments.

Actions taken: Mortgage interest relief has been increasingly focussed on first-time buyers and was abolished for all others in 2009. Further reforms are intended in this area.

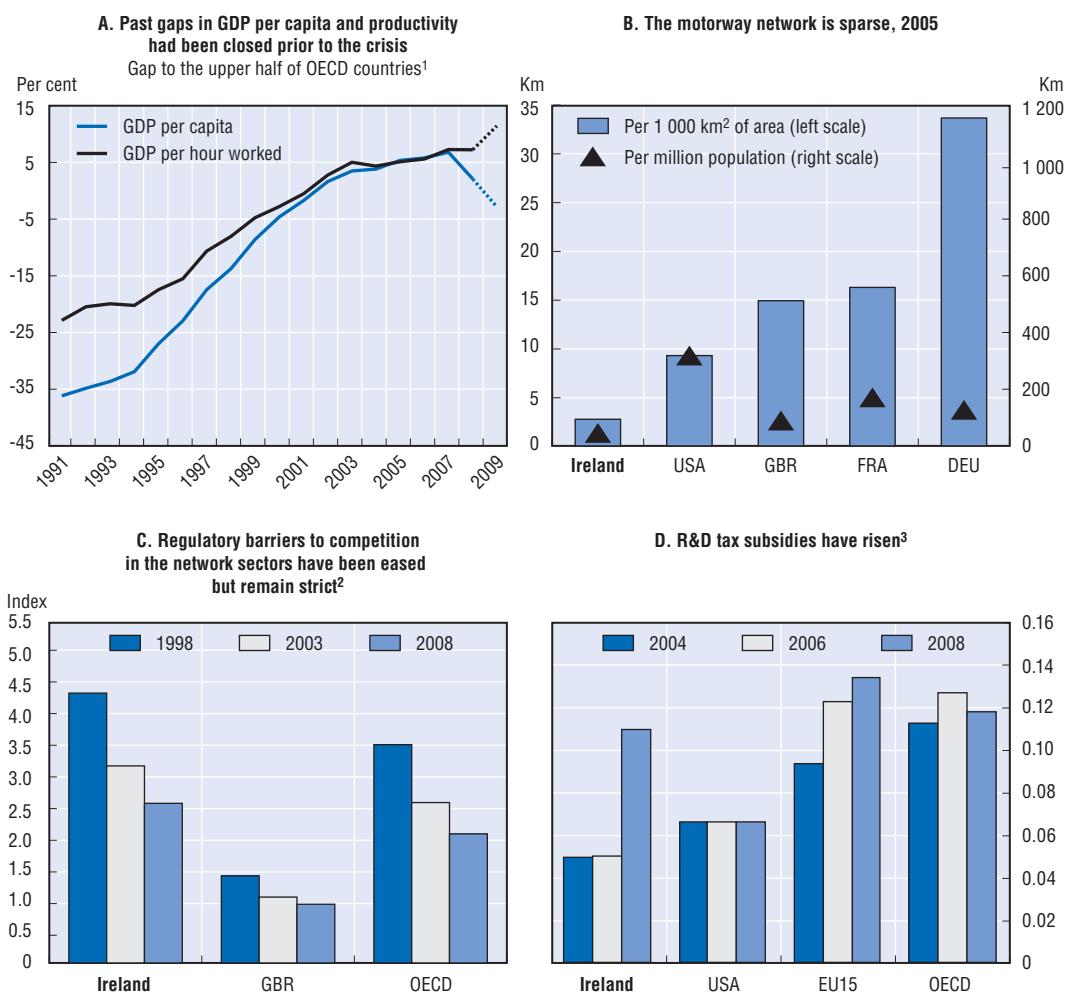
Strengthen the enforcement of competition policy (2005)

Recommendations: Improve the enforcement of competition law.

Actions taken: The Competition Authority now has more resources and some successful criminal prosecutions have been mounted, although fines overall remain low and a small number of sectors have been exempted from competition law.

IRELAND

- As a result of the economic crisis, Ireland has experienced a severe set-back in living standards that is likely to have permanent effects. Nevertheless, Ireland's per-capita income is now close to the average of the upper half of OECD countries.
- Progress has been made in most key priority areas, although it has been incremental and incomplete. Improvements in childcare and infrastructure have been recorded but necessarily take time to build up. Slow progress in increasing competition in the services and utilities sectors has contributed to sub-par productivity performance.
- The National Development Programme has provided the framework for a wide range of measures aimed at building a stronger economic and social base, including the priority areas alongside programmes and objectives related to enterprise, increasing social inclusion and environmental protection.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD *Economic Outlook*, No. 86.
2. Index scale of 0-6 from least to most restrictive.
3. Measures the generosity of tax incentives to invest in R&D, on the basis of the pre-tax income necessary to cover the initial cost of one dollar R&D spending and pay corporate taxes on one dollar of profit (B-index). A value of zero on the chart would mean that the tax concession for R&D spending is just sufficient to offset the impact of the corporate tax rate.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: European Commission (2007), *Panorama of transport and New Chronos Database*; Chart C: OECD, Product Market Regulation Database; Chart D: OECD (2009), *OECD Science, Technology and Industry Scoreboard*.

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