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2025 Country Report - Ireland

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

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

{COM(2025) 207 final}

European Commission

Ireland

2025 Country Report



ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Balancing strong fundamentals and multinational uncertainty

Headline figures indicate solid growth and a resilient domestic economy. Ireland's real GDP recorded an increase of 1.2% in 2024. This was driven by a rebound in the exports of multinational enterprises, notably in pharmaceuticals, while the computer services sector maintained steady growth. To gauge domestic economic activity in Ireland, modified domestic demand is a better measure. This increased by 2.7% in 2024, supported by a strong labour market and easing of inflationary pressures. Looking ahead, GDP is expected to grow by 3.4% in 2025 and 2.5% in 2026, supported by continued export growth and a strong domestic economy.

The labour market remains tight. Employment reached an all-time high in 2024, supported by a growing labour supply. This was driven largely by high inward migration and increased labour market participation. The unemployment rate remained low at 4.4% in the first quarter of the year (see Annex 13) and is expected to remain low in the coming years. While vacancy rates have been gradually declining since 2022, they remain above their long-term average, with half of small and medium-sized enterprises (SMEs) identifying difficulties in recruiting skilled workers as their biggest challenge. This issue is widespread across sectors but particularly problematic in construction and green industries, hindering the much-needed expansion of Ireland's infrastructure (see Annex 12).

Ireland's public finances are in a strong headline position. In 2024, Ireland's government balance reached an unusually high surplus of 4.3% of GDP (estimated at 7.4% of GNI* ([1])), largely driven by one-off transfers arising from the Court of Justice of the European Union ruling on the 'Apple case' (EUR 14.1 billion). Strong government revenue growth was also supported by growth in direct tax receipts, reflecting the recovery in economic activity in both domestic and multinational sectors. However, the government balance continues to be inflated by 'windfall' corporation tax revenues associated with multinationals, i.e. those not explained by growth in domestic economy activity. The budget surplus is forecast to recede to 0.7% of GDP in 2025 and 0.1% of GDP in 2026, in absence of the one-off revenue seen in 2024 and reflecting high projected levels of expenditure. Gross government debt was 40.9% of GDP at end of 2024 (equivalent to around 70% of GNI*), forecasted to fall to 38.6% in 2025, and to 38.2% in 2026.

Net expenditure is projected to grow strongly in 2025, exceeding the recommended maximum. In 2024, net expenditure ([2]) in Ireland grew by 8.2% (see Annex 1). This increase is mainly driven by growth in public sector pay, investment and social transfers to support living standards and the provision of public goods and services. The increase of government expenditure was partially offset by government decisions on

([1]) Modified gross national income (GNI*) excludes globalisation effects and reflects the income standards of Irish residents more accurately than GDP. See Central Statistics Office, 'modified GNI' for more detail.

([2]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of interest expenditure, discretionary revenue measures, expenditure on programmes of the Union fully matched by revenue from Union funds, national expenditure on co-financing of programmes funded by the Union, cyclical elements of unemployment benefit expenditure, and one-offs and other temporary measures.

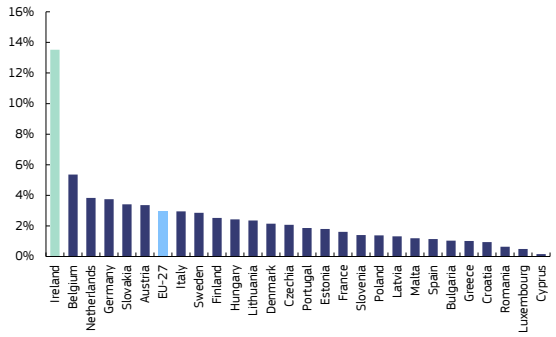
fiscal measures increasing revenues. In 2025, net expenditure is forecast by the Commission to grow by 6.7%, which is above the maximum growth rate recommended by the Council ([3]). The cumulative growth rate of net expenditure in 2024 and 2025 taken together is projected at 15.5%, which is above the maximum rate recommended by the Council.

Geopolitical turbulence creates risks

Multinationals are a key driver of Ireland's economy, but reliance on them brings uncertainty. Ireland's attractive business environment, access to the EU market, skilled workforce and established industry clusters have drawn numerous multinationals to Ireland. These firms have supported Ireland's strong economic growth in the past decade, contributing considerably to exports, investment, employment, and tax revenues. As a result, Ireland's productivity has risen by 50% in the past decade, now ranking among the highest in the EU. However, innovation and productivity spillovers to domestic industries remain limited, with local firms lagging behind both multinationals and top-performing EU countries (see Section 2). This concentration of economic activity in a few multinational-dominated sectors, leaves Ireland's economy sensitive to sector-specific disruptions or firm-level shocks.

The concentration and openness of the economy makes Ireland particularly sensitive to developments in the international environment. The growth outlook for the Irish economy will be influenced by developments in US policy, the effects of which remain highly uncertain and very dynamic. One third of Ireland's merchandise exports - equivalent to around 14% of its GDP - is directed to the US, the highest in the EU (see Graph 1.1). This makes Ireland particularly sensitive to shifts in US trade policy. Medical and pharmaceutical products, which make up a large majority of these exports, face additional risks from potential targeting of the sector. The possible relocation of the highly mobile intellectual property assets held in Ireland also poses a risk to value added, exports and tax revenue. The labour market could also be impacted as US multinationals are a key driver of demand for high-skilled labour, employing approximately 10% of Ireland's employees. Despite the risky outlook, the long-term multinational investments in Ireland are likely to underpin trade and investment ties even in the coming years. The prospects for expanding production and attracting new investors will hinge on the capacity to tackle infrastructure deficits.

Graph 1.1: **Value of exports to the US (% of current GDP, 2024)**



Source: Eurostat

The Irish financial sector remains stable, though some risks persist. The financial institutions in Ireland fall into two categories: those with an international focus and those serving Irish businesses and households. Domestic banks have adequate capital buffers, ensuring strong loss-absorbing capacity, as the Central Bank enforces strict loan-to-income and loan-to-value rules. The exposure of Internationally-oriented investment banks to the domestic economy is limited, but vulnerabilities arise from the high share of non-bank lending to SMEs and the commercial real estate market. However, Ireland is at the forefront of developing a macroprudential framework for continuous monitoring of the non-bank sector.

([3]) Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Ireland (OJ C, C/2025/667, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/667/oj).

Box 1: **UN Sustainable Development Goals (SDGs)**

Ireland is performing well in all SDGs related to macroeconomic stability and productivity (SDGs 8 and 16) and fairness (SDGs 3, 4, 10) but is moving away from the targets for some SDGs related to environmental sustainability (SDGs 6, 11, 15).

Although it shows signs of catching up, Ireland is far below the EU average on climate action (SDG 13) due to the high net greenhouse gas emissions per capita and persistent emissions from the land use and forestry sector (see Annex 7).

Reforms and investments will be key for the green transition

Ireland is not yet on track to meet its 2030 targets. Ireland has enacted a strong climate action framework outlining the road to decarbonisation of the Irish economy. However, recent projections indicate that Ireland is not on track to deliver on these targets, with only a modest reduction in emissions, partly due to the continued increase in land-use emissions. Ireland is progressing with deploying renewable energy and energy efficiency improvements through retrofit measures. However, this is still too slow to attain the national targets for 2030 and is held back by bottlenecks in implementation (see Section 3).

Slow implementation of infrastructure investments hinders progress across multiple sectors. Constraints in the electricity grid hinder renewable energy deployment, while energy efficiency efforts are hampered by an insufficient pace for building retrofits and increases in the overall energy demand. Insufficient charging infrastructure for electric vehicles further complicates the transition to cleaner transport. Outdated water infrastructure and investment deficits threaten environmental status and discourage expansion of economic activities dependent on accessible water resources. Progress in the circular economy, especially in construction, has also been slower than required (see Section 3).

Housing shortages persist

Lack of affordable housing affects Ireland's competitiveness and social stability. In the decade up to 2023, Ireland's population grew by an average of 1.3% annually – outpacing the EU average of 0.2%. Construction of new dwellings has struggled to keep up, partly due to the planning process, labour constraints, rising cost of materials, and low productivity in the construction sector. Furthermore, key infrastructure constraints, such as shortcomings in electricity grid, water management and other essential services, limit the pace and scale of new developments. This has led to worsening housing affordability (see Annex 9). Price-to-income levels are currently the highest in the EU, which limits firms' ability, particularly SMEs, to attract skilled workers, and puts pressure on wages. The share of employed adults aged 18-34 living with their parents has doubled in 10 years to 42% (see Section 4). In addition, decreased affordability and availability of rents have contributed to a rapid increase in homelessness. (see Section 4).

Fiscal rigour is warranted in light of vulnerabilities

Several risks weigh on the outlook for public finances. It is uncertain whether high tax revenues can be sustained considering their strong concentration and exposure to geopolitical developments. Corporate tax receipts, which have more than doubled since

2019 and represented 27% of total tax revenue in 2024, are particularly concentrated, with a large share paid by relatively few large multinational companies. Moreover, half of the receipts are estimated to be 'windfall'. Significant underlying fiscal pressures include rising costs of ageing and large investment needs to accommodate rapid population growth and the green transition.

Strict fiscal discipline is necessary to contain the growth in current expenditure and avoid budget overruns, including improvements in public spending efficiency (see Box 2). Public pension spending in particular is projected to rise significantly (see Annex 1). To address the underlying risks and strengthen the resilience of its public finances to external shocks, Ireland would benefit from diversifying its tax mix and broadening its tax base to ensure more reliable tax revenues (see Section 2).

The healthcare system in particular faces pressures. Despite a relatively young population, Ireland's health expenditure is above the EU average, and its total healthcare spending recurrently exceeds budgeted amounts. Currently the system is overly reliant on costly hospital care, which is exacerbated by the lack of universal primary care coverage. The healthcare system needs to become more cost-effective to ensure its fiscal sustainability, considering demographic pressures and government plans to reduce patient costs. While Ireland has committed to implementing a range of cost-saving and productivity measures via a dedicated taskforce (see Annex 1), there is room for further reform to alleviate the strain on hospitals (see Section 4).

Box 2:

Barriers to private and public investment

Ireland's private investment landscape is shaped by unique structural factors. While aggregate investment figures appear strong due to the presence of multinational corporations, **domestic firms invest at lower level than their European counterparts (see Section 2)**. Several barriers contribute to this disparity:

- **Infrastructure deficits.** Persistent gaps, including planning, in essential infrastructure – particularly in housing, transport, electricity and water - hamper economic growth and deter investment.
- **Labour and skills shortages.** Around 80% of Irish companies cite the shortfall in labour or skills as a significant obstacle to investment.
- **High costs of doing business.** High energy costs and interest rates, elevated wages, and expensive housing place considerable financial strain on businesses and undercut their ability to invest.

Ireland has introduced good processes for strategically planning, prioritising and monitoring public investments, yet implementation is lagging. Ireland's vision for the country's long-term development is coordinated across government levels and includes measurable objectives within a fiscal constraint. Standardised requirements for the evaluation and selection of public investment projects apply widely, including private bodies receiving exchequer capital funding. However, the implementation phase of these projects - which starts with permit planning - is significantly hampered by capacity constraints at lower levels of government (see section on innovation). Monitoring of outcomes has been facilitated through data transparency and digitalisation (see Annex 12), but some barriers to efficient public spending remain:

- **Shortcomings in capital budgeting.** While the National Development Plan includes five-year capital allocations and overall ten-year expenditure ceilings, the allocations are indicative and budgeting for major projects is done on a yearly basis. This limits the efficiency and the achieved value-for-money of public spending, as well as the predictability of future investment levels.
- **Little transparency of maintenance needs.** There is no standard methodology for estimating maintenance costs of public investments in Ireland, either at planning or budgeting stages, which are critical for sustainable service delivery. Moreover, Ireland does not maintain a central register of infrastructure assets.

The implementation of the RRP is well underway. At present, Ireland has fulfilled 34% of milestones and targets in its RRP.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

Ireland has not yet taken advantage of the opportunities provided by the Strategic Technologies for Europe Platform under Cohesion Policy and the Recovery and Resilience Facility to reallocate resources towards this priority. However, Ireland can still seize these opportunities to support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

Narrowing the productivity gap of Irish firms

Headline productivity masks divergent economic performance. While Ireland maintains strong overall productivity – ranking among the highest in the EU - this is largely driven by a small number of multinationals. In contrast, domestic firms lag behind both foreign-owned companies and their euro area counterparts. As domestic-owned enterprises make up 97% of all businesses and employ around 75% of the labour force, low levels of productivity will hinder the prosperity and resilience of the economy and overall living standards. Most of these domestic firms are small and medium-sized enterprises (SMEs), which face specific barriers to growth. Closing this productivity gap will require targeted efforts to address these challenges while maintaining a strong business environment which requires addressing underinvestment and infrastructure deficits and having stable public finances.

The divergent economic performance also affects regional development. Disparities are evident between regions hosting multinationals (in and around Dublin and Cork) and regions dominated by Irish-owned SMEs, which are lagging in productivity, innovation and competitiveness (see Annex 17).

Labour market constraints, high business costs and limited international engagement hinder SME growth and productivity. Irish-owned firms invest less compared to their EU counterparts, limiting their capacity to innovate and expand. Labour and skill shortages continue to pose challenges, with Irish-owned firms having to compete with larger multinationals to attract and retain talent. As these firms are more labour-intensive, they are particularly vulnerable to pay pressures and rising indirect costs, such as housing. Credit costs and energy costs are also higher in Ireland when compared to the EU average, creating additional barriers to investment. Moreover, Irish SMEs are less internationally engaged than their EU counterparts, with two thirds not involved in exporting. This restricts their expansion within the single market and limits their growth potential.

Ireland is developing national policies and leveraging EU funding to support SME competitiveness and innovation. OECD indicators show considerable scope for improving the set up for public consultation, regulatory impact assessments and *ex post* evaluation of legislation (See Annex 4). Meanwhile, Ireland has introduced an 'SME test' which requires government departments to assess the burden of any new regulation on SMEs; a measure supported by the Recovery and Resilience Facility. The European Regional Development Fund supports regional innovation by strengthening 'technological universities' while the Digital Transition Fund provides targeted funding to help SMEs adopt new technology and improve supply chain efficiency. Ireland is also promoting innovation through four European digital innovation hubs, also financed by the Recovery and Resilience Facility and the Digital Europe programme, giving businesses access to expertise and advanced technologies. Ireland's new government programme contains several important initiatives focusing on SMEs and overall competitiveness, including the publication of a whole-of-government action plan for competitiveness and productivity.

Stronger knowledge and innovation diffusion, financial and skill support and cost reduction can boost productivity within local firms. As most labour productivity divergence occurs within sector,

policies can encourage stronger links between domestic firms, research institutions and multinationals. Strengthening incentives for knowledge transfer, innovation and R&D partnerships and labour mobility could make domestic firms more productive. Expanding access to finance and expertise – particularly through greater uptake of existing schemes such as those offered by Enterprise Ireland - could further increase domestic productivity. Addressing cost-related barriers, such as high legal and insurance fees, would also help smaller firms compete more effectively.

Boosting R&D expenditure and providing targeted R&I support could help boost SME productivity. Ireland's R&D expenditure remains below the EU average. Public R&D spending accounts for only 0.2% of GDP (0.4% of GNI*), making it one of the lowest in the EU. Moreover, there is a noticeable technology innovation gap between Irish SMEs and their counterparts in comparable EU countries ([4]). Currently, a significant portion of public support is channelled through the R&D tax credit. While this plays a key role in driving firm-level R&D investment, it might not be as effective for start-ups and innovative young firms in emerging sectors ([5]). Adjustments to outsourcing rules and eligibility criteria could encourage greater SME participation in the R&D tax credit. However, increased direct funding for R&I would provide stronger support for SMEs and start-ups, allowing them to contribute to, and benefit from, the wider economic ecosystem. Additionally, an increase in public R&D investment would enhance Ireland's overall innovation capacity and economic resilience and support scientific excellence.

([4]) Lawless, (2024), Hare or tortoise? Productivity and growth of Irish domestic firms.

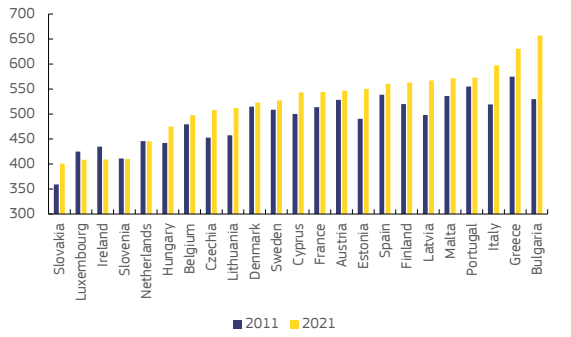
([5]) Department of Enterprise, Trade and Employment, (2022), National smart specialisation strategy for innovation 2022-2027.

Boosting housing supply

Housing costs remain high for both buyers and renters. Between 2014 and 2024, house prices grew more than borrowing capacity by around 40%. The share of rent to disposable household income has increased from 18.8% in 2018 to 23.3% in 2023 compared to the EU average of 22.5%.

Low affordability is the product of significant lack of housing supply over the last decade and high inward migration. In the wake of the financial crisis, most construction firms went bankrupt. This prompted many foreign construction workers to emigrate and made construction an unappealing career path for many young people. Consequently, the capacity of the construction sector was dismantled. However, from 2014 onwards, strong economic performance and job creation drove rapid inward migration. The housing stock fell from 434 units per 1 000 adults in 2011 to 409 units in 2021, well below most EU peers (see graph 4.1). While housing completions have been on the rise - new housing units built per thousand population are now the highest in the EU - the construction sector has struggled to scale up beyond 30-33 000 units annually in the last three years. This remains far below the 52 000 units annually needed until 2050 to keep up with population growth as estimated by the Central Bank of Ireland.

Graph 2.1: **Housing units per 1 000 population (including vacant units)**



Source: Eurostat

Box 1:

Can the Irish construction sector respond to the scope and scale of housing demand?

Housing development faces obstacles due to standalone projects and regulatory hurdles. Many housing developments operate as standalone projects, reducing opportunities for learning-by-doing and economies of scale. Varying planning requirements can also create hurdles for firms, particularly new or foreign entrants.

To meet labour demand in the construction sector, it is essential to focus on cultivating a skilled and mobile workforce. Certification processes that provide a career path with continuous upskilling and reskilling, targeted protection from (seasonal) unemployment and streamlining work permit procedures could help improve the supply of labour.

Financial constraints can limit the ability of small firms to grow and innovate. Many micro-firms focus on renovations rather than larger projects due to challenges in accessing finance for skills, materials, and capital investment. Strengthening guarantee schemes for builders and exploring cooperative models could unlock new opportunities for growth.

The sector is shaped by a few dominant players, with entry challenges for newcomers. Localised expertise, regulatory complexity, and market structure can make it difficult for foreign firms to establish a presence, potentially limiting competition and innovation.

Multiple reforms have been launched to increase supply. A new residential zoned land tax, which aims to dis-incentivise land hoarding, was introduced in 2024. The OECD has recommended that this tax be increased, as its current rate of 3% may be too low to trigger additional housing by activating unused planning permissions on undeveloped land. The government has also been actively pushing construction through standardised designs and layouts and modern methods of construction to increase the productivity of the construction sector. In Budget 2025, the government increased stamp duty on property (a tax to pay when property is transferred) for people who buy 10 or more residential houses in a year from 10% to 15%.

Value for money is a concern amid capacity constraints. Measures supporting housing demand raise inflationary concerns considering labour shortages in the construction sector (where unemployment is below 1.5%) and large parallel construction needs in retrofitting. In this context, reviewing and targeting existing measures to assist with access to home ownership for first-time buyers, recently extended until 2029, might be beneficial. Similarly, as the OECD recommended, phasing-out the recently re-introduced mortgage interest relief and tax reliefs and credits for landlords and tenants, which are not targeted and may be regressive, might free resources for land servicing.

Rent caps have shielded some existing tenants but might need to be reformed. Rent pressure zones were introduced in Ireland in late 2016 to cap rent increases in areas with high rental inflation to the maximum of 2% or the harmonised index of consumer prices. By 2024, 82.6% of private tenancies were in these zones. While evidence shows that these zones have been successful in decreasing rental price inflation, they have likely contributed to a slowdown of private investment in rental stock. A comprehensive review by the Housing Agency to consider if rent pressure zones should be continued, removed, modified or replaced is ongoing.

Streamlining the planning process

Planning permission needs to improve for the business environment to remain attractive for private investment. The planning permission process can take up to 24-36 months, in spite of Ireland having put in place a fast-track planning permission granting process, known as strategic infrastructure development, for strategic energy infrastructure projects. Uncertainty in the planning process is also seen as a main barrier for housing.

A key piece of legislation, the Planning and Development Act 2024, passed in October 2024. This 906-page act aims to streamline planning, clarify legal procedures, increase administrative capacity and re-structure the planning board. While the direct impacts of the legislation are not yet known, calls have been made for the government to publish secondary implementing regulations as soon as possible and to be ready to flexibly adapt them.

Much of the success of the reform will depend on providing local planning offices with the sufficient resources and expertise. A recent OECD report highlighted that in Ireland's common law-based system, different interpretations of the law by courts may set precedents that could potentially lead in directions not necessarily foreseen by the legislator ([6]). Amidst these uncertainties, local planning offices will need to effectively exert their gatekeeping role to reduce the necessity for judicial review, which has been a recurrent bottleneck in recent years in Ireland very expensive justice system. A new ministerial action plan ensuring a sustainable pipeline of planning and related expertise was published in October 2024. The OECD highlighted that this should be accompanied by a centralisation of legal and technical skills – especially in the field of environmental assessment – as well as sufficient training modules. There is also scope to explore the potential of using AI and other data and digitalisation tools for planning authorities to handle applications more efficiently and effectively.

A review of the national planning framework is underway. The national planning framework guides high-level strategic planning and development of local and county development plans and local authority climate action plans to mandated national targets. Once the review has been completed, results hinge on the framework quickly cascading to lower levels of government and counties providing sufficient zoned and serviced areas for the different needs. The high-level vision, however, is insufficiently reflected in policies at line ministry level which hampers its effectiveness.

Mitigating fiscal risks to secure long-term stability

Foreign multinational companies generate a large proportion of tax revenues, exposing Ireland's budget to a range of external risks. Corporate tax receipts are particularly concentrated and volatile, with 88% attributed to foreign-owned multinationals in 2024 and more than half paid by just 10 largest companies. International developments such as changes in US trade and tax policy or the global tax environment could significantly impact tax revenues. A scenario analysis produced by the authorities indicated that a reversal of corporate tax receipts to 2020 levels would result in a EUR 15 billion deficit on a general government basis by 2030 ([7]). Foreign-owned multinationals have also generated more than 30% of income tax revenue (including Universal Social Charge receipts) and around 34% of VAT revenue in 2023.

Ireland's labour tax system is highly progressive, but it relies on a narrow tax base. The top 10% of taxpayers accounted for approximately 60% of the tax yield in 2022, while one third of income earners are estimated not to pay any income tax. Such concentration highlights the high progressivity of the tax system, however it also points to a vulnerability of this tax base to economic shifts. The labour tax revenues are also well below the EU average (see Annex 2). To cope with high projected budget expenses, diversification in Ireland's public revenue structure is warranted.

Ireland has taken steps to safeguard its fiscal position. In 2024, Ireland established two new funds designed to absorb part of the windfall corporate tax receipts: the Future

([6]) OECD (2025) Economic Survey of Ireland.

([7]) Department of Finance (2024) Medium-Term Fiscal and Structural Plan.

Ireland Fund and the Infrastructure, Climate and Nature Fund. While the Future Ireland Fund's objective is to mitigate budgetary risks from structural economic changes like population ageing from 2041 onwards, the Infrastructure, Climate and Nature Fund can support capital spending already from 2026 if Ireland's fiscal position deteriorates. Several tax measures have been introduced, mainly to induce behavioural change, including via local property taxes and multiannual increases to the carbon tax until 2030. To address the fiscal sustainability of the pension system, Ireland introduced incremental increases in the pay-related social insurance rate until 2028, but further measures may be needed as of 2029. Furthermore, Ireland's new legislation against aggressive tax planning took effect in 2024, which implemented outbound payment defensive measures. Ireland has also committed to monitoring its implementation to prevent non-taxation (see Annex 2).

There is room for further diversification in the tax mix and base broadening. Recommendations of the 2022 report from the Commission on Taxation and Welfare provide useful guidelines, including increasing the overall yield from wealth and capital taxes. For instance, there is scope for a potential expansion of recurring local property taxes, receipts of which (1.8% of GNI* in 2022) are below the EU average (2.1% of GDP in 2022). A recent OECD report has proposed reforms to the income tax and VAT as further possibilities for base broadening, in addition to property taxes ([8]). Indeed, recent simulations show that reduced VAT rates decrease Ireland's VAT revenue by around 15% and do not contribute to redistribution, making them an inefficient tool for supporting low-income households ([9]). Similarly, the personal income tax scheme contains several tax credits that reduce tax revenue from personal income taxation with a mixed redistributive impact ([10]). While adjustments to the tax credit system could allow Ireland to raise revenue for more targeted support to those in need, any potential income tax reform should take into account its distributional effects as well as the impact on work incentives. To ensure this, a comprehensive and integrated view on the combined tax and benefit system is needed. There is also room to expand environmental taxation, the level of which is currently below the EU average (see Annex 2). This concerns pollution and resources taxes in particular.

([8]) OECD (2025) Economic Survey of Ireland.

([9]) European Commission (2024) Tax Expenditures in the EU: Recent Trends & New Policy Challenges.

([10]) The European Commission's Joint Research Centre uses the EUROMOD tax-benefit microsimulation model to evaluate the impact of fiscal adjustments such as the removal of tax credits and/or their indexation to inflation. Based on Irish data, the complete removal of tax credits could increase government revenues from personal income taxes and social insurance contributions by up to 19.8%. However, it could also increase the at-risk-of-poverty rate by up to 4.1 percentage points. The simulations underscore the need for a carefully calibrated approach to adjustments in taxes and benefits.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

Accelerating climate action

An ambitious policy framework to reduce greenhouse gas (GHG) emissions is in place. The Climate Action and Low Carbon Development (Amendment) Bill 2021 set a binding target to cut emissions by 51% by 2030 (compared to 2018 levels) and to achieve climate neutrality by 2050, aligning Ireland with the European Climate Law and broader EU commitments to reduce emissions. Ireland has introduced carbon budgets spanning three five-year periods, setting sectoral emissions reduction targets. The annual climate action plans refine this strategy, by defining the key actions and measures to be undertaken for reaching these targets.

However, the gap between ambition and implementation remains a pressing challenge. In line with the EU's Effort Sharing Regulation (ESR), Ireland aims to cut emissions in sectors like transport (excluding aviation), buildings, agriculture, small industry, and waste by 42% in 2030 compared to 2005. Despite a 6.8% decline in overall emissions in 2023, the latest projections from the Environmental Protection Agency (EPA) indicate that Ireland would exceed its 2030 emissions limits under the ESR. A recent report by the Irish fiscal advisory council and the climate change advisory council warns that, without new policies, emissions could be 57% higher than the target, and even with additional measures, they could still be 28% above the limit ([11]).

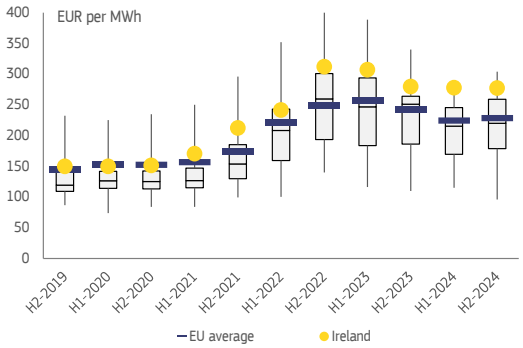
Powering an affordable and low-carbon future

Accelerating deployment of renewable electricity can help alleviate price pressure. Ireland's competitiveness is hindered by lacking renewables deployment and infrastructure, which in turn creates high and volatile energy prices. Electricity prices for household consumers reached 369.9 EUR/MWh in the second half of 2024, as compared to the EU average of 287.2 EUR/MWh ([12]). This affects not only households but also threatens business viability and future investments. With average retail prices of 255.2 EUR/MWh in the second half of 2024 for non-household consumers, retail prices in Ireland far surpassed the EU average of 189.9 EUR/MWh and remains amongst the highest in the EU (see Annex 8). Ireland could take steps to tackle the underlying cost drivers to ensure that electricity prices will not become a barrier to economic growth.

([11]) Irish Fiscal Advisory Council & Climate Change Advisory Council (2025) A colossal missed opportunity.

([12]) Eurostat (2025) Electricity Price Statistics

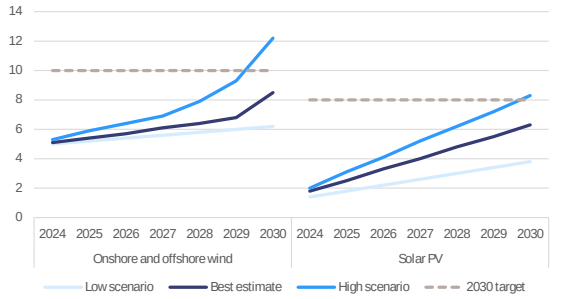
Graph 3.1: **Non-household electricity prices including taxes and levies**



H1: First half of the year; H2: Second half of the year. Box plots show five summary statistics: minimum, 25th percentile, median, 75th percentile, and maximum. Consumption from 500 megawatt-hours to 1 999 megawatt-hours – band IC
Source: Eurostat

Despite significant progress, the pace of solar and wind energy expansion is insufficient to meet national targets. Ireland has plans to reach more than 10 gigawatts (GW) of installed wind capacity in 2030 (compared to around 5 GW in 2023), of which more than 5 GW will be offshore (0 GW in 2023). Ireland is also advancing in solar photovoltaics deployment and has enacted an ambitious goal of 8 GW increase in capacity of solar energy sources by 2030. Installed solar capacity increased by 150% to a total of 738 megawatts (MW) in 2023, while installed wind capacity exceeded 4 800 MW. However, Ireland's sustainable energy authority forecasts that Ireland will not attain the renewables deployment targets (see Graph 3.1) ([13]). Only under the most ambitious scenario is Ireland projected to attain the deployment targets for onshore wind and solar in 2030, with offshore wind projected to reach 3.7 GW. This raises the need for accelerated investment and policy support.

Graph 3.2: **Forecasts of plausible rates of generation technology deployment**



Source: Sustainable Energy Authority of Ireland (SEAI)

Persistent capacity constraints for the electricity grid infrastructure limits the deployment of additional renewables. In 2023, nearly a tenth of wind and solar power could not be distributed through the grid due to capacity constraints, and this has increased significantly in recent years. In 2023, 1 124 gigawatt-hours (GWh) of wind energy was curtailed, alongside 39 GWh of solar energy. This keeps electricity prices high (see Graph 3.2) and delays the transition away from fossil fuels. Part of the capacity constraints could be alleviated by additional storage capacity. This would further enhance grid stability and energy system integration. Ireland currently employs around 1 GW of grid-scale storage. This is made up of around 750 MW of battery storage and the remaining capacity from the Turlough Hill pumped-storage hydroelectric station, providing auxiliary balancing for renewable energy. Ireland is planning for a 1.7 GW increase in long-duration, grid-scale energy storage by 2030. While behind-the-meter storage ([14]) has not yet seen significant uptake, the potential benefits are considerable. To enhance demand response and foster a market for flexibility solutions, Ireland could further encourage behind-the-meter energy storage for end consumers and support the participation of new market actors in distributed energy balancing and flexibility services.

([13]) SEAI (2025) Decarbonised Electricity System Study.

([14]) Behind-the-meter battery energy storage refers to customer-sited stationary storage systems that are connected to the distribution system on the customer's side of the utility's service meter, meaning it is used to power a home or business directly, rather than feeding into the grid.

There is a need for increased consumer participation in energy markets. To achieve the 20-30% flexibility target set out in the 2023 Climate Action Plan, the national energy demand strategy anticipates greater participation of citizens and businesses in the energy market. Incentives for the creation of energy communities could empower citizens to drive the energy transition locally and directly benefit from increased energy efficiency and lower electricity bills. Furthermore, allowing consumers to engage in dynamic price markets could alleviate congestion and curtailment while facilitating the integration of variable renewables. This includes efforts to increase the availability and uptake of time-of-use and dynamic tariffs, and increased uptake of microgeneration and storage.

A key bottleneck lies in planning and permitting delays. Ireland's strategic infrastructure development process currently aims to fast-track permits for key energy projects, with decisions expected within 18 weeks from the expiry of the period for making submissions or observations. However, the scale and complexity of these projects means this timeline is often exceeded. Recognising this challenge, Ireland has undertaken reforms to streamline planning and permitting procedures, most notably through the Planning and Development Act 2024 (see Section 2). Accelerated development of remaining designated maritime area plans for offshore renewable energy would be helpful. This could be enabled by timely designation of maritime special areas of conservation (SACs) and special protection areas (SPAs) under the Natura 2000 framework, which would create further certainty on the available maritime areas for RES deployment.

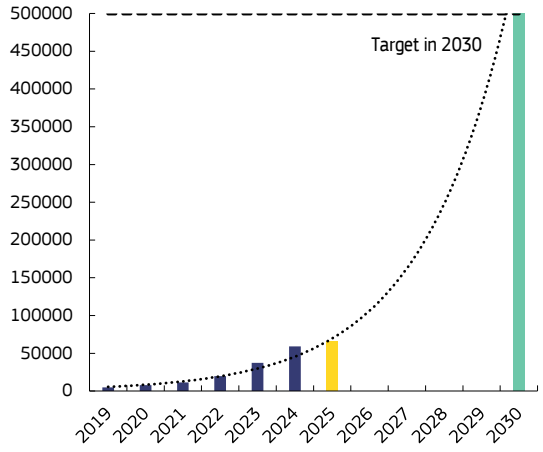
Increasing the energy efficiency of the built environment

The residential sector remains a significant contributor to Ireland's GHG emissions. In 2023, it accounted for 9.7% of the total domestic emissions, despite a 7.1% reduction from the previous year driven by high fuel prices, regulation and a milder winter. The building stock in Ireland remains one of the most carbon-intensive in Europe, at 9.0 g CO_2/m^2 ([15]), indicating that improvements in energy efficiency and electrification may have substantial effects on GHG emissions. The EPA estimates residential emissions could fall by 15% to 27% by 2030, depending on the implementation of additional measures, including home retrofits, financial support for heat pumps, and the expansion of district heating.

Ireland has made notable strides in scaling up energy efficiency retrofits. To support Ireland's clean energy transition, the national retrofit plan aims to upgrade the equivalent of 500 000 homes to a building energy rating (BER) of B2 or cost-optimal level and to install 680 000 heat pumps (400 000 in existing homes) by 2030. As an example, the warmer homes scheme, co-funded by the European Regional Development Fund (ERDF), has provided upgrades to over 161 190 homes since 2001. Funding increases in recent years have supported the delivery of a greater volume of deeper and more complex upgrades. Projections by the Irish Building Stock Observatory show the BER B2 retrofit target could be achieved by 2032. However, the goal of installing 400 000 heat pumps is not expected to be met until 2042.

([15]) European Commission (2024) Climate Action Progress Report.

Graph 3.3: **Pace of retrofitting actions - B2s or better building energy ratings (BER) upgrades achieved since Climate Action Plan 2019**



Data as of: 30/04/2025
Source: SEAI

Targeting government supports to energy costs would better protect those most in need, while reducing their fiscal burden. Announced at Budget 2025, an untargeted EUR 250 per household electricity credit was provided in winter 2024. While energy poverty remains below the EU average (10.6%) it increased from 3.6% in 2021 to 7.2% in 2023. Targeting of supports or reviewing the rate and income threshold for the targeted fuel allowance would better support vulnerable households in line with the recommendations of the Joint Committee on Social Protection.

Rising electricity demand, driven by data centres, poses a significant challenge. Even in the most ambitious scenario, Ireland could exceed the 2030 final energy consumption target by around 20%, primarily because rising energy demand outpaces the efficiency gains from existing and planned measures ([16]). Increased energy consumption, driven primarily by data centres but also the electrification of heating and transport, necessitates improved flexibility and demand management. In 2023, final energy consumption increased by 0.7% compared to 2022, despite a marked reduction in the energy consumption of the building stock. Data centres accounted for 21% of Ireland's total metered electricity consumption in 2023, a 20% increase from 2022.

Scaling up district heating could be a key component in meeting Ireland's sectoral emissions ceiling. Estimates from the Climate Change Advisory Council and SEAI suggest that district heating could supply up to half of the heating demand in buildings ([17]). While Ireland has taken steps to develop district heating, a robust policy and regulation framework will be crucial to mobilise private investment and effectively utilise waste heat from industry and data centres.

Further policy actions could enhance the effectiveness and pace of retrofitting efforts. Significant barriers persist, including skilled labour shortages, high upfront costs, supply chain constraints, and limited local funding. While measures such as reducing VAT on heat pump installations support sustainable heating, supply chain limitations may hinder their availability. Phasing out untargeted fossil fuel subsidies - while protecting vulnerable households - would help align market incentives with climate goals. Streamlining SEAI grant approvals, increasing SEAI staff, and facilitating group-based home upgrades could further accelerate retrofitting. The timely adoption of the roadmap for the national building renovation plan will also be key to advancing retrofit efforts.

Addressing sectors with the highest emissions

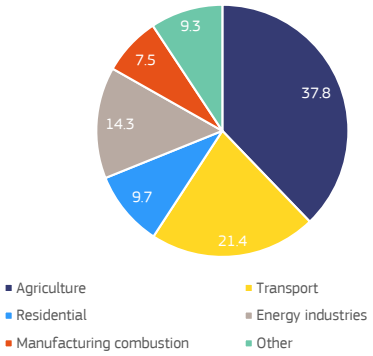
Emissions from the transport sector are not aligned with the 2030 target. Ireland has set a target to reduce emissions from the transport sector by 50% in the sectoral carbon budgets. However, projections from the Environmental Protection Agency of Ireland indicate that emissions from the sector are projected to reduce only 26% by 2030, even if

([16]) SEAI (2024) National Energy Projections.

([17]) SEAI (2022) National Heat Study.

most of the measures set out in the Climate Action Plan 2024 are implemented ([18]).

Graph 3.4: **Sectoral share of greenhouse gas emissions in Ireland in 2023**



Source: EPA

Ireland has made efforts to incentivise the uptake of electric vehicles (EVs). However, this is hindered by Ireland's dispersed and low-density population. The national development plan and the climate action fund both provide significant funding to support low-emission vehicles, with grants up to EUR 3 500 for new privately-bought EVs. Simultaneously, EVs benefit from a lower rate of the annual motor tax and preferential vehicle registration tax. The share of battery electric vehicles (BEVs) in Ireland continued to increase, representing 2.8% of the car passenger fleet in 2024, above the EU average of 2.13% ([19]). However, recent data from the Central Statistics Office show a 25% decline in new EV registrations in 2024, likely due to factors such as reduced government incentives and the lack of adequate charging infrastructure.

Limited charging infrastructure stalls transport electrification. According to the European Alternative Fuels Observatory, Ireland had 3 588 charging points in 2024, or one for every 21.4 vehicles, far below the EU average of one for every 7 vehicles. Geographical coverage of charging stations remains centred in larger, urban areas, reducing the available charging infrastructure for commuting purposes. It is therefore important to ensure sufficient public funding for the national road network EV charging plan 2024-2030, where justified for cost-effectively reducing CO_2 emissions.

There is scope for improving public transport infrastructure, notably electrified rail. The availability of public transport is an important metric to enhance cohesion between rural and urban areas, promote labour mobility and support housing developments, which have been overwhelmingly concentrated in few viable areas. Dublin is among the most congested urban areas in Europe, meaning that further efforts to improve public transport provision could also reduce congestion and the time spent in traffic. Since the launch of the connecting Ireland rural mobility plan in January 2022, over 148 new or enhanced bus services have been introduced. Furthermore, the Cork commuter rail network is also being upgraded and electrified as part of Ireland's national recovery and resilience plan. As electrified rail amounts to 53 km (2.6% compared to the EU average of 60%), further investments would be necessary.

Land use, land use change, and forestry (LULUCF) emissions are increasing. Net emissions for the LULUCF sector increased from 3.66 Mt CO_2 eq. in 2022 to 3.89 Mt CO_2 eq. in 2023, while emissions from agriculture reduced by 4.6% relative to 2022 ([20]). According to estimates provided by the Irish Environmental Protection Agency, emissions from the LULUCF sector are projected to rise by 23% between 2022 and 2030, even with additional measures ([21]). This threatens Ireland's ability to meet the emissions reduction targets set at EU and national level. This is particularly concerning for the LULUCF sector, since net carbon removals (meaning a greater absorption than emissions of CO_2 eq.) would be necessary to

([18]) EPA (2024) Ireland's GHG emissions projections 2023-2050.

([19]) European Alternative Fuels Observatory.

([20]) EPA (2024) Annual Review 2024: Agriculture and Land Use, Land Use Change and Forestry.

([21]) EPA (2024) Ireland's GHG missions projections, 2023-2050.

meet net-zero targets in 2050. Ireland could continue to build on its peat rehabilitation programmes, expanding these to deliver both additional emissions reductions and biodiversity gains.

Policy efforts for the agricultural sector have focused on increasing production efficiency. In the common agriculture policy strategic plan, Ireland has devoted EUR 1.4 billion to promote more ambitious environmental and climate-oriented practices, such as reducing chemical nitrogen usage, increasing tree planting and extending nature and biodiversity rich land areas (see Annex 7). Ireland is also working to restore peatlands and enhance soil management to decrease the impact of agriculture. Ireland is gradually transitioning to a sustainable food system by implementing policies to reduce the environmental impact of agriculture. Since 2021, the area farmed organically has trebled to 225 500 hectares in 2023 ([22]).

The current policy mix could be complemented with pricing instruments to increase carbon sequestration. Ireland is developing a carbon farming framework to support farmers in the transition to low-emission, sustainable agriculture practices, but publication of this framework has been delayed. Increasing efforts to incentivise carbon sequestering is crucial to achieve the net-zero emissions target. For instance, the European Institute of Innovation and Technology and Climate KIC have assessed that the rewetting and restoration of peatlands has the potential to reduce carbon by 3.5-29 tonnes of CO_2 eq. per hectare per year ([23]). Furthermore, work on protecting Natura 2000 sites designated for raised bogs and blanket bogs would enable both restoration and carbon sequestering.

([22]) Climate Change Advisory Council (2024) – Annual Review.

([23]) European Institute of Innovation & Technology (2023) Dealing with climate change and sustainability targets: The innovation potential for the Irish agri-food sector.

Investing in Ireland's water future for sustainability and competitiveness

Water infrastructure is not only crucial for environmental sustainability, but also a key driver of economic growth, competitiveness and social inclusion. Water plays a central role in ensuring economic resilience and sustainable development, impacting critical sectors such as housing and urban development, and the expansion of industries reliant on accessible water resources. Effective water management is essential both for enhancing environmental compliance and boosting Ireland's competitiveness, making it an attractive place to live, work, and invest.

However, the water infrastructure faces chronic under-investment. According to the European Commission's environmental implementation review, to meet the different environmental targets outlined in the Water Framework Directive and the Floods Directive, Ireland faces an investment gap of EUR 954 million per year by 2027 (0.19% of GDP). The most pressing needs are identified in wastewater treatment, water management and pollution control, all of which pose a significant risk to further progress in cross-sectoral developments.

Underperforming wastewater treatment and high leakage rates threaten reliability and sustainability of Ireland's water infrastructure. In 2023, more than half of the country's treatment plants, along with over 400 stormwater overflows, failed to meet the national standards set by the Environmental Protection Agency. Furthermore, wastewater treatment plants in ten major towns, including the Ringsend facility in Dublin, did not meet European Union standards. While progress has been made in connecting previously unserved areas and reducing the number of towns and villages discharging raw sewage, wastewater treatment in larger urban areas, such as the Ringsend facility in Dublin, remains insufficient. Uisce Éireann (the state-owned water utility company) estimates that

the leakage rate was 37% in 2023, marking a significant improvement from 46% in 2018, though it remains far above the EU average of 25%. Addressing investment needs is crucial to prevent inadequate water infrastructure from both hindering business investment through higher operational costs and limiting the approval of new housing developments.

Water quality and pollution control remain largely stagnant, posing challenges to water-dependent sectors' competitiveness. Water quality indicators in Ireland have remained largely unchanged in 2023 ([24]), despite extensive monitoring of surface waters (rivers, lakes, estuaries, and coastal waters) and groundwater ([25]). While some improvements in biological quality have been observed in rivers and lakes, these gains are offset – or even exceeded – by declines in other areas. The primary cause is the increased concentration of nutrients, such as phosphorus and nitrogen, resulting predominantly from agriculture, wastewater discharge, and forestry. These challenges not only undermine Ireland's natural ecosystems but also threaten the long-term viability of sectors dependent on clean water, such as tourism, fisheries, and agriculture. Recent measures on low emission slurry spreading equipment and feeds are expected to improve water quality. Planned restrictions in urea on granular form would further enhance water quality, ultimately helping protect key industries and ensuring Ireland's continued competitiveness in attracting sustainable investment and supporting growth in water-dependent sectors.

A water pricing mechanism would help ensure sustainable funding for water infrastructure, while promoting more efficient water use. By potentially reducing demand and raising funds for investment and maintenance, this type of mechanism would support the long-term viability of water systems while helping its competitiveness. Without a pricing system that reflects the true costs of water, there is little incentive to attract investments in modernising pipelines and other essential infrastructure. Implementing such a system, while considering allowances for larger households and individuals with specific health needs, is crucial for balancing investment with equity and ensuring the future sustainability of water resources.

Transitioning to a circular economy

Ireland continues to lag behind EU circular economy benchmarks. In 2022, the recycling rate of municipal waste stood at 41%, falling short of both the EU average of 46% and the target of 50%. Despite a slight decline in municipal waste per capita – from 625 kg in 2021 to 615 kg in 2022 – Ireland remains among the highest waste-generating countries per capita in the EU. Moreover, the circular material use rate was just 1.8% in 2022, significantly below the EU average of 11.5%, highlighting the need for stronger resource efficiency and management measures. Improving circularity would also reduce dependencies, especially on critical raw materials. The European Commission estimates that EUR 827 million per year are needed to meet circular economy and waste objectives.

With several policies in place, progress in circular economy indicators is expected to accelerate following signs of stagnation. Under overarching EU-level legislation (including the European Green Deal and the circular economy action plan), Ireland's climate action plan stands at the forefront of environmental policy, aiming to address climate change and achieve net-zero greenhouse gas emissions by 2050. The recently enacted Circular Economy and Miscellaneous Provisions Act 2022 establishes the legislative framework for key national initiatives, such as the circular economy strategy and the 2021-2027 circular economy programme. Ireland's 2020-2025 waste action plan for a circular economy has also been

([24]) According to early EPA data, there are some signals of improvements in nitrates concentrations in 2024 – Early insights indicator report: Nitrogen concentrations in selected major rivers, January-December 2024.

([25]) EPA (2024) – Water Quality in 2023. An Indicators Report.

instrumental in shaping the country's policy direction, outlining a clear roadmap to meet EU targets and advance the circular economy transition.

These strategies and action plans could be reinforced by further measures to incentivise waste diversion up the waste hierarchy. These measures could include extending price-based tools in the construction sector, revising public procurement ([26]) for waste minimisation, and increasing financial support for sustainable biomethane infrastructure. To further boost the recycling and reuse of construction and demolition waste, including separate collection at source, Ireland could implement measures such as digital pre-demolition audits, extended producer responsibility, economic incentives, and upstream efforts like increasing recycled content and adopting circular design in construction ([27]).

([26]) In 2024, a new Green Public Procurement policy was published, aiming to drive implementation of green and circular procurement practices across the public sector – Green Public Procurement Strategy and Action Plan 2024-2027.

([27]) Ireland is planning to publish a Circularity Roadmap for the Construction Sector in 2025.

Mitigating the social consequences of the housing crisis

Homelessness is at a record high and continuing to rise. Homelessness doubled in three years with more than 15 000 people in emergency accommodation now. This includes 2 000 families with over 4 500 children. This comes in the fourth year of the government's 'housing for all' plan, which aims to 'eradicate homelessness', suggesting serious shortcomings. A major direct cause of homelessness is a notice of termination of tenancy in the private rented sector, where landlords can evict tenants without providing a reason in the first six months of a new rental contract. Further analysis could be conducted to see if tenant rights could be strengthened to help prevent homelessness due to evictions. The Irish Housing Commission suggests that normalising the sale of properties with incumbent tenants could benefit both tenants, by allowing them to remain in their homes, and landlords that want to sell their property. Also expanding the 'cost rental tenant in situ scheme', which allows local authorities to purchase properties when tenants face eviction due to a sale, could increase the social housing stock and simultaneously reduce homelessness.

Rent allowances have been key to protect low-income cohorts. In international comparisons, rent allowances in Ireland are relatively generous and reach a high number of households (around 84 000 or 5% of households). While rent allowances have helped protect lower income households from poverty and homelessness, they also resulted in a decreased stock available for rent or sale for all other cohorts ([28]). Rent allowance claimants have also reported difficulties in finding dwellings to rent, citing discrimination from landlords. Increasing the share of social housing in the overall housing stock could create a more stable housing system. (see Annex 9).

The demand for social housing is on the rise. In 2023, there were almost 59 000 households on local authority waiting lists for social housing. Over 30% of those on the list wait five years or more. Currently, there is an insufficient supply of adequately sized homes for smaller households (with one or two persons), larger households (of five or more persons), and those requiring special care.

Construction of social housing is scaling up, but further efforts are needed. A total of 7 871 new social housing units was built in 2023 (-3% compared to 2023), highlighting capacity constraints. Further policy measures could include increasing the portion of new residential buildings which a developer must sell to local authorities for social housing (part V of the Planning and Development Act 2000, as amended) and increasing multi-year funding for the Land Development Agency and approved housing bodies to purchase and service land. This could be accompanied by greater transparency and data on land serviced for housing.

Improving social and labour inclusion of disadvantaged groups

Ireland is on track to meet its national poverty reduction target set out in the

([28]) Ireland Housing Commission (2024) Report of the Housing Commission.

European Pillar of Social Rights Action Plan. By 2030, the number of people living in poverty or social exclusion should decrease by 90 000, including 45 000 children. According to SILC 2024, the number of people at risk of poverty or social exclusion is now 880,000 which is down 108,000 on the baseline figure. For children, the figure is also down, by 53,000 on the baseline figure of 303,000.

Disadvantaged groups face obstacles accessing the labour market and social services and consequently have disproportionately high poverty rates. Despite improvements, Ireland has still one of the highest disability employment gaps in the EU (36.7% vs 21.5%)([29]). Single parents are employed at a rate below the EU average and the Roma and Traveller communities still have few work opportunities. Disadvantaged groups' access to jobs is hindered by financial and non-financial barriers, such as: (i) the cost of returning to education and training; (ii) the cost and availability of childcare; (iii) few affordable housing options, especially in bigger cities; (iv) limited access to reasonable accommodation at work; and (v) discrimination. Targeted upskilling measures could contribute to their labour inclusion in sections affected by labour shortages, like construction (see Section 2). The percentages of single parents (48.2%) and persons with disabilities (32.7%) at risk of poverty or social exclusion are above the respective EU averages (41.3% and 28.8%). The percentage of children at risk of poverty or social exclusion decreased from 24.3% in 2023 to 20.6% in 2024.

Ireland is addressing social exclusion and barriers to employment. Targeted activation measures, like the 'early engagement' process, whereby the Irish public employment service actively engages with people with disabilities helped many people find employment. The Irish European Social Fund Plus programme supports social innovation measures to test new ideas and policies, designed to address social inclusion challenges. The new right to request flexible working conditions and higher childcare subsidies help single parents and other carers. Increasing the core welfare rates in recent budgets as well as one-off measures, such as paying double child benefit in certain months contributed to the poverty reduction effect of social transfers. However, data clearly indicates room for improvement. Focusing on safeguarding the real value of means-tested welfare supports, instead of one-off untargeted benefits, could improve cost effectiveness and reduce poverty among disadvantaged groups. Further increasing availability and affordability of childcare could enable more (single) parents to take up work (see Annexes 8 and 9). Measures in these areas would not only contribute to Ireland's 2030 national target on employment but also to the national 2030 target on poverty reduction.

Educational inequalities affect disadvantaged students. Children from disadvantaged socio-economic backgrounds, including Travellers and Roma, and students with disabilities have lower educational outcomes, which is also reflected in the higher early-school leaving rate (Annex 10). The 'Delivering equality of opportunity in schools' (DEIS) national programme provides additional supports to schools with a high share of disadvantaged students, but not all disadvantaged students receive the support they need. Ireland is developing a new DEIS Plan to set a strategy to support children at risk of educational disadvantage in all schools, with a view to providing equitable learning opportunities to all.

The recent investments in new special schools for students with disabilities risk increasing educational segregation. These are not in line with the UN convention on the rights of persons with disabilities, which Ireland signed in 2018. Inclusive measures in mainstream schools and classes would better address the needs of students with disabilities, families and schools, and would contribute to social cohesion. This could be complemented by improved coordination of educational and

([29]) In EU-SILC survey, the prevalence of disability is negatively correlated with the size of the employment gap; in other words, countries that report lower levels of disability tend to report higher employment gaps, and countries with higher prevalence rates tend to report smaller employment gaps.

health and therapy services, also at central level.

Despite measures to increase teacher supply, shortages persist. Primary and secondary schools face difficulties in both recruiting and retaining teachers, relying more on individuals without teaching qualifications. The shortages affect mainly cities, in particular greater Dublin, and stem from factors such as high rents and low housing availability. The situation limits the schools' capacity to offer curricular and extra-curricular activities, which affects students' skills and engagement, especially for disadvantaged students([30]). At the same time, more than 4 000 Irish teachers are assumed to work abroad. The EU Technical Support Instrument is helping the authorities to address the growing teacher shortages by conducting a comprehensive review of the factors affecting teacher supply and demand. In parallel the authorities are carrying out an external consultation which will consider various policy responses.

Improving cost-effectiveness of the healthcare system

Ireland's healthcare system continues to face difficulties. Rising demand and limited public primary care coverage put a strain on costly hospital care, which faces significant capacity constraints (see Annex 14). As a result, Ireland has seen a sustained increase in its healthcare spending and recurrent budgetary overspends. As population ageing is expected to put further pressure on the healthcare system in the coming years, there is a need for a more effective use of resources.

Ireland has taken steps to contain the growth of healthcare spending. An inter-departmental productivity and savings taskforce, established in 2024, has been tasked to review financial governance, cost controls, and incentives within the healthcare sector. Implementing its action plan will be key to ensure that healthcare spending remains within its revised financial ceiling in 2025. Several recovery and resilience plan measures are also expected to improve cost-effectiveness, including the full deployment of the integrated financial management system and of e-pharmacy systems across hospitals in Ireland, as well as the implementation of the Sláintecare consultant contract.

Decentralisation of the health system is underway. Ireland has initiated the progressive rollout of health regions in 2024, which is expected to enable better integration of services across different service levels and improved budget control. Implementing a well-defined performance management system will be key to ensure its success. Ireland is also improving its local primary care services via the Enhanced Community Care Programme, including the Chronic Disease Management Programme included in Ireland's recovery and resilience plan.

Further efforts are needed to alleviate the strain on hospitals. To reduce the pressures currently faced by hospitals, further reforms are needed to facilitate access to primary care, including by accelerating an effective digitalisation of the health system. While public primary care coverage has been extended in 2024 in several steps, working adults remain largely uncovered. Moreover, nearly half of the population purchases private health insurance to bypass long waiting lists, which risks exacerbating health inequalities. The proportion of the Irish population reporting unmet needs for medical care is above the EU average, primarily affecting the lowest-income cohort. Follow-up action by the government to set up and implement universal health coverage is warranted. Furthermore, employing a medium-term staffing strategy would improve expenditure planning, help avoid staff shortages, and shorten waiting lists.

([30]) Carroll et al. (2024), Embracing Diversity in all its Forms: The Voluntary Secondary Sector in Ireland Education, Dublin: ESRI.

KEY FINDINGS

To foster competitiveness, sustainability and social fairness, Ireland would benefit from:

- **implementing the RRP,** including the REPowerEU chapter; swiftly implementing **cohesion policy**, taking advantage of the opportunities under the mid-term review and making optimal use of EU instruments, including **InvestEU** and **STEP**, to improve competitiveness;
- **increasing public R&D investment and supporting the increase of business R&D investment** to boost the productivity and competitiveness of domestic SMEs;
- **future-proofing public finances** by broadening its tax base and reviewing the scope and impact of tax expenditures;
- **implementing its planning reform effectively** by devoting sufficient resources and expertise in all levels of government;
- **further addressing the healthcare system's fiscal sustainability and equity** by improving its cost effectiveness and ensuring equal access to primary care**.**
- **reducing curtailment and enhancing energy security** by strengthening investment in electricity grids, flexibility, and storage capacities, while improving consumer engagement in energy markets;
- **reducing reliance on fossil fuels and accelerating the deployment of renewables** by streamlining planning and permitting;
- **increasing the energy efficiency of the housing and building stock** by scaling up the pace of retrofitting actions;
- **ensuring connection of large energy users to the electricity grid is linked to additional renewable capacity and flexibility;**
- **promoting the shift to sustainable transport** by ensuring a sufficient public charging network for zero-emission vehicles and strengthening sustainable public transport;
- **reinforcing water infrastructure** by boosting investments in wastewater treatment plants to reduce high leakage rates and improve water quality;
- **stepping up efforts in the circular economy** by taking further measures to incentivise waste diversion up the waste hierarchy and increase waste recycling;
- **increasing the supply of social and affordable housing,** also to reduce homelessness, and address capacity constraints in the residential construction sector;
- **strengthening labour market and social inclusion of disadvantaged groups**, in particular persons with disabilities and single parents, by putting in place better targeted outreach and upskilling;
- **stepping up the measures to address teacher shortages;**

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ANNEX 1: FISCAL SURVEILLANCE AND DEBT SUSTAINABILITY

This Annex contains a series of tables relevant for the assessment of the fiscal situation in Ireland, including how Ireland is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024 ([31]), aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

Ireland submitted its plan on 15 October 2024. The plan covers the period until 2029, presenting a fiscal adjustment over four years. On 21 January 2025, the Council adopted the Recommendation endorsing Ireland's plan ([32]).

The assessment of the implementation of the Council Recommendation endorsing Ireland's plan is carried out on the basis of outturn data from Eurostat, the Commission Spring 2025 Forecast and taking into account the Annual Progress Report (APR) that Ireland submitted on 6 May 2025. Furthermore, in the context of the Commission Communication of 19 March 2025 ([33]), on accommodating defence expenditure within the Stability and Growth Pact, the Annex reports the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, the assessment of the **implementation** of the Council Recommendation **endorsing the plan** follows, based on the relevant figures presented in Tables A1.2 to A1.8, including data on defence expenditure.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024 ([34]).

Developments in government deficit and debt

Ireland's government surplus amounted to 4.3% of GDP in 2024. Based on the Commission Spring 2025 Forecast, it is projected to decrease to 0.7% in 2025. The government debt-to-GDP ratio amounted to 40.9% at the end of 2024 and, according to the Commission, it is projected to decrease to 38.6% end-2025. The decrease of the debt-to-GDP ratio in 2025 mainly reflects the projected government surplus and the favourable interest rate-growth differential, corrected for significant stock flow adjustments. The path of debt reduction is forecast to continue in 2026, although at a less dynamic pace due to a decrease in the projected general government surplus. The difference between the general government balance in 2025 projected by the Commission and Ireland is due to differences in the underlying macroeconomic assumptions, as well as stronger current expenditure growth estimated by the Commission.

([31]) Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

([32]) OJ C, C/2025/667, 21.01.2025, ELI: http://data.europa.eu/eli/C/2025/667/oj.

([33]) Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

([34]) Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

Table A1.1: **General government balance and debt**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	4.3	1.5	0.7	1.0	0.1
2	General government gross debt	% GDP	40.9	37.7	38.6	35.9	38.2

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Developments in net expenditure

The net expenditure ([35]) growth of Ireland in 2025 is forecast by the Commission ([36]) to be above the recommended maximum, corresponding to a deviation of 0.3% of GDP. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure is also projected above the recommended maximum cumulative growth rate, corresponding to a deviation of less than 0.1% of GDP. The difference between the Commission's calculations of the net expenditure growth and the estimates of national authorities is due to stronger current expenditure growth estimated by the Commission, including diverging assumptions on the permanent impact beyond 2024 of the 'cost of living' package announced in Budget 2025. The annual deviation in 2025 is above the 0.3% of GDP threshold.

Table A1.2: **Net expenditure growth**

	Annual			Cumulative*		
	REC	APR	COM	REC	APR	COM
	Growth rates					
2024	n.a.	8.0%	8.2%	n.a.	n.a.	n.a.
2025	5.1%	5.3%	6.7%	15.4%	13.7%	15.5%
2026	6.5%	5.9%	6.2%	22.8%	n.a.	22.7%

* The cumulative growth rates are calculated by reference to the base year of 2023.

Source: Council Recommendation endorsing the national medium-term fiscal-structural plan of Ireland (REC), Annual Progress Report (APR) and Commission's calculation based on Commission Spring 2025 Forecast (COM).

General government defence expenditure in Ireland remained stable at 0.2% of GDP between 2021 and 2023 ([37]). According to the Commission Spring 2025 Forecast, expenditure on defence is projected at 0.2% of GDP in 2024 and 2025.

([35]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

([36]) Commission Spring 2025 Forecast, *European Economy-Institutional paper 318*, May 2025.

([37]) Eurostat, government expenditure by classification of functions of government (COFOG).

Table A1.3: **Net expenditure (outturn and forecast), annual and cumulated deviations vis-à-vis the recommendation**

	Variables		2023	2024	2025	2026
			Outturn	Outturn	COM	COM
1	Total expenditure	bn NAC	115.9	125.1	133.4	141.9
2	Interest expenditure	bn NAC	3.4	3.2	3.4	3.5
3	Cyclical unemployment expenditure	bn NAC	-0.1	-0.1	-0.1	-0.3
4	Expenditure funded by transfers from the EU	bn NAC	0.7	0.3	0.3	0.3
5	National co-financing of EU programmes	bn NAC	0.5	0.6	0.6	0.6
6	One-off expenditure (levels, excl. EU funded)	bn NAC	0.0	0.0	0.0	0.0
7=1-2-3-4-5-6	**Net nationally financed primary expenditure (before discretionary revenue measures, DRM)**	**bn NAC**	**111.4**	**121.1**	**129.3**	**137.7**
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		9.7	8.2	8.4
9	DRM (excl. one-off revenue, incremental impact)	bn NAC		0.5	0.0	0.4
10=8-9	**Change in net nationally financed primary expenditure (after DRM)**	**bn NAC**		**9.2**	**8.1**	**8.0**
11	Outturn / forecast net expenditure growth	% change		8.2%	6.7%	6.2%
12	Recommended net expenditure growth*	% change		9.8%	5.1%	6.5%
13=(11-12) x 7	Annual deviation	bn NAC		-1.7	2.0	-0.4
14 (cumulated from 13)	Cumulated deviation	bn NAC		-1.7	0.2	-0.2
15=13/17	**Annual balance**	**% GDP**		**-0.3**	**0.3**	**-0.1**
16=14/17	**Cumulated balance**	**% GDP**		**-0.3**	**0.0**	**0.0**
17	p.m. Nominal GDP	bn NAC	510.0	533.4	566.5	592.6

* The growth rate for 2024 is not a recommendation but serves to anchor the base, as the latest year with outturn data when setting the net expenditure path is year 2023.

Source: Commission Spring 2025 Forecast and Commission's calculation.

Table A1.4: **Defence expenditure**

			2021	2022	2023	2024	2025	2026
1	Total defence expenditure	% GDP	0.2	0.2	0.2	0.2	0.2	0.2
2	*of which: gross fixed capital formation*	% GDP	0.0	0.0	0.1	0.0	0.0	0.0
3	Flexibility from increases in defence expenditure	% GDP					#N/A	#N/A
4	**Cumulated balance after flexibility**	**% GDP**					**#N/A**	**#N/A**

Source: Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation.

Table A1.5: **Macroeconomic developments and forecasts**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	**Real GDP**	**% change**	**1.2**	**4.1**	**3.4**	**3.4**	**2.5**
2	Private consumption	% change	2.3	2.8	2.4	2.5	2.3
3	Government consumption expenditure	% change	4.0	2.3	2.9	2.5	3.6
4	Gross fixed capital formation	% change	-25.4	24.3	22.4	4.9	1.4
5	Exports of goods and services	% change	11.7	2.3	1.3	3.4	2.8
6	Imports of goods and services	% change	6.5	4.3	3.2	3.3	2.7
	Contributions to real GDP growth						
7	- Final domestic demand	pps	-4.8	5.3	4.9	2.0	1.4
8	- Change in inventories	pps	-3.0	0.0	0.0	0.0	0.0
9	- Net exports	pps	9.1	-1.2	-1.4	1.4	1.2
10	Output gap	% pot GDP	-1.2	-1.2	-0.6	-0.9	-0.6
11	Employment	% change	2.7	2.0	1.7	1.5	1.2
12	Unemployment rate	%	4.3	4.2	4.3	4.5	4.4
13	Labour productivity	% change	-1.4	2.1	1.6	1.9	1.3
14	HICP	% change	1.3	2.1	1.6	2.1	1.4
15	GDP deflator	% change	3.3	2.6	2.7	2.3	2.1
16	Compensation of employees per head	% change	3.5	4.0	3.4	4.0	3.3
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	13.6	n.a.	9.4	n.a.	8.5

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Table A1.6: **General government budgetary position**

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1=2+3+4+5	**Revenue**	**27.8**	**24.6**	**24.3**	**24.3**	**24.0**
	of which:					
2	- Taxes on production and imports	6.7	6.6	6.5	6.5	6.4
3	- Current taxes on income, wealth, etc.	12.4	11.9	11.8	11.7	11.5
4	- Social contributions	4.3	4.3	4.3	4.4	4.3
5	- Other (residual)	4.4	1.8	1.8	1.7	1.7
8=9+16	**Expenditure**	**23.5**	**23.1**	**23.6**	**23.3**	**23.9**
	of which:					
9	- Primary expenditure	22.8	22.5	23.0	22.7	23.3
	of which:					
10	- Compensation of employees	6.4	6.2	6.4	6.2	6.4
11	- Intermediate consumption	3.8	3.7	3.7	3.7	3.7
12	- Social payments	8.0	7.7	7.8	7.6	7.9
13	- Subsidies	0.5	0.5	0.5	0.5	0.5
14	- Gross fixed capital formation	2.7	2.8	2.8	3.0	3.1
15	- Other	1.6	1.6	1.8	1.7	1.7
16	- Interest expenditure	0.6	0.6	0.6	0.6	0.6
18=1-8	**General government balance**	**4.3**	**1.5**	**0.7**	**1.0**	**0.1**
19=1-9	**Primary balance**	**4.9**	**2.1**	**1.3**	**1.6**	**0.6**
20	Cyclically adjusted balance	4.9	n.a.	1.0	n.a.	0.4
21	One-offs	2.6	0.0	0.0	0.0	0.0
22=20-21	**Structural balance**	**2.3**	**2.1**	**1.0**	**1.5**	**0.4**
23=22+16	Structural primary balance	2.9	2.7	1.6	2.1	1.0

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR).

Table A1.7: **Debt developments**

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1	**Gross debt ratio* (% of GDP)**	**40.9**	**37.7**	**38.6**	**35.9**	**38.2**
2=3+4+8	Change in the ratio (pps. of GDP)	-2.4	-3.2	-2.3	-1.8	-0.4
	Contributions**					
3	**Primary balance**	**-4.9**	**-2.1**	**-1.3**	**-1.6**	**-0.6**
4=5+6+7	**'Snow-ball' effect**	**-1.3**	**-2.0**	**-1.8**	**-1.5**	**-1.1**
	of which:					
5	- Interest expenditure	0.6	0.6	0.6	0.6	0.6
6	- Real growth effect	-0.5	-1.6	-1.3	-1.2	-0.9
7	- Inflation effect	-1.4	-1.0	-1.1	-0.9	-0.8
8	**'Stock-flow' adjustment**	**3.9**	**0.9**	**0.9**	**1.3**	**1.3**

* End of period.

** The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.

Source: Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR).

Table A1.8: **RRF – Grants**

	Revenue from RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.0	0.0	0.0	0.0	0.0	0.0
2	Cash disbursements of RRF grants from EU	n.a.	0.0	0.0	0.0	0.1	0.0	0.1

	Expenditure financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6=4+5	Total capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	Other costs financed by RRF grants (% of GDP)							
		2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Annual Progress Report.

Cost of ageing

Total age-related spending in Ireland is projected to rise from about 12% of GDP in 2024 to around 14% in 2040 and about 17% in 2070 (see Table A1.9**).** This 5 pps increase results from the projected rise in pension, healthcare and long-term care. Despite the upward trend, age-related expenditure would remain considerably below the EU average age-related spending. The pension expenditure-to-GDP ratio would rise from 3.6% of GDP in 2024 to 6.6% by 2070, which would still represent one of the lowest spending levels in the EU.

Public healthcare ([38]) expenditure is projected at 4.1% of GDP in 2024 (below the EU average of 6.6%, although this is of course affected by the comparability issues of Irish GDP) and is expected to increase by 0.7 pps by 2040 and by a further 0.8 pp by 2070. This increase in health care expenditure contributes significantly to fiscal risk. To improve the cost-effectiveness of the health system, a *Productivity and Savings Taskforce* has been set up by the Department of Health and the Health Service Executive. The policies areas targeted include pharmaceutical expenditure, non-pay costs, procurement costs, the cost of care in long-term residential care for older people, and management consultancy costs.

Public expenditure on long-term care ([39]) is projected at 1.2% of GDP in 2024 (below the EU average of 1.7%, although this is affected by the comparability issues of Irish GDP) and is expected to increase by 0.4 pps of GDP by 2040 and by a further 1 pp of GDP by 2070.

([38]) Key performance characteristics, recent reforms and investments are discussed in Annex 11 'Health and health systems'.

([39]) The quality and the accessibility of the long-term care system are covered in Annex 9 'Social policies'.

Table A1.9: **Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2040 (%GDP)	
IE	11.6	*1.4*	*0.7*	*0.4*	*-0.5*	***2.0***	13.6	**IE**
EU	24.3	*0.5*	*0.3*	*0.4*	*-0.3*	***0.9***	25.2	EU

	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to: pensions	healthcare	long-term care	education	total	age-related expenditure 2070 (%GDP)	
IE	11.6	*3.0*	*1.5*	*1.4*	*-0.5*	***5.3***	16.9	**IE**
EU	24.3	*0.2*	*0.6*	*0.8*	*-0.4*	***1.3***	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

National fiscal framework

The Irish Fiscal Advisory Council (IFAC) is a relatively small independent fiscal institution (IFI) focusing on the core tasks of IFIs but has an active and innovative communication strategy. It has a non-Irish Member on the Board, a relatively active dialogue with Parliament and presence in the media, but the policy dialogue with the government could be improved. Appointments to the Board are made by the Minister of Finance, but the short-list is drawn up by a selection Committee, which includes the current Chair and an external stakeholder. IFAC undergoes regular external reviews.

Ireland has good practices for the appraisal and selection of investment projects, while practices in capital budgeting and ex-post reviews could be improved. The Investment Guidelines set out the value for money requirements for the evaluation, planning and management of public investment projects in Ireland. For major projects (i.e., projects above EUR 200 million), Ireland reports a specific system of independent expert reviews at two stages in the project lifecycle ([40]). Multi-annual capital ceilings are updated on a rolling annual basis to extend the framework by one year, while capital is appropriated on a yearly basis ([41]) The National Investment Office uses the MyProjectIreland mapping tool and Investment Tracker to report on project/programme delivery, including on consistency and alignment within the high-level vision Project Ireland 2040 ([42]). The Major Capital Projects Tracker details the capital investments due to commence in the next four years and is updated following the publication of the National Development Plan ([43]). For all investment projects, the Public Investment Code requires the Sponsoring Agency to carry out an ex-post evaluation of the project once sufficient time has elapsed for the benefits and outcomes to materialise, usually three to five years. Asset registers detailing the state of the physical assets are not maintained ([44]).

Ireland is a frontrunner on green budgeting, considering both the revenue and expenditure sides. The country started tracking climate-related expenditure for the 2020 budget and has since expanded its methodology to systematically quantify climate and environmentally favourable and unfavourable expenditures across the six dimensions of the EU Taxonomy. Complementarily, the same dimensions are analysed for taxes and tax expenditures. To inform budgetary decision-making, an ex-ante

([40]) Belu Manescu, C. (2024), "The planning of public investments in the EU Member States: long-term strategy, selection and budgeting issues.", European Economy Discussion Paper 213.

([41]) IMF, 2017, Ireland – Technical Assistance Report – Public Investment Management Assessment

([42]) Both MyProjectIreland Interactive Map, available in a desktop and mobile phone version, and the Major Capital Projects Tracker (in excel format) can be found here. As of Q1 2023, the Tracker focuses on almost 320 projects and 140 programmes, including almost 100 projects more than €50 million.

([43]) Government of Ireland. (2023). "Project Ireland 2040: prospects 2023/2024: Ireland's Major Infrastructure Project Pipeline", document prepared by the Department of Public Expenditure, NDP Delivery and Reform.

([44]) IMF, 2017, Ireland: Technical assistance report – public investment management assessment, IMF Country Report no. 17/333.

climate impact assessment and budget tagging are integrated into the budgetary cycle. For transparency, annual reports are published alongside updated methodologies and guidance notes ensuring a consistent application of practices.

Table A1.10:**Fiscal Governance Database Indicators**

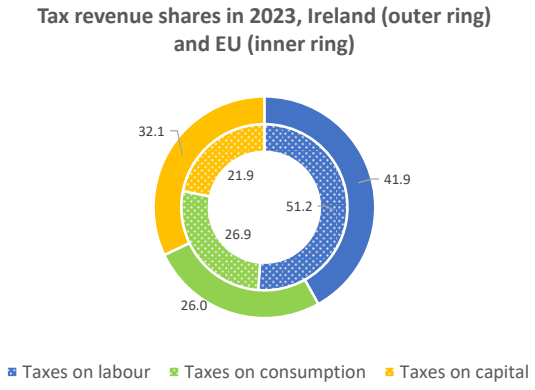
2023	Ireland	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	12.09	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.67	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.
Source: Fiscal Governance Database

This annex provides an indicator-based overview of Ireland's tax system. It includes information on: (i) the tax structure (the types of tax that Ireland derives most of its revenue from); (ii) the tax burden on workers; and (iii) the progressivity and redistributive effect of the tax system. It also provides information on tax collection and compliance, and on the risks of aggressive-tax-planning (ATP) activity.

The Irish tax base is concentrated and relies heavily on corporate taxes from foreign-owned enterprises. Total tax revenues increased in 2024 by 9.8% relative to 2023, to reach EUR 102.8 billion. Corporate tax revenue increased by 18% compared with 2023 to a new all-time high of EUR 28.1 billion, 88% of these receipts coming from foreign-owned multinationals. These figures do not include EUR 14 billion one-off revenue that Ireland is collecting from Apple, to whom, according to the 10 September 2024 European Court of Justice ruling, Ireland unlawfully granted State aid. Most of the revenue resulting from this ruling was already transferred in 2024. Although revenues from corporate taxation are relatively high in Ireland, the average forward-looking effective tax rates on corporate income were 6.2 pps below the EU average in 2023 (12.7% in Ireland vs an EU average of 18.9%).

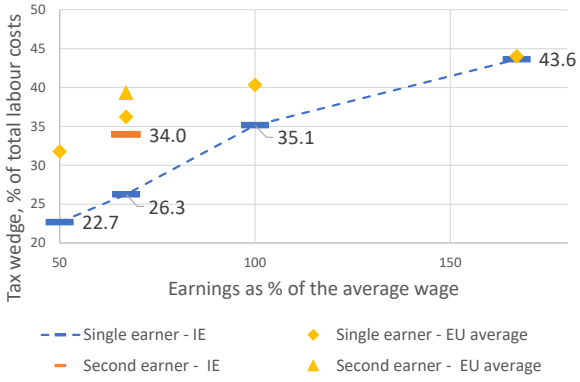
Graph A2.1: **Tax revenue shares in 2023**



Source: Taxation Trends Data, DG TAXUD

Ireland's labour-tax burden is very low, but labour taxation is more progressive. Ireland's share of labour taxes as per cent of GDP is not even half the EU average, and remains below the EU average when adjusted to GNI* (see Table A2.1 below). The labour-tax wedge for Ireland in 2023 was considerably below the EU average for average and lower wage levels (see Graph A2.2) ([45]). In addition, second earners at 67% of the average wage, whose spouses earn the average wage, were subject to a lower tax wedge than the EU average. However, these second earners were taxed more heavily than single people at the same wage level. The difference between the tax wedge for high-wage earners and low-wage earners (167% and 50% of the average wage) was among the largest in the EU, indicating the high progressivity of the labour-tax system. The Irish tax-benefit system's ability to reduce income inequality as measured by the Gini coefficient is the highest of all Member States (see Table A2.1).

Graph A2.2: **Tax wedge for single and second earners as a % of total labour costs, 2024**



The second-earner tax wedge assumes a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD, 2016, *Taxing Wages 2014-2015*.
Source: European Commission

The level of revenue raised from environmental taxation in Ireland is far below the EU average. Total environmental taxes amounted to EUR 4.4 billion in Ireland in 2022, equivalent to 0.9 % of its GDP (EU average: 2.0%). Energy taxes formed the largest component of environmental taxes, accounting for 0.5% of GDP, which is lower than the EU average of 1.6 %. Transport taxes, at 0.4 % of GDP, were around the EU average (0.4 %). Pollution and resources taxes account for only 0.4% of environmental taxes, not even 0.01% of GDP. There is therefore potential to strengthen the application of the 'polluter pays'

([45]) The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

principle. Ireland has only implemented two of the six main types of pollution and resources taxes (i.e. taxes on waste landfilling and plastic products). There is still scope for expanding waste-disposal taxes (including on incineration) and implement the four other types of environmental tax (i.e. taxes on NOx emissions, waste discharge into water, fertilisers and pesticides).

Ireland's 2025 budget introduced several tax measures to support workers, businesses and housing. On personal-income tax, several tax credits were increased by the budget, including the personal tax credit, the employee tax credit, the home carer tax credit, the single person child carer credit and the incapacitated child credit. Businesses tax credits and reliefs were also increased. Finally, to improve housing affordability for individual households, both the rental tax credit and mortgage-interest relief were increased, while the vacant-home tax was increased to stimulate usage or sales of vacant homes. In addition, the stamp duty for bulk purchases of residential properties was increased from 10% to 15%, aimed at curbing large-scale acquisitions of housing that limit housing availability for individual buyers.

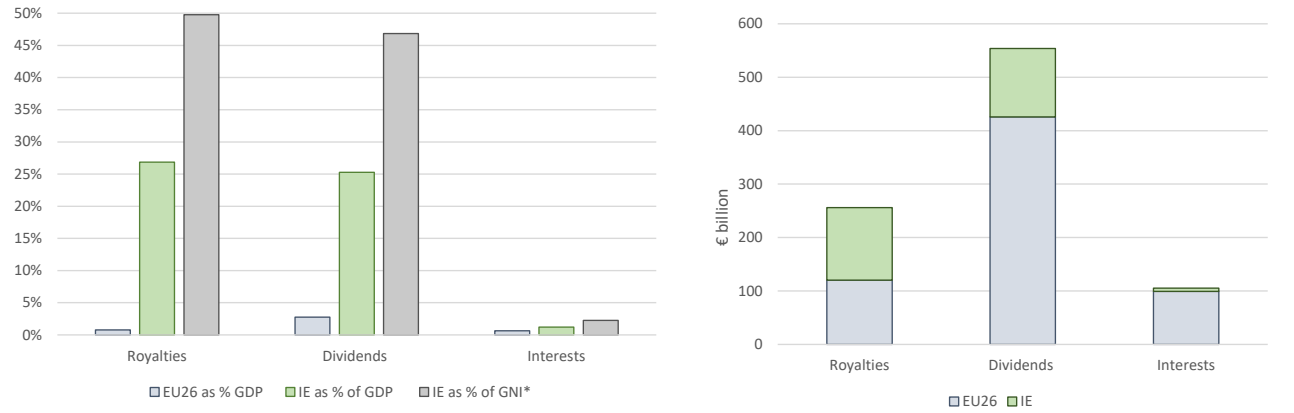
In addition, Ireland completed reforms under the Recovery and Resilience Facility that aimed to broaden the country's tax base and increase tax revenue. Those reforms included: (i) changing corporate residence rules, abolishing the possibility of being incorporated but not tax resident in Ireland ('Double Irish') from 2015 on (unless resident in a treaty partner country); and (ii) amending the calculation rules for capital allowances for intangible assets, which was implemented through the Finance Act 2020. On environmental taxation, the recovery and resilience plan (RRP) includes a measure to increase Ireland's carbon tax steadily by EUR 7.50 per tonne of carbon used yearly from 2021 onwards until 2025 (current level: EUR 63.50). It will be increased until EUR 100 by 2030.

Table A2.1: **Taxation indicators**

		Ireland					EU-27				
		2010	2021	2022	2023	2024	2010	2021	2022	2023	2024
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	27.8	20.1	20.3	21.9		37.8	40.2	39.7	39.0	
	Total taxes (including compulsory actual social contributions) (% of GNI)*	*32.6*	*37.7*	*39.6*	*38.5*						
By tax base	Taxes on labour (% of GDP)	12.2	8.5	8.4	9.2		19.8	20.5	20.1	20.0	
	Taxes on labour (% of GNI)*	*14.3*	*16.0*	*16.4*	*16.1*						
	of which, social security contributions (SSC, % of GDP)	5.1	3.1	3.1	3.4		12.9	13.0	12.7	12.7	
	of which, social security contributions (SSC, % of GNI)*	*5.9*	*5.8*	*6.0*	*6.0*						
	Taxes on consumption (% of GDP)	9.9	5.7	5.3	5.7		10.9	11.2	10.9	10.5	
	Taxes on consumption (% of GNI)*	*11.6*	*10.8*	*10.4*	*10.0*						
	of which, value added taxes (VAT, % of GDP)	6.0	3.7	3.7	4.0		6.8	7.3	7.4	7.1	
	of which, value added taxes (VAT, % of GNI)*	*7.0*	*7.0*	*7.2*	*7.0*						
	Taxes on capital (% of GDP)	5.7	5.8	6.6	7.0		7.1	8.5	8.7	8.5	
	Taxes on capital (% of GNI)*	*6.7*	*11.0*	*12.8*	*12.4*						
Some tax types	Personal income taxes (PIT, % of GDP)	8.7	6.5	6.3	6.8		8.6	9.6	9.4	9.3	
	Personal income taxes (PIT, % of GNI)*	*10.2*	*12.2*	*12.3*	*11.9*						
	Corporate income taxes (CIT, % of GDP)	2.4	3.4	4.4	4.7		2.2	2.9	3.2	3.2	
	Corporate income taxes (CIT, % of GNI)*	*2.8*	*6.5*	*8.5*	*8.3*						
	Total property taxes (% of GDP)	1.4	1.0	0.9	0.9		1.9	2.2	2.1	1.9	
	Total property taxes (% of GNI)*	*1.6*	*1.9*	*1.8*	*1.6*						
	Recurrent taxes on immovable property (% of GDP)	0.8	0.4	0.4	0.4		1.1	1.1	1.0	0.9	
	Recurrent taxes on immovable property (% of GNI)*	*0.9*	*0.7*	*0.8*	*0.8*						
	Environmental taxes (% of GDP)	2.5	1.1	0.9	1.0		2.5	2.4	2.1	2.0	
	Environmental taxes (% of GNI)*	*2.9*	*2.1*	*1.7*	*1.7*						
	Effective carbon rate in EUR per tonne of CO_2 equivalents	NA	60.2	NA	54.8		NA	86.0	NA	84.8	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	16.3	22.8	22.7	23.0	22.7	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	30.9	35.9	35.6	35.6	35.1	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	12.9	12.7	12.7	12.7		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	20.5	16.4	15.3	15.3		8.6	8.2	7.9	7.7	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		6.3	4.7				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		-1.1	1.6				6.6	7.0		

(1) Forward-looking effective tax rate (KPMG).
(2) A higher value indicates a stronger redistributive impact of taxation.
(*) EU-27 simple average.
(**) For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, https://data.europa.eu/doi/10.2778/2476549.
For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en.
Source: European Commission, OECD

Graph A2.3: **Outbound foreign direct investment (FDI) income payments from Ireland and the rest of the EU-27 relative to the size of their economies (in % of GDP and GNI*, left) and in absolute terms (EUR billions, right), 2022**



Source: CSO data, European Commission

To address aggressive tax planning (ATP), Ireland has reformed its laws on withholding taxes imposed on outbound interest, dividends and royalty payments. The Commission has long asked Ireland to prevent ATP.A19.1 Outbound payments remain very important for the Irish economy (Graph A2.3). In particular, Ireland has higher outbound royalty payments than the rest of the EU combined. Following Ireland's RRP, new legislation to prevent tax-free transfers of profits to non-EU countries via interest, royalty and dividend payments has been in effect since April 2024. This ensures that outbound payments to associated entities in certain jurisdictions are subject to withholding tax. These jurisdictions include those listed on the EU list of non-cooperative jurisdictions for tax purposes as well as zero-tax and no-tax jurisdictions. However, the new legislation does not apply where a bilateral tax treaty is in operation. If that is the case, additional monitoring will prevent non-taxation. Moreover, no low-tax jurisdictions (those where corporate-income-tax rates are between 0% and 9% ([46]) are included in the new legislation. Finally, the definition of associated entities does not include entities that are associated with the same individual or connected individuals. To rectify this, a new piece of legislation is expected to be passed in 2025. It would ensure that the definition includes entities associated with the same individual(s).

Legislation enacted by both Ireland and the US has enhanced efforts to tackle ATP in recent years. Firstly, Ireland amended company residence rules in 2013 and 2014. The reform stopped companies registered but not managed and controlled in Ireland from being used to shelter the profits of multinationals to from taxation. Secondly, the US in 2017 enacted the Tax Cuts and Jobs Act, which introduced a new top-up tax on non-US, low-taxed income deemed to have been derived from intangible assets. This legislation created a strong incentive for multinationals to re-locate intellectual property from tax havens all over the world back to the US. This has resulted in a significant change since 2020 in the destination of outbound royalty payments from Ireland, with the vast majority now going directly to the US.

Further progress has been achieved in digitalising Ireland's tax administration. The 2023 annual report on taxation shows that Ireland scores highly on filing tax electronically, with 100% and 97% of corporate-income and personal-income tax returns, respectively, being filed electronically (2020) ([47]). Ireland's VAT gap (an indicator of the effectiveness of VAT enforcement and compliance, where a low gap indicates high effectiveness) decreased to 6.7% in 2021 (partly due to COVID effects) but remained above the EU-wide gap of 5.4%.

([46]) In the EU, Hungary has the lowest corporate taxation rate (9%).

([47]) European Commission, Annual Report on Taxation 2023, p. 146.

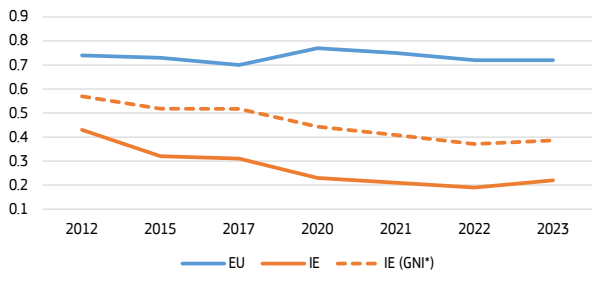
Ireland's research and innovation (R&I) performance remains strong but still faces challenges especially in the level of public R&D investment. The 2024 European Innovation Scoreboard ranks Ireland as a 'strong innovator', with performance at 113.2% of the EU average for 2024, which is above the average for strong innovators (111.3%). However, its performance lead over the EU is decreasing ([48]). Ireland's research intensity (expenditure on R&D as a percentage of GDP) reached 1.58% in 2023 due to an increase in business R&D, but public expenditure on R&D, at just 0.22% of GDP, is among the lowest in the EU. Ireland has however made significant progress in business digitalisation, performing above the EU average in several areas in line with its EU Digital Decade targets.

SCIENCE FOR INNOVATIVE ECOSYSTEMS

Although Ireland has a relatively well-developed science base, public R&D investment remains very low. Overall, Ireland is home to a strong science base, as illustrated by the share of scientific publications within the top 10% most cited. This is above the EU average (11.3% vs 9.6%) but has been declining slightly in recent years. The number of researchers employed by the public sector in terms of active population is also relatively high (5.4 per thousand of the active population vs an EU average of 4.2). International collaboration is illustrated by Ireland's increasing share of international scientific co-publications in terms of total publications, which is also above the EU average (66% vs 55.9%). However, this overall performance is put at risk by low R&D public expenditure (0.22% of GDP, 0.4% of GNI* ([49])), which is far below other countries with a similar level of economic development.

Strong research performance builds on a solid policy framework for R&I governance. Ireland's strategic goal for R&I involves a whole-of-government approach to promoting engagement between businesses, higher education institutions and research bodies, as well as with the wider community and internationally. Key elements include increasing Ireland's participation in European Research Area policy development, providing the government with expert-led, evidence-based scientific advice, advancing support for early career researchers and developing sustainable research infrastructures. The overall aim is to nurture a thriving R&I ecosystem ([50]). This builds on Impact 2030, Ireland's medium-term R&I strategy, which identifies the need for a resilient research base and aims to deliver system-wide impacts and add value to the activities of R&I performers and funders ([51]). Overall, most of Impact 2030's flagship initiatives are already in the course of being delivered ([52]). For example, a new funding agency for public research, Research Ireland, was established in 2024 and amalgamates the activities and functions of the Irish Research Council (IRC) and Science Foundation Ireland (SFI) ([53]).

Graph A3.1: **Public expenditure on R&D as % of GDP and GNI***



Source: Eurostat

([48]) European Commission, 2024, European Innovation Scoreboard, country profile: Ireland, ec_rtd_eis-country-profile-ie.pdf.

([49]) Modified Gross National Income (GNI*) largely excludes globalisation effects that distort GDP in Ireland.

([50]) Statement of Strategy 2023-2025 (pp. 21-22), gov.ie - Statement of Strategy 2023-2025.

([51]) Impact 2030: Ireland's research and innovation strategy (2022), gov.i.e. - Impact 2030: Ireland's Research and Innovation Strategy (www.gov.i.e.).

([52]) Impact 2030 Progress Report 2022-2023, Impact 2030: Ireland's Research and Innovation Strategy.

([53]) Research Ireland, Driving Innovation & Research Funding - Research Ireland.

BUSINESS INNOVATION

Ireland's business R&D has increased but challenges remain. Business enterprise expenditure on R&D in Ireland has increased significantly, mainly through a revision of data that increased business R&D investment to 1.36% of GDP in 2023. In terms of the innovation output of businesses, while patent applications in Ireland remain well below the EU average (1.1 vs EU average of 2.8 per billion of GDP in purchasing power standards), the share of employment in high-growth businesses is double the EU average (24.8% vs 12.5%). Overall, while there is significant high-tech employment, largely in sectors dominated by foreign-owned companies, and the increase in business R&D investment if sustained is welcome, weaknesses remain in the wider business R&I ecosystem that need to be addressed, such as a relatively low start-up rate (6.7% vs 8.9% EU average). Supporting closer economic links between generally foreign-owned larger firms and small and medium-sized enterprises (SMEs) across and within industries could help raise the productivity level of SMEs ([54]). Ireland would also benefit from participating in the unitary patent system, which offers important advantages in promoting innovation and boosting competitiveness ([55]).

Tax credits are an important tool for stimulating firm-level R&D investments in Ireland, but may not be as useful for supporting SMEs as direct funding instruments. Tax credits can be effective but, as highlighted in Ireland's current smart specialisation strategy, might not be as helpful to start-ups and innovative young firms in emerging sectors ([56]). While SMEs continue to constitute most claimants of the R&D tax credit, large firms dominate in terms of the overall cost of the credit and the size of individual claims. Further measures, e.g. increasing the scope for outsourcing research activities and expanding eligibility limits, could encourage greater SME engagement with the R&D tax credit ([57]). Increased use of direct funding instruments could also help to stimulate R&I and improve the productivity of firms, especially start-ups and SMEs.

R&D business expenditure in the ICT sector accounted for 42.98% of total R&D expenditure in 2021. Ireland excels in cloud computing adoption (53.1% vs 38.9%) and data analytics usage (37.1% vs 33.2%), demonstrating its leadership in advanced technologies. In 2024, it surpassed the EU average in AI adoption (14.9% vs 12.6%), while SMEs with at least a basic level of digital intensity accounted for 73.4% (EU average is 72.9%). To support digital transformation, Ireland is making use of its recovery and resilience plan and national initiatives. The Digital Transition Fund provides targeted funding to drive SME digitalisation, focusing on technology adoption and supply chain innovation. Additionally, Ireland is actively promoting innovation through four European Digital Innovation Hubs. They provide businesses with access to expertise and advanced technologies. Initiatives such as the SME Data Migration Pilot by Data2Sustain, managed by one of these hubs, focus on helping businesses transition to cloud-based storage systems, illustrating the operational impact of these hubs.

Business-science linkages in Ireland are well developed but display some weaknesses. The number of public-private scientific co-publications as a percentage of the total number of publications is above the EU average (9.6% vs 7.7% in 2023). However, researchers employed by businesses per thousand of the active population is below the EU average (4.9% vs 5.7%). Ireland has a wide range of actions designed to improve business-science linkages such as direct support schemes including innovation vouchers, technology centres that develop interactions with companies for knowledge transfer and the flagship Disruptive Technologies Innovation Fund. Also, the Knowledge Transfer Boost ([58]) and Technology Gateways ([59]) programmes, supported by EU cohesion funding, are designed to improve knowledge transfer

([54]) OECD Economic Survey Ireland 2022 (pages 39-40) OECD Economic Surveys: Ireland 2022 | OECD.

([55]) Ireland is expected to join by ratifying the Unified Patent Court Agreement, which it has already signed.

([56]) National smart specialisation strategy for innovation 2022-2027 (p. 79) national-smart-specialisation-strategy-for-innovation-2022-2027.pdf (enterprise.gov.ie).

([57]) National Competitiveness and Productivity Council, Ireland's Competitiveness Challenge 2024 (pages 90-92) Ireland's Competitiveness Challenge 2024 - Competitiveness.

([58]) KT Boost - Knowledge Transfer Ireland.

([59]) Enterprise Ireland Technology Gateway Network

outputs across the R&I ecosystem. The 2023 Annual Knowledge Transfer Survey reveals positive trends, including in R&D collaborative projects, licensing, the creation of spin-offs and new R&D consultancy agreements ([60]).

FINANCING INNOVATION

The availability of risk capital in Ireland falls slightly short of the EU average. In 2023, the value of private equity investments amounted to 0.2% of GDP, falling below the EU average of 0.4%, as it did in most of the previous years. On the other hand, Ireland performed better on venture capital investments, registering 0.4% of GDP in 2023, just below the EU average of 0.5%, and achieving higher relative values than in some of the previous years.

INNOVATIVE TALENT

Skills in the domain of R&I are relatively strong and continue to be developed. Ireland's National Skills Strategy includes a number of objectives relating to R&I such as increased support for postgraduate researchers to address demand in the economy, and growing support for the bilateral exchange of researchers between academia and industry ([61]). This can build on existing strengths such as the share of new graduates in science and engineering per thousand of the population, which is significantly above the EU average (26.5 vs 17.6), and graduates in the field of computing, which is nearly four times above the EU average (12.3 vs 3.6).

Entrepreneurship education is a key objective in Irish national policy, although further integration is needed in higher education. Entrepreneurship education is integrated into the curricula, for instance generally in secondary schools or as a separate subject in secondary business studies or in higher education courses. Nevertheless, the integration of entrepreneurship in higher education across different courses is still limited, though efforts to boost this area are underway. Additionally, implementing innovative pedagogies and a more systematic evaluation of entrepreneurship skills and the impact of education could boost this area.

([60]) Knowledge Transfer Ireland, Annual-Knowledge-Transfer-Survey-2023.pdf.

([61]) Ireland's National Skills Strategy 2025, gov.ie - Ireland's National Skills Strategy.

Table A3.1: **Key innovation indicators**

Ireland	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
Headline indicator									
R&D intensity (GERD as % of GDP)	1.55	1.21	1.12	1.07	1.53	1.58	:	2.24	3.45
R&D intensity (GERD as % of GNI*)	2.13	2.02	2.16	2.08	2.99	2.77	:	:	:
Public science for robust innovative ecosystems									
Public expenditure on R&D as % of GDP	0.43	0.31	0.23	0.21	0.19	0.22	:	0.72	0.64
Public expenditure on R&D as % of GNI*	0.59	0.52	0.44	0.41	0.37	0.39	:	:	:
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	12.5	11.6	11.3	11.3	:	:	:	9.6	12.3
Researchers (FTE) employed by public sector (Gov+HEI) per thousand active population	5.8	5.2	5.4	5.5	6	5.4	:	4.2	:
International co-publications as % of total number of publications	51.6	59.6	63.2	63.9	64.7	66.1	:	55.9	39.3
Business innovation: Investment & researchers employed									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.11	0.9	0.89	0.86	1.34	1.36	:	1.49	2.7
Business enterprise expenditure on R&D (BERD) as % of GNI*	1.53	1.50	1.71	1.67	2.61	2.38	:	:	:
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	:	0.33	:	0.32	:	:	:	0.40	0.30
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GNI*	:	0.55	:	0.62	:	:	:	:	:
Researchers employed by business per thousand active population	4.2	5.5	5.8	5.0	4.7	4.9	:	5.7	:
Business innovation: Innovation outputs									
Patent applications filed under PCT per billion GDP (in PPS€)	2.3	1.7	1.7	1.2	1.1	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	14.01	24.74	:	:	:	:	:	12.51	:
Business innovation: Technology performance and diffusion									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	74.05	:	73.38	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	37.09	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	47.39	:	53.07	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	7.88	:	8.01	14.9	13.48	:
Business innovation enablers: Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	8.9	10.1	9.3	9.00	9.3	9.6	:	7.7	8.9
Public expenditure on R&D financed by business enterprise (national) as % of GDP	0.008	0.010	:	0.007	:	:	:	0.050	0.020
Public expenditure on R&D financed by business enterprise (national) as % of GNI*	0.011	0.017	:	0.014	:	:	:	:	:
Business innovation enablers: Public support for business innovation									
Total public sector support for BERD as % of GDP	0.226	0.194	:	0.202	:	:	:	0.204	0.251
Total public sector support for BERD as % of GNI*	0.311	0.324	:	0.393	:	:	:	:	:
R&D tax incentives: foregone revenues as % of GDP	0.159	0.145	0.172	0.168	0.222	:	:	0.102	0.141
R&D tax incentives: foregone revenues as % of GNI*	0.219	0.242	0.331	0.327	0.433	:	:	:	:
Business enterprise expenditure on R&D (BERD) financed by the public sector (national and abroad) as % of GDP	0.066	0.049	:	0.034	:	:	:	0.100	0.110
Business enterprise expenditure on R&D (BERD) financed by the public sector (national and abroad) as % of GNI*	0.091	0.082	:	0.066	:	:	:	:	:
Business innovation enablers: Financing innovation									
Venture Capital (market statistics) as % of GDP, Total	0.038	0.049	0.07	0.051	0.064	0.055	:	0.078	:
Venture Capital (market statistics) as % of GNI*, Total	0.052	0.082	0.135	0.099	0.125	0.096	:	:	:
Seed stage funding share (% of Total VC)	1.4	17.6	5.2	5.6	6.3	7.8	:	7.3	:
Start-up stage funding share (% of Total VC)	57.1	54.5	59.4	69.5	58.0	54.0	:	44.0	:
Later stage funding share (% of Total VC)	41.4	27.9	35.3	24.9	35.7	38.2	:	48.7	:
Business innovation enablers: Innovative talent									
New graduates in science and engineering per thousand population aged 25-34	19.2	20.0	25.6	26.2	26.5	:	:	17.6	:
Graduates in the field of computing per thousand population aged 25-34	2.4	8.7	12.4	12.4	12.3	:	:	3.6	:

(1) EU average for the last available year or the year with the highest number of country data.

Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database and EPO's Patent Statistical Database), Invest EU

Ireland's economic prosperity is intricately linked to the multinational sector's growth, which has slowed alongside the global economy. The current geopolitical landscape and rising protectionist industrial policies could pose considerable challenges for Ireland's key sources of foreign direct investment (FDI). Ireland's new government programme contains several important initiatives focused on competitiveness and SMEs. If implemented, they would have an important impact on challenges in this annex.

Economic framework conditions

Ireland's corporation tax receipts are heavily concentrated and therefore risky. The top three companies account for 38% of total corporation tax revenue ([62]). According to the Fiscal Council, extraordinary corporation tax receipts are keeping the public finances in surplus. Even when the Apple case money is excluded, corporation tax receipts have almost tripled since 2019 and is expected to account for 29% of total tax revenue in 2024. Over 92% of inward FDI came from the USA in 2024([63]) and this remains heavily focused on the digital and electronics, and health (pharmaceuticals) sectors. A hit to these key sectors could therefore have a massive impact. Several factors affect Ireland's attractiveness to foreign investors but maintaining a competitive cost of doing business and supportive regulations are key to Irish competitiveness.

Firms operating in Ireland have a positive investment outlook. 21% of firms were expecting to increase investment in 2024 (higher than the EU average 14%). The most frequently mentioned long-term barriers to investment are energy costs (91%), availability of skilled staff (91%) and uncertainty about the future (70%) ([64]). Infrastructure gaps are also a barrier as they increase costs for businesses. Housing shortages can be a barrier to enterprises, raising accommodation costs and wages.

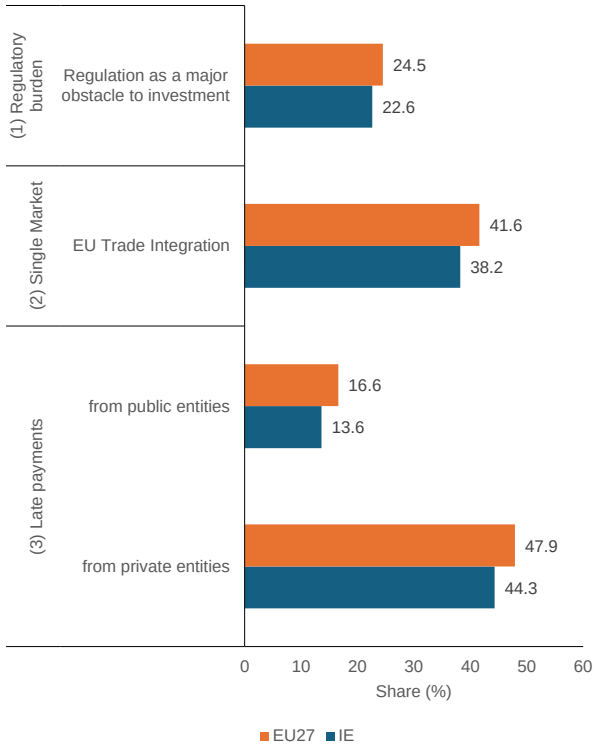
Labour shortages and high energy costs are hampering SMEs. Ireland allocates less funding than other advanced economies to support SMEs and young firms, dedicating only 0.02% of GDP to these areas (compared with the benchmark of 0.25%) ([65]) ([66]).

Ireland has made significant advances in digital connectivity. Efforts are focused on achieving the EU Digital Decade targets ([67]), although deployment of mid-band 5G and cybersecurity adoption remain areas for improvement. Coverage of fibre to the premises (FTTP) increased to 78.5% in 2023 (above the EU average of 64%). Rural FTTP coverage also improved, reaching 62.7% (the EU average was 52.7%). Ireland's national broadband plan, which was supported by the recovery and resilience plan (RRP), facilitated the connection of over 205 000 premises in 2023, including ten islands and many underserved areas. Under the same plan, very high-capacity network (VHCN) coverage reached 87% (the EU average was 78.8%) and 5G coverage reached 85.3% (the EU average was 89.3%). Progress in deploying 5G on the 3.4-3.8 GHz spectrum band has been slower (from 56% in 2022 to 56.6% in 2023) and this has limited the delivery of ultra-high-speed mobile services.

Enterprises' awareness of cybersecurity remains an area of focus. The percentage of enterprises that reported ICT security-related incidents leading to unavailability of ICT services due to attacks from outside (e.g. ransomware and denial of service attacks) fell from 2% in 2022 to 1.22% in 2024. However, the percentage of enterprises implementing at least one ICT security measure (86.2%) was below the EU average (92.8%). 69.2% of enterprises have policies to make employees aware of ICT security obligations (above the EU average of 59.97%). Ireland's National Cyber Security Strategy includes initiatives to strengthen the National Cyber Security Centre and establish a Counter-Ransomware Task Force to increase resilience and address vulnerabilities.

([62]) Understanding Ireland's Top Corporation Taxpayers – Irish Fiscal Advisory Council.
([63]) Commission sources.
([64]) EIB Investment Survey Country Overview 2023-Ireland.
([65]) OECD, Quantifying Industrial Strategies (QuIS), benchmarking countries.
([66]) Irish GDP is distorted by the presence of multinationals.
([67]) The Digital Decade Policy Programme sets out a pathway for the EU's digital transformation, including commitments from Member States to common objectives and digital targets by 2030.

Graph A4.1: **Making Business Easier: selected indicators.**



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) SMEs.
Source: (1) EIB IS, (2) Eurostat, (3) SAFE survey.

Regulatory and administrative barriers

Ireland has a competition-friendly regulatory framework, ranked 4th in the 2024 IMD World Competitiveness Report. This was a slight decline from 2023 (2nd) but an improvement on 2022 (11th). Challenges remain in infrastructure delivery, primarily due to planning bottlenecks, with Ireland ranking 17th for overall infrastructure and 38th in basic infrastructure. Regulatory obstacles hinder entrepreneurial activity and innovation, particularly in the service sector.

Increasing legal costs and lengthy proceedings affects business confidence. Companies trust Ireland's legal system but have concerns regarding both prolonged court proceedings, partly due to pandemic related backlogs, and increasing legal costs. Low digitalisation and fragmented information systems hinder court performance ([68]).

The percentage of firms experiencing material supply constraints was much higher than the EU average in 2023 (40.8% vs 17%). The main concerns relate to labour shortages, with 37.5% of Irish firms reporting constraints (compared with 20% in the EU). This phenomenon is particularly prevalent in the construction sector. This along with the escalating costs of construction materials (particularly timber, concrete and cement, and steel) are severely impacting Ireland's housing market, which is characterised by high demand and insufficient supply.

Single Market

Ireland can further integrate into the Single Market. Over the past five years, Irish intra-EU trade has consistently been below the EU average, comprising about 36% of its GDP (63% of GNI* and EU 43%). While Ireland outperforms many EU Member States in service integration (17% compared to the EU average of 15%), intra-EU trade in goods constituted only 18% in 2023, compared with the EU average of 28%. 2024 SAFE data indicate that 65% of exporting SMEs export to the euro area (below the EU average of 89%). By contrast, 82% of Irish exporting SMEs export to the UK and 83% to North America.

Ireland implements Single Market rules more than the EU average. The transposition deficit for Single Market directives (i.e. directives not transposed into national legislation on time) and the conformity deficit (i.e. directives that are wrongly transposed) are both better than the EU average. In 2024 the number of infringement proceedings related to Single Market issues (20) was lower than the EU average of twenty-four. Ireland resolved 88.9% of the SOLVIT cases it managed as the lead centre in 2024 (the EU average was 84.9%).

([68]) For more information, please see the annex on effective institutional framework.

Public procurement

Competition in public procurement is healthy in Ireland. The share of direct awards is significantly below the EU average (1% vs 8%) and so is the share of single bids (16% vs 29%). The Irish government's long-term vision for public procurement is to enable sustainable, innovative, transparent, and cost-effective public procurement. This is to be aided via a new national public procurement strategy prioritising procurement aimed at minimising environmental impact and increasing the delivery of community benefit, supporting innovation and SME participation in public procurement, and enabling Ireland's transition to the circular economy.

Digital public procurement in Ireland is at a promising stage of development. A recent OECD study concluded that the state of digital public procurement in Ireland shows promising future ([69]). This includes the mature use of an e-procurement system for the tendering phase of the procurement lifecycle, as well as a supportive policy framework that encourages the use of data and the digital transformation of government processes and services. There are gaps in areas like the pre-tender and post-tender phases and the use of data across the procurement system. The adoption of socially responsible public procurement remains limited. There is no unified national approach, methodology or tool to monitor the social impacts of procurement.

Access to finance – scale-up

Finance remains a significant cost for businesses, particularly SMEs. The cost of borrowing for Irish business has long been above the euro area average and one of the highest in the EA ([70]). There are now only three fully operating banks in the market following the exit of Ulster Bank and KBC, so there are fewer financing options for SMEs and the lack of competition may further push up borrowing costs. Demand for bank financing has been on a downward trend year on year over the past decade, falling from a peak of 39% in 2012 to 18% by the end of 2023 ([71]). The contraction in traditional financing demands on the part of SMEs has partly been compensated by the government's wide-ranging support through agencies such as Enterprise Ireland and the Strategic Banking Corporation of Ireland (SBCI) increasingly, through a growing non-banking finance market.

Irish SMEs suffer from late payments. Around 42% experienced late payments in the last six months and payment delays of over two weeks (from both public (18 days) and private (16 days) sources). Delays in payments to Irish business can hamper their ability to operate and invest in the future. On average, there is a gap of 14 days for business-to-business payments and 17 days for payments from the public sector (both are longer than the EU average of 15.6 and 15.1 days).

([69]) The Digital Transformation of Public Procurement in Ireland: A Report on the Current State | OECD Public Governance Reviews | OECD iLibrary.

([70]) ECB Dashboard https://data.ecb.europa.eu/data/datasets/MIR/dashboard.

([71]) gov.ie - SME Credit Demand Survey – January 2023 – December 2023.

Table A4.1: **Making Business Easier: indicators.**

Ireland							
POLICY AREA	**INDICATOR NAME**	**2020**	**2021**	**2022**	**2023**	**2024**	**EU-27 average**
Investment climate							
Shortages	Material shortage, firms facing constraints, %[1]	13.6	38.5	52.0	40.8	-	10.0
	Labour shortage, firms facing constraints, %[1]	9.2	24.8	46.8	37.5	-	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied)[2]	0.7	1.3	1.6	1.1	1.0	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle[3]	8.1	13.8	16.8	12.3	12.1	13.4
	VHCN coverage, %[4]	-	78.3	83.8	87.0	-	78.8
	FTTP coverage, %[4]	-	62.2	72.1	78.5	-	64.0
	5G coverage, %[4]	-	72.1	83.9	85.3	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle[3]	13.4	18.4	8.8	13.4	22.6	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[5]	16.0	13.8	13.9	14.7	14.0	15.6
	Payment gap - public sector, difference in days between offered and actual payment[5]	25.5	11.4	18.5	17.9	17.4	15.1
	Share of SMEs experiencing late payments, %*[6] — from public or private entities in the last 6 months	39.3	34.9	38.6	42.6	-	-
	Share of SMEs experiencing late payments, %*[6] — from private entities in the previous or current quarter	-	-	-	-	44.3	47.9
	Share of SMEs experiencing late payments, %*[6] — from public entities in the previous or current quarter	-	-	-	-	13.6	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP[2]	31.6	33.1	36.3	36.4	38.2	41.6
	EEA Services Trade Restrictiveness Index[7]	0.042	0.042	0.042	0.042	0.046	0.050
Compliance	Transposition deficit, % of all directives not transposed[8]	1.3	2.2	1.2	0.5	0.4	0.8
	Conformity deficit, % of all directives transposed incorrectly[8]	1.3	1.2	1.6	1.5	0.8	0.9
	SOLVIT, % resolution rate per country[8]	87.0	87.0	91.9	87.0	88.9	84.9
	Number of pending infringement proceedings[8]	23.0	18.0	22.0	23.0	20.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors**[8]	14	15	21	16	16	-
	Direct awards, %**[8]	2	4	1	1	1	7.0

*Change in methodology in 2024: reporting late payments from public and private entities separately.
**Data on single bids for 2024 is provisional and subject to revision. Please note that approximately 98% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.
Source: (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).

Ireland is an important financial centre mediating international capital flows. Its financial institutions can be grouped into: (i) those that have an international focus such as investment banks, money-market funds and investment funds; and (ii) those that cater to Irish businesses and households. Overall, Irish businesses appear to be content with their access to finance. Irish businesses have deleveraged substantially since the financial crisis in 2008, and more than half of Irish SMEs recently reported not having any bank debt. The Irish stock exchange is a global hub for bond and fund listings, but the number of equity listings is small as many Irish companies have chosen to list overseas instead of in their home market. Households' level of direct participation in financial markets is low, as they hold most of their financial wealth in insurance and pension funds. Growth capital for investments in innovative companies is slightly less available than in the EU on average. Financial literacy is above EU average but could be improved in certain parts of the population. The government published its National Financial Literacy Strategy for Ireland in February 2025.

Availability and use of domestic savings

Ireland has been net exporter of capital since 2021. Ireland's saving and investment balance, which is equal to the current account, stood at 6.4% of GDP in 2023, showing that Ireland's aggregate savings exceeded domestic investment needs and the surplus had to be invested overseas. While Ireland's aggregate gross private savings rate averaged 32% relative to GDP in the last decade, the net savings rate after deducting capital depreciation, stood at 8.3% of GDP. Private investment was exceptionally strong in 2019 thanks to a temporary spike in investments of intellectual property, it but fell sharply thereafter as the pandemic curtailed construction activity and severely impacted the aircraft leasing business, which is very important for Ireland. Depreciation of the capital stock even exceeded overall investments in 2021 and 2022 and net investments turned negative, before recovering tepidly to single digits in 2023. Government finances delivered a surplus over the most recent years contributing positively to total national savings.

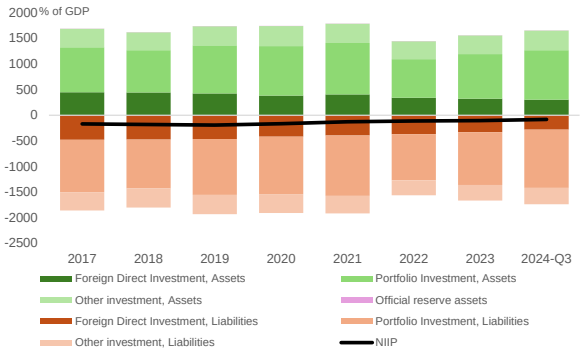
Graph A5.1: **Net savings-investment balance**



Source: AMECO

Despite recent improvements, Ireland maintains an overall negative net international investment position (NIIP). Due to strong investment inflows, Ireland accumulated a deeply negative NIIP, hitting -190.6% of GDP in 2019. Since then, the NIIP has improved significantly to -82.5% in 2024, thanks to the current account surpluses in the most recent years. Most of the foreign investment in Ireland comes as portfolio investment with an outstanding balance of 11-times GDP. The country's NIIP is heavily influenced by the activities and balance sheets of multinational companies and the country's position as a major financial centre. Most of the constituent entities have limited links to Ireland's domestic economy, which in turn reduces domestic exposure and vulnerabilities.

Graph A5.2: **International investment position**



Source: ECB

Structure of the capital markets and size of the financial sector

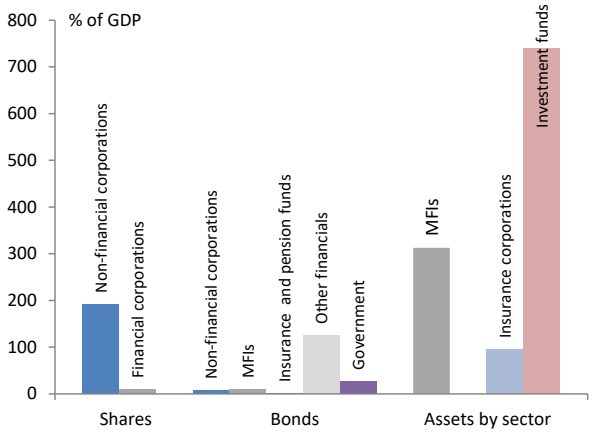
In recent years, Ireland has emerged as a significant international financial centre, particularly for investment banks, money-market funds, and investment funds. Many of the Ireland-based financial institutions have therefore only limited exposures to the Irish economy. Their assets and liabilities are located outside Ireland and they offer services on a cross-border basis. Ireland's non-bank financial sector has grown rapidly over the past years, reaching an asset volume of roughly EUR 6.1 trillion in assets in mid-2024. The sector is composed of a diverse set of institutions: investment and money market funds, securitisation and non-securitisation vehicles, as well as other financial institutions, which are mainly treasuries of non-financial corporations.

Euronext Dublin, formerly known as the Irish Stock Exchange, has only a small number of stock listings, but is an important trading venue for debt securities and investment funds. The Dublin Stock exchange became part of the Euronext group in 2018 ([72]). Euronext Dublin has established itself as the largest listing venue for bond and fund listings in the world. Its stock market itself is quite small. The number or companies listed has been declining over recent years and only 29 companies had their equity listed on Euronext Dublin in March 2025. Many Irish companies have chosen to list abroad, in many cases in third countries in the expectation that this would facilitate market access. The outstanding listed equity – domestically or abroad - of Ireland's non-financial corporations amounted to 192.2% of GDP in 2023.

Resilience of the banking sector

The Irish banking sector consists of a small number of retail and international investment banks, which have two different business models. Ireland has two types of banks: internationally-oriented investment banks, and retail banks serving the domestic market. About half of the banking sector's assets are held by the three retail banks that cater to Ireland's domestic clients. Ireland's investment banks, on the other hand, have a very different risk profile. Their clients are mainly large multinational corporations, whom they serve from their Irish base. They also serve the country's investment-fund industry by providing custody, fiduciary and post-trading services. The sector has grown significantly over the past years, also as those institutions looked for a new EU footing after the UK left the EU. By nature of their business, they have a very low NPL ratio (1.1%).

Graph A5.3: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO

Irish retail banks have successfully worked out most of their legacy non-performing exposures (NPEs) since the financial crisis, and lowered their non-performing loan (NPL) ratios to the EU average. The financial crisis of 2008-2012 left Irish banks with large stocks of NPLs, but these have largely been worked out by now. After the retail banks' NPL ratio peaked at 31.9% in 2014-Q1, they reduced their NPEs mainly through portfolio sales and securitisations. By the end of 2024 their NPL ratio had dropped to 1.9% ([73]), 0.5ppt lower than a year earlier and also below the EU-average of 2.0%. NPLs on household loans stood at 2.2%, after steady declines in

([72]) Euronext maintains seven exchanges, four securities depositories and one clearing house, and a single trading system that works across all markets.

([73]) The aggregate NPL ratio for the entire sector and all lending segments stood at 1.2% compared with an EU average of 1.9%. Thanks to their business model, investment banks have generally very low NPL ratios.

earlier years due mainly to sales and restructurings. Loans to non-financial corporations (NFCs) were affected severely by the pandemic, but asset quality improved over the course of 2023, with NPLs declining from 5.5% at end-2022 to 3.9% at in Q3 2024 vs EU-average of 3.6%. Provisioning levels of 31.4%, although recently increasing, remain below the EU average of 42.4% in September 2024, especially for NFCs. These lower provisioning levels can partly be attributed to the higher proportion of loans secured by collateral and the more prevalent use of calendar provisioning, i.e. deducting expected future losses directly from regulatory capital, rather than increasing reported provisions.

The rise in interest rates helped domestic retail banks to increase interest margins and significantly improved their profitability in 2023 and 2024. Aggregate profits increased to EUR 4.0 bn in 2024, from EUR 1.87 bn a year earlier. Annualised return on equity reached 14.1% in the year to September 2024, exceeding the already buoyant returns of 12.4% in 2023. Meanwhile, the annualised return on assets was 1.3%, compared to 1.2% in 2023. Improved profitability was largely thanks to Improved higher net interest income, which grew by EUR 0.2 bn to EUR 8.3 bn in 2024, driven by larger loan volumes and widening lending margins, and the large amount of excess liquidity held on deposit with the ECB. Net fee and commission income also grew, while operating costs rose at a much slower pace than revenues. The increase in operating costs can largely be attributed to staff expenses but banks also reported the highest loan loss provisions since 2020. The profitability outlook appears less bright given the potential pressure of higher deposit rates and the risk of adverse credit developments. Banks' capacity to effectively curb their structural costs will be critical for ensuring sustainable future profitability, especially in a lower interest rate environment. (A5.1).

The quality of mortgages remains solid, but the commercial property sector continues to face strong headwinds. The Irish residential property market remains very tight, with supply shortages supporting house prices and thus mitigating banks' risks on outstanding mortgages. However, the increase in interest rates of the past two years has weakened many borrowers' debt-servicing capacity. In contrast, the commercial real estate (CRE) sector, offices in particular, is still squeezed amid subdued demand, with offices recording price drops of over 15% in 2023. Irish banks' CRE loan book is worth EUR 16.3 bn compared to EUR 101.7 bn for the residential real estate sector. It represents 31% of exposures to NFCs, and its share of stage 2 loans rose to 40% at the end of 2023 from 34% the previous year, while the share of stage 3 loans increased to 7% from 6%. CRE loans have been granted under more conservative lending standards than before the global financial crisis, which should limit banks' losses in case of borrowers' defaults.

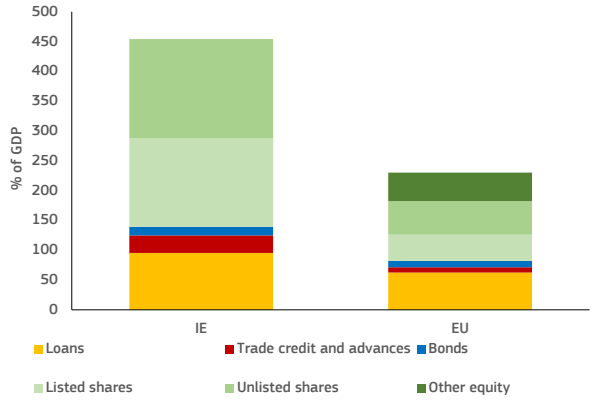
The Central Bank uses the countercyclical capital buffer (CCyB) and the other systemically important institutions (O-SII) buffer as its main macroprudential capital tools. The Central Bank published its framework for macroprudential capital in June 2022, after drawing lessons from developments over the last decade, including the pandemic. The Central Bank decided to use the CCyB as the primary macroprudential buffer against macro-financial risks, while the systemic risk buffer will not be activated. The Central Bank targets a 1.5% rate for the CCyB on Irish exposures when risks are neither elevated nor subdued. Since June 2024 the applicable CCyB is set at said rate of 1.5%. In addition, the Central Bank uses the O-SII buffer for all systemically- important institutions. Six banks are currently classified as O-SII and need to fulfil additional capital requirements between 0.5% and 1.5%. The Central Bank also has a number of mortgage measures in place to ensure sustainable lending standards in the mortgage market.

Resilience of non-bank financial intermediaries

Ireland is the second largest domicile for investment funds in the EU. Irish-based investment funds held EUR 4.6 trillion in assets in November 2024. About two thirds of these assets are held by UCITS funds and one third by AIFs. This sector (UCITS funds and AIFs) includes: (i) equity funds; (ii) bond funds; (iii) mixed funds that hold both equities and bonds; (iv) hedge funds; (v) real-estate funds; and (vi) other funds. In Ireland, the largest group in the 'other' category are liability-driven-investment funds, which are typically pension funds. Although the fund industry is a significant employer in Ireland, global asset-management groups with fund ranges registered

in Ireland operate under a delegation model. This means that the key investment-management functions are handled from the groups' main asset-management centres, usually outside the country, rather than taking place in the fund domicile itself. Moreover, the funds invest globally and have very few investments in Ireland. Looking at the asset exposures for funds broken down by investment type, the largest funds are equity funds, with EUR 1 869 bn, the second largest group is made up of fixed-income funds with a total value of EUR 1 139 bn, and the third largest is comprised of mixed funds with EUR 289 bn under management.

Graph A5.4: **Composition of NFC funding as a % of GDP**



The sum of NFC liabilities only reflects the total for the NFC liabilities considered. Reference period 2023.
Source: Eurostat and DG FISMA E2 calculations

Irish property funds have close links with the Irish economy and are highly leveraged. A subset of investment funds with close links to the Irish economy are Irish property funds, which hold properties worth about EUR 29 bn, either directly (EUR 22.5 bn) or indirectly (EUR 6.5 bn). Property funds also have the lowest liquidity of all fund types. In November 2022, the central bank of Ireland introduced a 60% leverage limit for Irish property funds, which all property funds must meet by 2027. At end-2022, Irish property funds had around EUR 6.5 billion in outstanding bank debt, accounting for 36% of their total leverage, exposing banks to developments in this sector.

Ireland has become an important hub for insurance companies that do business with the rest of the EU from their Irish base. This explains the large size of the insurance sector relative to Ireland's GDP (assets of EUR 489 bn or equivalent to 95.6% of GDP vs an EU average of 55.3% of GDP in Q4-2023).

Sources of business funding and the role of banks

Many multinational non-financial corporations (NFCs) use Ireland as their European base. Many non-European companies have chosen Ireland as their European headquarters, benefiting from: (i) a business-friendly environment and corporate tax code; (ii) use of the English language; and (iii) a skilled work force. This explains the outsized balance sheet of the NFC sector of 4.5 times GDP, and the large share of unlisted equity (36%) on the liability side of the aggregate balance sheet compared with an EU average of 24.5%. Loans also play a significant role in corporate funding, but less so than at EU level, with loans accounting for 21% of Irish firms' balance sheets, vs an EU average of 27.2%. Listed shares accounted for 32.8% of funding sources in 2023, compared with an EU average of 27.2%, (see Graph A5.4). Ireland's high market-funding ratio of 87.4% masks a sharp distinction between multinational corporations, which can easily source financing in capital markets, and indigenous companies, predominantly SMEs that rely almost exclusively on bank loans.

The credit demand of Irish companies has been lacklustre over the past 10 years amid elevated interest rates. Since the financial crisis in 2008, Ireland's business sector has been deleveraging, and outstanding loans to Irish businesses (excluding financial intermediation) have been trending lower. In September 2024, these outstanding loans stood at EUR 34.4 billion, compared to EUR 174 477 in September 2008. The same declining trend has been observed for the subgroup of SME loans, shrinking to EUR 16. 9 billion in September 2024, from a peak of EUR 61 019 in March 2012. About half of Irish SMEs report not having any debt at all. At the same time credit to non-Irish resident enterprises grew. In this context, it is important to note that lending rates for business loans – and in particular for SMEs – have in the recent past been higher than in most other EU countries. The reasons for this are linked to the experience of the Irish banking crisis in 2008-2010. The interest rate for corporate loans of a size of up to EUR 1 million

stood at 5.32% in November 2024, compared with a euro area average of 4.73%.

Surveys suggest that Irish companies are content with their access to external finance. According to the 2024 EIB Investment Survey, 80% of investments by companies in Ireland was financed internally or from intra-group sources, compared with an EU average of 75%. At the same time, 80% of Ireland's firms believed that their investment activities over the previous three years were at about the right amount, a view shared by 80% of EU firms on average. Only 17% of Irish firms said they had invested too little over this period, although this was greater than the EU average of 14%, suggesting that there could be a financing gap relative to investment demand in Ireland. According to the same survey, the share of finance-constrained firms is around 10% and thus above the EU average of around 7%. The most important reason cited by these firms for being finance-constrained is receiving smaller loan amounts than they had applied for. For SMEs specifically, in the last SAFE Access to Finance Survey, the share of Irish SMEs reporting that access to finance was a constraint for them was 6%, which is in line with the EU average.

In addition to banks, non-bank lenders have become significant suppliers of credit for Irish companies, especially for SMEs active in the real-estate sector. Non-bank lenders are a diverse set of institutions, with the most significant types being asset-finance providers, specialist property lenders, and general lenders. Specialist property lenders have the largest share of non-bank lending in Ireland and lend exclusively to real-estate companies, implying that these specialist lenders are taking on greater concentration risk. Based on new data derived from Ireland's Central Credit Register (CCR) at the end of 2022, non-bank lenders held EUR 7.7 billion of loans to Irish SMEs. The share of non-bank lending to SMEs declined in 2022 as interest rates began to rise and non-bank lenders faced funding issues given their reliance on wholesale funding (non-bank lenders do not have any depositors who could help fund non-bank lending). However, the share of new lending to SMEs by non-banks stabilised at 35% of all new lending to SMEs in Q3 2023. Non-bank lenders have been shown to stimulate competition with retail banks, leading to lower borrowing costs and greater volumes of external financing for companies. Non-bank lenders have also made inroads into the mortgage market. In December 2024, banks accounted for approximately 80% of the total outstanding value of home loans, while non-bank lenders accounted for 20%.

The participation of retail investors in capital markets

Irish households' participation in financial markets is dominated by insurance products. Average financial household wealth in Ireland is estimated at EUR 98 000 and thus above the EU average of EUR 80 300. Households' largest holdings are deposits, insurance funds and pension funds. Although households have higher debt levels than in the EU on average, this is matched by their larger cash holdings. The share of their wealth that Irish households hold in financial instruments, namely investment funds, listed equities and bonds, is only 3.8%, falling far below the EU average of 23.2%. Despite Ireland's outstanding role as a fund centre, Irish households' holdings of investment funds are unusually low, accounting for less than 1% of the aggregate household balance sheet, compared with an EU average of 10.0%. This could be linked to the tax treatment of fund investments; an exit tax of 41% is applied on gains from investment funds and life assurance policies. Further a "deemed disposal rule" crystalises unrealised gains every eight years in order to prevent indefinite gross roll-up and deferral of exit tax. Further, financial advice in Ireland is heavily geared towards insurance product which explains the large share of this type of investment in the household balance sheet.

The role of domestic institutional investors

Ireland hosts the fifth largest insurance sector in the European Economic Area by assets. Investment funds accounted for 44.0% of these insurers' portfolios. Of these investment funds, 39.4% were equity funds, 23.0% were debt funds, 19.9% were asset allocation funds, and only 0.5% were private-equity funds. The remaining 56% of the insurers' portfolio that is not invested in investment funds is split between

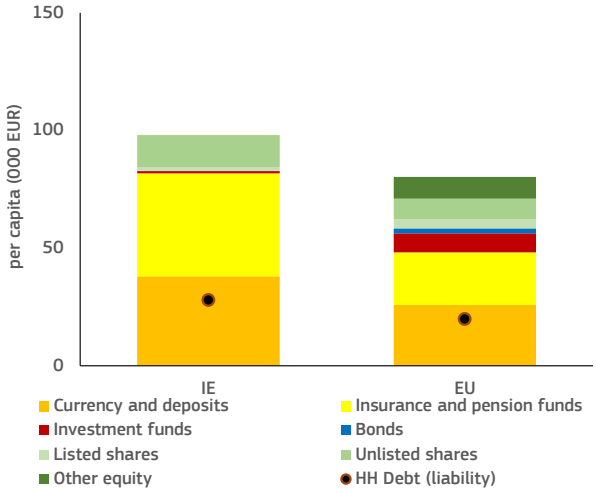
equities (18.1%), and government and corporate bonds (22.6%). Domestic investments in Ireland account for only 11% of all investments, mostly made by mutual funds. The largest single jurisdiction to which Irish insurers are exposed is the United States (15% of total investments), followed by France and the United Kingdom with 13% and 10% respectively. Such large investments outside the euro area are used to match liability exposures in foreign currency — in particular non-life firms and reinsurers have significant GBP and USD liabilities. The remaining cross-border exposures are spread across a wide range of geographies.

Ireland's state pension is complemented by occupational pension schemes and self-invested pension schemes. Ireland's state pension scheme works on a pay-as-you-go basis and covers all workers who have worked in Ireland and have paid social insurance contributions. The occupational pension landscape in Ireland is fragmented with more than 11 000 active schemes in March 2025, a lot of these with only one member. The schemes hold total assets of EUR 141.6 bn in September 2024, invested in a mix of equities (6.8%), fixed income (20%), real estate (1.5%) and alternative investments (9.1%), but the biggest single asset type was pension fund reserves (56.0%), which are essentially unit-linked claims on insurance companies. Individuals also have the option to invest in a tax-advantaged personal pension account.

Ireland expects to launch a new auto-enrolment retirement savings scheme in 2026. The new scheme will cover all private-sector workers in Ireland who currently lack retirement savings beyond the public pension, and enrol eligible employees automatically, with contributions from the employee, employer, and the Irish government. The National Automatic Enrolment Retirement Savings Authority is the administrative body that will oversee management of the scheme, with major Irish pension providers likely managing the funds.

The participation of domestic institutional investors in providing funding for start-ups and venture-capital investors in Ireland is small. A recent CEPS paper showed that pension funds in Ireland accounted for 12% of private-equity and venture-capital funds raised annually over 2007-2023, a figure that falls short of the EU average of 15% ([74]).

Graph A5.5: **Composition of household financial assets per capita and as a % of GDP**



The sum of household assets only reflects the total for the HH assets considered. Reference period 2023.
Source: Eurostat and FISMA E2 calculations

The depth of available venture and growth capital

The availability of growth capital in Ireland falls slightly short of the EU average. In 2023, the value of private-equity investments in the country was equivalent to 0.2% of GDP, below the EU average of 0.4%, and it has been below the EU average for most of the past 10 years. On the other hand, with respect to venture-capital investments, Ireland performed better, with a value equivalent to 0.4% of GDP in 2023, just below the EU average of 0.5%, and reaching higher relative values in some of the previous 10 years.

To support young innovative businesses, Ireland offers attractive start-up support programmes. Enterprise Ireland is a government agency responsible for helping Irish businesses to start, grow, and expand into international markets. It provides support through several programmes, such as the Competitive Start Fund (CSF) and the

([74]) Centre for European Policy Studies (2024) Closing the gaping hole in the capital market for EU start-ups – the role of pension funds

High Potential Start-Up Fund. The CSF provides up to EUR 50 000 in equity funding to early-stage start-ups, and is designed to support start-ups that have the potential to scale internationally. The CSF funding is typically used to support the development of a start-up's product or service, as well as its business plan and marketing strategy. The High Potential Start-Up Fund provides funding and support to start-ups that have the potential to scale quickly and become major players in their markets. The fund typically provides funding of between EUR 500 000 and EUR 5 million and is designed to support start-ups that are developing innovative products or services, and that have strong potential for export growth. In addition, Enterprise Ireland's Seed and Venture Capital Scheme aims to leverage private-sector investment by co-funding venture-capital projects, thereby easing financial barriers for start-ups. By August 2024, Enterprise Ireland had invested over EUR 700 million in the scheme, which has leveraged funds totalling EUR 3.3 billion. Further, the Ireland Strategic Investment Fund, managed and controlled by the National Treasury Management Agency (NTMA), has a mandate to support economic activity and employment in Ireland. Its main investment areas are climate, housing and regional investments, indigenous Businesses, and food and agriculture.

Financing the green transition

The Irish government set up the Climate Action Fund to help finance the country's green transition. Ireland's economy needs initial investments of an estimated EUR 21.1 bn for the green transition ([75]). The Department of Public Expenditure estimated that some EUR 7 bn allocated in 2025 will be spent on climate and environmentally favourable programmes ([76])The Climate Action Fund was set up by the Irish government as part of Project Ireland 2040, which is the country's long-term, policy and planning framework. The fund was announced in 2018 and is one of a series of funds created to support the strategic objectives outlined in the country's national development plan for 2018-2027. The Climate Action Fund is specifically designed to support projects that contribute to Ireland's transition to a low-carbon and climate-resilient society. It is managed by the Department of the Environment, Climate and Communications, which is responsible for overseeing the allocation of resources and ensuring that funded projects align with national climate goals.

Sustainable finance has been one of the government's priorities in the annually updated 'Ireland for Finance' action plan since 2021. The sustainable finance roadmap, first published in 2021, lays out the government's response to challenges such as climate change, the just transition and nature degradation. The goal of the roadmap is to channel financial resources into emissions reductions, climate-change adaptation, and resilience-building efforts. As one of the key initiatives of the action plan, is the International Sustainable Finance Centre of Excellence in Dublin. The centre supports both: (i) the development of technical knowledge, research, and product development in sustainable finance; and (ii) the training of the financial workforce in sustainable finance skills. Since the NTMA launched Ireland's first sovereign green bond in 2018, a total of EUR 10.8 bn of proceeds from bond sales have been allocated to eligible green projects, such as retrofit programmes, investment in public transport, and flood-relief schemes.

The Dublin stock exchange is the hub for the ESG bond listings of the Euronext Group. Since 2015, EUR 177 bn has been raised for ESG purposes in Dublin. In 2022, Euronext introduced a new listing for ESG bonds from companies with the most ambitious climate targets, aligned with the aim of limiting the global temperature increase to 1.5 °C above pre-industrial levels. To be included in this listing, issuers of ESG bonds must commit to science-based climate targets which are validated by the Science Based Targets initiative.

Financial literacy

Financial literacy in Ireland is above the EU average, but more could be done to improve financial education in the population. The 2023 OECD/INFE International Survey of Adult

([75]) European Commission (2023) Climate Action Progress Report

([76]) Revised Estimates for Public Services 2025 - https://assets.gov.ie/static/documents/climate-environmental-expenditure-revised-estimates-for-public-services-2025.pdf

Table A5.1: **Financial indicators**

		2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU
Banking sector	Total assets of MFIs (% of GDP)	341.2	329.1	344.3	362.7	315.2	301.2	312.8	328.6	248.4
	Common Equity Tier 1 ratio	22.9	22.9	22.3	22.3	22.2	21.3	20.8	20.4	16.6
	Total capital adequacy ratio	25.2	25.4	24.9	25.4	25.5	24.5	23.9	23.6	20.1
	Overall NPL ratio (% of all loans)	9.9	5.5	3.4	3.4	2.4	1.7	1.3	1.2	1.9
	NPL (% loans to NFC-Non financial corporations)	11.8	5.7	3.2	6.2	6.1	5.1	3.9	3.6	3.5
	NPL (% loans to HH-Households)	15.5	10.1	7.2	6.8	4.7	3.0	2.5	2.3	2.2
	NPL-Non performing loans coverage ratio	29.9	28.5	27.5	30.2	30.6	31.1	25.8	27.6	42.1
	Return on Equity[1]	5.0	4.9	3.7	-2.2	4.5	3.3	7.6	9.5	10.0
	Loans to NFCs (% of GDP)	13.4	12.2	10.6	8.9	6.8	5.9	5.8	5.4	30.0
	Loans to HHs (% of GDP)	38.1	33.8	29.8	27.8	23.4	19.5	20.1	19.7	44.5
	NFC credit annual % growth	-0.6	1.7	0.0	-4.6	1.6	4.1	-0.9	1.5	0.8
	HH credit annual % growth	-1.5	-0.8	0.1	-1.5	-1.6	-1.3	1.8	2.4	0.7
Non-banks sector	Stock market capitalisation (% of GDP)	170.9	166.0	206.5	204.0	236.7	170.0	201.8	237.2	69.3
	Initial public offerings (% of GDP)	0.29	0.03	0.09	0.00	0.04	0.00	0.00	-	0.05
	Market funding ratio	84.3	84.5	85.0	86.2	88.3	87.7	87.7	-	49.6
	Private equity (% of GDP)	0.23	0.22	0.35	0.18	0.88	0.24	0.16	-	0.41
	Venture capital (% of GDP)	0.04	0.11	0.04	0.07	0.05	0.08	0.04	-	0.05
	Financial literacy (composite)	-	-	-	-	-	-	45.5	-	45.5
	Bonds (as % of HH financial assets)	0.1	0.1	0.0	0.0	0.0	0.0	0.1	-	2.7
	Listed shares (as % of HH financial assets)	2.5	2.2	2.4	2.1	2.1	1.6	1.7	-	4.8
	Investment funds (as % of HH financial assets)	0.7	0.7	0.7	0.7	0.9	0.9	0.9	-	10.0
	Insurance/pension funds (as % of HH financial assets)	47.3	46.0	47.7	46.5	47.2	42.9	44.8	-	27.8
	Total assets of all insurers (% of GDP)	114.8	106.3	128.4	127.7	120.1	93.8	94.6	97.4	54.8
	Pension funds assets (% of GDP)	-	-	33.2	33.1	30.6	22.5	26.1	27.0	23.4

1-3 | 4-10 | 11-17 | 18-24 | 25-27 Colours indicate performance ranking among 27 EU Member States.

(1) Annualised data.
Credit growth and pension funds EU data refers to the EA average
Source: ECB, ESTAT, EIOPA, DG FISMA CMU dashboard, AMECO.

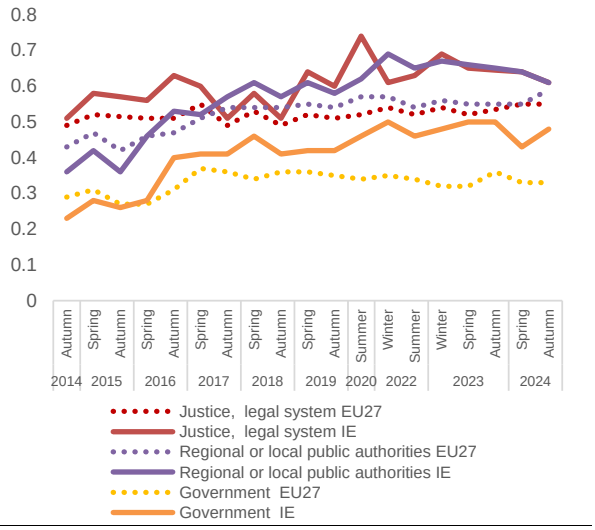
Financial Literacy found Ireland had the second highest overall score among the included EU countries. Still, the survey showed that 43% of the adult population do not meet the OECD definition of financial literacy and that 44% do not meet the minimum target level of digital financial literacy needed to navigate their finances. A different survey showed that 79% of the Irish population report being very comfortable or somewhat comfortable with using digital financial services, which is above the EU average 77% but does not put Ireland among the EU leaders for digital financial services ([77]). This leads to an overall financial literacy indicator of 31.0, which is above the EU average of 26.0. As one of the last EU countries, the Irish government published its National Financial Literacy Strategy 2025-2029 in February 2025.

([77]) European Commission (2023) Monitoring the level of financial literacy in the EU, Eurobarometer survey

Ireland's institutional framework influences its competitiveness. Public institutions in Ireland generally perform well and enjoy a high level of trust. The government has implemented various initiatives to improve the efficiency of administrative procedures, reduce bureaucracy, and increase transparency. However, there is much scope to enhance regulatory practices, and further reduce administrative burdens. Ireland has also made significant progress in digitalising public services although challenges persist in areas such as e-health services. The justice system continues to face serious challenges affecting its overall efficiency, in particular regarding the duration of proceedings.

Public perceptions

Graph A6.1: **Trust in justice, regional / local authorities and in government**



(1) EU27 from 2019; EU28 before
Source: Standard Eurobarometer surveys

Trust in public institutions continues to exceed the EU average. Trust in the judiciary and in regional authorities has followed a similar trend and remains high, despite a slight drop in recent years. Trust in central government is comparatively lower but is above the EU average (Graph A6.1). When asked about ways to boost trust in Ireland's public administration, 39% of citizens wanted more transparency about decisions and the use of public money (EU average: 44%), 37% wanted more decisions to be made at local level (EU average: 23%), and 36% suggested more communication with the citizens - skilled civil servants (EU average: 31%) ([78]). The overall perceived quality of government is above the EU average and has improved in all of Ireland's regions ([79]). Against this backdrop, building trust in public institutions is a core aim of Ireland's Better Public Services strategy published in 2023.

Quality of legislation and regulatory simplification

Performance in developing evaluating legislation remains below the EU average. It is generally stronger for primary laws than for subordinate regulations and for ex-ante impact assessments than for public consultation and ex post evaluation of legislation. Moreover, Ireland has an underdeveloped oversight and quality control system for the above-mentioned regulatory tools, as well as for the methodological aspects of ex post evaluations of legislation (Graph A6.2). Ireland continues to advance in innovation and use of evidence in policymaking, as part of its Public Service Transformation 2030 Strategy. In 2024, a new agency was established to enhance collaboration between research, government, public bodies and society, while promoting equality, inclusion and strategic research areas crucial for the country's competitiveness and sustainability.

There is scope to further strengthen mechanisms for simplifying regulation. For example, ex post evaluations of primary legislation are not required to include an assessment of administrative burdens and of substantive compliance costs. Moreover, periodic ex post evaluations of existing legislation are not mandatory (Table).

The OECD product market regulation indicators show that Ireland's licensing system is slightly more burdensome than the EU-27 average and could be further aligned with best practices. For example, the government does not keep an up-to-

([78]) Understanding Europeans' views on reform needs - April 2023 - - Eurobarometer survey, Country Fact Sheet

([79]) Inforegio - European Quality of Government Index

Table A6.1: **Selected indicators on administrative burden reduction and simplification**

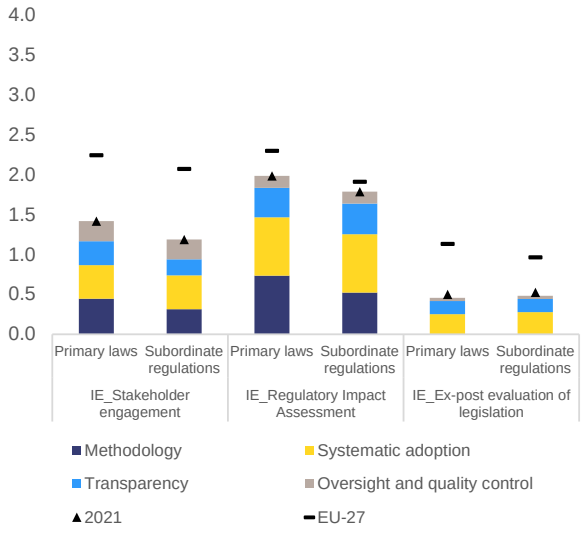
	Ex ante impact assessment of legislation		Ex post evaluation of legislation	
When developing new legislation, regulators are required to …	Identify and assess the impacts of the baseline or 'do nothing' option.	◑	Is required to consider the consistency of regulations and address areas of duplication.	○
	Identify and assess the impacts of alternative non-regulatory options.	◑	Is required to contain an assessment of administrative burdens.	○
	Quantify administrative burdens of new regulations.	◑	Is required to contain an assessment of substantive compliance costs.	○
	Quantify substantial costs of compliance of new regulations.	●	Compares the impact of the existing regulation to alternative options.	○
	Assess macroeconomic costs of new regulations.	○	Periodic ex post evaluation of existing regulations is mandatory.	◕
	Assess the level of compliance.	○	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	○
	Identify and assess potential enforcement mechanisms.	◑	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	●
			In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	●

● Yes / For all primary laws ◕ For major primary laws ◑ For some primary laws ○ No / Never

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation.
Source: OECD (2025), Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025 (forthcoming).

date inventory of all permits and licences required/issued to businesses by public bodies (see also Annex 4).

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



Source: OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

Social dialogue

The Labour Employment Economic Forum (LEEF) is the primary national platform for tripartite social dialogue in Ireland, although its impact on decision-making is limited. The LEEF brings together representatives from the government, the Irish Congress of Trade Unions (ICTU), which is the umbrella organisation for labour, and employers, represented by Ibec. These stakeholders meet multiple times per year to discuss issues of common interest related to economic policy, where social partners can provide their views. While social partners can participate in these meetings, the extent to which their views influence policy decisions is unclear. Notably, LEEF is a consultative rather than a negotiating body, and social partners have expressed concerns that in certain cases their submissions to the government often go unanswered. Furthermore, they consider the national social dialogue structure to be weak, hindering its ability to effectively drive policy forward (on collective bargaining see Annex 10).([80])

([80]) For an analysis of the involvement of Ireland's social partners at national level in the European Semester and the

Table A6.2: **Key Digital Decade targets monitored through the Digital Economy and Society Index**

		Ireland			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
Digitalisation of public services						
1	**Digital public services for citizens**	**80**	**81**	**81**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
2	**Digital public services for businesses**	**100**	**100**	**100**	**85**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
3	**Access to e-health records**	**na**	**0**	**11**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030

Source: State of the Digital Decade report 2024

Digital public services

Ireland has made significant progress in terms of digital public services, scoring 81.2 in the provision of services to citizens, above the EU average of 79.4. Notably, Ireland leads the way in terms of digital public services to businesses and has maintained a score of 100 since 2020, a major achievement equalled only by Finland and Malta (Table A6.2).

Ireland has one of the highest rates of digital service use in the EU. Some 91.5% of people in Ireland use e-government services, well above the EU average of 75%. Moreover, 73.8% of people use eID, significantly above the EU average of 41.1% ([81]). This high rate of use is the result of a focus on creating services and has simplified how people interact with public administration. However, access to e-health records remains a key challenge, with Ireland achieving the lowest score in the EU at just 11 out of 100, compared to an EU average of 18.4%. Ireland also has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation ([82]). This means that Irish businesses cannot authenticate themselves to access public services provided by other Member States, including those enabled by the Once-Only Technical System ([83]), System, part of the EU Single Digital Gateway.

Ireland is making progress in providing seamless access to its digital services, both domestically and within the EU. Significant milestones have been reached, including the widespread adoption of the MyGovID digital identification system, which boasted over 2.3 million verified accounts as of October 2023, covering more than half of the adult population. Ireland's aim is that 80% of eligible citizens will be using MyGovID by 2030.

Additionally, Ireland is actively involved in the European Digital Identity Wallet pilot and the Digital Credentials for Europe initiative, focusing on sectors such as education and social security. Ireland is currently conducting a pre-notification health check of its eID infrastructure and is exploring its applications in other areas such as banking and insurance.

Ireland is advancing towards seamless, automated exchange of authentic documents and data across the EU. It has developed the necessary infrastructure and is beginning the process of connecting the first authorities to the Once-Only Technical System ([84]).

In 2024, the government signalled progress on the 'Life Events' Programme, aimed at transforming public services by making them more accessible,

Recovery and Resilience Facility, see Eurofound (2025), National-level social governance of the European Semester and the Recovery and Resilience Facility.

([81]) European Commission. Digital Decade 2024: Country reports

([82]) European Commission, eIDAS Dashboard.

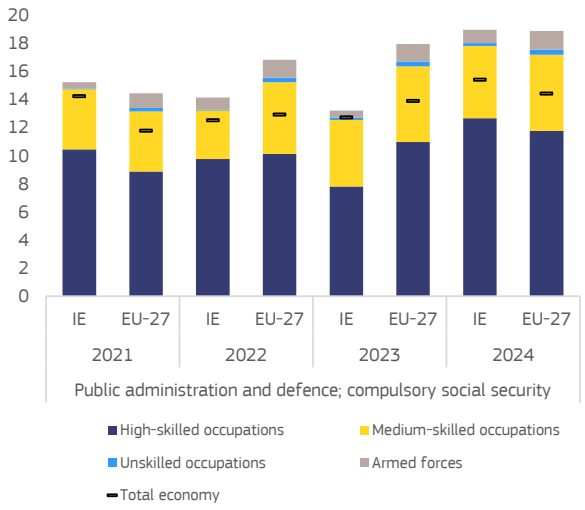
([83]) European Commission, The Once Only Principle System: A breakthrough for the EU's Digital Single Market

([84]) European Commission, Once-Only Technical System Acceleratormeter.

proactive and seamless online. The Life Events online platform, co-designed with the public through consultations and workshops, will make it easy for users to obtain services via MyGovID related to housing, having a child, finding a job, starting a business, obtaining welfare, etc. ([85]).

In addition, the government launched an updated National AI Strategy in 2024. Key elements include an AI regulatory sandbox, a National AI Research Nexus, and expanded digital upskilling initiatives. The strategy aims to support responsible AI adoption to enhance productivity and public services, positioning Ireland as a leader in the AI sector ([86]).

Graph A6.3: **Participation rate of 25-64 year olds in adult learning (%) by occupation**



Source: European Commission, based on the Labour Force Survey

Civil service

Ireland has implemented measures to maintain the age and skill structure of its civil service. The ratio between staff aged 25-49 and staff aged 50-64 is above the EU average and has remained stable([87]). The proportion of civil servants pursuing adult learning has increased recently (Graph A6.3). Ireland is well above the EU average in terms of the share of civil servants who frequently work from home. Only Finland has a higher share. However, the share of employees who frequently work from home fell significantly, however, between 2022-2023, from 38% to 27% ([88]).

The Better Public Services strategy focuses on shaping the workforce and organisation of the future. Key priorities include making the public service more diverse, agile, and inclusive. Following an independent review of senior public service recruitment and pay determination processes in 2023, a senior posts remuneration committee ([89]) was set up in 2024 to give independent advice on pay for senior roles. Additionally, the Assisted Return to Career programme for the civil service was launched in 2024 to support skilled workers returning to the workforce after a career break, promoting a more inclusive job market ([90]).

Integrity

A lower percentage of companies than the EU average consider corruption to be a problem, while legislation has been improved to combat foreign bribery. In Ireland, only 33% of companies consider that corruption is widespread (EU average 64%), while only 9% consider that corruption is a problem when doing business (EU average 36%) ([91]). However, only 25% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%) ([92]). The lack of resources and specialisation within the national police and prosecution services remains a challenge in investigating and prosecuting

([85]) Government advances Life Events Programme for enhanced public services

([86]) Refreshed National AI Strategy: "Huge opportunity for Ireland to harness AI for our greater good"

([87]) Eurostat. Labour Force Survey. Employment by sex, age and economic activity.

([88]) Eurostat. Employed persons working from home as a percentage of the total employment.

([89]) gov.ie - Minister Donohoe announces establishment of Senior Post Remuneration Committee to guide Government's work

([90]) gov.ie - Minister Donohoe launches Assisted Return to Career (ARC) Programme for Civil Service

([91]) Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

([92]) Ibid.

corruption cases ([93]). Recent legislative changes are expected to streamline the investigation of foreign bribery ([94]). Sectors which have been identified by stakeholders as areas of risk for corruption are planning, public utilities, sports manipulation, offshore renewables, natural resources and private procurement ([95]).

Ireland has strengthened its public register for lobbyists. As with most EU Member States, Ireland implemented rules on lobbying. Since 2024, corporate interest groups and other such coalitions which do not engage any direct employees are required to make returns to the Register of Lobbying. New provisions also include administrative financial sanctions, for instance for breaches of the cooling-off provision ([96]).

Justice

The justice system continues to face serious challenges as regards its overall efficiency, **in particular concerning the length of proceedings**. A detailed overview of the efficiency of justice remains unavailable due to a persistent lack of data on court proceedings based on defined indicators. The 2025 EU Justice Scoreboard shows that in 2023 the clearance rate for non-criminal cases was 81%, the lowest in the EU. The level of digitalisation is advanced. Moreover, Ireland has rolled out several digital strategies which may help to fill outstanding gaps in the digitalisation of justice. As regards judicial independence, no systemic deficiencies have been reported ([97]).

([93]) See the 2024 country-specific chapter for Ireland of the Rule of Law Report, pp. 12-13.

([94]) Ibid., pp. 15-16.

([95]) Ibid. p. 20.

([96]) Ibid., p. 18.

([97]) For more detailed analysis of the performance of the justice system in Ireland, see the upcoming 2025 EU Justice Scoreboard and the 2024 Rule of Law Report.

Ireland faces significant challenges in its clean industry transition and the quest to remain competitive in a low-carbon setting: the country shows vulnerability due to its modest manufacturing capacity in net zero technologies and heavy reliance on imports of critical raw materials. While Ireland has made progress in reducing greenhouse gas emissions, it could further specify climate mitigation policies to achieve its 2030 emission reduction target. Additionally, Ireland's circular economy transition lags significantly, with very low circular use of materials and insufficient investment to reach circular targets. This annex reviews the areas in need of urgent attention in Ireland's clean industry transition and climate mitigation, looking at different dimensions.

Strategic autonomy and technology for the green transition

Net zero industry

Ireland modest manufacturing capacity in net zero technologies and reliance on imports of key clean technologies indicate a vulnerability ([98]). The main clean technologies production facilities include, for li-ion batteries, the Xerotech in Galway and Li-Gen in Tipperary, while Nines photovoltaics produces solar photovoltaics (PV) cells in Dublin. Eirsun has announced the opening of a facility producing solar PV modules by 2024, with an expected capacity of 250 - 350 MW per year. On wind manufacturing, there are a few small-scale research and development initiatives on offshore wind. Ireland is involved in components testing and grid management software, and Dublin hosts a growing company focused on developing a modular floating offshore wind platform.

The policy framework supporting the scale-up of net zero technologies manufacturing remains limited to sectoral policies, focused mostly on offshore wind. In March 2024, Ireland published its offshore wind industrial strategy, Powering Prosperity. The strategy aims to build an offshore wind industry in Ireland, ensuring that the sector creates as much value as possible and maximises the economic benefits. Measures for strengthening manufacturing capacity under the strategy include establishing an Offshore Wind Centre of Excellence to facilitate collaboration between supply chain companies, government agencies, and education institutions to access and implement new technologies. Ireland will also investigate options for building green energy industrial parks, aiming to provide comprehensive property, utility and infrastructure solutions on a large scale. A key challenge to the timely delivery of projects is the range of permits required (67 permits and licences, to be obtained from 18 issuing bodies). A recent Planning and Development Act from October 2024 aims to streamline the process for Strategic Infrastructure Developments.

Incentives are in place supporting investment and skills in net zero technologies. This includes the Disruptive Technologies Innovation Fund, which supports the development of renewable energy equipment and other innovative technologies. Two skills programmes provide vocational training and upskilling opportunities in the renewable energy industries.

Public investment in energy-related R&I decreased from 0.022% of GNI* in 2014 to 0.005% in 2021. Ireland's Sustainable Energy Authority (SEAI) has begun publishing yearly calls to fund innovative energy research development and demonstration projects. The main financing instrument supporting energy R&I is the SEAI national energy research development and demonstration (RD&D) funding programme.

Critical raw materials

Ireland relies heavily on imports of critical raw materials. With 33.5 % of material inputs stemming from imports in 2023, compared to the EU average of 22 %, Ireland is particularly vulnerable to supply chain disruptions. Whilst Ireland is a leading EU producer of refined aluminium, in 2023 its imports included fertilisers,

([98]) European Commission, Directorate-General for Energy, 2025, *The net-zero manufacturing industry landscape across the Member States 2025*, https://data.europa.eu/doi/10.2833/2181110

Platinum Group Metals, wood, aluminium, and coking coal. Since 2000, Ireland's resource productivity has increased more than threefold, outpacing the EU average.

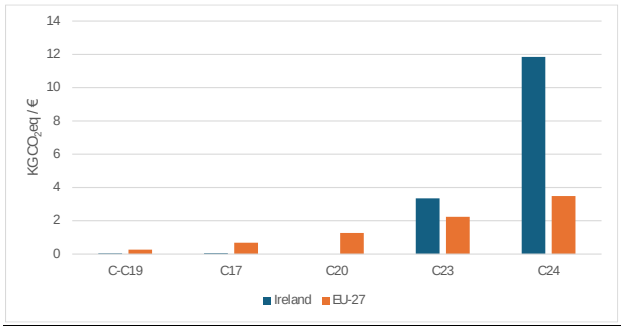
Climate mitigation

Industry decarbonisation

Manufacturing production in Ireland is a minor emitter of greenhouse gases. The sector accounts for less than 10% of total greenhouse gas emissions in the country, among the lowest shares in the EU ([99]). With 40 g CO2eq of greenhouse gases per euro of gross value added (GVA), the emissions intensity of manufacturing production in Ireland equals 15% of the EU average, making it number one in the EU in this regard. Since 2017, Ireland has seen the emissions intensity of manufacturing production decline by 52%, significantly more than in the EU overall where it decreased by 22 %. A major share of Ireland's manufacturing greenhouse emissions, 58%, come from energy use, similar to the EU overall; the rest come primarily from industrial processes.

The recent decline in the greenhouse gas emissions intensity of Ireland's manufacturing production appears to be due to higher energy efficiency ([100]). Between 2017 and 2022, energy-related and non-energy-related greenhouse emissions intensity of manufacturing production declined by 51 and 55 % respectively, the strongest reductions in the EU. In the same period, the share of electricity and renewables in final energy consumption of the manufacturing sector remained broadly stable, around 35%. Conversely, the energy intensity of manufacturing in Ireland declined by 53%, from 0.26 GWh to 0.12 GWh per euro of GVA.

Graph A7.1: **GHG emissions intensity of manufacturing and energy-intensive sectors, 2022**



Source: Eurostat.

Energy-intensive industries do not play a role in Ireland's economy. These sectors ([101]) account for less than 1 % of Ireland's total manufacturing gross value added (2022). Among these, in 2022 the manufacture of basic metals recorded a particularly high emissions intensity of production, with 11.9 kg CO2eq/€ of GVA, significantly above the EU-level of, 3.5 kg CO2eq/€. The manufacture of non-metallic mineral products also recorded a high emissions intensity of production, with 3.4 kg CO2eq/€ of GVA, well above the EU-level emissions intensity of 2.2 kg CO2eq/€. Electricity prices in Ireland have risen significantly in the 2020s, to relatively high levels compared to other EU Members (see Annex 8 on the affordable energy transition). Still, production in the non-metallic minerals sector has increased by about a quarter since 2021 ([102]).

Ireland has put in place policies to support the decarbonisation of industry but much more is needed. Ireland's climate action plan for 2024 includes measures such as electrifying

([99]) In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

([100]) For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF.1.A.2 – fuel combustion in manufacturing industries and construction and CRF.2 – industrial processes and product use. The CRF.1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

([101]) Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

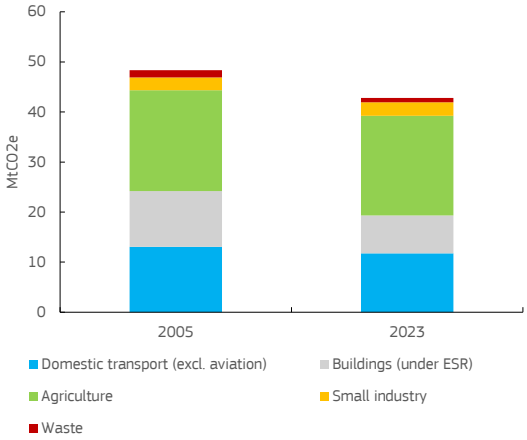
([102]) For the other energy-intensive sectors, production data are not available.

manufacturing processes to replace fossil fuels; substituting low and net zero carbon products for construction materials; prioritising biomass and low-emission gases in areas where electrification or other forms of decarbonisation are not commercially or technically viable; and advancing policies for the deployment of hydrogen and carbon capture, utilisation and storage. In 2024, Ireland published its decarbonisation of industrial heat roadmap, outlining the necessary steps, supports and regulations to reduce carbon emissions from manufacturing sectors. Businesses have access to various decarbonisation support instruments, such as the SEAI energy audit grant, Enterprise Ireland's Green Start and the Industrial Development Agency's Green Start and Go Green programmes. These are effective for early-stage climate initiatives; however, the current support measures for large-scale heat decarbonisation are insufficient to meet national targets, notably with regard to price caps and low uptake rates ([103]).

Reduction of emissions in the effort sharing sectors

To attain its 2030 target for the effort sharing sectors, Ireland could specify and implement further climate mitigation policies ([104]). GHG emissions from Ireland's effort sharing sectors in 2023 are expected to have been 10.3% below those of 2005. By 2030, current policies are projected to reduce them by 8.9% relative to 2005 levels. Additional policies under Ireland's final updated national energy and climate plan are projected to achieve further reductions of 16.5 percentage points. This results in a sizeable shortfall against Ireland's effort sharing target of a 42% reduction, by 16.6 percentage points ([105]). Swift and steady adoption and implementation of further climate mitigation measures will be critical. While Ireland could use flexibilities available under the Effort Sharing Regulation, this would not be sufficient to close the gap to target.

Graph A7.2: **Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023**



Source: European Environment Agency.

Sustainable industry

Circular economy transition

Ireland has a very low circular use of materials. Ireland's circular use of materials has been relatively static in the last 10 years and well below the EU average. The rate stood at 2.3% in 2023, against an EU average of 11.8%. This makes Ireland the Member State with the second lowest rate for the circular use of materials. Consequently, there is an urgent need to promote (i) technologies aimed at replacing critical raw materials with materials that can be reused at the end of their life and (ii) the use of secondary raw materials. In September 2024, Circle Economy published Ireland's Circularity Gap Report ([106]). It concluded that over 97% of the materials flowing through Ireland's economy come from virgin sources, higher than for the global economy (just over 92% in 2023). The report will inform the second Whole of Government Circular Economy Strategy which was due to be published before the end of 2024.

Various initiatives on the circular economy have been launched recently. In 2022 Ireland adopted the Circular Economy and Miscellaneous

([103])See Ibec (2024), Decarbonisation through Climate Action Contracts: An Ibec Proposal, July 2024, Ibec - For Irish Business.

([104])The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling); road transport, agriculture; waste; and small industry (known as the effort sharing sectors).

([105])The emissions from effort sharing sectors for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ("with existing measures") and additional policies ("with additional measures") as per Ireland's final updated national energy and climate plan.

([106])CGR, 2024, The Circularity Gap Report, Link.

Provisions Act. This Act provides the first definition of the circular economy in Irish domestic law. It incentivises the use of reusable and recyclable alternatives to disposable products; establishes a dedicated fund for the circular economy; and places pieces of legislation related to the circular economy on statutory footing. Ireland's national waste prevention programme was reconfigured into a circular economy programme for 2021-2027. At regional level, Ireland West is developing a regional circular economy action plan. Ireland has also adopted a national waste management plan for a circular economy for 2024-2030, which includes a framework for the prevention and management of waste for 2024-2030.

Municipal waste generation per capita increased between 2014 and 2020, and Ireland risks missing the 2025 municipal waste target. Waste composition analysis done in 2018 and 2022 indicates that the increase is mainly due to growth in packaging waste, which is significantly above the EU average. In 2021, the recycling rate for plastic packaging (28%) was below the EU average. In 2020, only 39.7% of construction and demolition waste was recycled (excluding backfilling), well below the EU average of 78%. The rate of preparing for reuse and recycling of municipal waste is stagnating, at around 41% in 2020, slightly below the EU average. The landfill rate has stabilised since 2018 (at around 16%), almost entirely due to the diversion of waste to incineration, whereas the incineration rate has increased significantly, reaching 42% in 2020.

Current investment in the circular transition is insufficient to reach the circular target. Ireland is estimated to need additional investment of at least EUR 827 million per year for the circular transition, representing 0.16% of GDP. To close the circular economy gap, EUR 196 million is estimated to be needed for recent initiatives, such as eco-design for sustainable products; packaging and packaging waste; labelling and digital tools; and measures proposed under the amendment of the Waste Framework Directive. Over EUR 500 million of further investment is estimated to be needed to unlock Ireland's circular economy potential ([107]).

Zero pollution industry

Ireland has made considerable progress in reducing air pollution, which is now decoupled from GDP growth. The 2020-2029 emission reduction commitments under the National Emission Reduction Commitments Directive have been met, except for ammonia. Ireland is on track to meet the stricter emissions reduction commitments for 2030 and onwards, except for non-methane volatile organic compounds (NMVOC). In 2023, there were no exceedances above the limit values established by the Ambient Air Quality Directive in Ireland.

Considering the make-up of the Irish economy, Ireland is one of the EU's lowest emitters of industry pollutants to air and water. It has the 2nd lowest industrial air emissions intensity for industry in the EU (2.9 EUR/thousand EUR GVA, below the EU average of EUR 27.5). The main industrial sectors contributing to air emissions are the energy sector and the mineral industry. On water pollution, Ireland ranks amongst the Member States with the lowest heavy metals emission intensity (far below the EU average intensity of 0.864 kg/billion EUR GVA for industry). The main contributors to emissions to water are the chemical sector for heavy metals (human toxicity) and the energy sector (electricity and heat production) for total organic carbon.

The costs of pollution remain higher than investment in pollution prevention and control. For 2022, about 530 deaths were attributed to fine particulate matter ($PM_{2.5}$), 100

deaths to nitrogen dioxide (NO_2), and 240 deaths to ozone. To meet its environmental objectives on pollution prevention and control (towards zero pollution), it is estimated that Ireland would require an additional EUR 847 million per year (0.17% of GDP), mostly for measures on clean air and noise ([108]).

([107])European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

([108])European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Table A7.1: **Key clean industry and climate mitigation indicators: Ireland**

Strategic autonomy and technology for the green transition					Ireland					EU-27	
Net zero industry											
Operational manufacturing capacity 2023											
- Solar PV (c: cell, w: wafer, m: module), MW	-				- Electrolyzer, MW		-				
- Wind (b: blade, t: turbine, n: nacelle), MW	-				- battery, MWh		-				
Automotive industry transformation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**			**2018**	**2021**
Motorisation rate (passenger cars per 1000 inhabitants), %	441	442	450	452	448	443	453	↗		539	561
New zero-emission vehicles, electricity motor, %	0.47	0.97	2.91	4.41	8.47	14.75	18.47	↗		1.03	8.96
Critical raw materials	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**			**2018**	**2021**
Material import dependency, %		30.7	28.6	29.3	31.5	31.5	33.5	↗		24.2	22.6

Climate mitigation					Ireland			Trend		EU-27	
Industry decarbonisation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**			**2017**	**2022**
GHG emissions intensity of manufacturing production, kg/€	0.07	0.07	0.07	0.05	0.05	0.04		↘		0.34	0.27
Share of energy-related emissions in industrial GHG emissions	44.2	43.5	40.4	40.7	37.7	41.1	41.3	↘		44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	44.0	41.6	39.8	33.7	27.2	21.6	-	↘		158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	35.9	34.0	33.8	34.2	34.2	35.7	36.2	↘		43.3	44.2
Energy intensity of manufacturing, GWh/€	0.26	0.24	0.23	0.19	0.15	0.12	0.16	↘		1.29	1.09
Share of energy-intensive industries in manufacturing production						0.7					7.3
GHG emissions intensity of production in sector [...], kg/€											
- paper and paper products (NACE C-17)	0.09	0.11	0.05	0.08	0.04	0.05	0.04	-		0.73	0.68
- chemicals and chemical products (NACE C20)	-	-	-	-	-	0.00	-	-		1.25	1.26
- other non-metallic mineral products (NACE C23)	3.67	3.53	3.26	2.99	3.59	3.35	3.00	-		2.53	2.24
- basic metals (NACE C24)	4.48	4.25	3.90	5.20	9.02	11.85	7.48	-		2.79	3.49
Reduction of effort sharing emissions		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**			**2018**	**2023**
GHG emission reductions relative to base year, %					-2.7	-3.8	-10.3				
- domestic road transport		-5.8	-5.7	-20.4	-15.1	-10.1	-9.8	↘		1.4	5.2
- buildings		-18.3	-20.7	-17.0	-20.0	-27.7	-32.3	↘		21.4	32.9
	2005				**2021**	**2022**	**2023**	**Target**		**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	47.7				46.4	45.9	42.8	-42.0		-33.1	-16.6

Sustainable industry					Ireland			Trend		EU-27	
Circular economy transition		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**			**2018**	**2021**
Material footprint, tonnes per person		16.6	23.4	19.1	13.7	14.0	11.8	↘		14.7	15.0
Circular material use rate, %		1.9	1.8	1.8	2.1	2.1	2.3	↘		11.6	11.1
Resource productivity, €/kg		2.7	2.9	3.2	3.8	4.3	4.7	↗		2.1	2.3
Zero pollution industry											
Years of life lost due to PM2.5, per 100,000 inhabitants		149	142	114	111	192	-	↗		702	571
Air pollution damage cost intensity, per thousand € of GVA					2.9						27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.1					0.9

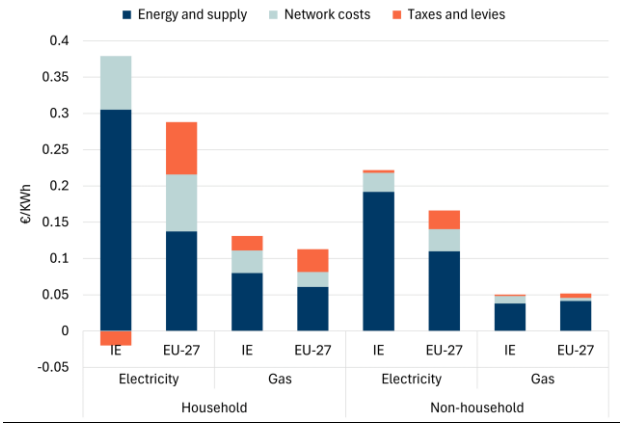
Source: **Net zero industry:** European Commission: The net-zero manufacturing industry landscape across Member States: final report, 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: EEA greenhouse gases data viewer; European Commission, Climate Action Progress Report, 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, Harm to human health from air pollution in Europe: burden of disease status, 2024. Air pollution damage: EEA, EU large industry air pollution damage costs intensity, 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, EU large industry water pollution intensity, 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero. It examines the measures and targets proposed in the final updates to the national energy and climate plans (NECPs) for 2030.

Despite high ambitions and substantial efforts in terms of support for deployment of renewable energy sources (RES), complex permitting process and lack of grid flexibility are hampering the decarbonisation of Ireland's energy mix. Good progress in terms of renovation of buildings and energy efficiency heating is counterbalanced by an increase in overall energy consumption.

Energy prices and costs

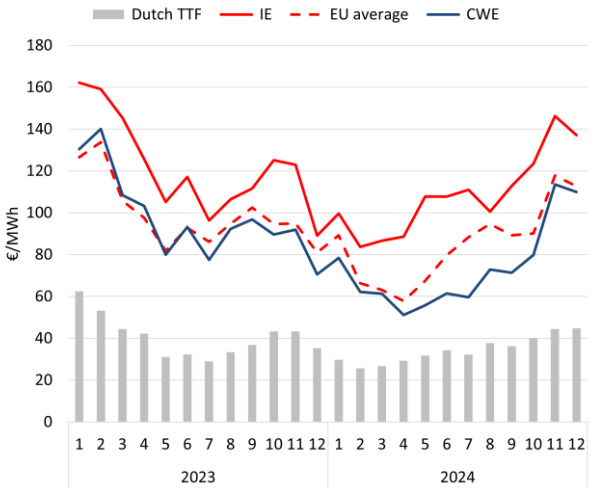
Graph A8.1: **Retail energy price components for household and non-household consumers, 2024**



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.
(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.
Source: Eurostat

Ireland's retail energy prices dropped slightly in 2024, except for household electricity price, the third highest in the EU. **Retail prices for non-household consumer remained higher or close to the EU average**, despite low taxes and levies (excluding VAT) which accounted for 1,6% of electricity prices and 4,2% of gas prices (significantly below than the respective EU averages of 15,4% and 11,6%). Similarly, household retail prices also remained above the EU average. This was particularly true for electricity, with a year-on-year increase, despite lower network costs than EU average (20,6% of the final price against 27,2% at EU-average level) and lower VAT level (8,6% against 14,6% at EU average level).

Graph A8.2: **Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)**



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.
(ii) CWE gives average prices in the central-western European market (Belgium, France, Germany, Luxembourg, the Netherlands and Austria).
Source: S&P Platts and ENTSO-E

With an average of 108.7€/MWh in 2024 (EU average 84.7€/MWh) ([109]), Ireland had the EU's third-highest wholesale electricity prices. Price spikes occurred in the spring/summer, in line with broader Central Western European (CWE) markets, amid rising natural gas costs and Ireland's continued reliance on gas for electricity generation – the third-largest share in the EU at 49% of the electricity mix in 2024. In the autumn and winter, prices increased further, exacerbated by the Dunkelflaute (a period of low wind- and solar generation) in north-western Europe. Increased electricity demand in Ireland – driven by data centres and a colder autumn/winter – led to higher consumption throughout the year, particularly from April to December (+2.5% vs the same period in 2023). Although the supply-demand gap was partially offset by higher net imports (+69%), lower wind

([109])Fraunhofer (ENTSO-E data)

generation (-5.8%) ([110]) due to meteorological conditions and limited non-fossil flexibility further exacerbated the supply-demand gap. Natural gas-fired generation was the main source of electricity, particularly during evening peak hours in the summer and throughout the entire day in winter. Consequently, and more so than in 2023, these conditions led to concentrated price spikes during evening hours (18h–21h) in November and December, when wind output declined significantly (-17.5%) ([111]), and demand remained high ([112]).

Flexibility and electricity grids

In terms of interconnectivity, cross-border capacity remains limited because Ireland is not yet connected to the continental grid. The Single Electricity Market (SEM) of Ireland and Northern Ireland is a single bidding zone that is currently not connected to any other in the EU. To restore Ireland's connection to the EU post-Brexit and strengthen security of supply as well as renewable energy integration, it is key for Ireland to ensure the timely completion of the 700 MW Celtic Interconnector Project of Common Interest (completion is currently expected in 2026). This will create a new bidding zone border between Ireland and France, which has been assigned to the Core ([113]) capacity calculation region (CCR). New interconnection projects with EU Member States should continue to be evaluated in a regional context to support Ireland's renewable energy ambitions. Continuing support and engagement in the context of the North Seas Energy Cooperation (NSEC) High level group is important in this regard. New projects to strengthen interconnection with the UK (including Northern Ireland), could be further advanced.

It is key for Ireland to continue the modernisation of its national grid, because additional capacity and more flexibility are required to ensure security of supply and to meet Ireland's target of 80% renewable electricity by 2030. Ireland has put in place a fast-track permit-granting process, known as strategic infrastructure development (SID) for strategic energy infrastructure projects, such as projects of common interest and projects of mutual interest. According to this, a decision should be issued on these projects within a statutory period of 18 weeks from the expiry of the period for making submissions or observations. However, the nature and scale of the projects involved and their complexity mean that the statutory deadline is often not met and the permitting process can take up to 24-36 months. End of 2024, the government announced an investment of EUR 750 million to further develop electricity infrastructure.

The constraints of the electricity system and networks in Ireland have caused curtailments of renewable electricity to significantly increase over the last couple of years. In 2023, the dispatch-down energy from wind resources was 1 124 GWh (8.9% of the total available wind energy) and 39 GWh for solar resources (9.5% of the total available solar energy) ([114]). Estimates for 2024 indicates a 14% wind energy curtailment.

Ireland has ambitious goals for energy storage and demand response, but enabling legislation for grid flexibility is still lacking. Ireland aims to achieve a level of 20-30% of electricity demand being flexible by 2030, with an intermediary target of 15-20% flexibility by 2025. The national energy demand strategy aims to achieve these targets by facilitating the active participation of citizens and businesses in the energy market. However, the necessary enabling legislation for demand-side response (DSR) and storage to sell and buy electricity in the day-ahead and intraday markets in a non-discriminatory manner has not been implemented yet. Equal participation is allowed in the balancing market and battery storage participates in the ancillary services market. Currently, batteries represent only a 1.03 GW ([115]) capacity. Long term storage is

([110])In Apr – Dec 2024, compared to same period in 2023

([111])In Nov – Dec 2024, compared to same period in 2023

([112])Yearly electricity data, Ember (consumption and generation data throughout the paragraph)

([113])Core is the capacity calculation region (CCR) which covers Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia and Slovakia (and, once connected, Ireland). A CCR is a group of countries that calculate cross-border electricity trade flows together.

([114])Annual-Renewable-Constraint-and-Curtailment-Report-2023-V1.0.pdf.

([115])European Energy Storage Inventory | JRC SES

expected to represent 1.7 GW by 2030, based on Ireland's NECP.

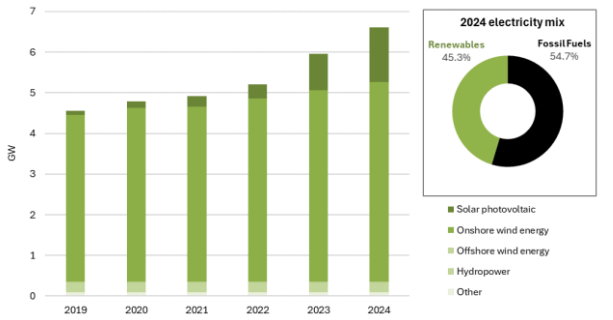
Despite an increasing roll-out of smart meters, the empowerment of citizens and their participation in the energy system remain rather limited. In 2023, 69% of Irish households were equipped with a smart meter, with access to near real-time consumption data at 30-minute intervals. However, household consumers did not have access to dynamic-price contracts in 2023 and could only access market-based offers. This meant that consumers could not compare dynamic contracts using a comparison tool. The fact that Ireland did not offer any data on the uptake of contracts indicates that it is not actively monitored. Only 3% of households (67 GWh overall) and 3% of non-household consumers (5 GWh overall) generate their own electricity in Ireland.

In 2023, electricity accounted for 24.8% of Ireland's final energy consumption (FEC) (somewhat above the EU average of 22.9%) and this share has slightly increased in the last decade ([116]). Household electricity consumption accounts for 27.3% of FEC while industry's electricity consumption represents 28.0% (see also the Clean Industry and Climate Mitigation Annex). For the transport sector, this share remains negligible at 0.7%. Further progress in electrification across sectors would be crucial to cost-effectively decarbonise the economy and bring the benefits of affordable renewable generation to consumers.

Renewables and long-term contracts

Renewables capacity increased but Ireland is at risk of missing its 2030 targets. Ireland's installed renewable electricity capacity increased by 11% in 2024, a slight slowdown compared to 2023, reaching 6606MW ([117]). Installed solar capacity steadily increased by 51% up to 1340 MW, while installed wind capacity exceeded 4 900 MW in 2024, (only a 4,3% increase compared to 2023). Ireland has ambitious plans to reach more than 10 GW of installed wind capacity by 2030. More than 5 GW of this will be offshore, supported by the Offshore Renewable Electricity Support Scheme. In 2024, RES accounted for 45% of Ireland electricity mix (vs the EU overall RES share of 47%), stagnating compared with 2023 ([118]). Ireland is thus likely to miss its intermediary RED target.

Graph A8.3: **Ireland's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Ember

In 2023 and 2024, Ireland took several important steps to improve the legal framework for renewables project permitting. This includes consolidating renewable energy planning; introducing statutory timelines for decision-making processes; and strengthening public consultations by passing a new comprehensive Planning and Development Bill. There is room for improvement regarding (i) the introduction of simplified permit-granting procedures and policy support for repowering existing renewable energy installations and (ii) facilitating the establishment of regulatory sandboxes for renewable energy projects. Positions are vacant, but permitting authorities are finding it difficult to recruit relevant, qualified staff. This results in human resources constraints. The adoption of the first Designated Maritime Area Plan for offshore renewable energy in November 2024 (South Coast) is a step in the right direction, and further designation of areas for offshore renewable energy is highly anticipated.

Ireland published its schedule of offshore wind auctions until 2028 on the Union Renewable Development Platform. Ireland also

([116])The CAGR (compound annual growth rate) was 1.7% between 2013 and 2023. The minimum/maximum shares were 20.8% and 24.8% respectively.

([117])IRENA 2025: Renewable Energy Capacity Statistics 2025

([118])Yearly electricity data, Ember.

pledged a total additional capacity of 3 GW onshore wind and 5 GW offshore wind by 2030 under the European Wind Power Action Plan. However, the annual auction volumes mentioned on these two platforms differ.

Ireland has identified power purchase agreements (PPAs) as an important component of its renewable energy ambitions. The PPA market has been growing (both within support schemes and corporate PPAs) following the 2022 Roadmap on PPAs. Ireland's onshore auction design is based on contracts for difference that are conditional on the signature of a commercial PPA.

Energy efficiency

Ireland's energy intensity had improved in recent years, but it increased by 4% in 2023. Primary energy consumption (PEC) decreased by 2.0% to 14.06 Mtoe in 2023 but final energy consumption (FEC) increased by 0.7% to 12.00 Mtoe. FEC increased in transport by 5.3% and in the service sector by 4.5% – driven by the increasing number of datacentres in Ireland, which accounted for 21% of electricity consumption in 2023. FEC decreased in the residential and industrial sectors by 6.8% and 2.0% respectively. The recast Energy and Efficiency Directive requires Ireland to achieve a PEC of 11.29 Mtoe and a FEC of 10.45 Mtoe by 2030.

Renewable energy and decarbonisation of cooling will play an important part in Ireland's heating and cooling policies. Ireland has outlined measures to unlock the development of infrastructure for high-efficiency cogeneration, focusing on district heating and cooling using waste heat and RES (including in the industrial sector). Key measures include establishing district heating centre of excellence, updating the Support Scheme for Renewable Heat and introducing a Renewable Heat Obligation. Ireland aims to install 680 000 heat pumps in new and existing dwellings by 2030. The development of a comprehensive geothermal energy strategy will further support the efforts towards decarbonisation and efficient energy use. However, Ireland has not yet notified its comprehensive heating and cooling assessment, which could identify the potential for the application of high-efficiency cogeneration and efficient district heating and cooling in line with the Energy Efficiency Directive.

With regard to energy consumption in buildings, **the 2022 residential final energy consumption data decreased by 4% between 2018 and 2022 (after applying climate correction), and data from 2023 suggest that this trend has continued.** This is consistent with the national long-term renovation strategy, which envisages a 12% reduction of energy consumption by buildings by 2030 (compared with 2020). Ireland has made significant progress in promoting energy-efficient renovations through government support programmes. The Home Energy Grants scheme, which is managed by the Sustainable Energy Authority of Ireland (SEAI[119]), together with the Better Energy Warmer Home scheme provides financial assistance to homeowners for a range of energy upgrades.

In 2022, heating and cooling accounted for 79% of Ireland's residential final energy consumption, and approximately 33 000 heat pumps were sold in 2023 (an increase of 63% on 2022). Irish building regulations require 20% of energy to come from renewable sources in new buildings, so heat pumps are the default choice in most cases. There are several measures in place to support energy renovations (including support for installation of heat pumps, covering up to EUR 6 500 of the cost).

Ireland deploys an effective and supportive national financing framework that mobilises energy efficiency investment (mainly in the form of grants, financial instruments and tax incentives). Ireland continued implementing several relevant financing measures in 2024 (particularly the Pathfinder Programme, which supports sustainable solutions in the public sector). Ireland adequately deployed financial instruments for energy efficiency (e.g. the Energy Efficiency Obligation System, the Sovereign Green Bond and the National Energy Efficiency Fund) that address all sectors.

([119]) Subsidies for energy efficiency retrofits of residential houses and solar PV installation – Policies – IEA.

Security of supply and diversification

Ireland has made progress on renewables, but its overall energy mix in 2023 remained heavily reliant on fossil fuels. Oil and natural gas accounted for 49.4% and 28.8% of gross inland consumption respectively ([120]). Renewables (together with biofuels) accounted only for 13.9% ([121]). This reliance underscores the importance of Ireland's ongoing efforts (related to the energy transition) to diversify its energy sources and strengthen energy security.

Fossil fuel subsidies

In 2023, environmentally harmful ([122]) fossil fuel subsidies without a planned phase-out before 2030 represented 0.37% ([123]) of Ireland's GDP ([124]), below the EU weighted average of 0.49%. Tax measures accounted for 61.9% of this volume, while direct grants and income/price support represented 22.6% and 15.4%, respectively. However, Ireland's 2023 Effective Carbon Rate ([125]) averaged EUR 54.82 per tonne of CO_2, below the EU weighted mean of EUR 84.80 ([126]).

([120])Electricity and heat are excluded to avoid double counting focusing on primary energy sources.

([121])Gross Inland Consumption, 2023 Energy Balances - Eurostat

([122])Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

([123])Numerator is based on volumes cross-checked with the Irish authorities. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

([124])2023 Gross Domestic Product at market prices, Eurostat

([125])The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

([126])OECD (2024), Pricing Greenhouse Gas Emissions 2024.

Table A8.1: **Key Energy Indicators**

	Ireland				EU			
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
Household consumer - Electricity retail price (EUR/KWh)	**0.2847**	**0.2956**	**0.3310**	**0.3593**	**0.2314**	**0.2649**	**0.2877**	**0.2879**
Energy & supply [%]	43.0%	78.0%	116.0%	84.9%	36.6%	54.3%	55.6%	47.8%
Network costs	32.9%	34.7%	23.9%	20.6%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	24.2%	-12.7%	-39.8%	-5.5%	36.7%	20.3%	19.6%	25.0%
VAT	11.3%	10.9%	11.3%	8.6%	14.5%	13.4%	13.8%	14.6%
Household consumer - Gas retail price	**0.0663**	**0.1060**	**0.1603**	**0.1312**	**0.0684**	**0.0948**	**0.1121**	**0.1128**
Energy & supply	49.0%	57.5%	68.2%	61.1%	43.7%	61.0%	64.5%	53.9%
Network costs	31.7%	27.1%	18.8%	23.6%	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	19.3%	15.4%	13.0%	15.4%	33.8%	21.7%	18.4%	27.8%
VAT	11.2%	9.3%	8.0%	8.2%	15.5%	11.6%	10.2%	13.6%
Non-household consumer - Electricity retail price	**0.1414**	**0.2234**	**0.2357**	**0.2217**	**0.1242**	**0.1895**	**0.1971**	**0.1661**
Energy & supply	75.1%	78.7%	83.4%	81.0%	43.0%	66.5%	63.0%	55.8%
Network costs	8.9%	10.2%	11.1%	11.1%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	7.1%	4.2%	-1.3%	1.6%	30.4%	9.9%	11.2%	15.4%
Non-household consumer - Gas retail price	**0.0293**	**0.0545**	**0.0601**	**0.0503**	**0.0328**	**0.0722**	**0.0672**	**0.0517**
Energy & supply	62.7%	72.9%	75.5%	71.1%	66.2%	77.3%	77.3%	68.7%
Network costs	24.5%	16.4%	15.2%	18.8%	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	5.1%	4.2%	3.5%	4.2%	12.5%	6.1%	7.3%	11.6%
Wholesale electrity price (EUR/MWh)	135.8	226.8	122.1	108.4	111.0	233.2	99.1	84.7
Dutch TTF (EUR/MWh)	*n/a*	*n/a*	*n/a*	*n/a*	46.9	123.1	40.5	34.4

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Gross Electricity Production (GWh)	**30,997**	**31,278**	**31,122**	**32,460**	**32,028**	**34,045**	**31,853**	-
Combustible Fuels	22,525	21,546	19,771	19,440	20,968	21,551	18,098	-
Nuclear	-	-	-	-	-	-	-	-
Hydro	895	932	1,132	1,224	1,036	948	1,238	-
Wind	7,567	8,783	10,185	11,740	9,940	11,393	11,863	-
Solar	10	18	34	55	85	149	646	-
Geothermal	-	-	-	-	-	-	-	-
Other Sources	-	-	-	-	-	4	7	
Gross Electricity Production [%]								
Combustible Fuels	72.7%	68.9%	63.5%	59.9%	65.5%	63.3%	56.8%	-
Nuclear	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Hydro	2.9%	3.0%	3.6%	3.8%	3.2%	2.8%	3.9%	-
Wind	24.4%	28.1%	32.7%	36.2%	31.0%	33.5%	37.2%	-
Solar	0.0%	0.1%	0.1%	0.2%	0.3%	0.4%	2.0%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Net Imports of Electricity (GWh)	**-679**	**-28**	**645**	**-152**	**1,588**	**252**	**3,275**	-
As a % of electricity available for final consumption	-2.5%	-0.1%	2.3%	-0.5%	5.3%	0.8%	10.5%	-
Electricity Interconnection [%]	**7.4%**	**7.1%**	**6.3%**	**6.6%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Share of renewable energy consumption - by sector [%]								
Electricity	30.3%	33.3%	36.5%	39.1%	37.7%	37.4%	40.4%	-
Heating and cooling	6.6%	6.4%	6.3%	6.3%	5.6%	5.5%	7.9%	-
Transport	7.4%	7.2%	8.9%	10.2%	4.6%	5.8%	7.6%	-
Overall	10.5%	10.9%	12.0%	16.2%	13.0%	13.1%	15.3%	-

	2020	**2021**	**2022**	**2023**	**2020**	**2021**	**2022**	**2023**
Import Dependency [%]	**71.1%**	**77.0%**	**79.2%**	**77.9%**	**57.5%**	**55.5%**	**62.5%**	**58.3%**
of Solid fossil fuels	57.9%	106.4%	126.8%	86.4%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	103.2%	98.4%	100.6%	99.5%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	63.6%	71.3%	73.9%	77.5%	83.6%	83.6%	97.6%	90.0%
Dependency from Russian Fossil Fuels [%]								
of Natural Gas	0.0%	0.0%	0.0%	0.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	0.0%	0.0%	0.0%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	23.6%	80.7%	35.7%	0.0%	49.1%	47.4%	21.5%	1.0%

	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gas Consumption (in bcm)	**5.3**	**5.5**	**5.5**	**5.6**	**5.2**	**5.3**	**4.9**
Gas Consumption year-on-year change [%]	2.5%	3.9%	1.5%	0.3%	-6.2%	1.5%	-7.7%
Gas Imports - by type (in bcm)	**1.7**	**2.0**	**2.9**	**3.4**	**3.7**	**3.8**	**3.7**
Gas imports - pipeline	1.7	2.0	2.9	3.4	3.7	3.8	3.7
Gas imports - LNG	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gas Imports - by main source supplier [%]							
United Kingdom	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Eurostat, ENTSO-E, S&P Platts

Ireland is exposed to climate risks, meriting urgent action to build up resilience. Additional action could include increasing its preparedness and its water resilience and reducing the economy's impact on nature. Tackling the risks of flooding, pollution in surface water bodies and degrading biodiversity remain key challenges. Despite the high level of water availability, Ireland's water environment is under pressure as water quality is not improving, nutrient levels remain too high, and sustainable water management remains a major environmental issue. The two most significant causes of water pollution and degradation of the water environment are agriculture and sewage pollution ([127]). Protecting and restoring key ecosystems would help maintain the long-term competitiveness of important economic sectors.

Climate adaptation and preparedness

Ireland is vulnerable to the impacts of climate change, particularly floods, droughts and storms. More frequent extreme weather events resulting from climate change threaten to disrupt transport systems, damage infrastructure and strain water supply networks. Climate change also increases the risks of water- and food-borne diseases, wildfires and invasive species ([128]). Ireland can expect more dry periods and heavy rainfall events, as well as greater risks of storm surge and coastal flooding. 2024 was Ireland's fourth warmest year on record and 7 of the top 10 warmest years have occurred since 2005. In 2024, many instances of heavy rainfall led to flooding, and violent, storm-force winds were reported during storms Isha (January 2024) and Darragh (December 2024) ([129]). In January 2025, Storm Éowyn brought new wind speed records to Ireland and significantly impaired access to power and broader services for hundreds of thousands of people ([130]).

Climate change is already having a negative effect on Ireland's economy and society, but adaptation solutions could significantly alleviate the impacts. Between 1980 and 2023, Ireland recorded 68 fatalities and almost EUR 4 billion in economic losses due to weather and climate-related extreme events. However, only 14% of the economic damages were insured, compared to 62% in Denmark, which had the highest coverage rate in the EU ([131]). Adaptation can significantly reduce the negative effect of climate change impacts on the economy and society. By 2040, action to adapt to climate change could reduce gross damages from over 2.7% of Irish gross domestic product (GDP) to less than 1% of GDP, at a cost of 0.25% of GDP ([132]).

Ireland has a well-established adaptation policy framework but there is scope to develop it further, notably in monitoring climate impacts and in coastal management. The Climate Action and Low Carbon Development (Amendment) Act 2021 provides the legal framework for Ireland's transition to climate resilience. It is implemented through annual climate action plans, with one of the 23 chapters in the 2024 version dedicated to adaptation. Ireland's second statutory national adaptation framework was published in June 2024, replacing the 2018 version. The framework sets out the national strategy to reduce Ireland's climate vulnerability and outlines a whole-of-government and society approach. It contains objectives and proposals, including updated guidance on preparing sectoral adaptation plans, improving monitoring, evaluation, open data sharing, skills development, research funding and targeted climate adaptation investments ([133]).

([127])Environmental Protection Agency, *Ireland's Environment: Water*, Link.

([128])Department of the Environment, Climate and Communications, 2023, *Climate Action Plan 2024*, Link.

([129])Met Éireann, The Irish Meteorological Service, 2024, *Annual Climate Statement for 2024*, Link.

([130])Met Éireann, The Irish Meteorological Service, 2025, *Climate Statement for January 2025*, Link.

([131])EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, Link.

([132])De Bruin, K. et al., 2024, *Policy Brief on Economic Costs of Climate Change Impacts and Adaptation in Ireland: A Sectoral Analysis on Five Climate Change Impacts*, Link.

([133])Department of the Environment, Climate and Communications, 2024, *National Adaptation Framework (NAF)*, Link.

Ireland published sectoral adaptation plans in 2019, which include action to integrate adaptation into sectoral policies, identify risks, assess costs and benefits, and build sectoral capacity. New sectoral adaptation plans are being developed under the second statutory national adaptation framework (NAF), with a deadline to complete the plans by the end of Q3 2025. Ireland's first National Climate Change Risk Assessment is due by March 2025. It is intended to guide adaptation planning and ensure consistent risk assessment across sectors, fostering tailored solutions to boost resilience ([134]). To improve Ireland's overall climate resilience, it could develop a coastal management plan to boost resilience in coastal areas and create a national climate damage register to track the costs and impacts of extreme events and improve policy responses, as recommended by the Climate Change Advisory Council ([135]).

Ireland's adaptation framework takes a decentralised approach, based on the national adaptation framework (NAF) and sectoral adaptation plans (SAP). However, the Climate Change Advisory Council has highlighted weaknesses in this approach, including inadequate monitoring and evaluation of SAP implementation, and insufficient resources for adaptation in departments and agencies. This underscores a need for greater centralised accountability to ensure effective implementation ([136]). The National Adaptation Steering Committee, chaired by the Department of the Environment, Climate and Communications, oversees sectoral coordination of adaptation policy. The department also oversees the NAF. Four Climate Action Regional Offices, led by local authorities, address regional climate issues under the guidance of the department and a local authority management group ([137]).

Water resilience

Ireland is subject to only marginal levels of water stress, mainly from electricity cooling and public water supply, but it faces increasing pressure due to growing demand. Currently, Ireland has one of the highest rates of water availability in Europe. However, the biological health of rivers and lakes has shown small net declines. Although concentrations of nutrients seem to have stabilised, levels of nitrogen and phosphorous in rivers and lakes are still too high to maintain high and good quality surface waters ([138]). There is an imbalance between areas where water availability is greatest (the west of Ireland) and where water is most needed (the east of Ireland). Ireland's water productivity is considerably above the levels in other Member States, at EUR 240 per m^3 of abstracted water in 2022 and on an upward trend over a five-year period ([139]). The Water Exploitation Index Plus (WEI+) reached 1.1 in 2022, showing a slight upward trend over the last few years, but remaining rather low and stable. The main consumers of water are the energy sector and the public water supply. The Irish water supply system has little excess capacity and significant leakage rates due to underinvestment in water infrastructure. It is estimated that almost 40% of all water due to be delivered to households and non-domestic customers in 2022 was lost due to leakages ([140]). Pressure on the water supply system is exacerbated by the fact that Irish water suppliers do not charge households for water supply or wastewater services, and it is not clear when water excess use charges will be introduced.

Water quality in Ireland is still of concern, and the latest data has yet to be assessed. Ireland failed to submit the third river basin management plan (2022-2027) under the Water Framework Directive on time (by March 2022) and the Commission has not been able to include Ireland in its report on the assessment of the third plan to the European Parliament and Council. Data

([134])European Commission, 2024, *Ireland - Final updated NECP 2021-2030*, p. 183, Link.

([135])Climate Change Advisory Council, 2024, Summary for All: Annual Review 2024, Link.

([136])Climate Change Advisory Council, 2024, *Preparing for Ireland's Changing Climate: Annual Review 2024*, Link.

([137])European Commission, 2024, *Ireland - Final updated NECP 2021-2030*, Link.

([138])EPA, 2024, *Water Quality in 2023 An Indicators Report*, Link.

([139])Measured as GDP in 2010 chain linked volumes over total fresh surface water abstracted in cubic metres.

([140])Uisce Éireann, 2023, *National Leakage Reduction Programme continues in Cork as Ovens set to reap the benefits*, Link.

on the ecological and chemical status and potential are therefore not updated. Based on the reporting and data collected under the second plan published in 2020, 100% of groundwater bodies are reported as having a good quantitative status and 9% failed to achieve good chemical status. 45.4% of all surface water bodies achieved a good ecological status (with the status of 24.7% unknown). Only 6.9% are classified as having good chemical status (with the status of 91.9% unknown). Despite some progress and the adoption of new legislation in June 2022, the country has not fully complied with the Water Framework Directive. The main issues are gaps in the legal framework related to water usage and changes to natural water bodies. The main problem affecting Ireland's water quality and the health of aquatic life is the increase in concentrations of nutrients such as phosphorus and nitrogen ([141]). Human activities such as agriculture, waste water and forestry are the primary cause of nutrients leaching into water ([142]).

Ireland's wastewater treatment is a particular cause for concern. In many areas, wastewater treatment is not sufficient to prevent wastewater discharges from impairing the quality of rivers, estuaries, lakes and coastal waters. Ireland has experienced serious difficulties in implementing the Urban Wastewater Treatment Directive. Overall, Ireland's compliance rate was 47% in 2020. EU funding is available and the recovery and resilience plan provides support to 10 small wastewater treatment plants (WWTPs) and feasibility studies to upgrade 20 WWTPs, for which swift implementation is crucial. However, there is scope to take additional measures and to implement further projects to fully comply with the requirements of the Directive. The estimated investment gaps (see Graph A9.2) for water protection and water management are substantial. It is estimated that Ireland will face a financing gap of EUR 954 million per year by 2027, with around one third needed for waste water (EUR 323 million per year). Drinking water measures require an additional EUR 51 million per year and the other aspects of the Water Framework Directive around EUR 577 million per year over current levels of financing. Increasing investment will be even more important as the Directive was revised and strengthened in 2024([143]). Although EUR 20 million from the Recovery and Resilience Facility contribute to meeting Ireland's investment needs for water protection and management, additional funding is needed. Further infrastructure development such as wastewater collection and treatment, water reuse, reducing leaks in the networks and the general water supply, would help improve water management. Additional investment to improve monitoring (quality and quantity) and support nature-based solutions, flood prevention and river restoration would also contribute to this end.

Biodiversity and ecosystems

The state of nature remains fragile in Ireland, reducing the country's climate resilience. The State of Nature report indicates that in Ireland, 15% of Annex I habitat types of the Habitats Directive have a favourable conservation status indicating "good condition", slightly above the EU average of 14.7%, and 57% of species of Annex II have favourable conservation status reported in 2019 ([144]), well above the EU average of 27%. However, the majority of Ireland's important habitats have an unfavourable overall conservation status, particularly raised and blanket bogs, sand dune systems, fens and mires, natural grasslands and woodlands ([145]). The situation for forest habitats protected under the Habitats Directive is still concerning, as 75% of the assessments show a bad conservation status. Despite improvements to the conservation status of some habitats and species, for some ecosystems, including all peatlands and grasslands, and most freshwaters, forest and dunes habitats, the conservation status is still unfavourable and on a downward trend. Some restoration measures have received EU funding, but more action will be necessary. A combination

([141])According to early EPA data, there are some signals of improvements in nitrates concentrations in 2024 – Early insights indicator report: Nitrogen concentrations in selected major rivers, January-December 2024.

([142])EPA, 2024, *Water Quality in 2023 An Indicators Report*, Link.

([143])Directive 2024/3019, of 27 November 2024. The deadline for transposition is 31 July 2027.

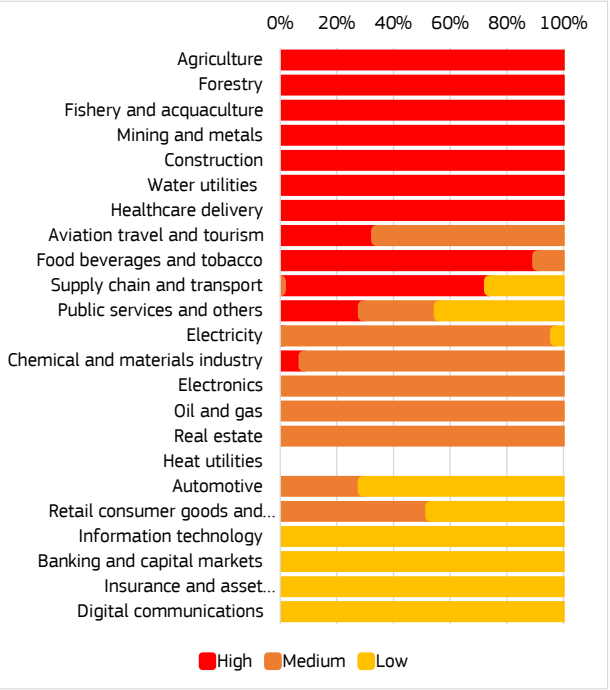
([144])Conservation status and trends of habitats and species | European Environment Agency's home page

([145])According to the assessment under Article 17 of the Habitats Directive.

of pressure from agricultural activities, notably air and water pollution ([146]), forestry and discharges from wastewater impair Ireland's climate resilience. The loss of biodiversity undermines the ecosystems' ability to provide services such as regulating water cycles, maintaining soil health and sequestering carbon that help mitigate the effects of climate change.

Compared to other Member States, Ireland is less dependent on ecosystem services, but some key sectors are highly dependent. Ireland has a moderate degree of supply chain dependency on ecosystem services, at 15% of its gross value added, against the EU-27 average of 22%. It is also below the EU average in terms of overall dependency on ecosystem services and has the lowest degree of dependency in the EU. However, several sectors such as agriculture, forestry, fisheries, aquaculture, mining and metals, construction, water utilities and health deliveries (see Graph A9.1) are particularly dependent on ecosystem services. 100% of the gross value added generated by these sectors is directly dependent on ecosystem services. This means that failure to maintain the capacity of ecosystems to deliver services could entail significant costs or even stop production in these sectors. Protecting and restoring key ecosystems would help maintain the long-term competitiveness of these sectors.

Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.
(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).
Source: Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, Link.

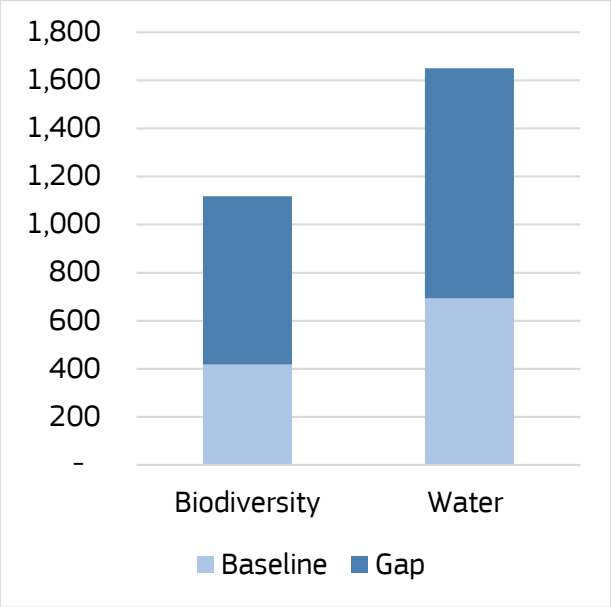
Targeted action on nature protection and restoration is crucial to meet Ireland's nature restoration targets. When including both Natura 2000 and other nationally designated protected areas, Ireland legally protects 13.9% of its land (EU average: 26%) and 2.3% of its marine areas (EU average: 12%). Ireland adopted its fourth national biodiversity action plan (NBAP) for the period 2023-2030 in January 2024. The plan sets out 194 actions to be carried out by a range of government, civil and private-sector bodies to achieve Ireland's 'Vision for Biodiversity', in a whole-of-government and whole-of-society approach. Ireland's 4th NBAP sets out action under five strategic objectives: (i) adopt a whole-of-government, whole-of-society approach to biodiversity; (ii) meet urgent conservation and restoration needs; (iii) secure nature's

([146])According to the assessment under Article 17 of the Habitats Directive, Link.

contributions to people; (iv) enhance the evidence base for action on biodiversity; and (v) strengthen Ireland's contribution to international biodiversity.

Ireland could restore up to 6 297 km^2 of the habitats listed in Annex I to the Habitats Directive, corresponding to up to 8.9% of the country ([147]). It is estimated that Ireland requires annual investment of EUR 1.1 billion to effectively protect and restore its natural capital, mitigate the impacts of climate change, and maintain the country's rich biodiversity (see Graph A9.2). The current level of financing for biodiversity and ecosystem conservation in Ireland is around EUR 419 million per year. This shortfall undermines the country's commitment to global biodiversity agreements and its long-term economic and social development.

Graph A9.2: **Investment needs and gaps in EUR million, in 2022 constant prices**



Source: European Commission, DG Environment, Environmental investment needs & gaps assessment programme, 2025 update.

Sustainable agriculture and land use

Ireland's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). Since data collection started in 1990, Ireland has never had negative emissions. To meet its 2030 LULUCF target, additional carbon removals of -0.6 million tonnes of CO_2 equivalent (CO_2eq) are needed ([148]). The latest available projections show a gap to target of 1.4 million tonnes of CO_2eq for 2030([149]). Therefore, additional measures are crucial to reach the 2030 target.

Irish agriculture remains a source of greenhouse gas emissions and continues to have an impact on air, water and soils. In 2023, agriculture generated 20.8 million tonnes of CO_2eq, representing 38% of all emissions (excluding LULUCF). This includes 15.5 million tonnes of CO_2eq from enteric fermentation and manure management in the livestock sector. The utilised agricultural area (UAA) in Ireland decreased from 4.5 million hectares in 2012 to 4.2 million hectares in 2023. Despite this decrease, the gross nitrogen balance, which is an indicator of potential nutrient losses from agriculture, increased from 35.1 kg/ha in 2012 to 62.3 kg/ha in 2017 (latest available data). According to data collected under the Nitrates Directive ([150]), 1.5% of groundwater monitoring stations in Ireland recorded average nitrate concentrations above 50 mg/l between 2016 and 2019 (EU average 12.6%), exceeding the healthy threshold for human consumption. In addition, the Irish report on implementation of the Nitrates Directive (2020-2023) ([151]) concludes that there has been an overall decline in water quality in Ireland since 2016-2019, with rising nitrate concentrations in groundwater, rivers and transitional waters. This report covers pollution by nutrients from agricultural sources. Agriculture covers approximately 70% of the land area of Ireland. The Water Framework Directive characterisation identifies agriculture as the main source of significant pressure, affecting over 1 000 waterbodies or approximately 60% of all waterbodies that are at risk of not achieving their

([147])European Commission, 2022, *Impact assessment accompanying the proposal for a Regulation on nature restoration.*

([148])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

([149])Climate Action Progress Report 2024, COM/2024/498.

([150])European Commission, 2021, *Report from the Commission on the implementation of Council Directive 81/676/EEC*, Link.

([151])Environmental Protection Agency, 2024, *Article 10 Report for Ireland for the Period 2020-2023*, p. 48, Link.

environmental objective under the Directive ([152]). In 2021, pesticides were detected in 9% of surface water bodies, below the EU average (21%). The analysis of Ireland's past river basin management plan identified nutrients from agriculture as a major source of pressure on groundwater/surface water impairing the good status and an important factor for failure to meet the Directive's objectives. In 2022, pesticides were detected in 9% of surface water bodies.

Despite a slight decrease in ammonia emissions, Ireland still does not meet its ammonia reduction commitments. This is largely due to agricultural sources, particularly cattle farming, which poses ongoing environmental challenges. The livestock density index was 1.41 in 2020, well above the EU average of 0.75. According to the national air pollutant emission inventory submission (2024) which was reviewed by the Commission, Ireland did not meet its ammonia reduction commitments under the National Emission Reduction Commitment Directive in 2020, 2021 or in 2022. According to the review of the national air pollution control programme adopted in 2024, Ireland is at a ('medium') risk of non-compliance with the more ambitious 2030 emission reduction commitments for ammonia. Although emissions have decreased slightly since 2018, from 141 000 tonnes in 2018 to 128 000 tonnes in 2022([153]), emissions in 2022 were still above 2005 levels. The source of 99% of Ireland's ammonia emissions is agriculture, mainly cattle farming.

Ireland is promoting sustainable agricultural practices to reduce the significant impact the agricultural sector has on air, water and soils. The country is transitioning to a sustainable food system by implementing policies to reduce the environmental impact of agriculture. In 2022, 7.49% of agricultural land had landscape features such as woods and non-productive grasslands, above the EU average of 5.6%. Organic farming, which reduces the use of synthetic fertilisers and pesticides, made up 2.2% of Ireland's agricultural land in 2022, an almost 50% increase since 2012, but still at a low level. Ireland aims to reach 7.5% of UAA under organic farming by 2030. It set a more ambitious target (10% by 2030) under the Irish climate action plan ([154]).

To mitigate the environmental impact of agriculture, multiple measures targeting around 32% of agricultural land focus on improving the quality of water bodies. They include reducing the use of chemical nitrogen, precision agriculture, using low-emission slurry spreading and creating riparian zones to reduce runoff to water courses. The common agricultural policy (CAP) strategic plan includes several actions to support biodiversity conservation and restoration, such as measures to maintain non-productive areas and landscape features, extensive livestock production, planting native trees and hedgerows. Overall, the Irish CAP strategic plan has allocated EUR 1.5 billion for eco-scheme measures (European Agricultural Guarantee Fund), supporting practices to increase biodiversity and reduce water pollution. It also earmarks some EUR 1 billion from the European Agricultural Fund for Rural Development for environmental and climate objectives under rural development measures ([155]). The bioeconomy, encompassing the production and processing of biological products, contributed EUR 20 billion of added value to the country's gross domestic product in 2021. The food industry generated EUR 8 billion, bio-based pharmaceuticals generated EUR 5.5 billion and agriculture generated EUR 4.1 billion ([156]).

([152])EPA, 2024, The latest Irish report on the implementation of the Nitrates Directive (2020-2023), Link.

([153])EEA, 2024, National air pollutant emissions data viewer 2005-2022, Link.

([154])Department of the Environment, Climate and Communications, 2023, Climate Action Plan 2024, Link.

([155])European Commission, Ireland – CAP strategic plan, Link.

([156])European Commission, 2023, *EU Bioeconomy Monitoring System dashboards*, Link.

Table A9.1: **Key indicators tracking progress on climate adaptation, resilience and environment**

Climate adaptation and preparedness:	Ireland						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Drought impact on ecosystems *[area impacted by drought as % of total]*	1.44	0.03	0.05	0.35	7.24	0	6.77	2.76
Forest-fire burnt area (1) *[ha, annual average 2006-2023]*	3 306	3 306	3 306	3 306	3 306	3 306		
Economic losses from extreme events *[EUR million at constant 2022 prices]*	-	51	210	-	-	260	24 142	62 981
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	-	0.88	0.88		
Heat-related mortality (3) *[number of deaths per 100 000 inhabitants in 2013-2022]*	5	5	5	5	5			
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	49	52	52	62	63	57	41	44

Water resilience:	Ireland						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Water Exploitation Index Plus, WEI+ (4) *[total water consumption as % of renewable freshwater resources]*	1.0	1.2	0.8	1.0	1.2	-	4.5	4.5
Water consumption *[million m^3]*	563	729	553	537	624	-		
Ecological/quantitative status of water bodies (5) *[% of water bodies failing to achieve good status]*								
Surface water bodies	-	-	-	-	-	-	-	59%
Groundwater bodies	-	-	-	-	-	-	-	93%

Biodiversity and ecosystems:	Ireland						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Conservation status of habitats (6) *[% of habitats having a good conservation status]*	15.3	-	-	-	-	-	14.7	-
Common farmland bird index *2000=100*	0.0	0.0	-	-	-	-	72.2	74.4
Protected areas *[% of protected land areas]*	-	-	-	14	14	-	-	26

Sustainable agriculture and land use:	Ireland						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Bioeconomy's added value (7) *[EUR million]*	17 564	16 806	17 721	20 042			634 378	716 124
Landscape features *[% of agricultural land covered with landscape features]*	-	-	-	-	7	-		
Food waste *[kg per capita]*	-	-	154	150	145	-		
Area under organic farming *[% of total UAA]*	1.7	1.6	1.7	2.0	2.2		7.99	-
Nitrogen balance *[kg of nitrogen per ha of UAA]*	-	-	-	-	-	-		
Nitrates in groundwater (8) *[mgNO_3/l]*	12.8	14.4	13.9	13.3	-	-		
Net greenhouse gas removals from LULUCF (9) *[Kt CO_2-eq]*	4 186	4 282	5 152	4 628	3 983	-	- 256 077	- 240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.
(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.
(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action, The Lancet Public Health.
(4) This indicator measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal or greater than 40% indicate situations of severe water scarcity.
(5) European Commission, 2024, 7th Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).
(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.
(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.
(8) Nitrates can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard sets a limit of 50 mg NO_3/L to avoid threats to human health.
(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA.

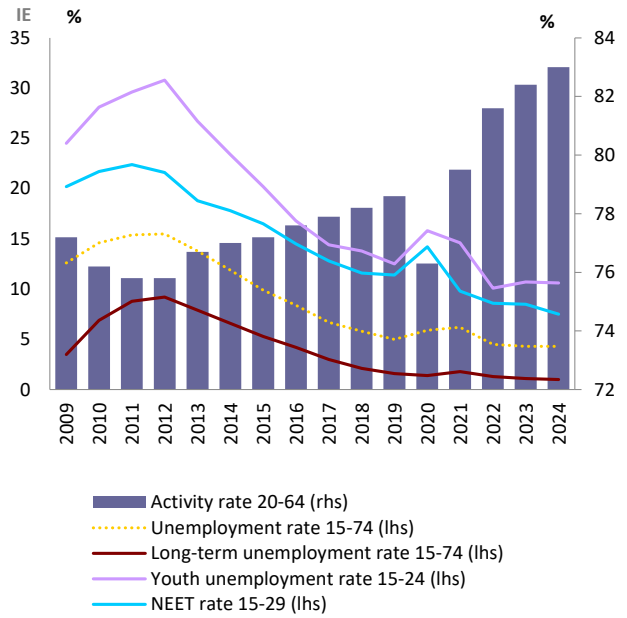
ANNEX 10: LABOUR MARKET

Ireland's labour market is robust and has shown steady progress in recent years, as evidenced by improving labour market outcomes. With its national 2030 employment target (78.2%) already surpassed, the challenge is to tackle the persisting structural problems. There is a need to (I) make the labour market more inclusive by helping underrepresented groups access quality jobs, in particular persons with disabilities, single parents and the Roma and Traveller communities; (II) help women take up work, especially those providing unpaid care; (III) further reduce the share of people living in quasi-jobless households; (IV) reduce labour shortages; and (V) increase collective bargaining coverage and quality jobs provision.

Key employment indicators underpin the good overall performance of the Irish labour market. The employment and labour force participation rates (20-64) are at historically high levels, reaching 79.8% and 83%, respectively, in 2024. Both rates are considerably higher than the EU averages (75.8% and 80.3%), and the employment rate is also above the country's 2030 target of 78.2%. The unemployment rate stands stable at 4.3% vs 5.9% EU average. Youth and long-term unemployment stood at 10.6% and 1%, respectively, well below the respective EU averages of 14.9% and 1.9%. The labour force is projected to increase, thanks to a relatively young population, demographic growth and net inward migration([157]).

Significant differences in labour market participation among different cohorts indicate room to activate much-needed labour (see section below on labour shortages). While the situation is somewhat improving, disadvantaged groups (especially persons with disabilities, single parents and the Roma and Traveller communities) continue to face barriers in accessing (quality) jobs. Comparing their employment indicators to disadvantaged cohorts in other Member States suggests that they encounter bigger obstacles when seeking work (see dedicated sections below). These structural differences result from various factors, including access to (social) services such as education, housing or childcare and discrimination at work. Disadvantaged groups are overrepresented in low work intensity households, but the overall percentage (7.4%) is now below the EU average (8%). Effective activation of these untapped labour market reserves could help ease labour shortages and increase competitiveness.

Graph A10.1: **Key labour market indicators**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, edat_lfse_20, une_ltu_a]

The low level of inclusion of persons with disabilities in the labour market is a longstanding challenge, showing limited improvements. At 38.2pps in 2024, the disability employment gap is one of the largest in the EU, with the gap widening slightly from the previous year (+0.1 pps) ([158]). Many factors hinder access to work for this group. Education is a key enabler and persons with disabilities have generally low levels of educational attainment. In Ireland, 4 out of 10 working-age individuals with a disability have attained only primary or lower secondary education – twice the proportion observed in the rest of the working-age population([159]). Ireland has

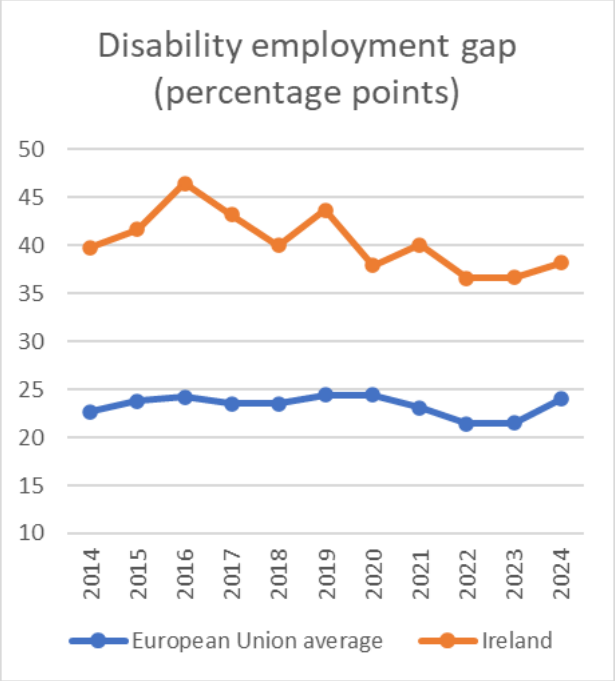
([157]) Labour Force Assumptions Population and Labour Force Projections 2023-2057 - Central Statistics Office.

([158]) Across the EU, the prevalence of disability is negatively correlated with the size of the employment gap; in other words, countries that report lower levels of disability tend to report higher employment gaps, and countries with higher prevalence rates tend to report smaller employment gaps.

([159]) OECD (2021), *Disability, Work and Inclusion in Ireland: Engaging and Supporting Employers*, OECD Publishing, Paris.

one of the highest rates of persons with disabilities neither in employment nor in education or training (NEETs), at 35.1% in 2022([160]). Lack of suitable housing close to jobs and insufficient accessible transport options are barriers to employment. Inadequate access to reasonable accommodation([161]) at work is also an issue. From 2024, the new 'Work and Access' programme provides various means of support to employees and employers alike to address the additional needs of applicants or workers with disabilities. Associations representing persons with disabilities repeatedly flagged the fear of losing access to social benefits, medical cards, or even social housing due to the increase in their income after taking up work([162]). Adjusting the eligibility income thresholds of existing welfare schemes (e.g. medical cards or the disability allowance) could help better include persons with disabilities in the labour market. Permanent in-work payments could help compensate for the additional costs of living with a disability.

Graph A10.2: **Disability employment gap, pps**



Source: EU-SILC, [hlth_dlm200__custom_14 751 014]

([160])European comparative data on persons with disabilities - Publications Office of the EU.

([161])Employment Equality Directive (2000/78/EC).

([162])Edward Leonard(2023): Assessing the policies to assist disabled people to access employment in Ireland, Geary Institute for Public Policy.

The participation rate of female workers keeps rising, but significant gender disparities and employment barriers persist, affecting single parents in particular. Ireland's female employment rate has increased over recent years, reaching 75.2% in 2024, well above the EU average (70.8%). Still, a gender employment gap of 9.3 pps remains. The female activity rate rose to 78.3%, also higher than the EU average (75.3%), but lagging 9 pps behind that of men. Despite continued improvements, insufficient access to affordable and quality childcare and the burden of unpaid care work are significant obstacles for women who would like to take up work. Nearly 40% of all inactive women indicate that they are outside of the labour force due to caring responsibilities for children or adults with disabilities. Single parents, who are predominantly women, face particular challenges when trying to enter the workforce, with an employment rate of 69.3%, well below the EU average (75.3%). Often, they only have access to precarious, low-paid jobs. Their education attainment is low compared to other cohorts, and returning to education is difficult due to financial constraints and the lack of support([163]). The recent increase in subsidies under the National Childcare scheme for single parents was a step in the right direction towards relieving financial stress, but the insufficient number of available childcare places can still prevent single parents from working. They more often work part-time, for low pay, facing higher levels of in-work poverty. Key to closing the gender employment gap and helping single parents access quality jobs will be: (I) expanding support that effectively allows single parents to return to education; (II) further improving childcare provision and affordability; and (III) offering more flexible work opportunities.

The Roma and Traveller communities continue to face barriers in accessing the labour market. The 2022 Census found that only a relatively small proportion of Roma and Traveller adults are employed (18% of Travellers and 61% of Roma). Like in the case of other disadvantaged groups, this is strongly related to low education attainment, but discrimination plays a major role too. A new report found that Travellers and the Roma experience the highest levels of prejudice of any ethnic groups in Ireland, and this has greatly

([163])One Family (2021): Submission on the National Access Plan 2022-2026.

hindered them in finding work([164]). Other direct and indirect barriers include language and literacy difficulties, and access to transport and childcare services as well as their poor health conditions([165]). Addressing these with targeted programmes, along with anti-discrimination and awareness-raising measures, will help break the cycle of disadvantage. The second National Traveller and Roma Inclusion strategy, published in 2024, aims to tackle these issues. Its success will hinge upon it being implemented effectively with adequate resources and rigorous monitoring([166]).

Ireland is tackling persistent labour and skills shortages including by focusing on welcoming migrant workers. The overall job vacancy rate stood at 1.2% in Q3-2024([167]), which is a decrease of 0.4 pps year-on-year. However, employers continue to report difficulties in hiring in multiple sectors. The highest job vacancy rates are observed in public administration (3.3%), professional, scientific and technical occupations (2.5%), administrative and support services (1.8%), and information and communication (1.6%). Other sectors that report a severe lack of personnel include education, the health and social care sector, and construction. Shortages in the construction sector are particularly problematic, as these delay deliveries of new houses, which in turn undermines (I) access to social and affordable housing, (II) in-bound labour migration of the required qualified labour and consequently (III) competitiveness. The Irish authorities are issuing a growing number of work permits for workers from outside the EU to increase labour supply, with the number of permits rising from around 16 000 permits in 2019 to over 36 000 in 2024([168]). In parallel, Ireland supports activities in reskilling and upskilling the workforce (see Annex 12).

Skills mismatches have decreased but remain a challenge. The macroeconomic skills mismatch([169]) remained stable in 2024 at approximately 19.2%, in line with the EU average . There is a large, high-productivity multinational sector in Ireland requiring qualified workers, and the country has the biggest share of people with tertiary education in the EU. In 2023, 28% of workers with a diploma carried out tasks that did not require their level of education (vs EU 21.9%), therefore leading to a situation that entailed significant skills mismatches in the labour market. However, people with a degree have greater flexibility in changing occupations, which will be even more important in the future. Some sectors, such as agriculture (87.8%), transportation (62.7%), and administrative and support services (52.6%), experience particularly high over-qualification rates.

In line with European trends, collective bargaining coverage has decreased over the last decades. The share of workers protected by collective agreements stood at 34% in 2024([170]), a 19 pps decline from 2003([171]). Trade Union density ('membership') fell to 22% in 2024, compared to 70% density for employer representative bodies([172]). The labour share – an indicator which reflects the income distribution between labour and capital – somewhat declined from 2020 when it stood at around 60% to 53% in 2023([173]). Low membership of labour interest organisations limits their capacity to negotiate for fair wages and decent working conditions. In Ireland, employees do not have a right to collective bargaining. Regardless of the number of workers a trade union represents, employers can refuse to negotiate. The EU Directive on adequate minimum wages requires Member States to promote collective bargaining where the coverage rate is below 80%

([164]) Carron-Kee, E., McGinnity, F., and Alamir, A. (2024). Understanding attitudes to Travellers and Roma in Ireland, Jointly-published Reports 9, Dublin: ESRI and DCEDIY.

([165]) Pavee Point Traveller and Roma Centre and Applied Social Studies, Maynooth University (2023) Roma in Ireland: Access to Fair and Decent Work.

([166]) Pavee Point: Lessons learnt from implementation of the National Traveller and Roma Inclusion Strategy 2017-2021.

([167]) Earnings and Labour Costs Q2 2024 (Final) Q3 2024 (Preliminary Estimates) - Central Statistics Office

([168]) Dept of Enterprise, Trade and Employment: Employment permits statistical tables and company listings: Statistics.

([169]) The macroeconomic skills mismatch indicator measures the dispersion of employment rates across skill groups (proxied by qualification levels, with ISCED 0-2 low; 3-4 medium and 5-7 high).

([170]) Joint Committee on Enterprise, Trade and Employment debate - Wednesday, 24 Jan 2024.

([171]) Geary, J. and Belizon, M. (2022) Employee voice in Ireland, First findings from the UCD Working in Ireland Survey, 2021, College of Business, University College Dublin.

([172]) Irish Congress of Trade Unions (2024): Opening statement to Oireachtas Joint Committee on Enterprise, Trade and Employment on the regulatory and legislative changes required for the transposition of the Adequate Minimum Wages Directive.

([173]) Using modified Gross National Income instead of GDP to account for the distortive effect of the large multinational sector in Ireland. Source: O'Shea, D. (2024). Estimating Ireland's labour share, QEC Research Note, Dublin: ESRI.

and to strengthen the capacity of social partners. To this end, Ireland must prepare an action plan in 2025. Introducing the right to collective bargaining and prioritising companies that engage in collective bargaining for public procurement contracts could effectively increase the coverage rate. These developments could well revive the collective bargaining process at national level.

Over a quarter of workers had poor quality jobs according to the first major survey on job quality in Ireland. A 2023 report by University College Dublin and the Nevin Social Research Institute found that altogether 27% of workers had what was defined as 'poor quality' jobs([174]). 15% were in 'precarious, low-paid' jobs, and 12% were in 'demanding, precarious, highly controlled' jobs. At the other end, 21% of workers had 'secure, high-quality jobs'. Precarious, low-paid positions are mostly occupied by young people (16-24), predominantly women, who often hold part-time or temporary positions. In addition, fewer women have high-quality jobs, indicating an occupational gender segregation. Further factors affecting job quality include: (I) the size of the firm, with smaller companies (0-49 employees) typically having more low-paid precarious jobs; (II) not having a degree; and (III) the type of occupation. Another important finding from the 2023 report is that minimum-wage workers are 20 pps less likely to be members of a trade union([175]). Measures that could improve job quality include introducing a living wage from 2029 onwards. Originally the introduction of this living wage was planned for 2026, but the government deferred it (along with the decision on youth sub-minimum wage rates), to help businesses reduce costs instead. Further measures could be improving working conditions and job security in typically precarious sectors such as care, leisure and sales.

Over time, real wage growth stays behind productivity growth. Wage growth in the 2014-2024 period was somewhat below what could have been expected based on developments in the usual macroeconomic drivers([176]). Real wages have been recovering after marked losses, but since 2019 their growth remains well below productivity development. Nominal wages increased by 2.5% in 2022, 6.8% in 2023 and 4.4% in 2024([177]). In turn, real wages grew by 3.0% in 2024 after a sizeable decrease in 2022 (5.0%) and a partial recovery in 2023 (2.3%). The statutory minimum wage grew by 28.56% between January 2022 and July 2025, which corresponds to a real increase of 14.43%. On 1 January 2025, it increased from EUR 12.70 per hour to EUR 13.50 and is to be set at 60% of the median wage from 2029 onwards. Originally the introduction of this living wage was planned for 2026, but the government deferred it (along with the decision on youth sub-minimum wage rates), to help businesses reduce costs instead. Unit labour costs grew significantly in 2023 (by 17.0%), following a slight increase in 2022 (0.9%). They are also set to have increased by an average 7.4% in 2024. However, when comparing over a longer time horizon (2019-2024) cumulative real wage growth was at least 7 percentage points behind productivity growth.

The workforce is adapting to the green and digital transitions, with a growing need for skilled workers in emerging sectors. In 2023, employment in energy-intensive industries represented 0.9% of total employment, while jobs in the green economy have expanded. In 2021, employment in the environmental goods and services sector reached 1.7% of total employment (EU: 2.7%). The greenhouse gas emission intensity of Ireland's workforce has improved, decreasing from 28.2 tonnes per worker in 2015 to 22.1 tonnes in 2023. This reflects the progress made in the green transition, but it is still very far above the EU average (12.3 tonnes in 2023). In 2023, ICT specialists accounted for 6.2% of total employment, above the EU average of 4.8%. Among workers aged 25-64, 85.5% have at least basic digital skills (EU: 64.7%), reflecting Ireland's emphasis on fostering workforce readiness. Despite these achievements, the demand for ICT specialists continues to exceed supply, requiring targeted upskilling initiatives and stronger

([174]) Geary, J., & Wilson, L. (2023). *Job quality in Ireland: First findings from the UCD Working in Ireland Survey, 2021* (NERI Report Series No 27).

([175]) Redmond, P., Ciprikis, K., and Staffa, E. (2023). Job quality of minimum wage workers in Ireland, ESRI Research Series 165.

([176]) Wage benchmarks are predicted by developments in inflation, productivity, the trade balance and the unemployment rate.

([177]) For nominal wage growth, compensation per employee is considered. It includes: i) wages and salaries payable in cash or in kind; and ii) social contributions payable by employers. For real gross wages, the deflator used is the Harmonised Index of Consumer Prices (HICP). Real wages using this deflator then can differ from real wages shown in AMECO (that uses private consumption as deflator). Data for 2024 and 2025 are based on the European Commission Autumn 2024 economic forecast.

integration of digital skills development into education and training frameworks (see Annex 12).

Despite significant economic and labour market improvements in Ireland, notable social challenges persist. Housing has been the biggest concern in Ireland for years, with worsening affordability and rising homelessness. Poverty has been decreasing over the past decade, yet vulnerable groups (persons with disabilities, single parents, children, Roma and Travellers) are still facing disproportionate risks of poverty and social exclusion, due in part to limited access to social services, which are often provided by the private or the voluntary sector. Addressing these challenges will contribute to inclusive growth and competitiveness.

Low-income cohorts face disproportionate challenges in accessing housing, childcare and healthcare. Due to high inflation, the cost of living has emerged as the second most important issues for Irish voters, after housing ([178]). In recent years, the Irish budget has had unprecedented surpluses due to large revenues from corporate taxation, which were used to tackle some of the issues (e.g. energy poverty and child poverty) through one-off measures. However, lasting solutions will require structural reforms based on stable sources of financing.

Ireland's housing market continues to exhibit strong price growth. House prices grew by 3.1% in 2023, following rises of 8.3% and 12.3% in 2021 and 2022, respectively. Prices increased further in 2024 (+9.3% year-on-year in Q4-2024). However, there are signs of improvement on the supply side, with building commencements increasing by 84% in 2024. New housing completions, although they decreased slightly in 2024, are expected to rise further, suggesting that housing supply may help moderate price growth. Nevertheless, high population growth is likely to sustain strong demand for housing in the future.

Overall housing affordable continues to deteriorate further, as population growth outpaces new construction. With a strong recovery after an economic bust, house prices doubled in the decade up to 2024, and outpaced household income growth by 24% over the same period. As a consequence Ireland saw one of the strongest deteriorations of its price-to-income ratio over the same period. This is partially due to an insufficient housing supply to the 15% population growth over the same period. After anaemic construction during the mid-2010s, the construction of new dwellings has picked up substantially and by 2024 has reached a per-capita level more than double the EU average, though still far below 2000s levels. Yet population growth continues to exceed dwelling growth, leaving Ireland as one of the few Member States with a persistent decline in its stock of dwellings per capita. House price levels compared to incomes remain one of the highest in the EU, posing potential structural risks to the domestic economy. While the rental market is rather small, the ratio of new rent prices to incomes increased significantly over the last decade.

Housing affordability continues to be the most pressing social challenge in Ireland. Over the past decade, the average (nominal) rent more than doubled to EUR 1 644 in Q2-2024. Population growth and housing supply shortages, including in social housing and the private rental sector, are key drivers behind the increase in housing costs. Low affordability also affects young people and migrants, who typically do not own their home, and lower-income people and urban cohorts that rely more on renting. Meanwhile the residential vacancy rate (the share of unused apartments) stood at 7.7% in 2022 (down from 9.1% in 2016).

The demand for social housing is on the rise. In 2023, there were 58 824 households on local authority waiting lists for social housing. This is an increase of almost 1 000 households from the previous year, and the first increase since 2016. More than half of those on waiting lists are single adults, while almost a quarter are single-parent families. A further 62 642 households were reliant on rent supplement schemes to pay for private rented housing in Q3 2024. These schemes have supported many households in avoiding or exiting homelessness. However, in the context of limited supply of private rented housing and rising rents, claimants are experiencing significant difficulty in finding dwellings to rent, which is a major cause of homelessness. Housing NGOs reported that tenants were afraid to move from emergency accommodation to private rented housing with the help of the housing assistance payment due to the low security of tenure in the first six months. During this period renters can be evicted without a reason. Following that they can stay for an indefinite duration (in tenancies created after 10

([178])According to post-2024 general elections exit poll by Ipsos.

June 2022), unless the landlord wants to terminate the contract for an allowed reason.

Increasing the supply of available dwellings is vital, yet further measures are needed. The Parliamentary Budget Office estimates that altogether there are 236 000 people in need of social housing ([179]), of which 92 000 are children. This is significantly higher than official figures. In 2024, the government revised its 'Housing for All' targets, setting the goal of constructing 50 500 new homes annually (up from 33 000). Through the European Social Fund Plus (ESF+) the EU supports the delivery of new social services and necessities for the homeless. Further efforts to address the causes of homelessness and low affordability could be considered, such as: (i) increasing the share of social housing stock in the overall housing stock([180]), thus moderating housing price volatility; (ii) conducting further analysis to see if tenant rights could be strengthened to prevent homelessness due to evictions.; (iii) strengthening the powers of local authorities to acquire derelict homes for social housing; and (iv) monitor the number of vacant homes and adjust the vacant homes tax in line with the results.

The number of people living at risk of poverty or social exclusion (AROPE) recently decreased. The AROPE rate in 2024 stood at 16.7%, below the EU average of 21%. The three components of this indicator reflect key aspects of social inclusion: (i) to measure income poverty, the at-risk-of-poverty (AROP) rate (12.3% vs 16.2% for the EU); (ii) to measure access to work, the low work intensity household rate (7.4% vs 7.9% for the EU); and (iii) to measure low living standards, the severe material and social deprivation rate (4.5% vs 6.4% for the EU). There were some improvements for all components, mostly thanks to the strong job market performance and one-off support measures in recent budgets. Income poverty slightly increased in 2024 (+0.3pps). High price levels combined with high inflation contributed to financial pressure on lower income households (though inflation already decreased). Benchmarking welfare payments to existing standards (e.g. inflation, real wages) or better targeted support measures could help Ireland to achieve its 2030 national poverty reduction target.

People with disabilities are particularly affected by poverty and social exclusion. Although the AROPE rate of persons with disabilities has improved, Ireland is still below the EU average, with a rate of 30.1% in 2024. Some stakeholders expressed concern that the improvement was largely thanks to one-off support measures provided in recent years and that the situation would worsen once those are discontinued ([181]). The number of persons with disabilities affected by severe social and material deprivation decreased in 2024. Still almost four times as many persons with disabilities could not afford basic goods (8.5%), compared to the general population (2.3%). The main form of financial support – the disability allowance – has not increased in line with inflation. The EUR 12 increase in the maximum personal rate of weekly disability payments came into effect in January 2025. However, the Disability Federation of Ireland estimates that a further increase of EUR 20 per week is the absolute minimum required for the disability allowance to keep pace with inflation ([182]). Currently the Irish social protection system cannot adequately compensate for the additional costs of disability, which in 2024 amounted to around EUR 10 000-15 000 annually ([183]).

Single-parent families face serious social inclusion challenges. This group is disproportionately represented among homeless families and the numbers are rising. Their AROPE rate is more than twice that of the general population (47.3% vs 16.7%). Material and social deprivation is also very high compared to the general population (39.1% vs 12.1%). On the upside, AROPE improved in recent years. A 2024 study by the Economic and Social Research Institute found that lone parenthood significantly increases economic vulnerability, characterised by low income, material deprivation and financial stress. ([184]). Measures to improve access to childcare, employment and education for single

([179])Social Housing – Ongoing Need 2023 (PBO).

([180])OECD (2024), OECD Affordable Housing Database - indicator PH4.2. Social rental housing stock (standing around 12%). The Report of the Housing Commission (2024) recommends doubling the social housing sector.

([181])Social Justice Ireland – Budget 2025 Analysis & Critique.

([182])Disability Federation of Ireland Pre-Budget Submission 2025.

([183])2021 figures adjusted with inflation. The cost of disability in Ireland report, Department of Social Protection.

([184])Russell, H., and Maître, B. (2024). *Lone parent transitions, employment transitions and poverty outcomes*, ESRI Research Series 193, Dublin.

parents will be essential in helping them escape poverty and social exclusion.

The Roma and Traveller minorities are at a disadvantage in accessing social services and exiting poverty. In Dublin, around 5% of Traveller households were homeless in 2023, compared to 0.7% of the total population ([185]). Funding is earmarked specifically for Traveller accommodation and has been fully spent in the last 5-year period 2020-2024. The latest survey on Roma and Traveller poverty levels from 2020 found that 10% of this cohort went to bed hungry at least once in the previous month, and 40% were struggling to make ends meet. Discrimination is a common experience for this target group when trying to access different services, such as housing, healthcare, public administration or employment ([186]).

The risk of poverty or social exclusion among children decreased. The AROPE rate for children fell by 3.7 pps, reaching 20.6% in 2024 (vs EU 24.2%). Risks are more pronounced for children from single-parent households, children with disabilities and children from Traveller and Roma communities. To address this, the 2025 budget includes several increases to child support. However, more targeted measures, such as a means-tested child benefit at a higher rate, could lead to better social protection. To mitigate the impact of poverty on children, Ireland is also implementing the European Child Guarantee (ECG) according to its 2022 action plan. The 2024 implementation report shows that progress has been made in some areas, e.g. record high public investments in early education and childcare and free hot meals for primary school pupils. From 2025, the 'Hot School Meals' scheme will be extended to all Irish primary schools, covering in total 3 200 schools and 550 000 children ([187]). The implementation of the ECG is supported by EU cohesion policy funds.

Children's access to social services remains patchy, particularly for housing, early childhood education and care (ECEC) and healthcare. Regarding housing, the UN Committee on the Rights of the Child in 2023 called on Ireland to 'phase out the use of emergency accommodation' for homeless children ([188]). Yet, family and child homelessness (those accessing emergency accommodation) has further increased. There is currently a lack of policy focusing on these groups as the problem emerged mostly after the housing strategy's publication in 2021, indicating the need for a review. Concerning ECEC, increasing subsidies and expanding the national childcare scheme significantly reduced costs for low-income families and single parents. Yet, barriers remain, as demonstrated by the low childcare attendance rate for kids under 3 (22.1% vs 37.5% for the EU). The sponsorship scheme is supposed to cover childcare costs for vulnerable children, but in some cases, the grant is too low, preventing the child from enrolment. The same can happen because the child benefit is included in the national childcare scheme means test, meaning parents might lose access to a higher national childcare scheme subsidy. Middle-income families still face high costs ([189]). Although capacity has increased, the lack of available places is still a problem. The trends in Sector Profile data over the last 3 years show a gradual increase in enrolments, a reduction in vacancies, and a large expansion in waiting lists. This points clearly to an increase in demand which is not being met by existing capacity in the sector.

Ireland still lacks universal healthcare for children, in contrast to other Member States. Children up to age 8 have free GP visits, but their families must pass a means test to have access to a medical card (free overall medical care). The income threshold for the means test has not been adjusted since 2005. This leaves many low-income families (whose income is not low enough to pass the means test) struggling with healthcare costs. There is no timeline yet on when free GP visits will also cover children over 8. Non-financial barriers also exist, like the availability of healthcare services due to long waiting lists and staffing shortages, or the social stigma of taking up means-tested benefits (e.g. the medical card) ([190]). The completion of the new national children's hospital has been delayed by several years. There is limited coordination between the

([185])Draft Dublin City Council's Traveller Accommodation Programme 2025-2029, p8.

([186])National Traveller and Roma Inclusion Strategy II, p31.

([187])School Meals programme debate in the Irish Parliament on 1 October 2024

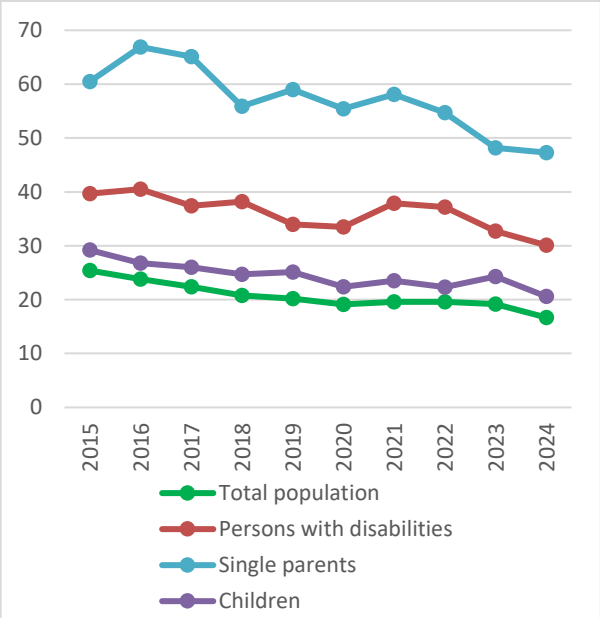
([188])Children's Rights Alliance: Child poverty monitor 2024 p74.

([189])Ibid. p42-43.

([190])Laurie Reilly et al. (2024): *European Child Guarantee: Analysing the extent to which children in Ireland have access to key services*.

healthcare/social services sector and the education sector which creates difficulties for families, and an additional burden on schools, particularly those with a high proportion of disadvantaged students (schools under the DEIS, or 'Delivering Equality of Opportunity In Schools', programme) ([191]). Children and young people with complex mental and physical healthcare needs continue to face challenges in accessing appropriate counselling and quality support due to fragmentation in the delivery of services and lack of coordination between relevant departments and agencies ([192]) (see Annex 14 for more information on health).

Graph A11.1: **At-risk-of-poverty or social exclusion rate, age groups**



(1) AROPE: At-risk-of-poverty or social exclusion rate (% of total population).
Source: Eurostat, EU-SILC [ilc_peps01n]

Energy poverty has increased in Ireland. While remaining below the EU average, the percentage of households which were unable to keep their home adequately warm doubled between 2021 and 2022 and grew further to 7.2% in 2023 (EU average 10.6%). The percentage of individuals in arrears on utility bills was 7.6% in 2023, showing a slight increase compared to 2021 (+0.3 pps). As regards electricity, Ireland has the 3rd highest household consumer prices in the EU. Research indicates that the fuel allowance had a significant impact on reducing energy poverty prior to the energy inflation ([193]). The fuel allowance rate has not been adjusted since 2020, but the income threshold in the eligibility means test was increased. In recent budgets, the main tool to address the rise in households' energy costs has been one-off supports: all households received annual energy credits to alleviate the financial stress. A more targeted lump sum payment, the 'Additional Needs Payment', was introduced in 2022. It focuses on low-income cohorts who are struggling to pay essential costs, and a means test must be passed to become eligible. The European Regional Development Fund finances a programme called 'Warmer Homes' to support owner-occupiers of residential homes who are in, or at risk of, energy poverty, through deep-retrofit grants. Households in the lowest income group and those with older owners are more likely to cite administrative complexity as a reason for not accessing retrofit grants ([194]). Simplification and/or personal guidance throughout the process could help more people access the grants. Increasing the fuel allowance instead of utilising one-off measures, and more targeted benefits, could improve cost effectiveness and help to stop the increase in energy poverty.

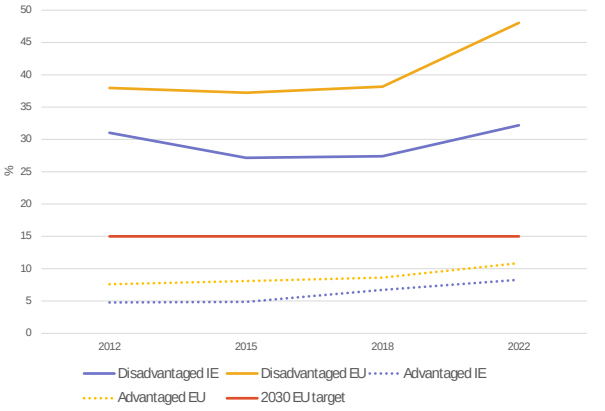
([191])OECD (2024), *OECD Review of Resourcing Schools to Address Educational Disadvantage in Ireland, Reviews of National Policies for Education*, OECD Publishing, Paris.
([192])OECD (2024), *Together for Children and Young People in Ireland: Towards a New Governance Framework, OECD Public Governance Reviews*, OECD Publishing, Paris.
([193])Arya Pillai, Miguel Tovar Reaños & John Curtis. *ESRI Working Paper No 729, June 2022: Fuel poverty in Ireland: an analysis of trends and profiles.*
([194])Reaños, M.T., J. Curtis, A. Pillai, and D. Meier, 'Fuel Poverty and Financial Literacy: Evidence from Irish Home Owners', *ESRI Working Paper 751*, ESRI.

Educational outcomes in Ireland are above the EU average, but some vulnerable groups lag behind despite the support measures in place. Children and students from disadvantaged socio-economic backgrounds, including Travellers and Roma, and students with disabilities have lower educational outcomes. Skills levels remain closely linked to poverty and social exclusion. Ireland has launched new policy measures and reviewed its systems to better support vulnerable children and students to enable them to reach their full potential. The results are still to be seen. However, establishing new special schools for students with disabilities and persistent teacher shortages create risks for the inclusiveness and future educational outcomes ([195]). Further boosting basic and green skills, science, technology, engineering and mathematics (STEM) competencies, particularly among disadvantaged students, and adult learning participation is key to enhancing Ireland's competitiveness and its capacity to innovate.

Continued support for basic skills and STEM competences is crucial to strengthen Ireland's competitiveness and innovation capacity. While Ireland is among the EU top performing countries in basic skills (reading, mathematics and science), the underachievement rate in mathematics increased to 19% since 2018 by 3.3 percentage points (pps) ([196]). The proportion of top performers in mathematics has been decreasing since 2012, remaining below the EU average (7.2% vs 7.9%), and the gender gap in science and mathematics in favour of boys is wide. To address these challenges, Ireland is implementing the 'STEM Education Policy Statement and Implementation Plan to 2026'.

The STEM budget for schools was increased in 2024 ([197]), and measures were launched to increase the pool of mathematics and physics teachers. Nevertheless, schools continue reporting staff shortages, and insufficient science subject infrastructure ([198]) ([199]). To support basic skills, in 2024, the government launched 'Ireland's Literacy, Numeracy and Digital Literacy Strategy 2024-2033: Every Learner from Birth to Young Adulthood' to deliver systematic improvement in literacy, numeracy, and digital literacy from early childhood education and care (ECEC) to post-primary level.

Graph A12.1: **Trend in underachievement in mathematics by students' socio-economic background, OECD Programme for International Student Assessment (PISA) 2012 - 2022 (%)**



Source: PISA 2022, OECD (2023)

To unlock the potential of disadvantaged groups, Ireland aims to improve its support for students at risk of educational disadvantage. The rate of early leavers from education and training remains low, at 4% in 2023 ([200]). It remains, however, high among vulnerable groups, including persons with disabilities (10.7%), Roma and Travellers (70%) ([201]) ([202]). The proportion of disadvantaged secondary school

([195])According to Article 24 of the UN Convention on the Rights of Persons with Disabilities (UNCRPD), States parties must ensure an inclusive education system at all levels and avoid segregation. Ireland ratified the UNCRPD in 2018 and its optional protocol on 8 October 2024.

([196])OECD (2023), PISA 2022 Results (Volume I).

([197])Department of Education (2024) - April 2025 Press release.

([198])Casey, J. (2024). 'Science teachers sound alarm over Leaving Cert exam changes'. Irish Examiner.

([199])OECD (2023), *PISA 2022 Results (Volume I): The State of Learning and Equity in Education*, PISA, OECD Publishing, Paris, https://doi.org/10.1787/53f23881-en.

([200])edat_lfse_14

([201])European Commission (2021), Directorate-General for Employment, Social Affairs and Inclusion. Grammenos, S., European comparative data on Europe 2020 and persons with disabilities: labour market, education, poverty and health analysis and trends. https://data.europa.eu/doi/10.2767/745317

([202])European Agency for Fundamental Rights (2020), Roma Travellers in Six Countries. https://fra.europa.eu/sites/default/files/fra_uploads/fra2020-roma-travellers-six-countries_en.pdf

students underachieving in mathematics continues to increase, though is less than the EU average (see Graph A10.1). Despite continued improvements over the past decade, significant differences in educational outcomes persist between the schools supported by the 'Delivering Equality of Opportunity In Schools' (DEIS) programme and those not covered, for students from lower socio-economic backgrounds, and Travellers and Roma. The latest survey of mathematical skills at primary level also shows significantly lower outcomes for urban DEIS schools (Band 1) ([203]).

To reduce educational inequalities, Ireland had the OECD review its allocation of resources to schools to address educational disadvantages ([204]). The OECD review recommends extending some support to every child and young person defined as disadvantaged, regardless of the school attended as well as targeting additional support for students experiencing the highest levels of educational disadvantage. The review also includes recommendations on governance, resourcing, capacity building, school-level actions and monitoring. Ireland also published its first 'Traveller and Roma Education Strategy to 2030' and the new support scheme *Equal Start* to help disadvantaged families participate in ECEC. This would enable more parents to take up work and contribute to the country's competitiveness (see Annexes 10 and 11). Effective implementation of the recommendations and the new policy measures is important to ensure more effective support for disadvantaged children and students, providing them with better educational and employment prospects.

While Ireland continues implementing inclusive measures, expanding the network of special schools risks increasing segregation within the education system. Between the 2018/19 and 2022/23 school years, the number of students in special schools increased by 9.1%, the number of students in special classes in primary schools increased by 62.5% and the number of students in special classes in post-primary schools increased by 88.6% ([205]). Due to increasing numbers of students with additional needs ([206]), five new special schools for children with complex needs will be established in 2025, and more special school building projects are in progress. However, segregated schools are not in line with the requirements of the UN convention on the rights of persons with disabilities.

Segregation in education has negative implications for vulnerable students themselves and also jeopardises the overall performance of education ([207]). Furthermore, equity and inclusion in education are essential for shared prosperity and sustainable development ([208]). As the above-mentioned OECD review recommended, educational services should be better coordinated with the health and therapy service provision to better support schools and families in meeting students' special needs. This would facilitate addressing children's special needs in mainstream schools.

Teacher shortages persist, affecting schools. Teacher supply challenges and school infrastructure deficits limit the capacity of schools to offer curricular and extra-curricular activities ([209]). There are difficulties in both recruiting and retaining teachers, and primary schools are increasingly employing staff without teaching qualifications ([210]). Rising costs of living and increased workload and responsibilities have negatively affected the teaching profession ([211]). Education and training are among the sectors most affected by skills shortages in Ireland ([212]). Given that the quality of teaching is the most influential factor in education, it is necessary to step up the efforts to ensure sufficient, qualified workforce.

Ireland's vocational education and training (VET) sector is small but performs well. In 2022, approximately 88 000 students participated

([203])G. McHugh, S. Denner, A.Clerkin, G. Piccio & V.Pitsia. (2024). TIMSS 2023. Insights into mathematics and science achievement in Ireland.

([204])OECD (2024): OECD Review of Resourcing Schools to Address Educational Disadvantage in Ireland

([205])ibid.

([206])Smyth and Russell, 2024. https://doi.org/10.26504/rs191

([207])Council of Europe, 2017. Fighting school segregation in Europe through inclusive education

([208])World Bank Group, 2016. SABER Equity and inclusion

([209])Caroll, et al., 2024. 'Embracing diversity in all its forms': The voluntary secondary sector in Irish education

([210])ASTI Survey - School leaders' experience of teacher supply problems; INTO: Another Year of Crisis in Recruitment and Retention Revealed by Primary School Survey.

([211])Harford and Fleming, 2023. Teacher supply in Ireland: anatomy of a crisis

([212])OECD Skills For Jobs 2022.

in VET programmes ([213]) at upper-secondary and post-secondary non-tertiary level. At the upper-secondary level, VET participation stood at 21.1% of learners, considerably lower than the EU average of 49%. However, the rising employment rate of recent VET graduates suggests improved labour market relevance of vocational education and training over the past decade. In 2023, the rate reached 81.8%, just above the EU average of 81%. Despite these positive trends, most students still pursue higher education, reflecting the strong presence of large multinational companies and the structure of Ireland's economy, which demands a highly qualified workforce.

Work-based learning in VET remains limited. In 2023, the share of work-based learning in VET programmes increased to 34.8%, but still falls considerably short of the EU average of 59.5%. To tackle this gap, the government is increasing financial support for apprenticeships, particularly in sectors facing critical skills shortages. The 'Action Plan for Apprenticeships 2021-2025' set a target of 10 000 new apprentices registering annually by 2025. According to its 2024 progress report, the plan's implementation is on track to achieve the target. The National Apprenticeship Office, set up in 2022, has become the central resource for employers, apprentices and training providers. Multiple EU instruments help improve skills provision. The European Social Fund Plus (ESF+) will take over supporting further education and training courses currently funded by the Recovery and Resilience Facility, to provide jobseekers with sought-after skills in the labour market, including for the green and digital transitions.

Further Education and Training (FET) policy in Ireland combines a labour market focus with a social inclusion dimension. The 'Future FET: Transforming Learning 2020-2024' strategy (its successor is still under development) prioritises increasing participation among disadvantaged learners. However, the financial burden of returning to education remains high for marginalised groups.

Ireland's 2025 budget included measures to expand skills development opportunities and reduce education costs, particularly in full-time higher education. However, it did not specifically address the needs of disadvantaged adult learners or related financial barriers. For example, supplementary allowances for food, travel and accommodation for FET and craft apprentices have remained unchanged since 2002. Adjusting these allowances to reflect the more than 50% increase in the consumer price index since 2002 would require an estimated EUR 9.34 million annually ([214]). Nevertheless, no increases have been announced. Ensuring adequate financial support could help more disadvantaged people take up vocational courses.

Student enrolment numbers in higher education continue to rise. At 65.2% in 2024, the rate among those aged 25-34 was the highest in the EU ([215]). Student enrolment between 2016-2022 increased by 13% ([216]). Under the 'Funding the Future' process launched in 2022, the government has allocated an additional EUR 105.7 million to the sector until 2024. When adjusted for inflation, however, educational spending has not yet returned to the levels of 2008([217]). In the 2025 budget, the Funding the Future was increased by a further EUR 150 million in core funding, totalling EUR 650 million by 2030. Furthermore, PhD stipends will be increased by EUR 3 000 per year, and one-off contributions will be made to student fees. At 90.3% in 2023, the employment rate of tertiary graduates remains high (EU average: 87.7%). Higher education attainment is associated with more advanced knowledge and skills, needed also for the digital and green transitions, and better social outcomes ([218]).

Ireland is progressing its policy on the applied education sector, enlarging its STEM skills pool. The proportion of students enrolled in STEM fields at International Standard Classification of Education (ISCED) level 5-8 was 27.8% in 2022 (EU 27.1%), and at VET ISCED level 3-4 was 37.5% (EU 36.2%). The proportion at tertiary level is likely to increase, driven by strong demand for places in Technological Universities

([213])Known as Further Education and Training or FET in Ireland.

([214])DFHERIS Funding the Future – An Annual Options Paper on Reducing the Cost of Education (September 2024).

([215])Eurostat: edat_lfse_03.

([216])Eurostat: educ_uoe_enrt02.

([217])EUA, 2022. Public Funding Observatory 2021/2022. Part 1: Sector perspectives on Funding.

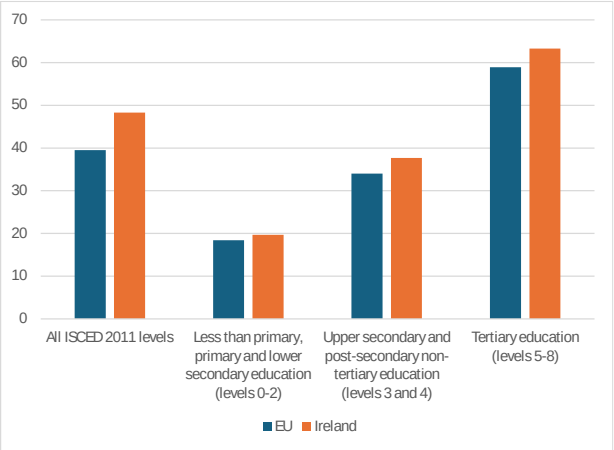
([218])OECD, 2024. https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/03/cultivating-the-next-generation-of-green-and-digital-innovators_b23f349e/bb6e432e-en.pdf

(TUs), which now enrol over 100 000 students. In 2024, the TUs were allocated a further EUR 84 million (also from the European Regional Development Fund) to strengthen their central research functions. These policy efforts are key to address the continued demand for advanced technical skills, including ICT.

Further boosting participation in adult learning is key to enhancing Ireland's competitiveness and meeting its 2030 skills target. Between 2016 and 2022, the share of adults aged 25-64 engaging in adult learning rose slightly by 2.3 pps to 48.3%. This exceeds the EU average but falls well short of the national target of 64.2% by 2030. The likelihood of participation in adult learning tends to grow with age and educational level, with women taking part more often than men. Addressing barriers to lifelong learners, such as the cost of returning to education, access to childcare and availability of reliable and affordable public transport in rural areas, could help strengthen workforce skills and productivity. The ESF+ continues to support adult basic skills development, particularly through the 'Adult Literacy for Life Strategy', which provides free courses in literacy, numeracy and digital skills.

The government has announced additional funding for upskilling initiatives. In the budget for 2025, the government earmarked a significant portion of the EUR 1.485 billion surplus of the National Training Fund (NTF) for core and capital funding in the higher education sector over the next six years. However, the primary focus of the budget and the NTF surplus is on the school-leaving cohort transitioning from higher education to apprenticeships. Paid training leave and tailored initiatives to enhance engagement among socially disadvantaged adult learners could help improve the situation, further enhancing workforce adaptability and Ireland's long-term competitiveness.

Graph A12.2: **Participation in education and training by educational attainment level**



(1) 'Formal and non-formal education and training (excluding guided on-the-job training)'
Source: Eurostat - adult education survey (AES 2022)

New initiatives aim to equip more people with green skills, supporting the country's transition to a low-carbon economy. In 2024, shortages were reported in several occupations requiring green skills, including civil engineers, construction managers and plumbers and pipe fitters ([219]). To address these gaps, Ireland published its first national further education and training strategy for the green transition ('Green Skills 2030'), following broad stakeholder consultations from relevant economic sectors. The strategy outlines various strategic recommendations, including the need to (i) raise awareness of FET programmes and green skills provision; (ii) promote emerging career opportunities; and (iii) mainstream green skills and transversal competences into all FET programmes. The Skillnet Offshore Wind Academy was established in 2024, which will train workers to exploit untapped renewable energy resources ([220]). The 'Action Plan for Apprenticeships (2021-2025)' introduced new apprenticeships in the green and sustainability-related fields. These initiatives will support Ireland's competitiveness and ensure that the workforce is adequately prepared for the green transition. In 2022, 52% of Irish respondents

([219]) European Labour Authority 2025 European Employment Services (EURES) Report on labour shortages and surpluses 2024, based on data from EURES National Coordination Offices. Skills and knowledge requirements align with the European Skills, Competences, Qualifications and Occupations (ESCO) taxonomy on skills for the green transition, with examples analysed using the ESCO green intensity index.

([220]) gov.ie - Minister O'Donovan launches Ireland's Offshore Wind Skills Action Plan to meet ambitious 2030 and 2050 targets.

expressed confidence in having these abilities, slightly less than the EU average of 54% ([221]).

Ireland ranks among the top performers in the EU for digital skills in the general population. Ireland's large multinational ICT sector demands a digitally trained workforce. At 8.2%, the share of ICT graduates is among the highest in the EU (4.5%) ([222]). In 2023, nearly 73% of the population possessed at least basic digital skills, far above the EU average of 55.6%, and 43.8% demonstrated above-basic digital proficiency. The proportion of young people (aged 16-24) with at least basic digital skills is in line with the EU average (69.6%) ([223]). A digital divide persists, particularly among individuals aged 55 and older and those living in rural areas. Ireland's recovery and resilience plan has supported efforts to bridge this gap through digital skills strategies and providing ICT equipment to FET and higher education students from disadvantaged backgrounds.

([221]) Special Eurobarometer 527: Fairness perceptions of the green transition.
([222]) DESI 2024.
([223]) DESI 2024 (2023 data).

Table A13.1:**Social Scoreboard for Ireland**

Social Scoreboard for Ireland		
Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	48,3
	Early leavers from education and training (% of the population aged 18-24, 2024)	2,8
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)	72,9
	Young people not in employment, education or training (% of the population aged 15-29, 2024)	7,5
	Gender employment gap (percentage points, population aged 20-64, 2024)	9,3
	Income quintile ratio (S80/S20, 2024)	3,68
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2024)	79,8
	Unemployment rate (% of the active population aged 15-74, 2024)	4,3
	Long term unemployment (% of the active population aged 15-74, 2024)	1,0
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)	111,8
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)	16,7
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)	20,6
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)	52,9
	Disability employment gap (percentage points, population aged 20-64, 2024)	38,2
	Housing cost overburden (% of the total population, 2024)	4,7
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)	24,4
	Self-reported unmet need for medical care (% of the population aged 16+, 2024)	2,9

Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

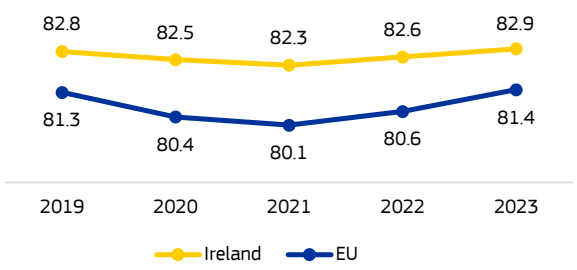
(1) Update of 5 May 2025. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2025 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0).

Source: Eurostat

Ireland faces challenges with the financial sustainability and cost-effectiveness of its health system. Insufficient focus on outpatient care, long waiting lists and shortages of doctors need to be addressed if the country is to improve the health of its population and ensure social fairness, while boosting the competitiveness of its economy.

Life expectancy at birth in Ireland rebounded to its pre-COVID-19 level in 2023, remaining above the EU average. Ireland fares comparatively well in avoiding deaths from treatable causes. Diseases of the circulatory system ('cardiovascular diseases') were the leading cause of death in 2022, followed by cancer. In 2022, the cancer mortality (age-standardised) rate was above the EU average, while the mortality rate from cardiovascular diseases was below the EU average.

Graph A14.1: **Life expectancy at birth, years**

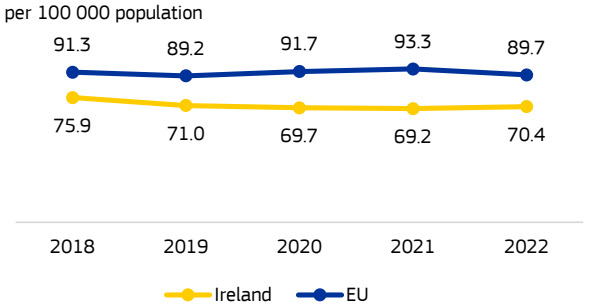


Source: Eurostat (demo_mlexpec)

The distribution of health spending in Ireland is suboptimal, with an insufficient focus on outpatient care. In 2022, health spending per inhabitant in Ireland was above the EU average, steadily increasing since 2019. The largest share of total health spending (one third) went towards hospital care, followed by outpatient care (around a quarter). The number of hospital beds in Ireland has been increasing over the decade 2013-2022. However, it remains well below the EU average, with one of the highest occupancy rates (above 80%, but lower than in 2019) ([224]). Capital investment in the health sector increased in recent years. However, current availability of key diagnostic (medical imaging) technology remains low.

([224])OECD/European Commission (2024), Health at a Glance: Europe 2024 - State of Health in the EU Cycle, p.201. Acute care bed capacity has been increased though in 2024.

Graph A14.2: **Treatable mortality**



Age-standardised death rate **(mortality that could be avoided through optimal quality healthcare)**
Source: Eurostat (hlth_cd_apr)

Ireland is slowly decentralising the governance of its health system, with a view to improving cost-effectiveness and reducing risks to its long-term fiscal sustainability. Given the sustained increase in health spending and with the share of older people projected to increase significantly by 2050, Ireland received a country-specific recommendation in 2024 to address the expected increase in age-related expenditure by making the healthcare system more cost-effective. In 2024, the Irish health system once again overspent its budget by a significant margin, requiring a mid-year agreement to provide a one-off top-up. However, this agreement came with a commitment to introduce specific measures to improve the cost-effectiveness of the Irish health system (see Annex 1), and a taskforce was set up to that end. Several measures to improve the quality and accessibility of the health system included in Ireland's recovery and resilience plan (RRP) also improve cost-effectiveness.

Ireland aims to make progress on the Sláintecare reform programme, which has faced delays, notably by improving planning and integration of healthcare services at the regional level. One programme measure is to operationalise the Community Health Networks (CHNs) which will support the planning and delivery of primary healthcare services in a structured way. A total of 96 CHNs have been set up across Ireland, each delivering primary healthcare services for a population of around 50 000. Furthermore, in 2024 six "health regions" became operational, with one Regional Executive Officer appointed in each of them. Ireland's restructuring efforts are expected to provide more localised and responsive healthcare services

Table A14.1:**Key health indicators**

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	261.5	255.5	248.0	248.2	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	258.4	245.3	248.2	266.5	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	3 491	3 674	3 892	4 136	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	74.3	78.0	77.4	77.4	77.4	81.3 (2022)
Spending on prevention, % of current health expenditure	2.7	3.2	5.9	4.7	4.7	5.5 (2022)
Available hospital beds per 100 000 population**	255	257	257	258	n.a.	444 (2022)
Doctors per 1 000 population*	3.3	3.5	4.0	3.3	n.a.	4.2 (2022)*
Nurses per 1 000 population*	n.a.	n.a.	12.7	13.1	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	16.6	16.3	16.4	15.5	15.6	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	133	153	122	128	171	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	22.8	18.6	17.8	23.1	22.4	20.0 (2023)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2022 (or latest 2021) data except for Luxembourg (2017). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except France and Slovakia (professionally active) and Greece (hospital only). **'Available hospital beds' covers somatic care, not psychiatric care. ***The EU median is used for patents. ***Source:*** Eurostat database; European Patent Office; ****European Centre for Disease Prevention and Control (ECDC) for 2023.

tailored to the specific needs of individual communities, as well as better monitoring and performance management. Moreover, the 2024 national adult palliative care policy focuses on improving access to palliative care and providing person-centred, equitable care, and strengthened service integration and governance.

Ireland performs well on disease prevention but there is room for improvement on containing antibiotics consumption. In 2022, the share of spending on prevention in Ireland was slightly lower than the EU average. Among measures to strengthen prevention and improve access to healthcare, Ministers launched the women's health action plan for 2024-2025 (Phase 2), which includes an expanded free contraception scheme and increases capacity for setting up menopause and gynaecology clinics, as well as programmes for midlife and older women, to improve bone density and cardiovascular health. The Irish RRP also includes measures to encourage more patients to participate in a chronic disease management programme. Ireland participates in several joint actions under EU4Health targeted at cancer issues, such as EUnetCCC JA (European Comprehensive Cancer Centre Network) and JANE-2 ([225]) and EUCanScreen ([226]). It also participates in JACARDI ([227]) which supports European countries in their efforts to prevent and manage cardiovascular diseases and diabetes. In 2022, the rate of preventable mortality in Ireland was well below the EU average, with lung cancer being the leading cause of preventable death. However, the consumption of antibiotics has been decreasing very slowly in Ireland. It increased by 30% between 2021 and 2022, in line with an EU-wide trend following the onset of COVID-19, and remained above the EU average in 2023. Overall, antibiotics use has decreased by only 2% since 2019, while the national target is to decrease consumption by 27% by 2030 ([228]). This raises significant public health concerns about an increase in antimicrobial resistance.

Limited public coverage and long waiting lists limit the availability of and equitable access to healthcare. The share of health expenditure covered by public funds in Ireland was slightly below the EU average in 2022. Furthermore, there is no universal coverage of primary care in Ireland - the only EU country where this is the case. Between 2023 and spring 2024, Ireland expanded entitlement to free public healthcare services in several steps, providing visits to general practitioners (GPs) without charge for nearly 2 250 000 people. In addition, in spring 2023 user charges for all inpatients in public hospitals were abolished. In 2024, the proportion of the Irish population reporting unmet needs for medical care was above the EU average (see Annexes 11 and 15). Such unmet needs are mainly due to waiting times, and to a lesser extent to financial reasons. Yet, lower income groups are affected the most. Household out-of-pocket

([225]) JANE-2: Shaping the EU Networks of Expertise on cancer!

([226]) Implementation of cancer screening programmes - EUCanScreen | Knowledge for policy.

([227]) JACARDI: Joint Action on CARdiovascular diseases and DIabetes.

([228]) National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, 2023/C 220/01.

payments as a share of total health costs are lower in Ireland than the EU average, but voluntary health insurance payments account for nearly 11% of total health spending, which is well above the EU average. Private health insurance is commonly taken out by people in Ireland to bypass the waiting lists in the public system. This situation risks exacerbating health inequalities, as poorer patients cannot afford private health services.

Long waiting lists are linked to a healthcare system that is still too hospital-centred, but also to doctor shortages. In 2022, Ireland continued to have a comparatively high density of nurses, well above the EU average. However, the density of graduated nurses was very low. In 2023, around 52% of nurses and 43% of doctors in Ireland were foreign-trained, as a result of both inflows of foreign-trained and outflows of Irish-trained staff, attracted by better pay and better working conditions abroad ([229]). Doctor density significantly increased over the last decade, despite a one-fifth decrease between 2021 and 2022.

Ireland's health system contributes to innovation and industrial development in the EU medical sector, although there is room for improvement. Inward foreign direct investment plays a prominent role in the health sector (see Annex 3). Ireland is among the EU countries with the lowest public spending on health research and development, but there is a fair amount of private investment in pharmaceutical R&D, as reported by the members of the European Federation of Pharmaceutical Industries and Associations ([230]). Ireland also has among the highest levels in the EU when considering R&D budgets allocated to countries based on corporation headquarters location. This is reflected in a high number of European patents granted in the combined areas of pharmaceuticals, biotechnologies and medical devices: 171 in 2023, mostly in medical technology ([231]). However, clinical trial activity in Ireland is limited ([232]).

The uptake of e-health and the overall digitalisation of the health system have improved. The share of individuals using online health services (excluding phone) instead of in-person consultations significantly increased in Ireland between 2020 and 2024, bringing it in line with the EU average. However, the share of people who access their personal health records online remained low - around half the EU average, despite a high general level of digital literacy in Ireland (72.9% had at least basic digital skills in 2023 vs an EU average of 55.6% (see Annex 12)). All funds earmarked for the health sector under the Irish RRP aim to strengthen the country's digital health infrastructure ([233]). The biggest investment is for the implementation of an integrated financial management system and the deployment of e-pharmacy systems across hospitals in Ireland. Once deployed, this system will allow Irish authorities to monitor the use and costs of medications, and to develop a more interoperable care delivery system where prescription data are linked to electronic patient records. In addition, the Ministry for Health has launched a digital health strategy for 2024-2030. A key measure was the Health Information Bill, published in summer 2024, providing a legal basis for digital health records and legal provisions on the sharing of patient data for care and treatment. At the end of 2024, the first Health Service Executive's patient app was rolled out to 1 500 patients on a trial basis. Finally, Ireland receives several direct grants under EU4Health, related for instance to MyHealth@EU ([234]) or patients' access to their health data ([235]).

([229]) Health at a Glance: Europe 2024, p.45.
([230]) See EFPIA.
([231]) European Patent Office, Data to download | epo.org.
([232]) EMA (2024), Monitoring the European clinical trials environment, p. 9.
([233]) The 2024 amended recovery and resilience plan envisages an additional EUR 48 million under RePowerEU, for retrofitting actions in HSE estates.
([234]) Data sharing through eDelivery in the HealthData@EU: MyHealth@EU.
([235]) Enabling patient access to their health data.

This Annex assesses Ireland's progress on the Sustainable Development Goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN's 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

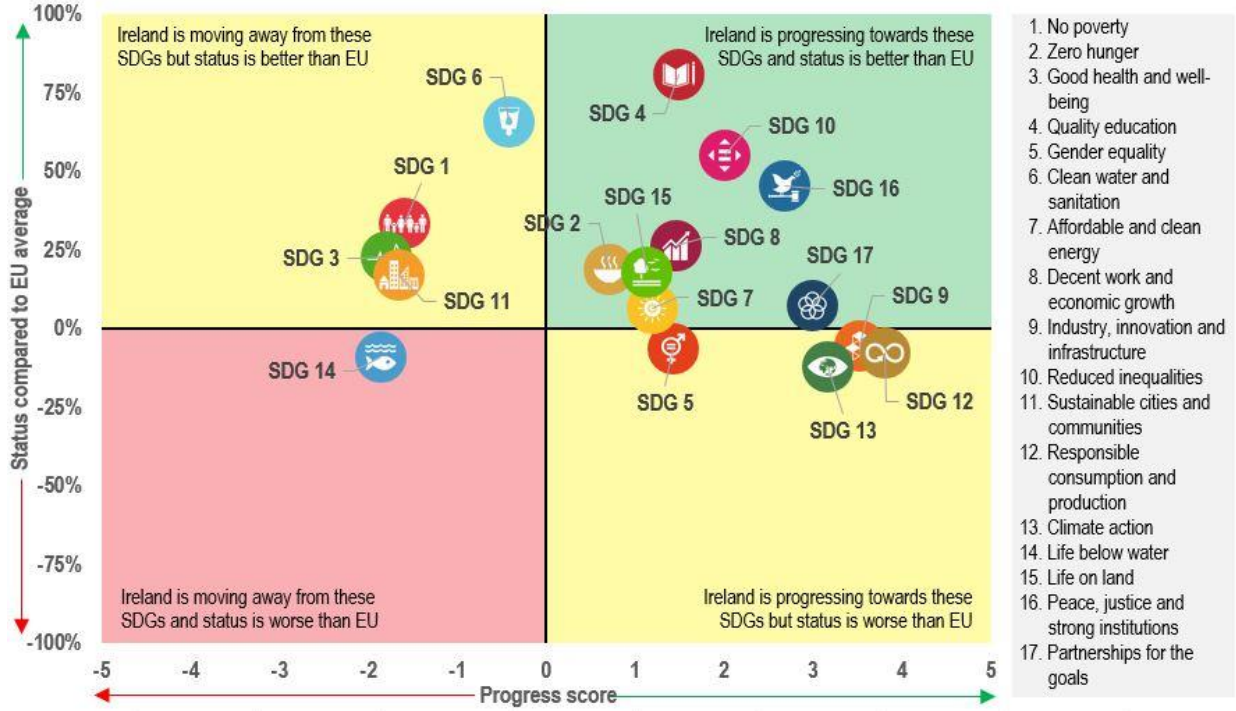
Ireland is improving on some SDGs on *competitiveness* (SDGs 4 and 8) but still needs to catch up with the EU average for others (SDG 9 - Industry, innovation and infrastructure). The percentage of adults with at least basic digital skills (SDG 4; 72.9% in 2023) is above the EU average (55.6%), although this leaves almost one third of the population aged 16-74 lacking basic digital skills. On SDG 8 (Decent work and economic growth), the percentage of young people neither in employment, education nor training aged 15-29 dropped from 11.4% in 2018 to 7.5% in 2024 and is below the EU average (11% in 2024). However, Ireland is lagging behind the EU average on SDG 9 (Industry, innovation and infrastructure). The Irish research and innovation system suffers from underinvestment, as shown by gross domestic expenditure on R&D (SDG 9; 1.58% of GDP in 2023 compared to the EU average of 2.24%). However, when looking at modified gross national income (GNI*), R&D expenditure (2.77% of GNI*) ([236]) was above the EU average. The Irish recovery and resilience plan (RRP) includes significant reforms and investments to boost innovation and digital skills. In particular, the National Grand Challenges programme incentivises innovation in green, climate and digital solutions.

While Ireland is improving on most SDGs related to *sustainability*, it is moving away from SDG 6 (Clean water and sanitation) and SDG 11 (Sustainable cities and communities). Ireland is improving slightly on SDG 15 (Life on land) but needs to catch up with the EU average in some areas, in particular on SDG 13 (Climate action). Ireland has made progress on climate mitigation (SDG 13), including on net greenhouse gas emissions (from 13.4 tonnes per capita in 2018 to 11.1 tonnes in 2023). Nevertheless, it remains above the EU average (6.8 tonnes per capita in 2023). Net greenhouse gas emissions from land use, land use change and forestry decreased slightly (from 57.1 tonnes CO_2 eq. per km^3 in 2018 to 55.7 tonnes in 2023) but remains significantly higher than the EU average (-47 tonnes per km^3 in 2023). This is in spite of the ambitious targets for addressing climate challenges (See Section 3). On waste generation and management (SDG 12), the circular material use rate increased marginally, from 1.9% in 2018 to 2.3% in 2023, but remains significantly lower than the EU average (11.8% in 2023). Ireland's material footprint decreased (from 16.6 tonnes per inhabitant in 2018 to 11.8 tonnes in 2023), below the EU average (14.2 tonnes in 2023).

On SDG 11 (Sustainable cities and communities), Ireland is moving away from the target due to a deterioration in the quality of life in both cities and communities. The severe housing deprivation rate increased slightly from 1.2% of the population in 2015 to 1.3% in 2020, although this is lower than the EU average of 4 % in 2023. There is a slightly higher percentage of the population reporting crime, violence or vandalism in their area (10.8% in 2020; compared to the EU average of 10% in 2023). Ireland also has a lower percentage of the population connected to at least secondary wastewater treatment (SDG6; 64.3% in 2021 compared to an EU average of 80.9% in 2022), although this has increased from 2016 (61.2%). Ireland is improving marginally on the target for SDG 15 (Life on land), as the drought impact on ecosystems has improved (from 1.4% in 2018 to 0% in 2023). The percentage of total land area covered by forests improved slightly from 11% in 2017 to 11.6% in 2022. However, this is still significantly below the EU average at 38.7%.

([236])GNI* excludes globalisation effects and more accurately reflects the income standards of Irish residents than GDP. See Central Statistics Office, Modified GNI for more details.

Graph A15.1: **Progress towards the SDGs in Ireland**



For detailed datasets on the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for details on extensive country-specific data on the short-term progress of Member States: Key findings – Sustainable development indicators - Eurostat (europa.eu). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

While Ireland performs well on SDGs related to *social fairness* (SDGs 4, 7, 8, 10), it is moving away from SDG 1 (No poverty) and SDG 3 (Good health and well-being) and needs to catch up with the EU average in some areas, such as SDG 5 (Gender equality). Ireland performs better than the EU average and is making progress on several indicators related to inequality, inclusive growth, and education, but performance on poverty and health and well-being have worsened. Ireland performs well on the severe material and social deprivation rate (SDG 1), which fell from 6.1% of the population in 2018 to 6% in 2023 compared to the EU average of 6.8% in 2023. However, the in-work at-risk-of-poverty rate increased slightly from 4.8% in 2018 to 5.5% in 2023 (below the EU average of 8.3%) and the housing cost overburden rate increased from 3.4% in 2018 to 4.7% in 2023 (still below EU average of 8.8% in 2023). The country has improved on several social fairness-related indicators such as early leavers from education and training (SDG 4; 2.8% in 2024, against 5.1% in 2019). There was a deterioration in the percentage of the population unable to keep their homes adequately warm (SDG 7; 7.2% in 2023, against 4.4% in 2018, as compared to the EU average of 10.6% in 2023) and the self-reported unmet needs for medical care (SDG 3; 2.7% in 2023, against 2% in 2018), while the long-term unemployment rate improved (SDG 8; 1% in 2024, against 1.6% in 2019). In addition, the income share of the bottom 40% of the population (SDG 10) increased to 23.4% of income in 2023 from 22.3% in 2018.

Ireland performs well on SDGs related to *macroeconomic stability* (SDGs 8 and 16). Ireland has enjoyed significant growth in real GDP per capita (SDG 8; from EUR 71 800 in 2019 to EUR 85 700 in 2023). As for access to justice (SDG 16), Ireland has improved on general government total expenditure on law courts, up from EUR 138.4 in 2018 to EUR 154.5 per capita in 2023 (EU average EUR 121.7 in 2023).

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Ireland faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester. They refer, among other things, to the pensions system and active ageing, environmental policy and resource management, renewable energy, energy infrastructure and networks, energy efficiency, transport, business environment, housing and education.

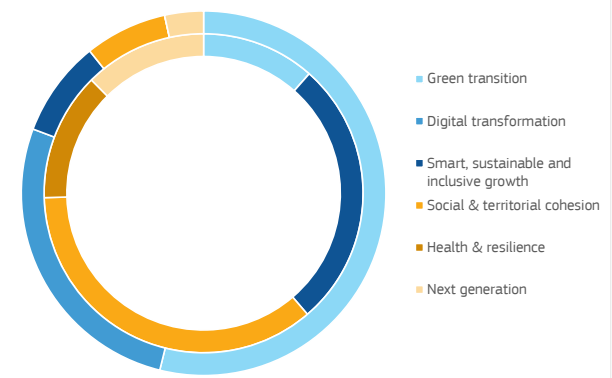
The Commission has assessed the 2019-2024 CSRs considering the policy action taken by Ireland to date and the commitments in its recovery and resilience plan (RRP). At this stage, Ireland has made at least 'some progress' on 91% of the CSRs ([237]), and 'limited progress' on 9% (Table A16.2).

EU funding instruments provide considerable resources to Ireland by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs. In addition to the EUR 1.2 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds ([238]) are providing EUR 1 billion to Ireland (amounting to EUR 2.1 billion with national co-financing) for 2021-2027 ([239]) to boost regional competitiveness and growth. Support from these instruments combined represents around 0.4 % of 2024 GDP ([240]). The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support from the EU comes on top of financing provided to Ireland under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the Irish economy and society. Project selection under the 2021-2027 cohesion policy programmes is advanced and implementation of selected projects has gained momentum.

The Irish RRP contains 19 investments and 11 reforms to stimulate sustainable growth and investments targeted towards the green and digital transition. A year before the end of the RRF timespan, increased efforts are needed to ensure completion of all RRP measures by 31 August 2026, with 28% of the funds disbursed. At present, Ireland has fulfilled 34% of the milestones and targets in its RRP ([241]).

Ireland also receives funding from several other EU instruments, including those listed in table A16.1. Most notably, the common agricultural policy (CAP) provides Ireland with an EU contribution of EUR 7,5 billion under the CAP strategic plan for 2023-2027 ([242]). Furthermore, operations amounting to EUR 351.2 million ([243]) have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in Ireland.

Graph A16.1: **Distribution of RRF funding in Ireland by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total contribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.
Source: European Commission.

([237])13% of the 2019-2024 CSRs have been fully implemented, 20% substantially implemented and 58% have reached some progress.

([238])In 2021-2027, cohesion policy funds include the European Regional Development Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

([239])European territorial cooperation (ETC) programmes are excluded from the figure.

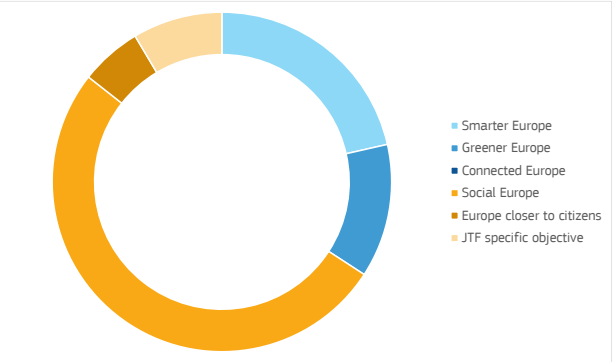
([240])RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

([241])As of mid-May 2025, Ireland has submitted 2 payment requests.

([242])An overview of Ireland's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/ireland_en

([243])Data reflect the situation on 31.12.2024.

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in Ireland**



Source: European Commission

Cohesion policy funds aim to increase the productivity and competitiveness of Irish firms and improve the business environment. The European Regional Development Fund (ERDF) focuses on strengthening the links between domestic small and medium-sized enterprises (SMEs) and technical universities to ensure that each region's enterprise base can improve its competitiveness and innovation potential. ERDF programmes are expected to support over 10 000 businesses' collaboration with technological universities in the three Irish regions to enable knowledge transfer and enhance the productivity of the indigenous enterprise network. The ESF+ on the other hand supports development of skills across education levels and removes barriers for vulnerable groups. It addresses skills shortages through flexible upskilling and reskilling programmes aligned with labour market needs. EUR 131 million (25% of ESF+ funding) is allocated to these initiatives.

Other funds are contributing to competitiveness in Ireland, for instance through open calls. The Connecting Europe Facility has financed strategic investments for instance in rail infrastructure and maritime transport infrastructure, also in decarbonisation of the road transport system. It supports the development of key infrastructure projects that allow for energy market integration, decarbonisation of the energy system and security of energy supply, and in particular electricity interconnectivity; as well as increased the capacity, resilience and security of backbone infrastructure by deploying submarine cables connecting Ireland to France, Portugal and Spain. Horizon Europe has supported research and innovation, from scientific breakthroughs to scaling up innovations, with Digital, Industry and Space and the European Research Council as top priorities In Ireland. The Technical Support Instrument (TSI) in Ireland is focused on enhancing tax information exchange and compliance in the platform economy and advancing the AI capabilities at the Central Bank of Ireland.

Ireland's RRP also contains ambitious measures to improve the business environment and competitiveness. As part of the measures covered by the second payment request submitted over the past year, Ireland has implemented a reform that broadens the scope of the SME Test to reduce regulatory barriers to entrepreneurship.

EU funds are playing a significant role in promoting environmental sustainability and green transition in Ireland during the current seven-year EU budget (multiannual financial framework). The ERDF is supporting owner-occupiers of residential homes who are in, or at risk of, energy poverty through deep retrofitting activities. More than 5 000 such homeowners will be supported by the EU programmes to make their homes more energy efficient and reduce the amounts spent on energy. Under Ireland's CAP strategic plan for 2023-2027, EUR 2.5 billion in EU funding supports eco-friendly farming, biodiversity and emissions reduction - comprising EUR 1 billion from European Agricultural Fund for Rural Development and EUR 1.5 billion from European Agricultural Guarantee Fund eco-schemes.

Ireland's RRP, including the REPowerEU chapter, contains a comprehensive set of reforms and investments for the green transition. The measures covered by the second payment request include investments in sustainable transport through the awarding of contracts for targeted works enabling future electrification of the Cork Commuter Rail and the launch of the Enterprise Emissions Reduction Investment Fund to help businesses move away from fossil fuels towards more sustainable alternatives.

Promoting fairness, social cohesion and improving access to basic services are among the key priorities of EU funding in Ireland. Over 50% of ESF+ funding (EUR 242 million) targets social inclusion in Ireland, with emphasis on children, young people and migrants. This includes developing and testing innovative

Table A16.1:**Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	1 153.8		323.8
RRF loans	0		0
Instrument/policy	**Allocation 2014-2020 (2)**	**Allocation 2021-2027**	**Disbursed since 2021 (3)** (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
Cohesion policy (total)	1 028.7	988.6	611.3
European Regional Development Fund (ERDF)	470.8	395.7	214.5
European Social Fund (ESF, ESF+) and the Youth Employment Initiative (YEI)	694.3	508.4	370.6
Just Transition Fund (JTF)		84.5	26.2
Fisheries			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	147.6	142.4	71.9
Migration and home affairs			
Migration, border management and internal security - AMIF, BMVI and ISF (4)	66.0	74.9	32.7
The common agricultural policy under the CAP strategic plan (5)	**Allocation 2023-2027**		**Disbursements under the CAP Strategic Plan (6)**
Total under the CAP strategic plan	7 534.6		2 821.2
European Agricultural Guarantee Fund (EAGF)	5 976.4		2 321.0
European Fund for Agricultural Development (EAFRD)	1 558.2		500.2

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.
(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.
(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.
(4) AMIF - Asylum, Migration and Integration Fund; BMVI- Border Management and Visa Instrument; ISF - Internal Security Fund.
(5) Expenditure outside the CAP strategic plan is not included.
(6) The cut-off date for data on EARDF disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.
Source: European Commission

approaches for integrating disadvantaged groups. A further EUR 68 million is allocated for food and material aid for the most deprived. The ERDF is supporting a EUR 120 million scheme to revitalise small and medium-sized towns, enhancing social cohesion. It aids local authorities in reimagining town centres and transforming vacant heritage buildings through renovation and adaptive reuse, aligning with New European Bauhaus values: sustainability, aesthetics and inclusion. The scheme emphasises a citizen-centred, community-led planning and design approach.

Ireland's RRP contains several reforms and investments related to fairness and social policies. As part of the measures covered by the second payment request, Ireland has implemented several key reforms such as the setting-up of Community Health Networks to enhance healthcare quality and the streamlining of the pension landscape for greater simplicity and consistency. In 2024, the TSI assisted in designing accountability and best practice frameworks for mental health policy and adoption systems, as well as improving accommodation policies for International Protection Applicants.

Table A16.2:**Summary table on 2019-2024 CSRs**

Ireland	Assessment in May 2025*	Relevant SDGs
2019 CSR 1	**Some progress**	
Achieve the medium-term budgetary objective in 2020. Use windfall gains to accelerate the reduction of the general government debt ratio.	No longer relevant	SDG 8, 16
Limit the scope and number of tax expenditures, and broaden the tax base.	Limited progress	SDG 8, 10, 12
Continue to address features of the tax system that may facilitate aggressive tax planning, and focus in particular on outbound payments.	Some progress	SDG 8, 16
Address the expected increase in age-related expenditure by making the healthcare system more cost-effective and by fully implementing pension reform plans.	Some progress	SDG 3, 8
2019 CSR 2	**Some progress**	
Provide personalised active integration support and facilitate upskilling, in particular for vulnerable groups and people living in households with low work intensity.	Some progress	SDG 4, 8, 10
Increase access to affordable and quality childcare.	Substantial progress	SDG 4, 5
2019 CSR 3	**Some progress**	
Focus investment-related economic policy on low carbon and energy transition, the reduction of greenhouse gas emissions,	Substantial progress	SDG 7, 9, 10, 11, 13
sustainable transport,	Some progress	SDG 10, 11
water,	Some progress	SDG 6, 10, 11, 12, 15
digital infrastructure	Substantial progress	SDG 9, 10, 11
and affordable and social housing, taking into account regional disparities.	Some progress	SDG 1, 2, 8, 10, 11
Implement measures, including those in the Future Jobs strategy, to diversify the economy and improve the productivity of Irish firms – small and medium enterprises in particular - by using more direct funding instruments to stimulate research and innovation	Some progress	SDG 8, 9
and by reducing regulatory barriers to entrepreneurship.	Some progress	SDG 8, 9
2020 CSR 1	**Some progress**	
Take all necessary measures, in line with the general escape clause of the Stability and Growth Pact, to effectively address the COVID-19 pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	No longer relevant	SDG 8, 16
Improve accessibility of the health system and strengthen its resilience, including by responding to the health workforce's needs and ensuring universal coverage for primary care.	Some progress	SDG 3
2020 CSR 2	**Substantial progress**	
Support employment through developing skills.	Some progress	SDG 4
Address the risk of digital divide, including in the education sector.	Full implementation	SDG 4
Increase the provision of social and affordable housing.	Some progress	SDG 1, 2, 8, 10
2020 CSR 3	**Some progress**	
Continue to provide support to companies, in particular SMEs, especially through measures ensuring their liquidity.	Substantial progress	SDG 8, 9
Front-load mature public investment projects	Full implementation	SDG 8, 16
and promote private investment to foster the economic recovery.	Substanional progress	SDG 8, 9
Focus investment on the green and digital transition, in particular on clean and efficient production and use of energy,	Substantial progress	SDG 7, 9, 13
sustainable public transport,	Some progress	SDG 11
water supply and treatment,	Some progress	SDG 6, 12, 15
research and innovation	Some progress	SDG 9
and digital infrastructure.	Substanional progress	SDG 9
2020 CSR 4	**Some progress**	
Broaden the tax base.	Limited progress	SDG 8, 10, 12
Step up action to address features of the tax system that facilitate aggressive tax planning, including on outbound payments.	Some progress	SDG 8, 16
Ensure effective supervision and enforcement of the anti-money-laundering framework as regards professionals providing trust and company services.	Some progress	SDG 8, 16

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Table (continued)

2021 CSR 1	**No longer relevant**	
In 2022, pursue a supportive fiscal stance, including the impulse provided by the Recovery and Resilience Facility, and preserve nationally financed investment.	No longer relevant	SDG 8, 16
When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.	No longer relevant	SDG 8, 16
At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the national budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.	No longer relevant	SDG 8, 16
Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy and sustainability of health and social protection systems for all	No longer relevant	SDG 8, 16
2022 CSR 1	**Substantional progress**	
In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.	No longer relevant	SDG 8, 16
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.	No longer relevant	SDG 8, 16
For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions.	No longer relevant	SDG 8, 16
Address the expected increase in age-related pension expenditure by ensuring the fiscal sustainability of the state pension system.	Substantional progress	SDG 8
2022 CSR 2		
Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 8 September 2021.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
Submit the 2021-2027 cohesion policy programming documents with a view to finalising their negotiations with the Commission and subsequently starting their implementation.	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
2022 CSR 3	**Limited progress**	
Focus efforts on boosting the circular economy. In particular, develop both infrastructure and policies to prevent waste and increase reused and recycled content, and develop a more effective system for the separate collection of recyclable waste, including biodegradable waste.	Limited progress	SDG 6, 12, 15
Promote safer and cleaner waste water circuits.	Limited progress	SDG 6, 12, 15
2022 CSR 4	**Some progress**	
Reduce overall reliance on fossil fuels.	Some progress	SDG 7, 9, 13
Accelerate the deployment of renewable energy, in particular offshore wind, including by introducing reforms to improve the efficiency of the planning and permit system, particularly by reducing the duration of procedures.	Some progress	SDG 7, 8, 9, 13
Upgrade energy infrastructure, including for storage and enhance the stability of the grid.	Some progress	SDG 7, 9, 13
Ensure the fast implementation of deep building retrofits.	Some progress	SDG 7
Accelerate the electrification of transport, including by installing charging facilities.	Some progress	SDG 11
2023 CSR 1	**Substantial progress**	
Wind down the emergency energy support measures in force, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings	Full implementation	SDG 8, 16
While maintaining a sound fiscal position in 2024,	Full implementation	SDG 8, 16
preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full implementation	SDG 8, 16
For the period beyond 2024, continue to pursue investment and reforms conducive to higher sustainable growth and preserve a prudent medium-term fiscal position.	Full implementation	SDG 8, 16
Ensure the fiscal sustainability of the state pension system by specifying its financing arrangements.	Substanional progress	SDG 8, 10, 12
2023 CSR 2		
Significantly accelerate the implementation of its recovery and resilience plan, also by ensuring sufficient resources, and swiftly finalise the addendum and the REPowerEU chapter with a view to rapidly starting its implementation. Proceed with the speedy implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports. Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	

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Table (continued)

2023 CSR 3	**Limited progress**	
Accelerate investments to speed up the circular economy. Further develop both waste treatment infrastructure associated with the higher steps of the waste hierarchy and economic instruments to prevent waste and increase reused, remanufactured and recycled content. Develop a more effective system for the separate collection of recyclable waste, including biodegradable waste. Divert waste from landfilling and incineration, with a particular focus on plastic and biowaste.	Limited progress	SDG 12
Increase efforts to accelerate investments in the drinking water and wastewater infrastructure.	Limited progress	SDG 6
2023 CSR 4	**Some progress**	
Reduce overall reliance on fossil fuels	Some progress	SDG 7, 9, 13
Focus efforts on improving flexibility in the electricity system and improving energy system integration. Design and implement a dedicated strategy for the development of demand-side response and accelerate the roll-out of smart metering infrastructure and smart grid technologies.	Some progress	SDG 7, 8, 9, 13
Streamline the planning and permitting framework for renewables, storage and grid connectors.	Some progress	SDG 7, 9, 11, 13
Implement additional measures that support energy efficiency in private and public buildings to reduce energy bills and energy system costs.	Some progress	SDG 7, 9, 13
Accelerate the installation of public charging points for zero-emission vehicles.	Some progress	SDG 7, 9, 13
Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	Some progress	SDG 4
2024 CSR 1	**Substantial progress**	
Submit the medium-term fiscal-structural plan in a timely manner.	Full implementation	SDG 8, 16
Address the expected increase in age-related expenditure by making the healthcare system more cost-effective.	Some progress	SDG 8, 16
2024 CSR 2		
Address relevant challenges 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.	RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
2024 CSR 3	Limited progress	
Increase investments in drinking water and wastewater infrastructure to improve water quality and reduce leakages.	Limited progress	SGD 12, 6, 15
2024 CSR 4	Some progress	
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	Some progress	SGD 7, 9, 13
and streamline planning and permitting for electricity storage facilities and grid connectors.	Some progress	SGD 7, 8, 9, 13
Increase efforts to improve energy performance of private buildings to reduce energy bills and energy system costs.	Some progress	SGD 7

Source: European Commission.

Ireland's strong economic growth in past decade has fuelled regional disparities, leading to areas in and around Ireland's two biggest cities, Dublin and Cork, leaping ahead of the rest of the country. More balanced growth is intended under the revised national planning framework that aims to strengthen the indigenous firms' sector, create jobs, and develop amenities, transport infrastructure and housing in and around a wider network of smaller urban centres and settlements.

Ireland's economy has been on a steady growth path for the past decade. It experienced the strongest GDP growth in the EU between 2014 and 2024. The country's GDP grew at an average annual rate of 7.1%, significantly outpacing the EU average of 1.4%. In 2024, the Irish GDP per head in purchasing power standard (PPS) stood out at 211% of the EU average.

Economic growth has been accompanied by strong population growth, which was, however, uneven across the country. Overall, the population grew by 13.4 per 1 000 residents per year between 2014 and 2023. However, while the population growth rate in the Dublin NUTS 3 region was 16 per 1 000 residents per year, the growth rate in the Border NUTS 3 region was only 11 per 1 000 residents, increasing the concentration of the population in and around urban areas. Ireland's draft revised national planning framework identifies this pattern and aims to achieve faster population growth outside of the Dublin area by 2040.

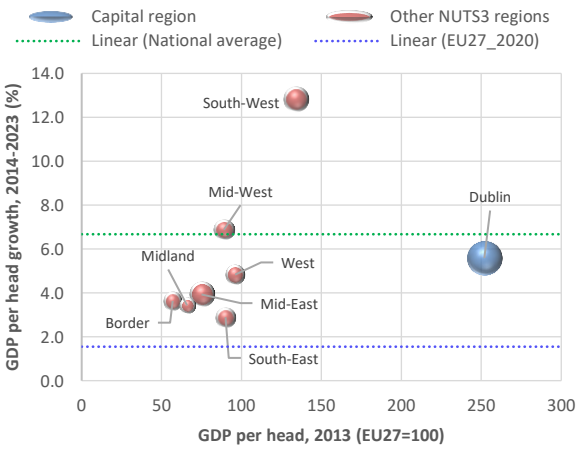
Ireland's economy relies strongly on multinational companies that have been driving up growth and productivity figures. Whereas in 1995, the gross value added (GVA) of sectors dominated by foreign-owned multinational enterprises represented about 20% of the overall GVA, in 2024, this represented more than 45% of the overall GVA.

Regional disparities in Ireland are high with differences of almost 1 to 2 between the three regions. In 2023, the GDP per head in PPS for the Southern region and Eastern and Midland (EM) region stood at 225% and 245%, respectively, of the EU average, whereas the Northern and Western (NW) region's GDP per head stood at 100% of the EU average in the same year.

Regional disparities are even greater at lower levels of territorial aggregation (NUTS 3 level). At this level in 2023, disparities between the most urban NUTS 3 regions – the Dublin area (EM region) and the Cork area (Southern region) and other areas are even higher: the GDP per head in the Dublin area was 366% of the EU average and the GDP per head in the Cork area was 360% of the EU average, whereas the GDP levels per head in the Midland and in the South-East were 75% and 96%, respectively, of the EU average. This illustrates stark disparities within the two richest NUTS 2 regions.

Ireland's strong economic performance in the last decade has fuelled regional disparities rather than bringing about convergence. Whereas all regions in the country grew in 2014-2023, the NW region, which was already lagging, had the smallest growth rate of the three regions. At a lower level of territorial aggregation, differences are further marked with the two NUTS 3 regions having the lowest GDP levels (Midland and Border) also having the lowest growth rate in that same period (Graph A.17.1).

Graph A17.1: **Average annual GDP per head growth vs GDP per head in 2013**



X axis: GDP per head, 2013 (PPS, index EU-27 = 100).
Y axis: Annual average real growth of GDP per head, 2014-2023 (EUR, 2015 prices, %). Bubble size: Population, 2023.
Source: ARDECO (JRC)

Table A17.1:**Selection of indicators at regional level in Ireland**

	GDP per head (PPS)	Real GDP per head growth	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	Patent applications to the EPO	Employment in knowledge-intensive services	Employment in high-technology sectors	Population growth	Population aged 30-34 with high educational attainment	Household income per capita (PPS)	Transport performance by car	Passenger rail transport performance	Access to alternative fuel infrastructure	Greenhouse gas emissions
	Index EU-27 = 100	Average annual % change	Index EU-27 = 100	Average annual % change	per million inhabitants	% of total employment	% of total employment	Average annual change per 1000 residents	% of population aged 30-34	Index, EU27 = 100	% of population within 1h30min reach (1)	% of population within 1h30min reach (1)	Number of electric vehicles charging points within 10 km	tCO2eq. per person
	2023	2014-2023	2022	2013-2022	2018-2019	2024	2024	2014-2023	2024	2022	2021	2019	2022	2023
European Union (27 MS)	100	1.6	100	0.9	126	41.5	5.2	1.7	44.8	100	77	15.7	287	7.1
Ireland	213	6.7	219	5.6	154	49.6	10.1	13.4	66.4	97	77	9.5	73	10.9
Northern and Western	100	4.5	99	1.4	124	44.4	6.9	11.6	57.0	92	58	0.9	9	13.6
Southern	225	9.8	280	10.2	113	44.4	9.3	10.7	63.7	101	67	1.7	18	15.2
Eastern and Midland	245	5.4	222	3.6	193	54.6	11.7	14.0	70.5	96	91	17.9	132	7.1

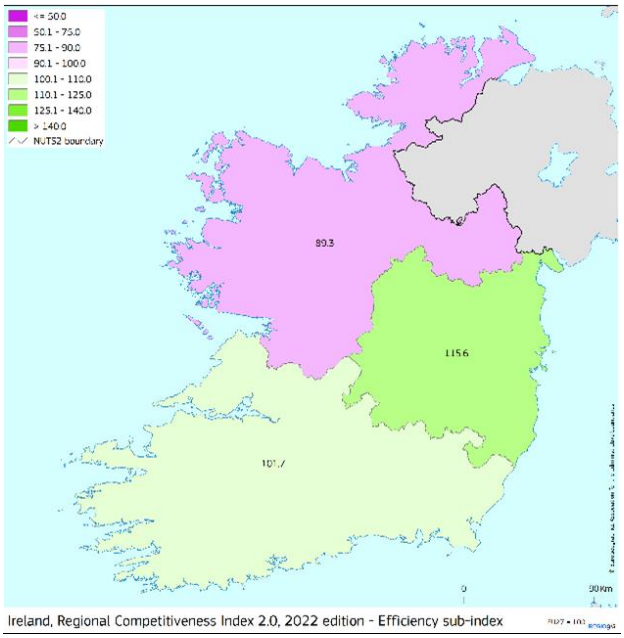
(1) Share of population in a 120-km radius that can be reached within 1h30 (%).
Source: Eurostat and JRC

Competitiveness

All three Irish regions present a strong competitiveness profile overall. According to the Regional Competitiveness Index 2.0, Ireland scored above the EU average by 12 percentage points in 2022. The three regions score high on the quality of institutions and infrastructure, economic stability, basic education, and health, thereby showing that fundamental conditions for competitiveness are met in all three regions.

Differences in regional competitiveness profiles relate mainly to physical infrastructure and human capital. The NW region, and to a lesser extent, the Southern region score significantly below the EM region on indicators of infrastructure and of education: higher education, lifelong learning, and the labour market ([244]). Statistics on educational attainment also show a concentration of human capital endowment around large cities.

Map A17.1: **Regional competitiveness Index 2.0, 2022 edition, Efficiency sub-index**



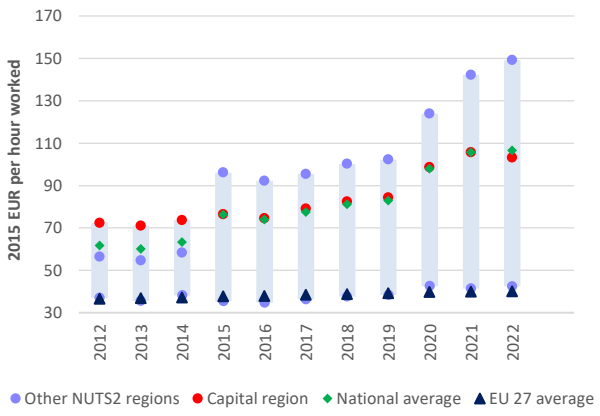
Source: DG REGIO, JRC based on Eurostat

All three Irish regions are active in competitive sectors, such as high-tech industries and knowledge-intensive services but these industries are unevenly spread across the country. The shares of employment in high-tech and knowledge-intensive sectors are above the EU average in all regions but the highest concentration of employment in these sectors is found in and around Dublin (EM region). It is also in the Dublin and Cork regions that labour productivity is the highest (Graph A17.2).

([244])In this sub-index, the NW region's score fell short of 90, while the Southern and EM regions reached 101.7 and 115.6, respectively.

Differences in productivity levels between regions reflect Ireland's growing productivity gap between indigenous firms and large multinational corporations. Labour productivity in Irish-owned firms is four times lower than that in foreign-owned companies and the gap between the productivity levels of both types of firms has been growing. Whereas in 2013, labour productivity in Irish-owned firms represented 37.2% of productivity levels in foreign firms, it only stood at 19.5% in 2021 ([245]). These differences in productivity levels are reflected at the regional level, with the EM and the Southern regions having very high productivity per hour levels (GDP (PPS)) standing at 222% and 280%, respectively, of the EU average, while the NW region only reached 99% of the EU average in 2021.

Graph A17.2: **Labour productivity per hour**



Unit: Real GDP per hour worked (EUR, 2015 prices)
Source: ARDECO (JRC)

The three Irish regions have sizeable research expenditure, but R&D expenditure is the highest around Ireland's big cities. Research and development expenditure in nominal terms was the highest in the EM region. It was 2.7 times greater in the Southern region compared to the NW region, and business research and development was three times greater in the Southern region compared to the NW region. However, Ireland's medium-term fiscal and structural plan highlights the innovation gap between foreign-owned and indigenous firms and the need to boost innovation ecosystems for the benefit of indigenous firms. Supporting regional innovation ecosystems is also a main focus of the two European Regional Development Fund programmes in Ireland.

Social fairness

Labour market conditions are better than the EU average in all Irish regions, but this positive labour market trend does not go without challenges for each region. In 2024, the unemployment rate across Irish regions was lower than the EU average. Youth unemployment also stood lower than the EU average. However, this positive labour market trend comes with challenges: urban areas face acute challenges linked with housing and the cost of living, while rural areas face higher levels of poverty and deprivation.

Affordable housing remains a challenge in Ireland, particularly in urban areas. The housing cost overburden rate ([246]) is twice as high in cities, compared to rural areas, placing a substantial burden on residents within cities. On average, 4.7% of the population faced housing cost overburden in 2024, with the share having increased substantially between 2021 and 2023. Housing is one of the key strategic priorities in Ireland's national planning framework.

The gap in the risk of poverty or social exclusion between rural areas and urban areas has increased. In 2024, 19.3% of the country's rural population was at risk of poverty or social exclusion, compared to 16.7% in towns and suburbs, and 13.0% in cities. Although the risk fell in rural areas compared to 2022 (-5.1 percentage points), in other areas it rose significantly. The NW region is the most affected, with 21.2% of the population being at risk of poverty or social exclusion in 2024.

Regional disparities in accessibility to essential services remain. In the EM region, 91% of the population within a 120 km radius can be reached by car in less than 90 minutes. This is 67% in the Southern region and only 58% of the

([245])Ireland's Central Statistical Office - PIA18 Labour Productivity at Constant Prices by Domestic and Foreign Ownership.

([246])The housing cost overburden rate is the percentage of the population living in households where the total housing costs ('net' of housing allowances) represent more than 40 % of disposable income ('net' of housing allowances)

population in the NW region. Accessibility by train is even more uneven across the country. This leads to differences in terms of access to basic services (such as hospitals) ([247]). Accessibility is one of the areas that has been flagged by Ireland in its revised national planning framework and significant funding for better regional accessibility has been set aside by the Irish government.

Sustainability

All three Irish regions are underperforming compared to the EU average in terms of greenhouse gas (GHG) emissions per capita. The average Irish resident emitted 10.9 tonnes of CO_2 equivalent in 2022, compared to 7.1 tonnes for the average EU resident. The Southern and the NW regions present the highest emissions per capita with 15.2 and 13.6 tonnes per capita, respectively, compared to 7.1 tonnes per capita for the EM region.

The relative importance of GHG emitting sectors in the regional mix explains the performance of the three regions on emissions. Sectors responsible for most emissions are agriculture, followed by transport, energy industries and the residential sector. Whereas emissions linked with energy industries and the residential sectors have decreased over the past 20 years, emissions linked with agriculture and transport have remained static. Therefore, areas with strong agricultural sectors and regions that house a high number of commuters underperform.

Sustainable transport is lagging behind in all regions. Except for Dublin, the number of electric vehicles charging points within a 10 km radius ([248]) at NUTS 3 level is significantly lower than the EU average of 287, ranging from just 7 to 23. Public transport (particularly rail transport) is also underdeveloped. Sustainable mobility is also flagged by Ireland in its national planning framework and its national development plan as one of the country's priorities up to 2040.

GHG emissions linked with the residential sector have started to decrease, but challenges remain. Fossil fuels remain the main source of energy for heating. The use of electricity for heating is still low, ranging from close to 17% in Dublin to only 7% in the Border region ([249]). Energy efficiency remains an area to be improved across regions, with almost all regions still having more than half of their residential stock with an energy rating of between C and G ([250]). The two European Regional Development Fund programmes in Ireland are investing in the uptake of energy efficiency across the country.

([247]) Only 22% of the rural population live within a 10-minute drive of the nearest hospital.

([248]) Indicators of access to alternative fuel infrastructure are based on calculations by DG REGIO and the JRC, using data from the European Alternative Fuels Observatory (EAFO), Eurostat, TomTom and Eco-Movement.

([249]) Source: Central Statistics Office Census: https://www.cso.i.e./en/census/census2016reports/census2016smallareapopulationstatistics/.

([250]) The statistics on NUTS 3 area shows that it would be beneficial for all regions to make some improvements. This is further supported by the building energy rating in the regions. The regions perform equally, except for the Mid East that scores a bit better with more than half of buildings there having an A or B energy rating.