

# European Semester

2012/2677(RSP) - 30/05/2012 - Follow-up document

**PURPOSE:** draft Recommendation for a COUNCIL RECOMMENDATION on Ireland's 2012 national reform programme and delivering a Council opinion on Ireland's stability programme for 2012-2015.

**BACKGROUND:** the European Commission has adopted a **package of recommendations for budgetary measures and economic reforms** to enhance financial stability, boost growth and create employment across the EU.

The recommendations are **country-specific**, taking account of the individual situation of each Member State. The Commission has also issued recommendations for the euro area as a whole. The country-specific recommendations put forward by the Commission give operational guidance for Member States while preparing their budgetary policies and for economic reforms that should be enacted over the coming twelve months to boost competitiveness and facilitate job creation.

The adoption of the recommendations marks the **concluding of the second phase of the European Semester** of economic policy coordination, which was launched with the Commission's [Annual Growth Survey](#) on 23 November 2011.

The basis for these recommendations is a thorough assessment of the implementation of those adopted in 2011, combined with a detailed analysis of the national reform programmes and stability or convergence programmes that Member States submitted by 30 April 2012. The analysis underpinning the recommendations is presented in 28 Commission staff working documents.

**CONTENT:** on 27 April 2012, **Ireland** submitted its stability programme covering the period 2012-2015 and, its 2012 national reform programme.

**Financial assistance programme:** on 7 December 2010, the Council adopted Implementing Decision 2011/77/EU granting financial assistance to Ireland until end 2013 in accordance with Council Regulation (EU) No 407/2010 establishing a European financial stabilisation mechanism. The accompanying Memorandum of Understanding signed on 16 December 2010 and its successive supplements lay down the economic policy conditions on the basis of which the financial assistance is disbursed.

**Progress and challenges:** the Commission notes that, overall, Ireland has implemented the conditions of the financial assistance programme specified in the Memorandum of Understanding. In particular:

- the fiscal deficit target for 2011 (10.6 %) was achieved by a significant margin and the budget for 2012 targets a fiscal deficit of 8.6 % of GDP;
- medium-term fiscal consolidation plans are consistent with the programme's deficit ceilings and a deficit below 3 % of GDP by 2015;
- the recapitalisation of domestic banks envisaged by the 2011 Prudential Capital Assessment Review of the Central Bank of Ireland has been substantively completed;
- domestic banks' deleveraging exceeded the programme's targets for 2011 as a whole;
- structural reforms to enhance competitiveness and allow stronger job creation are significantly advanced.

Ireland's economy returned to modest growth of 0.7 % in 2011, broadly as expected under the programme. In 2012, growth is set to moderate to about 0.5 %, due to the adverse external environment and the continuing adjustment of domestic demand. Export-driven growth is expected to pick up, increasing to 1.9 % in 2013 and to 2.8 % by 2015.

**Assessment of the stability programme:** based on the assessment of the stability programme, the Council is of the opinion that the **macroeconomic scenario** underpinning the budgetary projections of the programme **is plausible**. Economic growth projections in the programme are similar to the Commission's spring 2012 forecast.

**The objective of the budgetary strategy** of the programme is to reduce the general government deficit **below the 3% of GDP threshold by end 2015**, which is in line with the deadline set by the Council for correcting the excessive deficit. The programme targets deficits of 8.3% of GDP in 2012, 7.5% of GDP in 2013, 4.8% of GDP in 2014 and 2.8% of GDP by the end of the programme period in 2015. This path is underpinned by consolidation measures of 2.7% of GDP implemented in the budget for 2012, and broad consolidation measures of 3.9 % of GDP in 2013-2014 and a further partly specified consolidation effort of 1.1% of GDP in 2015.

**General government debt** is above 60% of GDP and is projected to increase from 108% of GDP in 2011 to 120% in 2013 before starting to decline. According to the Commission's latest assessment, **the risks with regards to long-term sustainability of public finances appear to be high**.

**Recommendations proposed for Ireland for the period 2012-2013:** implement the measures laid down in Implementing Decision 2011/77/EU and further specified in the Memorandum of Understanding of 16 December 2010 and its subsequent supplements.

These recommendations should be endorsed by the European Council on 28-29 June 2012 and formally adopted by the Council in July 2012.