

Statement by the

Minister for Public Expenditure and Reform, Paschal Donohoe T.D.

LAUNCH of the Summer Economic Statement

Tuesday 21 June 2016

INTRODUCTION

Good afternoon everyone.

Today's Summer Economic Statement (SES) represents a decisive step in laying out the Government's medium-term strategy for:-

- sustaining economic growth;
- securing sensible and responsible budgetary policies; and
- using the proceeds of growth and sensible decisions to continue to build public services.

It articulates clearly and simply the overarching economic and fiscal framework within which the Government's priorities can be delivered and will, alongside the forthcoming Mid-Year Expenditure Report, be the cornerstone for the reformed budgetary process in 2017.

CONTEXT

The launch of the SES coincides of course with the momentous decision by the UK on EU membership later this week.

The significant uncertainty for us arising from the potential for Brexit highlights what needs to be a fundamental consideration in determining the course of our economic and fiscal strategy – the need for prudent and responsible medium-term planning.

That is a core message of the Summer Economic Statement. We must invest in our future and save for our future.

SENSIBLE SPENDING

The linchpin of the Government's proposed approach is sensible spending which makes sure investment is sustainable and targeted to make the greatest impact.

We won't repeat the mistakes of the past by committing to unsustainable spending increases without regard to the huge damage caused to our economy, our public services and every household by a spending policy driven by the boom-bust cycle.

BUDGETARY PROCESS

The SES sets out the overall budgetary landscape for decision-making for Government in the context of priorities for Budget 2017.

It will be complemented by my Mid-Year Expenditure Report which will lay down the baseline expenditure ceilings for all Ministerial areas for 2017 on a no-policy-change basis.

In the period leading up to Budget 2017 - building on the outcome of next week's National Economic Dialogue, the views of the Oireachtas on expenditure priorities and the forthcoming Estimates process - Government will make decisions on the expenditure priorities to which the fiscal space available for increases in public expenditure should be allocated.

CHALLENGES AND OPPORTUNITIES

There are of course major challenges to be addressed through that process.

One of the single biggest challenges facing us as a society is, of course, in **Housing**. This is manifested in the acute shortage of housing supply and the related problem of homelessness.

The Government's "Action Plan for Housing", to be published later this summer, will set out the details of how the State will increase housing supply to achieve our target of 25,000 units per year.

A second major challenge identified in the Government's Programme is in **Health Spending**. We must ensure that we strike a balance between the health

needs of our people and the sustainability of our public finances and ensuring increased investment generates real, concrete and measurable results.

As Minister for the public service, **public service pay and the management of public service numbers** clearly represents a substantial challenge. We must ensure that growth in public service numbers and public service pay – in the context of increased investment in public services and the unwinding of FEMPI – delivers a sustainable public service paybill and improved public services.

As I have said before, the Lansdowne Road Agreement remains the only framework through which these matters will be progressed.

All of these challenges confirm the necessity for the intensification of **Public Service Reform**. We must continue to identify and drive reforms and change at every level of the sector of the public service to free-up and maximise the effectiveness of existing resources to meet priorities and provide a targeted public service.

Of course, to succeed we must also regard these challenges as opportunities – opportunities to continue to build a public service that meets the high standards properly expected by the public and indeed those of the vast majority of public servants.

2017 SPENDING

The tough decisions taken by the last Government have left us in a position few would have believed possible in 2011. We must now begin the work of building on this foundation to create an excellent public service for the future.

2017 will see a total spending envelope of €57.6 billion which is an increase of €1.7 billion on 2016.

Day to day departmental spending on delivering public services will increase by €1.3 billion to €53.1 billion.

Exchequer capital investment will increase by € 400 million to give a total capital envelope of €4.4 billion. This will provide for continued investment in our

schools, health care facilities and transport network. It also allows us to invest more in housing through the newly created Infrastructure Fund.

CAPITAL FUNDING

The biggest opportunity for our recovering economy is the greater potential for that capital investment to continue to grow and to improve our built infrastructure.

As you know, the Programme for Government already signalled an additional €4 billion on top of that announced in the Capital Plan last year.

Today I am pleased to announce an additional €1 billion capital investment over and above that €4 billion already signalled in the Programme Government, bringing the total extra spending on capital investment to €5 billion over the period of the plan – an increase of over 18 per cent on the previously proposed Exchequer component of the Plan, and 12% on the total level of State-backed investment.

We are making this announcement today in order to further fast track the delivery of important infrastructural projects, including those that address social problems in the areas of health and housing that I have already spoken about, but also to reduce the number of infrastructural bottlenecks that could hold our economy back in the future.

The breakdown and profile of the additional €5 billion has yet to be finally decided, but €200m has already been committed and announced for the new Local Infrastructure Fund, to assist in the provision of public off-site infrastructure in order to stimulate an increase in private housing.

Identifying the priority capital needs of an economy is a complex process. To come to a firm view on the scale and composition of infrastructural needs, over the short, medium and long term, a number of important factors need to be considered and analysed.

This includes, for example, the existing level and composition of public capital stock; the social and economic value of infrastructure; the scale of the infrastructural deficit; and geographic considerations.

It is appropriate, therefore, that final decisions on how the additional €5 billion is to be phased over the period to 2021 and allocated across Departments are informed by the mid-term review planned to take place in 2017.

CONCLUSION

Today's Summer Economic Statement is a recognition that social progress and economic growth go hand in hand and the purpose of a strong economy and sound public finances is to create a just society that we all aspire to.

Only by creating a Working Ireland can we deliver better schools, better hospitals and better public services for all who use and rely on them.

Today's Statement shows how we will make good on our promises on

- Jobs and Adequate Housing
- Decent living standards and Fair Taxation
- Accessible Health Care
- Safe Streets

I look forward to engaging with everyone on achieving those goals.

ENDS