The Irish National Development Plans Past and Present

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Introduction

- The EU required countries to publish detailed plans for the use of Structural Funds.
- In Ireland these plans have incorporated other public expenditure plans and are known as National Development Plans (NDP).
- This reflects the fact that an NDP achieves a more joined-up public investment plan than disparate sectoral plans could.
- Over the years these have developed to cover a wider set of objectives and expenditure areas.
- The current NDP that started in 2007 and finishes in 2013 was the most ambitious plan with a total expenditure of €184 billion.
- Since it was drawn up the economic environment internationally but particularly in Ireland has changed significantly.

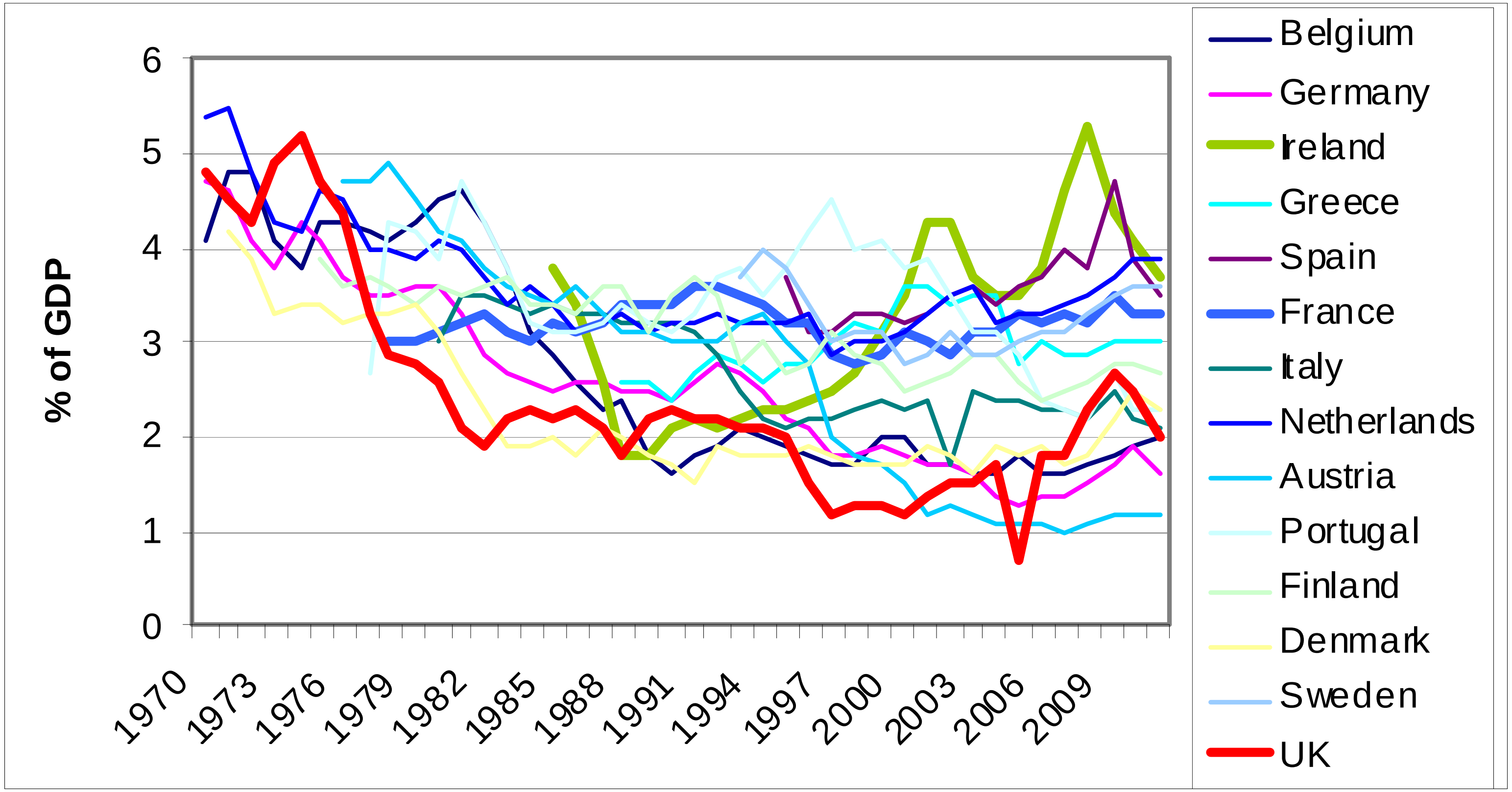
Scale of the Structural Funds

- The importance of the Structural Funds increased in the late 1980's.
- Overall the Structural Funds constitute a substantial cash injection.

1989 – 1993	SF €4.5 bn	
1994 – 1999	SF €7.6 bn	
2000 – 2006	SF €3.1 bn	NDP €50 bn
2007 – 2013	SF €0.9 bn	NDP €184 bn

- Good Timing (cuts in public expenditure in Ireland)

General Government Gross Fixed Capital Formation (% of GDP)



NDP 2007-2013

- €184bn total €80bn for infrastructure
- 30% for Transport
- 11% for Enterprise Science and Innovation
- 14% for Human Capital (education & Training)
- 18% for Social Infrastructure
- 27% for Social Inclusion
- €3bn EU funding (just 1.6%!)

NDP 2007-2013

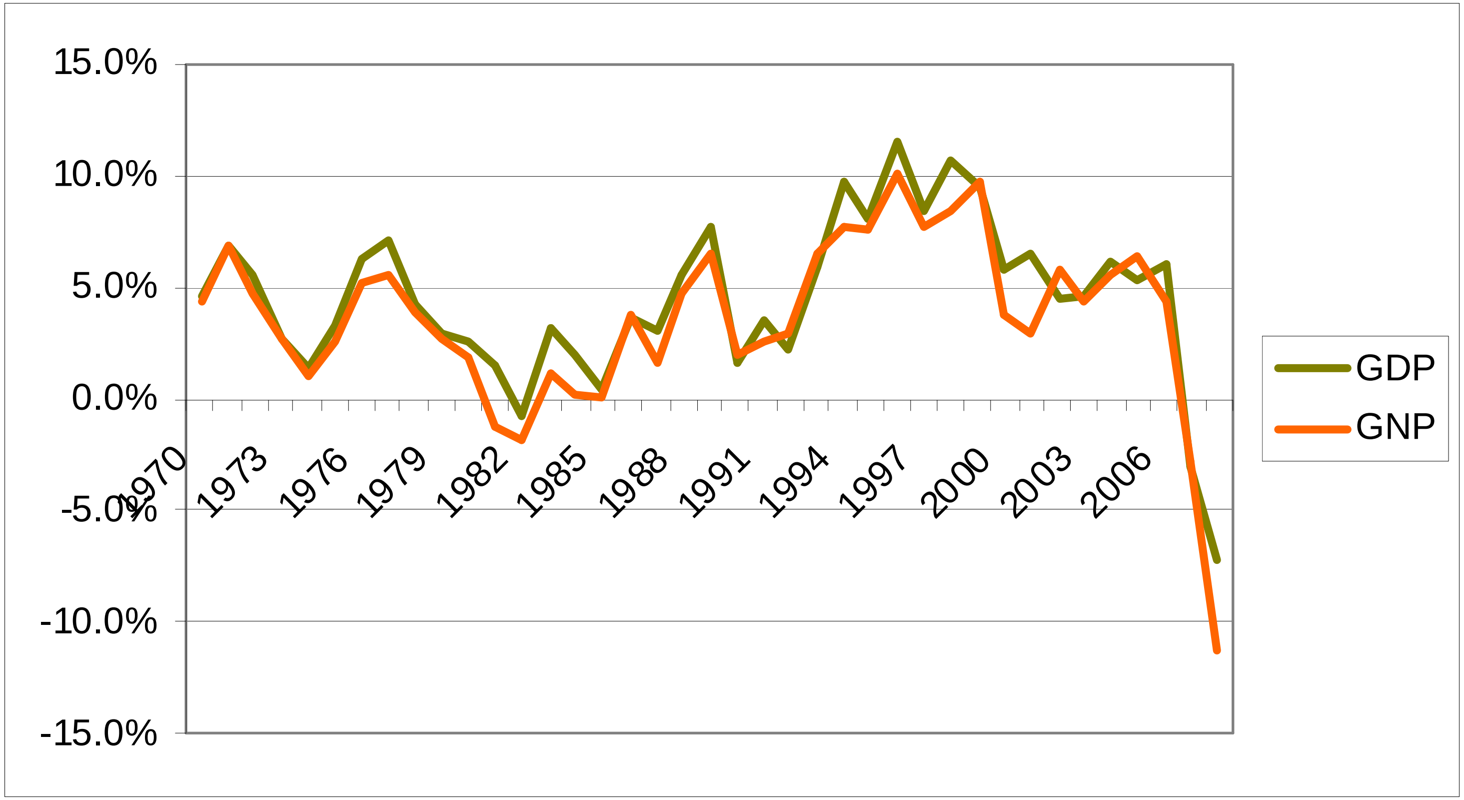
- A very substantial current expenditure element
- Some expenditures may not be investments (purchasing Carbon Credits)
- Some investments will have a high deadweight i.e. they would take place without state investment or through proper regulation/ enforcement (most notably in the productive sector).
- Most components had been announced previously (e.g. Transport 21)

Some Concerns

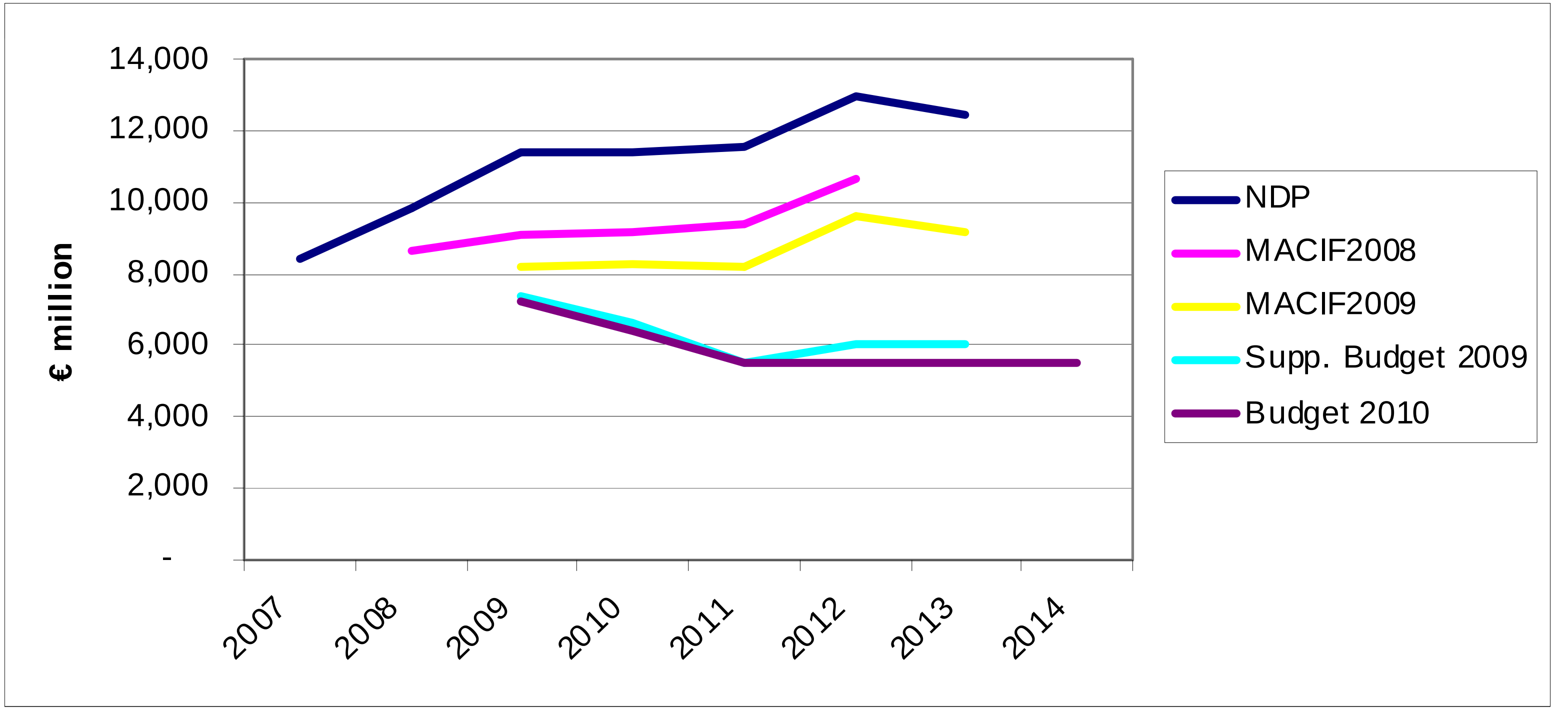
Too ambitious especially in the context of the excessive size of the construction sector, which bid away resources from the traded sector and reduced competitiveness:

"…recommend an NDP for the 2007-2013 period that, while still very ambitious, would be significantly below that envisaged in the multi-annual capital framework published as part of Budget 2006. This also implies that the government should run a surplus due to a postponement of some investment, which will be available post-2010 to finance the higher investment programme even if public finance had been hit by an economic slowdown." (Morgenroth and Fitz Gerald, 2006)

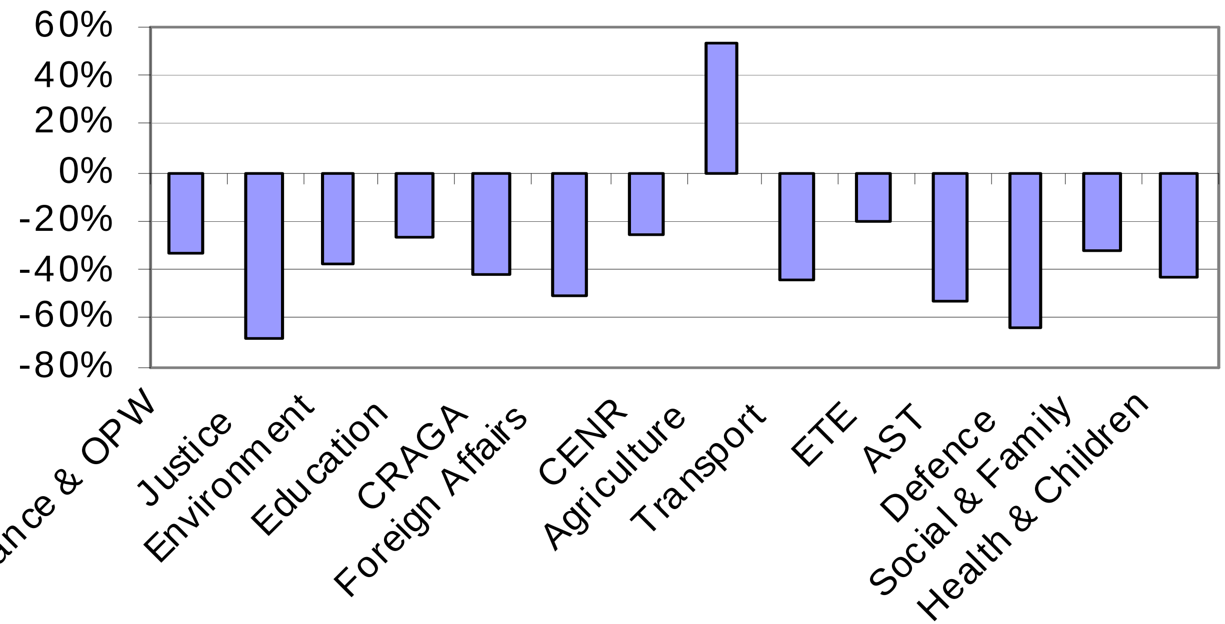
GDP and GNP Growth



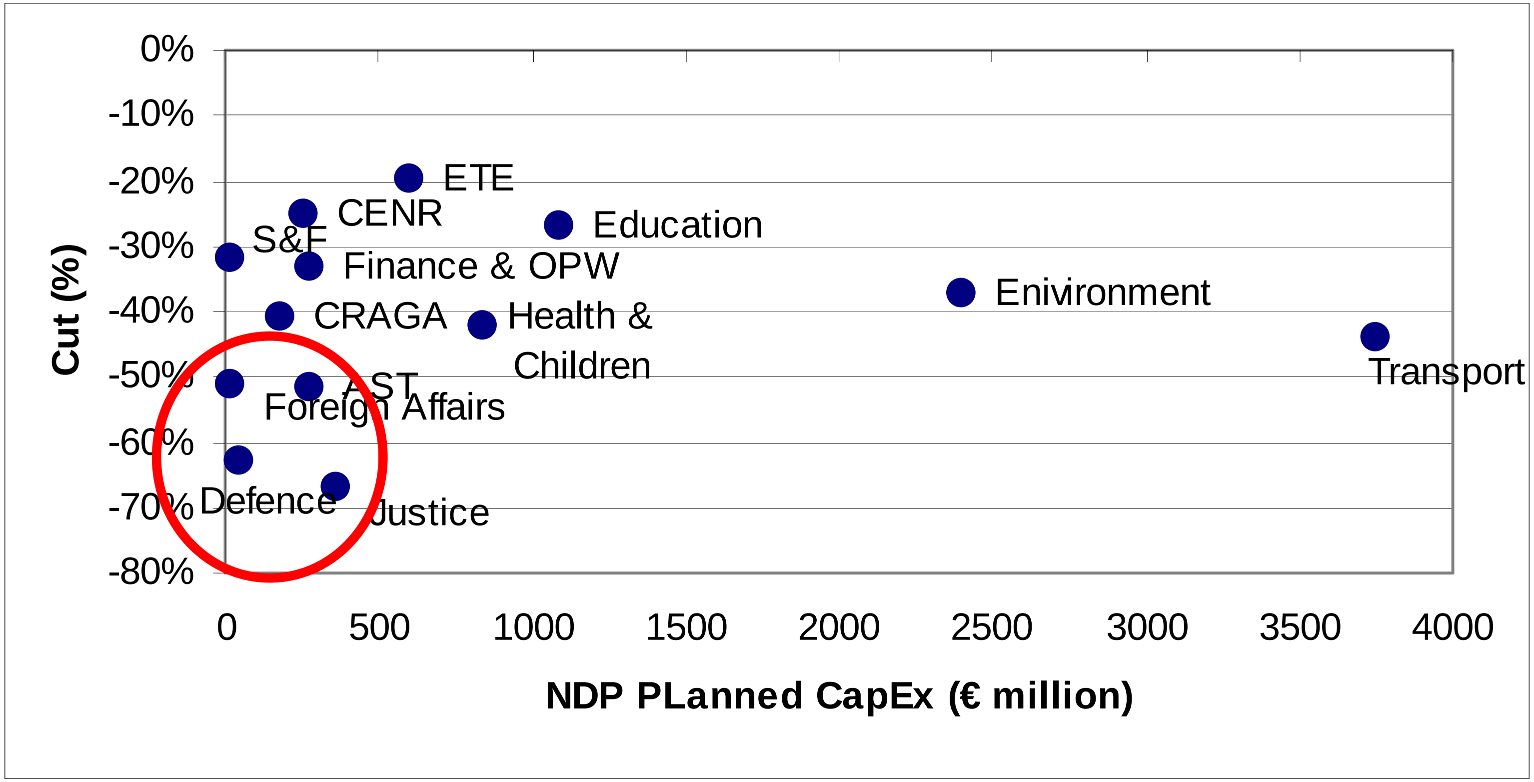
Changes in the Capital Expenditure Plans



Cuts by Department (NDP vs. Budget 2010)



Cut Size vs. NDP Planned Spending



Summary

- Developing and applying national investment frameworks has important benefits.
- Particularly while Ireland received substantial EU aid, were good systems for the planning and evaluation of investments put in place.
- This discipline was not followed for the current NDP which was to ambitious.
- The changed economic environment has meant that the planned expenditure has had to be pared back significantly.
- The reprofiling of the investment plans differentiates between investment areas according to importance - no blanket X% cuts!!