

Opening Statement

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Plan Delivery and Reform**

Budgetary Oversight Committee

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Chair and members of the Committee, I would like to thank you for the opportunity to meet with you today to discuss the draft 2023 Stability Programme Update (SPU).

Context

The Stability Programme Update is an important point in our annual budgetary cycle. From an expenditure point of view, it allows us to take stock of the significant and continued investment in our day-to-day public services and infrastructure and outlines the path for Government expenditure over the medium term.

As my colleague Minister McGrath has outlined, the range of economic forecasts in the SPU illustrates the strength of our economy and the labour market in particular. It also demonstrates the resilience of our economy and society in the face of a series of external challenges in recent years. These challenges have included Covid-19, Brexit, the war in Ukraine and most recently the increased cost of living experienced over the past 12 months.

Despite the strong economic performance, I am acutely aware of the challenges faced by people today in relation to the cost of living, as well as the need for more homes and continued improvements in public services.

Careful management of our economy and public finances has allowed Government to do four things:

- Firstly, provide increased resources for core public services, investing in quality of life in Ireland to support a strong, fair and equal society into the future,
- Secondly, deliver significant and essential infrastructural projects through our National Development Plan. These projects will support this country's employment prospects, economic development and regional growth,
- Thirdly, we have put in place considerable supports to provide assistance to our people and businesses towards the external challenges we face, and
- Finally, we have achieved all this whilst ensuring our public finances to a sustainable position.

Increased Investment in Our Core Public Services

Eighty billion euro was spent on core public services in 2022. This provided additional supports through day-to-day services in both health and childcare sectors and our schools.

It supported continued investment in capital infrastructure – that is, the projects that make a real difference to our lives; the hospitals, the roads, the schools - through our National Development Plan.

For this year, up to €91.1 billion in gross voted expenditure is available across Departments and Agencies. This represents an increase of almost €24 billion since pre-pandemic levels in 2019. Within this ceiling, €85.9 billion will be provided by way of core expenditure. This funding will continue Government's strategy of supporting our core public services and providing record investment in infrastructure under our National Development Plan.

First Quarter 2023

In the first quarter of 2023, almost €20 billion was spent across Government Departments and Agencies. This reflects an increase over the same period in 2022 of €0.9 billion or 4.9 per cent. This performance is in line with our budgetary plans and we will ensure that spending stays in line with agreed parameters throughout 2023.

This level of spending reflects the range of investments set out in Budget 2023 including enhanced social protection payments, more affordable childcare and supporting our public sector workforce to deliver critical services across the country.

Capital spending of €1.2 billion at the end of this March was an increase of 34 per cent in comparison to 2022. This shows the significant progress in the rollout of the National Development Plan. Last month, I announced a package of significant actions aimed at enhancing project delivery for the NDP. These

reforms underline my Department's renewed focus on securing the delivery of better outcomes for the people of this country.

Delivery of Significant and Essential Infrastructural Projects Through our National Development Plan

The National Development Plan (NDP) is our largest, greenest and most ambitious infrastructure plan to date. My Department is at the centre of supporting NDP delivery and making the ambitions contained within the Plan, a reality.

Over the lifetime of this NDP out to 2030, we are investing €165 billion in new and upgraded infrastructure that will meet the needs of our growing population. In 2023, over €12 billion is available from the Exchequer for investment in public capital projects, which will provide more schools, more homes, more hospitals.

It is important to recognise that the country has seen a step-change in capital investment in a short period of time. In 2017, the total level of Exchequer capital stood at €4.6 billion, which has jumped significantly to the c. €12 billion this year.

The NDP will also deliver the infrastructure required for the digital transition of our economy and address priority solutions in supporting the implementation of Housing for All and the implementation of the Climate Action Plan. Delivering the NDP will have a transformative impact on employment opportunities, economic development and regional growth to support our growing population through the provision of new homes, schools, roads and hospitals.

Assistance to our People and Businesses Towards the External Challenges

The aftermath of the pandemic, the impact of the war in Ukraine, supply chain challenges and rising price pressures, have all had, and continue to have, a real impact on our public services, our households, people and businesses.

Government recognises these challenges and has responded.

Non-core spending allowed Government to put in place measures towards mitigating these challenges. This included supports for:

- Our public services, in particular our health service, in dealing with the impacts of Covid-19 throughout 2022;
- Our households, people and businesses to assist them in dealing with increased prices; and
- Humanitarian supports to welcome and provide for those arriving to our shores from Ukraine.

Through these interventions, Government has balanced the need to provide supports while, at the same time, ensuring budgetary policy remains sustainable.

This continued support is also reflected in our Quarter One spending. Over €0.4 billion was spent on a range of supports, including accommodation, for people arriving from Ukraine.

This Government recognises the continued cost of living pressures faced by households. In February we announced a further package of measures to be rolled out over the next few months. The package included half a billion of

temporary and targeted expenditure measures, primarily related to social protection and education. Many of our most vulnerable will receive additional welfare payments this week. This builds on the supports provided throughout 2022.

Where supports for these temporary challenges are still required, financial support continues to be provided through non-core expenditure. In 2023 the overall expenditure ceiling provides for €5.2 billion in non-core expenditure.

However, it is important to note that non-core expenditure has decreased every year since 2020, as we removed the exceptional Covid supports when they were no longer needed. This reduction has facilitated the return of public finances to a surplus position and will continue to do so throughout 2023 and beyond.

Sustainable Public Finances and the Expenditure Outlook

In aggregate terms, an Exchequer surplus of €5 billion, translating to a General Government Balance of €8 billion, was recorded last year. This return to surplus could only be achieved through the balanced approach to the management of public finances which underlines our budgetary policy.

If ‘windfall’ corporation tax receipts, estimated at almost €10.8 billion, were excluded, a significant deficit would have been recorded. This highlights the need to ensure our public spending is set at sustainable levels.

Expenditure projections in the Stability Programme Update are included on a technical, no policy change basis. The voted expenditure ceilings reflect the 5% growth rate anchor for core spending set out under our Medium Term

Expenditure Strategy. This strategy is based on aligning voted expenditure with the growth rate of our economy as measured by GNI*. This aims to ensure our level of public spending is sustainable, allowing us to provide consistent investment in delivering public services and infrastructure.

In setting expenditure parameters however, Government is aware our fiscal strategy also needs to adapt to the evolving nature of our economy and society. This flexibility was reflected in our decision to increase the growth rate of public expenditure above 5% for Budget 2023 to take account of higher than anticipated inflation and resulting cost of living pressures.

The Summer Economic Statement is the key anchor for budgetary policy each year. Over the coming weeks I will be further considering our budgetary and economic position in collaboration with Minister McGrath, in advance of the 2023 Summer Economic Statement. This will set the expenditure parameters for Budget 2024, taking into account the latest data available.

Conclusion

The careful management of our public finances, while responding to significant external challenges, has supported our economy to remain resilient. We must now plan for the future, investing in digitalisation and decarbonisation through the National Development Plan, and in the future quality of life of our people through our public services. Over the coming months I, with my colleague, the Minister for Finance, will consider how we can best use Budget 2024 to achieve this.

I would like to thank the Committee again for this opportunity to address you this evening and I look forward to answering any questions members may have.

ENDS

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