

Programme Measures

Fiscal Measures in the Programme

Taxation

- Lowering of personal income tax bands and credits or equivalent measures
- A reduction in pension tax relief and pension related deductions
- A reduction in general tax expenditures
- Excise and other tax increases
- A reduction in private pension tax reliefs
- A reduction in general tax expenditures
- Site Valuation Tax to fund local services
- A reform of capital gains tax and acquisitions tax
- An increase in the carbon tax

Programme Expenditure

Savings in Social Protection expenditure through enhanced control measures, structural reform measures, a fall in the live register and if necessary, further rate reductions.

Increase the state pension age to 66 years in 2014, 67 in 2021 and 68 in 2028.

Public Service Costs

Reduction of public service costs through a reduction in numbers and reform of work practices as agreed in the Croke Park Agreement.

A reduction of existing public service pensions on a progressive basis averaging over 4% will be introduced.

New public service entrants will also see a 10% pay reduction.

- Reform of Pension entitlements for new entrants to the public service
 - including a review of accelerated retirement for certain categories of public servants and an indexation of pensions to consumer prices.
 - Pensions will be based on career average earnings.
 - New entrants' retirement age will also be linked to the state pension retirement age.

Other

Other programme expenditure and reductions in public capital investment

Structural fiscal reforms

a Fiscal Responsibility Law will be introduced including a medium-term expenditure framework with binding multi-annual ceilings on expenditure in each area

Additional unplanned revenues must be allocated to debt reduction.

The government will establish a budgetary advisory council to provide an independent assessment of the Government's budgetary position and forecasts.

the voluntary 15 day rule for prompt payments is extended to the health service executive, local authorities and state agencies

measures to be put in place to cap the contribution of the local government sector to general government borrowing at an acceptable level.

Structural reforms in the Programme

Labour market adjustment

Minimum wage:

Reduce national minimum wage by €1.00 per hour to foster job creation for categories at higher risk of unemployment and to prevent distortions associated with sectoral minimum wages
Enlarge the scope for the "inability to pay clause"

- An independent review of the Registered Employment Agreements and Employment Regulation Orders. Terms of Reference to be agreed with European Commission Services.
- Reform of the unemployment benefit system to incentivise early exit from unemployment.
- Steps to tackle unemployment and poverty traps including reducing replacement rates for individuals receiving more than one type of benefit (including housing allowance).
- Streamline administration of unemployment benefits, social assistance and active labour market policies, to reduce the overlapping of competencies among different departments;
- Enhanced conditionality on work and training availability;
- Reform of activation policies:
 - improved job profiling and increased engagement;
 - a more effective monitoring of jobseekers' activities with regular evidence-based reports;
 - the application of sanction mechanisms for beneficiaries not complying with job-search conditionality and recommendations for participation in labour market programmes

Review of the personal debt regime:

New legislation to be prepared which will balance the interests of both creditors and debtors.

Competition

Removal of restrictions to competition in sheltered sectors including:

Legal profession:

- establish an independent regulator;
- implement the recommendations of the Legal Costs Working Group and outstanding

Competition Authority recommendations:

Medical Profession.

eliminate restrictions on the number of GPs qualifying, remove restrictions on GPs wishing to treat public patients and restrictions on advertising.

Pharmacy Profession:

ensure the recent elimination of the 50% mark-up paid for medicines under the State's Drugs Payments Scheme is enforced.

Enhanced competition in open markets

empower judges to impose fines and other sanctions in competition cases in order to generate more credible deterrence

require the competition authorities to list restrictions in competition law which exclude certain sectors from its scope and to identify processes to address them.

Examination of the impact of eliminating the cap on the size of retail premises.

Bank Recapitalisation and Restructuring Measures

The Programme for the recovery of the banking system will be an intensification of the measures already adopted by the Government. The programme provides for a recapitalisation, fundamental downsizing, restructuring and reorganisation of the banking sector. The outcome will lead to a smaller banking system more proportionate to the size of the economy, capitalised to the highest international standards, with renewed access to normal market sources of funding and focused on strongly supporting the recovery of the economy.

The proposed programme has been developed with the assistance of, and is endorsed by, our international partners.

The main elements of the programme are as follows:-

Building on the results of the Central Bank of Ireland's Prudential Capital Assessment Review (PCAR) carried out earlier this year additional capital requirements have been set.

The domestic banking system will benefit from a substantial and immediate recapitalisation raising Core Tier 1 capital ratios to at least 12%.

This action, along with early measures to support deleveraging set out below will result in an immediate injection of €10bn of fresh capital into the banking system, above and beyond that already committed.

Further recapitalisations will take place in the first half of 2011 as necessary based on the results of a detailed review and updating of the banks' capital needs following a revised PCAR exercise undertaken by the Central Bank of Ireland and involving stringent stress testing.

A Prudential Liquidity Assessment Review (PLAR) will be implemented by the Central Bank of Ireland for the domestic banks to identify deleveraging actions necessary to significantly reduce their reliance on short term funding.

A substantial downsizing of the banking system will be achieved through early and decisive actions including:-

- Banks will be required to run down non-core assets, securitize and or sell portfolios or divisions with credit enhancement provided by the State, if needed.
- The NAMA Scheme will be extended to remove remaining vulnerable land and development loans from Bank of Ireland and Allied Irish Bank by end-Q1 2011
- This process will be carried out in a carefully balanced and controlled manner with the benefit of the substantial resources available to the banks for their funding and capital needs.

- Banks will be required to promptly and fully provide for all nonperforming assets.
- The restructuring of Anglo Irish Bank and Irish Nationwide Building Society will be swiftly completed and submitted for EU State aid approval.

A significant strengthening of the regulation and stability of the credit union sector will be carried out by end-2011

- A special legislative regime to resolve distressed credit institutions will be introduced early in 2011.
- Specific legislation to support immediate restructuring actions is in preparation.

The credibility and implementation of the programme is underpinned by the availability of a very substantial capital pool comprised of both national and international resources.

The programme builds on and complements the broad set of actions taken by the Government over the past two years to resolve the difficulties of the banking sector including the provision of guarantees, recapitalisation of the banks and NAMA.

The primary objective of this far-reaching programme is to rebuild international market confidence in the Irish banking system to enable the banks to revert to normal market funding in due course and reduce progressively their reliance on funding from the Eurosystem and guarantees and other financial support from the Exchequer.

The programme provides a strong foundation for a reformed and restructured banking system. The programme is underpinned by the large commitment of financial resources to recovery of the banking system and the support and endorsement of the programme by the IMF and the EU.

This will be crucial to ensuring that the banks play a full and vital role in underpinning economic recovery and the achievement of the Government's objectives detailed in the National Recovery Plan.