Ireland 2040-NOW FOR THE HOW
Decade 1; The NDP and Problems in 2018
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The NDP 2018-2027

- NDP "a significant level of investment, almost €116 billion to underpin the National Planning Framework over ten years" (p.2)
- Public capital investment 3.8% of GNI* in 2021, 4% over 2022/27 (p. 18)
- EU average 3% (Fig. 3.1, p.18)
- 1995 to 2015 Irish average of 3% equating to the EU average (p.18)
- Investment of €116b is €32b in excess of EU average and previous IRL average

IMF Critique of Irish Capital Spending (2017) 1

- 1. Non-binding DPER reviews-unique in 189 member states (p.44)
- 2.Pro-cyclicality (p.22)
- 3. Inefficiency Gap of 58% compared to other advanced countries and 23% compared to rest of world (p.8, p.18)
- 4. No public reporting of lifetime costs or benefits (p.9)
- 5.Non publication of appraisals (p.36,p.39)
- 6.Cursory reviews of budgeting (p.9; p.44)
- 7.Lack of attention to changes in project scope and cost (p.9)

IMF Critique- 2

- 8. Non-transparent selection of project criteria (p.9)
- 9. Infrequent fundamental reviews (p.9, pp.53/54). No instance of fundamental review, e.g. National Children's Hospital
- 10. Active project monitoring at DPER underdeveloped (p.9)
- 11. Lack of cost detail for individual projects (p.36)
- 12. Vote sections in DPER monitor overall spending but pay less attention to monitoring the performance of individual projects (p.51)
- 13. Threshold for CBA by Central Economic Evaluation Unit is €20m compared to €5m in other countries (p.39/40)

IMF Critique 3

- 14. The lack of a medium to longer term profile of project costs represents a potential risk to the public finances and overcommitment of resources. (p.36)
- 15 Database does not provide annual cost profile of projects; construction v. operational and maintenance costs; economic information such as CBA, CEA, adjustments to project design or total cost; if project is on track, delays, performance data, outcomes and outputs. (p.36)

IFAC Fiscal Assessment (June 2008) Concerns

- 1. “essentially all the gains from faster than expected growth over the period (2015-2018), aside from lower interest payments have been used for spending increases”. (p.19)
- 2. “increase in capital expenditure in 2018 at 23.5%” (p.22)
- 3. “over the period 2019-2021 planned gross voted capital capital expenditure in the National Development Plan is 58% higher than was the case in the previous capital plan (DPER 2015). While these revisions have been taking place, there has been continuing strong growth and declining unemployment as a cyclical recovery took hold” (p.80).

IFAC Concerns (2)

- 4. “taking GNI* as an appropriate measure of national income for Ireland public capital investment in Ireland would be well above the EU average.” (p.78)
- 5. “looking at plans as they stand, public investment is set to increase by a third between 2018 and 2021. Given that growth is already orecast to be strong over this period, this increase in capital expenditure will need to be carefully managed as part of the overall fiscal stance to ensure that it does not contribute to potential overheating.” (p.79).

NDP Response to IMF

- “the recent IMF PIMA (Public Investment Management Assessment found a generally good standard of public investment management in Ireland.” (p. 101)
- “no change is proposed to long-established arrangements for oversight, monitoring, and management of voted Exchequer resources” (p.100)
- ON THE CONTRARY The IMF Summary Table 1 under effectiveness shows 4 good and 11 medium ratings on a two rating scale.
- The 15 IMF critiques are MAJOR flaws in public investment appraisal.

The Evidence Base of the NDP

- Promised in Section 6.2 of NDP- not stated there
- DPER Website shows reliance on
- A)Detailed submissions by Departments and offices;
- B)Extensive public consultation
- C)Infrastructure capacity and demand analysis
- RESPONSE: A and B above are not a substitute for economic analysis, CBA, etc and are not a response to the IMF.
- C) not observed in M17/M18 motorway as cited in NDP (P.15). Capacity 7.4 times demand.

Cabinet and Administrative Change in 2017

- Abolition of Economic Management Council
- Abolition of separate Minister for Public Expenditure and Reform

- These have

1. increased power of spending ministers
2.Reduced power of Finance and DEPER
3.Increased cabinet leaks
4. Reduced economic appraisal of spending departments by centre

Full employment in SOE v. NDP

- SOE market driven competitiveness and entrepreneurship, labour mobility, control over public finances restored full employment
- CPI for April 2018 shows a reduction of 0.4% from April 2017
- The 23.5% increase in capital spending in 2018 noted by IFAC is heavily channelled into construction- a sheltered high cost sector with inflation running at 7.4% thus reducing national competitiveness.
- Properly conducted CBA would have shown the folly of large NDP spending increases in an SOE at full employment.
- Fiscal space allocation to largely unappraised public spending by reducing disposable incomes is flawed and reduces competitiveness.

The Reform Agenda-1

- Scrap the NDP
- Restore the Economic Management Council
- Change remit of IFAC to resource allocation- drop fiscal space
- Extend the role of the Comptroller and Auditor General
- Establish COPE a central office of project evaluation
- Respond to each step of the IMF report rather than pretend that it concluded that public investment systems in Ireland are “generally good.”
- Require all public expenditure appraisal to be independent, open, published in advance of public debate and free of moral hazard

Reform Agenda 2

- Base policy on a Small Open Economy at Full Employment.
- Reform the policies and institutions that collapsed the Irish economy rather than "more of the same" as in the NDP. Tackle rent-seeking, regulatory capture, moral hazard and insider group policy formation.
- Economics is about resource allocation and opportunity cost. In Ireland our subject must lose obsessions with short-term forecasting and public relations and regain an interest in "the special case of the real world."
- Independent policy publications vital. Plan for DEW 2040 now.
- Reduce STEM dominance of universities. More applied economics