



PAPERS AND OUTPUT OF IGEES STAFF 2016

These papers have been prepared by members of IGEES and do not necessarily represent the policy positions of the relevant Departments, Ministers or the Government.

Papers can be accessed on <http://igees.gov.ie>

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This report provides a brief synopsis of the papers and output of IGEES staff in 2016 as published on the IGEES website. All of the papers can be accessed by following the link <http://iqees.gov.ie/> It should be noted that this is not an exhaustive list of the analytical work undertaken by IGEES staff in 2016.

Agriculture Sector

Fact Sheets on Irish Agriculture

February and June 2016

The regular fact sheets on Irish Agriculture set out and update key data on the agri-food sector including:

- The role of agriculture, fisheries, forestry and food in the Irish economy – key indicators and employment;
- Public expenditure on the agri-food sector;
- Estimates of aggregate agricultural output, input and income;
- Estimates of family farm and farm household income;
- Farm structures data;
- Land usage and livestock numbers data;
- Self-sufficiency and exports; and
- Commodity price trends.

Author: Economics and Planning Division, Department of Agriculture, Food & the Marine

Arts, Heritage, Regional, Rural and Gaeltacht Affairs

Limerick City of Culture 2014 – Ex Post Evaluation

In July 2016, as part of its evaluation programme, the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs published an ex post evaluation of the Limerick City of Culture. Limerick enjoyed the inaugural designation of National City of Culture in 2014, delivering a broad cultural programme over the course of the year. The evaluation examined the outputs of the Limerick year, having particular regard to the strategic objectives set for the year and including comparisons with similar initiatives internationally.

Author: Evaluation Unit, Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs.

Published: August 2016

Education Sector

Expenditure Implications of Demographic Change in Primary & Secondary Level 2016-2033

In the context of multi-annual budgeting and EU Fiscal Rules, an accurate estimate of future expenditure pressures is vital to inform the allocative decisions of Government. Over recent years pupil number increases - along with enhanced special needs provision and cyclical economic factors - is one of the three core drivers of expenditure in the Education Vote (Gross Voted Current Expenditure €8.48 billion). Using different combinations of fertility and migration the “Projections of Full-Time Enrolment: Primary and Second Level, 2015 – 2033”, provides six scenarios for demographic change in the school system. Three of these scenarios have been examined by the Department of Public Expenditure and Reform, in conjunction with the Department of Education and Skills, to assess the expenditure implications of educational demographics.

Author: Chris Ryan, Department of Public Expenditure & Reform

Published: December 2015

Focused Policy Assessment of Data on Special Needs Assistants

The Government decided in July 2015 that a review of the Special Needs Assistant (SNA) scheme was necessary to ensure that the scheme continues to meet its objectives and that resources are being utilised effectively and efficiently, in line with the guidelines. This Focused Policy Assessment (FPA) provides the first part of the review. The FPA gives a more detailed understanding of factors driving increased demand for SNA support. These

factors include an increase in the overall student population, an increase in the proportion of students accessing support and a significant increase in the numbers of children with an Autism Spectrum Disorder diagnosis accessing SNA support. The FPA also provides a timetable and a framework for providing data and estimates of future SNA demand.

Author: Central Policy Unit, Department of Education and Skills

Published: August 2016

Health Sector

Nursing Homes Support Scheme

This paper analyses the Nursing Homes Support Scheme, or 'Fair Deal', in order to project future demand and cost to the Exchequer in the context of an ageing population. In doing so, it is concluded that the scheme, in its current form, should be sustainable into the future, with funding in 2022 expected to be at 2014 levels in real terms despite increases in the number in support.

Authors: Tomás Campbell & Jenny Connors, Department of Public Expenditure & Reform

Published: August 2015

Primary Care Reimbursement Service

This paper examines trends and key cost drivers on the four main PCRS schemes over the period 2008-2014. It demonstrates the important cost containment achieved on General Medical Services, Long-Term Illness and Drugs Payments schemes through reduced drugs prices and fees to GPs and pharmacists. It highlights the considerable growth in Hi-Tech drugs over the period driven by the introduction of high cost, innovative medicines. The paper concludes with a discussion on the future trajectory of PCRS expenditure taking into account demographic and cyclical changes. It also points to the importance of developments in pharmaceutical policy to deliver sustainability.

Author: Niamh Callaghan, Department of Public Expenditure & Reform

Published: August 2015

Health Agency Expenditure Q1 2015

The 2015 health pay bill strategy was predicated on an increase in basic pay of 3%, which was to be primarily funded by a decrease in agency costs across the health sector by 42%. Given that the number of WTE staff and the basic pay bill of the health sector increased in line with the HSE Service Plan in Q1 2015, it is important to understand if agency costs have fallen to account for this increase, as outlined in the Service Plan. Thus, this note sets out the trends in health agency expenditure in 2015 and highlights that if Q1 2015 agency costs were replicated throughout the year, this would represent a full year overrun of €165m, or 45%, above the budget allocation.

Author: Donal Mullins, Department of Public Expenditure & Reform

Published: August 2015

Budgetary Impact of Changing Demographics 2016-2026

The paper discusses expected changes in the structure of the Irish population, and how these transformations effect public expenditure in the short, medium and long term. The changing age profile of the population puts a strain on the fiscal space within which sectors such as, Social Protection, Health and Education have to operate. In the short term, 2016 to 2019, the projected annual demographic cost pressure amounts to €424m. From 2020 to 2021, the average annual expenditure pressure is estimated to drop to €180m due to a fall in pension spend. In the long term, 2022 to 2026, the annual demographic cost pressure is expected to return to the region of €411m.

Author: Chris Ryan, Jenny Connors & David Reilly, Department of Public Expenditure & Reform

Published: October 2015

Medical Workforce Analysis

Having and maintaining the appropriate level of medical staffing is a central public health priority. If the workforce is understaffed, patient safety is put at risk and overworked and dissatisfied clinicians may exit the health system for better working conditions elsewhere, exacerbating the problem. On the other hand, if the workforce is overstaffed funding is drawn away from areas where it could be better utilised such as drugs, medical technology and capital investment. The object of this paper is to understand the Irish medical workforce in relation to the European Union in terms of staffing levels, healthcare demands and medical education.

Author: Tomás Campbell, Department of Public Expenditure & Reform

Published: October 2015

HSE Employment Strategy

The health pay bill for 2015 is required to marginally fall in 2015. The pay bill strategy is predicated based on an increase in basic pay, which is to be partly funded by a decrease in overtime and agency costs across the health sector. As will be outlined in this paper, despite increasing in line with HSE Service Plan in the first seven months of 2015, the number of WTE staff in the HSE deviated above profile in the months of August and September. Further to this, from an expenditure perspective, costs have increased compared to 2014 and are running above the agreed 2015 allocation. In light of this, further to setting out the trends in health sector pay expenditure to date in 2015, this paper outlines the potential for significant WTE overruns above the agreed profile in the remaining quarter of 2015 and describes how such an overrun would have implications in 2016. Further to this, factors that need to be considered in formulating the HSE schedule of employment for 2016, and subsequent years, are also addressed.

Author: Donal Mullins, Department of Public Expenditure & Reform

Published: November 2015

Social Protection

Analysis of Jobseekers and Related Expenditure

The paper examines the 2015 and 2016 expenditure trends in the Live Register. It projects Live Register numbers based on current trends and estimates savings for 2016 over the 2015 projected outturn. This is an annual exercise which informs the Estimates discussions with DSP.

Author: David Reilly, Department of Public Expenditure & Reform

Published: September 2015

Analysis of Replacement Rates from 2010 to 2015

The paper analyses how replacement rates have evolved over 2010-2015 for a variety of family types at different income levels.

Author: David Reilly, Department of Public Expenditure & Reform

Published: September 2015

Analysis of QHNS unemployment and Live Register

This paper finds that there is 1.36 times as many people on the Live Register than declared unemployed in the QNHS. The biggest disparity is evident in the Border region where the ratio is 2.55 times. We estimate that if the ratio in the Border area was the same as the State, savings of up to €110m could be made.

Author: Kevin Meaney & David Reilly, Department of Public Expenditure & Reform

Published: June 2015

Review of the Social Insurance Fund

The aim of this paper is to examine the impact of the Social Insurance Fund (SIF) on the Department of Social Protection Vote and to examine the scope for improvements from a Vote management perspective. The Social Insurance Fund was set up in 1952 to provide security to people currently in employment but who will experience periods of unemployment. Most employers and employees pay 'Pay Related Social Insurance (PRSI) contributions' into the national Social Insurance Fund when in employment and for this, employees receive benefits for the periods spent out of employment. SIF income policy is made by the Minister for Social Protection subject to the consent of the Minister for Finance, while SIF expenditure policy is set by the Minister for Social Protection and the Minister for Public Expenditure and Reform.

Author: Kevin Meaney, Department of Public Expenditure & Reform

Published: November 2015

Characteristics and Implications of the Level of Household

Joblessness in Ireland

Household joblessness in Ireland has been a focus of attention in recent years. The purpose of this paper is to assess whether there is a core structural jobless household problem in Ireland and, if so, to consider what the elements of the policy response might be. The analysis found that, while there are different ways of measuring this issue, by any metric, the rate in Ireland has been particularly high in recent years. For example,

- The proportion of adults living in jobless households, as measured by the Quarterly National Household Survey, reached a high of 15.9% in 2012, compared to 10.9% in the EU in the same year.

- The difference for children was even more significant, at 20.2% in Ireland compared to 11.1% in the EU.
- The low work intensity measure of the EU Survey on Income and Living Conditions (SILC) showed Ireland at over twice the EU average over the period of the recession - and well above the EU average even at a time of very low unemployment.

Author: Garrett O'Rorke, Department of Public Expenditure & Reform

Published: August 2016

Analysis of Jobseekers and Related Expenditure 2016

This paper examines the 2016 expenditure trends in the Live Register. It projects Live Register numbers based on current trends and estimates savings for 2016 and the projected costs for 2017.

Author: Jessica Lawless and David Reilly, Department of Public Expenditure & Reform

Published: December 2016

Transport

Transport Trends 2016

Transport Trends is an annual analytical publication produced by the Department of Transport, Tourism and Sport's Economic and Financial Evaluation Unit, a constituent unit of the Irish Government Economic and Evaluation Service. The report provides an overview of the latest trends within the transport sector through an analysis of available data and statistics.

The 2016 iteration of the report highlights a number of positive developments in 2015, such as a total extra 7.7 million passenger journeys on our key public transport services; a 36% increase in the number of Dublin Bikes journeys; and a 15% growth in the number of passengers using Dublin Airport to an all-time high of 25 million. The report also points towards the challenges faced, including the dominance of private car use and the increasing level of emissions from the transport sector.

The report was initially published on the Department of Transport, Tourism and Sport's [website](#) on the 29th of April 2016.

Author: Daniel O'Callaghan, Department of Transport, Tourism & Sport

Published: April 2016

Behavioural Economics

Applying Behavioural Economics in Irish Policy

This report provides a summary of Behavioural Economic projects across a number of Departments. A detailed overview of the application of Behavioural Economics is given for two example projects, a trial run by the DPER IGEEES Unit with the Department of Social Protection to improve attendance at Group Information Sessions for jobseekers, and a trial carried out by the Office of the Revenue Commissioners to increase responses to the 2013 survey of SME Taxpayers. Short summaries are then be provided for 11 other Behavioural Economics projects which have been carried out by a number of different Departments. Of the 13 examples summarised in this paper some of the projects use randomised control trials, while others use behavioural findings or insights to inform delivery.

Author: Karl Purcell, Department of Public Expenditure and Reform

Published: October 2016

Brexit

UK-EU Exit, An Exposure Analysis of Sections of the Irish Economy

This paper examines the trade exposures of sectors of the Irish economy to the UK in light of the United Kingdom's (UK's) decision to exit the European Union (EU). The nature and the size of any economic consequences on Ireland arising from this decision will depend on the eventual terms of the UK's withdrawal and its future relations with the EU, involving a range of potential outcomes. However, most assessments indicate that it is likely that the Irish economy will be adversely affected by the consequences of the UK's exit from the EU, with particular sectors being more vulnerable than others.

**Author: Donal Smith, Mike Fahy, Brian Corcoran and Brendan O'Connor,
Department of Finance.**

Published: October 2016

Capital Review

Labour Intensity of Public Investment

The capital review began in 2014 and culminated in the government agreeing a new 6-year capital envelope and publishing 'Building on Recovery: Infrastructure and Capital Investment 2016-2021'. The Government's decision was informed by a review process led by the Department of Public Expenditure and Reform that included analysis undertaken by each Government Department, stakeholder consultation and a review of previous investments. As part of the capital review process, a number of discussion, policy and analysis papers were prepared, some of these have now been updated for publication.

Author: Laura Watts, Department of Public Expenditure & Reform

Published: December 2015

The Context for Public Capital Investment

This paper outlines some of the issues and themes that underpin the Capital Plan for infrastructure investment by Government over the period 2016 to 2021. It provides a brief overview of the broad economic and policy framework in which public investment decisions are made.

Author: Eoin Dormer and Kate Ivory, Department of Public Expenditure & Reform

Published: December 2016

Social Impact Assessment Series

Social Impact Assessment Framework

The rationale for this piece of analysis is to develop a framework for future Social Impact Assessments (“SIA”) which can be used as a reference point when examining who benefits or loses from budgetary policy decisions. Existing ex-post budgetary impact assessment exercises conducted by the Departments of Finance, PER and Social Protection and externally by the ESRI use a micro-simulation (SWITCH) model to assess the impact of certain tax and welfare policy measures across different household types based on a large-scale nationally representative survey. While this model is useful in terms of analysing certain tax and welfare measures, it is limited in scope and cannot take account of the full impact of all policy decisions across households (e.g. indirect tax measures and state funded services).

The main aim of this paper is to put forward a proposal for a SIA framework that will not only take account of the existing practices currently in place but also add to the greater body of work in this area by exploring how SIA exercises might be broadened in scope specifically with regard to incorporating expenditure on public services. By doing so it may, in the future, be possible to compare the distributional impact of changes to various types of public service spending and the implications for household outcomes.

Authors: Jessica Lawless & David Reilly, Social Protection Vote, Department of Public Expenditure & Reform

Published: October 2016

General Medical Services Scheme

This paper forms part of the Social Impact Assessment (SIA) Series which aims to apply an evidence based methodology to assess the impact of policy on households' financial position. The focus is primarily on the impact of the provision of public services. The objectives of the paper are in line with the overall SIA framework and analysis in other policy areas:

- Provide an overview of GMS in terms of eligibility criteria
- Summarise trends in card numbers and expenditure over the last number of years
- Set out the key characteristics of recipients of medical cards and GP visit cards
- Identify significant changes in characteristics since card numbers peaked in 2013

Author: Jenny Connors, Health Vote, Department of Public Expenditure & Reform

Published: October 2016

Targeted Childcare Schemes

This paper forms part of the Social Impact Assessment (SIA) Series which aims to apply an evidence based methodology to assess the impact of public expenditure on household outcomes. This paper examines and provides a brief distributional assessment of the four targeted childcare schemes, the Community Childcare Subvention (CCS), Childcare Education & Training Support (CETS), After School Childcare (ASCC) and Community Employment Childcare (CEC) encompassing Community Employment After-School Childcare (CEAS).

The distributional assessment provides a profile of the age and gender of children on the schemes, the geographic distribution of childcare places, the duration of childcare sessions on the scheme, and provides a brief overview of the income profile of recipients of childcare supports.

Author: Kate Ivory, Department of Public Expenditure & Reform

Published: October 2016

Tax Policy and Tax Administration

PAYE Survey 2015

Revenue's PAYE Survey 2015 was conducted between September and October 2015. Over 5,000 survey forms were issued to a random sample of PAYE taxpayers, drawn from a population of 1.5 million. The overall response rate was 27%. The survey is the third in a series of PAYE surveys since 2007, which means that some results can be compared over time. The objective of the survey is to gather information on a number of areas including (i) customer contact with Revenue, (ii) the use and knowledge of Revenue's online resources, (iii) preferred methods of contact with Revenue and (iv) overall customer satisfaction and attitudes towards tax compliance. These survey results are assisting Revenue in further designing and implementing a customer service programme that is both efficient to administer and that makes it as easy as possible for taxpayers to comply with their obligations.

Authors: Seán Kennedy, Gerry McGuinness, Martina Shirran, Office of the Revenue Commissioners

Published: April 2016

National Random Sampling Programme of Fuel Licence Holders

This report outlines the findings of a National Random Sampling Programme, conducted with a view to quantifying the extent to which illicit fuel (i.e., laundered road diesel) is evidenced among licensed fuel outlets. This random sampling exercise, conducted on a national level over a short time period, provides a powerful and robust measurement of the scale of the selling of

laundered fuel in the State. If repeated in the future, this exercise provides a benchmark against which to compare later outcomes.

Authors: Seán Kennedy, Keith Walsh, Office of the Revenue Commissioners

Published: February 2016

Economics of Tobacco and Analysis of Cigarette Demand in Ireland

Over the past decade, consumption of Irish taxed cigarettes has halved. For most of this period, the evidence suggests that smoking had declined only marginally as smokers increasingly substituted to alternative products. However, recent data indicate that the prevalence of smoking has reduced substantially in the last two years. The focus of this paper is the likely effects of tax changes on cigarette consumption and the associated tax revenues. There are established adverse effects of tobacco and cigarette smoking on public health and Government may wish to continue to use fiscal policies such as taxation in the pursuit of health goals rather than solely securing tax receipts.

Authors: Seán Kennedy, Victor Pigott, Keith Walsh, Office of the Revenue Commissioners

Published: September 2015

Survey of SME Taxpayers 2013

This Report presents the results from a survey of small and medium-sized enterprise (SME) taxpayers conducted by Revenue's Research and Analytics Branch (RAB) between November 2012 and March 2013.

A comprehensive methodological approach was undertaken to ensure representative results. Over two thousand survey forms were issued to a

random sample of VAT registered customers. The overall response rate was 46%. The four broad areas covered by the survey are *Customer Service and Channels of Communication*, *Filing Annual Income Tax Return*, *Factors that Influence Compliance* and *Shadow Economy Activity*.

Author: Seán Kennedy, Office of the Revenue Commissioners

Published: September 2016

Economic Evaluation of the R&D Tax Credit 2016

This evaluation of the R&D tax credit is part of a series of rolling tax expenditure evaluations that are conducted by the Department, in accordance with its *Guidelines for Tax Expenditure Evaluation* (Department of Finance, 2014). The paper first sets out why R&D is important for economic growth and why government intervention may be warranted. Following this, the current level of business R&D and Government support is reviewed. The previous review of the R&D tax credit recommended greater alignment between the different forms of support for business R&D; with this in mind, care was taken to include information and analysis on R&D grants to enterprises where appropriate in this analysis. A later chapter introduces the methodology we employ, which relies on a treatment and control group framework implemented through difference-in-difference regression analysis. Following this, our results for additionality are outlined, along with discussion on the firm characteristics and dynamics associated with this. A short conclusion ends the paper.

Author: Jean Acheson and Rory Malone, Department of Finance.

Published: October 2016

Analysis of Property Price Development and Implications for Local Property Tax Liabilities

This paper reflects the significant residential property price growth which has occurred since the initial valuation date, May 2013, and estimates the implications for LPT liabilities of a hypothetical revaluation at May 2015 property prices. Drawing on a range of data sources, the authors use a transition matrix approach to illustrate the likely changes in LPT valuation bands and liabilities for residential properties. Revaluation is estimated to significantly increase tax liabilities for some taxpayers, with properties in higher valuation bands in May 2013 incurring larger increases in liability. The analysis also indicates substantial regional variation in band changes, with the largest band movements mainly occurring in Dublin.

Author: Brendan O'Connor and Donal Lynch

Published: October 2016

Searching for the Inclusive Tax Growth Grail: The Distributional Impact of Growth Enhancing Tax Reform in Ireland

The economic literature suggests that a revenue-neutral shift of tax revenues from income taxes to property taxes would increase GDP per capita in the medium term. This paper analyses the consequences, for Ireland, of such a shift in the tax mix. In particular, it examines whether this can be carried out in a way that would neither undermine income distribution nor depress government revenue. Simulations using the ESRI tax-benefit model, SWITCH, suggest it is possible to achieve such a broadly revenue-neutral tax shift in a non-regressive way, while also lowering marginal tax rates for most taxpayers. In particular, reductions in the Universal Social Charge would reduce marginal and average

tax rates and have a positive impact for the income of most households. This could be funded by shifting the tax base toward residential properties, though this might have an adverse effect on income distribution, due to Ireland's high rates of home ownership throughout the income distribution. The analysis shows that low income groups could be protected through the careful introduction of income-related supports, with revenue losses recovered through a more progressive property tax rate structure. Overall, the simulations show that a shift from labour to property tax can be pro-growth and pro-employment, without equity losses. The paper therefore suggests that tax reform can be inclusive.

Author: Brendan O'Connor, Terence Hynes, David Haugh and Patrick Lenain

Published: October 2016

Irish Tax Policy in Perspective

The Minister for Finance, Mr. Michael Noonan, T.D. launched the Irish Tax Institute's publication 'Irish Tax Policy in Perspective' on 12th December 2016. It is a series of personal reflections on tax policy and includes a foreword by Minister Noonan. Of the 23 contributors to the book, 4 contributors are members of the Irish Government Economic and Evaluation Service – David Hegarty (D/Finance), Donal Lynch (D/Finance), Dr. Keith Walsh (Revenue) and Gary Tobin (D/Finance who co-edited the book

Expenditure Reviews and Evaluations

Budget 2017 Expenditure Reports

Spending Reviews in Ireland – Lessons for the Future

This paper considers both the international and Irish experience in conducting spending reviews and draws lessons for the further development of such reviews in Ireland.

Authors: John Howlin and Fiachra Kennedy, Department of Public Expenditure and Reform

Published: October 2016

Budgetary Impact of Changing Demographics 2017 to 2027

This paper is an updated version of a 2015 IGEES staff paper on Budgetary Impacts of Changing Demographics 2016 – 2026 which reflects the latest population data from Census 2016. The paper discusses expected changes in the structure of the Irish population, and how these transformations effect public expenditure in the short, medium and long term. The paper provides estimates of the demographic cost pressures across Health, Social Protection and Education.

Authors: Jenny Connors, Ryan Duffy and Frank Newman, Department of Public Expenditure and Reform

Published: October 2016

Policy Papers

Social Impact Investments in Ireland– Learnings from the pilot initiative

A social impact bond, or Social Impact Investment, is an investment model which can be used by governments to achieve social objectives by bringing together, via an intermediary, private investors and service providers to deliver societal outcomes. Rather than focusing on inputs (e.g. the number of doctors) or outputs (e.g. the number of operations), Social Impact Investments are based on achieving social ‘outcomes’ (e.g. improved health). This paper provides an overview of the piloting of the Social Impact Investment model in Ireland, outlining how the model works, detailing issues which should be considered when planning a Social Impact Investment and documenting learnings from the Irish pilot initiative.

Author: Department of Public Expenditure & Reform

Published: June 2016



Irish Government Economic & Evaluation Service