

IRELAND

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 70 280 km²**Population:** 4.802 million inhabitants (2017), an increase of 0.3% per year (2010-2015)**Density:** 68 inhabitants / km²**Urban population:** 62.9% of national population**Urban population growth:** 1.5 % (2017 vs 2016)**Capital city:** Dublin (25.0% of national population)

ECONOMIC DATA

GDP: 444.8 billion (current PPP international dollars), i.e. 75 648 dollars per inhabitant (2017)**Real GDP growth:** 7.8 % (2017 vs 2016)**Unemployment rate:** 6.7 % (2017)**Foreign direct investment, net inflows (FDI):** -3 436 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 23.4% of GDP (2017)**HDI:** 0.938 (very high), rank 4 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Ireland is unitary state and parliamentary republic. Its current constitution was promulgated in 1937. The Irish Parliament (*Oireachtas*) consists of two Houses, the House of Representatives (*Dáil Éireann*) and the Senate (*Seanad Éireann*). General elections to the House of Representatives are held at least every five years, and elections to the Senate must be organised within 90 days of the dissolution of the lower house. The head of State is the President of the Republic, elected by direct universal suffrage for seven-year terms while the government is led by a Prime Minister (*Taoiseach*).

Ireland has traditionally been a highly centralised state. Local self-government was formerly recognised in the constitution for the first time in 1999 by way of an amendment (Article 28A), which introduced local elections. Since then a general trend towards more democracy at local level has gained traction. In 2001, the Local Government Act introduced a range of reforms detailed in the "Better Local Government" White Paper. In 2012, the strategies entitled "Reforming Local Government" and "Putting People First Report" dealt with issues of structures, functions, funding, efficiency and service, and governance and accountability, with the aim to strengthen local authorities' responsibilities, functions, leadership and financing mechanisms.

In 2014, a major reform took place through the Local Government Reform Act, which modified the territorial organisation of Ireland (mergers of local governments, abolition of the regional authorities) and changed the allocation of responsibilities across levels of government. The act resulted in both recentralisation and decentralisation processes and reinforced supervision of SNGs.

There is no formal representation of local governments before the central government, and no framework for the consultation of local and regional authorities.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	26 county councils, 3 city councils, 2 city and county councils.			
	Average municipal size: 154 912 inhabitants			
	31			31

OVERALL DESCRIPTION. Ireland is a unitary country with a single tier of subnational government composed of 31 county and city councils since the 2014 reform. Before the reform, Ireland had a level composed of eight regional authorities and two regional assemblies that were established under the Local Government Act of 1991 but came into existence in 1994. However, these regional bodies were not directly elected and their members were appointed by the county and city councils in the region. The 2014 reform abolished these eight regional authorities and regional assemblies replacing them with three "regional assemblies" that are indirectly elected: the Connaught-Ulster Region, the Southern Region, and the Eastern Midland region.

MUNICIPAL LEVEL AND INTER-MUNICIPAL COOPERATION. Municipal level and inter-municipal cooperation. The 2014 Local Government Reform Act profoundly modified the territorial organisation at local level. The objective was to streamline the territorial structure, increase democratic governance and improve spending efficiency of local governments. This was achieved by reducing duplication of administrative functions linked to separate corporate bodies and refocusing resources on front-line services. The former 114 local councils (which had a complex two-tier structure made up of county and city councils at the top tier and borough and town councils at the lower level) were merged into a single-tier of 31 local governments. They are categorised under three different types of local authorities of equivalent status, each with a separate elected council: 26 county councils and five city councils, two of which have both the status of city and county councils. County councils represent the historical counties of Ireland, while City councils represent the country's five main cities: Dublin, Cork, Galway, Limerick and Waterford. The 2014 reform also introduced a system of sub-county governance, the Municipal Districts, which are designed to enhance democratic governance, subsidiarity and accountability. They also aim to improve operational efficiency and value for money. The 95 districts are part of the relevant county council, acting as constituencies for county councils, with councillors, enjoying devolved local decision-making responsibilities to decide matters relevant to local communities.

County and city councils have between three and seven councillors who are elected by direct universal suffrage every five years. Every year, each local authority elects, from within its councillors, a chairperson (or mayor) for a term of one year. Each local authority is also managed by a chief executive (formerly known as the city or county manager), appointed generally for a period of seven years. Plebiscites are planned for mid-2019 regarding municipal governance

arrangements (i.e. the possibility of directly elected mayors) in the four main cities other than Dublin. Municipal districts have a single county-wide executive (the executive of the city/county council) and operational structure. Municipal districts councillors are elected simultaneously in local electoral areas to both a municipal district and county council, with members in common in the plenary council.

Overall, Irish municipalities are very large compared to the OECD and EU28 average (respectively 9 700 and 5 900 inhabitants), and the smallest local authority has 31 798 inhabitants (Leitrim County Council), meaning that all municipalities have more than 20 000 inhabitants, compared to 30% in the OECD on average. 59% of the population lives in cities of more than 50 000 inhabitants, and 41% in cities with more than 500 000 inhabitants (compared to 55% on average within the OECD). Dublin metropolitan area, which hosts 41% of Ireland's population, accounts for 53% of national GDP and generated 65% of national GDP growth over the period 2000-2016.

To favour inter-municipal cooperation, Ireland has implemented a shared services programme in several areas, including waste management, payrolls functions, building control, treasury management, and procurement.

REGIONAL DEVELOPMENT. Since the 2014 reform, regions play a very limited role. The three regional assemblies are indirectly elected, and enjoy a low degree of autonomy. Their financing is largely dependent upon their constituent local authorities. They are mainly in charge of regional development, including the adoption of Regional Spatial and Economic Strategies, and management of EU funds. Regional policy in Ireland is set out in the National Planning Framework (NPF) and the National Development Plan (NDP), both released in 2018, which form part of the "Project Ireland 2040", i.e. a planning and investment programme.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The Local Government Act 2001, as amended by the Local Government Reform Act 2014, provides the legislative basis for the distribution of local authorities' responsibilities. Overall, local authorities in Ireland have a relatively limited range of responsibilities compared to other OECD countries. The 2014 reform aimed at clarifying the allocation of responsibilities across levels of government. On one hand, some functions have been recentralised. For example, the functions related to water services have been transferred from local authorities to the State company "Irish Water" (Water Services Act 2013). Local authorities keep conducting certain water services on behalf of Irish Water, according to service level agreements that are running up to 2025. On the other hand, local governments were granted new responsibilities in planning, local and community development and support economic development and enterprises at a local level. This was made effective through the creation of Local Enterprise Offices integrating the functions of City and County Enterprise Boards as well as local government Business Support Units. In addition, the 2014 reforms introduced new management tools such as shared-service arrangements, corporate plans, increased use of technology, outsourcing of certain services and new modes of service delivery.

Today, county and city councils carry out a range of functions which mainly concern economic affairs, environmental issues, housing, cultural and recreation facilities, and community development. Municipal districts are involved in community engagement and leadership, a representation and ceremonial role, and have some policy and regulatory functions in areas such as planning, housing, roads, and environmental protection. In theory, there is no duplication or overlapping of functions of members between county/city councils and municipal district jurisdictions: matters that are decided at municipal district level are not dealt with at county/city level.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL	
1. General public services	Internal administration
2. Public order and safety	Fire services and civil defence
3. Economic affairs/transport	Local economic and community development; Road and bridges; Supporting enterprises and job creation at the local level
4. Environmental protection	Environmental services; Drainage; Waste management; Pollution control; Animal control
5. Housing and community amenities	Urban and land use planning; Housing and building (enforcement of minimum standards, assistance with housing provision); Planning permissions and development control
6. Health	
7. Recreation, culture & religion	Local arts, culture and leisure facilities and services; Libraries
8. Education	
9. Social protection	Social housing benefits; Social inclusion and poverty

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: county councils, city councils, and city and county councils, regional assemblies. From 2017, "Approved Housing Bodies" (AHBs) will be reclassified to the local government sector.

SNA 2008

Availability of fiscal data:
High

Quality/reliability of fiscal data :
High

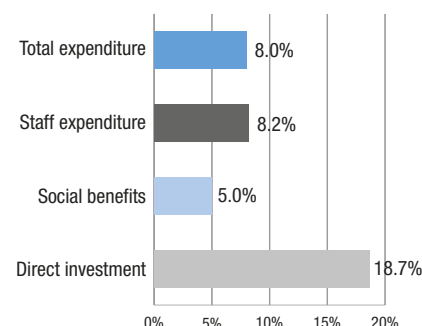
GENERAL INTRODUCTION. The basic structures, procedures, financing arrangements of local authorities in Ireland are defined in the Local Government Act. Ireland is one of the most centralised countries within the OECD regarding fiscal indicators. Local governments in Ireland have very limited spending responsibilities, which have been decreasing for a decade with the transfer of responsibilities to central administration units and to external agencies. SNGs depend largely on central government grants. The country was severely hit by the 2007-2008 economic crisis, which provided the opportunity to enact a wide local government reform, which included a fiscal component, in particular through the introduction of a local property tax in 2013 and tighter fiscal budget rules and supervision.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	1 566	2.2%	100%	
Incl. current expenditure	1 269	1.8%	81.0%	
Staff expenditure	419	0.6%	26.8%	
Intermediate consumption	446	0.6%	28.5%	
Social expenditure	374	0.5%	23.9%	
Subsidies and current transfers	11	0.0%	0.7%	
Financial charges	19	0.0%	1.2%	
Others	0	0.0%	0.0%	
Incl. capital expenditure	297	0.4%	19.0%	
Capital transfers	44	0.1%	2.8%	
Direct investment (or GFCF)	253	0.3%	16.2%	

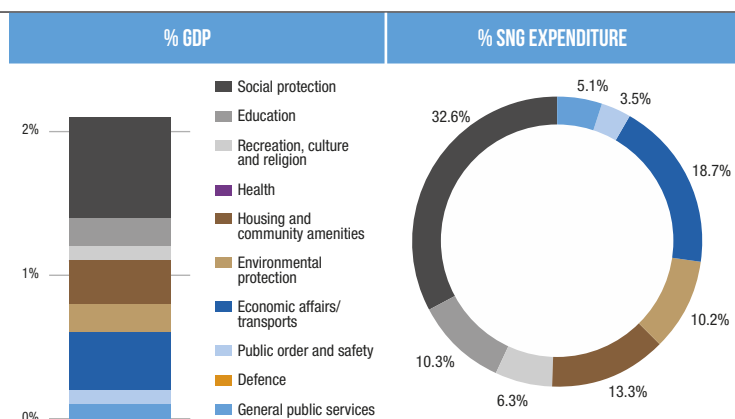


EXPENDITURE. Ireland has one of the lowest ratios of local expenditure to GDP and public spending among OECD unitary countries in 2016, together with Chile, Greece and Turkey as well as among EU 28 countries. In comparison, SNG expenditure across the OECD unitary countries accounted for 9.2% of GDP and 28.7% of public expenditure. Across the EU28, SNG expenditure amounted to 15.5% of GDP and 33.4% of public expenditure. The role of Irish SNGs as public employers is very limited (local staff spending represents 8.2% of total public staff expenditure vs 43.0% on average in OECD unitary countries), although it represents 26.8% of their expenditure. SNG expenditure experienced a strong decrease (7.2% on average per year in real terms between 2007 and 2017) resulting both from recentralisation trends, Better Local Government reforms, and from the 2008 recession. Staff spending in particular dropped significantly (3.6% on average per year in real terms between 2007 and 2017). Overall, between 1995 and 2016, the share of SNG expenditure in GDP and public expenditure decreased respectively by 10.6 percentage point and 23.2 percentage point, the highest decline among OECD countries.

DIRECT INVESTMENT. The share of SNGs in public investment is relatively low, accounting for 18.7% versus 50.7% in OECD unitary countries and 51.6% in the EU28, although SNGs are often merely acting on behalf of the central government to implement national investment programmes. It amounted to 0.3% of GDP, well below the OECD average for unitary countries (1.7%) and the EU28 average (0.4%). Irish SNG share in investment has fallen dramatically for the last decade, as a consequence of the economic crisis that hit the country and local government reform. It had not recovered to its 2014 pre-crisis level as of 2017. Between 2007 and 2017, SNG investment decreased by 16% on average per year in real terms, the highest drop in the EU. Most SNG investments were dedicated to transport infrastructure such as local roads, general economic affairs, housing and community amenities and environment protection. The Ireland National Planning Framework (NPF) is supported by a ten-year public investment strategy to 2027 for the development of regions, cities, towns and rural areas. A new funding model for Exchequer-funded public investment is being put in place to ensure that resources are allocated to projects and programmes that meet the NDP's priorities.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOP

In Ireland, SNG expenditure shows a different pattern of spending by economic functions than the average of OECD countries. Social protection is their top spending area, including social inclusion, poverty and social housing benefits (vs 16.3% in the OECD on average), followed by economic affairs and transport (in particular roads, transportation infrastructure and support to local economic development) and housing and community amenities. SNGs are responsible for more than half of total public spending in environmental services, and for a significant share of total public spending in housing and community amenities.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	1 603	2.2%	8.3%	
Tax revenue	308	0.4%	2.2%	19.2%
Grants and subsidies	803	1.1%		50.1%
Tariffs and fees	427	0.6%		26.6%
Property income	10	0.0%		0.6%
Other revenues	56	0.1%		3.5%

OVERALL DESCRIPTION. Reflecting low SNG expenditure, Irish SNG revenue is very limited, and has been plummeting in recent years. Representing 8.3% of total public revenues in 2016, i.e. 2.2% of the GDP, it has one of the lowest ratios within the OECD and EU28. The main source of SNG revenues comes from grants and subsidies, which accounted for around half of their revenues, a level close to the average of the OECD unitary countries (48.8%) but above the EU28 average (44.1%). The second source of revenue is tariffs and fees, which accounted for 26% of SNG revenue, a ratio well above the OECD and EU28 averages (respectively 14.9% and 11.6%). The share of tax revenues is very low by international comparison (38.7% of SNG revenues on average in OECD unitary countries and 41.1% in the EU28).

TAX REVENUE. In addition of accounting for a small share of SNG revenues, local tax revenues amounted to only 0.4% of GDP and 2.2% of public tax revenues, well below the average for OECD unitary countries and EU28 countries (respectively, 4.7% and 6.4% of GDP and 19.8% and 24.0% of public tax revenue. Local tax revenues are mainly composed of two property taxes, one levied on commercial properties (commercial rates) and, since 2013, a local property tax on residential properties (LPT). Each individual local authority is responsible for the levying and collection of these taxes. The Annual Rate on Valuation (ARV), applied to the valuation of each property as determined by the Valuation Office, is set by the elected members of each local council as part of their annual budget. Commercial rates are compulsory for local governments, and generally levied on the occupiers of property. In Dublin City Council, the commercial property tax rate amounted to 26% of the value of a property as of 2017.

Regarding the LPT, 80% of revenue are retained locally for the funding of basic public services, while the remaining 20% are allocated to the equalisation fund. In 2015, new powers were conferred to local authorities to vary the LPT annual rate on valuation by up to 15%, with the aim of increasing their financial autonomy and funding sustainability. As of 2016, 11 local authorities had taken the opportunity to vary the LPT rate, and LPT represented overall 7% of SNG local revenue. Both taxes combined totalled 19.2% of SNG revenue and 0.4% of GDP in 2016, which is significantly low compared to the OECD average (property tax revenue accounts for an average of 1.1% of GDP in OECD countries).

GRANTS AND SUBSIDIES. Transfers from the central government include specific (earmarked) grants and a general grant, as well as the Local Government Fund (LGF) established in 1999, which is the most important. The LGF is financed by receipts from the motor tax (60%), from the local property tax (LPT - 25%), and from a contribution from the Exchequer (15%). In 2016, the LGF total budget accounted for around 63% of total grants and 31% of total SNG revenue. Prior to 2015, the LGF was used to provide funding to local authorities for their 'day-to-day' activities through "General Purpose Grants". Since 2015, they have been replaced by "Local Property Tax allocations". These allocations amount to 20% of local property tax receipts collected nationally, which are then redistributed for equalisation purposes through the LGF, taking into account expenditures and revenues of each local government (needs and resources model). The LGF is also used for payments to the Department of Transport for non-national roads and public infrastructure, payment to the Exchequer, and for subsidies to Irish Water. Local governments also receive grants from the Environment Fund, financed by the plastic bag levy and the landfill levy to support environmental initiatives, as well as from various government departments for particular services such as housing and road maintenance.

Most of the grants allocated by the central government must be used for specific services provided by local authorities. In 2016, current grants represented around 58% of total grants while capital grants accounted for 42%. 70% of the grants provided to local authorities were dedicated to two main sectors: housing and urban renewal (41%) and transport (29%). Funding was also disbursed in 2016 to compensate the local authorities for the shortfall in their respective budgets due to the transfer of water services to Irish Water, and the loss of income from rates on water infrastructure. Grants and subsidies have dropped significantly other the last 10 years by 10.2% on average per year in real terms from 2007 to 2017, the highest decline across the EU28.

OTHER REVENUES. Irish local governments also receive revenue from other sources, in particular tariffs and fees and property income. In 2016, Irish local councils raised substantial revenue from user charges and fees, including commercial water charges, rental income, waste charges, parking charges, planning application fees, and revenues from Irish Water for goods and services (whereas previously this income was incorporated within the general-purpose grant).

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	1 185	1.9%	2.3%	100%
Financial debt*	939	1.5%	1.9%	79.2%

* Currency and deposits, loans and bonds

FISCAL RULES. Budget balance rules for local governments were introduced in 2004, after Ireland recorded a general government deficit in 2002. Local governments are required to prepare Annual Financial Statements (AFS) by the end of March, which are submitted to an independent audit by the Local Government Audit Service. The Medium-Term Budgetary Framework, published in July 2014, provides a compendium of how local government budgets shall be managed in general government accounting. The Irish Fiscal Advisory Council (IFAC), established in 2011, is responsible for assessing compliance with fiscal rules and assessing the fiscal stance adopted by the government. SNG performance is monitored through the National Oversight and Audit Commission for Local Government (NOAC), which was established in July 2014 to oversee local governments.

DEBT. The Local Government Act (Art.106) states that a local authority may borrow money in any manner it considers suitable for the effective performance of its functions, for capital expenditure exclusively ("Golden Rule"). However, local governments need prior approval of the central government, and are constrained by a debt ceiling of EUR 200 million for new annual borrowing. As a result, local government debt, at 1.9% of GDP and 2.3% of public debt, is significantly below the OECD average for unitary countries (respectively 14.5% of GDP and 11.8% of public debt in 2016). 79% of total outstanding debt is made up of financial debt ("Maastricht debt"), the remaining part comprising other accounts payable (commercial debt, arrears). Financial debt is composed exclusively of loans, most of which were borrowed from the central government.



Lead responsible: OECD
Last update: 02/2019

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Socio-economic indicators: OECD // Eurostat // World Bank // UNDP // UN Desa // ILO // Central Statistics Office (CSO).

Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // Eurostat.

Other sources of information: OECD (2018) OECD Economic Surveys: Ireland 2018 // OECD (2017) Effective public investment across levels of government, Ireland // Department of Housing, Planning and Local Government (2016) Annual Financial Statement, Amalgamated 31 local authorities // Office of the comptroller and auditor general (2016) Annual Report, Central Government Funding of Local Government // CEMR (2016) Local and Regional Governments in Europe Structures and Competences // Quinn B. (2015) Plus ça change, plus c'est la même chose? Local democracy in Ireland // OECD (2015) The State of Public Finances 2015: Strategies for Budgetary Consolidation and Reform in OECD Countries // Minister for the Environment, Community and Local Government (2012) A guide to: Putting people first.