

Statement of An Taoiseach, Micháel Martin TD

Budget 2021

Dáil Éireann, Wednesday, 13th October 2020

Three and a half months ago this new government was formed at a unique moment in our history.

February's General Election delivered the most diverse ever Dáil. It also demonstrated very clearly the urgency of a range of critical social and economic issues.

Little over a month later a pandemic began which has so far led to the deaths of 2,425 people on this island.

The impact of the pandemic has been dramatic on every level.

Every single aspect of our social, economic and cultural life has been impacted.

It has caused the largest public health crisis in a century and the fastest moving economic recession ever recorded.

And in response we have had to work intensively to protect lives and livelihoods.

The government which Fianna Fáil, Fine Gael and the Green Party agreed to form involves at its core a shared understanding – an understanding that we must work together both to help our country through this crisis and to deliver sustained progress across our full term.

Our programme for recovery and renewal is the most comprehensive and ambitious ever agreed between Irish political parties.

It marks a decisive move in public policy in key areas and it reflects a fair balance between different needs and interests in our diverse and modern society.

This Budget marks a major statement of intent by this new government.

It is a progressive and ambitious budget. It shows our absolute determination to get our country through this pandemic and to address urgent challenges including health, housing, education, climate change and Brexit.

Since the end of June, we have been working intensively to both manage the response to the pandemic and develop a comprehensive range of actions across the government's priorities.

A new system of cabinet committees has operated to ensure that each priority receives detailed scrutiny. Ministers and senior officials have been involved in a new level of policy review and development – and at all stages the focus has been on developing cross-government actions.

In July we announced emergency measures to expand public supports for those in need and protect as much of our economy as possible. We provided for direct aid to individuals and businesses, and also implemented new actions on expanding social housing, tackling climate change and reducing pressure on public health services.

The full Budget for 2021 which we have now published has involved major work and cooperation across government. A Budget of this scale and ambition would normally require a full year to prepare – however it has actually involved a deeper than normal level of debate and review. I would like to acknowledge the constructive and intensive work of Ministers McGrath and Donohue in preparing the Budget.

While I understand that members of the opposition feel the necessity to criticise everything as not enough, the facts show that Budget 2021 is the largest public investment programme in the history of the State.

It is a decisive move to deliver national recovery – and it is an equally decisive statement of support for strong, effective public services which serve all of the people.

It will significantly improve key health services.

It will launch a dramatic new era of social and affordable housing.

It will step-change education for our most vulnerable students.

It will empower people with disabilities with new and too-long denied opportunities.

It will enable action to meet new, more urgent targets for tackling climate change and protecting our biodiversity.

It will support businesses and communities as we confront the harsh reality of the historically damaging decision of our neighbour to leave the European Union.

It will begin a new era of North//South cooperation as a foundation for a lasting and shared peace and prosperity on our island.

And most importantly it shows a way forward for our country. A way forward to a time after the pandemic where we not only confront major challenges, we overcome them.

COVID

In the seventh month of the pandemic it can be very easy for us to forget just how sudden and dramatic its impact has been. The rate of unemployment soared to almost 29 per cent in April. GDP fell 3 per cent in the second quarter compared with the same period last year, and while this decline was less than in other countries, in some sectors the impact was devastating.

Over many years, through consistent state investment, our place in the European Union and the work of the Irish people we have developed resilient export sectors.

Technology and computer services, pharmaceuticals, chemicals and medicines expanded strongly, with industrial production recording by far the strongest gains among European countries. These industries, which are so often attacked by the left and far left in our country, have once again acted as a stabilising force for the economy in a time of crisis. They have enabled the state to put in place support for other sectors and for society as a whole.

The contraction in domestic demand here was one of the steepest in Europe. Sectors where physical distancing is difficult or impossible, such as tourism, hospitality, transport as well as culture and the arts, have been gravely hit.

The scale of disruption, visited on our economy and our people, cannot be overstated. Throughout the pandemic our frontline people in the public service and private sector have been courageous, innovative and highly effective in their response.

Economic Response

Since taking up office, this Government has acted to counteract the worst effects of the pandemic, providing lifelines for households and businesses.

The July Stimulus Plan contained an unprecedented range of actions to support households and businesses in the face of the COVID-19 shock.

Critically we also provided the Health service with the funding it needs to respond to the public health emergency.

Macroeconomic Framework

Like many other countries, we are borrowing heavily to protect our people and the economy through the crisis. We expect to run a budget

deficit this year of just over €21 billion. For next year, we envisage another large deficit of €20 billion.

Those who claim that this somehow proves that we should have been spending more anyway are fooling no one. A pandemic such as this has never before occurred in the modern global economy. It has changed short- and medium-term conditions dramatically.

In normal times, and were we alone in seeking to run deficits of this size, we would face immediate and serious problems. However, all countries in the euro area are running large budget deficits, so we are by no means an outlier in this regard – and nor do we want to be.

Critically, historically low interest rates and the reformed monetary conditions in the Eurozone give us an opportunity to make sustainable investments in a strong recovery.

It is important to note that about half of this borrowing will be used to finance public investment. Basic economic principles tell us that well-designed public investment, by boosting the future capacity of our enterprise-based economy and future tax receipts, will reduce rather than increase the burden of the national debt.

Unlike in the last crisis, a new monetary policy by the European Central Bank, and especially the ECB's extensive bond-buying

programme, has pegged government borrowing costs at exceptionally low levels. Moreover, the ECB has committed to large-scale bond purchases until the COVID crisis is over. As a result, the State can borrow long-term money at zero, or even, negative interest rates. In such circumstances, well-designed public investments financed by borrowings can pay for themselves.

This cannot be without limit, and we must be aware of future refinancing costs, but it gives us an opportunity to implement the major investment programme outlined in this Budget.

Clearly, there will be a need to bring down the national debt relative to the size of the economy so that we do not overburden future generations with debt. I could not disagree more with those opposition voices who keep crying ‘more’ and act as if this level of borrowing should be a new normal.

At some point, there will be a need to eliminate the budget deficit to build resilience to the next economic shock.

With this in mind, we will set out a medium-term trajectory towards a balanced budget in the Stability Programme Update in the Spring. At that stage we will have much greater clarity about the lasting impact of the pandemic and the final form of Brexit.

Public Investment

Sixty years ago, Seán Lemass set out a new route forward for our country. He believed in public investment, in opening up to the world, in supporting education and that economic and social actions needed to go hand in hand.

This core philosophy has underpinned progress in the decades since.

This government is absolutely clear in saying that public investment has a central role to play in our economic revival.

That is why in Budget 2021 we are increasing total capital expenditure to the highest ever level. This allocation will fund jobs-rich, highly productive, and greener public investment to support recovery, boost business confidence and create new jobs in the near term and over a longer period.

With private investment currently depressed because of the highly uncertain outlook, our approach is to bring forward public capital spending to stimulate the economy during the crisis, while building capacity for the recovery.

In doing so, we are sending the signal that this Government is committed over the coming years to invest in our society, to tackle our infrastructure needs, and to drive our transition towards a low-

carbon, digital economy. We are investing now for the future well-being of our country. To not do so would place a burden on future generations just as surely as does government borrowing.

Contingency Fund

The figures on which this Budget is based are as robust as they can be in the midst of a fast-moving recession and public health emergency. However, they reflect the consensus of independent bodies on what we can assume today.

I want to acknowledge the work of the Fiscal Advisory Council as an essential independent voice in reviewing core assumptions and policies.

The ongoing uncertainty about both the pandemic and Brexit inevitably means that we will have to continue to react as events and information evolve.

This is why we have decided to identify a Recovery Fund with a contingency allocation of €3.4 billion. This will ensure that Ireland retains its ability to react quickly and comprehensively to all developments. And it reflects our determination that our ambitious plans will be implemented.

Jobs & Business

The impact of the pandemic on businesses throughout the country and therefore on hundreds of thousands of jobs has been dramatic.

As I have said, particular sectors have been hit harder – and the fact that we do not yet know when we can plan for a full reopening deprives them of any clarity about the future.

The measures we have funded so far represent the most dramatic ever state involvement in directly supporting businesses and jobs. Our objective is to save as many livelihoods as possible for the moment when we can not only reopen, but when we can again make concrete plans for the future.

Key subsidies for retaining jobs will be continued, as will exceptional payments for people who are unemployed because of the pandemic. These payments will continue to be at a level far higher than is provided in any other jurisdiction on this island or our neighbouring island.

As a result of this Budget we will take a significant step forward in providing direct support for businesses. The direct payment of up to €5,000 per week recognises the particular problems by businesses which cannot effectively trade due to public restrictions. This will be

an enormous benefit to smaller and medium sized businesses in particular.

We are also implementing a series of additional Brexit supports.

As I have mentioned here before, the part of our economy which may be worst hit by Brexit is that part which is already most hit by the pandemic. The new supports are designed to help businesses to trade and innovate in whatever emerges as the final form of Brexit.

I will tomorrow go to a meeting of the heads of state and government of the European Union where Brexit will be our first major topic for discussion. As I told the Council President Charles Michel in Dublin last week, Ireland expects the London government to honour its commitments under the Withdrawal Agreement. The Northern Ireland Assembly has also called for the full implementation of the Withdrawal Agreement.

As for the overall relationship between the UK and Europe, we remain committed to trying to forge as close a relationship as is possible while also protecting the core integrity of the European Union's laws.

This a government which is unequivocally committed to Ireland being a positive, active and constructive member of the European Union.

We will never agree with those in this House who snipe at the Union at every opportunity and refuse to acknowledge how a strong and effective Union is a core national interest for Ireland.

Our ports and airports must now step-up their work on preparing for January. Businesses need to develop the expertise and procedures required to trade with Britain in the new reality. The funding which we are providing in this Budget will not undo all of the likely damage of Brexit, but it will make a major contribution to softening its blow.

The recession has also had a particularly dramatic impact on the employment of younger people in the workforce. They are disproportionately represented in certain sectors and less secure jobs.

The business and job support measures we are implementing will help them, but more needs to be done, especially for those who may have lost their jobs permanently.

This is why we are implementing a major expansion in schemes to help people back into the labour market or to take up new opportunities.

Over 9,000 places will be provided to help people upskill or reskill.

There will be 4,000 more apprenticeships and over 1,000 more springboard places.

Anti-Poverty Actions

I have heard a range of Sinn Fein speakers in particular claim that the poor and disadvantaged are getting nothing from this Budget. The opposite is true.

Who will benefit most from these new job supports and training places? Who will benefit most from the health and education measures we have announced? Who will benefit most from building social housing and dramatically increasing homelessness funding?

In the often angry and loud denunciations we have heard from parts of the opposition there has been a general disinterest in how so many of these major initiatives will benefit people who are marginalised and disadvantaged in our community.

Supporting businesses to create jobs and giving people the skills to fill those jobs remains one of the most effective and sustainable anti-poverty programmes you can implement.

And we need strong businesses and good jobs to generate the money to support the weakest in our society.

The urgent need to protect lives and livelihoods while building a sustained recovery has limited our ability to either cut tax or increase direct state payments. However, within the obvious limit of having to be sustainable, we have been in a position to implement key targeted improvements.

The significant increase in Child Dependent Allowances will help the poorest families most. Increases in the Fuel Allowance mean that the impact of the Carbon Tax will be fairer.

Minister Humphreys will oversee a record social protection Budget next year.

When you take these measures and combine them with the Budget as a whole, the facts show that this is a progressive Budget where the largest benefit will be felt by lower income families.

That's not an empty claim. It's not a political slogan. It's an independently verified fact.

I know this doesn't fit well with the left populism which dominates parts of the opposition. And it's obvious that they have no intention of letting the facts get in the way of their well-worn speeches.

Housing & Homelessness

One of the many areas where they are refusing to acknowledge the impact of this new government is housing and homelessness.

By every measure this is a step-change budget for action on housing and homelessness.

€3.3 billion has been allocated to this area – which is by some distance the largest amount ever allocated. More importantly, this will enable a range of urgent new actions.

I strongly believe that we need a new direction in the level of social housing and how it is built.

It is a sad commentary on the cynicism of Sinn Fein that it has decided to attack the Minister and government over the failure to build enough social housing during the time when all construction was suspended because of the pandemic. This cynicism has continued with the attempt to dismiss a housing budget which has been welcomed by voluntary groups and organisations nationally and throughout the country.

Next year the government will fund 12,750 extra homes under its social housing programme. Critically, the vast majority of these will be new builds, directly commissioned by the state.

We will continue the urgent work we began in July to refurbish unused social housing units and to retrofit social housing in order to improve comfort and reduce energy costs.

We believe in public housing and in a more active and direct role of the state in delivering it, and this Budget proves our commitment.

It is also essential that we help people who are finding it difficult to buy a home. Support for affordable housing is an essential part of a balanced and comprehensive response to the housing pressures our society is feeling. The government has allocated €110 m for a new Affordable Purchase Scheme and for accelerated delivery of Cost Rental homes.

And no one should be in any doubt that tackling homelessness is a core priority for this government. In the coming year direct funding for homelessness services will increase by 31%. This will enable a wide range of initiatives including a cold weather initiative, preventative strategies and personal supports.

The strong welcome for this package which has come from key voluntary organisations reflects its scale and ambition. Implementing it effectively will be a priority and will be overseen by a regularly scheduled cabinet committee.

Health

This is also a Budget which demonstrates our commitment to developing accessible and high-quality public health services for all of our people.

This is not about delivering small, incremental change – it is about a detailed plan to expand capacity and improve quality across a full range of vital public health services.

It represents a balance between urgent action which will have an immediate impact and more strategic developments on critical care areas.

While providing major resources for responding to the pandemic, permanent improvements will be implemented.

The new funding and policy initiatives which Minister Donnelly has secured will build the capacity, quality and resilience of the health system.

I want to acknowledge the incredible pressure which he and his Department have been under in recent months. They have succeeded in both dealing with the day to day challenges of this unique time and

bringing together an ambitious and comprehensive plan for developing our health services.

- Over 1,200 acute hospital beds.
- Increased intensive care capacity.
- A new public-only contract.
- New access to diagnostics for GPs and their patients.
- Key plans for maternity, cancer and trauma care fast-tracked.
- 100,000 people on waiting lists helped.
- Access for Irish patients to new medicines

These and many other initiatives will be funded and implemented because of this budget.

And of course, the Budget provides for a major improvement in mental health services. We will work with our mental health service providers and NGOs to deliver the recommendations of a Shared Vision.

Families throughout our country know the distress which can be caused when services lack the capacity or expertise to help when dementia affects a loved on. The important dementia care initiative which will be implemented in the coming year is testament to the work of Minister of State Mary Butler over a number of years.

Disability

Disability must never be allowed to be seen as simply a health issue – it is touched by the full range of legal, economic, social and cultural policies. This is why progress for people with disabilities requires action across many fronts at once. The €100 million programme of disability actions which will be funded by this Budget and implemented by Minister of State Rabbitte demonstrates our commitment to delivering.

Education

Education is central to every element of shaping the future for our country. This is a government which believes in supporting education and this is a Budget which clearly shows our commitment.

More than almost any other area, education is about the interaction of expert professionals with individuals. That is why creating over 2,000 extra posts in education is at the heart of our programme for next year.

In addition to increasing staffing in mainstream classes our priority will be to achieve a dramatic change in the level and quality of inclusive educational provision.

Teachers and special needs assistants will help thousands of pupils to develop to their full potential and we will move to implement the radical and progressive School Inclusion Model.

Minister Foley and Minister for State Madigan will ensure that next year sees the beginning of a new push to build an inclusive Irish education system.

In our higher education system action is required to support inclusion and address key pressures which have emerged during this pandemic. Funding for post-graduate grants will be significantly expanded, directly benefitting students from lower income families. A special €50 million fund will be distributed by Minister Harris to address rising hardship cases at this difficult time.

Gaeltacht, Arts & Culture

This government is committed to actively supporting our national language and the full range of artistic and cultural activity. This is reflected through a combination of direct covid-related supports and wider initiatives which will be permanent.

Méadófar maoiniú iomláin ar son ghníomhaíochtaí an teanga Gaeilge fá 23% an bhliain seo chugainn. Tá ardú suntasach i maoiniú á sholáthar chuig Údarás na Gaeltachta, Foras na Gaeilge agus TG4.

Sonrófar go mion ár dtiomantas chun an Ghaeilge a thacú mar chuid beo de shaol an phobail le linn na míonna amach romhainn.

Braitheann na réimsí seo ar ábaltacht daoine teacht le chéile, níos mó ná aon chuid eile de shaol laethúil ár sochaí. Tá éifeacht damáisteach faoi leith ar na réimsí seo ag na srianta atá de dhíth chun damáiste an phaindéim Covid a laghdú.

I dtaobh Ealaín agus Cultúr d'oibrigh muid chun cúnamh láthaireach a sholáthar comh maith le maoiniú ar bhealaí gníomhaíochtaí a atosú sa bhliain amach romhainn. Tá breac-chuntas tugtha ag an Aire Catherine Martin ar raon tacaíochtaí leathan agus uailmhianach a chuirfidh sí i bhfeidhm.

The €50 million allocation for live cultural activities and €50 million increase in the funding of the Arts Council are together an important statement by this government. This demonstrates our commitment to helping our arts and culture community not just in getting through this difficult period, but also in expanding permanent support.

Climate Change

Climate change represents a defining challenge to Ireland and the world as a whole. It is already causing unprecedented damage and it is a core commitment of this government to implement a sustained and unprecedented programme of action.

Last week the government published the draft Climate Action Bill which will ensure strong targets and accountability. This critical legislation will hopefully be enacted without delay.

The Budget provides a major financial investment for the actions required to meet these tough, new standards.

Minister Ryan will be dealing with these in greater depth shortly as well as major initiatives in public transport, heritage and biodiversity. I would like to acknowledge the remarkable speed and detail which he and his officials have shown in developing proposals in recent months.

I think it is also important to note that it is impossible to be sincere about tackling climate change but to oppose tough measures required to delivering progress. If we want to decarbonise our society carbon taxes are not an option they are essential.

However, the carbon tax increase we are implementing will be 100% returned to the people through a combination of funding for a just transition, fuel allowances for lower income families and environmentally friendly farming.

A Shared Island

The Good Friday Agreement represented the triumph of the ideal of a shared peace on this island. As two of the greatest statesmen this island will ever produce, John Hume and Seamus Mallon, said so often, the Agreement was a new dispensation for us. It set us a challenge to work together in our common interests.

Unfortunately, too often this challenge has been overwhelmed by partisan and political deadlock.

To this has been added a Brexit process which has shown how fragile are so many things we took for granted – and indeed how little we have done to understand or develop many aspects of cross-border activity.

It is time for us to renew our commitment to building a shared future on our island.

There are those here who regularly attack me for the fact that my focus is on building connections and trust between traditions on our island. To them this is a compromise when the focus should be on one vote and one big victory.

I believe passionately that true republicanism and the cause of unity between different traditions and identities can only be successful if we first build understanding and trust.

The Shared Island Unit I have established will aid the government in moving our agenda forward. The €500 million in investment funding for Shared Island projects demonstrates that this is not about creating another formal structure, it's about delivering practical action. Action which shows how much can be achieved when we work together.

This funding forms part of an overall Budget package which both reacts to urgent concerns and puts in place strategic action for addressing the most important challenges facing our country.

It is a progressive Budget which will develop critical public services.

It will expand the capacity and quality of public health services.

It will provide record levels of social and affordable houses.

It will develop more inclusive schools and empower people with disabilities.

It marks a major investment in not just helping us through this terrible pandemic, but in building a stronger and fairer Ireland which serves all of its people.