

## Economic Adjustment Programme for Ireland — Autumn 2011 Review

This paper reports on the joint EU-IMF review of policy conditionality under the financial assistance programme to Ireland to end-November 2011. It also incorporates in an annex the updated programme documents, endorsed by the ECOFIN on 30 November and to be considered by the IMF Executive Board on 14 December 2011.

Ireland's 2011 growth forecast has been revised upward, thanks to a stronger-than-expected performance in the first half of 2011, on account of strong exports (aided by progress in recovering the lost cost competitiveness), although domestic demand remains subdued, as much needed balance sheet repair continues. At the same time, the forecast for growth in 2012 has been lowered with risks tilted to the downside, reflecting softening global growth. Programme implementation remains strong: fiscal targets have been met or are on track to be met, ambitious consolidation plans based on sound measures have been announced for 2012-15, and important reforms are being advanced in the banking sector (e.g., the domestic bank recapitalization has been substantively completed) and other areas (e.g., presentation of bills to open up to competition hitherto sheltered sectors such as medical and legal professions and to strengthen the enforcement of competition law). The programme remains well-financed, and—thanks to the lower-than-expected fiscal cost of bank recapitalization—the programme envelope is now seen to cover financing needs until the second half of 2013, though the Irish authorities intend to re-enter the market sooner, to also keep a sufficiently large cash buffer for the post-programme period.

Going forward, continued strict programme implementation remains essential to buttress credibility in the policy framework and in the achievability of the programme consolidation objectives.