EUROPEAN
COMMISSION

Brussels, 3.6.2026
COM(2026) 207 final

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Ireland

{SWD(2026) 207 final}

Recommendation for a

COUNCIL RECOMMENDATION

on the economic, social, employment, structural and budgetary policies of Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 121(2) and Article 148(4) thereof,

Having regard to Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 ([1]), and in particular Article 3(3) thereof,

Having regard to the recommendation of the European Commission,

Having regard to the resolutions of the European Parliament,

Having regard to the conclusions of the European Council,

Having regard to the opinion of the Employment Committee,

Having regard to the opinion of the Economic and Financial Committee,

Having regard to the opinion of the Social Protection Committee,

Having regard to the opinion of the Economic Policy Committee,

Whereas:

(1) Regulation (EU) 2024/1263 specifies the objectives of the economic governance framework, which aims at promoting sound and sustainable public finances, sustainable and inclusive growth and resilience through reforms and investments, as well as preventing excessive government deficits. The Regulation stipulates that the Council and the Commission conduct multilateral surveillance in the context of the European Semester in accordance with the objectives and requirements set out in the Treaty on the Functioning of the European Union (TFEU). The European Semester includes, in particular, the formulation and the surveillance of the implementation of country-specific recommendations.

(2) On 16 July 2025, the Commission adopted its proposal for a regulation establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and Regulation (EU, Euratom) 2024/2509 ([2]). The proposal

([1]) Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97 (OJ L, 2024/1263, 30.4.2024, ELI: http://data.europa.eu/eli/reg/2024/1263/oj).

(2) Proposal for a Regulation of the European Parliament and of the Council establishing the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security for the period 2028-2034 and amending Regulation (EU) 2023/955 and

aims to increase the effectiveness of Union funding by reducing the fragmentation of the financial architecture and to support Member States' in the coordination of their economic policy in line with Article 175 of the TFEU.

(3) On 25 November 2025, the Commission adopted an opinion on the 2026 draft budgetary plan of Ireland. On the same date, on the basis of Regulation (EU) No 1176/2011, the Commission adopted the 2026 Alert Mechanism Report, in which it did not identify Ireland as one of the Member States for which an in-depth review would be needed. The Commission also adopted a recommendation for a Council recommendation on the economic policy of the euro area, a recommendation for a Council recommendation on human capital in the European Union, and a proposal for the 2026 Joint Employment Report, which analyses the implementation of the Employment Guidelines and the principles of the European Pillar of Social Rights. The Council adopted the Recommendation on the economic policy of the euro area ([3]) on 21 April 2026 and the Joint Employment Report and the Recommendation on human capital on 9 March 2026.

(4) On 29 January 2025, the Commission published the Competitiveness Compass, a strategic framework that aims to boost the Union's global competitiveness over the next five years. It identifies the three transformational imperatives of innovation, decarbonisation and competitiveness, and security as critical pillars for sustainable economic growth. The European Semester is aligned with the Competitiveness Compass, ensuring that Member States' economic policies are consistent with the Commission's strategic objectives, creating a unified approach to economic governance that fosters sustainable growth, innovation and resilience across the Union.

(5) In 2026, the European Semester for economic policy coordination continues to develop alongside the final stage of the Recovery and Resilience Facility (RRF) implementation ([4]). Recovery and resilience plans (RRPs), along with cohesion policy funding, have been essential for delivering on the policy priorities under the European Semester, as the plans were required to effectively address all or a significant subset of challenges identified in the relevant country-specific recommendations issued in recent cycles, and programmes funded by the European cohesion policy were required to take country-specific recommendations into account. As the RRF approaches the end of its lifetime, it remains essential to sustain the reforms and investments supported and implemented under the RRF, in particular those that contribute to addressing challenges identified in the country-specific recommendations.

(6) On 3 June 2026, the Commission published the 2026 country report for Ireland. It assessed Ireland's progress in addressing the relevant country-specific recommendations and took stock of Ireland's implementation of the RRP. On the basis of that analysis, the country report identified the most pressing challenges Ireland is facing. It also assessed Ireland's progress in implementing the European Pillar of Social Rights and in achieving the Union headline targets on employment, skills and poverty reduction, as well as progress in achieving the United Nations Sustainable Development Goals.

Regulation (EU, Euratom) 2024/2509 - COM(2025) 565 final. The proposed Regulation is currently the subject of negotiations with the co-legislators.

(3) OJ C, C/2026/2434, 28 April 2026, ELI: http://data.europa.eu/eli/C/2026/2434/oj.

(4) Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility (OJ L 57, 18.2.2021, p. 17, ELI: http://data.europa.eu/eli/reg/2021/241/oj).

(7) On 10 March 2026, the Council, upon the assessment and recommendation of the Commission, adopted a Recommendation endorsing the national medium-term fiscal-structural plan of January 2026 of Ireland ([5]). The plan, submitted pursuant to Art. 15(2) of Regulation (EU) 2024/1263, covers the period from 2026 until 2030 and sets a budgetary constraint in the form of a maximum net expenditure growth rate over five years. The Council recommended the following maximum growth rates of net expenditure: 6.6% in 2026, 6.0% in 2027, 7.6% in 2028, 6.7% in 2029 and 6.4% in 2030, which correspond to the maximum cumulative growth rates calculated by reference to the base year of 2024 of 16.5% in 2026, 23.5% in 2027, 32.9% in 2028, 41.7% in 2029 and 50.9% in 2030. This recommendation superseded the Recommendation of 21 January 2025 ([6]). However, the maximum growth rates of net expenditure set therein for the year 2025, namely 5.1% annually and 15.4% cumulatively by reference to the base year 2023, remain relevant to assess compliance until and including 2025.

(8) Russia's war of aggression against Ukraine and its repercussions constitute an existential challenge for the European Union. The Commission invited Member States to request the activation of the national escape clause of the Stability and Growth Pact in a coordinated manner to support the EU efforts to achieve a rapid and significant increase in defence spending ([7]) and this proposal was welcomed by the European Council of 6 March 2025. Member States may still request the activation of the national escape clause at any time until 2028, if they fulfil the criteria set in Article 26 of Regulation (EU) 2024/1263.

(9) On 30 April 2026, Ireland submitted its 2026 Annual Progress Report ([8]) on adherence to the recommended maximum growth rates of net expenditure and the implementation of reforms and investments responding to the main challenges identified in the European Semester country-specific recommendations. The Annual Progress Report also reflects Ireland's biannual reporting on the progress made in implementing its recovery and resilience plan in accordance with Article 27 of Regulation (EU) 2021/241.

(10) Real GDP growth in 2025 was 12.3% and HICP inflation stood at 2.1%. The Commission Spring 2026 Forecast projects real GDP to decline by 1.2% in 2026 and to grow by 3.4% in 2027, and HICP inflation to stand at 3.5% in 2026 and 2.6% in 2027.

(11) Based on data provided by Eurostat ([9]), Ireland's general government surplus decreased from 4.1% of GDP in 2024 to 1.8% of GDP in 2025. The decrease in the surplus in 2025 mainly reflects the absence of the high one-off revenue seen in 2024. Based on policy measures known by the cut-off date of the forecast, the Commission Spring 2026 Forecast projects a surplus of 1.4% of GDP in 2026 and 1.2% of GDP in 2027. The decreases in the surplus in 2026 and 2027 mainly reflect a moderation in

---

([5]) Council Recommendation of 10 March 2026 endorsing the national medium-term fiscal-structural plan of Ireland (OJ C, C/2026/1812, 20 March 2026, ELI: http://data.europa.eu/eli/C/2026/1812/oj).

([6]) Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of Ireland (OJ C, C/2025/667, 10 February 2025, ELI: https://eur-lex.europa.eu/eli/C/2025/667/oj).

([7]) Communication from the Commission, 'Accommodating increased defence expenditure within the Stability and Growth Pact', Brussels, 19 March 2025, C(2025)2000 final.

([8]) The 2026 Annual Progress Reports are available on: https://economy-finance.ec.europa.eu/economic-and-fiscal-governance/stability-and-growth-pact/preventive-arm/annual-progress-reports_en.

([9]) Eurostat-Euro Indicators, 22 April 2026.

revenue growth and strong projected increases in expenditure on public sector pay, social benefits and public investment.

(12) Based on the Commission's estimates, the fiscal stance ([10]), which includes both nationally and EU financed expenditure, was broadly neutral in 2025. It is projected to remain broadly neutral in both 2026 and 2027.

(13) Based on data provided by Eurostat ([11]), Ireland's general government debt decreased from 38.3% of GDP at the end of 2024 to 32.9% of GDP at the end of 2025. The decrease in the debt ratio in 2025 mainly reflects a strong real growth of the economy and the achieved budgetary surplus. Based on policy measures known at the cut-off date of the forecast, the Commission Spring 2026 Forecast projects the debt-to-GDP ratio to decrease to 32.4% by the end of 2026 and to further decrease to 31.6% by the end of 2027.

(14) Based on the Commission Spring 2026 Forecast, total general government defence expenditure in Ireland amounted to 0.2% of GDP in 2025 and it is projected at the same level in 2026.

(15) The Union continues to face risks of energy supply disruptions and elevated price volatility, exacerbated by geopolitical tensions which affect global oil and gas markets. Experience from the 2022–2023 energy crisis has shown that broad and untargeted measures entail large fiscal costs and are socially and economically inefficient. Since the outbreak of the war in the Middle East in February 2026, Ireland adopted fiscal policy measures to mitigate the impact of high energy prices on households and firms ([12]). These include an untargeted reduction in excise duties and the National Oil Reserves Agency (NORA) levy until July 2026, a deferral of the carbon tax increase until October 2026, targeted subsidies to the transport sector until May 2026 and to the agricultural sector until July 2026, and targeted social transfers to low-income households in April 2026. According to the Commission Spring 2026 Forecast, the fiscal cost of these measures is projected to amount to 0.1% of GDP in 2026. According to Commission estimates, if these measures were to remain in force until end-2026, their fiscal cost would amount to 0.3% of GDP in 2026.

(16) Based on the Commission's calculations, net expenditure in Ireland grew by 6.7% in 2025 and 15% cumulatively over 2024 and 2025. The net expenditure growth in 2025 is above the recommended maximum growth rate recommended by the Council in January 2025, corresponding to a deviation marginally above 0.3% of GDP in annual terms. When considering 2024 and 2025 together, the cumulative growth rate of net expenditure is below the recommended maximum growth rate. At the same time, as noted, the budgetary position for 2025 was in surplus, and general government debt was below 60% of GDP.

(17) Based on the Commission's calculations, net expenditure in Ireland is projected to grow by 6.1% in 2026, and 13.2% cumulatively over 2025 and 2026. The projected

([10]) The fiscal stance is defined as a measure of the annual change in the underlying budgetary position of the general government. It aims to assess the economic impulse stemming from fiscal policies, both those that are nationally financed and those that are financed by the EU budget. The fiscal stance is measured as the difference between (i) the medium-term potential growth and (ii) the change in primary expenditure net of discretionary revenue measures and including expenditure financed by non-repayable support (grants) from the Recovery and Resilience Facility and other Union funds.

([11]) Eurostat-Euro Indicators, 22 April 2026.

([12]) This reflects the situation at the cut-off date of the Commission Spring 2026 Forecast (4 May 2026).

net expenditure growth in 2026 is below the recommended maximum growth rate recommended by the Council in March 2026. When considering 2025 and 2026 together, the projected cumulative growth rate of net expenditure is also below the recommended maximum growth rate.

(18) The reliance of Ireland's government revenue on corporate taxation from foreign-owned multinational enterprises continues to pose risks to the stability of public finances. The exceptionally high corporate income tax (CIT) revenue is coming from a relatively few large companies in the pharmaceutical and ICT sectors and a substantial portion of receipts is estimated to be windfall, i.e. in excess of what can be explained by domestic economic activity. As a result, CIT revenue could be highly influenced by international developments such as changes in the global trade and tax environment. The CIT related risks are compounded by the interlinkages between the corporate and personal income tax bases, as foreign-owned multinationals are also key contributors to labour earnings and subsequently income tax revenue. To mitigate fiscal risks, Ireland is channelling a part of its windfall revenues to the Future Ireland Fund and the Infrastructure, Climate and Nature Fund to build up fiscal buffers. However, most of the remaining windfall revenues are to be spent according to Ireland's Medium-Term Fiscal Structural Plan. To reduce the reliance of the budget on potentially transient revenue, Ireland would benefit from diversifying its budget revenue sources.

(19) Long-term fiscal sustainability risks in healthcare remain. Health spending in Ireland continues to be among the highest in the EU despite its relatively young and healthy population. Structural inefficiencies, such as the system's heavy reliance on costly hospital care and the limited accessibility of primary care, pose a risk to fiscal sustainability. This is exacerbated by the increasing demand pressures of an aging population. Ireland is implementing cost containment measures in healthcare via the Productivity and Savings Taskforce; however, most of the result are so far non-permanent and did not prevent budget overrun in health in 2025. Moreover, policy action is needed to accelerate the transition towards universal primary care access, while tackling infrastructure constraints and doctor shortages. Ireland is implementing reforms to decentralise the delivery of healthcare, however, progress in expanding eligibility and improving overall accessibility of public primary care has been limited.

(20) The systematic, meaningful and timely involvement of local and regional authorities, social partners, civil society and other relevant stakeholders remains essential in order to ensure broad ownership for the successful implementation of the Union's funding instruments, as well as in the context of the European Semester.

(21) The implementation of cohesion policy programmes, which encompass support from the European Regional Development Fund (ERDF), the Just Transition Fund (JTF) and the European Social Fund Plus (ESF+) in Ireland, is above the average pace at EU level, both in terms of project selection and payments. It is important to keep current momentum, while maximising the impact of investments on the ground. Ireland is already taking action under its cohesion policy programmes to boost competitiveness and growth. At the same time, Ireland needs to accelerate implementation of the Just Transition Fund as resources are due for disbursement by the end of 2026. It is essential to ensure that the new investments identified by Ireland in its mid-term review of the cohesion policy funds, notably those linked to the five priorities

identified in the Mid-Term Review Regulation ([13]), are deployed rapidly and effectively.

(22) Ireland faces several challenges related to productivity of the domestic economy, scaling-up funding for companies, limited direct retail investment, fossil fuel reliance, increasing demand from high energy users, energy infrastructure, energy efficiency, sustainable public transport and the availability of electric charging infrastructure. Ireland also faces challenges related to the implementation of sustainable agricultural practices, shortcomings affecting water quality, water leakages and wastewater treatment, and limited progress in circularity metrics to retain material value in the domestic economy. Lastly Ireland faces challenges related to homelessness and affordable and social housing, capacity constraints in local authorities to deliver on housing projects as well as in the residential construction sector, and the labour market and social inclusion of persons with disabilities and single parents.

(23) Ireland's strong headline productivity is largely driven by foreign multinationals, while the productivity of domestic firms – mostly SMEs – lags behind foreign multinationals and EU peers. Strengthening domestic innovation capacity is crucial to build a more balanced and resilient economy, which is especially important in an evolving global landscape. Public R&D spending in Ireland is one of the lowest in the EU, accounting for only 0.2% of GDP (0.4% of GNI* ([14])) and private R&D is highly concentrated in foreign-owned firms, with domestic SMEs underinvesting. Tax credits remain the main instrument of public support for private R&D in Ireland. While they are an important instrument, more direct funding for research and innovation would better address the needs of Irish SMEs. The revised National Development Plan and the recently published Action Plan on Competitiveness and Productivity envisage increased funding and support for private and public R&D and innovation. However, full and timely implementation, along with sustained investment increases, are crucial to strengthen Ireland's domestic innovation capacity.

(24) Despite venture capital investment being broadly in line with the EU average, Irish venture capital funds are typically smaller compared to European counterparts, contributing to smaller deal sizes and a significant equity funding gap for Irish firms looking to scale-up. Addressing this scaling-up gap is crucial to prevent the relocation of high-growth firms and enhance domestic driven growth. While state-sponsored initiatives have had some success in mobilising investment for start-ups and scale-ups, equity financing from institutional investors is limited. Promoting institutional investor participation, particularly pension funds, in venture capital and private equity can mobilise capital and help boost investment in innovative companies and support the scaling up of companies.

(25) Ireland has one of the lowest levels of direct retail participation in capital markets within the EU. This is largely due to a strong preference for traditional savings vehicles, such as bank deposits, insurance products and pension assets. Additionally, tax disincentives and the lack of a dedicated Savings and Investment account have hindered investment. Recently, policy efforts to encourage greater household participation in capital markets have been intensifying. By facilitating increased direct

([13]) Regulation (EU) 2025/1914 of the European Parliament and of the Council of 18 September 2025 amending Regulations (EU) 2021/1058 and (EU) 2021/1056 as regards specific measures to address strategic challenges in the context of the mid-term review.

([14]) Modified gross national income (GNI*) excludes globalisation effects and reflects the income standards of Irish residents more accurately than GDP.

retail investments, households can expand their investment opportunities, and their savings can be channelled towards productive investment, ultimately supporting growth and innovation.

(26) The reliance on fossil fuels remains significant. Ireland has committed to achieving ambitious emissions reduction targets, established carbon budgets and sectoral emission ceilings, setting out clear reduction pathways per sector. This is to be achieved notably through a significant increase in the deployment of renewable energy. While the renewables share of gross final energy consumption has increased, Ireland is not on track to achieve the national target of a 51% emission reduction by 2030 compared to 2018 levels. Fossil fuels still make up the largest share of the energy mix, with natural gas accounting for around one third of total energy supply in 2024, the large majority of which is imported. Further leveraging the potential for renewables in Ireland is thus necessary. Implementing a streamlined planning and permitting framework, such as the elements defined in RED III, would help facilitate further deployment. The Carbon Tax encourages decarbonisation throughout the economy, and sets a clear price signal for polluters, but the presence of untargeted and permanent fossil fuel subsidies undermines these price signals. Additional policy measures to further encourage a reduced dependency on fossil fuels are thus needed.

(27) Major unfulfilled investment needs for the electricity grid are a barrier to meeting climate targets. The combination of higher domestic demand for electricity and the integration of increasing shares of variable renewable electricity generation exacerbates the need for improved energy infrastructure, notably for transmission, distribution and storage. Increasing curtailment rates and grid constraints, as a result of limited availability of capacity, limit the flow of renewable electricity, increasing emissions and driving up electricity prices. This requires modernised and expanded grid infrastructure as well as increased efforts to improve the non-fossil fuel based flexibility of the electricity system, to efficiently move energy from generation to demand centres. While significant funding has been allocated to expanding and modernising the grid, delivery of investments remains to be implemented. The installation of smart meters reached a significant milestone, with around 80% of households now having access to real time consumption data, but there is a need to improve the accessibility of this data and to further encourage consumers to actively partake in the flexibility market, including through demand side response measures.

(28) Emissions in the building sector increased by 4.9% in 2024, driven in part by an energy intensive building stock and reliance on fossil fuel-based space- and water heating, underscoring the need for decarbonisation of energy demand. While the pace of retrofitting has increased year on year, it remains insufficient to achieve the targets set forth in the retrofitting strategy. Additional support to retrofitting private dwellings could also be further targeted, focusing on tenants, social housing or multi-apartment dwellings, or targeting the worst performing buildings. Further efforts to leverage the potential for district heating would also allow for cost-efficient decarbonisation of heating. Public buildings account for a significant share of non-residential energy consumption, but efforts have been made to improve their energy efficiency, notably through the multiple public sector Pathfinder projects. Preliminary findings demonstrate significant progress and improvements in both energy efficiency and overall emissions reductions. Continuous leverage of the experience gained in the public sector retrofit pathfinder is thus important to achieve the 2030 targets.

(29) Large energy users continue to represent a significant share of energy demand. Metered electricity consumption by data centres increased between 2023 and 2024,

consuming a fifth of Ireland's electricity supply. It is estimated that this could increase as the sector continues to expand. The Irish Commission for Regulation of Utilities issued a final connection policy in December 2025 for the connection of new data centres to the electricity grid. For this, data centres must provide dispatchable on-site or local generation or storage equal to their maximum import capacity. Additionally, 80% of their annual demand must be met by new, additional renewable energy projects in Ireland within a 6-year implementation period. While an important step, there are risks of fossil fuel lock-in that should be addressed. The remaining share of annual demand could be met by fossil generation, which would counteract decarbonisation of the energy system. Additionally, the implementation period of 6 years could contribute to a significant increase in fossil generation in the short term, putting at odds the 2030 emissions reduction target. Further ensuring that the spatial planning of large energy users is connected to RES availability and grid constraints, notably through implementation of the actions identified in the LEAP strategy, would contribute to circumventing some of the problems associated with additional connection.

(30) In Ireland making mobility more sustainable requires further investment in a more integrated public transport network, as this could ease urban congestion and improve labour mobility and support sustainable growth. Improving connectivity between rural and urban areas would reduce car dependency, enhance access to services in rural areas, and make economic development more inclusive while ensuring that all regions benefit from the transition to a low-carbon economy. Further zero-emission rail is essential for accessibility and decarbonisation. With the challenge of decarbonisation of road transport, Ireland is encouraged to accelerate the roll-out of electric charging infrastructure for both cars and trucks. This would also help increase the uptake of electric vehicles. The density of electric charging infrastructure remains limited, including in rural areas. In addition, significant gaps persist for charging infrastructure along the TEN-T-road network as compared to the 2030 targets sets forth in Alternative Fuels Infrastructure Regulation.

(31) Ireland faces challenges in relation to the transition towards a more sustainable agricultural sector. Greenhouse gas emissions from the sector could further decrease to ensure compliance with domestic and EU targets. While the Climate Action Plan has laid down a target to reduce emissions by 25% by 2030, provisional data suggests that emissions have only decreased marginally since 2018, leaving scope for additional policy action. In addition, nutrient run-offs from agriculture, which affect the quality of water bodies, could be further addressed. Around half of surface waters were in unsatisfactory ecological status in the last assessment round for 2019-2024, as reported by data from the Irish Environmental Protection Agency. While important measures have been taken to address these challenges, the development of further policies and practices could help to simultaneously reduce greenhouse gas emissions and nutrient losses.

(32) The update of the National Development Plan provides for significant levels of investment in water infrastructure. Ensuring timely implementation and effective delivery to address persistent structural shortcomings is crucial. Wastewater treatment continues to face challenges on reliability and environmental performance, as ageing infrastructure and limited treatment capacity hinder progress to achieve standards. Despite improvements, the leakage rate remains among the highest in the EU, highlighting the need for more ambitious efforts. Demographic growth, cross-sectoral development needs, and climate-related pressures further expose the sector. Ongoing

infrastructure projects are expected to contribute towards progress, but delivery remains key to transform funding availability into tangible improvements. Additionally, the implementation of economic measures for excessive water use has not yet advanced, despite a clear legal framework. Ensuring the implementation of measures to limit excessive water use would incentivise more efficient use, and support stable and resilient support to water services.

(33) While Ireland has established a circular economy policy framework, progress in achieving circularity has been limited and largely confined to the lower tiers of the waste hierarchy, emphasising the need for more ambitious and system-wide measures. The circular material use rate and the municipal waste recycling rate both stand below EU averages. Packaging recycling is also off track to meet 2025 EU targets. Waste generation is overall increasing, yet treatment remains focused on disposal and energy recovery processes, such as incineration and landfilling, with a substantial share of treatment taking place abroad. Similar patterns are observed for construction and demolition waste, Ireland's largest waste stream, which has doubled in the last decade. The sectoral allocation of the National Development Plan earmarks up to EUR 600 million for circularity-related programmes, and a national target has been established to increase the circular material use rate, but solid progress will depend on greater policy ambition, scaled-up investment, in particular for domestic recycling capacity, and cross-sectoral implementation, including a focus on construction and demolition waste. The development of new economic instruments and the strengthening of existing yet limited measures could help further shifting incentives across the waste hierarchy.

(34) In light of the crucial role of human capital in enhancing the Union's competitiveness and strategic autonomy, in 2026 the Council recommended that Member States take action to urgently address human capital related structural challenges in the area of education and skills, which hamper competitiveness. The 2026 country-specific recommendations addressed to Ireland can contribute to the implementation of the Council Recommendation on human capital in the Union.

(35) A higher supply of social housing is necessary to reduce homelessness and protect lower income segments that are priced out of the private rental market. The construction of affordable and social housing is scaling up but is still far behind current targets and demand, as reflected in the approximately 60 000 households on waiting lists and a further 84 000 households on rent supplement schemes. Considerable investment had gone into social housing. However, supply constraints in construction remain, while challenges related to capacity, resources and financial planning of local authorities, as well as the financing sustainability and stability of approved housing bodies, further constrain social housing supply growth. Homelessness doubled over the last five years, reaching a record of 17 500 people in emergency accommodation, out of which more than 5 500 children. Current homelessness prevention schemes have yielded modest results and have been unable to stop this increase.

(36) Rapid house-price growth over the last decade made housing increasingly unaffordable for both buyers and renters. The lack of affordable housing affects Ireland's competitiveness as it limits the ability of firms, in particular SMEs, to attract skilled workers, putting pressure on wages. Construction of new dwellings is increasing but remains far from matching housing needs. This highlights the need for continued action to address capacity constraints in the residential construction sector. This includes insufficient access to infrastructure such as transport and utilities,

insufficient land availability, planning uncertainties, insufficient financing options, lack of construction workers and the low productivity in the construction sector.

(37) Local authorities are key actors in implementing the National Planning Framework and hold competencies in several sectors, including housing and planning. Constraints in their resourcing, administrative capacity and financing have led to delays in infrastructure investment and policy implementation, as well as gaps in service delivery that can also impact housing projects. This highlights the need to reinforce capacities of local authorities, such as through enabling longer-term financial planning, in order to boost local capacities to deliver on housing projects territorially.

(38) Ireland’s labour market remains robust and shows low unemployment rates, but it remains a challenge to achieve inclusive growth that benefits all groups. Persons with a disability in Ireland continue to experience one of the highest disability employment gaps in the EU and suffer significantly higher poverty risks. Caring responsibilities and inadequate access to social services remain key barriers in accessing the labour market for single parents, who also face disproportionately high poverty risks. At the same time, skills shortages and mismatches persist in key sectors, highlighting the need for more outreach to and upskilling of the inactive. Investing in skills should promote greater social inclusion for disadvantaged groups, including persons with a disability, single parents, Roma and Travellers, and help them exit poverty.

(39) In view of the close interlinkages between the economies of euro-area Member States and their collective contribution to the functioning of the economic and monetary union, in 2026 the Council recommended that the euro-area Member States take action, including through their RRPs, to implement the 2026 Recommendation on the economic policy of the euro area. For Ireland, the recommendation (1) helps implement the first, the second and the third recommendations on the euro area, recommendation (2) helps implement the fourth recommendation on the euro area, recommendation (3) helps implement the seventh and the eleventh recommendations on the euro area, recommendation (4) helps implement the seventh recommendation on the euro area and the recommendation (6) helps implement the fifth recommendation on the euro area.

HEREBY RECOMMENDS that Ireland take action in 2026 and 2027 to:

1. Adhere to the maximum growth rates of net expenditure recommended by the Council on 10 March 2026. Reinforce defence spending and readiness while ensuring spending efficiency and gradually adapting the budget to sustain structurally higher defence spending. Ensure that any measures taken to mitigate the impact of the hike in energy prices are temporary, targeted at protecting vulnerable households or at addressing the needs of energy-intensive firms, preserve incentives for energy savings while ensuring that their fiscal cost is compatible with the commitments under the EU fiscal framework. Broaden the tax base to reduce the risks related to the high concentration in Ireland's tax revenue. Continue efforts in implementing cost effectiveness measures in the health system while accelerating the transition towards universal and accessible primary healthcare.

2. Ensure continuity of reforms and investments implemented under the Recovery and Resilience Facility. Sustain implementation momentum under cohesion policy programmes, building, where appropriate, on the reallocation to strategic priorities and flexibilities in the mid-term review of the cohesion policy framework.

3. Ensure effective and sustained increases in public R&D investment and business R&D investment support and focus on sound and timely implementation of measures, including direct funding instruments, to improve the productivity of domestic businesses. Expand financing sources for scale ups by facilitating institutional investor participation in venture capital and private equity. Enable greater direct retail investment by households in capital markets.

4. Reduce overall reliance on fossil fuels. Accelerate the deployment of renewables, including through a streamlined permitting framework. Remove remaining regulatory barriers to non-fossil flexibility. Speed up modernisation and expansion of grid infrastructure. Strengthen demand-side response. Implement targeted measures that support energy efficiency in private buildings and maintain efforts for public buildings. Further invest in district heating solutions to leverage the potential for decarbonisation of heating. Ensure that the connection of large energy users to the electricity grid is linked to additional renewable capacity and system flexibility. Strengthen investment in sustainable transport taking into account regional disparities, and accelerate the rollout of publicly accessible charging points for zero-emission vehicles.

5. Incentivise further sustainable agricultural policies and practices that reduce nutrient losses and emissions. Ensure the delivery of investments in water infrastructure to improve wastewater treatment and reduce leakage, and the implementation of measures to address excessive water use. Increase investments in the circular economy to improve domestic recycling capacity, and further develop economic instruments to prevent waste and increase reused, remanufactured and recycled content.

6. Further increase the supply of affordable and social housing, while preventing and reducing housing exclusion of vulnerable groups. Continue to tackle capacity constraints in the residential construction sector by improving access to infrastructure, land management, planning, financing conditions, labour supply and construction methods. Strengthen local authorities' capacities to deliver on housing projects. Strengthen the labour market and social inclusion of disadvantaged groups by putting in place better targeted outreach and upskilling, and by improving the provision of and facilitating access to social services.

Done at Brussels,

For the Council
The President