

Ireland's new coalition faces huge hurdles

The Fine Gael-Labour coalition, due to take power on March 9, has signed off on a coalition deal that largely sticks to the four-year plan agreed with the EU and IMF by the outgoing Fianna Fail-led administration

■ EU/IMF deal:

Seek reduced interest rate on Ireland's **€85 billion** rescue package, currently set at **5.8%**

■ Budget deficit:

Aim to shrink deficit from **9.4% of GDP** this year to **3%** by 2015

■ **Austerity plan:** Stick to Fianna Fail's **€6bn** of tax rises and spending cuts to allow time to renegotiate rescue package. Further **€3bn** in cuts in 2012, but coalition will ring-fence social welfare spending

■ **VAT:** Cut lower rate from 13.5% to 12% until 2013, limit top rate at 23%



Fine Gael's Enda Kenny (*left*), Labour's Eamon Gilmore (*right*). Fine Gael won 76 seats, and Labour 37 seats in Ireland's 166-seat parliament

■ Corporation tax:

Keep corporate tax rate at **12.5%**

■ Minimum wage:

Reverse cut from **€8.65** to **€7.65** an hour imposed by Fianna Fail. Cut to minimum wage was part of terms agreed for IMF bailout

■ **Public sector reform:** **18,000** to **21,000** voluntary redundancies by 2014, additional **4,000** by 2015

■ **Banks:** Government has so far injected **€46.3 billion** – about 30% of GDP – into banking sector. Will delay further recapitalization until after stress tests at end of March