



DPE 022/006/2019

25th July 2019

To: Heads of Departments/Offices

Circular 18/2019:

Update of the Public Spending Code (PSC): Central Technical References and Economic Appraisal Parameters

A Dhuine Uasail,

The purpose of this Circular is to notify Departments and Offices that the central technical references and economic appraisal parameters contained in the Public Spending Code (PSC) have been updated. This Circular updates the application of the following parameters:

- Social Discount Rate
- Shadow Price of Public Funds
- Shadow Price of Labour
- Shadow Price of Carbon

This circular is relevant to all public bodies involved in activities related to the appraisal, management, implementation and review of public expenditure.

The Public Spending Code – Economic Appraisal Parameters Update

An element of the Public Spending Code (PSC) is guidance for the completion of economic appraisals which includes central parameters that should be used in economic appraisals and evaluations.

The Public Spending Code (PSC) applies to both capital and current expenditure and provides details of the obligations that those responsible for spending public money are obliged to adhere to as well as guidance material on how to comply with those obligations.

Parameter Values

Appendix 1 contains a description of each of the parameters and displays the new parameter values. In applying the updated parameters, more detailed background and guidance is available at Part E of the Public Spending Code, [available here](#).

This Circular should be read in conjunction with:

- *Public Spending Code: Central Technical References and Economic Appraisal Parameters* as outlined in the previous paragraph
- DPER Circular 13/2013: The Public Spending Code: Expenditure Planning, Appraisal and Evaluation in the Irish Public Service – Standard Rules and Procedures: [Available here.](#)
- DPER Circular 06/2018: The Public Spending Code: Publication of Post Project Reviews: [Available here.](#)

Effective Date

The central technical references and economic appraisal parameters set out in this Circular (Appendix 1) are the values which apply with effect from 1st August 2019 and are available on www.publicspendingcode.per.gov.ie or www.gov.ie/en/publication/public-spending-code/.

You are requested to bring this Circular to the attention of all bodies and/or agencies under the aegis of your Department.

Enquiries

Enquiries in relation to this Circular can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: vfm@per.gov.ie.

Mise le meas,

Ronnie Downes
Assistant Secretary
Central Expenditure Policy & Reporting

Appendix 1

Table 1 – Central Technical References¹ and Economic Appraisal Parameter Values ²

Parameter	Overview Description	Value
Social Discount Rate	Used to convert future costs and benefits into their value today (present value) to allow them to be meaningfully measured and compared for appraisal purposes.	4% Note: for projects with long time horizons a declining discount rate applies.
Shadow Price of Labour	Used to adjust labour impacts as the social opportunity cost of labour resource may be lower than the market rate due to underemployed resources.	80%-100%
Shadow Price of Public Funds	Used to adjust the costs of publically funded projects due to the distorting effect of taxation generation required to fund it.	130%
Shadow Price of Carbon	Used to monetise the value of emissions from the “basket of seven” Greenhouse Gases which can be converted into CO ₂ e (carbon dioxide equivalent).	ETS Emissions 2019: €23.60 per tonne of CO ₂ e. Non-ETS Emissions 2019: €20 per tonne of CO ₂ e. <u>Note:</u> the values above only apply to emissions in 2019. Projects which will give rise to emissions over time must apply the relevant values in the annual schedule of shadow carbon prices – see Section 6 of Central Technical References and Economic Appraisal Parameters.

¹ Guidance on the Technical References is available in the document *Public Spending Code: Central Technical References and Economic Appraisal Parameters 2019*, Section 2.

² Guidance on the Economic Appraisal Parameters is available in the document *Public Spending Code: Central Technical References and Economic Appraisal Parameters 2019*, Sections 3 to 6.