PRESS RELEASE

Forfás publishes recommendations to deliver sustainable growth and jobs

(Friday, 24 September 2010) Ireland has the potential to deliver economic growth and jobs that are sustainable into the future, right across the entire economy, according to a new report from Forfás, Ireland's policy advisory board for enterprise and science. The report - acknowledging that even though the current economic climate presents challenges - emphasises that it is businesses that create jobs and drive economic growth, and it is essential that the optimum business environment is in place to allow them to do so. *Making It Happen: Growing Enterprise for Ireland* sets out a number of recommendations to address concerns raised by Irish enterprise and that can create this supportive environment.

Welcoming the publication, Minister for Enterprise, Trade and Innovation, Batt O'Keeffe TD said the research sets out a strategic approach to contributing to ambitious targets of two million people in work and annual economic growth of 4.6% by 2015.

"The four success factors set out by Forfás - innovation, productivity, cost competitiveness and a strong enterprise mix – are key to our recovery, growth and employment creation targets. The challenges, opportunities and approach put forward in the report resonate strongly with the recent Jobs Forum discussion chaired by the Taoiseach, and will help shape our policies in the short and medium term", Minister O'Keeffe said.

Martin Shanahan, Chief Executive of Forfás commented "A return to export-led growth is the best route to deliver sustainable economic growth and job creation. Exports have a greater potential to grow and to fuel the domestic economy and deliver more job opportunities than could otherwise be achieved by an economic model dependent on consumption and/or government expenditure. This needs a 'whole of enterprise' approach to optimise the growth and jobs potential of all firms – firms that are exporting, firms with the potential to internationalise, and firms trading domestically".

The report presents opportunities for growth across a wide range of sectors, ranging from pharmaceuticals and medical technologies, ICT, agri-food and financial services through to construction, retail and tourism. It emphasises that services activities and high value added manufacturing will remain core to future growth and employment.

The report highlights that it is not a case of starting from scratch with enterprise policy. Ireland has a proven track record in a number of markets and sectors for exports and foreign direct investment - international trade and investment has been relatively resilient during the recession - which can be expanded upon to exploit emerging opportunities.

"It is important that we continue to concentrate on enhancing the employability of the unemployed through focused and targeted reskilling programmes so that they can avail of these new opportunities", Martin Shanahan added.

At a fundamental level, driving growth and jobs within Ireland's enterprise base will be reliant on the four complementary critical success factors of innovation, productivity, cost competitiveness and a strong enterprise mix, expanding upon Ireland's existing strengths in sectors and markets. The report's recommendations focus on the essential areas of education and skills, R&D and

innovation, management development, public procurement, access to finance, infrastructure priorities, the regulatory environment and competition policies, which are relevant to all firms. Creating this optimum environment requires coordinated action across the whole of government.

Martin Shanahan acknowledged that firms too, have a role to play – "Firms need to invest in innovation, to enhance productivity, develop management capability and invest in staff development. In this context, the report highlights the reality of the importance of access to credit for fundamentally viable firms as they weather the recession – so that it becomes not only about survival, but also about investing so that they are prepared to take advantage of future growth in global markets.

"A return to export-led growth does not require a change of focus for enterprise policy; what is really needed now is action. The recommendations in this report are grounded in a coherent and all-embracing view of enterprise; they involve taking the right actions now to enhance the business environment, complemented by targeted firm level interventions by the enterprise agencies. Government is already taking action to restore macro-economic stability and its continued focus on addressing this key challenge is essential to take advantage of the global recovery as it happens." he concluded.

The full report, *Making It Happen – Growing Enterprise for Ireland*, is available to download from www.forfas.ie

ENDS

NOTES TO THE EDITOR:

Summary of the recommendations in the report:

Productivity:

Education

- Ensure that, through its strategy implementation, Higher Education incorporates enterprise and innovation alongside its education and research missions.
- Further develop structured and accredited work placements within third level programmes.
- Implement the recommendations of the Project Maths Implementation Support Group.
- Incentivise increased take up of higher level maths through a bonus points system for third level entry.
- Design curricula, learning processes and assessment mechanisms to embed entrepreneurial thinking and innovation from primary school onwards.

Skills Development

- Allocate Funding for SME Management Development Networks.
- Expand Enterprise Ireland's Leadership4Growth programmes.
- Allocate funding for in-employment training.
- Expand Lean, Six Sigma and Transformational Change programmes.

Broadband & Infrastructures

- Ensure availability and access to competitively priced high speed next generation broadband networks.
- Maintain capital investments on infrastructures – prioritised in line with key enterprise needs and international trade - and targeted to Gateway development.
- Coordinate design and delivery of infrastructure projects to achieve efficiencies.

Innovation:

RD&I Investment

- Continued investment in Science, Technology and Innovation – prioritised to meet the needs of current and future enterprise.
- Enhance the business research and development environment. Focus on centres of excellence with critical mass.
- Implement actions of Forfás Review of Intellectual Property (IP) exploitation supports and recommendations of the Innovation Task Force in relation to the IP environment.

Public Sector Procurement – Stimulating Demand-Led Innovation:

- Embed innovation into public sector procurement practices (recommendations of the Procurement Innovation Group).
- Optimise SME access to public sector contracts.
- Implement flagship public sector procurement initiatives to support innovation.

Entrepreneurship - Regulation

- Enhance Business Expansion and Seed Capital Schemes and promote greater take-up
- Reform Bankruptcy Law - distinguish those refusing to pay from those who cannot pay.
- Employ regulation as a strategic instrument to stimulate innovation.

Cost Competitiveness:

Labour Costs & Flexibility

- Develop a national policy to increase labour market flexibility, restore labour cost competitiveness and incentivise work and recruitment, incorporating: reforming Social Welfare, National Minimum Wage and other wage setting mechanisms, sustaining a competitive tax wedge, and reducing professional fees.

Competition Policy

- Progress implementation of Competition Authority recommendations – especially those relating to professional and medical services; 'competition proof' new legislation and/or regulations relevant to enterprise.

The Tax System

- Ensure that any proposals to increase taxation are in line with the OECD tax hierarchy for growth which emphasises consumption and property related taxes over additional burden on enterprises and employment.

Regulation

- Drive implementation of Better Regulation Agenda – reduce administrative costs by 25 percent by 2012.

Waste

- Ensure provision of appropriate waste management infrastructure; waste charges to business should reflect the need for cost competitive solutions and optimum environmental performance.

Local Authority Charges

- Continue efforts to minimise Commercial Rates and Local Authority charges – implement user pays principles, efficiency measures and broadening of the Local Authority revenue base.

Energy

- Support Commission for Energy Regulation measures to bring non-fuel costs into line with competitor countries; Promote and develop energy efficiency initiatives within firms; Calibrate supports for renewable technologies; Ensure Ireland is best positioned to avail of EU funding for energy infrastructures.

Enterprise Mix:

International Trading Relationships

- Proactively develop Ireland's trading relationships by developing additional Double Taxation Agreements (DTAs); streamlining visa requirements for high growth markets.

International Markets – Marketing Ireland

- Develop and implement an international marketing programme for Irish based enterprise.
- Strengthen in-company training in the areas of international marketing, sales, languages
- Enhance resources for Enterprise Ireland's international graduate programme.
- Further enhance inter-agency collaboration to focus on provision of a seamless service; knowledge and information sharing to best support enterprise needs.

Realising Potential - Ownership

- Clearly designated ownership at government department and agency level to deliver a cohesive, coordinated and comprehensive approach for sectors such as CleanTech and Green Economy, Creative, Marine, Healthcare and Education Services; Consider the appointment of Cluster Development managers on a pilot basis to these sectors.

Realising Potential - Networks Alliances & Collaboration

- Review/enhance existing support mechanisms for enterprise to ensure they promote/facilitate networks and alliances (e.g. pooling of grants for feasibility studies).

Evaluation of Programmes

- Develop and implement a systematic and systemic approach to evaluation (ex-ante and ex-post) of agency support programmes.

Short-term Measures:

Enhancing the Employability of the Unemployed

- Tailored and targeted interventions - Labour activation programmes that will deliver enterprise relevant skills.
- Expansion of work placement programmes and removal of barriers to such placements.

Access to Finance – A barrier to growth

- Progress implementation of a limited SME Credit Initiative.
- Extend voluntary 15 day prompt payments rule to the HSE, Local Authorities and State Agencies.