

FORFÁS ANNUAL REPORT 2008

To the Minister for Enterprise, Trade and Employment

Pursuant to the Industrial Development Act, 1993, Forfás herewith presents its report and accounts for the year ended 31 December 2008.



Martin Cronin
Chief Executive



Eoin O'Driscoll
Chairman

Forfás is Ireland's national policy advisory body for enterprise and science

Mission

To contribute to the future success of Ireland's economy by providing ambitious, coherent and widely understood enterprise and science policy advice that supports growth.

Functions of Forfás

Forfás is the national policy advisory body for enterprise, trade, science, technology and innovation. It is the body in which the State's legal powers for industrial promotion and technological development have been vested. It is also the body through which powers are delegated to Enterprise Ireland for the promotion of indigenous industry and to IDA Ireland for the promotion of inward investment. Science Foundation Ireland was established as a third agency of Forfás in July 2003.

The broad functions of Forfás are to:

- Advise the Minister on matters relating to the development of industry in the State;
- Advise on the development and coordination of policy for Enterprise Ireland, IDA Ireland, Science Foundation Ireland and such other bodies (established or under statute) as the Minister may by order designate;
- Encourage the development of industry, science and technology, innovation, marketing and human resources in the State;
- Encourage the establishment and development in the State of industrial undertakings from outside the State; and
- Advise and coordinate Enterprise Ireland, IDA Ireland and Science Foundation Ireland in relation to their functions.

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Forfás Board Members

			
Eoin O'Driscoll Chairman, Managing Director, Aderra	Martin Cronin Chief Executive, Forfás	Pat Barry Communications Advisor	Prof. Frank Gannon Director General, Science Foundation Ireland
			
Sean Gorman Secretary General, Department of Enterprise, Trade and Employment	William O'Brien Managing Director, William O'Brien Plant Hire Limited	Barry O'Leary Chief Executive Officer, IDA Ireland	
			
Frank Ryan Chief Executive Officer, Enterprise Ireland	Dr Don Thornhill Chairman, National Competitiveness Council	Michael O'Leary Secretary to the Board	

Forfás Audit Committee

William O'Brien
Eoin O'Driscoll
Sean Gorman

Forfás Management Development Committee

Eoin O'Driscoll
Dr Don Thornhill
Pat Barry

Jane Williams and Dr Rosheen McGuckian retired from the Board on a rota basis in December 2008.

Rody Molloy, former Director General, FÁS resigned from the Board in December 2008.

Anne Heraty, CEO, CPL Resources plc resigned from the Board in February 2009.

Appointments are pending for these positions.

Statement of the Chairman and Chief Executive



Eoin O'Driscoll,
Chairman



Martin Cronin,
Chief Executive

Overview

Ireland's economy faces major challenges and we must address and overcome them in the context of a severe global economic slowdown.

In particular 2008 was a difficult year. Data indicates a decline of 7.7 percent in real GDP with a projected 8 percent decline in 2009.

There has been a sharp increase in the number of people out of work during 2008 (4.1 percent decrease in employment). Employment in the companies supported by the development agencies (Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta) was 297,098 in 2008, a decrease of 2.9 per cent on 2007.

Our export performance has been resilient in the context of poor global trade, but has weakened to some extent and is expected to decline further.

Although the economic environment that we face is extremely challenging, we should remember that Ireland has achieved the best twenty years of economic performance in its history; we have invested in areas of competitive importance and there are many factors operating in our favour namely;

- Prices have begun to fall, in some cases very sharply, and they will fall further in 2009, resulting in more affordable goods and services.
- We are beginning to realise the benefits of major investments already made in transport infrastructures, in higher education capacity and in research.
- We have a strong base of modern, internationally trading enterprises in key sectors such as life sciences, functional foods, specialised ICT and engineering, digital media, internet services and a range of internationally traded services.

Enterprise Ireland is working intensively with companies to support them through the current difficulties, to exploit market opportunities and to drive innovation and internationalisation. This is being achieved through a targeted focus on sustaining and creating exports with a wide range of strategic and financial supports. There is a strong emphasis on building the leadership, management and strategic capabilities essential to achieve global growth and position companies to take advantage when recovery begins. IDA Ireland has continued to succeed in attracting significant high end foreign direct investment (FDI) from both companies new to Ireland and companies who already have

operations here, in the areas of high end manufacturing, global services (including financial services) and research, development and innovation.

- We have achieved good industrial relations, particularly in the trading sectors of the economy over recent years and this will provide an important platform on which to build firm-level partnerships for the development and implementation of recovery and growth strategies, and,
- As a small country we have the capacity to respond rapidly to the fast changing global economy.

Future growth in output and employment will depend on the ability of firms to improve their productivity and competitiveness and to grow exports by competing successfully in international markets. Ireland is in a better position now to achieve this than ever before.

Returning to Export-Led Growth

Ireland's economy is small and open. Since the early 1960s Ireland has relied on its openness to international trade for economic growth and increased living standards. This openness brought us great prosperity in the 1990s and early 2000s. Recovery in our open economy will arise from increasing our share of international markets and from a return to growth in the economies of our trading partners. Ireland must target improved market share in the short term.

The Government's framework document, *Building the Smart Economy*, identifies the fundamental importance of returning to export-led growth. To return to export-led growth we must ensure that:

- The Irish enterprise environment is attractive to foreign investment;
- Our entrepreneurs are stimulated to create successful businesses; and
- Our companies have the very best platform from which to grow and serve global markets.

The enterprise sector faces relatively high cost levels. It is vital that we address cost issues within our control and that we continue to invest to ensure that Ireland is best positioned for recovery.

If we collectively demonstrate sufficient agility and flexibility to rapidly improve competitiveness we will emerge from this downturn in the shortest possible time.

Addressing Short Term Challenges

There are two important issues which require urgent action: achieving reduced costs and balanced State finances.

Costs are critical to our ability to sell our goods and services into international markets and Ireland needs to bring the cost of doing business to a level competitive with our trading partners and consistent with the value added by our enterprises. We must work to achieve this particularly in domestically traded sectors such as the public sector, energy, utilities, waste management, professional services, retailing and wholesaling.

We also need to bring the State finances into balance and continue to work to preserve a stable banking system to ensure that the cost and availability of credit does not put enterprises in Ireland at a competitive disadvantage.

Investing for Recovery

We must continue to make strategic investments in the highest priority infrastructures to ensure that Ireland can compete successfully on the global stage:

- Boosting our skills in maths and the science subjects is critical to realising employment opportunities in Ireland. We must also develop our strengths in innovation, the application of computing and communication technologies, international sales and marketing and intellectual property management to underpin future growth.
- Opening up third level opportunities to those who opted to enter the workforce on leaving school will help to ensure that we have the skills required for the key growth sectors of the future, including life sciences, ecommerce and web related services and financial services;
- Prioritising labour market activation programmes in collaboration with enterprises can help to maintain employment where possible and introduce flexible mechanisms for the re-training of those losing employment.
- Investing in critical infrastructures, in particular open access next generation broadband infrastructure and in the national road network, will reduce bottlenecks for the productive sectors of the economy and will help to position us for an upturn.
- Adjusting pay levels to recognise price trends and maintaining flexibility in work practices enables businesses to adjust to changing market conditions;
- Strengthening the commercialisation links between enterprises and the research system will enable businesses in Ireland to respond quickly to changing international market demands for goods and services; and,
- Reducing the regulatory burden on enterprises across all of Government can contribute to reducing costs.

Ireland is a small country with the potential to be flexible and agile, and to work towards a common goal. We have done this before. Today we have the benefits of a strong modern enterprise base, a competitive fiscal environment that rewards work and investment, improving infrastructure and a relatively young population. We have the foundations and capacity to build future success if we collectively address the critical issues arising from the global downturn.

Acknowledgements

Forfás is committed to:

- Successfully identifying and understanding the issues facing enterprise and science;
- Proposing policies that address opportunities and challenges; and
- Influencing policy-makers to develop an environment that stimulates and supports sustainable economic development and national prosperity.

We believe that the organisation has risen to that challenge and has provided policy analysis and advice that is ambitious, coherent and widely understood. Forfás welcomes the measures in the April 2009 Budget in support of enterprise including the tax treatment of intangible assets, the Enterprise Stabilisation Fund and the pre-school initiative. A full outline of the outputs and impacts of our work can be found in the Initiatives and Outcomes Section of this Report.

Forfás cannot conduct its work without the cooperation and input of a range of stakeholders, nationally and internationally, as they provide us with an informed view of the drivers of the economy and are invaluable in developing and progressing a shared approach to issues and opportunities for enterprise.

The development and implementation of effective enterprise and science policies requires the engagement of the Department of Enterprise, Trade and Employment and a range of other Departments including the Departments of Communications, Energy and Natural Resources; Education and Science; Environment, Heritage and Local Government; Finance; Foreign Affairs; the Taoiseach and Transport, as well as inputs from leaders in the business world, academia and the development agencies.

We would like to express our appreciation to the many people from each of these spheres who worked with Forfás during the year to address the whole of Government realities of enterprise and science policy and helped to keep Forfás informed of the issues facing enterprise today and into the future.

We would like to acknowledge the contribution and assistance provided throughout the year by the Tánaiste and Minister for Enterprise, Trade and Employment, Mary Coughlan, TD and former Minister for Enterprise, Trade and Employment, Micheál Martin TD, the Department of Enterprise, Trade and Employment and a range of other Government Ministers and Departments.

Forfás works closely with the development agencies, Enterprise Ireland, IDA Ireland, FÁS, Shannon Development and Údarás na Gaeltachta in supporting enterprise in Ireland, and Science Foundation Ireland on issues relating to science and technology. Our partnerships with these agencies are critical to our ability to provide our analysis and advice.

Forfás would also like to acknowledge the contribution of groups and individuals in business, government, employer organisations and trade unions. We would like also to thank the advisory groups to which Forfás provides research and administrative support:

- Advisory Science Council, chaired by Mary Cryan.
- Expert Group on Future Skills Needs, chaired by Una Halligan.
We would like to acknowledge and thank Anne Heraty, who resigned as the Chair of the Expert Group in 2009.
- Management Development Council, chaired by Prof. Frank Roche.

- National Competitiveness Council, chaired by Dr Don Thornhill.
- SSTI Enterprise Feedback Group, chaired by Lionel Alexander.

We would also like to thank:

- The Board of the Irish National Accreditation Board, chaired by Máire C. Walsh, for their continued support and contributions.
- The Steering Group of Discover Science & Engineering, which was chaired by Leo Enright. Leo gave notice of his resignation as Chair at the end of 2008, a role which he held since the establishment of the programme in 2003. We would like to thank him for his dedication to growing and developing the programme.
- We would particularly like to thank Anne Heraty, Dr Rosheen McGuckian, Rody Molloy and Jane Williams who served on the Forfás Board in 2008. Their contributions and views were critical in shaping the work of Forfás.

Finally we would like thank the staff of Forfás. Their dedication and work has delivered a challenging and extensive work programme. Forfás staff have been responsive and innovative in dealing with the rapidly changing enterprise environment and requirements of our stakeholders. They have addressed an increasingly complex range of issues for enterprise and have carried out effectively other activities such as shared services to the agencies, accreditation services and science awareness.

Enterprise Statistics

Statistical Overview

Forfás collects and analyses a range of data on employment and expenditure by agency-supported firms and on Ireland's performance in R&D and innovation. This section provides an overview of these indicators.

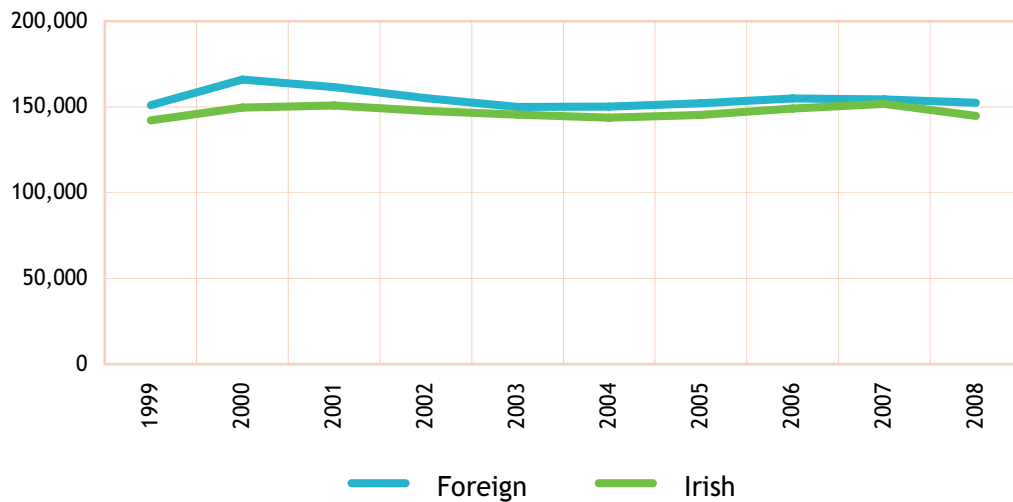
Employment in Agency-Supported Companies

Figure 1 shows a breakdown of total full-time employment in companies supported by Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta. In 2008, the total number employed was 297,098, a decrease of 8,938 jobs (2.9 per cent) on employment levels in 2007.

The decrease in employment is comprised of 7,054 net job losses in Irish-owned companies and 1,884 net job losses in foreign-owned companies.

During 2008, 21,302 jobs were created in manufacturing and services sectors while 30,240 jobs were lost. Employment in agency-assisted companies is currently 1.4 per cent (3,981 jobs) higher than it was in 1999. Employment in Irish-owned companies has increased from 142,142 in 1999 to 144,734 in 2008, while employment in foreign-owned companies has increased from 150,975 in 1999 to 152,364 in 2008, increases of 1.8 and 0.9 per cent respectively.

Figure 1: Permanent Full-Time Employment (1999 - 2008)



Source: Forfás Annual Employment Survey 2008

Gains, Losses and Net Change in Permanent Employment

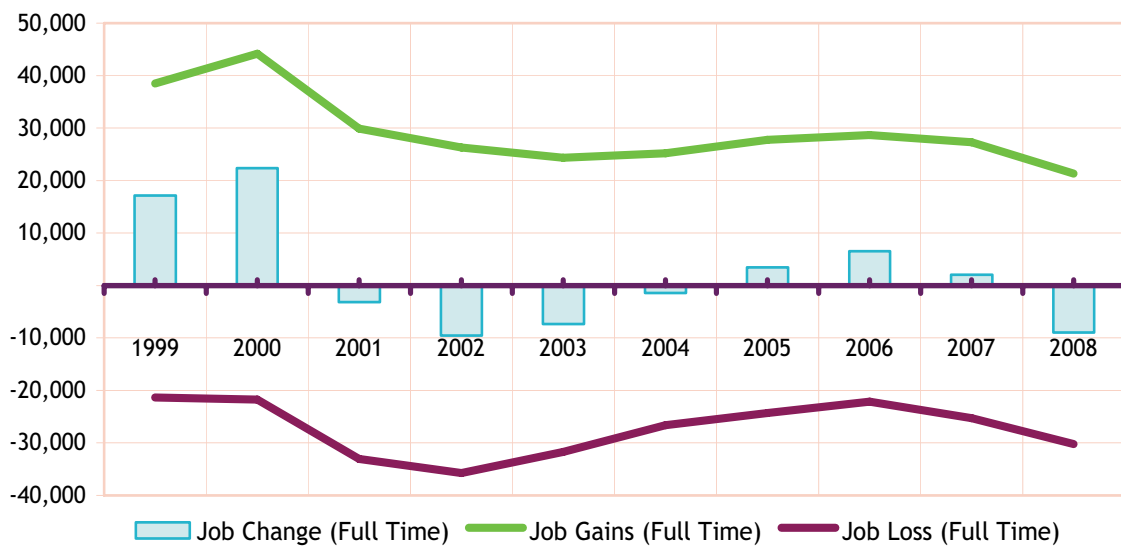
Figure 2 highlights the trend in the number of jobs being created and lost over the period 1999 to 2008.

In the period 2001 - 2004, agency-assisted companies recorded net job losses. This was followed by a period of net job creation in 2005 to 2007. In 2008, gross job gains of 21,302 were outweighed by losses of 30,240 to give a position of 8,938 net jobs losses.

Net job losses in 2008 were concentrated in traditional manufacturing sectors such as food (-1,968), wood and wood products (-1,358), non-metallic minerals (-1,239), and basic and fabricated metal products (-1,531). Computer, electronic and optical products in the modern manufacturing category also experienced net job losses with a decrease of 1,300 jobs in 2008.

Employment creation has been driven by the services sectors with financial and business services showing net employment gains of 6 per cent (1,230 jobs) and 7 per cent (647 jobs) respectively in 2008. Computer programming and consultancy saw net employment increase of 771 jobs.

Figure 2: Job Gains, Losses and Net Change in Permanent Full-Time Employment (1999 - 2008)

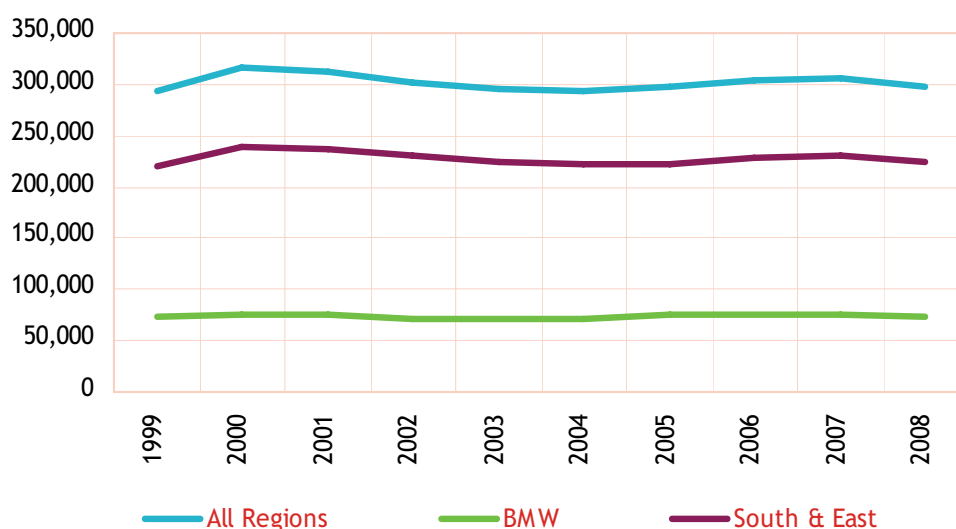


Source: Forfás Annual Employment Survey 2008

Regional Distribution of Employment

Figure 3 shows the share of employment in manufacturing and services sectors accounted for by the Border, Midlands and West (BMW) region over the period 1999 to 2008. There was a 3.8 per cent decrease in total agency-assisted jobs in the BMW region in 2008, with the region accounting for 72,543 jobs, compared to 75,420 in 2007. This equates to 24.4 per cent of total jobs in agency-supported firms. The South and East also saw gross job losses of about 6,061 jobs (2.6 per cent) among agency-assisted firms.

Figure 3: Employment by Region (1999 - 2008)



Source: Forfás Annual Employment Survey 2008

Part-Time, Temporary and Short-Term Contract Employment

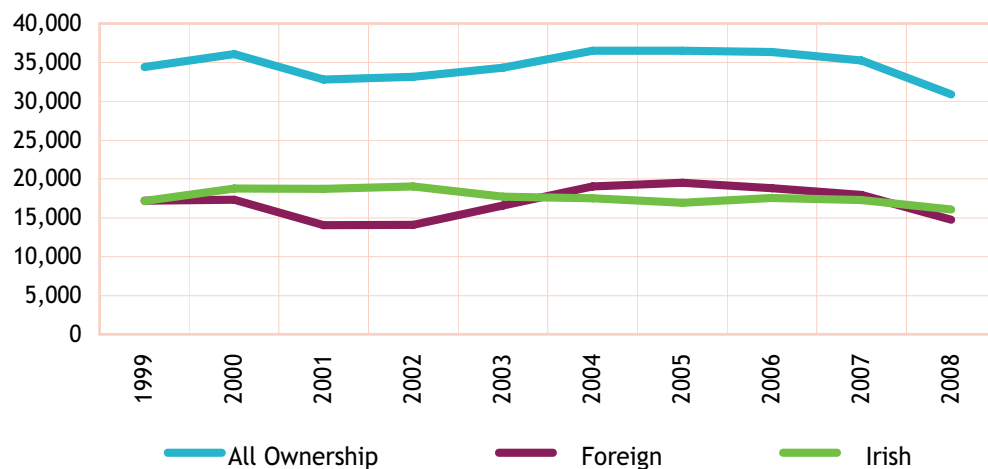
In addition to permanent full-time employment, there were a further 30,871 jobs of a temporary or part-time nature recorded in agency-assisted companies in 2008, as illustrated in Figure 4. This represents a decrease of 4,359 (12 per cent) on the previous year and a decrease of 3,519 (9 per cent) on the number engaged in 1999.

Taking the two categories of employment together (permanent full-time and temporary/part-time), there are now 327,969 people employed in agency-assisted companies, compared to 327,507 in 1999. This highlights the fact that total agency-assisted employment is back at 1999 levels.

Among Irish-owned companies, there was a decrease in temporary and part-time employment of 1,212 (7 per cent) in 2008. The current level of 16,090 is 1,089 (6.3 per cent) lower than in 1999 when such employment amounted to 17,179.

Employment of a temporary or part-time nature among foreign-owned companies amounted to 14,781 in 2008, a decrease of 3,147 (17 per cent) on the previous year. Examining the trends between 1999 and 2008, this represents a decrease of 2,430 (14 per cent) over the period.

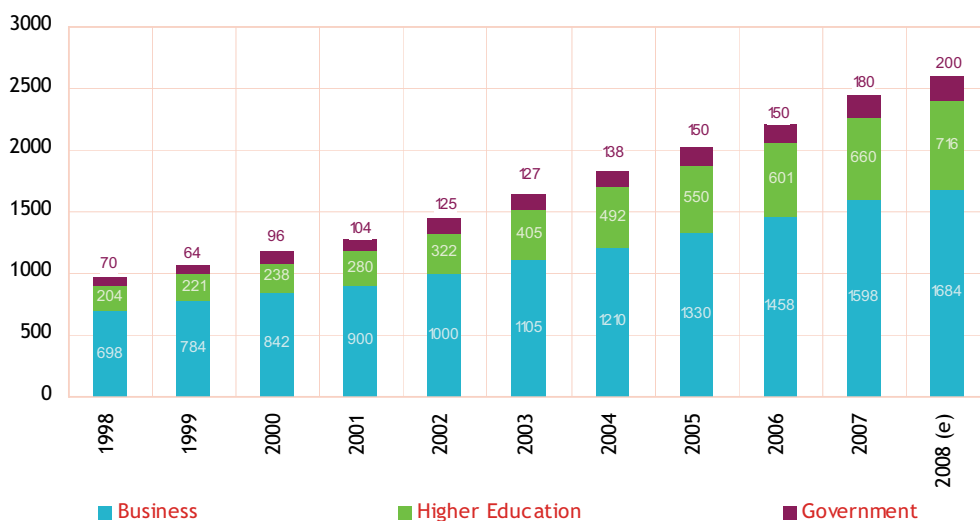
Figure 4: Trends in Part-Time, Temporary and Short-Term Contract Employment



Source: Forfás Annual Employment Survey 2008

Research and Development

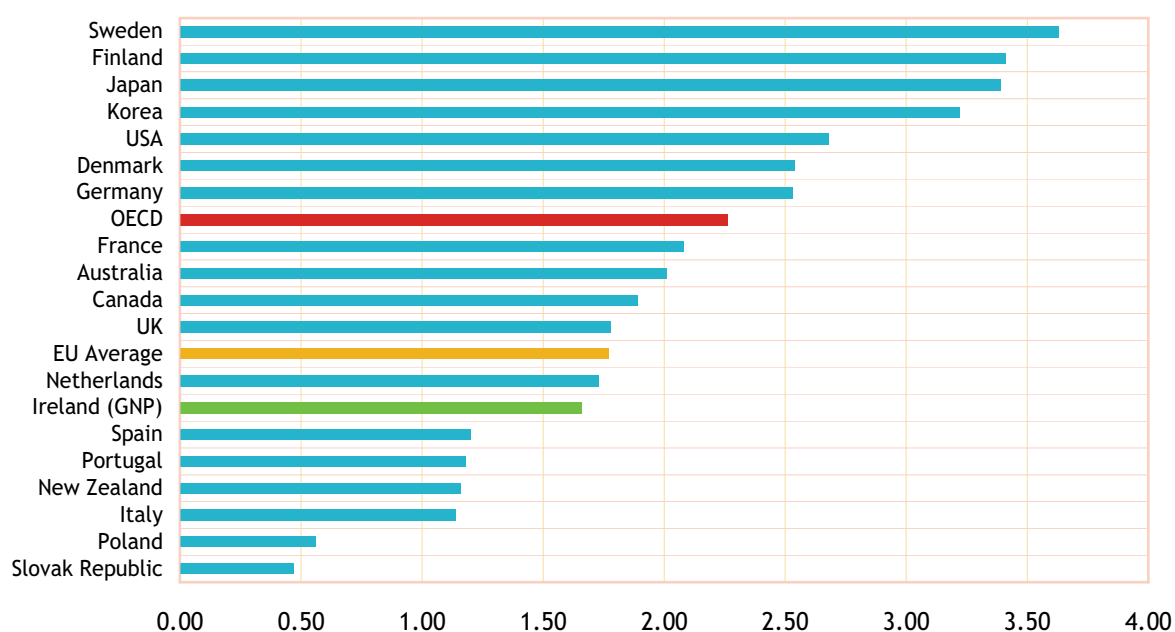
Figure 5: Total R&D Expenditure by Sector of Performance (1998-2008 €million)



Sources: Forfás; derived from the Survey of R&D in the Higher Education Sector 2006; The Science Budget 2007/2008 and the Survey of Business Expenditure on R&D 2007/2008 (CSO/Forfás)

Total Research & Development (R&D) performed across all sectors of the economy increased to an estimated €2.6bn in 2008. Overall R&D performance rose by 6.6 per cent between 2007 and 2008, though R&D spending growth slowed from the 10.4 per cent gain seen between 2006 and 2007. The three sectors of the economy where R&D is performed all posted strong gains in the latest year. R&D performed in the business sector rose to an estimated €1.68bn in 2008, with R&D performed in the higher education sector climbing to €716m and R&D performed in the government sector (including hospitals) rose to €200m.

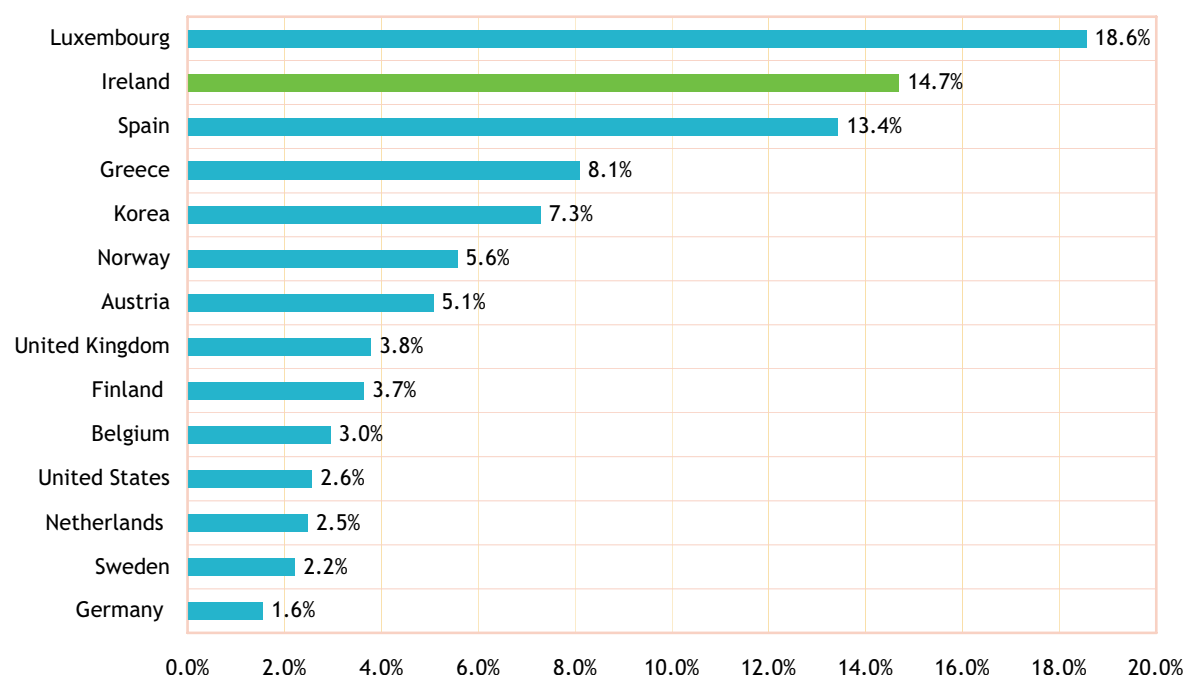
Figure 6: Total R&D Expenditure as a % of GDP/GNP



Sources: Survey of R&D in the Higher Education Sector 2006 (Forfás); The Science Budget 2007/2008 (Forfás); Survey of Business Expenditure on R&D 2007/2008 (CSO/Forfás); Main Science & Technology Indicators, 2008/2 (OECD)

Figure 6 shows Ireland's total R&D expenditure as a percentage of economic activity (GNP) in relation to the R&D intensities recorded in the OECD, EU and other selected countries worldwide. R&D expenditure intensity, as identified by the EU and the OECD, is one of the key indicators used to measure a country's progress toward building a stronger knowledge economy. Ireland's R&D expenditure intensity estimate for 2008 is 1.66 per cent ahead of the 1.56 per cent of GNP recorded in 2007 (EU 1.77 per cent, OECD 2.26 per cent). The leading countries in relation to R&D expenditure as a percentage of GDP include Sweden (3.63 per cent), Finland (3.41 per cent), Japan (3.39 per cent), Korea (3.22 per cent) and the USA (2.68 per cent).

Figure 7: Average Annual Growth Rates of Civil GBAORD for Selected Countries (2003-2008)

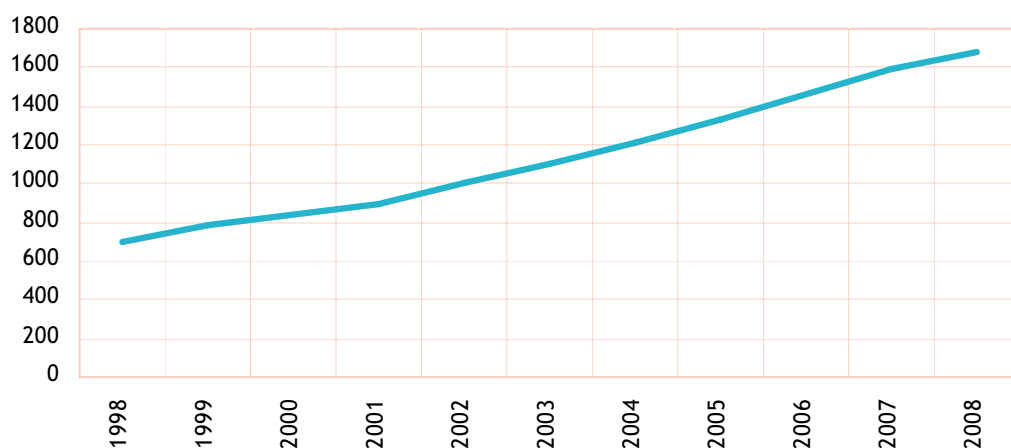


Sources: The Science Budget 2007/2008 (Forfás) and the Main Science and Technology Indicators 2008/2 (OECD)

Public financing of R&D through exchequer funds and EU funds is measured by GBAORD (Government Budget Appropriations or Outlays on R&D), an internationally recognised indicator for benchmarking State funding of R&D. GBAORD includes public funding for R&D which is performed in the higher education sector, the business sector and funding for government sector performed R&D. GBAORD spending is expected to reach €1.03bn in 2008, a 10.1 per cent increase in current terms from the 2007 outturn figure of €935m. GBAORD as a percentage of GNP has risen steadily over the past 10 years rising to an anticipated 0.63 per cent in 2008 from 0.35 per cent in 1998.

Figure 7 illustrates the average growth rates of civil GBAORD (excludes defence R&D spending) in a number of countries between 2003 and 2008. Ireland's performance for the past five years has shown strong average annual growth rates. At 14.7 per cent, Ireland is placed second on the table with only Luxembourg ranking higher with an average growth rate of 18.6 per cent.

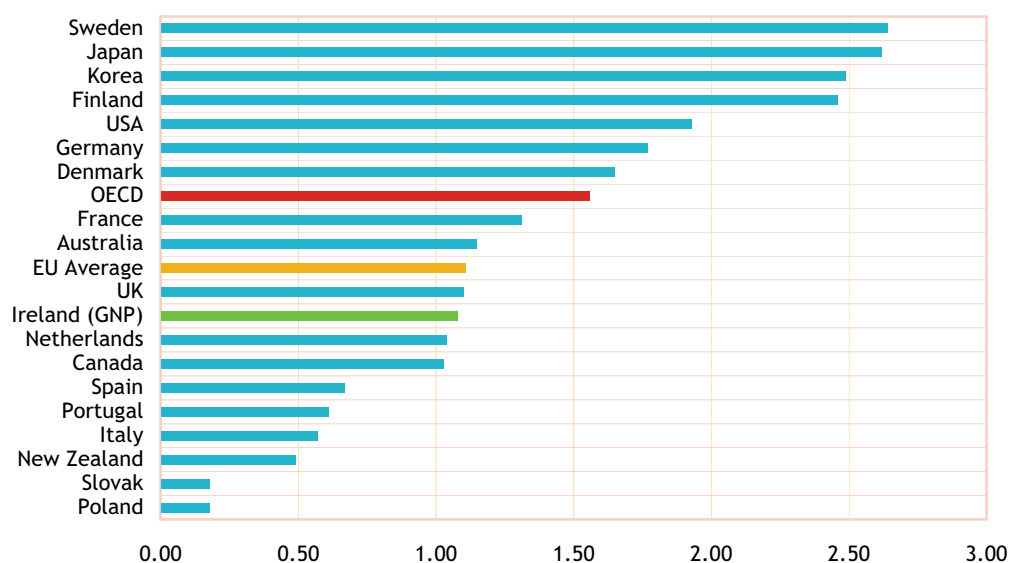
Figure 8: R&D Expenditure Performed in the Business Sector (1998-2008) €million



Source: Survey of Business Expenditure on R&D 2007/2008 (CSO/Forfás)

Figure 8 shows the trend in R&D expenditure performed by the business sector for the last decade. The upward trend in business R&D is expected to continue for 2008 with preliminary estimates showing research expenditure of €1.7bn. This represents an increase of 5.4 per cent over the outturn for 2007 of €1.6bn. As the chart shows, expenditure on R&D in the business sector has been rising steadily over the past decade with the biggest increase happening between 2006 and 2007 when expenditure increased by more than 10 per cent. In the past decade business R&D expenditure has more than doubled with spending in 1998 of €0.7bn compared to the expected outturn for 2008 of €1.7bn.

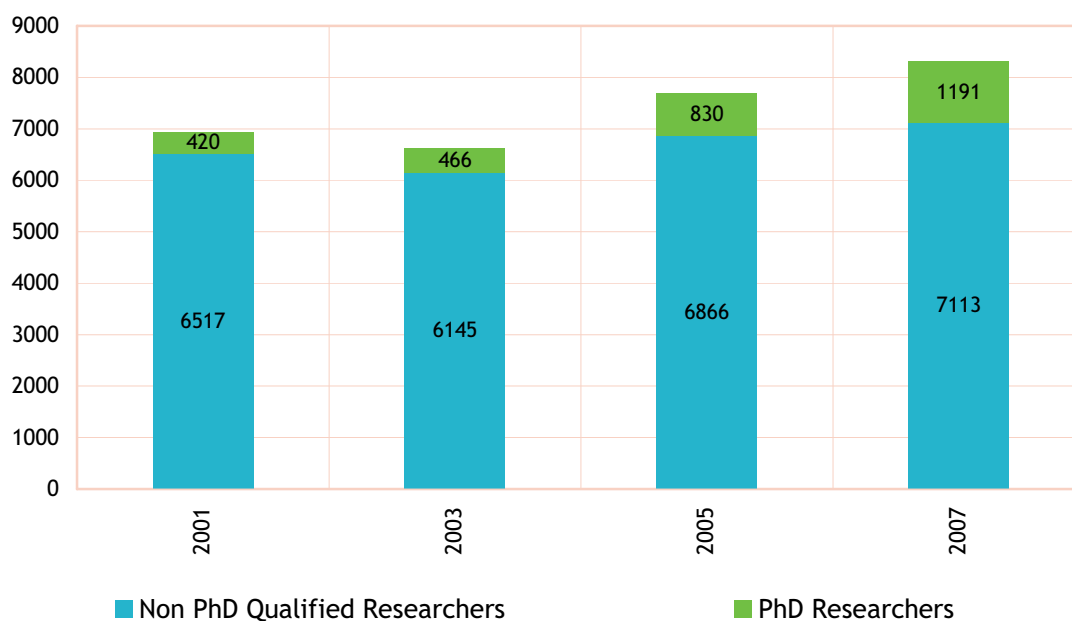
Figure 9: R&D Expenditure Performed in the Business Sector as a Percentage of GDP/GNP (2008 or latest year data is available)



Sources: Survey of Business Expenditure on R&D 2007/2008 (CSO/Forfás) and the Main Science & Technology Indicators 2008/2 (OECD)

Figure 9 shows an international comparison of business R&D expenditure as a percentage of GDP (in Ireland's case, GNP) for 2008 or the latest year for which data is available. In 2008 Ireland's BERD intensity ratio of 1.08 per cent placed it in 13th place out of the 19 countries selected. R&D expenditure intensity is defined as the ratio of total R&D expenditure to overall economic activity measured in GDP or GNP. The leading countries are Sweden (2.64 per cent); Japan (2.62 per cent); Korea (2.49 per cent); Finland (2.46 per cent) and the US (1.93 per cent).

Figure 10: Total Headcount of Researchers in Business Sector by Qualification (2001-2007)



Source: Survey of Business Expenditure on R&D 2007/2008 (CSO/Forfás)

The total number of researchers engaged in R&D activities in the business sector in Ireland increased to 8,304 in 2007, an increase of 608 on the 2005 figure of 7,696. Of these, 1,191 were qualified to PhD level. The number of non-PhD qualified researchers increased from 6,866 in 2005 to 7,113 in 2007. There was a 9 per cent increase in the number of non-PhD qualified researchers between 2001 and 2007 while the number of PhD researchers increased considerably from 420 in 2001 to 1,191 in 2007. The number of non-PhD qualified researchers dropped in 2003 from the 2001 figure resulting in a corresponding drop in total researcher figures for 2003. However this was offset in 2005 by a considerable increase in the non-PhD researcher numbers to 6,866 and a corresponding increase in total researcher figures for that year.

Expenditure by Agency-Supported Firms in the Irish Economy

The Forfás *Annual Business Survey of Economic Impact 2007* presents results relating to all manufacturing and internationally-traded service firms that are under the remit of Enterprise Ireland, IDA Ireland, Shannon Development and Udarás na Gaeltachta. The survey tracked the 2007 performance of agency-assisted client companies in terms of outputs (sales, exports, net output) and monitored the direct expenditure of these companies in the Irish economy in terms of payroll spend and purchases of Irish-supplied materials and services.

In 2008, almost 3,900 companies were surveyed and approximately 800 of these were foreign-owned firms. Approximately 1,300 of the companies surveyed were in the internationally-traded services sectors and 2,600 were in manufacturing businesses.

The overall output of agency-assisted firms in manufacturing and internationally-traded services increased by 6.8 per cent in 2007 (in nominal terms), while direct expenditure in the economy increased by 7 per cent (Table 1).

Direct expenditure by these firms in the economy totalled €36bn in 2007. In total, Irish-owned firms spent €17.8bn in the domestic economy in 2007, comprising of €5.5bn on payroll costs, €8.6bn on Irish raw materials, and €3.7bn on Irish services. This direct expenditure has increased from €8bn in 1990. Direct expenditure by foreign-owned firms amounted to €18.2bn in 2007, comprising of €7.6bn on payroll costs, €3.4bn on materials produced in Ireland and €7.2bn on services purchased in Ireland. For all firms the 2007 returns for direct expenditure were up 7 per cent and indicate a recovery of direct expenditure levels compared with the downward trend of the previous three years.

Table 1: Contribution of Agency-Supported Firms in the Irish Economy

		Irish-owned Firms		Foreign-owned Firms		All Firms		
		2006	2007	2006	2007	2006	2007	Change
Sales	€m	27,317,905	29,631,680	96,740,748	102,920,889	124,058,654	132,552,549	6.8%
Payroll Costs	€m	5,153,048	5,546,380	7,074,674	7,619,610	12,227,722	13,165,990	7.7%
Irish Raw Materials	€m	8,361,809	8,644,378	3,291,981	3,350,775	11,653,790	11,995,153	2.9%
Services bought in Ireland	€m	3,322,487	3,673,515	6,481,288	7,208,293	9,803,775	10,881,807	11.0%
Direct Expenditure in the Economy	€m	16,837,344	17,864,272	16,847,943	18,178,678	33,685,288	36,042,950	7.0%
Direct Expenditure as % Sales	%	61.6%	60.3%	17.4%	17.7%	27.2%	27.2%	0.0%

Source: Forfás Annual Business Survey of Economic Impact, 2007

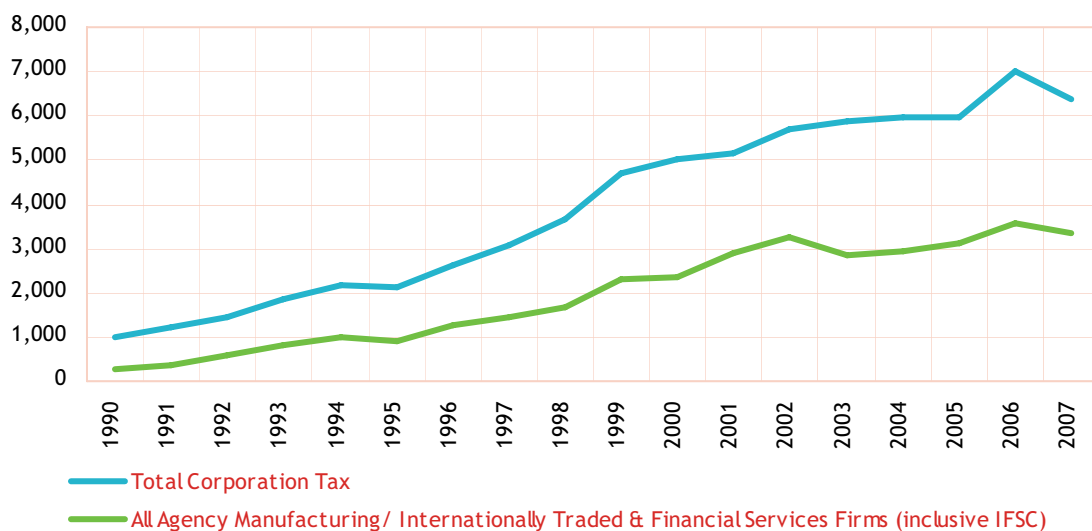
Corporation Tax Payments

In addition to their expenditure in the economy, manufacturing and internationally-traded and financial services companies provide a very significant direct return to the Exchequer by way of corporation tax payments.

The total corporation tax yield from all sources was €6.4bn in 2007 (Figure 11), a decrease of 4.4 per cent in real terms on the previous year. It is estimated that agency-supported firms in the manufacturing and internationally-traded services sectors accounted for €2.3bn, with an additional €1bn from internationally-traded financial services firms, amounting to €3.3bn (52 per cent) of the €6.4bn total corporation tax paid in the economy.

Agency-assisted companies in chemicals/pharmaceuticals and internationally-traded services accounted for 38 per cent and 29 per cent of the €2.3bn respectively.

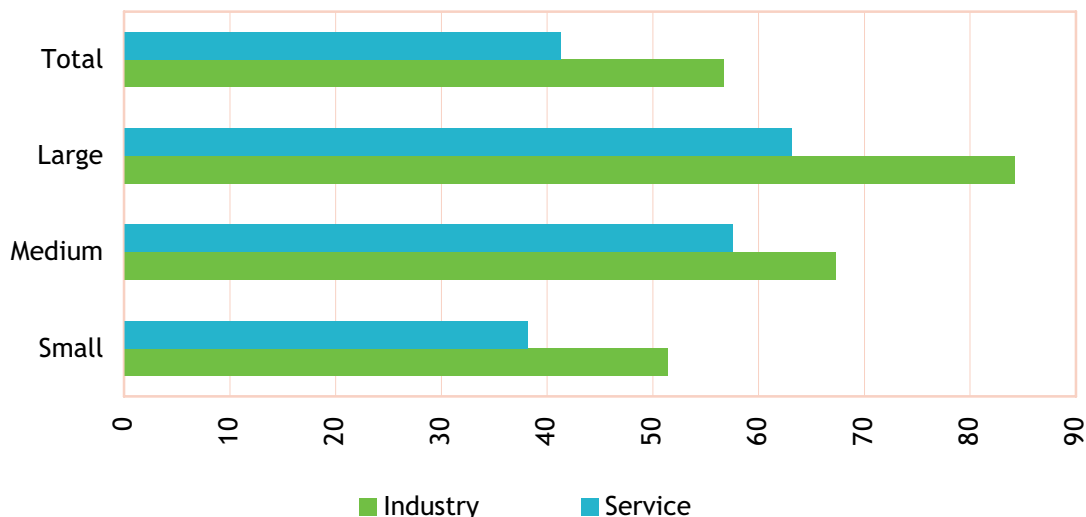
Figure 11: Corporation Tax Payments 1990-2007 (Constant 2007 Prices)



Source: Exchequer Returns for 2007, Department of Finance and Forfás Annual Business Survey of Economic Impact 2007

Innovation and Economic Impacts

Figure 12: Innovation Rates by Sector and Size of Enterprise, % (2004-2006)



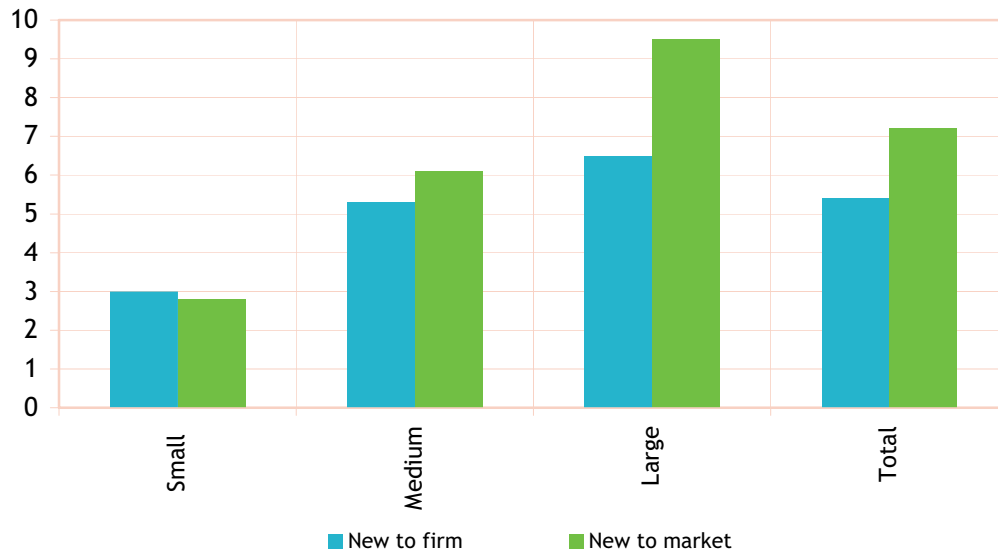
Source: Community Innovation Survey 2004-2006 (CSO/Forfás)

In the period 2004 to 2006 inclusive, over 47 per cent of Irish enterprises engaged in some form of innovative activity. Almost 57 per cent of industries were classed as innovation active, while 41 per cent of services were classed as innovation active. Large enterprises (250+ employees) were the most prolific innovators, with innovation rates of 84.2 per cent for large industries and 63.1 per cent for large services. This compares with 67.3 per cent of medium sized industries (50-249 employees) and 54.5 per cent of medium sized services. Small enterprises were the least innovation active group, with 51.4 per cent of small industries (10-49 employees) and 38.1 per cent of small services engaging in innovation activities.

Enterprises who are innovation active engage in product or process innovation or both. In the period 2004 to 2006 just over 33 per cent of all enterprises were engaged in some form of product innovation, while 30 per cent of enterprises were engaged in process innovation. Both product and process innovations tended to be higher as the size of the industry increased. 29 per cent of small enterprises were product innovators, while 47.7 per cent and 62.4 per cent of medium and large sized industries were product innovators. Similarly 26.7 per cent of small enterprises were process innovators, while 40.7 per cent and 60 per cent of medium and large enterprises were engaged in process innovation. At 68 per cent and 71 per cent, large industrial firms were the most active product innovators and process innovators. 56 per cent of large service sector enterprises engaged in product innovations while 46 per cent engaged in process innovation.

Innovation Impacts

Figure 13: % of Total Turnover Attributed to Product Innovation Activities by Size of Enterprise, 2006



Source: Community Innovation Survey 2004-2006 (CSO/Forfás)

Almost 13 per cent of turnover of all active and non-active innovators in 2006 in the industrial and service sectors was a result of product innovations in the 2004 to 2006 period. Over 5 per cent of this turnover was from new to firm products and over 7 per cent was from new to market products. Large enterprises attributed 16 per cent of their turnover to product innovations with almost 10 per cent being from new to market products. Medium sized enterprises attributed 6 per cent of their total turnover to new to market products compared to 5 per cent for new to firm products.

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Competitiveness

After over a decade of growth Ireland now faces the challenges of a severe economic downturn. The only viable route to economic progress is a return to export-led growth. This will require a range of responses addressing short term challenges and longer term competitiveness needs.

During 2008 Forfás and the National Competitiveness Council, to which Forfás provides research support, continued to identify key issues facing Ireland's competitiveness and advised Government on a range of policy options to restore Ireland's relative cost competitiveness, drive productivity growth in traded and non-traded sectors of the economy and position Ireland for rapid growth when the world economy recovers.

National Competitiveness Council

Forfás provides research and secretariat support to the National Competitiveness Council (NCC). The NCC is a social partnership body, which reports to the Taoiseach on key competitiveness issues facing the Irish economy together with recommendations on policy actions required to enhance Ireland's competitive position.

The NCC produced the following outputs in 2008:

- Annual Competitiveness Report 2008
Volume 1: Benchmarking Ireland's Performance
Volume 2: Ireland's Competitiveness Challenge
- Costs of Doing Business
- NCC Conference: Ireland's Competitiveness Challenge, October 2008
- Submission to the Commission on Taxation
- Re-Conceptualising Ireland's Competitiveness Conference, January 2008
- Discussion paper on Wellbeing and Competitiveness

[Annual Competitiveness Report 2008: Volume 1, Benchmarking Ireland's Performance and Volume 2, Ireland's Competitiveness Challenge](#)

The National Competitiveness Council's *Annual Competitiveness Report 2008: Volume 1, Benchmarking Ireland's Performance* and *Volume 2, Ireland's Competitiveness Challenge*, were launched in January 2009.

Benchmarking Ireland's Performance uses over 140 indicators to assess Ireland's competitiveness performance against a range of comparator economies. The aim of this report is to provide an objective evidence base, particularly so that emerging or potential weaknesses in the factors contributing to Ireland's competitiveness can be identified. The Council's competitiveness assessment encompasses policies on:

- The regulatory environment including taxation, competition and the labour market;
- Ireland's physical infrastructure, including transport, ICT and housing; and
- Ireland's knowledge infrastructure, including all levels of education, training and R&D.

The key messages of the report are that despite the current recession, Ireland retains a range of competitive strengths. Ireland continues to be a leading country in terms of the attraction of overseas investment and has significant strengths in a small number of internationally trading sectors. The challenge for the future is to ensure that the Irish economy is sufficiently competitive to enable internationally trading sectors to support future increases in Irish living standards.

The main areas for policy action that arise from the benchmarking process are as follows:

- Addressing Ireland's declining cost competitiveness;
- The challenges of maintaining high employment levels;
- Maintaining infrastructure investment in the context of declining Government revenues; and
- Addressing Ireland's acute energy and environmental challenges.

The benchmarking report was circulated to a wide range of senior civil servants, politicians, business leaders, economists and others and the analysis underpinned the work of the NCC in preparing its recommendations for policymakers.

Volume 2, Ireland's Competitiveness Challenge identifies the key competitiveness challenges facing enterprise and sets out clear policy actions that can help restore Ireland's competitiveness. The NCC recommendations in *Ireland's Competitiveness Challenge* are grouped under four key policy areas as follows.



Dr Don Thornhill, Chairman, NCC at the launch of the Council's *Annual Competitiveness Report*.

Restoring Fiscal Sustainability

Ireland faces harsh new fiscal realities. The deterioration of the public finances has been extremely rapid. It is vital to strike a balance between difficult decisions on controlling current expenditure such as broadening the tax base and introducing transparent user charges where appropriate – while also meeting the challenge of delivering better public services with fewer resources. In this context, the NCC supports:

- Maintaining our competitive tax wedge¹ on labour and making Ireland a more attractive location for purchasing and managing of intangible assets.
- Initiating further steps towards the introduction of a recurring tax on property, and movement away from stamp duties which are a tax on transactions and act as an obstacle to freeing up the property market. This would benefit the economy and improve the stability and predictability of tax revenues.

¹ The tax wedge is the ratio of total labour taxes to total labour costs. A low wedge is a pro-employment incentive for both employers and job-seekers.

- Continued selective investment to address infrastructural deficits, even in the context of a slowdown in current expenditure. However, a rigorous process of prioritisation of public capital expenditure is required, based on demonstrable returns on investment and ensuring that those projects critical to supporting a return to export-led growth are given priority.
- The NCC is particularly concerned that Ireland benefits from the timely rollout of next generation broadband infrastructure and services and believes this will require well considered State interventions.

Restoring Cost Competitiveness

A key challenge for the Irish economy is the decline in Ireland's cost competitiveness:

- High energy costs relative to other locations with which we compete for trade and investment are a key concern for businesses. Climate change should be a central concern of public policy but care is needed to ensure that measures to meet environmental targets do not further weaken our relative energy cost competitiveness. Regulation should be effective in managing controllable energy costs. Recovery of the carbon windfall from generators to energy users should continue.
- Greater competition is necessary in sheltered sectors of the economy including the professions, waste management and retail and distribution, and the recommendations of the Competition Authority on reducing barriers to entry to markets should be implemented.
- Scope exists to leverage the Government's support of financial institutions, to ensure that lenders make available adequate capital to businesses on appropriate terms.

Achieving Public Services Reform

The efficiency of the delivery of public services is an important part of the overall competitiveness of the economy. A high level of integration in policy formulation and implementation across Government is now required to meet objectives such as improving competitiveness, achieving a low carbon economy and building a knowledge economy and society. The challenge for the public service is to deliver better services with fewer resources.

Positioning for Recovery

While the Council highlighted a range of short term actions needed to improve our competitiveness, it also considers it essential that we do not lose focus on the factors that will drive our long-term competitiveness. The future supply of a highly educated workforce, equipped with skills that are consistent with business needs, will be an important factor in the pace of our recovery.

The Council's recommendations were debated at a conference of senior public servants, business leaders, economists and trade union leaders in October 2008 and received broad support from stakeholders. Many of the NCC's recommendations featured in the Government strategy for economic recovery, *Building Ireland's Smart Economy*, which was released in December 2008.

Costs of Doing Business

A key challenge for the Irish economy is the decline in Ireland's relative cost competitiveness, a result of both higher price inflation in Ireland (approximately one third of the loss) and appreciation of the euro against the currencies of many of our trading partners (about two thirds of the loss). Ireland's above average rate of inflation during the 1999-2007 period was largely due to inflation in the price of property and of services, most of which are domestically provided.

In 2008, the NCC continued to assess the costs of doing business in Ireland. Key business input costs that weaken Ireland's overall cost competitiveness include property costs; utility costs, particularly electricity, fixed voice telephone services; waste disposal; and key domestic services, including information and communications technology (ICT), accountancy and legal services.

Despite construction cost reductions in the past year, Ireland's relative cost competitiveness for these activities against benchmarked locations has not improved in these areas.

The Annual Competitiveness Report 2008 Volume 2, Ireland's Competitiveness Challenge report sets out for Government a range of priorities to restore our cost competitiveness – including exposing sheltered sectors of the economy to greater competition, controlling energy costs, balancing our renewables targets with affordability and removing barriers to private investment in waste management infrastructure. The Council welcomed the recent announcement that all Competition Authority reports will be formally responded to by Government.

NCC Conference: Ireland's Competitiveness Challenge

The NCC held a conference entitled *Ireland's Competitiveness Challenge* in October 2008 in the Royal Hospital Kilmainham, Dublin. The objective of this high level conference was to bring together Ireland's most influential policy-makers, business people and members of academia to discuss the competitiveness challenges and the changing global environment which the Irish economy was facing. The event sought to encourage the diverse selection of delegates to consider, debate and develop possible policy responses to these challenges.

Key policy areas discussed at the event included:

- Cost competitiveness and the actions needed to restore Ireland's attractiveness for export related enterprises;
- Education and innovation and how best to meet enterprise needs;
- Public investment policy and developing Ireland's infrastructure to a level and quality comparable to other locations with which we compete for trade and investment; and
- Energy competitiveness and climate change



Mary Coughlan, TD, Tánaiste and Minister for Enterprise, Trade and Employment and Dr Don Thornhill, Chairman, NCC at the NCC Conference: *Ireland's Competitiveness Challenge*.

Submission to the Commission on Taxation

In June 2008, the NCC made a submission to the ongoing work of the Commission on Taxation. The NCC highlighted the importance of maintaining Ireland's competitive labour tax wedge and the need to review property taxation. The NCC advocated taxation of property stocks through recurrent taxes rather than taxes on transactions.

This submission also highlighted that taxation policy can encourage people to continuously enhance their skill levels, and urged the Commission on Taxation to explore how companies, especially small companies, can be encouraged to invest in research and development, and how the creation and management of intangible assets (e.g. brands, software, copyright etc.) from Ireland can be encouraged.

The NCC cautioned that Ireland needs to proceed carefully on the introduction of a carbon tax as the costs of doing business in Ireland have already increased rapidly in recent years. If a carbon tax is to be introduced, it should be introduced at a relatively low rate, and then ramped up over time.

Discussion Paper on Wellbeing and Competitiveness

The NCC released *Discussion Paper on Wellbeing and Competitiveness* in July 2008.

The paper highlights that an environment that supports high levels of wellbeing is an important driver of competitiveness as Ireland seeks to attract and develop world-class companies and workers and as we transition towards a greater focus on the production of knowledge intensive goods and services.

Forfás Activities: Competitiveness

The Cost of Running Retail Operations in Ireland

The Tánaiste and Minister of Enterprise, Trade and Employment requested that Forfás review the costs of running retail operations in Ireland. The purpose of the analysis was to examine the composition of retail business costs in Ireland and to determine how their cost base compares with retailers in other countries. The study found that while operating costs are on average 25 per cent higher in Dublin than in Belfast, they account for a relatively small share of total costs (circa 20-25 per cent). The analysis highlights that the higher operating costs incurred by the retail sector in Ireland add approximately five to six per cent to the total cost base of retailers in Dublin versus those operating in Belfast.

The analysis concluded that there are a number of challenges to be addressed including:

- Lowering prices for customers in Ireland;
- Reducing the costs that retailers pay for goods, which they argue are significantly higher than those faced by retailers in the UK and Northern Ireland. The study recommended that the Competition Authority review the barriers to competitive distribution and importing. This is to be completed by mid 2009; and
- Reducing the costs of doing business in Ireland where higher operating costs in Ireland are primarily driven by higher property, wage, utility (e.g. energy, waste, etc.) and local services costs.

Socio-Economic Scenarios

Forfás undertook a futures orientated study, *Sharing Our Future*, to assist policy makers in the development of longer term policy and to ensure that Ireland remains competitive in an increasingly conceptual and innovation-driven global economy. To remain competitive there is a need to better understand longer term trends and to incorporate the necessary flexibility in policy to address these changes.

Sharing Our Future outlines a range of strategic policy requirements that are important if Ireland is to optimise future growth out to 2025. It encourages the policy community to factor long term thinking in all short term decision making relating to enterprise in Ireland. This report complements the Government's framework for sustainable economic renewal, *Building Ireland's Smart Economy*.

The identified strategic policy requirements fall under ten headings. These areas include:

- Governance
- Planning and the Regions
- Information and Communication Technologies
- Energy Supply and Security
- Environment and Climate Change
- Transport
- Education and Skills
- Innovation and Research

- Social Policy and Quality of Life
- Enterprise

It is anticipated that the analysis of trends, scenarios and policy options will be published in mid 2009.

International Trade Negotiations

Forfás continues to provide research support and policy advice to the Department of Enterprise, Trade and Employment in developing Ireland's position both at the World Trade Organisation (WTO) and in negotiations at EU level on future international trade policy. The negotiations are significant for Ireland as a small open economy highly dependent on international trade for growth and jobs. Forfás has provided economic impact analysis on the latest proposals on international trade liberalisation and the transposition of the EU Services Directive. This analysis sets out the potential gains to Ireland of these initiatives including the benefits of improved market access for exporters. Forfás also examined Ireland's negotiation stance on international services in support of the Services Strategy Group, prompting recommendations on establishing a formal, ongoing consultation mechanism and the compilation of a new annual publication on internationally traded services.

Next Generation Telecommunications Networks (NGNs)

Forfás has continued to highlight the potential economic, social and technological benefits of advanced broadband and has worked to stimulate interest in development of NGN infrastructure, which is important from an enterprise perspective.

Forfás provided input to the Department of Communications, Energy, and Natural Resources' consultation paper on Next Generation Broadband proposing a range of initiatives to ensure that NGN infrastructure becomes available in Ireland as soon as in leading West European nations.

Forfás also worked with the Department of Communications, Energy, and Natural Resources and the Communications Regulator on a number of issues including:

- The existing communications infrastructure in Ireland, particularly in relation to the planned central coordination of existing State-owned and controlled communications infrastructures and ducting, and future development;
- Benchmarking Ireland's performance at a regional and city level against that of other European countries; and
- Increasing the likelihood of future telecommunications infrastructure investment in the area of NGNs.

Statement on Infrastructure

Forfás works closely with the Department of Enterprise, Trade and Employment, the development agencies and various government departments to identify the infrastructure priorities that are critical for enterprise development and the policy actions required to deliver them.

The availability of competitively priced modern infrastructure and related services are critical to support the productive sector and to foster export-led growth. Infrastructure projects of most importance for future economic growth and those likely to have greatest impact in terms of attracting overseas investment and supporting firms in Ireland to trade internationally should be prioritised.

Based on a review of previous investments and the needs of clients of the enterprise development agencies, this report sets out the key infrastructure investment and policy priorities from an enterprise development and competitiveness perspective. The priorities identified include:

- The completion on schedule by 2010 of the main inter-urban network linking Dublin with Cork, Galway, Limerick and Waterford, the N18 Galway-Limerick, the N20 Limerick-Cork and the N25 Cork-Waterford sections of the Atlantic Road Corridor and the upgrade of the N4 (west of Mullingar); the N5 (west of Longford); N11 Dublin-Wexford; N25 Enniscorthy-New Ross; N28 Cork-Ringaskiddy; and N80 Portlaoise-Tullamore.
- Selective continued investment in public transport options (between bus and rail) which offer the highest returns, based on a full cost benefit analysis, to improve public transport in the key urban centres, particularly Dublin, Cork and Galway. We believe that the extension of the Quality Bus Corridor network in Dublin merits early consideration.
- The timely delivery of Ireland's planned energy interconnections (i.e., the north-south tie line and the east-west interconnector) and new generation plants is important to ensure adequate generation capacity and to improve energy cost competitiveness. The unbundling of the transmission network is an important element in attracting new investment in generation capacity into the Irish market and should be progressed as a matter of priority.
- The bundling of all of the existing State telecommunications assets (commercial semi-state, local authorities, MANs) to provide an open access network capable of providing next generation broadband services. A regulatory framework which incentivises private sector investment in next generation broadband infrastructure, subject to acceptable user charges, is needed. Next generation telecoms infrastructure will be crucial for competitiveness in the future.
- The creation of policy and regulatory certainty in the waste sector to incentivise private investment in waste infrastructure. In particular, the issue of the potentially conflicting role of the local authorities as service or infrastructure provider and as regulator of the sector needs to be addressed.

Many of these priorities have been reflected in the *Building Ireland's Smart Economy* report.

Regulation

Forfás completed a feasibility study for the Department of Enterprise, Trade and Employment of a 'Single Window' trade facilitation system, which could simplify clearance of imports and exports and thus reduce trade-related regulatory burden.

As part of the follow up to the report of the Business Regulation Forum, to which Forfás provided research and secretariat support, Forfás is working with the High-Level Group on Business Regulation to provide training to government departments and agencies on the implementation of burden reduction process to reduce red tape for enterprises. This is part of the ongoing process to reduce by 25 per cent the administrative burden that domestic legislation places on business by 2012. Forfás also published a review of international best in eGovernment.

Productivity Studies

Forfás has established a bursary to encourage supervised research in productivity that is likely to contribute to the identification of policy options. Bursaries have been awarded to four postgraduate students undertaking research in the area of productivity in 2009. In addition, to promote ongoing debate of the issues raised in the Forfás publication, *Perspectives on Irish Productivity*, a number of high profile seminars on productivity were hosted by Forfás during the year. Forfás is currently developing a productivity guide for enterprises to assist managers in the measurement and improvement of productivity at firm level. The guide is due to be published in 2009.

Trade Data and Support

Forfás provided trade data and analysis to the Department of Enterprise, Trade and Employment and also compiled a booklet *Enterprise Statistics at a Glance 2008*. Forfás has brought together data from various sources in a single, accessible format. *Enterprise Statistics at a Glance 2008* presents statistics on areas relevant to the performance of Ireland's enterprise sector, employment and output, international trade in goods and services, inward and outward foreign direct investment flows, and business R&D and innovation. The statistics in this booklet highlight some of the key trends in the activities of enterprises based in Ireland and help describe how they are developing and changing over time.

Enterprise

Ireland has a strong base of enterprise, both indigenous and foreign owned, and a culture that encourages companies to develop and expand.

In partnership with the development agencies, Forfás delivers policy advice for a strong enterprise environment which fosters innovation in services and manufacturing and which stimulates entrepreneurship.

Catching the Wave - The Report of the Services Strategy Group

Launching the Report of the Services Strategy Group, *Catching the Wave, A Services Strategy for Ireland*, in September 2008 are Tánaiste and Minister for Enterprise, Trade and Employment, Mary Coughlan, TD and Tony Keohane, Chairman, Services Strategy Group.



The Services Strategy Group, chaired by Tony Keohane, CEO, Tesco Ireland, published *Catching the Wave: A Services Strategy for Ireland* in September 2008. Forfás provided secretariat and research support to the Group. The report, which was launched by Mary Coughlan, TD, Tánaiste and Minister for Enterprise, Trade and Employment, sets out new policy proposals designed to foster the continued development and growth of Ireland's services sector.

Key recommendations include:

Sectoral Development

- Review and where necessary amend ministerial orders and policy statements to facilitate the development agencies in fostering the growth of services.
- Carry out in-depth sectoral analysis on areas of opportunity identified in the report to exploit the potential for services exports. Repeat such analysis at regular intervals to ensure that Ireland maintains the ability to adapt to emerging trends.
- Consider opportunities for Irish services companies expanding overseas as part of Enterprise Ireland's longer term strategy, in tandem with opportunities for exporting.

Skills

- Provide integrated inter-disciplinary education for service activities along the lines of the services science management and engineering programmes offered in the US and UK.
- Develop and introduce a system of bonus college entry points for Higher Level Leaving Certificate mathematics. Enhance the professionalism of mathematics teaching by creating a master's degree, a part-time higher diploma and four year honours degree programme in mathematical education.

Innovation

- Identify, develop and put in place dedicated business support measures to promote R&D and innovation capability in services companies and to facilitate the development of services in manufacturing enterprise.
- Provide structured supports to develop an institutional capacity of R&D in services
- Expand the national R&D Tax Credit Scheme to include services R&D and innovation.
- Extend national innovation policies and strategies to encompass innovation in services and continue the progress made in the implementation of the *Strategy for Science Technology and Innovation 2006 - 2013 (SSTI)*.
- Use public procurement to stimulate services in innovation.

Productivity

- Ensure the Competition Authority is adequately empowered and resourced to enable it to fulfil its mandate. Introduce a process whereby the Government responds formally to recommendations from the Authority.
- Introduce a voucher scheme to encourage locally-trading service firms to benchmark their performance against national and international best practice to enhance their productivity.
- Improve coverage and quality of statistics on the services sector to better inform public policy.

Life Sciences - Analysis of International Clusters

Forfás, in conjunction with the development agencies, Enterprise Ireland, IDA Ireland, and Science Foundation Ireland, is developing a strategy to support the evolution of the life sciences sector in Ireland.

The pace of global competition has intensified and many countries have developed life sciences strategies to identify how they can stimulate R&D, entrepreneurship and the growth of indigenous companies and develop a strong reputation so that they can attract mobile investment.

Forfás undertook a desk-based review of international life sciences clusters and a more in-depth analysis of three specific clusters (Medicon Valley, Singapore and North Carolina), which have taken different approaches to developing the sector. The report was circulated to relevant stakeholders in October 2008.

The analysis has highlighted a number of overarching characteristics that are apparent in the more successful life sciences clusters:

- Strong leadership is critical and is generally provided by the business community and/or the state with the active support and participation of healthcare and academic stakeholders.
- International and national perceptions of a cluster can affect its continued development and high profile research initiatives play a key role in attracting world-class researchers and talent.

- Successful clusters harness the opportunities that exist at the intersection of different technologies and industry sectors, and connect life sciences to other technological areas (e.g. bio-informatics, bio-defence, communications and sensor technologies).
- Improving technology commercialisation efforts is a core and constant activity. Even those clusters that have a strong history of commercialisation cite the importance of continuously enhancing the supporting environment as the sector evolves.
- All regions have a strategy for attracting risk capital, although the approach may differ depending on the stage of development of the cluster.
- Established clusters may focus primarily on facilitating connections between venture capitalists and regional businesses.
- Less established locations may focus on creating regional angel investment networks and promoting the region to venture capital firms.

Although Ireland is relatively well positioned within the global life sciences sector today, the increased focus and investment by other countries to support and drive the sector within their own economies reinforces the imperative to develop and communicate a strategic direction for Ireland's life sciences sector, and to demonstrate leadership and collaborative effort to deliver on actions needed to support its future evolution and growth.

Life Sciences - Ireland's Eco-System

The clusters report, detailed above, formed an element of a study on the business eco-system for the life sciences sector which will be published in 2009. The study aims to ensure that we are best positioned to capture future opportunities based on global trends and on leveraging the strengths and capabilities of the sector in Ireland today.

For the purposes of the study, the life sciences sector has been defined as comprising pharmaceuticals, biotechnology, medical technologies, nutraceuticals and sector specific support services.

Developments in scientific research and technologies are leading to increasing convergence across formerly distinct sub-sectors. Global trends indicate that new products and services based on personalised medicine, combination products, biologically enhanced foods, and remote diagnostics supported by ICTs are already starting to emerge. This study aims to identify how Ireland can strengthen its current life sciences ecosystem to take advantage of this evolution.

Building Regional Competitiveness

In 2008, Forfás began a study on regional competitiveness with the objective of ensuring that each region, from an enterprise perspective, is enabled to develop its competitive environment, by building on its strengths and national and international networks and addressing barriers to development over the term of the *National Spatial Strategy (NSS)* to 2020.

Forfás is working closely with the Department of Enterprise, Trade and Employment and with the Department of Environment, Heritage and Local Government (DoEHLG) on the study. Forfás has also consulted extensively with the enterprise development agencies, the regional assemblies, the regional authorities and other key stakeholders.

Forfás is developing a suite of Regional Competitiveness Agendas (RCAs)² for each of eight regions³, based on quantitative and qualitative analysis across key factors of competitiveness including:

- Enterprise and Economy
- Skills
- Innovation
- Access and Connectivity
- Quality of Life
- Leadership

These RCAs aim to assess how each region can build on its own potential, within the overall national context, and continue to develop a competitive environment to support enterprise development over the medium term. They will highlight opportunities to build on each region's distinctive strengths, identify any barriers and suggest mechanisms to address them.

Outputs from the project will be targeted at a wide range of stakeholders and will aim to influence the enterprise agenda within future regional development by:

- Contributing to a refresh of the *National Spatial Strategy* proposed by the Department of Environment, Heritage and Local Government for 2009;
- Supporting the enterprise development agencies to influence the range of players that have a role in the development of competitive regions so that cohesive and complementary actions, that are important from an enterprise perspective, are taken;
- Contributing an economic overview to the review of the Regional Planning Guidelines scheduled for completion by early 2010; and
- Formulating responses to the DoEHLG consultation process on Local Authority Reform in the context of regional development.

A final report will be completed in 2009.

² The RCAs will build upon and add value to the Regional Strategic Agendas that were developed in 2006/2007 and on the Gateways Implementation Report published by the DoEHLG and Forfás in 2006.

³ The eight regions are: South West, Mid West, West, Border, Midlands, Mid East, East and South East as defined in an EU designation of regions, NUTS iii

Future Enterprise Needs

With a view to developing a greater understanding of the likely future enterprise base in Ireland and the adequacy of current enterprise related strategies, Forfás began a review in 2008 to:

- Assess how enterprise is likely to evolve and develop in Ireland in 2020.
- Review existing strategies for appropriateness, adequacy and complementarities.
- Identify any additional actions or changes in emphasis required to ensure that Ireland sustains a business environment conducive to enterprise as it is likely to evolve, and prioritise overall actions and investments.

The review will involve extensive consultation with the business community, academia, government and the development agencies and will be completed within 12 months.

Forfás Budget 2009 Submission

The Forfás Budget 2009 submission to the Department of Enterprise, Trade and Employment brought together the inputs of the enterprise development agencies and set out taxation and expenditure priorities in relation to enterprise development.

Two key items underpinning the submission were:

- Maintaining competitiveness and ensuring the overall cost of doing business in Ireland does not increase; and
- Continuing to invest for the future and to build the knowledge economy.

The recommendations on taxation measures were outlined under three headings:

- Opportunities for market development and enhancing the knowledge economy
- Sustainable development
- Reducing barriers to market development

Forfás welcomes the recent announcement in the Supplementary Budget 2009 to introduce a tax deduction for intangible assets as proposed in its Pre-Budget Submission and presentation to the Commission on Taxation.

The future competitiveness of the Irish economy rests on the ability to develop a world-class physical infrastructure system coupled with the human capital capability to drive the economy forward. In terms of public expenditure priorities, the submission examined programmes under the various headings of the *National Development Plan 2007-2013* (NDP) as they impacted upon enterprise.

Specific priorities were outlined in relation to:

- Human Capital - in particular ICT in schools was identified as a priority as well as measures to ensure the implementation of the *National Skills Strategy*.
- Science, Technology & Innovation - areas prioritised included world-class research infrastructure, industry/higher education institutes collaboration, and realising the commercial potential of Ireland's research community.
- Economic Infrastructure - areas prioritised related to telecommunications, energy, transport, water and waste.

Trade Finance

Credit insurance plays an important role in providing protection to sellers against all or part of the risk of payment default by a buyer. Currently, withdrawal and reduction of short term credit insurance covering a period of less than two years by private credit insurers is a significant and complex problem. It affects both sellers who want to ensure that they receive payment and buyers in their ability to secure and fund their inputs from suppliers. These credit insurance problems are a recent development closely linked to current uncertain global and domestic economic conditions, where private credit insurers are acting to reduce their risk exposure.

At the request of the Department of Enterprise, Trade and Employment and following extensive consultation with companies, private credit insurers, banks, the Irish Exporters Association, IBEC, the Irish Farmers Association, the European Commission and representatives of a number of other economic ministries in the European Union, Forfás and Enterprise Ireland sought to identify and assess a range of policy options to alleviate the current problems being experienced with credit insurance. Policy options explored were:

- State co-funding the ‘top-up’ for reductions in credit insurance policies.
- State targeted interventions.
- Alleviating impact through the banking system.

Given the likely high cost to the State of introducing an export credit insurance scheme, the forecasted significant increase in default rates and the increased premium cost to companies, the assessment shows that the impact of a state-supported export credit insurance scheme would be limited. The focus will continue on exploring ways of alleviating the impact through the banking system. The trade finance mechanisms available within the Irish Banking system are being explored as part of the Review of Bank Lending to SMEs (in the context of the bank recapitalisation initiative) and the potential for European Investment Bank action to increase the scope of risk-sharing guarantees offered to ease financing restrictions are being explored.

Submission to the Commission on Taxation

Forfás, on behalf of the development agencies, made presentations to the Commission on Taxation on two occasions (May 2008 and February 2009). These presentations focused on how taxation measures can contribute towards Ireland’s development as a knowledge economy in the medium term, while also addressing the short term needs of business.

Forfás made a number of recommendations to encourage the consolidation of high-value activities in Ireland, focusing on the need to create an attractive environment for the location of intangible assets such as intellectual property (IP). Forfás welcomes the recent announcement in the Supplementary Budget (April 2009) to introduce a tax deduction for intangible assets.

Forfás also highlighted areas of the tax system that could be improved to:

- Facilitate internationalisation from Ireland
- Develop skills and labour force participation to ensure that the targets set out under the *National Skills Strategy* are reached; and
- Enhance efficiency and ease of compliance for businesses.

Knowledge

Ireland has made significant investments in building advanced capability in core technology areas.

We must now ensure that we can apply these skills. We must translate our ideas into high value products and services, and ensure that the skills that our people acquire are channelled appropriately for existing enterprises and in anticipation of future opportunities.

Throughout 2008, Forfás worked closely with the Department of Enterprise, Trade and Employment and other government departments in support of the goals of the *Strategy for Science, Technology and Innovation 2006-2013*.

Advisory Council for Science, Technology and Innovation

The Advisory Council for Science, Technology and Innovation (ASC) is the Government's high level advisory body on science, technology and innovation (STI) policy issues. It is the primary interface between stakeholders and policymakers in the STI arena. Forfás provides the ASC with research and secretariat support.

The Council's remit is to contribute to the development and delivery of a coherent and effective national strategy for STI and to provide advice to Government on medium and long term policy for STI.

During 2008 the Council worked on the following topics:

- A Framework for Researcher Careers
- Ireland's International Engagement in Science, Technology and Innovation
- Optimising the 4th level contribution to enterprise in Ireland

Towards a Framework for Researcher Careers

Towards a Framework for Researcher Careers was published by the ASC in October 2008. The report examines how research careers develop in Ireland and compares the Irish situation with other countries including Korea, Sweden and the UK.

The report calls for a more defined career structure for the increasing numbers of world-class researchers being trained in Ireland so that all sectors including academia, public sector and enterprise can fully benefit from the transfer of knowledge, skills and technologies.

The report recommends that:

- There should be structured career progression through a competitive, transparent and peer reviewed process that rewards and facilitates both national and international mobility and between higher education institutes (HEIs), enterprise, the public sector and research institutes.
- Researcher mobility should be improved through the provision of similar terms and conditions for researchers in third level institutions to those prevailing for researchers at similar levels in enterprise and the public sector.
- Researchers should be taught enterprise/business skills such as the commercialisation of research results, as well as receiving management and marketing training.
- Targets should be set for higher female participation in research.

The Council's recommendations were considered by the Inter-Departmental Committee on Science and Technology and are now being taken forward by the Higher Education Research Group.



Pictured at the launch of the ASC Report, *Towards a Framework for Researcher Careers*, are (l-r) Prof. Dolores Cahill, ASC Task Force Chair and ASC Member; Dr Jimmy Devins TD, former Minister for Science, Technology and Innovation; and Mary Cryan, Chairman, ASC.

Ireland's International Engagement in Science, Technology and Innovation

The Council published *Ireland's International Engagement in Science, Technology and Innovation* in December 2008. The report calls for a more strategic approach towards international engagement driven by the goals set out in the *Strategy for Science, Technology and Innovation* (SSTI).

The Council's recommendations include:

- The need for greater prominence to be given to international STI engagement within the governance structures established to implement the SSTI.
- Improved coordination across government departments and agencies to maximise the benefits derived from agreements that have been established on a unilateral basis in the past.
- Greater emphasis to be placed on the benefits of outward mobility of researchers for the long-term sustainability of the Irish research system.
- Specific targets to be set and monitored so that funding agencies can demonstrate how the researchers and enterprises they are supporting are exploiting the potential offered by Framework Programme 7 and other international programmes.
- Decisions on membership of international research organisations to be taken within the context of a wider strategy for the field of science, and cost benefit techniques to be applied, to ensure that membership is the most appropriate way of achieving objectives.
- Ireland's overseas offices in locations of high STI interest to work together to deliver services tied to targets in the SSTI.

Optimising the 4th Level Contribution to Enterprise in Ireland

A key priority identified in the SSTI is to improve the absorptive capacity of enterprise and specifically capacity to employ PhD graduates. The ASC appointed a taskforce to examine the skills that enterprises require from fourth level Ireland, the roles in enterprise and in the public sector that are filled by PhD graduates and the barriers that reduce the pull of graduates to enterprise and the public sector.

The report, to be published during 2009, will provide an analysis of the current employment of PhD graduates, views of enterprise employers towards PhD researchers and recommendations to increase the mobility of PhD researchers between academia and enterprise.

Forfás Activities: Knowledge

SSTI Enterprise Feedback Group

The SSTI Enterprise Feedback Group (EFG) was appointed by the Tánaiste and Minister for Enterprise, Trade and Employment, Mary Coughlan TD, in November 2008 as part of the implementation structures of the Government's Strategy for Science, Technology and Innovation. The Group's mandate extends to 2013.

Forfás provides research and secretariat support to the Group which is chaired by Lionel Alexander, Vice-President and General Manager of Hewlett Packard Manufacturing.

The functions of the EFG are to:

- Provide advice within the parameters of the SSTI and its objectives on issues of concern for business and industry;
- Act as a feedback mechanism to the Inter-Departmental Committee (IDC) for Science, Technology and Innovation by providing input in relation to the effective implementation of the SSTI;
- Operate as a two-way interactive communication mechanism, where the sharing of knowledge and information in relation to the SSTI is mutually beneficial and encouraged; and
- Provide advice to the IDC on the continuing development of SSTI related policy and programmes, including advice on the commercialisation of research outcomes.

European Research Area - New Perspectives

Forfás provided policy advice to the Department of Enterprise, Trade and Employment in 2008 on research initiatives arising from the European Commission's *Green Paper on the European Research Area - New Perspectives*.

The European Commission brought forward a range of proposals in 2008 through the Slovenian and French presidencies to address an enhanced vision and governance of the European Research Area (ERA). Forfás was actively involved in the discussions on the renewed ERA vision ensuring the inclusion of the role of innovation. This culminated with the adoption of a renewed vision for the ERA under the French Presidency in December 2008.

New governance structures have been put in place to strengthen the partnership between Member States and the European Commission and to deliver on a number of the specific initiatives launched by the European Commission under the aegis of the ERA including:

- Joint programming of research to tackle societal challenges;
- A new legal framework for European research infrastructures;
- A new approach to S&T cooperation with countries outside Europe; and
- A researcher passport to address on-going barriers to researcher mobility in Europe.

Forfás consulted stakeholders on each of these initiatives and supported the Department of Enterprise, Trade and Employment in preparing for meetings of the EU Competitiveness Council at which Ministers agreed their response to each of the European Commission's proposals.

Joint Programming of Research in Europe

The European Commission adopted a proposal on Joint Programming of Research in Europe in July 2008, which aims to bring about stronger coordination of public research across EU member states in areas that are addressing societal challenges such as health and ageing, climate change, environmental protection and security of food supply. A two year timetable has been drawn up by the Commission to prepare for the implementation of specific Joint Programming Initiatives at the end of 2010.

Forfás consulted the government departments and funding agencies that would be most impacted by the Commission's proposals and it will continue to support the Department of Enterprise, Trade and Employment in discussions on specific joint programming initiatives in the months ahead. In these discussions, Forfás will seek to reflect feedback received from stakeholders including:

- The specific research topics and societal challenges in which Ireland could play a meaningful role in partnership with other member states;
- The mechanisms required to ensure appropriate enterprise participation in joint programming initiatives so that the output of research can be exploited for the benefit of Europe's citizens;
- The coherence between joint programming initiatives and the existing instruments associated with European research (e.g. Framework Programme 7, Joint Technology Initiatives, ERA-NETs and Article 169 Initiatives);
- Policy issues relating to the pooling of member state resources including the question of whether, and in what circumstances, any national research funds should be spent outside the country.

European Strategy Forum on Research Infrastructures

Forfás, together with the Higher Education Authority (HEA), continued to represent Ireland on the European Strategy Forum on Research Infrastructures (ESFRI) and contributed to the first update of the *ESFRI Roadmap for Research Infrastructures*, which was published in 2008.

ESFRI was established in 2002 to support a coherent and strategy-led approach to policy-making on research infrastructure investment in Europe and to facilitate multilateral initiatives leading to the better use and development of research infrastructure at EU and international level. One of ESFRI's main outputs is its *Roadmap of European Research Infrastructure*.

The first roadmap, published in 2006, identified 35 projects of pan-European interest to be constructed over the coming 10-15 years. Forfás and the HEA seek to ensure a coordinated Irish response to the ESFRI roadmap and to foster participation, where appropriate, in initiatives to realise the projects on the roadmap. Irish research institutions, supported by the relevant funding agencies in Ireland, are already playing a part in eight of the 25 projects on the original ESFRI roadmap.

Ireland's involvement to date in the ESFRI roadmap projects has centred on a number of "distributed infrastructures" where facilities being put in place in Ireland will be integrated into wider European networks of facilities. Examples include infrastructures in the area of clinical trials, bio-bank facilities, ocean observation facilities, high performance computing and databases of relevance to the social sciences and humanities.

In December 2008, ESFRI published an update to its roadmap identifying a further ten projects in areas such as energy, environmental sciences and biological and medical sciences. Forfás and the HEA will work with the funders of research and research infrastructure in Ireland to ensure continued engagement in the ESFRI process and to ensure that Irish research infrastructure continues to be planned within the context of wider European and global strategies.

Irish Involvement in ERA-NETs and Technology Platforms

Forfás undertook a review of Ireland's involvement in ERA-NETs, technology platforms and other instruments that have been put in place in recent years to help give effect to the European Research Area (ERA). A number of new instruments were introduced in the context of the Sixth EU Framework Programme 2002-2006 to help establish closer links between EU research policy and national research policy and to strengthen the enterprise relevance of European research.

The study of Irish engagement in these initiatives provides a useful inventory to be shared across the research funding agencies in Ireland and with other actors and is part of the effort to move towards a more strategic and proactive approach to the ERA.

Irish funding agencies and other organisations participated in 23 of the 71 ERA-NETs established under Framework Programme 6. While in most cases there have been significant financial and non-financial benefits associated with Irish involvement, it was found that in many cases there is not a clear strategy for deciding on the ERA-NETs to join and/or the resources to apply.

The technology platforms have played an important role in helping to set the research agendas in Framework Programme 7 and, in a number of cases, have given rise to large-scale Joint Technology Initiatives (JTIs). While some Irish companies are engaging in the technology platforms and JTIs, there is scope for a more proactive engagement from Ireland. In some cases, national technology platforms have been set up in Ireland to mirror the European platforms and this is recommended as one mechanism for moving towards a more proactive approach.

European Molecular Biology Laboratory Evaluation

Forfás, at the request of the Department of Enterprise, Trade and Employment, undertook an evaluation of Ireland's participation in the European Molecular Biology Laboratory (EMBL).

EMBL is an intergovernmental research organisation and its mission is to develop molecular biology throughout Europe primarily through conducting basic research and providing high level training to its staff, students and visitors. When Ireland joined EMBL in 2004, it was anticipated that it would complement Ireland's significant investment in biotechnology and provide researchers with opportunities for networking, training and international collaboration.

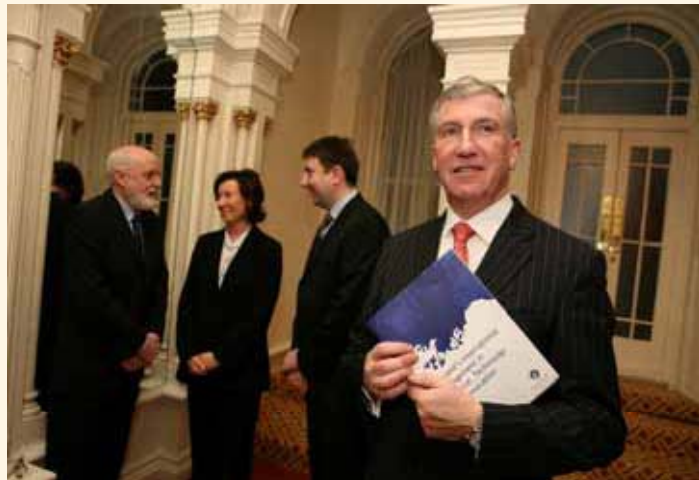
Through the evaluation Forfás sought to understand the:

- Impact that membership has had on Irish molecular biology researchers in the higher education industry and public research sectors;
- Impact that membership has had on graduate students and post-doctoral researchers;
- Impact that membership has had on industry including access to research and underlying technologies at EMBL; and
- Degree to which the facilities accessed and activities undertaken as a result of membership of EMBL complement and/or duplicate those which Irish researchers can access through other channels.

The evaluation concluded that EMBL continues to have the potential for a positive impact on Irish researchers in terms of providing a multidisciplinary learning environment, providing technological infrastructure and high level training opportunities. It also concluded that EMBL is a major base of international research excellence and has particular expertise and facilities in areas in which Ireland is currently seeking to build research competence and activity e.g. structural biology and bio-informatics. However the potential is not being fully realised, mainly because researchers are largely unaware of the facilities and services provided by EMBL.

While Ireland has only been a member for three years and it is relatively early to evaluate the full impact, membership is considered to offer significant benefits. Forfás has made recommendations to ensure value for money from our membership including recommendations to systematically promote EMBL programmes and opportunities, which would be coordinated by Science Foundation Ireland, and to set targets for Irish interaction with EMBL.

Pictured at the launch of the ASC report, *Ireland's International Engagement in Science, Technology and Innovation* are (l-r) Bill Brandon, Department of Enterprise, Trade and Employment; Mary Cryan, Chairman, ASC; Marcus Breathnach, Senior Policy Advisor, Forfás; and Dr Jimmy Devins TD, former Minister for Science, Technology and Innovation.



Innovation in Ireland

Forfás provided support to the Department of Enterprise, Trade and Employment in the preparation and publication of the innovation policy statement, *Innovation in Ireland*.

Ireland's ambition is to become a leader in innovation through developing an innovation-driven economy that maintains competitive advantage and increases productivity. This will be done through promoting innovation across a broad spectrum. *Innovation in Ireland* sets out progress to date and explores opportunities where innovation can be better exploited. Ten key policy areas are identified that underpin the Government's approach to innovation in support of the knowledge economy and enterprise. The statement also provides a reference point and wider context for implementation of the SSTI and charts the main components of our national innovation system.

Submission to Irish Energy Research Council's Proposed Energy Vision and Research Strategy for Ireland

The Irish Energy Research Council prepared an Energy Research Strategy for Ireland which was submitted to the Minister for Communications, Energy and Natural Resources, Eamon Ryan, TD. The Minister invited consultation and debate on the challenges identified and directions proposed in the Energy Research Strategy before coming to a view on the appropriate policy choices in this area. Forfás prepared a submission to the Strategy on behalf of Forfás, IDA Ireland, Enterprise Ireland and Science Foundation Ireland.

It is suggested that the Energy Research Strategy for Ireland should be driven by national socio-economic and enterprise needs; the necessity to integrate the four energy pillars (cost competitiveness, security of supply, environmental sustainability and climate change); and the proposed five research activities outlined in the Council's document.

A national Energy Research Strategy can accelerate an increase in research and expert capability and capacity by smart adoption and adaptation of existing technology including the establishment of strategic research alliances outside Ireland. It is essential that the Energy Research Strategy for Ireland is aligned with the EU and other national research policies and research strategies.

People

People are Ireland's most important competitive advantage. Continued strategic investment in the development of our people is essential to our economic success. A flexible education and training system that fulfils the potential of the people who live and work in Ireland must be at the very heart of our enterprise policy.

Forfás continues to support the development of Ireland's people, particularly in the key areas of maths, science and engineering which are critical for a wide range of sectors and future employment opportunities. It also continues to support the implementation of the *National Skills Strategy* through the work of the Expert Group on Future Skills Needs, the Management Development Council and the Discover Science & Engineering programme.

Expert Group on Future Skills Needs

The Expert Group on Future Skills Needs (EGFSN) advises the Irish Government on the skills needs of the economy and on other labour market issues that impact on Ireland's enterprise and employment growth. It has a central role in ensuring that labour market needs for skilled workers are anticipated and met.

Forfás provides the Group with research and secretariat support and the Group's work programme is managed by the Head of Secretariat based in Forfás. The FÁS Skills and Labour Market Research Unit provide the Group with data, analysis and research, and manage the National Skills Database.

The Expert Group on Future Skills Needs provides advice to Government on skills issues impacting enterprise through:

- Skills foresight and benchmarking;
- Strategic advice on building skills through education and training;
- Data collection and analysis on demand and supply of skilled labour; and
- Influencing and monitoring implementation

During 2008 the EGFSN worked on:

- All-Island Skills Study and Conference
- Statement on the Importance of Raising National Mathematical Achievement
- Future Requirement for High-level ICT Skills in the ICT Sector
- Future Skills Needs of the Irish Medical Devices Sector
- Financial Services - Progress on Implementation
- Report on Skills for Creativity, Design and Innovation
- FÁS Skills and Labour Market Research Unit
- National Skills Strategy

All-Island Skills Study and Conference

A comprehensive study on the all-island economy commissioned by the British-Irish Intergovernmental Conference in 2006 emphasised the benefits of working together in a coordinated way to ensure that sufficient and appropriate skills are in place across the Island to encourage sustained growth. In response, the Northern Ireland Skills Expert Group and the Expert Group on Future Skills Needs, agreed to work together on an *All-Island Skills Study* in 2008.

Its purpose was to:

- Extend the understanding of skills demand across the Island of Ireland; and
- Provide a comprehensive picture of all-island skills demand which forms an evidence base for future partnership and effective working between the two skills expert groups.

The study was launched at the first All-Island Skills Conference held in Letterkenny and Derry on the 8 and 9 October 2008 attended by over 200 delegates. The Tánaiste, Mary Coughlan TD, Minister for Enterprise, Trade and Employment and Sir Reg Empey MLA, Northern Ireland Employment and Learning Minister made the opening address and were joined by senior politicians and business people from North and South.



At the first All-Island Skills Conference in the Letterkenny Institute of Technology are Sir Reg Empey MLA, Employment and Learning Minister and Mary Coughlan, TD, Tánaiste and Minister for Enterprise, Trade and Employment.

The *All-Island Skills Study* highlights the links between skills and economic performance in terms of improving productivity, competitiveness and innovation. It outlines the broad outlook for the structure of skills demand on the island and points towards a higher skill profile of the workforce. Meeting this challenge will help sustain the future competitiveness of the all-island enterprise base and maximise the employment opportunities for individuals.

The study highlights several potential areas of future joint working that would help North and South realise their closely aligned future skills ambitions. These are:

- Enhanced utilisation of our educational, training and research expertise;
- Sharing good practice; and
- Building up knowledge of skills demand in potential high growth sectors across the island.

Importance of Raising National Mathematical Achievement

The EGFSN *Statement on Raising National Mathematical Achievement* was published in December 2008. The core message of the statement is that a national strategic approach is required to improve the level of our national mathematical achievement in terms of both quality and numbers. The challenging vision is for Ireland to become one of the top OECD countries in terms of mathematical proficiency. This would mean moving up from our current position of 16th out of 30 OECD countries for mathematical proficiency among 15 year old students.

Mathematics is important because it underpins many other disciplines including science, technology and business. It is essential for sectors with growth potential such as ICT, life sciences, high-value engineering, business and professional services. However, a relatively low proportion of students (17 per cent) take Higher Level Leaving Certificate mathematics and around 5,000 students did not achieve a level D or higher in Leaving Certificate maths in 2008. From an enterprise perspective, there is a vital need for improved mathematical proficiency in order to foster a knowledge-based innovation driven economy.

The statement gives profile to valuable work underway to improve mathematics proficiency (such as within the Project Maths initiative), highlights key issues affecting our level of mathematical achievement and provides a set of complementary policy proposals with the aim of increasing the level of our mathematical achievement.

Each policy proposal is an integral part of a broad set of measures that need to be implemented in a coordinated way. They can be summarised as follows:

- Provide professional development and recognition to maths teachers at primary and secondary level;
- Develop a more interactive, imaginative approach to teaching mathematics;
- Develop a more coherent progression of mathematics learning;
- Support the parents' role in their children's maths education;
- Incentivise students to take maths at Higher Level;
- Address the maths knowledge needs of adults in the workplace; and
- Benchmark and evaluate national maths education performance.

Future Requirement for High-Level ICT Skills in the ICT Sector

The EGFSN report *Future Requirements for High-level Skills in the ICT Sector* was published in June 2008. Its aim is to determine the future requirements for high-level ICT skills in the sector over the period to 2013, and to identify the proactive actions required to ensure that the supply of these skills will support its growth potential.

The ICT sector here currently employs around 70,000 people in high value added activities. The upturn in the ICT sector since 2001 has been underpinned by the emergence of new Irish-owned start-up companies and by continued inward investment. The report identifies several challenges facing the industry including a need to increase the domestic supply of graduates with high-level ICT skills. This should be seen against the background of a global shortage of high-level ICT staff with many countries facing similar challenges.

The EGFSN proposes a number of actions to be implemented in the short, medium and long term to ensure that the future skills needs of the ICT sector will be met. The recommendations will help to ensure that the required quality, quantity and diversity of high-level ICT skills are available. While the recommendations are designed to support the high-skill needs of the ICT sector, several will have a positive effect on adjacent sectors, and support the wider agenda on skills for enterprise. The successful implementation of these recommendations will require a collaborative approach between the many stakeholders involved.

The main measures that the recommendations focus on are:

- A strategic approach towards communicating career opportunities and skills needs;
- Broadening the base of recruits for high-level ICT courses;
- Improving intake at undergraduate level;
- Ensuring third-level courses reflect the skills mix/diversity of ICT business;
- Improving intake from third level into the ICT sector;
- Supporting computing and electronic engineering capacity; and
- Adopting proactive labour market strategies.

Despite current economic challenges the Group feels that the long-term outlook for this sector remains strong.

Launching the EGFSN ICT report are Batt O’Keeffe, Minister for Education and Science, Anne Heraty, former Chairperson, EGFSN, Mary Coughlan, TD, Tánaiste and Minister for Enterprise, Trade and Employment and Martin Shanahan, Manager, Science, Technology and Human Capital Division, Forfás.



Future Skills Needs of the Irish Medical Devices Sector

The EGFSN report, *Future Skills Needs of the Irish Medical Devices Sector*, was published in February 2008. Its aim is to assess the skill requirements at all levels of the Irish Medical Devices Sector over the period 2007-2013 and to put forward recommendations to ensure that these needs are met.

Ireland is an important centre of the global medical devices industry. In recent years, investment from overseas has grown rapidly, particularly in manufacturing and research and development.

Sales by medical devices companies in Ireland are about €6 billion per annum and employment has grown to nearly 24,000. Overseas owned companies account for 90 per cent of employment.

A continuous focus on ongoing innovation is key for the industry to thrive and renew itself. Globally, the sector is employing more ICT and pharmaceutical technologies. Ireland is well equipped to undertake R&D and production operations incorporating these technologies.

The study makes several recommendations to underpin the future growth and development of the industry in Ireland. Their implementation will require collaboration by many stakeholders in industry, academia, state bodies and expert organisations. The focus of the skills strategy for the medical devices sector is on:

- Building operational excellence;
- Driving innovation in products and processes;
- Increasing entrepreneurial activity;
- Developing professional and specialist skills;
- Meeting opportunities that will be afforded by technological convergence; and
- Developing industry networks between professionals and managers involved in the medical devices sector.

Financial Services - Implementation

Following the recommendations of the EGFSN report on International Financial Services (IFS), Forfás took part in the IFS Clearing House Group Subgroup on Skills during 2008, which brought forward immediate action to address the findings. The result of this work is the FINUAS initiative.

FINUAS is a new programme dedicated to specialised training within the international financial services sector, which is jointly funded by the government and by companies within the sector.

The objective of FINUAS is to upskill current and future employees in the international financial services industry in order to sustain and increase market growth, exports, employment and investment, and thereby enable the industry to make a significant contribution to national economic success. This strategy has two complementary goals. In the shorter term, it aims to sustain existing growth in the industry by upgrading the skills of the current workforce and addressing any current skills gaps through a new training networks initiative. In the longer term, it aims to develop an expanded pool of labour with new capacity in those high-value skills which are necessary to underpin and retain a national competitive advantage.

Skillnets has been appointed by the Department of Enterprise, Trade and Employment as the managing agent for this training networks initiative. €2.5m has been allocated in 2009 from the National Training Fund and it is expected that the networks funded under this initiative will commence in mid 2009.

Report on Skills for Creativity, Design and Innovation

This EGFSN report addresses Ireland's need for skills in creativity, design and innovation. Skills in creativity, design and innovation are key drivers of productivity improvement. Most productivity improvement arises from new or improved products, services and business processes, which allow businesses to create more value from the efforts of each employee.

While skills relating to specific occupations and industries are often important for innovation, the report looks at cross-cutting skills that apply across occupations and across many industries. The report complements existing work by the EGFSN on specific industries and specific occupations. It also builds on existing work on generic skills, upskilling and lifelong learning, all of which contribute to creativity and capability to be innovative.

In its treatment of creativity and design, the report focuses particularly on their role as drivers of innovation.

The report will be published in mid 2009.

FÁS Skills and Labour Market Research Unit

During 2008 Forfás continued to work closely with the FÁS Skills and Labour Market Research Unit which operates the National Skills Database on behalf of the EGFSN. Both organisations have worked with relevant stakeholders to identify and develop useful sources of data which help build a profile of Ireland's current and future skills capability.

FÁS published two annual reports on behalf of the EGFSN:

- The *National Skills Bulletin 2008* provides a detailed overview of the Irish labour market in terms of employment trends by sector and occupation and latest statistics on outputs in education and training; and
- *Monitoring Ireland's Skills Supply: Trends in Education/Training Output 2008* provides an indication of the supply of skills to the Irish labour market from the formal education and training system.

Forfás Activities: People

The National Skills Strategy

In March 2008, Minister for Lifelong Learning, Sean Haughey, TD, established an Inter-Departmental Committee (IDC) with responsibility for drawing up an implementation plan for the *National Skills Strategy*. Forfás has provided support to the IDC in the form of technical analysis and policy advice.

This input from Forfás centred on the *National Skills Strategy* target to upskill an additional 500,000 people within the workforce over the lifetime of the strategy (2020).

Forfás produced three papers to inform the IDC:

- **Common characteristics of individuals according to level of educational attainment.** The purpose of this paper is to build a profile of the most common characteristics of individuals within the current workforce according to level of educational attainment.

This aims to assist in identifying target cohorts for upskilling at various levels of qualifications. Variables include gender, age, socio-economic background, sector, occupation, earnings, nationality, participation rate, employment status and region.

This document covers all levels of educational attainment on the National Framework of Qualifications (NFQ) Levels 1 to 10.

- **Indicative estimates for increases in participation required to achieve the upskilling objectives of the *National Skills Strategy* (Based on FETAC Data, NFQ Levels 3-6)**
This document provides indicative annualised targets of the increases in participation in further education and training required out to 2020 to meet the *National Skills Strategy* upskilling targets. The objective of this paper is to guide the IDC on how much participation in further education and training is needed to increase from current levels on an annual basis to 2020.
- **Analysis of FETAC 2007 awards by field of learning and training centre type**
The purpose of this paper is to examine current provision and participation in further education and training based on FETAC Awards at NFQ Levels 3-6. The objective is to establish what type of sectors people are currently training for and who is providing training for them. This provides the IDC with an indication of where current participation in further education and training is concentrated.

Migration

Forfás continues to provide advice to the Department of Enterprise, Trade and Employment on economic migration policy. Advice in 2008 covered issues relating to the:

- Categories of economic migrants required given the changing labour market trends;
- Ability of the EU-25 labour force to provide Ireland's skills needs; and
- Potential future impact of economic migration from Bulgaria and Romania.

The Management Development Council

Arising from the recommendations of the Small Business Forum and the EGFSN, the Management Development Council (MDC) was established in 2007 to advise Government on the adequacy and relevance of management development provision in Ireland and to build awareness of the need to upgrade leadership and management skills in the small and medium sized business sector. Forfás provides research and secretariat support to the Council.

Under the Chairmanship of Prof. Frank Roche, Deputy Principal, UCD College of Business and Law and Director of UCD Michael Smurfit Business School, the Council has been working to:

- Establish the profile, adequacy and relevance of management development provision in Ireland;

- Identify good practice in management development provision in Ireland and internationally, and examine how such models could be extended or rolled out nationally;
- Develop action plans to close identified gaps in management development provision in Ireland;
- Promote the development of a coordinated approach to building awareness in the SME sector of the value of upgrading leadership and management skills.

Having completed significant research in 2008 the Council will report to Mary Coughlan, TD, Tánaiste and Minister for Enterprise, Trade and Employment on its proposals for SME Management Development in 2009.

All-Island Benchmarking of Management Practice

Forfás and the Management Development Council, in conjunction with the Department of Employment and Learning, Department of Enterprise, Trade and Investment in Northern Ireland and InterTrade Ireland, commissioned research into management practices in the Republic of Ireland and Northern Ireland.

Undertaken by McKinsey & Company, the objective of the research was to:

- Examine the current levels of managerial skills in manufacturing and tradable services sectors and benchmark these with international comparisons;
- Analyse and identify the factors that account for any differences in the level of managerial skills in Northern Ireland and the Republic of Ireland, when compared to the UK and other international comparators; and
- Identify areas of weakness in the management practices of manufacturing and tradable services firms, and indicate where targeted improvements could increase firm performance.

This analysis has now been completed and the final all-island report is due to be published in 2009. This report will inform the ongoing work of the Management Development Council.

Discover Science & Engineering

The Discover Science & Engineering (DSE) remit as the national science awareness programme was expanded to include mathematics, in the Government's strategic policy document, *Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal* in December 2008. It stated that "we will promote study in priority areas through Discover Science & Engineering which will now assume a role in maths"

DSE is managed by Forfás and it brings together many science and engineering awareness activities that were previously managed by different public and private bodies. DSE aims to build and expand on these activities and to deliver a focused, strategic and quantifiable awareness campaign. DSE's overall objectives are to:

- Increase the number of students studying the physical sciences and mathematics;
- Promote a positive attitude to careers in science, technology, engineering and mathematics; and

- Foster a greater public understanding of the physical sciences, engineering and mathematics and their value to Irish society.

During 2008 the activities of DSE fell into the following areas:

- General Awareness
- Primary Level Science
- Second Level Science

General Awareness

Science Week Ireland

Science Week Ireland is one of the biggest events in the DSE calendar. *Science Shaping Our World* was the theme of Science Week 2008. Approximately 500 events were held nationwide in schools, colleges, universities and libraries.

As part of its overall coordination role for Science Week, DSE provides road shows to venues across the country and in 2008 organised over 80 shows. The Science Week Lecture Series took place in the Science Gallery, Trinity College Dublin and the topics included special effects in the world of TV and movies, robotics and commercial space travel.

A new Science Week Corporate Partners Programme was developed in 2008. Companies from various industries were invited to participate in science outreach. Indigenous and multinational companies participated united by their interest in promoting science, engineering and technology to young people and the general public.



Pictured at the launch of Science Week Ireland 2008 is Ciara Glynn from Mary Help of Christians Girls National School, Navan Road, Dublin with two Thorny Devil stick insects at the Science Gallery in Trinity College Dublin.

Television

During 2008, DSE continued to provide stories and footage to television news desks of scientific and engineering developments and events. Film clips are also used as video content across the DSE websites.

DSE Online and User Generated Content

Research indicates that the social networking environment appears an effective way to reach our target audience. It is a concentrated environment that facilitates innovation and creativity and is growing in popularity.

DSE increased its focus on reaching young people through user-generated web content tools in 2008 and has developed these tools to encourage young people to participate in projects such as SciFest. SciFest is a one day science fair held regionally in the Institutes of Technology and is open to all second level students. It aims to encourage an interest in science through an investigative approach to learning. SciFest is jointly funded by Intel and Discover Science & Engineering and is also supported by a number of other partners. The project creates a valuable link between the second and third level education sectors and between education and industry.

Discover Science Careers

Discover Science & Engineering is a key sponsor and coordinator of the science and technology sectors on www.careersportal.ie. Careers Portal is a dedicated careers website for Ireland which was launched in 2008. The website profiles all employment sectors in Ireland and is a resource for school students, college graduates and those considering a mid-career change.

The Science Ambassador Programme was launched in 2008 and now has 46 members nationwide. Its aim is for young qualified scientists and engineers to inform other young people considering a career in science, engineering and technology and to show how a qualification in these areas is a launching pad to an exciting and varied career. The Science Ambassadors are featured online on www.careersportal.ie and on the careers section of www.science.ie. In addition, the Ambassadors carried out volunteer work at science outreach events such as the BT Young Scientist Exhibition, Science Week in Cork and SciFest.

BT Young Scientist Exhibition

DSE is a sponsor of the BT Young Scientist and Technology Exhibition held in January each year. The theme for the DSE exhibit at the 2009 Exhibition was *Engineering Energy*, which highlighted energy issues facing all of us and demonstrated a number of solutions provided by engineering, such as wind and marine turbines and solar and photovoltaic technologies. The Engineering Energy House was used to personalise the energy challenges facing Ireland. Over 3,500 young people and their parents visited the Energy House and DSE also hosted several interactive workshops in parallel.

National Ploughing Championships

DSE exhibited at the National Ploughing Championships for the second time in September 2008. The DSE exhibit included information stands on Discover Primary Science, Science Week and careers information in conjunction with partners STEPs to Engineering. The Science Theatre had science and bubble shows running throughout the day and this was complemented by a DrawBots workshop in which visitors made a simple drawing robot.

It is estimated that over 20,000 young people and their parents participated in DSE activities over the three days.

Primary Level Science

Discover Primary Science

The Discover Primary Science programme (DPS) was active in 3,023 primary schools in 2008 (90 per cent of primary schools) and 3,774 teachers participated in DPS. The programme works directly with teachers and students to develop scientific skills through interactive science based activities. Children are invited to submit projects to the annual Awards of Science Excellence. The 2008 Awards received entries from 654 schools, up from 494 in 2007. DPS plans to pilot an elective science module for teacher education in collaboration with Froebel College in 2009.

Greenwave

The Greenwave project is targeted at primary school children and involves the observation and recording of the springtime arrival of different species into Ireland and the budding of the Horse Chestnut and Hawthorn trees. The observations are recorded online by young people throughout the country at www.greenwave.ie. In 2008 the project included the physical measurement of daily noon temperatures using thermometers supplied by DSE. In 2009 our partner, Met Éireann, will support the project to include the physical measurement of rainfall.



Fionn Dennehy from St. Pius X Boys National School, Terenure, Dublin at the launch of the 2008 Awards of Science Excellence.

Second Level Science

Discover Sensors

Discover Sensors is the key focus of DSE programmes for second level students. It is a partnership programme with Second Level Support Services (SLSS), the National Centre for Technology in Education (NCTE), the National Council for Curriculum and Assessment (NCCA) and the regional education centres. Discover Sensors supports the use of sensor technology in hands-on scientific investigations by Junior Cert science students and currently involves 190 participating schools throughout Ireland.

Discover Sensors provides continual professional development to support the teachers of Junior Cert science classes. This includes a series of workshops for teachers delivered through the Education Centre network and in-class support sessions.

Project Blogger

Aimed at second level students, Project Blogger, www.projectblogger.ie, provides students with a web space to create their own science blogs and share their experiences in science with classmates from their own school and other schools around Ireland. Science blogs can range from curriculum experiments to transition year experiments, Scifest, BT Young Scientist, science construction projects or even just a science conversation. Project Blogger is a useful way of collecting and storing science project videos, ideas, pictures, graphs and thoughts.

Evaluation of the Discover Science & Engineering Awareness Programme

At the request of the Department of Enterprise, Trade and Employment, a strategic evaluation was undertaken of Discover Science & Engineering (DSE) with the objective of ensuring that DSE is best able to reach its stated objectives in line with government policy.

Following assessments of DSE's operations, management and governance, and a wide consultation with stakeholders, Forfás asked an international panel of experts in science awareness and education to review the programme.

The main findings of the international panel were that DSE is playing an important role in encouraging young people to study science and technology and that it represents good value for money. DSE should continue to focus on its unique role as an evidence-driven programme that specialises in the development of new initiatives that deliver the best possible quality of science teaching and public engagement with science.

The international panel recommended that as maths is fundamental to science, technology and particularly engineering occupations, it should be prioritised as an area for Government investment.

The panel also recommended that DSE:

- Increase its involvement at second level. In doing so, DSE should concentrate on piloting new projects that support the delivery of the curriculum;
- Further increase its involvement in promoting careers in science, technology, engineering and maths (STEM);
- Take into account that substantial gender differences exist in young people's attitudes to STEM; and
- Encourage increased participation among those groups that are currently underrepresented among those that study science and technology.



Pictured at the presentation of the *Evaluation of the DSE Awareness Programme* to the Minister are (l-r) Peter Brabazon, Director, DSE; Dr Jimmy Devins, TD, former Minister for Science, Technology and Innovation; and Prof. Graham Formello, Chairman, Independent Review Panel.

Forfás and the Department of Enterprise, Trade and Employment will use the outcomes of the evaluation for policy development and implementation within the framework of the Government's SSTI and to inform the development of a new strategy for DSE.

Sustainability

Sustainability is a key policy priority. This encompasses our ability to continue to achieve economic gains while ensuring that our enterprise activities do not impact negatively on the physical environment.

During 2008 Forfás identified a range of infrastructure challenges facing our enterprises and the opportunities for enterprise in the environmental/energy goods and services sector. We have worked on policy advice to ensure that Ireland continues to provide a supportive environment for enterprise including benchmarking Ireland's performance against other environmental infrastructures and services such as waste management and water services.

Long Term Framework for Energy Policy

In 2008, Forfás developed a long term framework for energy policy. The formulation of energy policy in Ireland is complicated by potentially conflicting objectives - cost competitiveness, security of supply, sustainability and climate change. When combined, these four pillars create an energy 'Tetralemma' which can be used as a comprehensive framework for the formation of long-term energy policy in Ireland.

This framework allows for assessment of the trade-offs between these objectives over the period to 2030. The analysis indicates while fossil fuel based energy resources are the least attractive from a sustainability perspective, they will continue to provide the lowest cost delivered energy over the coming decades. Developments in renewables technologies will continue to improve its viability from a cost perspective, with the main benefit being in terms of addressing climate change objectives. Nuclear is a viable option from a cost competitiveness, security of supply and sustainability perspective and merits further assessment.

Energy Related Goods and Services

Forfás completed an assessment of the opportunities for Ireland within the Energy Related Goods and Services sector, matching international trends in investment to technological advances and domestic capabilities.

In Ireland decisions made on energy policy will provide the operating context for businesses in Ireland over the next 20 years.

A number of priority areas have emerged including ICT control systems for energy efficiency, eco-construction, carbon trading and green technology investment. For these opportunities to be taken improvements are required to the framework conditions of skills, regulation, public procurement and R&D. Forfás will continue to work with the development agencies and government departments to forge a common understanding of this emerging sector. In particular the findings will act as input into the High Level Group on Green Enterprise, which will report to government with an action plan during 2009.

Environmental Goods and Services Sector on the Island of Ireland

This study, developed by Forfás and InterTrade Ireland, mapped the current state of the Environmental Goods and Services (EGS) sector in Ireland, the opportunities for the sector and the supports and framework conditions required to assist companies.

It found that the EGS market is significant and growing. While a large proportion of EGS companies are trading locally, some companies have moved to realise opportunities in emerging international markets. Our strong ICT base, green credentials and past experience in attracting FDI should be to our advantage in attracting foreign direct investment in this sector.

The sub-sectors identified with the greatest potential are:

- Renewable Energies
- Efficient energy use and management (including eco-construction)
- Waste management, recovery and recycling
- Water and waste water treatment
- Environmental consultancy and services

The report sets out a range of recommendations to enhance the development of this sector. A key outcome of this work has been the establishment of a High Level Action Group on Green Enterprise with a mandate to report back to Cabinet with an action plan for taking advantage of the opportunities identified by this piece of work. Forfás will provide the secretariat for this High Level Action Group.

EU Climate Change Policy

Throughout 2008 Forfás has been working closely with the Department of Enterprise, Trade and Employment and other relevant stakeholders to optimise EU climate change policy for enterprise in Ireland.

In January 2008 the EU Commission announced a new set of policy proposals to counteract climate change. The announcement set a precedent by allocating highly ambitious targets for greenhouse gas emission reductions for both the trading sectors (those engaged in the EU Emissions Trading Scheme (ETS)) and, for the first time, the non-trading sectors in the EU. During the final months of 2008, the EU Council undertook intensive work to finalise the proposals and achieve agreement on a climate change package acceptable to all Member States.

Forfás expressed concerns that the proposed EU climate change package could be particularly damaging to certain sectors, and has focused its efforts during 2008 on making a strong case, based on empirical evidence, that some revisions to the proposals should be made to avoid placing these sectors at a significant competitive disadvantage compared to those outside the EU that are not subject to climate change agreements.

The EU Commission uses the term ‘carbon leakage’ to describe the process by which their proposals may result in certain vulnerable energy and trade intensive industries being placed in a less competitive position, and potentially forced to relocate to non-EU countries where production processes are less carbon efficient, thereby resulting in a net rise in global emissions. The Commission has focused the negotiations on ways to ameliorate the carbon leakage problem at Community level.

Forfás analysis indicates that key vulnerable sectors (e.g. food and drink) should qualify for carbon leakage status. Forfás will continue to monitor development of the EU ETS and provide analytical support to DETE, where appropriate, on issues arising.

Waste Management

The availability of waste management services and facilities and the associated costs continue to be a competitiveness issue for enterprise in Ireland. In 2008, Forfás updated its waste management benchmarking assessment and highlighted the policy actions that need to be prioritised to ensure that Ireland meets the waste management needs of enterprise now and in the future. Under the *National Development Plan* (NDP), it was envisaged that investment in waste infrastructure would be provided primarily by the private sector. However, current uncertainty about the future direction of Irish waste management policy is inhibiting private investment in waste infrastructure.

The waste policy actions that need to be prioritised are:

- The creation of policy and regulatory certainty in the waste sector to incentivise private investment in waste infrastructure. In particular, the issue of the potentially conflicting role of the local authorities as both service or infrastructure providers and as regulators of the sector needs to be addressed
- Waste policy which sends the appropriate price signals to the private sector to support national competitiveness objectives in the short and medium term, while also ensuring that Ireland meets its environmental obligations. In particular, Ireland needs to ensure that further increases in the landfill levy are not introduced until adequate new alternative waste treatment facilities are operational. It is also critical that we assess what measures are required to ensure that alternative waste treatment options in Ireland are competitively priced and not determined by landfill costs which are among the three most expensive of the benchmarked countries
- The coordination of regional waste management plans at national level to attract investment in waste infrastructure in a way that maximises economies of scale and competition, and enables the market to pass on the benefits to businesses and householders
- Specific infrastructures that need to be developed include:
 - Thermal treatment capacity to recover energy from municipal and industrial waste;
 - Thermal treatment or landfill capacity for hazardous waste;
 - Biological treatment (composting, anaerobic digestion) throughout Ireland; and
 - Reprocessing capacity for recovered materials (e.g. paper, glass and plastic recycled materials).

Assessment of Water and Waste Water Services for Enterprise

In 2008 Forfás undertook an assessment of Ireland's performance in meeting the water and waste water needs of enterprise within the designated gateways and hubs under the *National Spatial Strategy* (NSS).

The provision of adequate and affordable water and waste water services is necessary to ensure the sustained growth and development of enterprise. Access to secure and competitively priced water supplies of appropriate quality is central to the delivery of these services. Adequate waste water treatment capacity is essential for environmental sustainability.

The Forfás report recommends a number of actions including:

- Prioritising future water and waste water investment programmes to ensure service deficits do not arise in the gateway or hub towns. Funding should also be targeted at reducing high levels of unaccounted for water levels.
- Move to a river basin district basis of water provision services to maximise potential economies of scale, both in the building of infrastructure and the operation and delivery of services, and develop a long term strategic approach to water services policy and planning at national level.
- Introduce greater transparency and consistency on how the cost of water and waste water services are calculated by local authorities. It is currently not possible to determine if water charges for business fully reflect the cost of provision.
- In relation to quality, a customer charter including service level guidelines should be developed and monitored by the Department of Environment, Heritage and Local Government to ensure a consistent approach across local authorities.

Forfás recommendations on priority locations for investment have been reflected in the Government's Green Budget.

Irish National Accreditation Board

(INAB)

About INAB

The Irish National Accreditation Board (INAB) is Ireland's national organisation within a European network of accreditation organisations. INAB assesses certification bodies, laboratories and inspection bodies for conformity against internationally harmonised standards to provide assurance that these bodies demonstrate competence and performance capability in carrying out their work.

Accreditation plays an important role in guaranteeing the access of Irish products and services to both EU and worldwide markets. The demand for accreditation has increased significantly in recent times as national regulators continue to rely on conformity assessment as a mechanism to support the implementation of legislation and assure competence.

INAB's membership of international agreements ensures that accredited certificates and test results produced in Ireland are acceptable worldwide. This reduces technical barriers to international trade. INAB is a signatory to the multilateral agreements (MLAs) for Europe through the European cooperation for Accreditation (EA) and worldwide through the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF).

INAB Functions

INAB has five distinct functions, each operating to specific European and international standards and/or regulations.

- Laboratory Accreditation
- Accreditation of Certification Bodies
- Accreditation of Inspection Bodies
- Good Laboratory Practice
- National Competent Body for the EU Eco Management and Audit Scheme (EMAS)

Laboratory Accreditation

Testing and Calibration to ISO/IEC 17025:2005

Laboratory accreditation to ISO/IEC 17025:2005 granted by INAB provides a formal recognition of the competence of a laboratory to perform specific tests. During 2008, INAB carried out 115 onsite inspections of accredited/applicant laboratories within the Laboratory Accreditation Programme which resulted in the maintenance of 97 laboratory accreditations, the award of accreditation to eight new laboratories and the award of extensions to scope across a range of disciplines.

Medical Laboratory Accreditation to ISO/IEC 15189:2007

INAB maintained five medical laboratory accreditations to the international standard ISO/IEC 15189:2007 during 2008. Furthermore, in continuing to support the requirements of the Department of Health and Children and the Irish Medicines Board for accreditation to ISO 15189 in the health sector, arising from national legislation for medical laboratories and developments in hospital services accreditation generally, INAB carried out 61 onsite inspections to applicant and accredited organisations and awarded accreditation to ISO/IEC 15189:2007 to 14 hospital laboratories in 2008. In addition, INAB received a further 37 applications for accreditation from this sector during 2008 which makes it the area of greatest growth in demand for accreditation.

Accreditation of Certification Bodies

INAB accredits certification bodies operating product certification, management systems certification and certification of persons. It also accredits certification bodies for environmental management systems (EMS) certification to EMAS - the EU Eco Management and Audit Scheme.

These certification bodies, in turn, certify organisations to the ISO 9000 series of standards (quality management systems); to ISO 14001 (environmental management systems); to I.S. 393 (energy management systems); to ISO 27001 (information security management); and certify products and persons and verify greenhouse gas emissions under INAB accreditation.

INAB carried out 55 onsite inspections of accredited/applicant certification bodies during 2008.

Greenhouse Gas Emissions Trading Scheme

INAB, in cooperation with the Environmental Protection Agency (EPA), established and implemented an accreditation programme in 2006 to underpin the implementation of the EU Greenhouse Gas Emissions Trading Scheme set out in European Directive 2003/87/EC. This Directive takes into account the commitments established under the Kyoto Protocol and the accreditation scheme provides Irish industry and the regulator with a useful tool to verify compliance with the Directive. The scheme is now entering Phase II and has been extended to a wider range of activities and revised to provide for a more efficient mechanism to meet EU Kyoto commitments. INAB currently maintains accreditation of two certification bodies for verification of greenhouse gas emissions.

Management Systems Certification

Sustainable Energy Ireland (SEI) has operated an Energy Agreements programme since 2006 based on the Irish Energy Management Standard I.S. 393:2005, for large energy-intensive enterprises. This Energy Management Standard is a tool for organisations to take a systematic approach to the continual improvement of energy performance with a consequent reduction in energy costs. Organisations adopting I.S. 393:2005 require third party certification bodies to confirm that they are operating in compliance with the standard. The accreditation scheme for energy management system certification to I.S. 393:2005 was first implemented in 2007 and in 2008, INAB awarded accreditation to ISO/IEC 17021:2006 to a second certification body for this activity. It is anticipated that both a European and international standard for energy management systems will be introduced in 2009.

In addition, INAB maintained one certification body as a certification service provider (CSP) for the E-commerce Accreditation Scheme in support of the EU Directive on e-commerce. In 2008 INAB also maintained a further four certification bodies for quality management system certification and one certification body for environmental management systems certification.

In 2008, INAB offered accreditation for the certification of health and safety management systems to ISO 18001 and certification to the food safety management system, ISO 22000.

Product Certification

Food product certification continues to be a significant growth area of national importance. Irish food producers supplying the UK market are required by British food retailers to have their food products certified to the British Retail Consortium (BRC) specification. In addition, Irish food producers supplying to international markets are also required by food retailers to have their food products certified to meet EUREPGAP/GLOBALGAP requirements.

In 2008, INAB maintained and extended accreditation for three certification bodies providing food quality assurance schemes for food products to international requirements, as well as national food quality assurance schemes, such as the Bord Bia and Bord Iascaigh Mhara schemes. Food product certification will continue to be a growth area for INAB for the foreseeable future.

The Department of Agriculture and Food has specified INAB accreditation for certification of organic farming activities in Ireland, in accordance with the EU Directive on Organic Farming and INAB received two applications from certification bodies for this scheme in 2008.

The Private Security Authority issues licences for a range of security activities including cash-in-transit and the installation of intruder alarms. Licences are issued to organisations which have been certified by an accredited certification body. In 2008, INAB awarded its first accreditation to EN 45011 to a certification body for intruder alarm installations.

Accreditation of Inspection Bodies

INAB accredits bodies whose work include the examination of materials, products, installations, plant, processes, work procedures or services and the determination of their conformity with requirements and the subsequent reporting of results of these activities. In 2008 INAB accredited one new inspection body in the area of radiological inspection and maintained a further eight inspection body accreditations. Extensions to scope to existing accredited inspection bodies were awarded in the areas of food and engineering inspections.

During 2008 INAB carried out 15 onsite inspections of accredited/ applicant inspection bodies.

Good Laboratory Practice

INAB is the national monitoring authority for the inspection and verification of Good Laboratory Practice (GLP) under S.I. No.4 of 1991 European Communities (GLP) Regulations. At the end of 2008 four test facilities held GLP Compliance Statements under this programme. Two on-site inspections of compliant GLP facilities were carried out in 2008.

National Competent Body for EMAS

INAB is the designated competent body in Ireland for the registration of sites participating in the EU Eco Management and Audit Scheme (EMAS). During 2008 INAB maintained six organisations registered to EMAS, which had their environmental management systems verified by accredited EMAS verifiers in accordance with the Eco Management and Audit Scheme set out in Regulation (EC) No. 761/2001 of the European Parliament and the Council. INAB received one application for registration for this scheme in 2008.

EU Legal Framework for Provision of Accreditation Services

The Council of the European Union and the European Parliament has agreed an EU Regulation (765/08) that will, for the first time, provide a legal framework for the provision of accreditation services across Europe. The Regulation sets out the requirements for accreditation and market surveillance relating to the marketing of products. The Regulation, formally adopted on 9 July 2008, takes effect from 1 January 2010 and applies to accreditation of laboratories, inspection bodies and certification bodies providing accredited conformity assessment services either on a voluntary basis or in support of legislation. It sets out the obligations for Member States, Conformity Assessment Bodies, Accreditation Bodies and the European cooperation for Accreditation (EA).

The Regulation requires member states to recognise accreditation as the preferred means to demonstrate the competence of conformity assessment bodies. The legal framework for the provision of accreditation services established by this Regulation will enhance the confidence in conformity assessment and encourage the mutual recognition of conformity assessment results and certificates.

Multilateral Agreements

INAB maintained its membership of the multilateral agreements (MLAs) for Europe through the European cooperation for Accreditation (EA) and worldwide through the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF).

Communication with Stakeholders

Accreditation awareness and feedback from stakeholders continued to be a priority activity during 2008. Three editions of the INAB newsletter were produced and distributed in 2008 and INAB revised and published an updated brochure outlining accreditation services. In 2008, INAB updated its website with enhanced functionality and search capability and also conducted a two-part survey on accreditation awareness with both INAB clients directly and our clients' customer base.

INAB Board Members 2008



Dr Marie C. Walsh, Chairperson
Former State Chemist, State Laboratory

Dr Fiona Kenny, Vice Chairperson	Consultant Microbiologist, Sligo General Hospital
Dr Nuala Bannon	Inspector, Department of Environment, Heritage and Local Government
Michael Maloney	Director of Horticulture, Bord Bia
Martin O'Halloran	Chief Executive, Health and Safety Authority
Dr John O'Brien⁴	Chief Executive, Food Safety Authority of Ireland
Richard Howell⁵	Agriculture Inspector, Department of Agriculture
Vagn Anderson	Manager of International Affairs, Danish Accreditation Body (DANAK)
Pat O'Mahony	CEO, The Irish Medicines Board
Tom O'Neill	Site Leader, Pfizer, Little Island
Neil McGowan⁶	Regulatory Affairs Executive, Food and Drink Industry, IBEC
Tom Dempsey⁷	(ex-Officio) Manager, INAB
Dr Adrienne Duff⁸	(ex-Officio) Manager, INAB

4 Re-appointed July 2008

5 Retired July 2008

6 Retired December 2008

7 Retired Manager November 2008 and Appointed to INAB Board December 2008

8 From November 2008

Forfás Management and Advisory Councils

Forfás Management

Chief Executive



Martin Cronin

Competitiveness Division



Declan Hughes
Division Manager

Secretary's Office



Michael O'Leary
Secretary &
Human Resources



Martin Craig
Finance



Adrian Devitt
National Competitiveness,
Sustainability &
Infrastructure



Eoin Gahan
Regulation, Trade & Policy
Foresight



Eamonn Kearney
Systems & Facilities

Brian Cogan retired as Executive Director in August 2008.

Tom Dempsey retired as Manager of INAB in December 2008.

**Enterprise and
Regional Policy
Division**



Helena Acheson
Division Manager



Peter Brabazon
Discover Science &
Engineering



Maria Ginnity
Enterprise Policy &
Communications



Andrew Stockman
Tax/Finance Policy &
Enterprise Surveys

**Science, Technology
and Human Capital
Division**



Martin Shanahan
Division Manager



Marie Bourke
Human Capital & Labour
Market Policy



John Dooley
Science Technology & Basic
Research Policy



Karen Hynes
Enterprise Research &
Development Policy

**Irish National
Accreditation Board**



Adrienne Duff
Manager

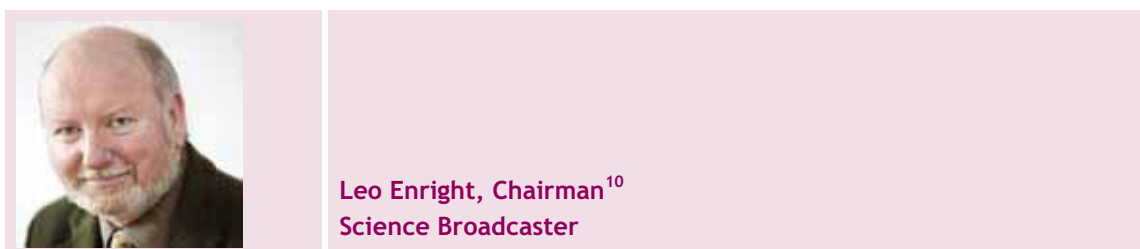
Advisory Science Council



Mary Cryan, Chairman
Cryan Associates

Dr Sean Baker	Independent Consultant and founder of IONA Technologies plc
Bernadette Butler	Managing Director, Good 4U Food and Drink Company
Prof. Dolores Cahill	Professor of Translational Science, Conway Institute, University College Dublin
Martin Cronin	Chief Executive , Forfás
Prof. Anita R. Maguire	Prof. of Pharmaceutical Chemistry, National University of Ireland, Cork
Paul McCambridge	Independent Consultant and former Managing Director and VP EMEA, Xilinx Inc
Prof. Tom McCarthy	Chief Executive, Irish Management Institute
John McGowan	Managing Director, Michael McNamara & Co
Larry Murrin	Chief Executive Officer, Dawn Farm Foods
Dr Reg Shaw	Chair, Health Research Board and former Managing Director, Wyeth Medica Ireland
Prof. Roger Whatmore	Chief Executive Officer, Tyndall National Institute

Discover Science & Engineering Steering Group⁹



Helena Acheson	Divisional Manager, Enterprise and Regional Policy, Forfás
Peter Brabazon	Director, Discover Science & Engineering
John Cahill	Manager of Science and Technology Unit, FÁS
Dr Sheila Donegan	CALMAST, Waterford Institute of Technology
Siobhan Greer	Former Chairperson, Irish Science Teachers' Association
Una Halligan	Government and Public Affairs Manager, Hewlett-Packard
Paul Holden	Managing Director, Rédacteurs
Jerome Kelly	Principal Officer, Department of Education and Science
Bernard Kirk	Director, Galway Education Centre
Mattie McCabe	Director of Secretariat and External Relations, Science Foundation Ireland
Matt Moran	Director, PharmaChemical Ireland, IBEC
Dr Pat Nolan	Office of Science and Technology, Department of Enterprise, Trade and Employment
Dr Siobhan O'Sullivan	National University of Ireland, Cork
John Power	Director General, Engineers Ireland
Frank Turpin	Education Manager, Intel Ireland

⁹ Based on recommendations from the 2008 Evaluation of the Discover Science and Engineering Awareness Programme, conducted by Forfás, a new strategy is currently in development for DSE which will involve a restructuring of the Steering Group.

¹⁰ Leo Enright gave notice of his resignation at the end of 2008. His replacement is pending.

Expert Group on Future Skills Needs



Una Halligan, Chairperson¹¹
Director, Government and Public Affairs for Ireland, Hewlett Packard

Inez Bailey	Director, National Adult Literacy Agency
George Bennett	IDA Ireland
Marie Bourke	Head of Secretariat and Department Manager, Human Capital and Labour Market Policy, Forfás
Ruth Carmody	Assistant Secretary, Department of Education and Science
Liz Carroll	Training and Development Manager, ISME
Muiris O'Connor ¹²	Higher Education Authority
Ned Costello	Chief Executive, Irish Universities Association
Tony Donohoe	Head of Education, Social and Innovation Policy, IBEC
Brendan Ellison	Principal Officer, Department of Finance
Anne Forde	Principal Officer, Department of Education and Science
Roger Fox	Director of Planning and Research, FÁS
Pat Hayden	Principal Officer, Department of Enterprise, Trade and Employment
David Hedigan	Head of Sectoral and Enterprise Development Policy, Enterprise Ireland
Garry Keegan	Director, Acumen
John Martin	Director for Employment, Labour & Social Affairs, OECD
Dermot Mulligan	Assistant Secretary, Department of Enterprise, Trade and Employment
Frank Mulvihill	Former President of the Institute of Guidance Counsellors

¹¹ Anne Heraty resigned as Chairperson of the Expert Skills on Future Skills Needs in March 2009.

¹² Replaced Fergal Costello, Higher Education Authority in February 2009

Dr Brendan Murphy	President, Cork Institute of Technology
Alan Nuzum	CEO, Skillnets
Peter Rigney	Industrial Officer, ICTU
Martin Shanahan	Divisional Manager, Science, Technology and Human Capital, Forfás
Jacinta Stewart	Chief Executive, City of Dublin VEC

Management Development Council



Prof. Frank Roche, Chairman
Deputy Principal, College of Business and Law, UCD

Patricia Callan	Director, Small Firms Association
David Cronin	CEO, Wild Geese Group
Pat Hayden	Principal Officer, Department of Enterprise, Trade and Employment
Briga Hynes	Kemmy Business School, University of Limerick
Martin Lynch	Assistant Director General, Services to Business, FÁS
David Bourke ¹³	Head of Business School, Chambers Ireland
Ivan Morrissey	Business Information Systems IS Laboratory Manager and Lecturer, National University of Ireland, Cork
Alan Nuzum	CEO, Skillnets
Liam O'Brien	Managing Director, BT Business
Liam O'Donohoe	Senior Manager, Client Manager Development Division, Enterprise Ireland
Anne O'Leary	Head of Business and Enterprise Sales, Vodafone Ireland
Sean O'Sullivan	Seabrook Research Limited
Gail Power	UK & Ireland Online Sales and Operations Manager, Google
Eilis J. Quinlan	Managing Director, Eilis J. Quinlan & Co
Eamon Ryan	CEO, Limerick City Enterprise Board
Tim Wray	Registrar, Irish Management Institute

¹³ Replaced Rachel MacGowan, Head of International Affairs, Chambers Ireland in April 2009

National Competitiveness Council



Dr Don Thornhill, Chairman

Rory Ardagh	Telecom Property Holdings Limited
Brendan Butler	Director of Strategy, Trade, EU and International Affairs, IBEC
Donal Byrne	Chairman, Cadbury Schweppes Ireland Limited
Shay Cody	Deputy General Secretary, IMPACT
Martin Cronin	Chief Executive, Forfás
Pat Delaney	Director of Sectors and Regions, IBEC
Clare Dunne	Assistant Secretary, Department of Enterprise, Trade and Employment
Annette Hughes	Director, DKM Economic Consultants
William Prasifka	Chairperson, Competition Authority
Professor Ferdinand von Prondzynski	President, Dublin City University
William Slattery	Executive Vice President and Head of European Offshore Domiciles, State Street International (Ireland)
Paul Sweeney	Economic Adviser, Irish Congress of Trade Unions
John Travers	Consultant and Founding Chief Executive Officer, Forfás and Science Foundation Ireland

Corporate Governance

Forfás was established under the Industrial Development Act 1993 and operates in accordance with the provisions of the Industrial Development Acts 1986 to 2006 and under the aegis of the Tánaiste and Minister for Enterprise, Trade and Employment. Forfás has put in place procedures to ensure compliance with the following specific requirements:

Board Members - Disclosure of Interest

In accordance with Code of Practice for the Governance of State Bodies, Forfás Board Members register their interests in other undertakings with the Secretary on their appointment and during their tenure in office.

Other Obligations under Code of Practice for the Governance of State Bodies

Forfás has put in place procedures to ensure that it complies with the provisions of the Code of Practice for the Governance of State Bodies.

Ethics in Public Office Act, 1995 and Standards in Public Offices Act, 2001

In accordance with the provisions of the Ethics in Public Office Act, 1995 and Standards in Public Offices Act 2001, Forfás Board Members furnish statements of interests each year to the Secretary and copies have been provided to the Commission Secretary, Standards in Public Office Commission.

In addition, Forfás staff members holding designated positions have complied with both Acts.

Freedom of Information (FOI)

With effect from January 2001, Forfás is covered by the provisions of the Freedom of Information (FOI) Acts. These Acts established three new statutory rights:

- A legal right for each person to access information held by public bodies;
- A legal right for each person to have official information held by a public body relating to him/herself amended where it is incomplete, incorrect or misleading; and
- A legal right to obtain reasons for decisions affecting oneself taken by a public body.

Employment Equality Acts, 1998 and 2004

Forfás is committed to a policy of equal opportunities and adopts a positive approach to equality in the organisation.

We operate a number of schemes, providing staff with options in relation to meeting their career and personal needs, such as job-sharing, study leave, educational programmes and career breaks.

Forfás complies with its Statutory obligations under the Equality Acts 1998 and 2004. A policy on the Protection of Dignity at Work is in operation and has been communicated to all staff.

Worker Participation (State Enterprises) Act, 1988

Sub-Board consultative structures have been put in place by Forfás to support the organisation's communications and consultative structure. The Joint Participation Forum is welcomed as a positive process by both management and staff.

Safety, Health and Welfare Act, 2005

In accordance with the Safety, Health and Welfare at Work Act 2005 and the Safety, Health and Welfare at Work Act (General Applications) Regulations 2007, Forfás has prepared a safety statement that encompasses all the aspects affecting staff and visitor welfare. This was updated in 2008.

Customer Charter

Forfás updated its Customer Charter in 2004 (originally published in 2000) setting out its commitment to a high quality of service to our customers. This is available on the Forfás website at www.forfas.ie. This Charter includes a procedure for dealing with complaints. In 2008 no complaints were received.

Energy Efficiency

In each area relevant to energy usage and services to its buildings, Forfás endeavours to employ the most energy efficient and environmentally friendly means available.

Prompt Payment of Accounts Act 1997 as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002.

The Prompt Payment of Accounts Act 1997 (the Act), which came into operation on 2 January 1998, was amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002.

The payment practices of Forfás, as required by the Act, are reported on below for the year ended 31 December 2008.

1. It is the policy of Forfás to ensure that all invoices are paid promptly. Specific procedures are in place that enable it to track all invoices and ensure that payments are made before the due date. Invoices are registered daily and payments are issued as required to ensure timely compliance.

2. The system of internal control incorporates such controls and procedures as are considered necessary to ensure compliance with the Act. The organisation's system of internal control includes accounting and computer controls designed to ensure the identification of invoices and contracts for payment within the prescribed payment dates defined by the Act. These controls are designed to provide reasonable, and not absolute, assurance against material non-compliance with the Act. The Accounts Department produces a report that identifies unpaid outstanding invoices and this report is reviewed regularly.

Management is satisfied that Forfás complied with the provisions of the Act in all material respects.

There have been no material developments since 1 January 2009.

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of Forfás for the year ended 31 December 2008 under the Industrial Development Act 1993.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes.

Respective Responsibilities of the Board and the Comptroller and Auditor General

Forfás is responsible for preparing the financial statements in accordance with the Industrial Development Act 1993 and for ensuring the regularity of transactions. Forfás prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Board are set out in the Statement of Board Members' Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the book of account.

I report any material instances where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects Forfás's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware for my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to Forfás's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Emphasis of Matter - Non-effective Expenditure

Without qualifying my opinion, I draw attention to the fact that non-effective expenditure on rent and associated costs of approximately €980,000 is included in the reported expenditure of Forfás for the year ended 31 December 2008. The non-effective expenditure arises from the fact that office space was unoccupied for part of the year. The associated leasehold arrangements had been entered into by predecessor organisations and subsequently assigned to Forfás.

Opinion

In my opinion, the financial statements give a true and fair view in accordance with Generally Accepted Accounting Practice in Ireland, of the state of Forfás's affairs at 31 December 2008 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by Forfás. The financial statements are in agreement with the books of account.



John Buckley

Comptroller and Auditor General

21 April 2009

Financial Statements

Statement of Board Members' Responsibilities

For 2008 Annual Financial Statements

Paragraph 7(2) of the First Schedule to the Industrial Development Act, 1993 requires Forfás to keep, in such form as may be approved of by the Minister for Enterprise, Trade and Employment with the consent of the Minister for Finance, all proper and usual accounts of money received and expended by it.

In preparing those financial statements, Forfás is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Forfás will continue in operation;
- disclose and explain any material departures from applicable Accounting Standards.

The Board is responsible for keeping proper books of account which disclose with reasonable accuracy at any time its financial position and which enables it to ensure that the financial statements comply with Paragraph 7(2) of the First Schedule to the Industrial Development Act, 1993. These books of account are located at the Agency's headquarters, Wilton Park House, Wilton Place, Dublin 2. The Board is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board:



Eoin O'Driscoll

Chairman



Martin Cronin

Chief Executive

Statement on Internal Financial Control

On behalf of the Board of Forfás I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated in the Agency.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

The Board has taken steps to ensure an appropriate control environment is in place by:

- Establishing formal procedures for monitoring the activities and safeguarding the assets of the organisation;
- Clearly defining management responsibilities and powers;
- Developing a culture of accountability across all levels of the organisation.

The Board has established processes to identify and evaluate business risks by:

- Identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable;
- Assessing the likelihood of identified risks occurring;
- Working closely with Government and various Agencies to ensure that there is a clear understanding of Forfás goals and support for Forfás strategies to achieve those goals.

The System of Internal Financial Control is based on a framework of regular management information, administration procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- Regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Formal project management disciplines.

Forfás has an outsourced internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies and which reports directly to the Audit Committee. The work of internal audit is informed by analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee. The Audit Committee meets quarterly to review with the Internal Auditor the outcome of their audits and to confirm the ongoing adequacy and effectiveness of the System of Internal Financial Control.

The Board's monitoring and review of the effectiveness of the System of Internal Financial Control is informed by the work of the internal auditor and the Audit Committee which oversees the work of the internal auditor and the control exercised by the executive managers within Forfás who have responsibility for the development and maintenance of the financial control framework.

I confirm that in respect of the year to 31 December 2008, the Board conducted a review of the effectiveness of the System of Internal Financial Control.

Signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'Eoin O'Driscoll', written in a cursive style.

Eoin O'Driscoll

Chairman

Accounting Policies

Industrial Development Acts 1993, 1995, 1998 and 2003

Forfás, the policy advisory and co-ordinating board for industrial development and science & technology in Ireland, was established on 1 January, 1994, under the provisions of the Industrial Development Act 1993, as amended by subsequent legislation. It is the body through which powers are assigned to Enterprise Ireland, for the promotion of indigenous industry, and to IDA Ireland, for the promotion of inward investment.

In addition to its core advisory and co-ordinating function, Forfás has the additional responsibility for pension costs of retired staff of Forfás, IDA Ireland, Enterprise Ireland, Science Foundation Ireland and certain former agencies, under the Industrial Development Acts 1993, 1998 and 2003, as set out in Note 8 of these Financial Statements.

1. Basis of Accounting

The Financial Statements have been prepared under the historical cost convention in the form approved by the Minister for Enterprise, Trade and Employment with the consent of the Minister for Finance under the Industrial Development Act 1993. The Financial Statements are prepared on an accruals basis, except where stated below and are in accordance with generally accepted accounting practice. Financial Reporting Standards, recommended by the Accounting Standards Board, are adopted as they become effective.

2. Income Recognition

Income from Oireachtas Grant represents actual cash receipts in the year.

3. Fixed Assets and Depreciation

Fixed Assets comprise tangible fixed assets which are owned by Forfás and are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of fixed assets over their estimated useful lives. Fixtures, Fittings and Computer Equipment below the capitalisation threshold of €1,000 are expended in the Income & Expenditure Account in the year of purchase.

4. Capital Account

The Capital Account represents the unamortized funds utilised for the acquisition of Fixed Assets.

5. Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Balance Sheet date. Revenues and costs are translated at the exchange rates ruling at the dates of the underlying transactions.

6. Debtors

Known Bad Debts are written off as they arise and specific provision is made where recovery is considered doubtful.

7. Pension Costs

Forfás operates four unfunded defined benefit pension schemes, which are funded annually on a pay as you go basis from monies available to it, including monies provided by the Department of Enterprise, Trade and Employment and from contributions deducted from staff salaries. In addition, two funded defined benefit schemes pay a retirement gratuity and an annual pension, fixed at retirement. Applicable pension increases for members in these schemes are funded on a pay as you go basis from monies provided by the Department of Enterprise Trade and Employment.

Pension costs reflect pension benefits earned by employees in the period and are shown net of staff pension contributions which are retained by Forfás. An amount corresponding to the pension charge is recognised as income to the extent that it is recoverable, and offset by grants received in the year to discharge pension payments.

Actuarial gains or losses arising on scheme liabilities are reflected in the Statement of Recognised Gains and Losses and a corresponding adjustment is recognised in the amount recoverable from the Department of Enterprise, Trade and Employment.

Pension liabilities represent the present value of future pension payments earned by staff to date. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Department of Enterprise, Trade and Employment.

8. Operating Leases

The rentals under operating leases are accounted for as they fall due.

Income and Expenditure Account

Year Ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Income			
Oireachtas Grant	1	36,033	32,657
Professional Fees - National Accreditation Board	2	1,828	1,123
Other	3	806	804
Departmental Programmes	6	5,962	6,106
Net Deferred Funding	8 (e)	34,581	38,582
		79,210	79,272
Expenditure			
Administration and General Expenses	4	18,758	16,806
Depreciation	7	190	240
Pension Costs	8 (c.i)	53,823	55,830
Departmental Programmes	6	5,962	6,106
		78,733	78,982
Surplus for Year		477	290
Pension Contribution	5(a)	2,550	-
Contribution to Exchequer	5(b)	(2,699)	-
Balance at beginning of Year		2,095	1,769
Transfer (to)/from Capital Account	9	94	36
Balance at end of Year		2,517	2,095

Statement of Total Recognised Gains and Losses

	Notes	2008 €'000	2007 €'000
Surplus for Year		477	290
Actuarial Gain/(Loss) on Pension Liabilities	8 (c.iv)	91,236	80,492
Adjustment to Deferred Pension Funding	8 (c.iv)	(91,236)	(80,492)
Total Recognised Gain for the Year		477	290

The Accounting Policies, Cash Flow Statement and Notes 1 to 16 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin Cronin
Chief Executive

Balance Sheet

As at 31 December 2008

	Notes	2008 €'000	2007 €'000
Fixed Assets			
Tangible Fixed Assets	7	288	382
Total Fixed Assets		288	382
Current Assets			
Accounts Receivable	10	3,457	7,042
Bank		110	310
		3,567	7,352
Accounts Payable	11	1,050	5,257
Net Current Assets		2,517	2,095
Deferred Funding Asset	8 (d)	672,128	730,305
Pension Liability	8 (d)	(672,128)	(730,305)
Total Assets Less Current Liabilities		2,805	2,477
Represented By:			
Capital Account	9	288	382
Income and Expenditure Account		2,517	2,095
		2,805	2,477

The Accounting Policies, Cash Flow Statement and Notes 1 to 16 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin Cronin
Chief Executive

Cash Flow Statement

Year Ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Reconciliation of Net Movement for Year to			
Net Cash Flow from Operations			
Net Movement for Year		477	290
Bank Interest		(45)	(35)
(Profit)/Loss on Disposal of Assets		-	(16)
Depreciation Charge:			
- Tangible Fixed Assets	7	190	240
(Increase)/Decrease in Accounts Receivable		3,585	(3,686)
Increase/(Decrease) in Accounts Payable		(4,207)	3,625
Net Cash Flow from Operations		-	418
CASH FLOW STATEMENT			
Net Cash Flow from Operations		-	418
Returns on Investment and Servicing of Finance			
Bank Interest		45	35
Cash Flow before Capital Expenditure		45	453
Capital Funding			
Disposal of Tangible Fixed Assets		-	16
Purchase of Tangible Fixed Assets	7	(96)	(204)
Cash Flow after Capital Expenditure		(51)	265
Pension Contributions Received	5(a)	2,550	
Contribution to Exchequer	5(b)	(2,699)	
Increase/(Decrease) in Cash		(200)	265

Cash Flow Statement (cont.)

Year Ended 31 December 2008

	Notes	2008 €'000	2007 €'000
Reconciliation of Increase/(Decrease) in Cash to Cash at Bank			
Movement in Cash for the Year		(200)	265
Cash at Bank at 1 January		310	45
Cash at Bank at 31 December		110	310

Notes to the Accounts

Year Ended 31 December 2008

1. Oireachtas Grant	2008	2007
	€'000	€'000
Forfás		
Administration and General Expenses	36,033	32,657
a) Under Section 11 of the Industrial Development Act, 1993, as amended by Section 35(e) of the Industrial Development (Science Foundation Ireland) Act, 2003, the aggregate amount of grants made by the Minister to Forfás and its Agencies, to enable them to discharge their obligations and liabilities shall not exceed €3,400,000,000. At 31 December, 2008 the aggregate amount so provided was €3,325,007,030.		
b) Under Section 14(3) of the Industrial Development Act, 1986, Section 37 of the Industrial Development Act, 1969, and Sections 2 and 3 of the Industrial Development Act, 1977, the aggregate amount of grants made by the Minister to Forfás and its Agencies to enable them to meet their obligations or liabilities in respect of principal and interest on foot of Loan Guarantees under any of these sections shall not exceed €158,717,260. At 31 December, 2008 the aggregate amount so provided was €13,547,211.		

2. Professional Fees - National Accreditation Board

The Irish National Accreditation Board (INAB) was established as a Committee of Forfás under Section 10 of the Industrial Development Act, 1993 as amended by Section 46 of the Industrial Development (Enterprise Ireland) Act, 1998 to perform the functions specified below.

It is the national body responsible for accreditation of organisations involved in calibration, testing, inspection and certification of quality, product, and personnel management systems in Ireland and is also the statutory GLP (Good Laboratory Practice) compliance monitoring authority. It is the competent body for EMAS (European Eco-Management and Audit Scheme). Professional Fees are generated from these activities which involve assessment of laboratories and certification bodies. Costs incurred in generating this income are included in the relevant expenditure heading.

3. Other Income

	2008	2007
	€'000	€'000
Rental Income	761	758
Sundry Income	-	11
Bank Interest	45	35
Total	806	804

Notes to the Accounts (cont.)

Year Ended 31 December 2008

4. Administration and General Expenses		
	2008	2007
	€'000	€'000
Board Members' Remuneration and Expenses (Including Chief Executive Remuneration)	413	391
Pay Costs	8,437	7,855
Other Personnel Costs	488	588
Travelling & Subsistence Expenses	397	500
Specialised and Professional Services	1,137	863
Research and Studies	1,726	1,520
Rents, Rates, Repairs and Maintenance ¹	4,211	3,008
Other Operating Expenses	1,633	1,801
Office of the Chief Scientific Adviser ²	295	259
Audit Fee	21	21
Total	18,758	16,806
Pay Costs comprise:		
Wages and Salaries	7,824	7,332
Social Welfare Costs	490	396
Superannuation Costs	123	127
Total	8,437	7,855

1 These are net of rentals received from sub-tenants of former Industrial Development Authority headquarter buildings.

2 The Office of the Chief Scientific Adviser (CSA) was established by the Government on 1 September 2004 to provide independent expert advice on any aspect of Science, Technology and Innovation (STI) as requested by Government. In relation to these functions it operates independently from and is not accountable to the Board or management of Forfás. The day to day budgetary requirements of the Office of the Chief Scientific Adviser are funded by Forfás. The Office of the Chief Scientific Adviser reports to the Chief Executive of Forfás on administration issues and is required to comply with Forfás policies and procedures and other governance obligations. The Office of the CSA was responsible for Ireland's campaign to host the European City of Science in Dublin in 2012 (Note 6).

Notes to the Accounts (cont.)

Year Ended 31 December 2008

5. Contribution to the Exchequer

- a) Amount received for pensionable service transferred from SfadCo to Forfas to cover the pension entitlements of SfadCo staff who moved to Enterprise Ireland with the SfadCo indigenous companies portfolio. These staff are now members of the Forfas Pension Scheme which is unfunded, consequently the full amount was remitted to DETE as a contribution to the Exchequer.
- b) This is comprised of the €2,550,000 pension contribution as detailed in note 5(a) together with €149,000 surplus own income surrendered to the Exchequer.

6. Departmental Programmes

These externally funded programmes are/were administered by Forfás, on behalf of the funding bodies listed below. These programmes are accounted for by matching income to expenditure. Over/under expenditure on these programmes is shown in accounts receivable (note 10)/payable (note 11) as appropriate.

a) Programmes		2008 €'000	2007 €'000
Discover Science and Engineering	1 & 6(b)	5,204	4,964
Expert Group on Future Skills Needs	2	535	564
Interim National Consumer Agency	3	-	578
European City of Science	4	223	-
Total		5,962	6,106

Details of Funding Bodies:

- 1 Office of Science & Technology of the Department of Enterprise, Trade and Employment
- 2 National Training Fund of the Department of Enterprise, Trade and Employment
- 3 Department of Enterprise, Trade and Employment. (The National Consumer Agency was established as a statutory body on 1 May 2007 and the Interim Agency ceased on that date)
- 4 There were eight state agencies involved in funding the application to host the European City of Science

b) Discover Science and Engineering Expenditure		2008 €'000	2007 €'000
Pay & Expenses		369	395
Communication		995	930
Programme Activities		3,840	3,639
Total		5,204	4,964

Notes to the Accounts (cont.)

Year Ended 31 December 2008

7. Tangible Fixed Assets				
	Computer Equipment €'000	Motor Vehicles €'000	Fixtures & Fittings €'000	Total €'000
Cost				
At 1 January 2008	949	65	2,843	3,857
Additions	61	-	35	96
Disposals	(11)	-	(16)	(27)
At 31 December 2008	999	65	2,862	3,926
Depreciation				
At 1 January 2008	856	16	2,603	3,475
Charge for Year	79	16	95	190
Disposals	(11)	-	(16)	(27)
At 31 December 2008	924	32	2,682	3,638
Net book amount				
At 1 January 2008	93	49	240	382
Net Movement for Year	(18)	(16)	(60)	(94)
At 31 December 2008	75	33	180	288
The cost of Tangible Fixed Assets is written off by equal instalments over their expected useful lives as follows:				
(i) Computer Equipment	3 years			
(ii) Motor Vehicles	4 years			
(iii) Fixtures & Fittings	5 years			

Notes to the Accounts (cont.)

Year Ended 31 December 2008

8. Superannuation

- a) Forfás has responsibility for the pension costs of retired staff of Forfás, IDA Ireland, Enterprise Ireland, Science Foundation Ireland and certain former agencies, under the Industrial Development Acts 1993, 1998 and 2003. These costs arise under the terms of the following schemes:

Scheme	Staff Covered	Type
Forfás	The Forfás scheme covers the following categories of staff in Forfás and its Agencies - (a) staff recruited up to 5 April 1995 who became pensionable after that date, (b) staff recruited after 5 April 1995, (c) a small number of staff previously covered by the Garda Síochána Superannuation Scheme, (d) a small number of staff previously covered by the FAS/AnCO Schemes, (e) a small number of staff previously covered by the Shannon Free Airport Development Co. Ltd Superannuation Scheme.	Contributory, Defined Benefit, Unfunded. A small number of those in category (b) are included on a non contributory basis.
Former Industrial Development Authority	Staff of the former IDA and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Contributory, Defined Benefit. Funded to meet pension costs at retirement. Post retirement increases are unfunded and met by Forfás from Oireachtas Grant.
Former Eolas	Staff of the former Eolas (other than those covered by the former NBST scheme below) and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Non Contributory, Defined Benefit, Unfunded.
Former National Board for Science and Technology (NBST)	A small number of staff of the former NBST serving on 31 December 1987.	Contributory, Defined Benefit, Unfunded.
Former Irish Goods Council	A small number of staff of the former Irish Goods Council serving on 31 August 1991.	Contributory, Defined Benefit. Funded to meet pension costs at retirement. Post retirement increases are unfunded and met by Forfás from Oireachtas Grant.

Notes to the Accounts (cont.)

Year Ended 31 December 2008

Scheme	Staff Covered	Type
Former An Bord Tráchtála (ABT)	Staff of the former ABT (other than those covered by the former Irish Goods Council scheme above) who were pensionable employees on 22 July 1998.	Contributory, Defined Benefit, Unfunded.

Apart from the former Irish Goods Council Scheme, each of the Schemes include Spouses' and Children's Schemes.

Forfás meets the net costs arising from normal retirements. These are paid out of current income. Contributions received by Forfás from staff in the contributory unfunded schemes outlined above are used to part fund ongoing pension liabilities.

b) Pension Disclosures under FRS 17

Financial Reporting Standard 17 (FRS17) requires financial statements to reflect at fair value the assets and liabilities arising from an employer's superannuation obligations and any related funding and to recognise the costs of providing superannuation benefits in the accounting periods in which they are earned by employees.

c.i) Analysis of total pension charge	2008 €'000	2007 €'000
Service costs	19,906	27,120
Interest on Pension Scheme Liabilities	39,849	32,384
Employee Contributions (Unfunded)	(5,932)	(3,674)
	53,823	55,830
c.ii) Analysis of Service Costs		
Current Service Cost	19,906	19,878
Past Service Cost	-	-
Settlements and Curtailments*	-	7,242
	19,906	27,120

*Enterprise Ireland introduced a Voluntary Leaving Programme during 2006. The amounts shown as Settlements and Curtailments represents the increase in the actuarial value of these members' accrued benefits under the Voluntary Leaving Programme.

Notes to the Accounts (cont.)

Year Ended 31 December 2008

c.iii) Analysis of Interest on Pension Scheme Liabilities	2008 €'000	2007 €'000
Interest on scheme liabilities	51,400	46,025
Expected return on scheme assets	(11,551)	(13,641)
	39,849	32,384
c.iv) Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	(22,731)	(7,856)
Experience gains and (losses)	(11,377)	(2,625)
Changes in assumptions	125,344	90,973
Actuarial Gain	91,236	80,492
	2008 €'000	2007 €'000
d) Net deficit in pension Scheme	(672,128)	(730,305)
made up of:		
Present Value of pension schemes' liabilities	(857,222)	(929,488)
Fair value of schemes' assets	185,094	199,183
Change in Pension Schemes' Liabilities		
Present value of schemes' obligations at start of year	(929,488)	
Current Service Cost	(19,906)	
Interest Costs	(51,400)	
Payments to Pensioners	29,522	
Premiums Paid	83	
Actuarial gain/(loss)	113,967	
Present value of schemes' obligations at end of year	(857,222)	

Notes to the Accounts (cont.)

Year Ended 31 December 2008

d) cont.	2008 €'000	2007 €'000
Fair value of schemes' assets at start of year	199,183	
Contributions	3,252	
Benefits Paid from schemes' assets	(6,161)	
Expected return on schemes' assets	11,551	
Actuarial gain/(loss)	(22,731)	
Fair value of schemes' assets at end of year	185,094	
e) Net Deferred Funding for Pensions in year	2008 €'000	2007 €'000
Funding recoverable in respect of current year pension costs	59,755	59,504
Pension payments less Recovery of Voluntary Leaving Programme funding	(25,174)	(20,922)
	34,581	38,582

Forfás recognises as an asset an amount corresponding to the unfunded deferred liability for pensions on the basis of the set of assumptions described below and a number of past events. These events include the statutory basis for the establishment of the superannuation schemes, and the policy and practice currently in place in relation to funding public service pensions including contributions by employees and the annual estimates process. Forfás has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

The deferred funding asset for pensions as at 31 December 2008 amounted to €672 million (2007: €730 million).

The quantification of the liability is based on the financial assumptions set out in Note 8 (f). The assumptions used, which are based on professional actuarial advice, are advised to the Department of Enterprise, Trade and Employment.

Notes to the Accounts (cont.)

Year Ended 31 December 2008

- f) The valuation used for FRS17 disclosures has been based on a full actuarial valuation at 31 December 2005. This has been updated to 31 December 2008 by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the scheme liabilities at 31 December 2008. The financial assumptions used to calculate scheme liabilities under FRS17 as at 31 December were as follows:

Valuation method:	Projected Unit:	
	2008	2007
Discount Rate	5.75%	5.50%
Salary Increases	3.50%	4.00%
Pension Increases	3.00%	3.50%
Inflation Rate	2.00%	2.25%

Weighted average life expectancy for mortality tables used to determine benefit obligations at:

Member age 65 (current life expectancy in years)	20.8	20.8
Member age 40 (life expectancy at age 65 in years)	21.9	21.9

The market value of the assets in the pension schemes, the expected rate of return and the schemes' liabilities at 31 December, were:

	Expected Return 2008	Expected Return 2007	Asset Composition 2008	Asset Composition 2007		Market Value at 31 Dec 2008	Market Value at 31 Dec 2007
						2008 €'000	2007 €'000
Equities	8.00%	8.00%	30.33%	33.92%		56,139	67,566
Bonds	4.00%	4.50%	63.37%	58.24%		117,294	115,996
Property	6.50%	6.50%	6.09%	7.80%		11,272	15,543
Other	3.00%	4.00%	0.21%	0.04%		389	78
						185,094	199,183

Notes to the Accounts (cont.)

Year Ended 31 December 2008

g) History of experience gains and losses	2008	2007	2006	2005	2004
History of defined benefit obligations, assets and experience gains and losses					
Defined benefit obligation (€'000)	857,222	929,488	972,207	997,678	809,196
Fair value of plan assets (€'000)	185,094	199,183	196,395	179,936	151,719
Deficit/(Surplus) (€'000)	672,128	730,305	775,812	817,742	657,477
Difference between the expected and actual return on scheme assets					
amount (€'000)	(22,731)	(7,856)	6,667	20,260	3,429
percentage of scheme assets	-12.3%	-3.9%	3.4%	11.3%	2.3%
Experience (Gains)/losses on scheme liabilities					
amount (€'000)	(11,377)	(2,625)	(22,110)	(51,159)	(19,547)
percentage of the present value of scheme liabilities	-1.3%	-0.3%	-2.3%	-5.1%	-2.4%
The total recognised actuarial gain since 2004 is €37 million					
h) Funding of Pensions					
Contributions to the schemes and payments for unfunded obligations are expected to amount to €21.7 million in 2009					
i) Amendment to FRS17					
The information on pensions has been presented in line with new disclosure requirements required from 2008 under an amendment to FRS 17.					
Some comparative information has not been presented as it was not previously required.					

Notes to the Accounts (cont.)

Year Ended 31 December 2008

9. Capital Account		
	€'000	€'000
At 1 January 2008		382
Transfer to/from Income and Expenditure Account		
- Cost Additions	96	
- Cost Disposals	(27)	
- Depreciation Additions	(190)	
- Depreciation Disposals	27	
		(94)
At 31 December 2008		288
10. Accounts Receivable		
	2008 €'000	2007 €'000
General Debtors	1,501	5,276
Prepayments	1,674	1,722
Inter Agency Balances	278	40
Departmental Programmes	4	4
Total	3,457	7,042
<p>General Debtors include €0 (2007: €3,865,327) VAT recoverable by Forfás on behalf of the Forfás VAT Group (Forfás, IDA Ireland and Enterprise Ireland). Interagency Balances represents amounts due, if any, from the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT receivable of €140,109 (2007: €11,026) from Enterprise Ireland and Science Foundation Ireland.</p>		

Notes to the Accounts (cont.)

Year Ended 31 December 2008

11. Accounts Payable		
	2008	2007
	€'000	€'000
General Creditors	528	271
Accruals	328	524
Payroll	121	301
Inter Agency Balances	46	4,028
Departmental Programmes	27	133
Total	1,050	5,257

General Creditors include €263,173 (2007: €0) VAT payable by Forfás on behalf of the Forfás VAT Group (Forfás, IDA Ireland and Enterprise Ireland) Interagency Balances represents amounts due, if any, to the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT payable of €46,182 (2007: €3,911,888) to IDA Ireland.

12. Commitments under Operating Leases

A net total of €2,651,000 (2007 €2,028,000) has been charged in respect of operating leases on buildings in the accounts of Forfás. Forfás has commitments of €7,047,000 to pay during 2009 in respect of leases expiring as set out below. Costs arising out of these commitments in 2009 will be shared between Forfás Agencies and tenants in proportion to agreed office space occupied. The net Forfás share of these costs in 2009 is anticipated to be approximately €3,234,000.

	€'000
(i) 2009	42
(ii) 2010 - 2013	-
(iii) 2014 Onwards	7,005

13. Taxation

Section 227 of the Taxes Consolidation Act, 1997, exempts Forfás from further taxation on Case IV and Case V rental income in excess of that deducted at source.

Notes to the Accounts (cont.)

Year Ended 31 December 2008

14. Board Members - Disclosure of Transactions

In the normal course of business, Forfás may enter into contractual arrangements with undertakings in which Forfás Board Members are employed or otherwise interested. Forfás has adopted procedures in accordance with the guidelines issued by the Department of Finance in relation to the disclosure of interests by Board Members and these procedures have been adhered to by Forfás during the year.

During 2008, payments amounting to €34,701 were made to an organisation in which a Board Member declared an interest, in respect of services provided to the Agency. The member concerned did not receive any documentation on the transaction nor did the member participate in or attend any Board discussion relating to these matters.

15. Contingencies and Legal Actions

There are no contingencies or legal actions which require specific provision in the Financial Statements.

16. Approval of Financial Statements

The Financial Statements were approved by the Board on 19 February 2009.

The publications of Forfás and the advisory groups to which it provides administrative and secretariat support are available at www.forfas.ie

To sign up for our email alerts contact us at info@forfas.ie or through the website.

June 2009

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