

FORFÁS
ANNUAL
REPORT
2013

To the Minister for Jobs, Enterprise and Innovation

Pursuant to the Industrial Development Act, 1993, Forfás herewith presents its report and accounts for the year ended 31 December 2013.



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

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About Us

“The Government’s plan to rebuild the economy and create the jobs we need is based on supporting and accelerating the transition that is taking place to a new economy based on enterprise, exports and innovation. We are seeing major progress in the economy, with additional jobs created every week in the private sector over the past year and record job-creation in multinational and indigenous companies.

“However, if we are to sustain and accelerate this positive movement, we must continue a relentless drive across Government on jobs and competitiveness. That is why we are integrating the strong policy-making capabilities of Forfás into the heart of Government, to help drive job-creation policies across Government.

“The Forfás team have made a major contribution to the momentum we have built on the jobs challenge in the past two years. I look forward to continuing the strong collaboration we have built, to drive new reforms in employment and competitiveness policies and create the jobs we need”.

Richard Bruton TD, Minister for Jobs, Enterprise and Innovation

About Us

Forfás is the national policy advisory board for enterprise, trade, science, technology and innovation. In addition to its primary policy functions, Forfás activities in 2013 also included accreditation and shared corporate services.

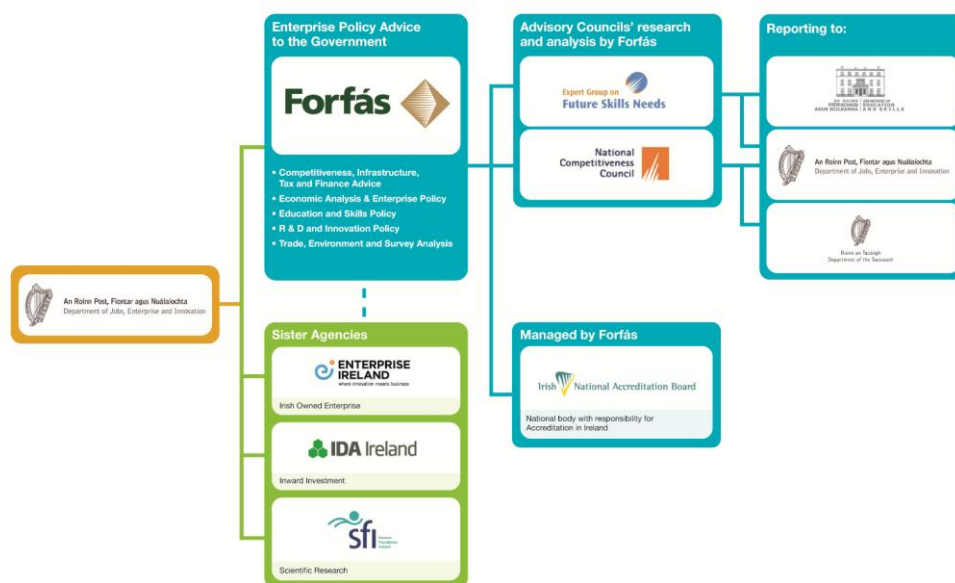


Policy Analysis and Advice

Forfás is an agency of the Department of Jobs, Enterprise and Innovation (DJEI), and works closely with DJEI and Forfás' sister agencies, Enterprise Ireland, IDA Ireland and Science Foundation Ireland to ensure the coherence of policies across the enterprise development agencies in support of enterprise growth and job creation.

Forfás provides the Minister for Jobs, Enterprise and Innovation, DJEI and Government with independent policy advice in a range of policy areas from an enterprise perspective. Many of the policy areas which impact on enterprise are within the Minister's brief, and responsibility for others reside with other ministers and departments, but have a direct or indirect impact on enterprise development. This necessitates Forfás to work across government departments and agencies.

Forfás, its Sister Agencies and Advisory Councils



Policy Support

As well as ongoing policy work, Forfás provides the Minister and DJEI with responsive, real-time policy advice on a broad range of emerging issues. Forfás also supports DJEI in the promotion and implementation of its advice.

Forfás manages the work of and provides research and analytical support to the National Competitiveness Council and the Expert Group on Future Skills Needs.

Forfás has a policy coordination role in relation to the functions of its sister agencies, Enterprise Ireland, IDA Ireland and Science Foundation Ireland. Forfás also evaluates enterprise policy interventions.

Focus 2013

Forfás policy advice in 2013 addressed four overarching policy areas of critical importance to the success of enterprise in Ireland and our work is detailed in the Policy Activities section starting on page 27 of this report.

Enterprise	Supporting the development of sustainable enterprises and jobs
Knowledge & Innovation	Making research and technology work for business and Ireland
Competitiveness	Ensuring Ireland is a good place to do business
People	Building a highly skilled, talented and flexible labour force

Enterprise - Supporting the development of sustainable enterprises and jobs

Ireland has a strong base of enterprise, both indigenous and foreign owned, and a culture that encourages companies to develop and expand. Working with the enterprise development agencies and a broad range of stakeholders, Forfás delivers policy advice, across a broad range of the most important enterprise issues, to contribute to an environment conducive to successful, sustainable enterprises.

During 2013 Forfás conducted a number of enterprise surveys which provide comprehensive data on the client companies of the enterprise development agencies and which feed directly into Forfás policy analysis and advice. Forfás also delivered, in a lead role, nine actions through the *Action Plan for Jobs 2013* and was involved in the delivery of a further 21 other actions with other Government departments and agencies. Forfás was centrally involved in advancing the Government's Disruptive Reform on Big Data and Data Analytics and was tasked with the delivery of an integrated licensing application service which is aimed at providing significant savings for businesses and entrepreneurs across Ireland.

The *Action Plan for Jobs 2014* was significant piece of work and was developed on behalf of Government by Forfás working closely DJEI and other Government departments and agencies. The Action Plan places job creation at the centre of policies across all Government departments and agencies and has ensured that the key actions identified are implemented.

Forfás is in the final stages of its evaluation of approximately 70 enterprise development agency programmes (Enterprise Ireland, IDA Ireland, Science Foundation Ireland and the former County Enterprise Boards) which are being conducted through the Action Plan for Jobs. Evaluating supports to business is essential to ensure that we have the evidence to inform policy decisions and the design and delivery of cost effective, appropriate and impactful interventions.

Forfás has conducted a review of foreign direct investment policy that will inform the Government's FDI Policy Statement and provides a framework for the development of IDA's strategy. Forfás has also inputted to the Government's Medium Term Economic Strategy, published and then worked towards effective implementation of two important sector strategic reports *Ireland's Construction Sector: Outlook and Strategic Plan to 2015* and *Making it in Ireland* a strategy for the manufacturing sector.

Generating sustainable broad based export led growth is key to the rebuilding of the Irish economy and Forfás has informed the trade policy agenda throughout the year. We also made submissions on taxation with a view to ensuring the export potential of firms, Ireland's attractiveness as a location for foreign direct investment (FDI) and the development of the R&D tax credit. Forfás participated on the SME State Bodies Group which aims to ensure access to finance for SMEs to contribute towards recovery and growth.

Knowledge and Innovation - Making research and technology work for business and Ireland

Innovation has no boundaries. It can come from suppliers and customers, competitors and employees, in Ireland or internationally. It can apply to any aspect of a business - new or improved products, services, technology applications, processes, designs and organisation structures. Innovation is an essential factor which will define the future success of enterprises in Ireland.

Having now built up a strong science base in Ireland, policy focuses on ensuring that the economic and social return on our science, technology and innovation (STI) investment is accelerated and strengthened. A key initiative to deliver on this return is research prioritisation which is being implemented through the Research Prioritisation Action Group

(PAG) since March 2012. Forfás plays a central role in implementation through its provision of technical and policy support to and management of the work of the Prioritisation Action Group (PAG).

Forfás also works with DJEI and other government departments to ensure that science, technology and innovation policy delivers growth and jobs for Ireland by assembling and analysing a strong evidence base on which to provide policy advice on key national and international STI issues. During 2013 Forfás conducted strategic reviews of the research, development and innovation performance in Ireland and in the area of supports for innovation in services and business processes. Forfás also undertook a study on innovation in agency supported high growth firms and participated on high level international research and innovation policy to input Irish views.

Forfás conducts a number of surveys which gather and analyse data to monitor research and development and innovation activities in Ireland, which in 2013 included *State Expenditure on R&D* and *Business Expenditure in Research and Development*.

Competitiveness - Ensuring Ireland is a good place to do business

Our ability to compete in international markets and grow exports of high value added goods and services is perhaps the most critical condition for our future economic prosperity and standard of living.

Recent improvements in our international competitiveness are welcome but Ireland is at a pivotal point in its competitiveness and must ensure that the policies which drive competitiveness in all areas of the economy are relentlessly pursued. We need to stay focused on reducing costs in the economy, increasing productivity, ensuring our trade policies are best suited to success in international markets and that public capital investment is directed to areas that will underpin future enterprise development. Forfás itself, and through its work with the National Competitiveness Council, delivers a range of research, analysis and advice on issues affecting our national competitiveness and focused on protecting our attractiveness as a location to do business. During 2013 this included a study to identify the changes in the operation of sectoral regulators that would enhance competitiveness, a study benchmarking key competitiveness indicators, a study of Ireland's labour market competitiveness and a report *Consumer Costs and Inflation* which benchmarks Irish inflation and price levels against our key competitor countries.

Recognising the importance of competitively priced world class infrastructure and related services to supporting economic growth, competitiveness and job creation Forfás worked closely with the enterprise development agencies on infrastructure policy development and implementation. In 2013 we worked particularly in the areas of telecommunications, aviation, land transport and water services from an enterprise perspective.

People - Building a highly skilled, talented and flexible labour force

Continued strategic investment in the development of our people is an essential component in Ireland's economic success. Forfás advises on policies that ensure Ireland provides education, training and upskilling that meet the needs of current and future enterprises and that support labour market flexibility.

Forfás itself, and through its work with the Expert Group on Future Skills Needs, continues to support policies aimed at the development of Ireland's labour force by providing a range of analysis and advice on the skills needs of Irish enterprises and on how we can address those needs.

During 2013 Forfás undertook two sectoral skills reports as required under the Government's *Action Plan for Jobs 2013*. The first was to forecast the demand for high level ICT skills occupations across all sectors of the economy and making recommendations to address them in the context of an update of the joint industry-government ICT Action Plan; and the second was to address the skills required to meet the Government's ambition for Ireland to become a leading country in Europe in Big Data.

With more people engaging in education and training across almost all levels, research and analysis around the future job opportunities and the skills that they will require is more important than ever before to equip them with the guidance and knowledge that will allow them to progress to employment. In this regard Forfás' submission to the Quality and Qualifications Ireland (QQI) Strategy and the Apprenticeship Review are each aimed at ensuring that labour markets needs are to the fore and that students' and jobseekers' employability skills are enhanced through improved employer engagement.

Forfás provided guidance to the Springboard Call in 2013 which provided approximately 6,000 part time places for those on the Live Register.

In the context of Ireland hosting the EU Presidency during the first six months of the year, Forfás provided discussion papers for the Informal EPSCO Council, Dublin Castle in February and addressed the ESF Conference Workshop on Labour Market Activation through Tertiary Education in May.

The ability to attract experienced mobile international talent to Ireland specifically in areas of high demand is critical to driving growth in key sectors of the economy. Significant changes were made during the year to the migration regime and Forfás advised on the skills and occupations in short supply and how best to align the system to address these.

Accreditation and Corporate and Shared Services

Accreditation

The Irish National Accreditation Board (INAB) is the designated national body with sole responsibility for accreditation in Ireland and is a sub-board and division of Forfás.

It has responsibility for the accreditation of laboratories, certification bodies and inspection bodies. It is Ireland's only signatory to the multilateral agreements (MLAs) for Europe through the European co-operation for Accreditation (EA) and worldwide through the International Laboratory Accreditation Cooperation (ILAC) and the International Accreditation Forum (IAF).

It provides accreditation in accordance with the relevant International Organisation for Standardisation ISO 17000 series of standards and guides and the harmonised EN 45000 series of European standards.

INAB is the sole national accreditation body for Ireland under Regulation 765/2008 which provides a legal framework for the provision of accreditation services across Europe.

During 2013 INAB continued to experience growth in demand for its services across all programmes. Demand for accreditation of medical testing laboratories continues to grow as does accreditation of bodies certifying food schemes. In 2013 new fields of activity also emerged, stack emission testing, reference material producers and new regulations governing green-house gas emissions trading.

Corporate and Shared Services

Forfás provides certain shared corporate services to Enterprise Ireland, IDA Ireland and Science Foundation Ireland (SFI). These shared services are provided in areas where Forfás can improve the efficiency and effectiveness of these services or where Forfás has obligations as the legal employer of staff in these agencies. These include aspects of human resources, pensions, coordination of corporate insurances and management of a Freedom of Information network for the enterprise agencies and some other public bodies.

Up to 30 June 2013, these services also included facilities and property management services, goods inwards, receptionist/telephonist services. In advance of the planned dissolution of Forfás as a separate legal entity, and the transfer of its various functions to other bodies, responsibility for the latter areas of shared services transferred to IDA Ireland with effect from 1 July 2013.

Pensions Management

As legal employer of staff across the development agencies (Enterprise Ireland, IDA Ireland and Science Foundation Ireland and some staff members of the National Standards Authority of Ireland (NSAI)), Forfás centrally manages the pension schemes of Forfás itself and its preceding organisations¹, the associated pension compliance obligations and related staff benefits and insurance schemes. Forfás centrally handles certain pension queries from staff across the agencies, administers pension related matters for 1,253 pensioners and their related records as well as records and queries from 431 former employees with deferred pension benefits. All pension benefits arising for retiring and retired staff of IDA Ireland, Enterprise Ireland, Science Foundation Ireland and Forfás, as well as their preceding organisations, are paid on an ongoing basis by Forfás.

The Industrial Development (Forfas Dissolution) Act 2014 (No 13 of 2014) which makes provision for the dissolution of Forfás provides for:

- (i) the establishment of Enterprise Ireland, IDA Ireland and Science Foundation Ireland as separate legal employers;
- (ii) each agency developing its own pension scheme;
- (iii) the agencies' own staff becoming members of these schemes; and
- (iv) these agencies accounting for the associated Pension Liabilities under FRS17. The Department of Jobs, Enterprise and Innovation will have legal responsibility for the existing Pension schemes, pensioners and former staff with preserved benefits

Facilities and Property Management

On the re-organisation of the enterprise development agencies in 1994, Forfás acquired responsibility for the leasehold interests and for the maintenance and repair of the former Industrial Development Authority HQ buildings, Carrisbrook House in Ballsbridge and Knockmaun House on Mount Street, and for Wilton Park House. Wilton Park House is currently the headquarters and key marketing offices for four State agencies (IDA Ireland, Science Foundation Ireland, Forfás and Sustainable Energy Authority of Ireland) and one private sector tenant.

¹ Industrial Development Authority, Eólas, National Board for Science and Technology, An Bord Tráchtála and the Irish Goods Council.

On 1 July 2013 responsibility for the leasehold interest and management of these buildings transferred to IDA Ireland, in advance of the planned dissolution of Forfás as a separate legal entity and the transfer of its various functions to other bodies.

Integration of Forfás with DJEI

In late 2011, Minister Bruton announced his intention to integrate the policy research capability of Forfás with the Department of Jobs, Enterprise and Innovation (DJEI). In April 2013 the Minister secured Government agreement to commence drafting legislation to give effect to this change and this legislation has now been passed by the Houses of the Oireachtas and has been signed into law by the President. This legislation provides for dissolution of Forfás as a legal entity and transfer of all of its functions, responsibilities and liabilities to other legal entities.

It is expected that the necessary Commencement Orders to give effect to the various provisions of the legislation Industrial Development (Forfás Dissolution) Act 2014 (No 13 of 2014) leading to the dissolution of Forfás and transfer of responsibilities will be implemented in the coming weeks.

The aim of this integration is to strengthen the capability and capacity of the DJEI to develop and implement enterprise policy. The Minister has advised that Forfás will form the core of a new strategic policy division that is being established within DJEI.

In summary, the provisions of the legislation include;

- Integration of the policy research capability of Forfás and associated staff with the Department of Jobs, Enterprise & Innovation
- Transfer of the Irish National Accreditation Board to the Health and Safety Authority.
- Transfer of legal responsibility for legacy Pension schemes and pensions in payment to the Department of Jobs, Enterprise & Innovation and provision for the administration of these legal responsibilities, on an outsourced basis by Enterprise Ireland, on behalf of the Department of Jobs, Enterprise & Innovation.
- Transfer of employer responsibility for Forfás staff in IDA Ireland, Enterprise Ireland, Science Foundation Ireland and a small number of staff in the National Standards Authority of Ireland into direct employment with those Agencies.
- Transfer of grant giving powers directly to IDA Ireland and Enterprise Ireland

Forfás is working closely with DJEI and other bodies on all of the necessary steps required to give effect to the provisions of the legislation and the associated practical arrangements. An implementation team, chaired by the Secretary General of DJEI and comprising the Chief Executive of Forfás and senior officials from DJEI, Forfás and the Department of Public Expenditure and Reform, have been meeting regularly to progress and oversee the successful implementation of this initiative. Forfás has a detailed business plan for 2014 which sets out its key policy priorities and work programme items and upon integration, this work plan will become part of DJEI's Business Plan for 2014.

Oireachtas Grant

Forfás' detailed Financial Statements are on page 89 of this report.

The Department of Jobs, Enterprise and Innovation provided Oireachtas grant funding to Forfás of €40.076 million in 2013. 15 per cent of this funding was for expenditure on policy activities and corporate and shared services. Funding provided to pay pensions to cross-agency pensioners (i.e. Forfás, Enterprise Ireland, IDA Ireland, Science Foundation Ireland and their preceding agencies) represented 85 per cent of the Oireachtas grant.

Forfás Board

Forfás Board

		
Eoin O'Driscoll Chairman, Forfás Chairman, Southwestern	Martin D. Shanahan Chief Executive Forfás	Mark Ferguson Director General Science Foundation Ireland
		
John Murphy Secretary General Department of Jobs, Enterprise and Innovation	Barry O'Leary Chief Executive Officer IDA Ireland	Julie Sinnamon Chief Executive Officer Enterprise Ireland
		
Michael O'Leary Secretary to the Board		

Frank Ryan resigned from the Forfás Board on his retirement as Chief Executive Officer of Enterprise Ireland in November 2013.

Julie Sinnamon joined the Board of Forfás on her appointment as Chief Executive Officer of Enterprise Ireland in November 2013.

Eoin O'Driscoll and John Murphy retired as members of the Forfás Board on a rota basis in December 2012 and were both reappointed in January 2013.

Forfás Audit Committee

John Murphy (Chair)

Eoin O'Driscoll

Mark Ferguson

Forfás Management Team



Martin D. Shanahan
Chief Executive



Declan Hughes
Division Manager
Enterprise, Trade and
Innovation Policy Division



Adrian Devitt
Dept. Manager,
Economic Analysis,
Competitiveness,
Infrastructure,
Tax & Finance



Marie Bourke
Dept. Manager
Education, Skills,
Environment
& Survey Analysis



John Dooley
Dept. Manager,
Science,
Technology &
Innovation



Karen Hynes
Dept. Manager,
Trade,
Regulation,
Enterprise
Innovation &
Action Plan for
Jobs



Maria Ginnity
Dept. Manager,
Enterprise Policy
and Evaluations



Tom Clayton
Dept. Manager,
Finance



Michael O'Leary
Dept. Manager,
Secretary's Office,
HR & Cross Agency
Pensions &
Communications



Adrienne Duff
Manager,
Irish
National
Accreditation
Board

Chairman and Chief Executive Overview

Context

The Irish economy is now on a more positive path. Modest growth together with the restoration of the State's borrowing capacity, improved public finance sustainability; the downward trend in unemployment and the continued strength of the export sector combine to provide cause for some optimism. GDP grew by 0.2 per cent and GNP by 1.8 per cent in 2012. 2013 showed a slight decline in GDP (0.4 per cent) and a continued strong performance in GNP (3.3 per cent).



Eoin O'Driscoll
Chairman

Martin D. Shanahan
Chief Executive

A More Balanced Growth

These early signs of growth are more diverse and demonstrate greater balance in the economy. In recent years, net exports was the only positive contributor to growth, whereas 2013 saw a tentative resumption in consumer demand and government investment held constant. Global economic activity strengthened in the second half of 2013 and is expected to continue to improve further in 2014-15. A significant portion of 2014-2015 growth is expected to come from advanced economies - a change from recent years when developing economies were the primary engines of global growth. According to the IMF, growth in the euro area is expected to turn positive (particularly in Germany). Restrictive credit conditions and the high corporate debt burden, however, will continue to act as a drag on growth. The US is expected to perform strongly in 2014, aided by a recovery in the domestic real estate market. In the UK, growth of almost 3 per cent is forecast for 2014.

Enterprise Agency Performance

The companies supported by the enterprise development agencies have seen a positive employment growth trend since 2011. The Forfás *Annual Employment Survey 2013* (see page 32 for more detail) showed employment in these companies at 303,155, an increase of 8,579 jobs in total permanent full-time employment since the 2012 survey. There was also an increase in part-time employment of 3,827 jobs to 46,167. There has been a continual structural change in sectoral employment.

The results of the most recent Forfás *Annual Business Survey of Economic Impact* shows that the enterprise agency assisted companies continue to make a significant contribution to the Irish economy. Sales increased by 4.4 per cent, exports by 5.1 per cent, value added by 3.6 per cent and direct expenditure to the economy increased by 3.8 per cent. These figures clearly show the significant and positive contribution that both indigenous exporting companies and foreign-owned companies are making to the growth and recovery of the Irish economy.

A Fragile Recovery

There are undoubtedly positive signs of recovery, but we must remain vigilant and disciplined. All sectors of the economy continue to hold a heavy debt burden. While significant improvements have been achieved in the public finances, a deficit of 7.2 per cent of GDP was recorded in 2013. General government debt remains amongst the highest in both the euro area and OECD. At 122 per cent of GDP in 2013, the European Commission believe

that debt has peaked and a small reduction is expected in 2014. The high levels of non-financial corporation and household debt pose a risk to the economy, as well as dampening both consumption and investment.

There are threats in relation to the enterprise cost base and the economy is now at a pivotal point in terms of cost competitiveness. Recent cost competitiveness gains must be protected and structural changes are needed to decrease price levels where they are out of line with EU and OECD norms.

For a small open economy like Ireland, generating export-led growth is the right strategy to secure long term growth and prosperity. In the face of difficult global market conditions, Ireland's overall trade performance has remained largely positive since the recession, but issues remain. We have a potential over reliance on too narrow a base of trading partners and sectors, which may leave us vulnerable to sector and market specific risks.

Enterprise Policy

The performance of the business sector is critical to growing incomes and employment levels in Ireland. Getting our enterprise environment and support policies right will play an essential role in our economic recovery.

In the enterprise strategy, *Making it Happen: Growing Enterprise in Ireland*, Forfás and DJEI highlighted the importance of an export led growth strategy; that there is no single action that would provide the key to enterprise development; that to make further progress on the enterprise agenda we needed a whole of Government approach; and significantly that there was an implementation deficit. Government responded to these challenges with the development in 2011 of the first Action Plan for Jobs.

Action Plan for Jobs

The Action Plan for Jobs puts enterprises and job creation at the heart of Government policy. The purpose of the Plan is clear, to make it easier for businesses to do business and in turn create sustainable employment. It also aimed at improving our international competitiveness rankings and making Ireland the best small country in the world in which to do business.

Since the establishment of the Action Plan for Jobs rolling programme, Forfás has worked closely with Minister Richard Bruton, the Department of Jobs, Enterprise and Innovation and other departments and agencies in its design, development and implementation.

The Action Plan for Jobs has proven to be an effective means to drive implementation of policy with each and every task having an owner and a timeline for delivery. There is a transparent system of quarterly progress reports which ensures that the public can scrutinise the implementation. Implementation of the Action Plan for Jobs in 2012 and 2013 was very high at 92% and 94% respectively. It has introduced oversight and accountability and the OECD in its recent Review of the Action Plan for Jobs acknowledged it as "public policy innovation". In his foreword to *OCED Review of the Action Plan for Jobs*, OECD Secretary-General Angel Gurría says: "The APJ's most striking innovation in the Irish public policy context is a coordination mechanism that ensures high-level political buy-in and oversight, whole-of-government engagement and the establishment of quarterly targets underpinned by a robust monitoring system. These are important steps towards addressing long-standing gaps that undermine successful policy implementation". The OECD review also acknowledges that

the plan is underpinned by sound policies, a focus on private sector led, export oriented job creation by getting the business conditions right.

The Action Plan process brings about a 'whole of government' focus on job creation, brings departments together, accelerates concrete measures towards improving competitiveness and has produced a focused and collaborative approach. The plan focuses on those areas that are most important to business - Access to Finance; Costs; Productivity, Skills Availability; Research and Development and Innovation and Selling Abroad. It looks to build on strengths and develop new opportunities, and implements policies focused on supporting Irish enterprise and on attracting foreign direct investment in key sectors.

While it is sometimes difficult to assess the link between individual policy initiatives and job creation we know that Irish employment grew at the fastest rate in the EU in 2013. There are 61,000 more jobs during 2013 and unemployment fell by 41,000. There are now 1,888,200 people in employment and unemployment is down from 15.1% to 11.8%. Our competitiveness is improving with our ranking in the IMD World Competitiveness Rankings moving from 24 in 2011 to 15 in 2014. Forbes rated Ireland number one in its list of best countries for business.

In an economic environment where unemployment is still unacceptably high and where there is no single or small number of actions that will make the difference from an enterprise and jobs perspective. Our focus must be on making sustained progress across all the areas that impact on business. In this light we believe that the focus in the Action Plan for Jobs 2014 on competitiveness across the full range of issues is the right one.

Competitiveness and the Labour Market

While all the signs point to the positive impact of the Action Plan for Jobs and the results are encouraging in terms of the jobs market, Ireland still has 258,100 people unemployed and as our economy starts to recover our competitiveness is again coming under pressure. There are areas where we have yet to make sufficient progress in the Action Plan including education and skills, activation measures for the unemployed, controllable costs and access to finance.

While there has been a continuing reduction in unemployment there is a serious risk that cyclical unemployment will evolve into structural unemployment. Concerns in relation to youth unemployment and former construction workers are very real and there must be a focused effort to support those on the Live Register access employment. We can rise to the challenges of our high unemployment with a proactive partnership of those involved in delivering on the three strands of our labour market development - job creation, job activation and education and training.

We must pursue further improvements in our costs competitiveness. Ireland cannot afford any slippage in our international competitiveness if we are to achieve the enterprise growth and employment targets. Recent cost competitiveness gains must be protected and structural changes are required to decrease price levels where they are out of sync with EU and OECD norms. Ireland's costs base has improved across a range of metrics over the last number of years making Irish firms more competitive internationally and making Ireland a more attractive location for firms to base their operations in. However, despite these improvements Ireland's relative cost competitiveness remains a challenge and a series of upward cost pressures are emerging. It is also important that Ireland, within the overall international context, maintains a competitive corporate tax regime that rewards production investment with a continued focus on ensuring certainty, stability and predictability for investors.

A Culture of Innovation, Evaluation and Flexibility

It has never been more relevant than today that we deliver best value for money in the use of public resources and ensure that supports to enterprise are enabling businesses to establish successfully, to grow, to be competitive and to create jobs. It has been the business of Forfás to evaluate our enterprise environment and we will continue to do this in our new role as the Strategic Policy Division of DJEI. Evaluating supports to business can give us the evidence to inform policy decisions and the design and delivery of cost effective, appropriate and impactful interventions and to revise and prioritise those supports.

A basic foundation for enterprise policy must be flexibility. Meeting the needs of a complex business environment requires innovative responses. We need to continue to develop a culture of evaluation that arms us with as much information as possible to understand what will work and to be continuously responsive to the changing needs of business.

Forfás has been engaged in a comprehensive programme of evaluations of the State's enterprise agency supports (Enterprise Ireland, IDA Ireland, Science Foundation Ireland and the County Enterprise Boards) through the Action Plan for Jobs. These evaluations, which will be completed in 2014, found that overall individual supports are appropriate, efficient and effective and aligned with national policy. The evaluations are already informing the design, development and revision of supports for business. Forfás is working with the enterprise development agencies to embed a culture of evaluation, to enhance capability and to strengthen the use of robust ex-ante evaluations at programme design or redevelopment stages. It is this type of approach in the delivery of supports that will strengthen our enterprise environment.

The Opportunities

Life Sciences, ICT, International Financial Services, Content & Consumer Business Services and Engineering and Agri-food are all sectors likely to generate employment over the coming years. As these sectors continue to evolve, opportunities may arise in new market segments for exploration (e.g. smart ageing, sport & nutrition, smart grids), sub sectors (e.g. therapeutics, location based technology services) and as the blurring of existing sectors and convergence continues apace in areas such as nutraceuticals and digital content.

An informed, dynamic and flexible approach is essential in order to keep abreast of each sector's evolution and future trends and to regularly refresh sector specific propositions for particular geographic markets. We will need to ensure that we place emphasis on long-term horizon scanning and tailoring of value propositions in line with current and anticipated specific industry and company developments.

There is now an opportunity to fully leverage the State's investment in research priority areas to spur entrepreneurship and to attract FDI. Research investment in areas such as data analytics, smart grids, smart cities, smart ageing, therapeutics, food for health etc. will underpin both FDI and indigenous enterprise development in sectors where Ireland currently has strengths and capabilities.

Forfás 2013

Policy Activity

During 2013 Forfás continued to provide high quality, evidence based policy advice and recommendations to Government. In the past three years in particular Forfás has become increasingly involved in the central policy making process and playing a lead role in the preparation of the Action Plan for Jobs.

Non-Policy Activity

The primary function of Forfás is to deliver policy advice but it also carried out other significant functions in 2013 including accreditation and corporate and shared services.

Accreditation

Accreditation plays an important role in guaranteeing the access of Irish products and services to both EU and worldwide markets. The Irish National Accreditation Board (INAB) a division and a sub-board of Forfás and the national designated body with sole responsibility for accreditation in Ireland, continues to provide competitive advantage and promotes improved standards and work practices.

Shared Services

Forfás shared corporate services staff continued to provide important and efficient services to IDA Ireland, Enterprise Ireland, SFI and SEAI throughout 2013. During 2013 these included aspects of financial and accounting services, human resources, pensions, facilities and property management, goods inwards, messengers, receptionist/telephonist services, coordination of corporate insurances and management of a Freedom of Information network for the enterprise agencies and some other public bodies. As part of the integration with DJEI, facilities, property management and internal services transferred to IDA Ireland with the staff working in these areas.

New Beginnings

Over the coming weeks Forfás will be integrated into DJEI and thereafter dissolved as a legal entity. The policy functions of Forfás will transfer to DJEI and will form the core of a new Strategic Policy Division. Forfás accreditation activity (INAB) will transfer to the Health and Safety Authority and other activities will or already have transferred to our sister agencies IDA Ireland, Enterprise Ireland or Science Foundation Ireland. The senior management teams of Forfás, the Department of Jobs, Enterprise and Innovation and the agencies have worked diligently to ensure that all necessary steps for integration are being taken and this has happened in an efficient and effective way. Credit is due to all involved for the smooth transitions, ensuring that the work continues to a high standard and without impact on our clients and stakeholders.

Acknowledgements

Throughout Forfás' 20 years it could not have achieved its successes without those outside our organisation who have worked in partnership with us, have given us guidance and knowledge and who have shared their experiences of business in Ireland and abroad. We would like to thank these individuals and look forward to a continued productive working relationship with them as we transition into DJEI.

Throughout 2013 Forfás worked ever more closely with our parent department, the Department of Jobs, Enterprise and Innovation. We would like to acknowledge the support and work of the department, particularly during this current period of integration and change for our organisation. We would like to thank Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation, and his colleagues John Perry, T.D., Minister for Small Business and Sean Sherlock, T.D., Minister for Research and Innovation at the Department of Jobs, Enterprise and Innovation. We would also like to acknowledge the significant support of the Secretary General, John Murphy.

We would also like to acknowledge the support of the Department of An Taoiseach, Department of Expenditure and Public Reform and the Department of Finance. Forfás is grateful for the level of engagement and commitment demonstrated by all Government departments and their agencies across Forfás' policy work.

We would like to thank our sister agencies, Enterprise Ireland, IDA Ireland and Science Foundation Ireland for their cooperation and input during 2013. We would also like to thank SOLAS, Shannon Development, Údarás na Gaeltachta, SEAI, the Health and Safety Authority, the NSAI and the HEA. We work closely with the Central Statistics Office on surveys and data collection and we appreciate their ongoing collaboration.

Forfás manages and supports the work of two advisory councils. We would like to acknowledge the work of those groups and their chairpersons Dr Don Thornhill (National Competitiveness Council) and Una Halligan (Expert Group on Future Skills Needs). We would also like to acknowledge the work of the Irish National Accreditation Board, chaired by Tom O'Neill.

We would like to extend our appreciation to the wider community of stakeholders who also contribute significantly to our work including employer representative groups, trade unions, and third level institutions and other education and training bodies.

We would like to express our particular gratitude to Ireland's business people and entrepreneurs who give willingly of their time to engage with us directly or through their representative groups. Their involvement and inputs are essential to the value of our research and advice.

Finally, we would like to acknowledge and thank staff in Forfás for their continued commitment to the delivery of excellent work. This has been a challenging period of change for our organisation and all staff have risen to the challenge, delivering quality work which focuses on delivery and impact. They will bring all their widely acknowledged skills and experience to their new organisation and will undoubtedly imbue their work with the professionalism, innovation and expertise that we have seen throughout Forfás in all fields of its work since its establishment.

A personal note from the Chairman

As Chairman I would like to pay a personal tribute to all members of the Forfás team for the outstanding contribution that they have made to policy development and economic growth over the past 20 years. Forfás personnel excel in providing evidence based enterprise policy research. This research has informed enterprise policy and resulted in policy coherence among the enterprise agencies. The integration of Forfás into DJEI has the potential to build on this success.

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Enterprise



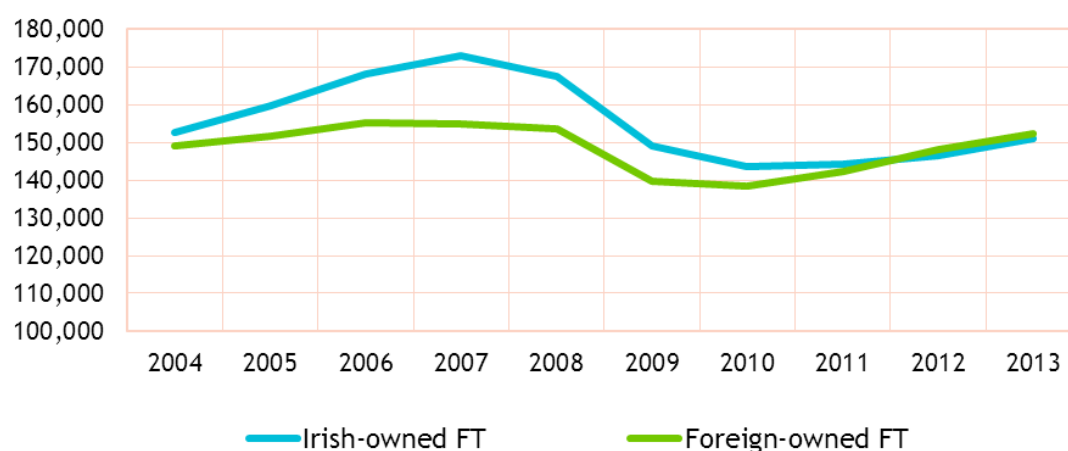
Enterprise Surveys

Forfás undertakes a number of surveys each year that collect comprehensive data on the client companies of the enterprise development agencies (Enterprise Ireland, IDA Ireland and Údarás na Gaeltachta). In this regard, both an *Annual Employment Survey* and *Annual Business Survey of Economic Impact* are undertaken by the Forfás Survey Unit to enable Forfás to conduct evidence based research that informs policy. Forfás is also mandated with producing a range of official national statistics in the area of research, development and innovation. These include the annual *State Investment in R&D Survey*, the biennial *Higher Education R&D (HERD)* survey, and (jointly with the CSO) the biennial *Business Expenditure on R&D (BERD) Survey* and biennial *Community Innovation Survey (CIS)* (see page 51).

Annual Employment Survey

Forfás undertakes an annual census of employment in agency-assisted client companies (those assisted by IDA Ireland, Enterprise Ireland and Údarás na Gaeltachta). Companies formerly surveyed as Shannon Development companies have been incorporated into either the IDA or Enterprise Ireland client portfolios in 2013. The survey covers over 8,000 client companies. It has been in place since 1972 and tracks permanent, full-time as well as temporary, part-time employment, gross and net gains and losses.

Figure 1: Permanent Full-time Employment in Agency-Assisted Companies, 2004-2013



- Total permanent full-time employment in agency-assisted companies amounted to 303,155 in 2013, an increase of 8,579 jobs (2.9 per cent) on employment levels in 2012. There was also an increase in part-time employment of 3,827 jobs to 46,167, bringing total employment in agency-assisted firms to 349,322 in 2013.
- Full-time employment in Irish-owned companies amounted to 150,966 in 2013, an increase of 3 per cent or 4,361 additional jobs over the previous year and continuing the upward trend since 2010. Part-time employment grew by 1,732 to 26,030.
- Among foreign-owned companies, total full-time employment amounted to 152,189 in 2013, an increase of 4,218 jobs (2.9 per cent) over the previous year. Part time employment grew by 2,095 to 20,137.

Figure 2: Job Gains, Losses & Net Change in Permanent Full-time Employment in All Agency-Assisted Companies, 2004-2013

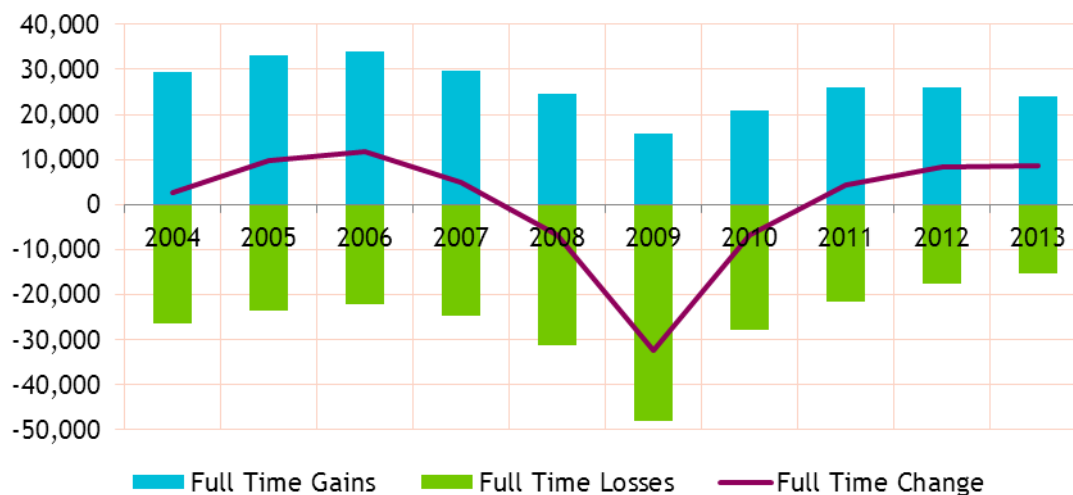


Figure 2 shows full-time gross job gains, gross job losses and net job change among all agency-assisted firms during the period 2004 - 2013.

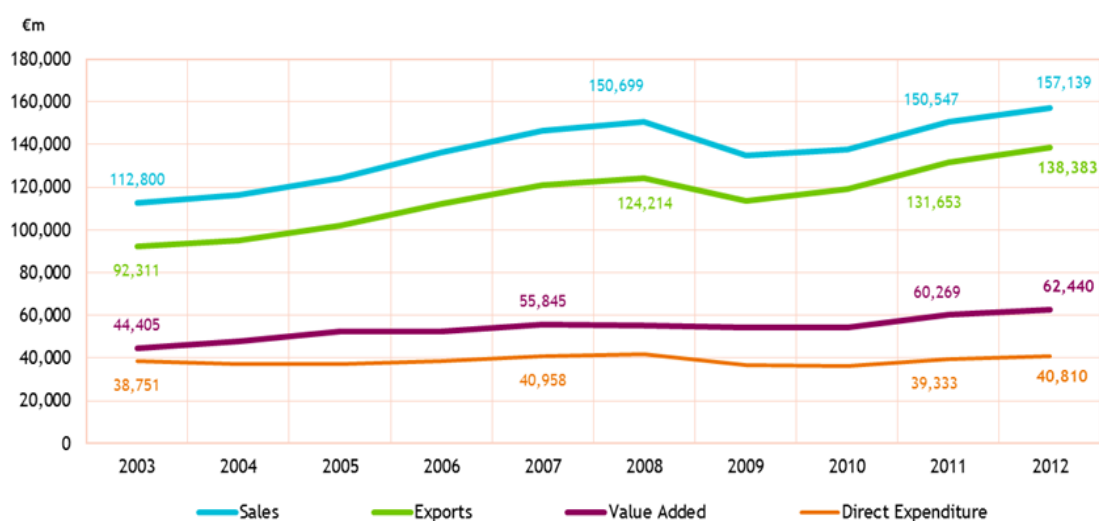
- In the period 2004-2007 agency-assisted companies recorded net job gains, followed by net job losses between 2008 and 2010 with particularly heavy gross job losses of 48,055 jobs in 2009.
- Since 2010 agency assisted companies have recorded net job gains with a net gain of 8,188 jobs in 2012 and 8,579 jobs in 2013.
- In 2013, gross job losses at 15,316 were at their lowest level for a decade.

[Annual Employment Survey 2013](#)

Annual Business Survey of Economic Impact

Forfás undertakes an annual business survey of client companies within IDA Ireland, Enterprise Ireland and Údarás na Gaeltachta that have ten or more employees (approximately 4,000 companies). The survey tracks, inter alia, sales, exports, value added and direct expenditure in the Irish economy, as illustrated in Figure 3.

Figure 3: Key Business Indicators for all Agency Client Companies 2003-2012



- Agency client companies reported a rise in sales and exports in 2012 over the previous year's figures. This continues an upward trend in results following the downturn in the economy in 2009.
- The Value Added figures in the Irish economy by client firms also increased in 2012 to €62.4 billion.
- The Direct Expenditure in the Irish Economy has remained flat over this time-series at approximately €40.8 billion
- 2012 was a successful year overall for agency client companies with overall increases report over 2011 in all the main economic indicators:
 - Sales + 4.4%
 - Exports + 5.1%
 - Value Added + 3.6%
 - Direct Expenditure in the Irish Economy + 3.8%

[ABSEI 2012](#)

Action Plan for Jobs 2013

The Action Plan is a whole of Government, multi-annual initiative which has a target of creating an additional 100,000 jobs by 2016. It also sets out goals of becoming the best small country in which to do business and to achieve a top five global competitiveness position. The Plan mobilises Government Departments to support job creation and in 2013 there were 333 actions across 16 Departments and 46 Agencies.

92 per cent of actions were delivered in 2012; 90 per cent of actions were delivered in 2013. More importantly the Action Plan is delivering on the ground and Quarterly National Household (QNHS) figures for Q4 2013 show an increase of 61,000 in employment over Q4 2012. Domestic demand in 2013 is estimated to have grown by 0.4 per cent, the first increase

in this aggregate figure since the crisis began. Ireland's competitiveness rankings are also once again improving - for example, Ireland's ranking in the IMD's World Competitiveness Year Book has improved from 24th in 2011 to 20th in 2012 and 17th in 2013. However, despite progress, there is an acknowledgement that unemployment is still unacceptably high.

Forfás supported the Minister for Jobs, Enterprise and Innovation in developing the *Action Plan for Jobs 2013*. Forfás also had lead responsibility for delivery on nine actions in 2013 and was involved with other agencies or Government departments in the delivery of 21 actions.

The actions for which Forfás had lead responsibility are reported on in detail elsewhere in this report and include:

- Undertake an assessment of existing and planned initiatives across Government and the private sector that can contribute to Ireland's reputation as a leader in the areas of data analytics and Big Data (page 44);
- Undertake a detailed assessment of the demand for data analytics and related skills to build on existing estimates and to explore the precise qualifications required and map the skills needs against existing programmes (page 71);
- Undertake a study into "Addressing the demand for high level ICT skills across all sectors of the economy in Ireland" (page 70);
- Deliver an integrated licensing application system for the retail sector (page 45);
- Assess the impact of reforms to sectoral wage-setting mechanisms (Industrial Relations (Amendment) Act 2012) in terms of promoting labour market competitiveness (page 64);
- Assess the potential for further actions to support improvements in labour market competitiveness (page 63); and
- Publish the Forfás report on Social Enterprise and identify actions to be taken by way of follow-up on the report's findings (see Forfás Annual Report 2012)

[Action Plan for Jobs 2013](#)

Action Plan for Jobs 2014

The Action Plan for Jobs 2014, developed on behalf of Government by Forfás working closely with the Department of Jobs, Enterprise and Innovation (DJEI) and other Government departments and agencies, was launched in February 2014.

The Plan contains 385 actions involving all Government Departments and 46 Agencies. The high level ambition remains focused on creating the environment to support a 100,000 increase in employment by 2016 and sets a new target of 2.1 million people in employment by 2020 in line with the *Medium Term Economic Strategy 2014 - 2020*.

Forfás is a member of the Monitoring Committee for the APJ along with the Department of the Taoiseach, Department of Jobs, Enterprise and Innovation, the Department of Public Expenditure and Reform and the Tánaiste's Office.

There are four key themes reflected in the Action Plan:

Competitiveness

The Action Plan places a specific emphasis on competitiveness and productivity. While Ireland has improved its ranking internationally, as economic growth improves there is a risk that some of the hard won gains may be lost. Therefore, through the Cabinet Committee System, notably the Cabinet Committee on Economic Recovery and Jobs, the Government will monitor progress on competitiveness issues identified by the National Competitiveness Council and others; consider further actions to improve our international competitiveness; and consider initiatives to make it easier to do business in Ireland.

The role of the entrepreneur and start-ups in job creation

The 2014 Plan sets out a vision for Ireland to be among the most entrepreneurial nations in the world. The rollout of the Local Enterprise Offices (LEO) network, supported by a centre of excellence in Enterprise Ireland, is a key initiative in this regard as well as programmes to target young entrepreneurs, female entrepreneurs and overseas entrepreneurs. The Government will also launch an Entrepreneurship Policy Statement in 2014.

Support for the SME sector to grow jobs

Almost all actions in the *Action Plan for Jobs 2014* will support SME growth but there is a particular focus on access to finance and these actions give effect to the Government's priority to work with the private sector to increase bank and non-bank funding for SMEs. Actions around the skills agenda, support for research and innovation and management development will also impact significantly on SMEs. Finally there are sector specific actions including food and drink, green economy, retail, construction, eHealth and creative services.

Maximising impact through effective communication

Over the last three years significant new and innovative programmes and initiatives that target enterprise and those out of work have been introduced. Clearly communicating these initiatives and making them accessible to the target groups is critical to the uptake and ultimate impact. A priority in 2014 will be to raise awareness amongst SMEs and entrepreneurs of the full suite of developmental business supports available through a comprehensive communications strategy involving the widest possible range of stakeholders and harnessing the full potential of the LEOs. The Department of Education and Skills and the Department of Social Protection will coordinate branding and improve awareness of the range of industry focused skills initiatives encompassing Springboard, ICT skills conversion courses, Momentum, Skillnets programmes, JobBridge and JobsPlus.

The structure of APJ 2014 is consistent with previous plans and includes chapters on:

- Disruptive Reforms
- Competitiveness
- Pathways to Work
- Access to Finance
- Growing Irish Enterprise
- Developing and Deepening the impact of FDI
- Sectoral Opportunities



Launch of the Third Action Plan for Jobs

The Taoiseach, the Tánaiste and the Minister for Jobs, Enterprise and Innovation published the Action Plan for Jobs 2014, the third annual instalment in the Government plan aimed at building a sustainable growing economy and creating jobs.

Disruptive Reforms were introduced in 2013 as new, high impact, cross-cutting measures with the potential to have a significant impact on job creation, to support enterprises and/or be areas where Ireland could profit from a natural advantage or opportunity that presents itself in the economy. Six of the seven Disruptive Reforms identified in the 2013 Action Plan have continued in 2014 including:

- Big Data/Data Analytics
- ICT Skills
- Integrated Licensing Application Service
- Trading On-line
- Energy Efficiency
- National Health Innovation Hub

In addition there are three new Disruptive Reforms:

- Entrepreneurship - this is focused on the rollout of the LEOs; reviewing tax based schemes for entrepreneurs; and launching a €2 million fund for young entrepreneurs.
- Winning Abroad - this is focused on increasing resources in the overseas offices of the enterprise agencies.
- Manufacturing: National Step Change - this is focused on achieving a step change in the productivity of manufacturing companies that are clients of Enterprise Ireland, IDA and the LEOs.

Key actions led by Forfás in 2014 include:

- Work with DJEI to support the Task Force on Big Data and Data Analytics and assess Ireland's progress in developing a leadership position in Europe in this area;

- Progress the Integrated Licensing Application System on behalf of the Licensing Authorities and ensure rollout to the retail sector by Q3 2014;
- Benchmark key business costs and publish a report highlighting areas where Irish enterprise costs are out of line with key competitors (NCC);
- On behalf of the Department of the Taoiseach, map Ireland's strengths in Smart Ageing and identify opportunities for enterprise;
- Continue, with DJEI, to drive implementation of research prioritisation through the Government's Prioritisation Action Group;
- Work with DJEI to progress towards the introduction of a Research Technology Organisation model to support research, development and innovation and to complement the existing eco-system of research centres in Ireland; and
- Complete and publish Foreign Direct Investment Policy Statement by Q2 to set out the strategic FDI policy direction to 2020.

[Action Plan for Jobs 2014](#)



OECD review of Action Plan for Jobs

Pictured at the publication of the OECD review of the Action Plan for Jobs are (l-r) Martin Shanahan; Chief Executive of Forfás; Minister for Jobs, Enterprise & Innovation, Richard Bruton, TD; and Yves Leterme, Deputy Secretary General, OECD.

Review of Business Mentoring Services

Initiated through the *Action Plan for Jobs 2013*, the *Forfás Review of Business Mentoring Services* in Ireland was led by Forfás and overseen by a project Steering Group consisting of representatives of Enterprise Ireland (EI) and DJEI.

The study reviewed the mentoring services available to start-up and small businesses and identified actions to be taken to address areas that can be strengthened. It maps out the existing mentoring landscape in Ireland (including private and public sector providers) and evaluates the primary publicly funded providers.

Forfás consulted widely throughout the process, and held a number of workshops which were attended by industry representatives, service providers, DJEI and relevant agencies to explore research findings, discuss the implications and consider options.

Key Findings

- The business mentoring ecosystem is highly diverse in Ireland with a wide variety of providers. A total of 176 organisations were identified as active in Ireland in providing business mentoring, with 21,000 assignments delivered by approximately 3,000 business mentors annually.
- Mentoring activity ranges from light touch standalone mentoring to much more intensive and integrated approaches.
- Approximately two thirds of all mentoring assignments are for prestart-up and start-up companies with the remainder targeting established businesses.
- Business mentoring in Ireland is dominated by a coordinated face-to-face model. The coordination involves matching the business client with the most appropriate mentor, recognising that in many cases business clients need help in diagnosing the main challenges their businesses face.

The evaluation of mentoring services provided by the main publicly supported providers (Enterprise Ireland, CEBs and Skillnets) have supported the efficacy of the approaches used. The report highlights actions to address areas that can be strengthened including:

- Improve efficiency and effectiveness, by creating a single business mentors database for the agencies, and encourage more integrated approaches as appropriate;
- Broaden the scope, and equip Local Enterprise Offices (LEOs) to respond to potential increased demand, and identify two to three LEOs that would pilot a more proactive approach to actively stimulate demand in the more established cohort of small companies;
- Enhance consistency and professionalism by implementing the LEO Codes of Practice and Terms and Conditions for business mentoring, and develop a consistent approach to training and development for mentors based on a tiered approach appropriate to the depth of engagement;
- Expand the mentor panel to include a higher proportion of volunteer mentors in areas of under-represented specialist expertise, and increase contributions from interested individuals who are currently employed in the multinational base of companies here;
- Develop and implement a monitoring and evaluation approach; and
- Pilot and evaluate alternative delivery mechanisms including on-line delivery of mentor services, “office-hours” etc., based on international models.

To drive implementation, it is recommended that a working group would be established, led by DJEI and made up of representatives from EI, LEOs, Skillnets, Forfás and other mentor stakeholders as appropriate.

Agency Programme Evaluations - Business Development Supports

Forfás has made considerable progress in its evaluation of approximately 70 programmes delivered by the enterprise development agencies - Enterprise Ireland, IDA Ireland, Science Foundation Ireland and the County Enterprise Boards - in the areas of start-up and entrepreneurship supports; research, development and innovation; and business development supports. The overall objective of the evaluations is to inform the optimum use of resources in a constrained environment to deliver on enterprise policy objectives.

Evaluations on start-up and entrepreneurship supports were completed in early 2012, and the findings were subsequently published. The evaluations of the suite of research development and innovation programmes (RD&I) were completed 2013 and the key findings were also published in April 2014. The findings have informed the development of an entrepreneurship policy and the transition of CEBs to Local Enterprise Offices, and will inform the evolution of Ireland's national innovation system and science, technology and innovation strategy post 2013.

The primary focus during 2013 was on the delivery of evaluations relating to business development. This encompasses a broad range of programmes focused on capacity and capability building. Each programme was evaluated in its own right; as a constituent within the relevant thematic area; and within the overarching enterprise policy context.

Evaluations have been completed for:

- IDA Ireland and Enterprise Ireland grants for investment and expansions;
- Enterprise Ireland supports for internationalisation;
- Productivity supports provided by Enterprise Ireland - in particular the Lean programme and eBusiness supports programme; and
- Leadership for Growth programme provided by Enterprise Ireland, as well as other development and training programmes provided by both Enterprise Ireland and IDA Ireland.

Findings

In general, the individual initiatives were found to be appropriate and aligned with policy, effective in meeting the stated objectives, and efficient. The analysis showed that those enterprises supported by the development agencies were more resilient over the period of the recession; that higher growth levels in employment and exports were achieved; that productivity improvements were realised; and that the survival rate for the Enterprise Ireland client base was higher when compared with a control group of enterprises that did not receive support under the programme being evaluated. Supported companies also reported increased skills levels and management capabilities, better understanding of overseas markets, greater job satisfaction amongst employees, increased confidence and strategic ambition and improved sustainability. Examples of the quantitative findings arising from individual programme evaluations include:

- A total of €2.72 million in additional exports over the period 2007 to 2012 was directly attributable to the Enterprise Ireland Internationalisation Supports;
- The average annual employment was 33 per cent higher in the three years following the approval and start of a project supported by the IDA Capital and Employment Grants;
- Companies participating on Enterprise Ireland's Lean programme achieved a €37,000 output per head higher as a result of their engagement than companies that did not receive support under this programme;
- A survival rate of 80 percent was recorded for Irish owned companies that received support under the Enterprise Ireland company expansion programme in comparison with 64 percent on average achieved in the comparator control group.

In all cases where a cost benefit analysis (CBA) was undertaken a positive return on State investment was realised, even when adjusted for highly conservative assumptions. The most

conservative estimate across all programmes evaluated demonstrated a return of €1.95 for every €1 expended by the State.

An overarching theme throughout the evaluation process is the importance of implementing robust ex-ante evaluations, informed by the Forfás evaluation framework, across the enterprise development agencies programmes. This would ensure that as new programmes are designed (or existing programmes modified), objectives are clear, the target population is defined, control groups are established (where relevant), and that the most appropriate metrics for measurement are identified at the outset together with processes for data collection.

The focus for the remainder of 2014 will be on developing a final report that brings together the evaluations across all dimensions. This comprehensive suite of evaluations aims to provide the evidence base in support of national enterprise policy decisions and focus, ensuring the optimum use of resources and the ongoing design and delivery of cost effective, appropriate and impactful interventions.

[Evaluation of Enterprise Supports for Research, Development and Innovation](#)

[Evaluation of Enterprise Supports for Start-Ups and Entrepreneurship](#)



Global Entrepreneurship Monitor (GEM) 2013

During 2013, Forfás supported the development of the GEM 2013. Pictured at the launch of the report are: (L-R) Pat O'Neill, Zenith Adhesive Components (ZAC), Tom Hayes, Enterprise Ireland; Theresa Keady, EC Charging, Declan Hughes, Forfás; Paula Fitzsimons, Fitzsimons Consulting, National GEM Coordinator; and Dr Colm O'Gorman, Professor of Entrepreneurship, DCU Business School.

Review of Foreign Direct Investment Policy

DJEI requested Forfás to undertake a review of Ireland's foreign direct investment (FDI) policy, taking into account the changing nature of global FDI and evolving FDI policies in an international comparative context. During 2013, Forfás undertook extensive research and analysis and has consulted both internationally and nationally to inform the review. The Forfás analysis formed the basis of the development of a DJEI high level FDI Policy Statement that will be published in line with the commitments under the Action Plan for Jobs 2014.

The Forfás analysis acknowledges the distinction between the broader FDI policy framework (the Ireland product) that requires the commitment of a number of government departments,

agencies and stakeholders and investment promotion that is primarily the role of IDA Ireland. The Forfás research will also inform the development of IDA's corporate strategy over the coming months.

The attraction of FDI has been a central part of Ireland's enterprise policy since Ireland first took proactive measures to secure internationally mobile investments in the 1950s. Today, foreign firms contribute substantially to Ireland's exports, jobs, expenditure in the Irish economy and to the Exchequer:

Agency supported foreign owned companies:

- Directly employ 172,326 people and a further estimated 124,000 indirectly;
- Contributed 72 percent to total corporation tax revenues in 2012;
- Spent €13.2 billion on materials and services sourced in Ireland (2012); and
- Invested just under €1.4 billion in R&D (2012) equating to over 70 percent of all business expenditure on R&D.

FDI will continue to form a crucial element of Ireland's enterprise policy; to deliver sustainable jobs both directly and indirectly; enhance our innovation capacity and capabilities, enable access to global value chains for Irish owned companies; and contribute to increased productivity, value add and regional economic development. Foreign owned firms play a key role in developing Ireland's capabilities and critical mass in key sectors and self-sustaining eco-systems.

The FDI Policy Statement will set out the strategic direction out to 2020 and the key actions needed to enhance Ireland's attractiveness and business environment in the context of intensified international competition for investment and talent.

Progressing a Coherent Sector Development Agenda

Forfás plays a key role in developing a coherent agenda aimed at the development of sectors in Ireland in the context of increased global competition. Sectoral development requires constant review and update if it is to be effective, involving horizon scanning and analysis of global and national developments to inform a rolling agenda for action. Forfás works with the enterprise development agencies and other stakeholders to continuously review and prioritise sector specific barriers and or enablers to inform policy development, required actions and implementation. A suite of sector briefs developed by Forfás set out an agreed cross agency agenda and they contributed to the Department of Finance's *Medium Term Economic Strategy to 2020*, to the *Smart Specialisation Strategy* and to the development of *Making it in Ireland: Manufacturing 2020*. Forfás also coordinated agency analysis and advice on EU policies to Regional Aid Guidelines.

During 2014 Forfás will work towards the development of a robust Medium Term Enterprise Strategy to 2025 that sets out a clear vision, targets and metrics and draws together enterprise relevant policy strands across government. As part of this review and development of this Enterprise Strategy (aligned with the Medium Term Economic Strategy and framework) the focus in 2014 will be on assessing how Ireland's approach to sector clustering and eco-system development can be enhanced in the context of: significant and intensified global competition; the imperative to optimise economic return; and best practice approaches internationally.

Ireland's Construction Sector: Outlook and Strategic Plan to 2015

Forfás published its report *Ireland's Construction Sector: Outlook and Strategic Plan to 2015* in July 2013. The report provides an assessment of potential domestic output to 2015, reviews the sector's internationalisation potential and outlines 36 actions aimed at accelerating its return to a sustainable growth path.

The five key areas for action included:

1. Removing obstacles and restoring confidence in them domestic market;
2. Driving further internationalisation;
3. Embedding competitiveness and innovation;
4. Ensuring the sector is skilled to deliver; and
5. Transforming governance.

The Government's Strategy, *Construction 2020, A Strategy for a Renewed Construction Sector* published in May 2014 builds on the detailed framework for accelerated recovery of the sector published by Forfás in 2013. The Strategy commits to launching a Construction Sector Group to support implementation with a focus on near term actions.

[Ireland's Construction Sector: Outlook and Strategic Plan to 2015](#)



Launch of the Dublin Institute of Technology (DIT) SDAR Journal

"It is not only the potential contribution to jobs and economic growth that makes the sector (construction) important. From an enterprise perspective it is a critical competitiveness factor in itself, because it provides the buildings and infrastructure on which every other sector of the economy depends."

Martin D. Shanahan, Chief Executive, Forfás speaking at the launch of DIT's Journal of Sustainable Design and Applied Research.

Manufacturing

Forfás published *Making it in Ireland - Manufacturing 2020* in April 2013. The strategy set out a long term vision for the manufacturing sector in Ireland and set out a plan for action that would help to realise this vision.

The Forfás report led to the National Step Change disruptive reform which aims to help place Ireland's manufacturing sector to the forefront internationally and to improve competitiveness, productivity and innovation. To this end, during 2014, the Government will:

- Support 130 indigenous companies with an initiative to improve their productivity as part of the National Step Change for manufacturing;

- Deliver a transformation programme across 70 foreign owned manufacturing and services companies in Ireland to achieve technology uplift, skills enhancement, energy improvement and investment in new facilities and equipment;
- Support the adoption of Lean manufacturing and other productivity enhancing measures across a wide range of enterprises, including micro-enterprises;
- Ensure that publicly funded R&D is oriented to the needs of manufacturing sectors and support increased engagement by manufacturing enterprises with research centres and technology centres focused on the needs of manufacturing sectors.

Forfás will continue to be represented on the Manufacturing Development Forum during 2014, focused on driving implementation of a range of actions to support the ongoing development of the sector.

[Making it in Ireland - Manufacturing 2020](#)



Minister Bruton and Minister Quinn Launch Forfás Manufacturing Strategy

Pictured at the Prodieco manufacturing facility are (l-r) Martin D. Shanahan, Chief Executive, Forfás; Minister Richard Bruton, Robin Rennick, Chairman Prodieco and Minister Ruairi Quinn.

Big Data and Data Analytics

Forfás was centrally involved in 2013 in advancing the Government's Disruptive Reform on Big Data and Data Analytics as set out in the Action Plan for Jobs 2013. The ambition associated with this Disruptive Reform is to make Ireland a leading country in Europe in Big Data and Data Analytics. Specific actions that Forfás supported in 2013 included:

Establishment of Industry-Government Taskforce on Big Data

The Industry-Government Taskforce provides a mechanism for agreeing and advancing actions that will help to achieve the ambition associated with this Disruptive Reform. The membership of the Taskforce was announced by the Minister for Jobs, Enterprise and Innovation in June 2013. The group is chaired by DJEI and comprises Forfás, the enterprise development agencies, three of the industry partners appointed by Government to support the Action Plan for Jobs, the Office of Chief Information Officer (CIO), Irish Government as well as representatives of dedicated research centres in this area. Forfás hosted four meetings of the Taskforce in the second half of 2013.

Mapping of Infrastructure and Initiatives in Big Data and Data Analytics

Forfás undertook a mapping of existing infrastructure and initiatives in the area of Big Data and Data Analytics to inform the work of the Taskforce. The mapping was based on a review of publicly available information as well as information shared by enterprises, researchers and Government bodies during a number of workshops organised by Forfás prior to the establishment of the Taskforce. The mapping covered three broad categories of information:

- Publicly funded R&D centres supporting Big Data and Data Analytics;
- Provision of higher education courses directly relating to Big Data and Data Analytics; and
- Sample of public-private sector projects and initiatives in Big Data and Data Analytics.

Pilot Projects to Demonstrate the Impact of Big Data and Data Analytics

A specific deliverable of the Taskforce was to identify at least two pilot projects whereby data analytics could be employed to address specific challenges delivering economic impact and/or improved public services. The pilots identified by the Taskforce in 2013 specifically address the application of data analytics to: optimising farming production; and labour market activation policy in Ireland:

The two initiatives involve multiple stakeholders and will be progressed during 2014 with lead institutions identified for each. The Taskforce will monitor progress closely and it is expected that there will be outputs and initial learnings from the pilots from mid-2014 onwards

The Taskforce was a stakeholder of the Forfás/Expert Group on Future Skills Needs (EGFSN) Study *Demand for Big Data/Data Analytics Skills to 2020* (see page 71) and the work of the Government's Research Prioritisation Action Group (PAG) relating to the priority area of Data Analytics, Management, Security and Privacy.

Forfás and DJEI will continue to support the work of the Taskforce in 2014. As well as monitoring the two pilot projects referenced above, specific commitments included in the *Action Plan for Jobs 2014* include a set of actions to introduce an open data platform in Ireland, further increasing enterprise engagement in research and technology centres in this area and advancing the recommendations of the EGFSN to help ensure appropriate supply of skilled professionals to meet the demand for skills in this area.

Integrated Licensing Application System

The introduction of an integrated licensing application service was one of the disruptive reforms in the Government's *Action Plan for Jobs 2013*. Forfás with the Department of Jobs, Enterprise and Innovation was tasked with the delivery of the integrated licensing application service.

This project is a major initiative and is a reformative step in reducing the administrative burden and red tape for business. The delivery of an integrated licensing application service for business offers real potential to ease the process of starting up a business in Ireland and will significantly reduce the work involved in annual renewals of licences. The new integrated licensing application service should provide significant savings for businesses and entrepreneurs across Ireland through the simplification of the process for applying for multiple licences.

The integrated licensing application service should also provide productivity and efficiency gains in the public sector by streamlining the administration of licensing processes and the potential for more integrated inspection and compliance systems in the future and better application of risk-based enforcement.

A steering Group, chaired by Minister Perry and comprising stakeholders including licensing authorities and relevant Government Departments and agencies, was established to develop an integrated licensing application service focusing on the retail sector in the first instance.

As part of a systems analysis and audit, a number of reviews were undertaken:

- A review of the existing licensing processes;
- A review of the underpinning legislative requirements;
- An analysis of the total revenue generated from the licences and the number of transactions (applications and renewals) on an annual basis; and
- A collation of all the licence application forms.

The Steering Group agreed to progress an outsourced finance-design-build operate model. Forfás with DJEI began the public procurement process to identify a service provider. The Local Government Management Agency was appointed as the contracting authority and a Request for Tender was developed in close cooperation with the Chief State Solicitors Office. This tender was published in February 2014 through the EU Official Journal.

Regional Aid Guidelines

Regional Aid Guidelines (RAG) set out the legal basis for granting investment and operating aid to companies in regions throughout the European Union. Regional aid is distinct from other forms of State aid, such as aid for research, development and innovation, training, energy, agriculture or for environmental protection which are covered under different State aid guidelines. New Regional Aid Guidelines for the period 2014 to 2020 were finalised in June 2013 by the European Commission.

Throughout 2013, Forfás has worked with an Interagency Group comprising representatives from Enterprise Ireland, IDA Ireland, Údarás na Gaeltachta, the Department of Jobs, Enterprise and Innovation, the Department of Agriculture, Food and Marine and the Central Statistics Office to develop the Irish negotiating position as legislation was being developed and to assess the implications of proposed changes.

In terms of the key changes in the new RAG 2014 - 2020 legislation:

- Ireland has been allocated a population coverage of 51.28 per cent for the 2014 - 2020 period (a slight increase on 50 per cent for the 2007 - 2013 period).
- Aid to large firms in 'c' regions has been restricted and under the new guidelines, only three categories of large enterprise investments will be allowed - for creating new activity in the region (also including setting-up a new establishment); for new products; and for new process innovations.
- Aid intensities for firms have also been reduced.

The new legislation is due to enter into force from July 1 2014. To this end, Ireland has been tasked with developing a single regional aid map applicable from this date within the allocated maximum population coverage of 51.28 per cent. Forfás and the interagency group

have worked to inform the development of Ireland's map and to maximise coverage from an enterprise development perspective. Ireland's proposal was subsequently approved by the European Commission.

Trade Policy

In 2013, Forfás continued to inform the trade policy agenda through its inputs to the short and focused review of the Government's trade, tourism and investment strategy, *Trading and Investing in a Smart Economy: A Strategy and Action Plan for Irish Trade, Tourism and Investment to 2015*, as outlined in the *Action Plan for Jobs 2013*. Forfás was a member of the review group and provided an evidence-base for the prioritisation of markets drawing on previous work on high growth and emerging markets. This categorisation within the review allows Ireland to set out a strategic view for trade, tourism and investment for priority markets and to adopt a whole of government approach, while balancing the priorities of different sectors. The approach recognises that while Ireland's core markets remain the priority in the short term, we need to continue to build economic platforms, relationships and partnerships in high-growth and emerging markets on which we can build future success.

Trade and Investment Performance

Forfás is a member of the Export Trade Council (ETC), chaired by the Tánaiste. Throughout 2013 Forfás provided an assessment of the progress being made towards the targets as set out in the Trade, Tourism and Investment Strategy drawing on statistics on Irish trade and investment as well as Forfás surveys to develop a wider understanding of the role of enterprise in enhancing Ireland's global position with regard to trade, tourism and investment. A detailed report on trade, tourism and investment was submitted to the ETC at its November meeting. Overall, the report for 2012 noted very good progress in line with targets and a positive outlook for 2013 outturns.

Taxation

Pre-Budget Submission 2014

The Joint Agency Pre-Budget Submission 2014 from Forfás, IDA Ireland, Enterprise Ireland and SFI, provided advice on the potential implications of a range of proposed tax changes on enterprise. The primary purpose of the submission was to ensure that Budget 2014 supports enterprise, in particular, the export potential of firms and Ireland's attractiveness as a location for foreign direct investment.

Forfás set out a number of overarching principles to guide the approach to Budget 2014 including:

- Supporting a pro-enterprise tax regime through the reassertion of Ireland's commitment to maintaining the 12.5 per cent corporation tax regime and the monitoring of international tax developments to ensure Ireland remains a competitive and sustainable location to do business from a tax perspective.
- Providing certainty, predictability and stability to enterprise in order for them to be able to plan and grow.
- Broadening the revenue base in a manner which causes the least damage to our competitiveness and economic recovery.

- Recommendations put forward were focused on maintaining measures which are central to the enterprise sector, most notably maintaining the corporation tax regime and no further increases in the labour tax wedge and to signal when it will be feasible to reduce marginal rates below 50 per cent. In addition, a number of areas were identified that require further development so that Ireland can continue to grow its indigenous sector and compete internationally for investment projects, particularly in the area of research and development, attracting and retaining key skills and encouraging investment in enterprise. A range of recommendations were advanced in Budget 2014 including recommendations in R&D tax credit, Special Assignee Relief Programme (SARP), Foreign Earnings Deduction (FED) and incentives to support up-skilling of those in work.

R&D Submission

Forfás and the development agencies made a submission to the Department of Finance's review of the R&D tax credit in 2014. The recommendations in the submission focused on retaining the R&D tax credit and developing it further by making changes to the design of the scheme, the eligibility criteria, and changes to simplify some administrative issues. A number of recommendations were delivered in Budget 2104.

Finance: Participation on the State Bodies Group²

The Action Plan for Jobs 2013 identified the clear ambition of making access to finance a central feature of Government recovery and growth plans. The activities of the SME State Bodies Group with the active participation of agencies and departments on the steering group are working together to achieve this goal.

During 2013, a number of initiatives were rolled out in key areas such as: extending the remit of the Credit Review Office; issuing the first call for proposals under the Seed and Venture Capital Scheme 2013 - 2018; increased engagement with the European Investment Bank and European Investment Fund; State involvement in new Development Capital Funds for Irish SMEs; an examination of how companies can be supported to scale by way of IPO which resulted in the Budget decision to remove the stamp duties charge on shares listed on the Enterprise Securities Market (ESM); and the transposition of the Late Payments Directive. Forfás has been actively involved in progressing a range of initiatives - in particular, the review of the loan guarantee scheme.

² The SME State Bodies Group is chaired by the Department of Finance and comprises senior officials from the Department of Finance, the Department of the Taoiseach, the Department of Jobs, Enterprise and Innovation, Department of Education and Skills, the Department of Agriculture, Food and the Marine, Forfás, Enterprise Ireland, the NPRF, the Central Bank of Ireland, the Credit Review Office and Fáilte Ireland.

Knowledge and Innovation

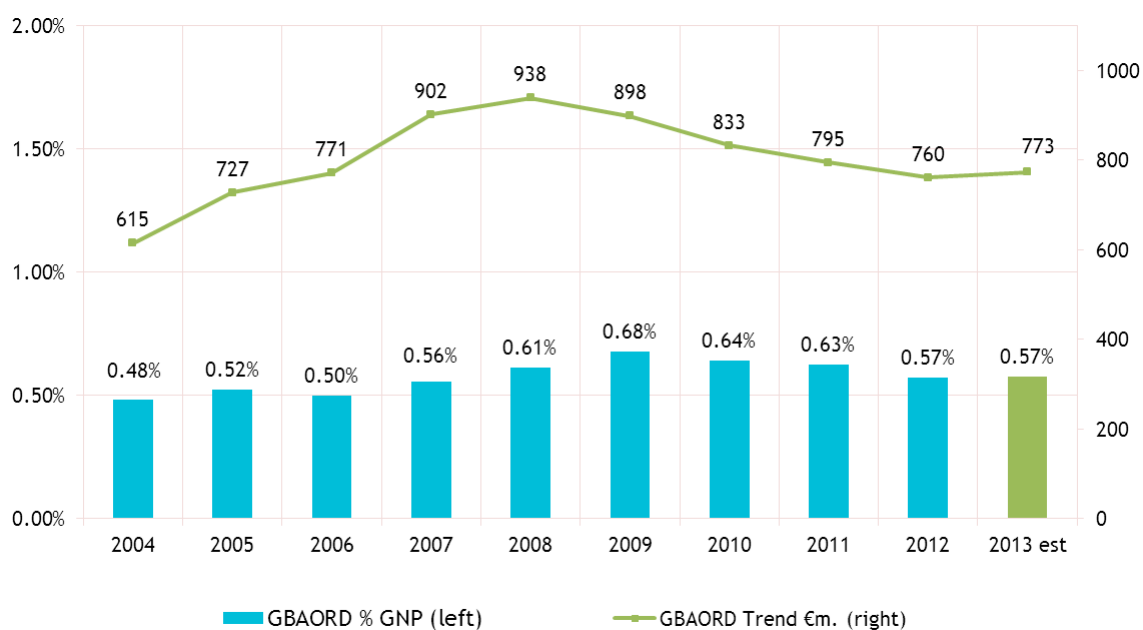


R&D Surveys

State Expenditure on R&D

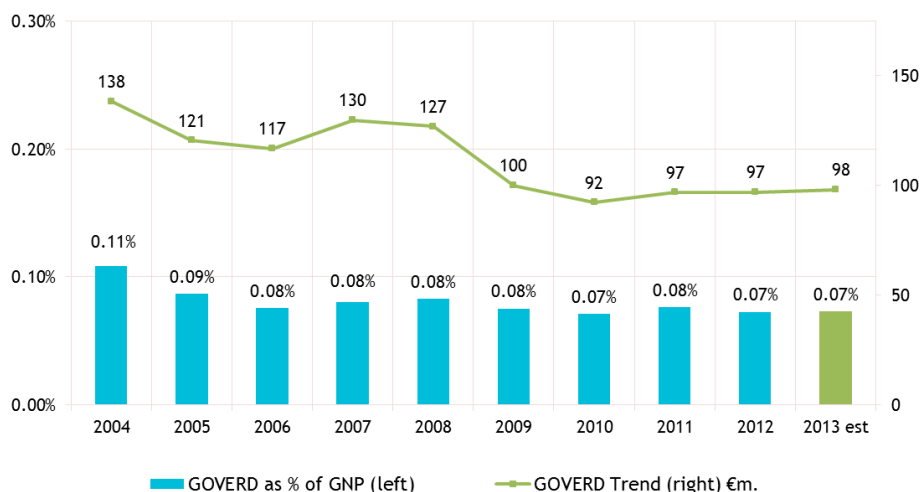
Forfás conducts an annual inventory of all State investment in R&D which covers both direct Government-funded R&D, together with all spending on R&D undertaken by Government Departments and Agencies. Total Government Budget Appropriations and Outlays on Research and Development (GBAORD) are illustrated in Figure 5 below for 2003-2012.

Figure 5: GBAORD trend (€m.) and GBAORD as a percentage of GNP (2003-2012)



- Overall expenditure levels fell from a peak of €938 million in 2008 to €760 million in 2012 (-19 per cent).
- Direct Government funding for research in 2013 is estimated to have increased to €773 million.
- The intensity level of investment is expected to remain at 0.57 per cent of GNP in 2013 consistent with the 2012 outturn figure.

Figure 6: GOVERD trend (€m) (current prices) and as a percentage of GNP, 2004-2013

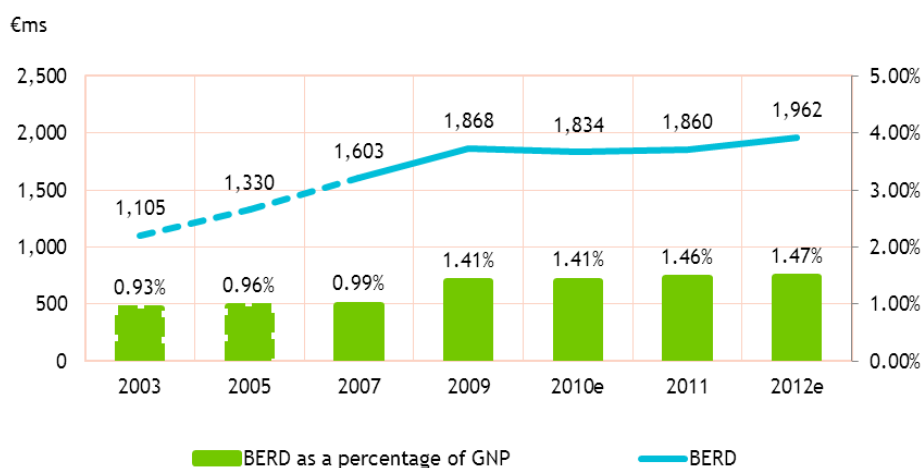


The 10 year trend for Government Expenditure on R&D (GOVERD), which is R&D performed within the State sector by Government departments and agencies, is illustrated in Figure 6 and shows:

- Expenditure on R&D in the State sector has fallen from a high of €138 million in 2004 to an allocation of €98 million in 2013 (-29 per cent).
- GOVERD as a percentage of GNP over the ten-year period from 2004 to 2013 shows a drop from 0.11 per cent in 2004 to 0.07 per cent in 2012/13.

Business Expenditure on Research & Development (BERD)

Figure 7: Business Expenditure on Research & Development (BERD), 2003-2012³

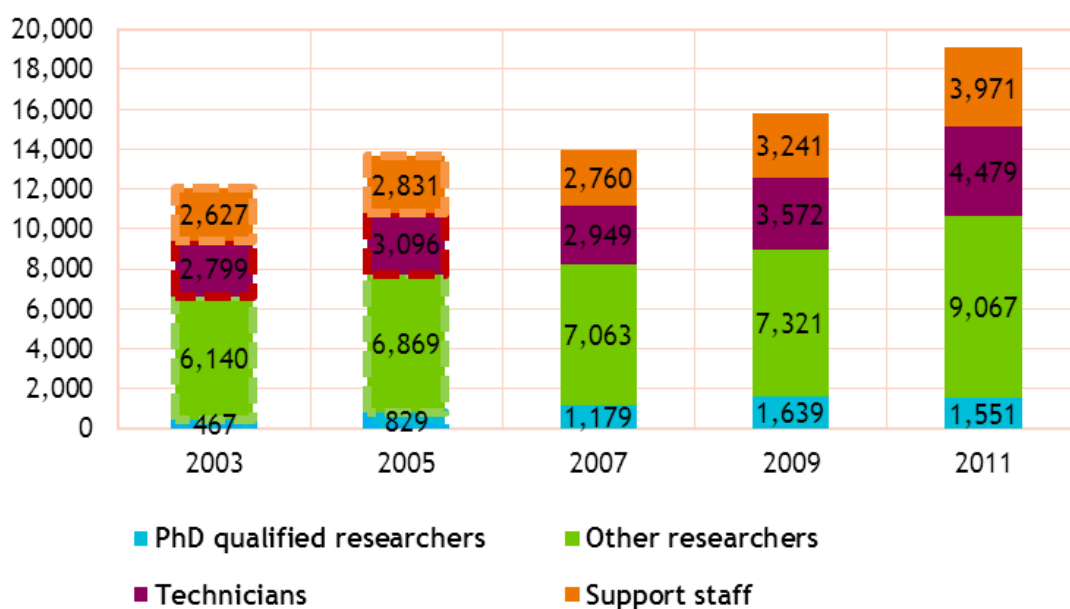


Source: CSO databank, Forfás BERD 2003 and 2005 surveys

³ Methodological changes to the BERD survey were undertaken from 2005 onwards. A perforated line is represented to differentiate between the results from the two methodological approaches to the survey.

- Forfás and the Central Statistics Office jointly conduct a biennial survey of R&D expenditure in the business sector (BERD).
- BERD increased by 68 per cent from €1.1 billion in 2003 to €1.86 billion in 2011
- Enterprises in Ireland spent €1.86 billion on in-house research and development in 2011 and an estimated €1.96 billion in 2012, a 5.5 per cent increase.
- The BERD intensity rate (BERD as a percentage of GNP) has risen from 0.93% in 2003 to an estimated 1.47% in 2012. Total BERD remained static between 2009 and 2011 so the increased intensity is due to a fall in GNP.

Figure 8: Research personnel by occupation in the business sector (headcount), 2003-2011⁴



Source: CSO databank, Forfás BERD 2003 and 2005 surveys

- R&D personnel in the business sector increased by 58 per cent from 12,034 in 2003 to 19,068 in 2011.
- The number of PhD qualified researchers in the business sector increased more than threefold from 467 in 2003 to 1,551 in 2011.
- Other researchers increased from 6,140 to 9,067, a 48 per cent increase between 2003 and 2011.

⁴ Methodological changes to the BERD survey were undertaken from 2005 onwards. A perforated line is represented to differentiate between the results from the two methodological approaches to the survey.

- The number of research technicians employed increased by 60 per cent from 2,799 to 4,479 between 2003 and 2011.
- R&D support staff increased by 51 per cent from 2,627 to 3,971 from 2003 to 2011.

Research Prioritisation

During 2013 Forfás in conjunction with DJEI continued to provide the technical and policy support to and manage the work programme of the Prioritisation Action Group (PAG).

The PAG is the primary forum for the coordination of the public funding of research. In particular the PAG is responsible for driving and monitoring the implementation of the *Report of the Research Prioritisation Steering Group* which aims to accelerate the delivery of economic outcomes from Government investment in public research organisations by aligning future public investment by research funders to 14 Priority Areas. It comprises senior officials from 11 state agencies and nine Government departments and is chaired by the Minister for Research and Innovation, Sean Sherlock, T.D.

In response to a systemic recommendation in the *Report of the Research Prioritisation Steering Group*, Forfás developed a framework of metrics and targets for STI investment in conjunction with PAG members. The Framework will firstly monitor the impact of public STI investment in broad terms, and secondly, monitor the impact of the implementation of research prioritisation in the 14 Priority Areas. The Framework comprises three levels of targets: Overarching National Targets; Departmental/Agency-level Targets; and Priority Area Targets. The targets are underpinned by a wide range of 79 monitoring metrics covering the enterprise support environment, including inputs, outputs and outcomes. The Government adopted the Framework in June 2013.



Minister Sean Sherlock, TD, Chairman of the Prioritisation Action Group

The Prioritisation Action Group is the primary forum for the coordination of the public funding of research and is chaired by Minister for Research and Innovation, Sean Sherlock, TD

The Government also adopted the individual Action Plans for each of the 14 Priority Areas. The Plans contain a comprehensive set of actions to be taken by funding departments and agencies to re-align to majority of competitive public research funding around the priority areas over the next five years.

Forfás developed a methodology for quarterly monitoring of the implementation of the Action Plans which was initiated by the Prioritisation Action Group. Good progress was recorded across the 14 Plans with over 90 per cent of the 150 actions with milestones occurring up to the end of 2013 either completed or substantial progress was made in their implementation.

One of the key steps in the implementation of Research Prioritisation is ascertaining how the research needs of enterprise can be better supported by the public research system. To this end, a series of six workshops was convened by Forfás in autumn 2013 to facilitate the sharing of information between research funding agencies and Government departments on enterprise research needs within broad sectoral areas: Food; Energy, ICT; Manufacturing; Health; and Services. The workshops proved to be an effective mechanism for pooling information across Government departments and agencies. The information gleaned will inform the research funders in the design of future programmes.

[Research Prioritisation: Framework for Monitoring Public Investment in Science, Technology and Innovation and 14 Action Plans](#)

[Report of the Research Prioritisation Steering Group](#)

Strategic Review of Research, Development and Innovation Performance in Ireland

During 2013, Forfás conducted a strategic review of the current performance of the STI system compared to the vision and objectives as set out in the Strategy for Science, Technology and Innovation (SSTI) 2006-2013.

The importance placed by Government on investment in science, technology and innovation to Ireland's ongoing and future economic and social development is reflected in the appreciable allocations for investment in science, technology and innovation in the current and previous National Development Plans, and via the SSTI and Programmes for Government.

The Forfás review showed that significant steps have been made in establishing a strong public research environment based on building scientific excellence in a number of strategic areas, in many cases meeting the SSTI targets for increases in targets of researchers. Ireland also improved its ranking in the European Union Innovation Union Scoreboard in 2014.

Innovation is vital for Irish firms to be successful in global markets, and vital to attracting high end investment from foreign multinationals, most of whom are themselves highly technologically innovative. The Forfás review showed that progress has also been made in strengthening the research capacity and performance of the enterprise sector, exhibited by the resilience of research and innovation intensive enterprises since the onset of the global recession in 2008.

That Ireland's investment in RDI is showing results is also evidenced by the fact that the numbers of RDI performing firms in Ireland and the scale of their RDI effort are growing. Business Expenditure on Research and Development (BERD) in Ireland increased from 0.77 per cent of GDP in 2001 to 1.2 per cent in 2012. However further progress needs to be made. OECD data indicates an average EU R&D spend for 2012 of 1.98 per cent of Gross Domestic Product (GDP). In addition, exports from indigenous enterprises still come largely from low R&D intensity and non-R&D active sectors.

Research Prioritisation is now the primary framework for public funding of RDI, in support of the Government's goal of maximising the economic and societal returns from public

investment in research. The implementation of research prioritisation is proceeding apace; for example in 2013, 94 per cent of the awards from Science Foundation Ireland (SFI) were aligned with priority areas.

The policy goal of the SSTI of building technological and applied research and development capability in firms to support the development of high-value products and services across the entire enterprise base still remains valid. In sectors where this has happened, these sectors have performed and even grown through the recession.

In 2014, Forfás will undertake work on the optimisation of policy interventions to further strengthen the performance and impacts of enterprise RD&I in Ireland.

Research, Development and Innovation (RDI) Supports for Innovation in Services and Business Processes

Innovation in services and business processes has been identified as a key priority for RDI support in Ireland under the Report of the Research Prioritisation Steering Group. Unlike the other Priority Areas identified, it is a nascent area and the ecosystem for its support is less developed. Forfás was requested by the Prioritisation Action Group (PAG) to carry out a study to develop greater clarity on measures needed to progress this opportunity area for Ireland.

Innovation in services and business processes is being increasingly recognised internationally as a vital component of developed economies, including public and private services. Services are now an important element across all sectors of the economy, as evidenced by trends towards service driven internet business models, and servitisation - the delivery of a service component as an added value - in the manufacturing sector. In addition, policy makers have become acutely aware that current RDI policies and supports demonstrate only limited alignment with the characteristics and opportunities provided by services.

The Forfás study incorporates a review of public RDI support approaches and practices for innovation in services and businesses' processes and draws strongly on international comparative practices in public RDI support measures, the current position of such supports in Ireland, and the needs of businesses in this area.

The study highlights that there is no single off the shelf good practice that Ireland can follow but that a country specific approach is needed, taking account of existing RDI supports and company needs and building on an integrated portfolio approach including business and applied RDI; research programmes; clusters/networks; and policy and strategy supports.

The following six key challenges were identified:

- Providing a supportive environment for innovation in services and business processes (ISBP);
- Promoting awareness and understanding of ISBP;
- Strengthening the research base relevant for ISBP;
- Supporting ISBP in enterprise by adopting a strong focus on the end-user;
- Encouraging multidisciplinary approaches to establish ISBP projects of scale; and
- Establishing a supportive evaluation mechanism by setting an appropriate mix of traditional and less traditional metrics.

A detailed roadmap and associated actions have been developed to address these challenges. Implementation of the actions is now being progressed through the PAG.

Ireland's National Smart Specialisation Strategy - development and implementation of the National Research Prioritisation Exercise

During Q4 2013, at the request of DJEI, Forfás prepared documentation for the EU Commission demonstrating the alignment of the development and implementation of the National Research Prioritisation Exercise with the ex-ante conditionality for a research and innovation smart specialisation strategy.

According to the European Commission, a research and innovation smart specialisation strategy means the national or regional research and innovation strategies which set priorities in order to build competitive advantage by developing and matching research and innovation own strengths with business needs to address emerging opportunities and market developments in a coherent manner, while avoiding duplication and fragmentation of efforts, and which may take the form of or be included in a national or a regional research and innovation strategic policy framework.

Having a smart specialisation strategy is an ex-ante conditionality for receiving future EU financial support through the Structural Funds for research and innovation. This conditionality applies specifically for two of the eleven thematic objectives of the European Regional Development Fund (ERDF):

- Strengthening research, technological development and innovation (R&I target),
- Enhancing access to and use of quality of ICT (ICT target).

The need to prioritise public research investment on a small number of areas with the highest potential economic impact has been well recognised in Ireland. The Irish Government conducted a National Research Prioritisation Exercise during the period 2010 - 2012 (NRPE). The Report of the Research Prioritisation Steering Group, formally adopted by Government in 2012 and being implemented by the Prioritisation Action Group (PAG), aims to accelerate the delivery of economic outcomes from Government investment in public research organisations by aligning future public investment by research funders to 14 opportunity areas.

Prioritisation and smart specialisation involves making smart choices. It is about selecting the right priorities and channelling resources towards those investments that have the potentially highest impact on the national/regional economy.

Implementing the NRPE is a key focus of Ireland's national innovation strategy. The NRPE established priorities to build competitive advantage by developing and matching research and innovation strengths with business needs in the context of emerging opportunities and market developments. Through its implementation, coherence in funding and performance of research is being achieved in the priority areas. In addition to on-going efforts to align public research with industry needs, through detailed action plans, the wider innovation ecosystem and policy framework are also aligning around priority areas. Many actions have implications for organisations not directly involved in research but that are critical to the innovation ecosystem for a particular priority area, including regulatory bodies, etc. This national strategy will also guide the development and implementation of regional innovation strategies and operational programmes aligned with the EU 2020 strategy.

Innovation in High Growth Firms in Ireland

In 2013 Forfás undertook a study on innovation in agency supported high growth firms (HGFs). This interest in HGFs stems from international research on firm dynamics which has highlighted that: not only is entry and exit of firms of interest, but so also are a cohort of exceptional firms, HGFs. These HGFs are defined as achieving 20 per cent annualised growth over three years and are gaining much attention internationally due to their disproportionate contribution to job and wealth creation.

However, there has been little research on the performance of HGFs in Ireland to date and this study sought to redress this. The research focused on characterising the agency-supported HGF population in Ireland so as to allow Ireland to position its agency-supported HGF activity internationally. The study also sought to develop insights as to how support of HGFs and potential HGFs by the innovation policy mix in Ireland could be enhanced. This focus on innovation reflects commentary identifying innovation as the principal driver of high growth in economies operating at the technological frontier.

Forfás' research found that among agency-supported firms, a small proportion (between 4.5 and 6.3 per cent) of firms are HGFs, however, these HGFs accounted for between 33 per cent and 45 per cent of new jobs created during the time period 2002-2011. This relationship is further illustrated in Figure 9. This performance by agency-supported HGFs in Ireland is found to be within international norms: across OECD nations, HGFs typically account for 3 per cent -10 per cent of business firm stock in an economy or sector.

Figure 9: Share and Employment Impact of agency-supported HGFs in Ireland, 2002-2011



Furthermore, the research indicates that size, age and sector characteristics of the cohort of agency-supported HGFs in Ireland are broadly similar to those reported for cohorts of HGFs in other jurisdictions. Agency supported HGFs in Ireland are found across all firm sizes (but are more likely to be small firms), all sectors and are of all ages, not just start-ups.

From an innovation perspective, the research revealed that there is no single standard HGF innovation model that is distinct from that of non-HGFs. But, in seeking to identify the factors distinguishing the innovation-led HGF in particular, the following traits of firms do appear critical to the achievement of high growth:

- Pervasive innovation, implemented by routine across operations (i.e. innovativeness in the round appears to be a significant feature);
- A high degree of entrepreneurialism amongst the management team, extending to the workforce as a whole, enabling strong capabilities for spotting and responding to opportunity;
- Capability to access resources that includes conventional financial sources and novel measures such as shared-risk partnerships; and
- Positioning in a market capable of hosting high growth (i.e. a market in growth, or flux).

A number of conclusions were developed in this study and act as the first learnings on the topic of HGFs in Ireland including:

- Appropriate policy attention and profile should be put on innovation-led HGFs;
- New mechanisms need to be explored for targeting potential and existing innovation-led HGFs, and generating further insights into the stock of HGFs in Ireland;
- Innovativeness needs to be embedded and developed within growth aspirational firms to support the quality of potential HGFs and to support actual HGFs to develop in a sustainable manner;
- International review of pro-HGF supports highlights the provision of specialist coaching as a potential future support to HGFs in Ireland;
- The quality of the pipeline for potential innovation-led HGFs could be enhanced by capitalising on opportunities to stimulate and support:
 - Spin-outs from established businesses;
 - Start-ups amongst experienced professionals; and
 - Serial entrepreneurialism.

Encouraging the wider firm base to emulate the types of innovation behaviours more typical of innovation-led HGFs should support the emergence of higher quality potential innovation-led HGFs in the future as well as improved firm growth and competitiveness more generally across the firm population. To this end, a number of specific areas of potential focus for State support were highlighted, including:

- Embedding innovativeness at firm-level through enhanced workforce skills in innovation, including creativity, horizon scanning, and entrepreneurialism;
- Supporting innovation in services and business processes;
- Leveraging institutional knowledge capabilities in public research organisations to generate new businesses, or enhance the competitiveness of existing businesses;
- Encouraging and facilitating network behaviours emphasising productive business-to-business and business-to-university links; and

- Supporting commercialisation of research and enhanced focus on supporting IP management capacity and activities at firm level.

International Research and Innovation Policy

Forfás participates in high level international research and innovation policy fora to input Irish views on behalf of the Department of Jobs Enterprise and Innovation. These fora include the OECD and the Small Developed Economies initiative.

Organisation for Economic Co-operation and Development (OECD)

The OECD promotes international cooperation and policy coordination in areas of STI policy at global levels between over 30 countries including the US, EU member states and Japan and Korea. Emerging economies, including China, are becoming increasingly active as observer states.

Forfás was an active participant in the Economic Survey of Ireland 2013 which the OECD carried out during the year and was published in September 2013. The survey had a particular focus on innovation.

During 2013 Forfás participated in a number of OECD committees and working groups on innovation, including the Committee on Scientific and Technological Policy (CSTP) and the Working Group on Innovation and Technology Policy (TIP). Forfás' engagement with these OECD committees enables it to develop policy advice that is informed by the latest developments in international policy making and provides an international perspective for our policy studies.

Important issues relevant to Ireland addressed at the CSTP and TIP during 2013 included assessing the economic impact of public investment in RD&I, strategic public-private partnerships for innovation and using innovation policies to address societal challenges.

Small Advanced Economies Initiative

This is a new initiative set up and coordinated by the Chief Science Advisor of New Zealand in conjunction with five other small developed economies namely Denmark, Finland, Israel, Singapore and Ireland. The purpose of the initiative is for small countries of similar size and level of economic development to share data and policy learnings on research and innovation and wider economic issues for mutual benefit. Forfás is an active participant on the research and innovation strand.

During the year Forfás participated in the preparation of the research and innovation data and metrics benchmarking paper which formed the basis for a focused two day meeting in October held in Dublin. This meeting identified a number of key issues to take forward in the research and innovation strand of the initiative which were ratified by the full country group at its plenary meeting in Copenhagen in November. These key issues include research prioritisation, research impact and use of research publication data for national and inter country benchmarking.

Competitiveness

Sectoral Regulation and Cost Competitiveness

Regulation by or on behalf of the State plays an essential role in ensuring that economic activity by individual economic actors is consistent with wider national policy objectives, including consumer protection, environmental quality, provision of essential services, competition, and health and safety.

A Government Policy Statement on Economic Regulation was published in July 2013. This Statement, which is significantly built on the Forfás study (*Sectoral Regulation Study to Identify Changes to Sectoral Regulation to Enhance Cost Competitiveness*), aims to provide a clearer policy and strategic context in which sectoral departments can establish and articulate, in legislation, policy direction while leaving economic regulators to carry out their duties independently.

As part of the Action Plan for Jobs, Forfás undertook the Sectoral Regulation study to identify changes in the operation of sectoral regulators that would enhance cost competitiveness. The sectors examined in the report are energy, telecommunications, transport, waste and water. The report also assessed Ireland's cost performance in these sectors relative to our key competitor countries and the drivers of costs, in particular what drivers are within and outside our control in each of the sectors studied.

The study found that in many cases policy actions have a more significant impact on cost competitiveness than regulatory changes. There are, however, a number of areas where changes to the operation of the sectoral regulators could have a real and positive impact on cost competitiveness. These changes relate to the focus of regulatory mandates, the level and adequacy of resources, enforcement powers and sanctions available to the regulators, and the efficiency of the appeal process.

[Sectoral Regulation and Cost Competitiveness](#)

Ireland's Competitiveness Performance 2013

Published in May 2013, *Ireland's Competitiveness Performance 2013*, assesses Ireland's international competitiveness in relation to our key competitors across more than forty competitiveness indicators in the areas of costs, productivity and innovation, labour market and skills, investment and infrastructure, the business environment and quality of life and sustainability. It provides an assessment of Ireland's strengths and weaknesses and is assisting policymakers in determining the policies needed to ensure Ireland is a more competitive location in which to do business.

The report concludes that Ireland's international competitiveness has improved significantly in recent years - costs have reduced, productivity performance is relatively strong, and the labour market has stabilised. On the downside, investment remains weak and high debt levels continue to depress domestic demand across the economy. The report also warns that as economic growth improves, there is a significant risk that some of these gains could be quickly eroded. Raising competitiveness through structural reforms is crucial to building sustainable economic and social progress.

While the recent improvement in Ireland's competitiveness performance is significant, Ireland cannot afford to become complacent. Many firms are still confronted by high costs which make it difficult to compete internationally. Others are dealing with legacy issues that make accessing credit for investment extremely challenging. Still others lack the capabilities (e.g. innovative capacity, language and international sales skills) to take advantage of growth

opportunities. Creating a competitive business environment which supports an increase in exports from these firms is essential to ensuring Ireland achieves sustainable economic growth and high levels of employment growth.

Who and what we compete for is also changing as consumer markets in emerging countries grow rapidly and as firms in these countries increasingly compete across the value chain in their home market, the EU and in third markets. As the global economic outlook remains challenging, it is more important than ever that Ireland seeks to grow world market share, to enhance the share of national exports from indigenously owned firms and to diversify exports in terms of products produced and markets served.

On foot of this report, the Government announced and implemented a plan to analyse the impact of all official Government decisions on competitiveness, as part of a drive to make Ireland the best small country in the world in which to do business.

[Ireland's Competitiveness Performance 2013](#)



Richard Burton TD, Minister for Jobs, Enterprise and Innovation with Martin D. Shanahan, Chief Executive of Forfás.

Labour Market Competitiveness 2013

Labour costs are a key determinant of both firm-level and national competitiveness. High costs in general, and high labour costs not supported by productivity specifically, damage employment creation. Conducted as part of the Action Plan for Jobs 2013, Labour Market Competitiveness 2013, examines employment and unemployment trends, benchmarks Ireland's labour cost competitiveness against our key competitors and sets out a series of recommendations intended to enhance the operation of the labour market and support employment growth.

The report finds that despite some evidence of reductions in Irish labour costs being recorded over recent years, wage rates in Ireland have proven relatively sticky. Over the economic crisis, many firms have reduced numbers employed and/or contracted hours worked, more consistently and to a greater extent, than adjusting hourly pay rates with significant social and economic costs. Despite reductions made, labour costs in Ireland remain above both the OECD and euro area averages. Looking at earnings data, Ireland has the 17th highest total labour costs level in the OECD-32 and the 11th highest net wage level in the OECD-32. Further, Irish labour costs are once again on an upward trajectory and these increases are occurring in the context of an elevated unemployment rate.

While the report notes that the State has relatively limited influence over wage levels as they are generally set by the market, a number of recommendations focusing on those areas of domestic policy where the State can have greatest impact (i.e. social welfare and replacement rates; sectoral employment agreements; the national minimum wage; and labour taxation) are proposed. These recommendations are designed to minimise barriers to employment creation and to enhance the employability of individuals.

[Labour Market Competitiveness 2013](#)

An Assessment of the Impact of Reforms to Sectoral Wage-Setting Mechanisms

The Memorandum of Understanding between Ireland and the International Monetary Fund (IMF), the European Central Bank and the European Commission set a requirement to introduce labour market reforms. Ireland agreed to report to the European Commission, the IMF, and the ECB on the impact on the labour market of reforms to sectoral wage-setting mechanisms by the end of the second quarter of 2013. This action was included in the *Action Plan for Jobs 2013* and conducted by Forfás.

The key conclusion from this assessment is that it is too early to assess the impact of the reforms on the labour market. In part, this is because hourly wages are sticky and insufficient time has passed since enactment to enable us to confirm any effects of the reforms on wage data. However, it is also clear that the passing of the legislation is only one key milestone in the reform process - a number of other important stages are still in train. The successful and timely conclusion of these stages is essential to achieving successful reforms.

The final report was submitted to the Troika and was subsequently included in the report on Labour Market Competitiveness.

Consumer Prices and Inflation

Consumer Costs and Inflation benchmarks Irish inflation and price levels against Ireland's key competitors. This report was prepared by Forfás at the request of Minister for Jobs, Enterprise and Innovation as part of the Government's *Action Plan for Jobs, 2013*. The report was noted by Government in early 2014 and published in February.

Highlighting the interlinked nature of the economy - consumer costs influence labour costs, which in turn impact on overall business costs - the report identifies the key drivers of inflation and sets out a range of recommendations to improve Ireland's cost competitiveness.

Despite reductions in Irish price levels, Ireland is the third most expensive country in the euro area. In 2008 Irish consumer price levels were almost 29 per cent above the euro area average. By 2012, as a result of lower rates of inflation in Ireland, the difference in price levels had narrowed to 13.6 per cent.

The report notes that Ireland's annual average inflation rate (0.6%) for the 2008-2012 period was among the lowest in the EU and significantly below the EU-28 (2.5%) and euro area (2.1%) inflation rates, representing a competitiveness gain for Ireland. Services inflation, however, remains a cause for concern and has been the notable driver of inflation in Ireland - services inflation here has been higher than euro area-17 services inflation over the 1997 to 2012 period. More specifically, Irish inflation since 2008 has largely been driven by price increases the cost of health insurance; public transport; alcoholic beverages and tobacco; and education.

While recognising that inflation is largely determined by the market, the report makes a range of recommendations that aim to enhance cost competitiveness and protect real income levels. The key themes are summarised below.

- **Labour costs**
Pay increases should be linked to productivity improvements rather than inflation - only productivity growth can ensure that wages increases are sustainable.
- **Competition Policy**
The report contains a range of recommendations that aim to encourage competition in specific sectors where price levels and/or inflation are relatively high. These include actions to promote competition in the public transport, health insurance, pharmaceutical and dentistry sectors, as well as the planned review of alcohol licencing regime.
- **Trade Policy**
At EU level, continued actions are required to create a free market in services, to develop the digital single market and to develop a single European energy market. The successful negotiation of the planned EU/US Transatlantic Trade and Investment Partnership also offers significant potential to create trade opportunities and to lower business and consumer costs.
- **Regulation Policy**
Continued implementation of the Government's Policy Statement on Economic Regulation as a means to enhance Ireland's cost competitiveness across a range of utilities is highlighted as a policy priority. Regulation of legal services, childcare and the retail sector is also commented upon.
- **Infrastructure and Planning Policy**
The report has highlighted the need for investment in essential economic infrastructures as means to improve efficiency, enhance productivity and lower costs. The report also notes that the Inter-Agency Group on the Property Market should develop policy recommendations to avoid the creation of future sustained property bubbles.

[Consumer Prices and Inflation](#)

Infrastructure

Ireland's economic growth depends on the ability of businesses to trade successfully in increasingly competitive global markets. The availability of a competitively priced world class infrastructure (energy, telecoms, transport, waste and water) and related services is essential to support economic growth, competitiveness and job creation. Forfás works closely with Enterprise Ireland and IDA Ireland to highlight enterprise needs and ensure that infrastructure policy development and implementation addresses them. Among the main areas of focus during 2013 were telecommunications, aviation, land transport and water services.

Telecommunications

Enhancing Ireland's international and national connectivity is critically important to support the future needs of existing and new companies in data intensive sectors. During the year, Forfás worked closely with IDA Ireland, Enterprise Ireland and the Department of

Communications, Energy and Natural Resources (DCENR) on a number of telecoms issues. The main enterprise priorities are:

- International connectivity - a direct connection to mainland Europe, a new direct connection to the US from a regional centre offering high capacity and low latency and enhanced regional connectivity, particularly to/from the south and west regions;
- Backhaul - cost competitive quality backhaul between the main urban centres;
- Fixed broadband services - competitively priced advanced broadband services in the main urban centres; and
- Mobile services - meeting the agreed timescales for the rollout of 4G services (70 per cent of the population by the end of 2015).

Forfás also worked with the Department of Energy, Communications and Natural Resources on the enterprise aspects of the National Broadband Strategy.

Aviation

As an island nation, excellent air connectivity is critical to support future enterprise development and job creation. Access to markets is one of the key factors for companies in deciding where to locate. Good international access (e.g. range of destinations, frequency, and cost) coupled with effective airport facilities and internal connectivity are key factors in mitigating the impact of Ireland's peripheral location in the eyes of potential investors and overseas customers. In February 2013, the Department of Transport, Tourism and Sport (DTTAS) published an issues paper to inform the development of the new aviation policy. The two broad priority issues for enterprise are:

- Ensuring excellent international connectivity for passengers and freight - maintaining access to the existing choice of competitively priced, frequent and direct services and developing new direct air links with existing and emerging growth markets is critical to support enterprise development and job creation. In terms of cargo, the priority is maintaining access to the existing choice of routes, ensuring that cargo handling and custom facilities at Irish airports minimise delays and facilitate the efficient and effective delivery of outward and inward freight movements; and
- Maximising the potential enterprise opportunities in the aviation sector - it is critical that Ireland continues to enhance its offering to ensure that it can maintain existing activity and realise new opportunities, particularly in aircraft transitioning. Currently transitioning occurs on a highly fragmented basis across numerous sites and jurisdictions. Ireland has an opportunity to leverage and brand its considerable capability and strong international reputation in aviation to further realise its potential as an aircraft transitioning hub. Capturing aircraft transitioning activity is critical to underpin Ireland's existing success in aircraft leasing and maintenance, repair and overhaul.

Forfás and the enterprise development agencies have engaged closely with the Department of Transport on the emerging strategy. The draft national aviation policy statement was issued in the first quarter of 2014 for further consultation.

Land transport

DTTAS is developing a strategic framework for land transport (road and rail) investment, which will determine the investment required out to 2025 to facilitate easy access to markets and the mobility of the workforce. Forfás worked closely with Enterprise Ireland and IDA

Ireland to identify the main shorter term and long term investment and policy priorities to support the existing and emerging internationally trading sectors:

- The main shorter term priorities include addressing a small number of bottlenecks to improve road access between and around the main regional cities, ongoing maintenance of the motorway and national road network and improving public transport for commuters to and within the main cities.
- The longer term priorities include providing high quality road access to the north west gateways of Sligo and Letterkenny and along the Atlantic Corridor (Sligo/Galway/Limerick/Cork/Waterford) and developing a rail link to Dublin Airport.

Forfás and the enterprise development agencies have engaged closely with the Department of Transport, Tourism and Sport (DTTAS) on the emerging strategy. DTTAS is to consult on the Strategic Framework for Investment in Land Transport during 2014 and plans to release the enterprise agency submission as a background paper.

Water services

The provision of adequate, reliable, competitively priced water services, at appropriate quality levels, is critical for enterprise development. The provision of water services in Ireland is undergoing significant reform. Since January 2014, Irish Water has assumed responsibility for the provision of water services. The Commission for Energy Regulation (CER) is responsible for the economic regulation of the sector and the Environmental Protection Agency (EPA) for its environmental regulation. In October 2013, the CER issued a consultation paper inviting comments on its proposals for the economic regulatory framework for water services. Informed by the Forfás sectoral regulation study and the 2012 joint agency submission to the Department of the Environment on water sector reform, the enterprise agencies prepared a joint submission setting out the priorities for enterprise:

- Ireland needs a strategic medium to long term approach to investment planning that delivers an adequate and reliable supply of quality water services while also ensuring that we are cost competitive;
- Regulatory certainty is critically important for efficient investment and well-functioning markets. A fundamental element of regulatory certainty is the independence of the regulator. It is also important that the regulatory framework is sufficiently flexible to anticipate and respond to conditions as markets evolve; and
- Putting clear and consistent mandates and frameworks in place is not by itself sufficient to deliver effective economic regulation. As highlighted in the Government policy statement on economic regulation, effective mechanisms should be put in place to rigorously assess whether policy objectives are being achieved and to determine if these mechanisms are sufficient to protect consumer interests and promote investment. In particular, Ireland's performance needs to be benchmarked against that of key competitor and comparator countries to ensure that all necessary steps are taken to bring costs within the State's control into line with best international practice.

National Competitiveness Council

The National Competitiveness Council (NCC) was established by decision of the Government in May 1997. Forfás provides the Council with research and secretariat support. The current Terms of Reference of the Council were revised and updated in October 2013.

[Submission to the Action Plan for Jobs \(December 2013\)](#)

The Council made a submission to the *Action Plan for Jobs 2014*. The submission focuses on:

- Enhancing labour market competitiveness and skills;
- Boosting international cost competitiveness;
- Supporting entrepreneurship and hence, job creation;
- Supporting the development of a sustainable construction sector; and
- Improving Ireland's ranking in international competitiveness indices.

The submission notes that from a policy perspective, Ireland must ensure that the labour market is functioning properly so that job creation is supported and so that individuals are not penalised by taking up offers of employment. Additionally, Ireland must also relentlessly pursue actions to drive out cost inefficiencies wherever we find them. Finally, a healthy and vibrant economy depends upon interlinked and interdependent sectors. Ireland needs to ensure that construction sector returns to a sustainable level of activity - supplying essential economic infrastructure, world class office space and residential units.

[NCC submission to the Action Plan for Jobs](#)

People

Expert Group on Future Skills Needs

The work of the Expert Group on Future Skills Needs (EGFSN) is managed by Forfás. The research and analysis conducted for the EGFSN is undertaken by Forfás and the Skills and Labour Market Research Unit of SOLAS.

The EGFSN advises the Irish Government on current and future 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. The EGFSN comprises representatives of business, employees, education, Government departments and State agencies.

The EGFSN provides advice to Government on skills issues impacting enterprise through advice on:

- Skills requirements at national and sectoral level;
- Priority training requirements;
- Skills requirements that must be met through inward migration;
- Adapting programme content and delivery; and
- Influencing and monitoring implementation.

Addressing Future Demand for High-Level ICT Skills

The Forfás/Expert Group on Future Skills Needs report, *Addressing Future Demand for High-Level ICT Skills*, was published in November 2013. The study, which is a key action in the Government's *Action Plan for Jobs 2013* under the objective of building Ireland's ICT skills capability, forecasts the demand for high-level ICT skills over the next five years, across all sectors of the economy. The report also informed the 2014 ICT Action Plan, launched by Minister for Education, Ruairi Quinn TD and Minister for Jobs, Enterprise and Innovation, Richard Bruton TD in March 2014.

A main aim of the study was to determine the demand for people with high-level ICT skills, computing, engineering and electronic and electrical engineering occupations, arising from within the ICT sector and across other sectors of the economy and to make recommendations aimed at further boosting the high level ICT skills pipeline.

The ICT sector is of strategic importance to Ireland, both in terms of the numbers of high skilled professionals employed and its significant contribution to Ireland's export performance - accounting for €70 billion in exports per annum. The report indicates a continuing strong demand for high-level ICT skills with 44,500 potential job openings forecast to arise over the period to 2018 from both expansion and replacement demand. It highlights the quality and range of skillsets needed to meet rapidly changing technological and market trends. A solid base of ICT skills capability will enable individuals to adapt to changing specialisms trends.

To achieve the jobs potential, the report notes that all potential policy levers will need to continue to be utilised to increase high-level ICT skills supply. These includes mainstream education and training, conversion and reskilling programmes, continuing professional development and attracting experienced international talent, including expatriate talent. The report highlights the key demand for high-level ICT professionals and notes that the level and quality of domestic ICT graduates is a critical component in the supply of skills and over time adding to the stock of experienced professionals.

The report recommends that additional iterations of the conversion programmes from 2014 and beyond will be essential to contribute to meeting the increasing demand. In just over one year investment by the Department of Education and Skills has delivered over 1,500 places on industry designed ICT conversion programmes. These programmes provide graduates from other disciplines the opportunity to pursue new careers in ICT and industry access to a new pool of talented graduates with up to date ICT qualifications.

The output of computer graduates in Ireland has increased by 25% over the last two years and a doubling of graduate output is now expected to be achieved by 2015 - three years ahead of the Action Plan target of 2018. This comes as a result of the implementation of the Government ICT Skills Action Plan which is a collaboration between Government, Industry and the education system.



2014 ICT Action Plan

Minister for Education, Ruairi Quinn, TD and Minister for Jobs, Enterprise and Innovation, Richard Bruton, TD at the launch of the 2014 ICT Action Plan

The recommendations in the report focus on the following areas:

- Review the Scope and Governance of the ICT Action Plan
- Boost the Quantity and Quality of ICT Skills Output
- Inspire Future Talent
- Promote Ireland Internationally as the Centre for Global ICT Talent
- Address the Skills Challenge
- Maintain the ICT skills development capacity of Higher Education Institutions.

[Addressing Future Demand for High-Level ICT Skills](#)

Demand for Big Data/Data Analytics Skills to 2020

During 2013 Forfás and the EGFSN worked on a study, *Assessing the Demand for Big Data and Analytics Skills in Ireland 2013-2020*, which forecasts the annual demand for data analytics and related skills across the economy. The study is a Forfás deliverable under the *Action Plan for Jobs 2013* and was published in May 2014. Its aim is to research and identify measures to build up the big data and analytics talent pool over the period up to 2020 in line with enterprise demand. Measures include improving domestic data analytic graduate output and

continuing professional development, and, where necessary, attracting experienced talent from abroad including expatriate talent.

Data analytics involves the mining, analysis, interpretation and utilisation of Big Data (obtaining and utilising large volumes of data in structured and unstructured forms). The value of big data and analytics is becoming apparent across countries and is resulting in a growing demand for relevant skills.

Big data and analytics is a relatively new area of business activity characterised by rapid growth. Globally, there is a reported shortage of personnel with the required deep analytical skills and also individuals with the technological and business skills necessary to generate business intelligence and take action based on the insights generated and for supporting technology roles. At present, no one country or region stands out in the provision of big data and analytics services.

Government policy into the medium-term is for Ireland to become a leading country in Europe for big data and analytics. This would require achieving the scale of the ambition as set out in the high growth scenario in this study. Under this scenario, 21,000 potential job vacancies could arise from expansion and replacement demand in the period up to 2020 - comprising 3,630 for deep analytical roles and 17,470 for big data savvy roles. There would also be a further 8,780 potential job openings for supporting technology staff. Current employment demand for big data and analytics skills is estimated at 35,080.

For Ireland to become a leading country in such services it is essential that the necessary skills capability base is developed to drive data analytics business performance within existing enterprises, new start-ups and potential new foreign direct investment. The achievement of this outcome requires an improved understanding among private and public sector senior executives of the potential of data and analytics for driving business performance. An enterprise-wide approach to managing data analytics capabilities is essential - including defining analytical skills requirements; up-skilling and nurturing of workforce talent; providing clear career progression path opportunities and deploying analytical talent effectively to support business goals.

[Assessing the Demand for Big Data and Analytics Skills in Ireland 2013-2020](#)



Forfás participating in the debate at the Trinity Economic Forum - *Third-Level Education: Broke, Broken or Both?*

Pictured (l-r) is Marie Bourke, Manager, Education, Skills, Environment & Survey Analysis, Forfás and Dr Darragh Flannery, lecturer Economics Department, University of Limerick

Driving Greater Alignment of Higher Education with the Skills Needs of Employers

For the third consecutive year Forfás provided the guidelines document, *Guidance for Higher Education providers on current and future skills needs of enterprise*, to accompany the Higher Education Authority's call for proposals under the Springboard labour market initiative. Springboard is a multi-annual fund which provides free part-time higher education courses, to assist the unemployed and previously self-employed to upskill or reskill in areas of current and future skills need.

The guidelines document draws on the EGFSN's recent research and provides a summary of identified current and future skills shortages in order for providers tendering for the call to ensure that programmes provided under Springboard are designed and aligned with enterprise skills needs.

Key areas of focus for Springboard 2013, outlined in the guidelines included: mechanical and manufacturing engineers; validation, quality, polymer, supply chain and automation engineers; ICT computing and electronic engineering; international sales professionals with foreign languages; international project management; regulation and compliance for financial services; business analysts for all sectors with skills to be effective consumers of big data insights.

[Guidance for Higher Education providers on current and future skills needs of enterprise](#)

Forfás, Department of Jobs, Enterprise & Innovation, IDA Ireland and Enterprise Ireland Submission to the Apprenticeship Review

Forfás prepared a joint submission on behalf of Forfás, Enterprise Ireland, IDA Ireland and the Department of Jobs, Enterprise and Innovation to the *Review of Apprenticeship Training in Ireland* being undertaken by the Department of Education and Skills.

The key principles for an ideal model of Apprenticeship outlined in the submission included to better reflect the current and future skills required in the labour market by: broadening the scope for integration of occupations/disciplines into an apprenticeship model; ensuring industry involvement in the development of training programmes; evolving a curriculum for relevant occupations that reflect the needs of the modern workplace; providing for well-structured and mapped progression routes between second level, vocational educational training, higher education and on the job training; and addressing future supply issues. In addition the submission process sought input on changes recommended in regard to issues of governance, equity, funding, recruitment, delivery; and information on other systems/programmes in Ireland and internationally including those with significant work-based learning.

The submission was discussed with the Review Group in October 2013.

[Joint Agency Submission to the Apprenticeship Review](#)

Forfás submission to the Quality and Qualifications Ireland (QQI) Strategy Statement 2014 - 2016

In 2013 the Quality and Qualifications Ireland (QQI) Board and Executive worked to develop QQI's first Strategy Statement. As part of the process the draft Strategy Statement was circulated extensively for external consultation to Government departments, State agencies and providers and representative bodies in education and training.

The focus of the Forfás submission was to reflect labour market needs, enhance employability by equipping learners with the skills and competencies required in the work environment and ensure that programme content reflects the changing needs of the workplace, the availability of awards at NFQ Levels 1-3 and progression for those award holders to Levels 4 and 5, the need for a strong employer cooperation with QQI committee structures and the need for access by national and international awarding bodies to the NFQ especially where gaps in existing provision are identified.

The *QQI Strategy Statement 2014 - 2016* was published in November 2013.

Advice on Economic Migration Policy

During 2013, Forfás continued to provide advice to the Department of Jobs, Enterprise and Innovation (DJEI) on economic migration policy.

Advice in 2013 included identification of changes in labour market trends and skills shortages, arising from analysis contained in the EGFSN *National Skills Bulletin 2013*. DJEI utilise this information to determine occupations eligible for Green Cards and Work Permits.

In addition to labour market updates, Forfás continued to provide input into DJEI on a range of economic migration issues as they arose. This included the creation of new categories of employment permits including Critical Skills Employment Permits and measures to facilitate access to the Irish labour market by skilled ICT professionals.

The Expert Group on Future Skills Needs Statement of Activity 2013

The annual *Statement of Activity* provides details of the Group's output and activity in the preceding year, its forthcoming work and information on the Group's research and analysis resources.

The report also provides an overview of progress towards reaching the targets set out in the *National Skills Strategy* (NSS). Ireland continues to make progress towards achieving the *National Skills Strategy* (NSS) targets. It is estimated that 42 per cent hold third level qualifications, 40 per cent have obtained higher secondary/further education and training qualifications, while the proportion of those holding lower secondary or below has dropped to just under one fifth for the first time since tracking of the progress towards the NSS targets began.

[Statement of Activity 2013](#)

Progress on implementation of EGFSN report recommendations

Ongoing monitoring of progress on implementation of EGFSN recommendations, including a review of sectoral studies after completion, is undertaken by the Group. Key stakeholders identified with the responsibility for implementing recommendations are written to after publication and invited to inform the EGFSN of progress on implementation.

Collaboration with SOLAS Skills and Labour Market Research Unit

During 2013, Forfás continued to work closely with the Skills and Labour Market Research Unit (SLMRU) in SOLAS. In 2013 SOLAS completed the following reports on behalf of the EGFSN:

- *Regional Labour Markets Bulletin 2012*, published in January 2013, was the first in an annual series examining regional labour markets in Ireland. It provides labour market indicators, a profile of key businesses and industries, potential job opportunities and current and potential skills supply.
- *Vacancy Overview 2012*, published February 2013, draws on a number of data sources held in the National Skills Database to provide an overview of the demand for labour as measured by trends in advertised job vacancies.
- The *National Skills Bulletin 2013*, published in July 2013, draws on data on employment, vacancies, job announcements and immigration and other qualitative information held in the National Skills Database, to identify imbalances in the Irish labour market at occupational level.
- *Monitoring Ireland's Skills Supply 2013 - Trends in Education and Training Outputs*, published in July 2013, provides an indication of the supply of skills to the Irish labour market from the formal education and training system by examining outflows from the formal education system across levels 1-10 of the National Framework of Qualifications (NFQ).

The SLMRU also develops and maintains the National Skills Database (NSD), which collates all available information on the supply and demand of skills in Ireland. During 2013 the NSD was updated to include the latest statistics and information on employment; education and training output; immigrant labour force; notified job vacancies; labour force forecasting models; occupational employment forecasting models, and recruitment agency surveys.

[Regional Labour Markets Bulletin 2012](#)

[Vacancy Overview 2012](#)

[National Skills Bulletin 2013](#)

[Monitoring Ireland's Skills Supply - Trends in Education and Training Outputs 2013](#)

Advocacy

During 2013, the EGFSN continued to engage with stakeholders to ensure that key labour market information was disseminated to all relevant parties. The EGFSN Chairperson and the Forfás Head of Secretariat to the EGFSN provided presentations on a wide range of labour market issues at conferences and fora throughout the year. In addition, the Group's output continues to be utilised by students, jobseekers and guidance counsellors through websites to which we provide skills information, such as Careers Portal, Qualifax, Career Directions and GradIreland, to inform their target audiences.

The Irish National Accreditation Board (INAB)

The Irish National Accreditation Board

The Irish National Accreditation Board (INAB) is Ireland's national body within a European network of accreditation bodies. INAB assesses certification bodies, laboratories and inspection bodies for conformity against internationally harmonised standards providing 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 also 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, reducing 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 as set out below.

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 the laboratory to perform specific tests. During 2013, INAB carried out 119 onsite inspections of accredited/applicant laboratories within the Laboratory Accreditation Programme which resulted in the maintenance of the 120 laboratory accreditations, award of accreditation to 10 new laboratories and award of extensions to scope across a range of disciplines.

Medical Laboratory Accreditation to ISO/IEC 15189:2007

INAB maintained 60 medical laboratory accreditations to the international standard ISO/IEC 15189:2007 during 2013 and INAB carried out 84 onsite inspections to applicant and accredited organisations. Accreditation was awarded to ISO/IEC 15189:2007 to 3 medical testing laboratories in 2013 with a large number of extensions to scope across a range of disciplines.

In addition, INAB received further applications for accreditation in all medical disciplines from this sector during 2013, which continues to make it an area of strong growth.

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 EN 50001 (energy management systems); to ISO 27001 (Information security management); to ISO 22000 (food safety management); OHSAS 18001 (occupational health and safety management), certify products and persons and verify Greenhouse Gas emissions under INAB accreditation.

INAB carried out 50 onsite inspections of accredited/ applicant certification bodies during 2013.

Greenhouse Gas Emissions Trading Scheme

INAB, in cooperation with the Environmental Protection Agency (EPA), established and implemented an accreditation programme to underpin the implementation of the EU Greenhouse Gas (GHG) emissions trading scheme set out in European Directive 2003/87/EC. The EPA is the designated competent authority for the implementation of the directive in Ireland. INAB continues to be the accreditation body responsible for accrediting verifiers to carry out verifications of the emissions reports according to the relevant legislation.

In 2013, INAB applied to extend its multi-lateral agreement status to include the accreditation of verification bodies.

Management Systems Certification

INAB maintained accreditation for four accredited certification bodies to enable certification of Irish companies to several management systems standards.

Accreditations for food safety management system and occupational health and safety system certification were awarded in 2013. INAB awarded accreditation to a conformity assessment body for notification under the Construction Products Regulations, EU305/2011.

Product Certification

Food product certification continues to be a significant growth area of importance, both for national and international food quality assurance schemes.

In 2013, INAB maintained and extended accreditation for its 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. 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 currently has three certification bodies accredited for this programme.

Food product certification will continue to be a growth area for INAB for the foreseeable future.

In addition to product certification in the food sector, INAB accredits certification bodies certifying installation of security services and awarded accreditation to two new certification bodies for this scheme in 2013.

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 2013 INAB maintained the nine inspection body accreditations in the system. Extensions to scope to existing accredited inspection bodies were awarded in the areas of food and engineering inspections.

During 2013 INAB carried out 13 onsite inspections of accredited / applicant inspection bodies and awarded accreditation to two new 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 2013 four test facilities held GLP Compliance Statements under this programme. Two on-site inspections of compliant GLP facilities were carried out in 2013.

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 2013 INAB maintained four 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. 1221/2009 of the European Parliament and the Council.

Regulation 765/2008

On the 1st January 2010, EU Regulation 765/2008 took effect to 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; 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 obliges 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 enhances the confidence in conformity assessment and encourages the mutual recognition of conformity assessment results and certificates. INAB is the sole national accreditation body for Ireland.

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). In 2013, INAB began preparation for its EA peer evaluation scheduled in early 2014.

Accreditation Awareness

Accreditation awareness and feedback from stakeholders continued during 2013 through surveys and communication updates. Two editions of the INAB newsletter were produced in 2013 in addition to regular technical updates to clients.

INAB Board Members



Tom O'Neill, Chairman
Site Leader, Pfizer, Little Island

Dr Adrienne Duff	(ex-Officio), Manager INAB
John Shine	Director of Commercial Practices National Consumer Agency (Vice Chairperson)
Dr Nuala Bannon	Inspector Department of Environment, Heritage and Local Government
Martin O'Halloran	Chief Executive Health and Safety Authority
Jan van der Poel	Chief Executive Dutch Accreditation Body (RvA)
Dr Caitriona Fisher	Quality Manager The Irish Medicines Board
Paul Hetherington	Director National Metrology Laboratory, NSAI
Prof Alan Reilly	Chief Executive Food Safety Authority of Ireland
Dr Emer Lalor	Consultant Haematologist ⁵
Ita Kinahan	State Chemist ⁶ State Laboratory
Jim O'Toole	Director of Meat and Livestock Division ⁷ Bord Bia

⁵ Appointed in July 2013 following the resignation of Dr Andrew Hodgson

⁶ Appointed in July 2013 following the resignation of Dermot Hayes

⁷ Appointed in July 2013 following the resignation of Tom Dempsey

Corporate Governance

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 2009 and under the aegis of the Minister for Enterprise, Trade and Innovation. Forfás has put in place procedures to ensure compliance with the following specific requirements:

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 along with members of the Irish National Accreditation Board (INAB), which operates as a division and sub-Board of Forfás, furnish statements of material interest to the Commission Secretary, Standards in Public Office Commission and copies to the Secretary of Forfás.

With effect from 2011 members of the Expert Group on Future Skills Needs (EGFSN) along with members of the National Competitiveness Council (NCC) are designated under the Acts. In addition, Forfás staff members holding designated positions comply 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 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 and educational programmes.

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

Arrangements exist for a Joint Participative Forum to meet the requirements of the Worker Participation (State Enterprises) Act 1988.

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 2010, Forfás has prepared a Safety Statement that encompasses all the aspects affecting staff and visitor welfare. This document is updated on an on-going basis.

Prompt Payment of Accounts

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 2012.

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 Finance 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 2013.

Prompt Payment to Suppliers

Forfás is committed to meeting its obligations under the 15 day Prompt Payment Rule, which came into effect on 1 July 2011.

This provision ensures that payments to suppliers in respect of all valid invoices received will be made within 15 calendar days.

Forfás reports quarterly in the [Our Commitments](#) section of the website on the implementation of the 15 day Prompt Payments Rule.

Code of Practice for the Governance of State Bodies, 2009

Following the revision of the Code of Practice for the Governance of State Bodies in 2009, Forfás has reviewed its processes to ensure that it is complying with the provisions of the Revised Code.

Board Members Disclosure of Interests

In accordance with the Revised Code of Practice for the Governance of State Bodies, 2009, Forfás Board Members, on their appointment to the Board and during their tenure in office, furnish details of interests which could involve a conflict of interest or could materially influence the member in relation to the performance of his/her functions as a member of the Board.

Board Fees and Attendance

Board Member	Fees €'000	Attendance (7 meetings held in 2013)
Eoin O'Driscoll	21	7 of 7
Mark Ferguson	Nil	5 of 7
John Murphy	Nil	7 of 7
Barry O'Leary	Nil	6 of 7
*Frank Ryan	Nil	5 of 6
*Julie Sinnamon	Nil	1 of 2
Martin D. Shanahan	Nil	7 of 7

*Frank Ryan resigned from the Board of Forfás in November 2013.

*Julie Sinnamon was appointed to the Board of Forfás in November 2013.

Board Expenses

There were no expenses paid to Board Members in 2013.

Customer Charter

Forfás' Customer Charter sets out its commitment to a high quality of service to our customers. This is available [here](#). This Charter includes a procedure for dealing with complaints.

In 2013 no complaints were received.

Energy Efficiency

Under Statutory Instrument (SI) 542 European Communities (energy end-use efficiency and energy services) Regulations 2009, the public sector has specific energy reporting obligations. 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. In compliance with regulatory requirements Forfás displays a Display Energy Certificate in its reception area.

In late 2009 Forfás began a multi-year project aimed at improving the overall energy efficiency in Wilton Park House with the support of the Sustainable Energy Authority of Ireland. This included an oil to gas conversion (2010), installation of energy efficient lighting (2010), enhanced building management system and energy awareness initiatives. In July 2013, as part of the process of integrating Forfás into the Department of Jobs, Enterprise and Innovation, Head Lessor responsibility for Wilton Park House transferred to IDA Ireland.

Financial Statements

Statement of Board Members' Responsibilities

For 2013 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 Jobs, Enterprise and Innovation with the consent of the Minister for Public Expenditure and Reform, 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 do so;
- 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 D. Shanahan
Chief Executive

18 June 2014

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Forfás

I have audited the financial statement of Forfás for the year ended 31 December 2013 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. The financial statements have been prepared in the form prescribed under paragraph 7 of the first schedule to the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibility of the Members of the Board

The Board is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of Forfás's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to Forfás's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements,
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read Forfás's annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of Forfás's affairs at 31 December 2013 and of its income and expenditure for 2013.

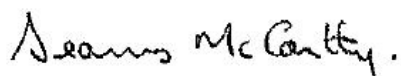
In my opinion, proper books of account have been kept by Forfás. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in Forfás's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect Forfás's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



Seamus McCarthy

Comptroller and Auditor General

27 June 2014

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 retained an external expert to advise the Audit Committee on technical financial matters.

Statement on Internal Financial Control (continued)

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 and comments made by the Comptroller & Auditor General in his management letter.

I confirm that in respect of the year to 31 December 2013, the Board conducted a review of the effectiveness of the System of Internal Financial Control.

Signed on behalf of the Board



Eoin O'Driscoll

Chairman

18 June 2014

Accounting Policies

Industrial Development Acts 1993, 1995, 1998, 2003 and 2009

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 Jobs, Enterprise and Innovation with the consent of the Minister for Public Expenditure and Reform 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 applicable.

On 16 April 2013, the Government formally noted the intention of the Minister for Jobs, Enterprise and Innovation to integrate the research and policy advisory functions of Forfás into the Department of Jobs, Enterprise and Innovation. The Industrial Development (Forfás Dissolution) Bill which makes provision for the dissolution of Forfás and the transfer of its functions to the Minister for Jobs, Enterprise and Innovation, Enterprise Ireland, IDA Ireland and the Health and Safety Authority was published on 19 December 2013. However, there is no expected impact on the value of assets and liabilities in the Balance Sheet. In these circumstances the Financial Statements have been prepared on a going concern basis.

During 2013, the leasehold interest and associated facilities staff for the leased buildings transferred from Forfás to IDA Ireland. As a result the Oireachtas grant decreased during 2013.

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 as follows:

- Computer Equipment: 3 years
- Motor Vehicles: 4 years
- Fixtures and Fittings: 5 years

Accounting Policies (continued)

Depreciation is charged in the year of purchase and not charged in the year of disposal. 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 unamortised 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 six 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 Jobs, Enterprise and Innovation and from certain contributions deducted from staff salaries.

Pension costs reflect pension benefits earned by employees in the period and are shown net of retained staff pension contributions. 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 Total Recognised Gains and Losses and a corresponding adjustment is recognised in the amount recoverable from the Department of Jobs, Enterprise and Innovation.

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 Jobs, Enterprise and Innovation.

Pension scheme liabilities are measured on an actuarial basis using the projected unit method.

8. Operating Leases

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

Income and Expenditure Account

Year Ended 31 December 2013


	Note	2013 €'000	2012 €'000
Income			
Oireachtas Grant	1	40,076	51,422
Professional Fees - Irish National Accreditation Board	2	2,183	1,888
Other	3	12	823
Departmental Programmes	6	391	3,761
Net Deferred Pension Funding	8 (e)	27,474	21,158
		70,136	79,052
Expenditure			
Administration and General Expenses	4	9,282	13,066
Depreciation	7	85	113
Pension Costs	8 (c.i)	61,499	61,372
Departmental Programmes	6	391	3,761
		71,257	78,312
(Deficit)/Surplus for Year		(1,121)	740
Contribution to Exchequer	5	(488)	(623)
Balance at beginning of Year		2,804	2,599
Transfer to Capital Account	9	76	88
Balance at end of Year		1,271	2,804

The Accounting Policies, Cash Flow Statement and Notes 1 to 17 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

18 June 2014

Statement of Total Recognised Gains and Losses

Year Ended 31 December 2013

		2013	2012
	Note	€'000	€'000
Surplus/(Deficit) for Year		(1,121)	740
Actuarial Gain/(Loss) on Pension Liabilities	8 (c.ii)	25,395	(194,127)
Adjustment to Deferred Pension Funding	8 (c.ii)	(25,395)	194,127
Total Recognised Gain/(Loss) for the Year		(1,121)	740

The Accounting Policies, Cash Flow Statement and Notes 1 to 17 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman

18 June 2014



Martin D. Shanahan
Chief Executive

Balance Sheet

As at 31 December 2013

	Note	2013 €'000	2012 €'000
Fixed Assets			
Tangible Fixed Assets	7	58	134
Total Fixed Assets		58	134
Current Assets			
Accounts Receivable	10	693	2,974
Bank		1,092	386
		1,785	3,360
Accounts Payable	11	514	556
Net Current Assets		1,271	2,804
Deferred Funding Asset	8 (d)	1,189,753	1,187,674
Pension Liability	8 (d)	(1,189,753)	(1,187,674)
Total Assets Less Current Liabilities		1,329	2,938
Represented By:			
Capital Account	9	58	134
Income and Expenditure Account		1,271	2,804
		1,329	2,938

The Accounting Policies, Cash Flow Statement and Notes 1 to 17 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

18 June 2014

Cash Flow Statement

Year Ended 31 December 2013

		2013	2012
	Note	€'000	€'000
Reconciliation of Net Movement for Year to Net Cash Flow from Operations			
Surplus/(Deficit) for Year		(1,121)	740
Bank Interest		(12)	(30)
(Profit)/Loss on Disposal of Assets		4	-
Depreciation Charge:			
- Tangible Fixed Assets	7	85	113
(Increase)/Decrease in Accounts Receivable		2,281	(339)
Increase/(Decrease) in Accounts Payable		(42)	(14)
Net Cash Flow from Operations		1,195	470
Cash Flow Statement			
Net Cash Flow from Operations		1,195	470
Returns on Investment and Servicing of Finance			
Bank Interest		12	30
Cash Flow before Capital Expenditure		1,207	500
Capital Funding			
Purchase of Tangible Fixed Assets	7	(13)	(25)
Cash Flow after Capital Expenditure		1,194	475
Contribution to Exchequer	5	(488)	(623)
Increase/(Decrease) in Cash		706	(148)
Reconciliation of Increase/(Decrease) in Cash to Cash at Bank			
Movement in Cash for the Year		706	(148)
Cash at Bank at 1 January		386	534
Cash at Bank at 31 December		1,092	386

Notes to the Financial Statements

Year Ended 31 December 2013

1. Oireachtas Grant		2013	2012
		€'000	€'000
Funded by Department of Jobs, Enterprise and Innovation Vote 32			
Administration and General Expenses	Subhead B.1. Forfás	29,661	38,832
Financial Measures Act	Subhead B.2. Forfás (Note 8 (a.i))	10,415	12,590
Total		40,076	51,422

- a) Under Section 11 of the Industrial Development Act, 1993, as amended by Section 4(a) of the Industrial Development Act, 2009, 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 €7,000,000,000. At 31 December, 2013 the aggregate amount so provided to Enterprise Ireland, IDA Ireland and Science Foundation Ireland was €4,907,260,754.
- 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, 2013 the aggregate amount so provided was €13,547,211.
- c) In December 2013 a virement of €1,806,000 from Subhead B.1. Forfás to Subhead A5(i) IDA Ireland was sanctioned by The Department of Public Expenditure and Reform, this was required due to the transfer of property leases from Forfás to IDA Ireland in July 2013 and the timing of lease payments in advance.

2. Professional Fees - Irish 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.

On 5 March 2013 the Government agreed to introduce legislation to transfer the Irish National Accreditation Board from Forfás to the Health and Safety Authority. The Industrial Development (Forfás Dissolution) Bill which makes provision for the dissolution of Forfás was published on 19 December 2013.

Notes to the Financial Statements

Year Ended 31 December 2013

3. Other Income		
	2013	2012
	€'000	€'000
Rental Income*	-	793
Bank Interest	12	30
Other Income	-	-
Total	12	823
*Private Sector sublets of surplus space in current headquarter building Wilton Park House. The lease in respect of Wilton Park House transferred from Forfás to IDA Ireland in July 2013.		
4. Administration and General Expenses		
	2013	2012
	€'000	€'000
Board Members' Remuneration and Expenses (Including Chief Executive Remuneration) ¹	222	282
Pay Costs ²	5,094	6,089
Other Personnel Costs	165	142
Travelling & Subsistence Expenses	167	180
Specialised and Professional Services	974	941
Research and Studies	784	633
Rents, Rates, Repairs and Maintenance ³	1,405	4,412
Other Operating Expenses	447	748
Office of the Chief Scientific Adviser ⁴	-	185
Audit Fee	24	19
Allocation of overhead to European City of Science programme	-	(565)
Total	9,282	13,066
Pay Costs comprise:		
Wages and Salaries	4,695	5,616
Social Welfare Costs	339	389
Pension Costs	60	84
Total	5,094	6,089

Notes to the Financial Statements

Year Ended 31 December 2013

4. Administration and General Expenses (continued)		2013	2012
		€'000	€'000
1 Board Members' Remuneration was as follows:			
Eoin O'Driscoll (Chairman)		21	21
Barry O'Leary		-	-
Mark Ferguson		-	-
Martin Shanahan		-	-
John Murphy		-	-
Julie Sinnamon	Appointed 03/11/2013	-	-
Frank Ryan	Retired 02/11/2013	-	-
Don Thornhill	Ceased as a board member in 2012	-	2
William O' Brien	Ceased as a board member in 2012	-	10
Bob Brannock	Ceased as a board member in 2012	-	10
Tim Dullea	Ceased as a board member in 2012	-	10
Miriam Magner Flynn	Ceased as a board member in 2012	-	10
Board Members Expenses €0 (2012 €11,517).			
Chief Executive's Remuneration:			
The Chief Executive Officer received a remuneration package comprising salary of €182,334 per annum subject to standard public sector pension arrangements and use of a company car subject to annual benefit in kind of €14,070. Following the Financial Emergency Measures in the Public Interest Act 2013, with effect from 1 July 2013 the Chief Executive's Remuneration was reduced from €189,115 to €175,554 per annum.			
No performance bonuses were applicable.			
2 Pension levy deducted from Pay and remitted to DJEI €396,907 (€438,000 in 2012)			
In July 2013, 13 staff were transferred from Forfás to IDA Ireland following the transfer of the Facilities function arising from the assignment of the operating leases on the buildings to IDA Ireland.			
3 These are net of rentals received from sub-tenants of former IDA headquarter buildings assigned to Forfás under the Industrial Development Act, 1993. The operating leases in respect of these buildings transferred to IDA Ireland in July 2013.			
4 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 August 2012 responsibility for Administration issues, procedures and other governance obligations for the office transferred from the Chief Executive of Forfás to the Director General of Science Foundation Ireland (SFI). The Office of the CSA was responsible for hosting the European City of Science in Dublin in 2012 (Note 6).			
5 ICT Costs of €281,412 relating to Forfás were paid by the Department of Jobs, Enterprise and Innovation in 2013.			

Notes to the Financial Statements

Year Ended 31 December 2013

5. Contribution to the Exchequer

Income, surplus to budgeted requirements, surrendered to the Exchequer. The amount of €488,000 is comprised of refund of Oireachtas Grant B.1 (€341,000) and surplus Own Income (€147,000).

6. Departmental Programmes

These externally funded programmes are 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.

		2013	2012
		€'000	€'000
b) Programmes			
Expert Group on Future Skills Needs	1	391	361
European City of Science	2	-	3,400
Total		391	3,761
Details of Funding Bodies:			
1 National Training Fund of the Department of Education and Skills			
2 Department of Jobs, Enterprise and Innovation. Vote 32 Subhead B1			
c) European City of Science Funding		2013	2012
		€'000	€'000
Department of Jobs, Enterprise and Innovation		-	1,350
Private Funding (EU, Private Grant Funding, Sponsorship and Exhibition sales and Delegate fees)		-	2,050
Total		-	3,400

Notes to the Financial Statements

Year Ended 31 December 2013

7. Tangible Fixed Assets				
	Computer Equipment €'000	Motor Vehicles €'000	Fixtures & Fittings €'000	Total €'000
Cost				
At 1 January 2013	952	47	2,698	3,697
Additions	-	-	13	13
Disposals	(22)	-	(96)	(118)
At 31 December 2013	930	47	2,615	3,592
Depreciation				
At 1 January 2013	891	24	2,648	3563
Charge for Year	53	12	20	85
Disposals	(18)	-	(96)	(114)
At 31 December 2013	926	36	2,572	3,534
Net Book Amount				
At 1 January 2013	61	23	50	134
Net Movement for Year	(57)	(12)	(7)	(76)
At 31 December 2013	4	11	43	58

Notes to the Financial Statements

Year Ended 31 December 2013

8. Pensions

- 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 until 31/12/2009. (See Note 8(a.i))
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 until 31/12/2009. (See Note 8(a.i))
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.

Notes to the Financial Statements

Year Ended 31 December 2013

8. Pensions (continued)

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.

(a.i) Under the Financial Measures (Miscellaneous Provisions) Act 2009 the assets of both the Former Industrial Development Authority and the Former Irish Goods Council schemes were transferred to the National Pension Reserve Fund on 31 December 2009. The pension schemes associated with these two funds continue in force for existing members with no impact on benefits or associated provision for members. IDA Ireland, Enterprise Ireland and Science Foundation Ireland remit their employer and employee contributions for these schemes to Forfás for onward remittance to the Exchequer with its own contributions. Total employer (€885,307) and employee (€976,412) contributions for these schemes were remitted by Forfás to the Exchequer in 2013 and pension costs at retirement are now paid by Oireachtas Grant Vote No. 32 Subhead B.2: Forfás.

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.

	2013	2012
	€'000	€'000
c.i) Analysis of total pension charge		
Service costs	22,211	16,257
Interest on Pension Scheme Liabilities	42,346	48,346
Employee Contributions utilised in payment of pensions	(3,058)	(3,231)
	61,499	61,372
c.ii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Experience Gains	25,395	57,323
Changes in assumptions	-	(251,450)
Actuarial Gains/(Losses)	25,395	(194,127)

Notes to the Financial Statements

Year Ended 31 December 2013

8. Pensions (continued)

	2013	2012
	€'000	€'000
d) Pension Liability	(1,189,753)	(1,187,674)
made up of:		
Present Value of pension schemes' liabilities	(1,189,753)	(1,187,674)
Change in Pension Schemes' Liabilities		
Present value of schemes' obligations at start of year	(1,187,674)	(972,389)
Current Service Cost	(22,211)	(16,257)
Interest Costs	(42,346)	(48,346)
Payments to Pensioners	37,083	43,445
Actuarial gain/(loss)	25,395	(194,127)
Present value of schemes' obligations at end of year	<u>(1,189,753)</u>	<u>(1,187,674)</u>
e) Net Deferred Funding for Pensions in year	2013	2012
	€'000	€'000
Funding recoverable in respect of current year pension costs	64,557	64,603
Funding to pay pensions	(37,083)	(43,445)
	<u>27,474</u>	<u>21,158</u>

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 2013 amounted to €1,190 million (2012: €1,188 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 Jobs, Enterprise and Innovation.

Notes to the Financial Statements

Year Ended 31 December 2013

8. Pensions (continued)

- f) The valuation used for FRS17 disclosures has been based on a full actuarial valuation at 31 December 2013. The financial assumptions used to calculate scheme liabilities under FRS17 as at 31 December were as follows:

Valuation method:	Projected Unit:	
	2013	2012
Discount Rate	3.50%	3.50%
Salary Increases	3.50%	3.50%
Pension Increases	3.00%	3.00%
Inflation Rate	2.00%	2.00%

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

Member age 65 (current life expectancy in years)	Male	21.0	21.0
	Female	23.9	23.9
Member age 40 (life expectancy at age 65 in years)	Male	23.8	23.8
	Female	25.8	25.8

- g) History of experience gains and losses

	2013	2012	2011	2010	2009
History of defined benefit obligations and experience gains and losses					
Defined benefit obligation (€'000)	1,189,753	1,187,674	972,389	918,616	892,116
Experience Gains/(Losses) on scheme liabilities					
amount (€'000)	25,395	57,323	10,889	38,274	43,262
percentage of the present value of scheme liabilities	2.1%	4.8%	1.1%	4.2%	4.8%

The total recognised actuarial gain since 2004 is €160 million.

- h) Funding of Pensions

Payments for unfunded obligations are expected to amount to €43 million in 2014.

- i) Dissolution of Forfás

The Industrial Development (Forfás) Dissolution Bill which makes provision for the dissolution of Forfás, provides for (i) the establishment of Enterprise Ireland, IDA Ireland, Science Foundation Ireland and NSAI as separate legal employers, (ii) Enterprise Ireland, IDA Ireland and Science Foundation Ireland developing its own pension scheme, (NSAI have a scheme in place already), (iii) the agencies' own staff becoming members of these schemes and (iv) these agencies accounting for the associated Pension Liabilities under FRS17. The Department of Jobs, Enterprise and Innovation will have legal responsibility for the existing Pension schemes, pensioners and former staff with preserved benefits.

Notes to the Financial Statements

Year Ended 31 December 2013

9. Capital Account		
	€'000	€'000
At 1 January 2013		134
Transfer (to)/from Income and Expenditure Account		
- Cost Additions	13	
- Cost Disposals	(118)	
- Depreciation	(85)	
- Depreciation Disposals	114	
		(76)
At 31 December 2013		58

10. Accounts Receivable		
	2013	2012
	€'000	€'000
General Debtors	324	728
Prepayments	21	1,785
Inter Agency Balances	333	182
Payroll	13	18
EU Grant receivable for European City of Science programme	-	257
Departmental Programmes	2	4
Total	693	2,974

General Debtors include €120,188 (2012: €217,494) VAT Receivable by Forfás on behalf of the Forfás VAT Group (Forfas, IDA Ireland & 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 €310,708 (2012: €74,605) from SFI and Enterprise Ireland.

Notes to the Financial Statements

Year Ended 31 December 2013

11. Accounts Payable

	2013	2012
	€'000	€'000
Accruals	162	295
Inter Agency Balances	352	261
Total	514	556

Interagency Balances represent amounts due, if any, to the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT payable of €351,551 (2012: €260,857) to IDA Ireland.

12. Commitments under Operating Leases

A net total of €1,010,514 (2012: €2,902,000) has been charged in respect of operating leases on buildings in the accounts of Forfás.

Lease costs in respect of Wilton Park House were paid by Forfás until the lease was assigned to IDA Ireland in July 2013. Wilton Park House lease payments were shared between Forfás, its agencies and private tenants in proportion to agreed office space occupied. Rental and associated charges of €1,010,514 have been recognised in Forfás financial statements (Note 4) representing Forfás's share of Wilton Park House space occupied in 2013.

There is no lease charge for 2013 in Forfás financial statements in respect of Knockmaun House and Carrisbrook House as IDA Ireland's 2013 DJEI grant included an allocation for the lease costs of these two buildings for all of 2013.

Up to 2013, Forfás held operating leases for three premises, Wilton Park House (Headquarter building for Forfás, IDA Ireland and Science Foundation Ireland), Knockmaun House and Carrisbrook House. These leases were assigned to IDA Ireland in July 2013 as part of the process of integrating Forfás into the Department of Jobs, Enterprise and Innovation. As a result Forfás has no commitments to meet in 2014 in relation to operating leases.

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.

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 Forfás has adhered to these procedures.

During 2013 no payments were made to any organisations associated with a Board Member.

Notes to the Financial Statements

Year Ended 31 December 2013

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 11 March 2014.

Appendix 1: Advisory Councils

National Competitiveness Council



**Dr Don Thornhill, Chairman
Business Adviser and Company Director**

Martin D. Shanahan	Chief Executive, Forfás
Liam Casey	Chief Executive Office, PCH International Ltd.
Prof. Peter Clinch	Jean Monnet Professor of European Economics and Professor of Public Policy, University College Dublin
Shay Cody	General Secretary, IMPACT
Clare Dunne	Assistant Secretary, Department of Jobs, Enterprise and Innovation
Isolde Goggin	Chairperson, Competition Authority
John Herlihy	Vice President , International SMB Sales and Head of Google Ireland
Jane Magnier	Joint Managing Director, Abbey Tours
Danny McCoy	Chief Executive, Ibec
Seán Murphy	Deputy Chief Executive, Chambers Ireland
Sean O’Driscoll	Chairman and Chief Executive Officer, Glen Dimplex Group
Louise Phelan	Vice President of Global Operations Europe Middle East and Africa, PayPal
Heather Reynolds	Director, Eistec
Dave Shanahan	Head of Strategic Health Initiatives Worldwide, AbbVie
Paul Sweeney	Economist
Siobhan Talbot	Group Managing Director, Glanbia

Expert Group on Future Skills Needs



Una Halligan, Chairperson

Marie Bourke	Head of Secretariat and Department Manager, Education, Skills, Environment and Survey Analysis Forfás
Inez Bailey	Director, National Adult Literacy Agency
Peter Baldwin	Assistant Secretary, Department of Education and Skills
Ray Bowe	IDA Ireland
Liz Carroll	Training and Development Manager, ISME
Ned Costello	Chief Executive, Irish Universities Association
Margaret Cox	Managing Director, I.C.E. Group and Pitman Training
Bill Doherty	Executive Vice President, EMEA, Cook Medical
Tony Donohoe	Head of Education, Social and Innovation Policy, IBEC
Dr Bryan Fields	Director, Curriculum Development/Programme Innovation, SOLAS
Sonia Flynn	EMEA Director for User Operations, Facebook
Deirdre McDonnell	Principal Officer, Department of Education and Skills
Joe Hogan	Founder, Chief Technology Officer and Vice President Openet Labs & IP Management
Jerry Moloney	Regional Director, Mid West, Enterprise Ireland
Frank Mulvihill	Former President of the Institute of Guidance Counsellors
Dr Brendan Murphy	President, Cork Institute of Technology
John Burke	Education Expenditure & Policy, Department of Public Expenditure and Reform
Alan Nuzum	CEO, Skillnets
Mary Liz Trant	Higher Education Authority

Peter Rigney	Industrial Officer, ICTU
Martin Shanagher	Assistant Secretary, Department of Jobs, Enterprise and Innovation
Martin D. Shanahan	Chief Executive, Forfás
Jacinta Stewart	Chief Executive, City of Dublin Education and Training Board

John Martin resigned in September 2013

Joanna Gardiner resigned in September 2013

Mary-Liz Trant replaced Muiris O'Connor as Higher Education Authority representative in April 2014

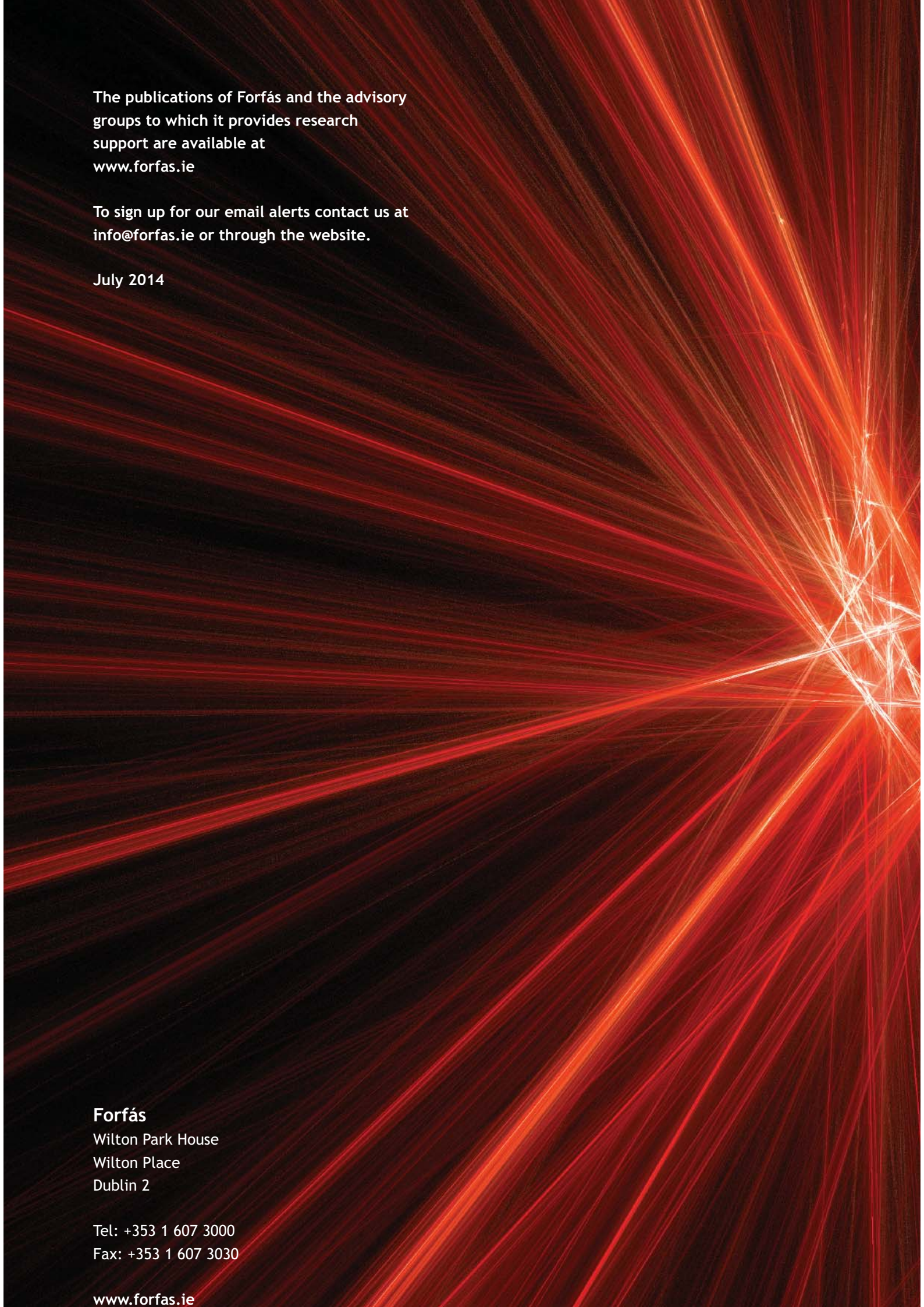
Deirdre McDonnell replaced Anne Forde as Department of Education and Skills representative in April 2014

John Burke replaced Dermot Nolan as Department of Public Expenditure and Reform representative in June 2014

Appendix 2 Forfás Publications

Global Entrepreneurship Monitor (GEM) 2013 Global Entrepreneurship Monitor	June 2014
Vacancy Overview 2013 EGFSN	May 2014
Assessing the Demand for Big Data and Analytics Skills, 2013 - 2020 EGFSN	May 2014
The Expert Group on Future Skills Needs Statement of Activity 2013 EGFSN	April 2014
OECD Review of the Action Plan for Jobs OECD	April 2014
Evaluation of Enterprise Supports for Research Development and Innovation Forfás	April 2014
Evaluation of Enterprise Supports for Start-Ups and Entrepreneurship Forfás	April 2014
Annual Employment Survey Forfás	April 2014
Costs of Doing Business in Ireland 2014 NCC	April 2014
Annual Business Survey of Economic Impact Forfás	March 2014
Regional Labour Markets Bulletin 2013 EGFSN	March 2014
Action Plan for Jobs 2014 Forfás, DJEI	February 2014
Consumer Costs and Inflation Forfás	February 2014

State Investment In Research and Development 2012 - 2013 Forfás	December 2013
Survey of Research and Development in the Higher Education Sector 2010/2011 Forfás	December 2013
NCC Submission to the Action Plan for Jobs 2014 NCC	December 2013
Addressing Future Demand for High-Level ICT Skills EGFSN	November 2013
Joint Response by Forfás/Enterprise Ireland/ IDA Ireland/ Science Foundation Ireland to the Department of Finance Public Consultation on the Review of the Research and Development Tax Credit Forfás, Enterprise Ireland, IDA Ireland, Science Foundation Ireland	October 2013
Business Expenditure on Research & Development (BERD) 2011/2012 Forfás, CSO	August 2013
State Investment in Research & Development 2011 - 2012 Forfás	August 2013
Social Enterprise in Ireland: Sectoral Opportunities and Policy Issues Forfás	July 2013
Ireland's Construction Sector: Outlook and Strategic Plan to 2015 Forfás	July 2013
Forfás Annual Report 2012 Forfás	July 2013
Research Prioritisation: Framework for Monitoring Public Investment in Science, Technology and Innovation and 14 Action Plans Forfás	July 2013
Monitoring Ireland's Skills Supply - Trends in Education and Training Outputs 2013 EGFSN	July 2013
National Skills Bulletin 2013 EGFSN	July 2013
Annual Business Survey of Economic Impact 2011 Forfás	July 2013



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

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

July 2014

Forfás

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