

FORFÁS ANNUAL REPORT



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

Mission

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



To the Minister for Enterprise, Trade and Employment

Pursuant to the Industrial Development Act, 1993, Forfás herewith presents its report and accounts for the year ended 31 December 2007.

Do Aire Fiontar, Trádála agus Fostaíochta

De bhun an Achta um Fhorbairt Tionscail, 1993, tá a thuarascáil agus a chuntais don bhliain dar chríoch 31 Nollaig, 2007, a dtíolacadh leis seo ag Forfás.

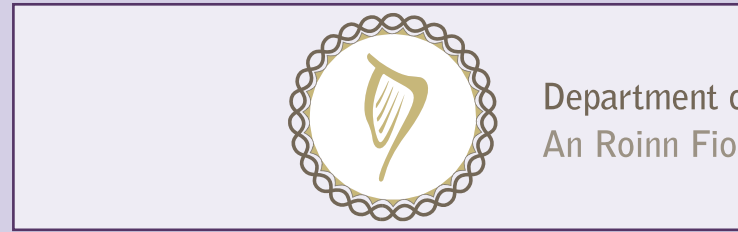


Martin Cronin
Chief Executive



Eoin O'Driscoll
Chairman

Forfás, the advisory councils to which it provides research and administrative support and its sister agencies engaged in enterprise development and research funding



Department of Enterprise, Trade and Innovation
An Roinn Fiontara, Turas agus Trádála



Independent Advisory Groups



The NCC reports to the Taoiseach on key competitiveness issues



The EGFSN also reports to the Minister for Education and Science



National Competitiveness Council 

Expert Group on Future Skills Needs 


Advisory Council for Science Technology and Innovation
An Comhairle Eolaíochta


THE MANAGEMENT DEVELOPMENT COUNCIL



Office of the Chief Scientific Adviser to the Government

Department of Enterprise, Trade and Employment
Minister, Trádála agus Fostaíochta

Sister Agencies



Research and
Administrative
Support

Functions of Forfás

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

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

Feidhmeanna


Is é Forfás an bord comhairleach agus polasaí náisiúnta do fhiontar, thráchtáil, eolaíocht, theicneolaíocht agus nuálaíocht. Is é an comhlacht ina bhfuil cumhacht dlíthiúil an Stáit dílsithe i leith tionscail a chur chun cinn agus forbairt teicneolaíochta. Is é an comhlacht freisin trína thiomnaítear cumhachtaí go Enterprise Ireland chun tionscal dúchais a chur chun cinn agus do IDA Ireland chun infheistíocht isteach a chur chun cinn. Bunaíodh Science Foundation Ireland mar thríú gníomhaireacht de Forfás in Iúil 2003. Is iad na feidhmeanna leathana de Forfás ná chun:

- comhairle a thabhairt don Aire ó thaobh cúrsaí a bhaineann le forbairt tionscail sa Stát;
- comhairle a thabhairt maidir leis an bhforbairt agus an gcomhordú de pholasaí do Enterprise Ireland, IDA Ireland, Science Foundation Ireland agus d'aon chomhlacht eile dá leithéid (bunaithe nó faoi reacht) mar a d'fhéadfadh an tAire a thiomnú de réir ordaithe;
- an fhorbairt de thionscal, theicneolaíocht, mhargaíocht agus acmhainní daonna a spreagadh sa Stát;
- an bunú agus an fhorbairt sa Stát de ghnóthais tionsclaíochta a spreagadh ó áiteanna lasmuigh den Stát; agus
- Enterprise Ireland, IDA Ireland agus Science Foundation Ireland a chomhairliú agus a chomhordú maidir lena bhfeidhmeanna.



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Forfás Board Members



Mr Eoin O'Driscoll
Chairman
Managing Director, Aderra



Mr Martin Cronin
Chief Executive, Forfás



Mr Barry O'Leary
Chief Executive Officer,
IDA Ireland



Mr Sean Gorman
Secretary General,
Department of Enterprise,
Trade and Employment



Prof. Frank Gannon
Director General, Science
Foundation Ireland



Mr Pat Barry
Communications Advisor



Dr Rosheen McGuckian
Chief Executive Officer,
GE Money



Mr Rody Molloy
Director General, FÁS



Mr William O'Brien
Managing Director,
William O'Brien Plant Hire
Limited



Ms Anne Heraty
Chief Executive, CPL
(Computer Placement Ltd)



Mr Frank Ryan
Chief Executive Officer,
Enterprise Ireland



Dr Don Thornhill
Chairman, National
Competitiveness Council



Ms Jane Williams
Managing Director,
The Sia Group



Mr Michael O'Leary
Secretary to the Board

Prof. Mark Keane, former Director General, Science Foundation Ireland, resigned from the Forfás Board in February 2007. Prof. Frank Gannon, Director General, Science Foundation Ireland, joined the Forfás Board from July 2007.

Mr Sean Dorgan, former Chief Executive Officer, IDA Ireland resigned from the Forfás Board in December 2007. Mr Barry O'Leary, Chief Executive Officer, IDA Ireland, joined the Forfás Board from January 2008.

Mr Eoin O'Driscoll and Mr Sean Gorman retired from the Forfás Board on a rota basis in December 2007 and were both reappointed in January 2008.

Forfás Audit Committee

Ms Jane Williams, Chairman
Dr Rosheen McGuckian
Mr William O'Brien
Mr Eoin O'Driscoll

Forfás Management Development Committee

Mr Eoin O'Driscoll
Mr Pat Barry
Dr Don Thornhill

Statement of the Chairman and Chief Executive



Mr Eoin O'Driscoll
Chairman



Mr Martin Cronin
Chief Executive

Overview

The Irish economy is now one of the most globalised in Europe. As a consequence, uncertainty created by the international financial crisis has led to lower than expected growth levels and a decrease in domestic demand.

Despite difficult conditions Ireland's economy continued to perform reasonably well over the last year. Even after recent increases, unemployment remains low in comparison to other developed economies, at 5.5%. GDP growth is expected to be 2.5% for 2008 and exports of goods and services from Ireland grew by 6.4% in 2007. Our indigenous companies continue to internationalise and outward direct investment exceeded inward investment for the first time in recent years.

Employment continued to rise in 2007 with an additional 68,000 jobs created in the economy. Investment in R&D reached its highest ever level up from €2.3 billion in 2006 to €2.5 billion in 2007.

The economic environment, however, is more challenging than we have seen for many years. But we have the foundations in place for long term economic growth through proactive policies and initiatives such as the Strategy for Science Technology and Innovation, the National Skills Strategy and the National Development Plan. Ireland is well placed to tackle the challenges presented with a strong base of modern industry, a highly skilled and flexible workforce, a positive fiscal environment and a pro-business culture.

Our experience, flexibility and adaptability will continue to be crucial differentiators in the continued development of Ireland as a knowledge driven, high value economy, provided we respond appropriately to the current challenging economic environment.

Addressing Current Challenges

We need to maintain an intensive focus on reinforcing our competitiveness and on proactively addressing immediate economic challenges including cost competitiveness, infrastructure deficits and a slower pace of productivity growth. It is essential that we maintain investment (whether public or private) in the critical areas of education, science, technology, innovation and infrastructure, which will be the enablers of growth in the longer term.

Underpinning our success as a high income economy must remain at the top of the Government agenda and the strategies and actions outlined in the Strategy for Science Technology and Innovation, National Skills Strategy and National Development Plan must be implemented effectively.

Cost Competitiveness

A major issue which needs to be addressed is Ireland's cost competitiveness, which is vital to the success of our exporting sector. Over the last year we have seen a significant loss in Ireland's international price competitiveness due to the appreciation of the euro, pay increases ahead of productivity growth rates and high inflation levels. Non-pay costs compare unfavourably with other European countries, and property costs, utilities (including waste, water and electricity) and domestic services costs are significantly higher.

With costs increasing at a faster rate than other EU countries it is important that we put measures in place to curb the rate of increase and to ensure that companies exporting goods and services from Ireland can continue to compete effectively. With many cost issues beyond our control, such as currency fluctuations and international energy

prices, it is important that we act now to reduce costs in the areas we control. The management of inflation should be complemented with a drive towards raising productivity and improving our overall competitive position. Forfás supports the proposal by the National Competitiveness Council to develop a national programme to restore cost competitiveness, which includes setting a national inflation target close to the ECB 2% target. A key challenge for the Government and the Social Partners is to work towards a mix of pay growth, inflation and productivity growth which will strengthen and safeguard competitiveness.

Infrastructure

Substantial progress has already been made in improving Ireland's infrastructure. Well developed infrastructure, however, is no longer a differentiator, but is fundamental to the needs of enterprise. It is important that Government meets the targets set out in the NDP to complete the infrastructural transformation of Ireland and to underpin the development of cities and regions

We need also to look beyond the immediate and plan for future needs so that we remain attractive for sectors and companies as they evolve in this increasingly technology enabled global environment. We continue to play catch up in broadband technologies and we should ensure that Ireland becomes one of the leading European locations for next generation broadband technologies.

Productivity

International competition is creating pressure for greater efficiency, quality and productivity in both indigenous and foreign owned firms in Ireland. Achieving higher relative productivity growth rates will be important for future international competitiveness and securing sustainable wage growth. Continued investment in innovation across all aspects of business activities, including new technologies and re-skilling will enable a shift toward higher value added activities and improved productivity.

Opportunities

The profile of Ireland's enterprise base comprises successful internationally trading firms in many dynamic fields of business such as ICT, life sciences, financial services, food, web based services, property and construction services, specialised engineering, headquarter functions and locally delivered services.

The long term outlook for the continued development and expansion of these sectors in Ireland is good, with strong levels of new product and services development. There is also potential as opportunities arise where previously distinct and separate sectors begin to come together.

It is expected that this blurring of sectoral divisions will lead to new opportunities for Ireland. Convergence of technologies and business practices is already occurring in sectors such as ICT and financial services, food and pharmaceuticals, and pharmaceuticals and medical technologies. The potential from these converging sectors is substantial and Ireland can bring a range of strengths to bear.



Forfás Corporate Strategy

The global business environment is changing rapidly and it impacts on how organisations do business. Forfás is no different. We recognise the need to adapt and review our strategic direction in response to these economic shifts.

Forfás has worked closely with government and stakeholders to develop a new strategy to optimise our effectiveness. Forfás is recognised for its successful delivery of excellent policy analysis, advice and outputs. Utilising our skills and expertise we will continue to deliver this work and will also work to build shared understanding of issues, highlighting what we believe are the key issues for enterprise and science and influencing action with policy makers.

Our work will be guided by areas of emphasis:

- Identifying Key Strategic Issues;
- Focusing on Engagement and Output; and
- Achieving Outcomes.

Identifying Key Strategic Issues

Forfás, in consultation with key stakeholders, has defined five key questions facing enterprise and science today. We will address these questions and identify policy options to respond and prepare Ireland for the next wave of economic development.

- Ensuring the right policies for future enterprise
Considering the likely shape of the future enterprise base ten years from now are the current enterprise strategies relevant and complementary?
- Optimising the impact of science/R&D investments
How should emerging research strengths evolve to maximise the development of high value added enterprise, and of a high productivity economy?
- Achieving OECD top-decile education and training outcomes
Building on our current education and training systems, how can we ensure that they will be a major source of future competitive advantage by achieving “top decile in OECD” outputs?

- Environmental/Energy opportunities and challenges
How can we realise the opportunities and address the challenges for enterprise which will be presented by environmental and energy related issues?
- Developing competitive regions
What needs to be done to ensure Ireland continues to build competitive regions?

Focusing on Engagement and Output

We will employ a broad range of operating techniques in our work. In addition to undertaking detailed, high quality analysis and delivering recommendations as required we will place emphasis on working with a range of stakeholders to frame issues to be addressed, develop policy options, and support implementation of policy change. It is by working proactively with others that Forfás can best achieve its objectives of providing robust advice which influences outcomes.

Achieving Outcomes

In addition to the rigorous, detailed reports required by policymakers we will employ a range of other appropriate methods to communicate with important influencers of policy. Success in meeting the challenges of our Strategy hinges on our ability to bring our thinking to the right audiences in the right way and to work with individuals and groups to gain a shared understanding of the issues and what is required to tackle them. We will devote time to understanding our audience’s requirements and delivering our messages to them in the right way.

Forfás will continue in its role of providing high quality, research informed policy advice to government and we are confident that the refocusing and prioritisation of our work will contribute significantly in addressing the key strategic issues facing enterprise in Ireland in a rapidly changing economic environment.

Acknowledgements

Throughout the year Forfás has been supported in its role by Government, stakeholders and the development agencies. This partnership approach is central to our success in developing relevant policy advice. We would like to acknowledge the contributions and assistance provided throughout the year from the former Minister for Enterprise, Trade and Employment, Micheál Martin TD and the Department of Enterprise, Trade and Employment and other Government Ministers and Departments.

Forfás continues to work closely with the development agencies Enterprise Ireland, FÁS, IDA Ireland, Shannon Development and Údarás na Gaeltachta in supporting enterprise in Ireland and Science Foundation Ireland on issues relating to science and technology. Forfás also acknowledges the contribution of groups and individuals in business, government, employer organisations and trade unions to the development of policy advice and recommendations.

We would particularly like to thank the independent advisory groups which Forfás has worked closely with throughout the year including the:

- Advisory Science Council, chaired by Mary Cryan;
- Discover Science and Engineering Programme, chaired by Leo Enright;
- Expert Group on Future Skills Needs, chaired by Anne Heraty;
- Management Development Council, chaired by Prof. Frank Roche;
- National Competitiveness Council, chaired by Dr Don Thornhill;

and also the steering groups which provided valuable guidance to major projects:

- Business Regulation Forum, chaired by Donal de Buitléir;
- Services Strategy Group, chaired by Tony Keohane;
- Enterprise Tax Advisory Group, chaired by Paul Haran; and
- Project Advisory Board and Working Groups on the Socio-Economic Scenarios Project.

We would also like to thank the Board of the Irish National Accreditation Board, chaired by Dr Máire C. Walsh, for their continued support and contributions.

Forfás would like to welcome two new members to its Board, Barry O'Leary, Chief Executive, IDA Ireland and Frank Gannon, Director General, Science Foundation Ireland. We would like to extend our thanks and appreciation to Sean Dorgan, former Chief Executive of IDA Ireland, who resigned from the Board in December 2007.

Finally, we would like to acknowledge the continued professionalism and dedication of Forfás staff. Yet again the Forfás team has proved to be responsive and flexible in addressing a wide range of complex policy issues and in carrying out other activities such as accreditation and science awareness.

Statistical Overview

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

Value for Money Indicators

Forfás undertakes an annual review of value for money indicators to provide information on the financial inputs and the nature of the outputs from the activities of the development agencies. The review is submitted to the Department of Enterprise, Trade and Employment. Despite the intensification of global competition for foreign direct investment and the erosion of cost competitiveness, positive trends in agency activities continued in 2006.

The key findings emerging from the data analysis of the period 2003 – 2006 are:

- State expenditure on enterprise development through the development agencies (IDA Ireland and Enterprise Ireland) increased by approximately 26% over the four year period 2003–2006. This includes expenditure on the development of strategic sites and R&D commercialisation infrastructures. Direct supports to companies increased marginally over the period.
- Strong increases continued in the levels of sales and exports in indigenous firms and in gross value added per employee in both indigenous and foreign firms.
- Positive trends continued in terms of investment and numbers of supported companies engaging in R&D, high potential start ups and in foreign direct investment projects. Overall employment numbers continue to increase, albeit marginally.
- Irish economy expenditure increased by 3.5% with corporation tax receipts accounting for most of the increase. Though growing slowly, Irish economy expenditure remains at a high level.

Expenditure by Agency-Supported Firms in the Irish Economy

The Forfás *Annual Business Survey of Economic Impact* presents results relating to all manufacturing and internationally-traded services firms that are under the remit of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta. The survey tracked the 2006 performance of agency-assisted client companies in terms of outputs (sales, exports, net output) and monitored the direct expenditure of these companies in the Irish economy in terms of payroll spend and purchases of Irish-supplied materials and services.

In 2007, almost 3,900 companies were surveyed and approximately 750 were foreign-owned firms. Approximately 2,700 of the companies surveyed were in the manufacturing sector and 1,100 were in the internationally-traded services sector.

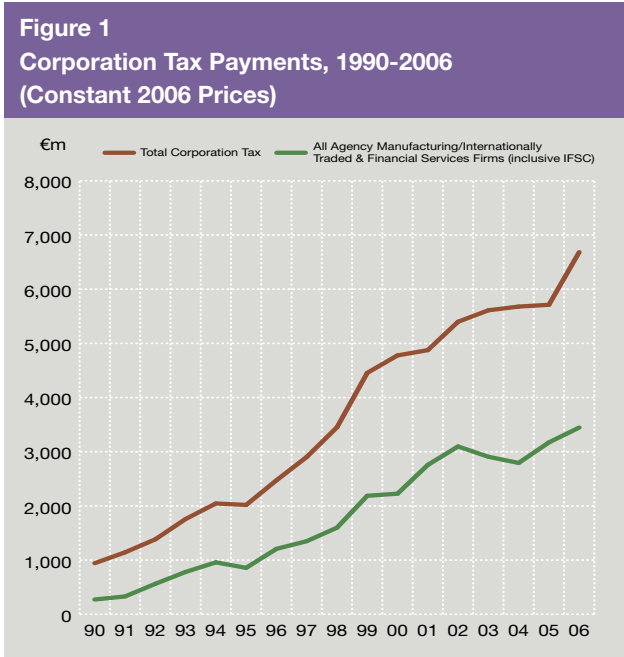
The overall output of agency-assisted firms in manufacturing and internationally-traded services increased by 5.4% in 2006 (in nominal terms), while direct expenditure in the economy increased by 4.1% (**Table 1**).

Direct expenditure by these firms in the economy totalled €34.8 billion (bn) in 2006. In total, Irish-owned firms spent €16.6bn in the domestic economy in 2006, comprising €4.8bn on payroll costs, €8.6bn on Irish raw materials, and €3.2bn on Irish services. This direct expenditure has increased from €8bn in 1990. Direct expenditure by foreign-owned firms amounted to €18.2bn in 2006, comprising €7.6bn on payroll costs, €4.3bn on materials produced in Ireland and €6.4bn on services purchased in Ireland. This is up 7.2% on the 2005 returns for direct expenditure and indicates a recovery of direct expenditure levels compared with the downward trend of the previous two years.

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

		Irish-Owned Firms		Foreign-Owned Firms		All Firms		
		2005	2006	2005	2006	2005	2006	CHANGE
Sales	€m	24,675	25,914	96,655	102,021	121,330	127,935	5.4%
Payroll Costs	€m	4,753	4,795	6,809	7,577	11,562	12,371	7.0%
Irish Raw Materials	€m	8,423	8,572	4,047	4,251	12,470	12,822	2.8%
Services bought in Ireland	€m	3,226	3,186	6,149	6,397	9,375	9,583	2.2%
Direct Expenditure in the Economy	€m	16,402	16,552	17,005	18,224	33,406	34,776	4.1%
Direct Expenditure as % Sales	%	66.5	63.9	17.6	17.9	27.5	27.2	-0.4%

Source: *Annual Business Survey of Economic Impact*, coordinated by Forfás



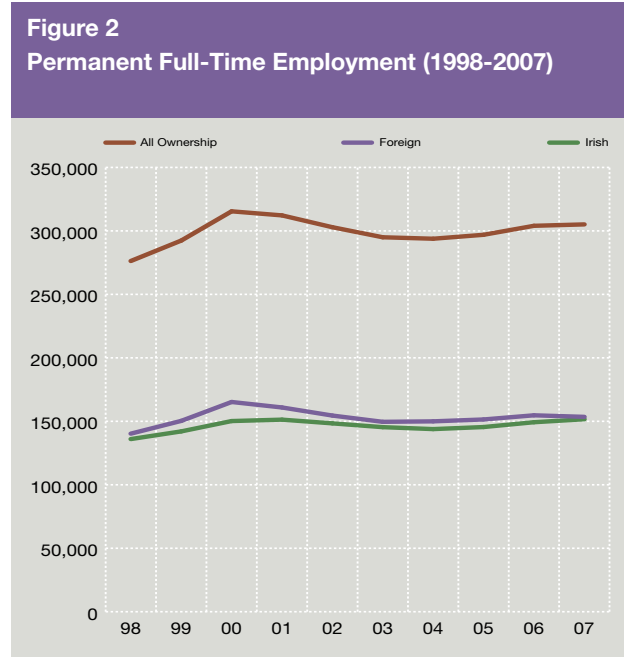
Source: Exchequer Returns for 2006, Department of Finance. Forfás Annual Business Survey of Economic Impact 2006

Corporation Tax Payments

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

The total corporation tax yield from all sources was €6.7 billion in 2006 (**Figure 1**), an increase of 21% in real terms on the previous year. It is estimated that agency-supported firms in the manufacturing and internationally traded services sectors accounted for €2.3 billion, with an additional €1.1 billion from international financial services firms, amounting to €3.4 billion (51%) of the €6.7 billion total corporation tax paid in the economy.

Agency-assisted companies in chemicals/pharmaceuticals and internationally traded services accounted for 39% and 24% of the €2.3 billion respectively, with the food and drink sector accounting for 14% of the total.



Source: Forfás, Annual Employment Survey 2007

Employment in Agency-Supported Companies

Figure 2 shows total full-time employment in companies under the remit of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta. In 2007, the total number employed was 305,121, a net increase of 1,115 on the previous year. This increase comprises 2,340 more jobs in Irish-owned companies and 1,225 fewer jobs among foreign-owned companies in manufacturing and internationally-traded services. Approximately 25,355 jobs were created in manufacturing and internationally-traded services in 2007 with 24,240 job losses during the year.

There are now 28,834 more people employed in agency-assisted manufacturing and internationally-traded services companies than in 1998. Employment in Irish-owned companies has increased from 136,006 in 1998 to 151,613 in 2007, while employment in foreign-owned companies has increased from 140,281 in 1998 to 153,508 in 2007.

Figure 3
Job Gains, Losses and Net Change in Permanent Full-Time Employment (1998-2007)



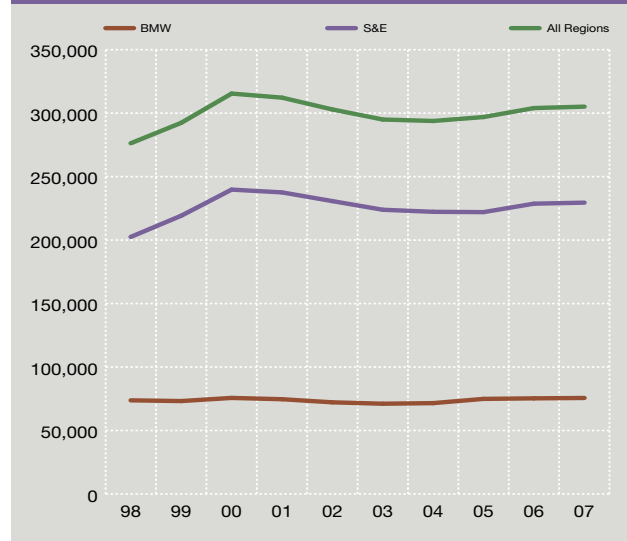
Source: Forfás, Annual Employment Survey 2007

Figure 3 highlights the trend in the number of jobs being created and lost over the 1998-2007 period and shows that the rate of job losses has fallen significantly since 2002.

Net job losses between 2006-2007 were concentrated in traditional manufacturing sectors such as machinery and equipment (-1,190), transport equipment (-542) and basic and fabricated metal products (-517), reflecting ongoing restructuring and competition from lower-cost locations. There were overall net job increases in sectors such as non-metallic minerals (+654), mining, quarrying and indigenous services (+634) and chemicals (+184).

There were significant net job gains in the internationally traded services sector, which includes international financial services and international services. Total employment in this sector increased to 82,060 in 2007 (up 3,455). Net job creation was highest in the international financial services sector (1,982). The second largest net increase in employment was in the international services sector which saw an increase of 1,473, which is largely accounted for by firms in consulting, software and other computer-related services.

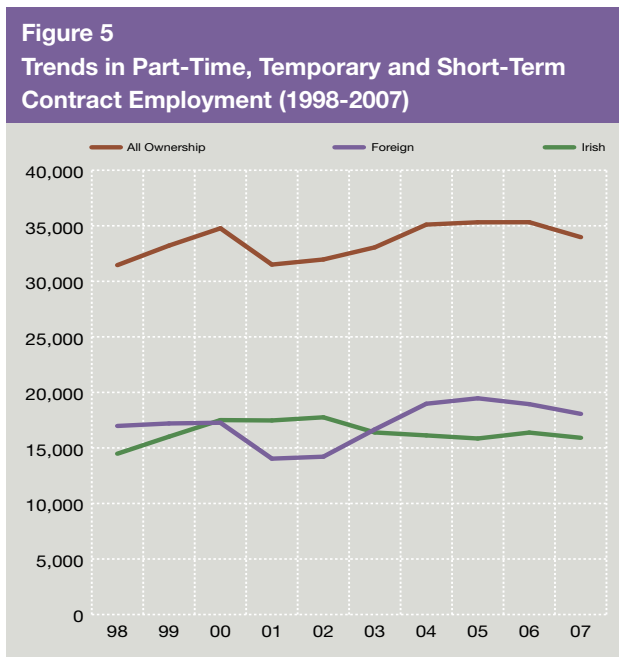
Figure 4
Employment by Region (1998-2007)



Source: Forfás, Annual Employment Survey 2007

Regional Distribution of Employment

Figure 4 shows the share of employment in manufacturing and internationally-traded services accounted for by the Border, Midlands and West (BMW) region over the period 1998-2007. There was a slight growth in total agency-assisted jobs in the BMW region in 2007, with 75,627 jobs, compared to 75,323 in 2006. This equates to 24.8% of total jobs in agency-supported firms. There was a gross gain of about 1,000 BMW jobs in Irish-owned firms. The South and East also saw gross job gains of about 1,300 among Irish-owned agency-assisted firms.



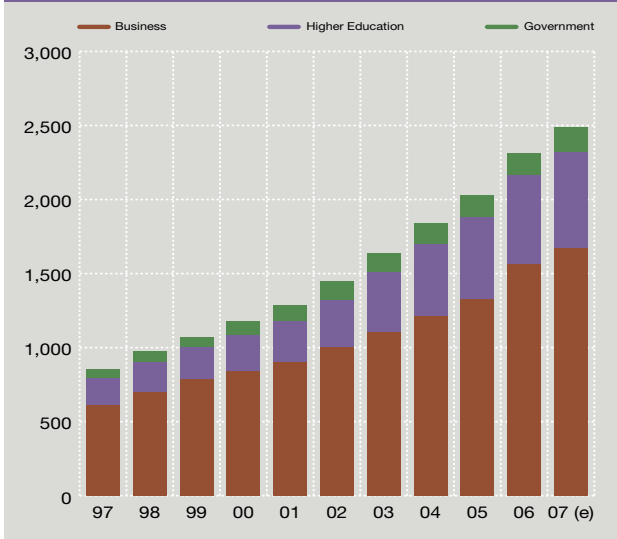
Source: Forfás, Annual Employment Survey 2007

Part-Time, Temporary and Short-Term Contract Employment

Figure 5 focuses on the number of part-time, temporary and short-term contract positions in manufacturing and internationally-traded services. In 2007 the number employed was 33,975, a fall of 1,347 on the previous year's results. Employment in this category has remained relatively steady over the past decade and currently accounts for about 10% of all jobs in agency-assisted companies.

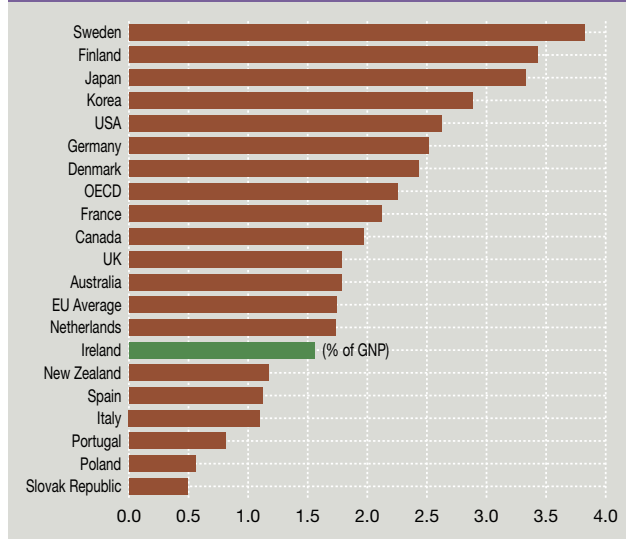
Taking the two categories of employment together (permanent full-time and temporary/part-time), there are now 339,096 people employed in agency-assisted companies, up from 307,746 (up 10.2%) in 1998.

Figure 6
Total R&D Expenditure by Sector of Performance 1997-2007 (€m)



Sources: Forfás, derived from the Survey of Business Expenditure on R&D 2005/6; Survey of R&D in the Higher Education Sector 2006; State Expenditure on S&T and R&D 2006 and 2007

Figure 7
Total R&D Expenditure as a % of GDP (latest year of data availability for each country)



Sources: Forfás, derived from the Survey of Business Expenditure on R&D 2005/6; Survey of R&D in the Higher Education Sector 2006; State Expenditure on S&T and R&D 2006 and 2007 and the Main Science & Technology Indicators, 2007 (OECD)

Research and Development

Overall Research & Development (R&D) performance continued to improve in 2007, maintaining the positive growth trends seen over recent years. Evidence from Forfás' latest R&D performance surveys in the higher education and government sectors confirms that the increased State funding available through the Government's Strategy for Science, Technology and Innovation dedicated to R&D projects across the country strongly contributed to an improved R&D performance in these sectors during the year.

Total expenditure on R&D across all sectors of the economy continued to grow in 2007. Total R&D spending grew to an estimated €2.5 billion during 2007 from the confirmed €2.3 billion spent on R&D activities in 2006. Overall increases in R&D spending are being driven by strong spending growth in the business and higher education R&D performing sectors.

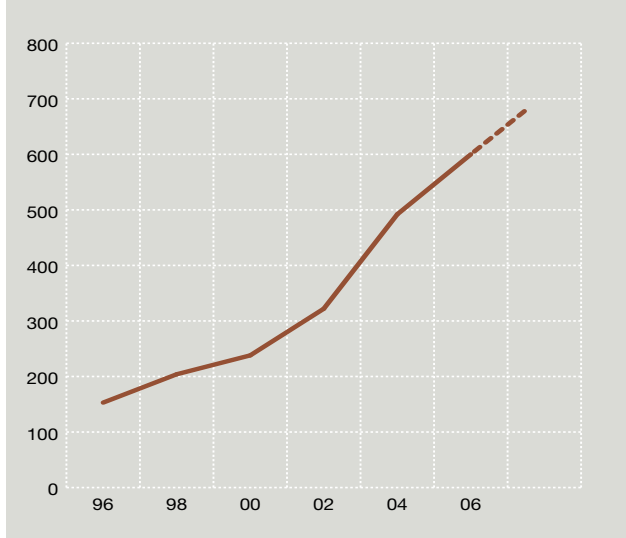
Overall R&D expenditure has almost trebled in the last decade, from €855m in 1997 (**Figure 6**). The average annual growth rate in R&D spending activity performed in the State over the last decade was 11.3%. This strong growth rate placed Ireland among the top R&D growth performing countries in the OECD, labelled as "R&D catching-up" countries.

One of the key indicators identified by the European Commission and the OECD in measuring a country's progress toward building a stronger knowledge economy is R&D expenditure intensity. This is defined as the ratio of total R&D expenditure in all R&D performing sectors of the economy to overall economic activity, as measured by Gross Domestic Product (GDP) or Gross National Product (GNP). **Figure 7** shows Ireland's total R&D intensity ratio was estimated to be 1.56% of GNP in 2007. This was marginally ahead of the 1.55% of GNP ratio figure recorded in 2006. Ireland is in the third tier of countries in relation to performance in this R&D metric.

Ireland's R&D performance has grown strongly in the last decade during a period of robust economic growth. As a result, the ratio of total R&D spending to economic activity has only been able to progress slowly. If the R&D spending growth rates of the past decade are maintained, alongside an expected easing in economic growth, then the overall intensity ratio could rise strongly over the coming years, moving closer to the OECD average R&D intensity of 2.2% of economic activity.

The leading countries in the OECD regarding R&D expenditure intensity are Sweden (3.8% of GDP), Finland (3.4% of GDP), Japan (3.3%), Korea (2.9%), United States (2.6%) and Germany (2.5%).

Figure 8
R&D Expenditure – Performed in the Higher Education Sector (1996-2006) €m

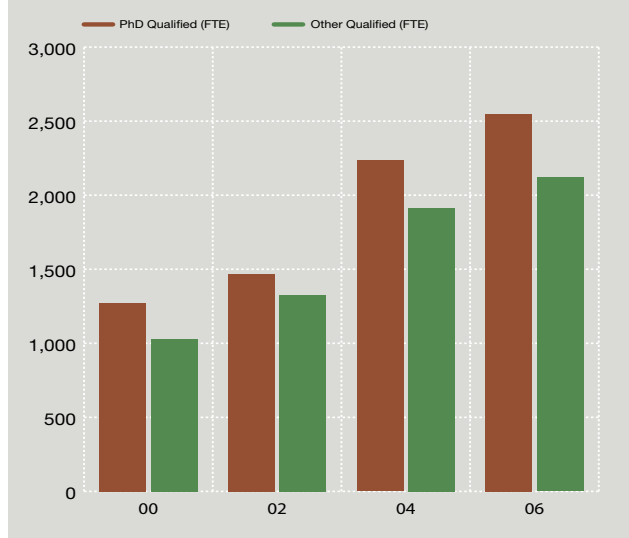


Source: Forfás, Survey of R&D in the Higher Education Sector 2006

Figure 8 shows that R&D performed in the higher education sector (HERD) has been increasing steadily over the past ten years, with overall R&D spending almost quadrupling in current spending terms. From 1998 to 2000 the increase was 16.6%, but from 2000 onwards growth began to accelerate. From 2000 to 2002 there was a 35% increase, and between 2002 and 2004 there was a substantial rise in HERD of 52.8%, underpinned by new public funding from Science Foundation Ireland, the Programme for Research for Third Level Institutes and other R&D funding agencies. Since 2005 growth rates have begun to ease, with a 22% increase in HERD spending since the previous survey in 2004.

There has been a rapid catch up in the relative performance of HERD spending between 1996 and 2006. From 1996 to 1998, Ireland's spending intensity ratio of 0.30% of GNP was below the EU average intensity ratio of 0.36% of GDP. The gap widened in 2000, when Ireland's HERD intensity ratio fell to 0.27% of GNP. Since 2002, however, Ireland has rapidly caught up with the EU 25 as a result of the significant increases in R&D spending in the Irish higher education sector. Between 2004 and 2006 the HERD spending intensity ratio for Ireland, at 0.40% of GNP, has matched the overall EU-25 average HERD intensity ratio.

Figure 9
Researchers by Qualification (2002-2006), Full-Time Equivalents in Higher Education



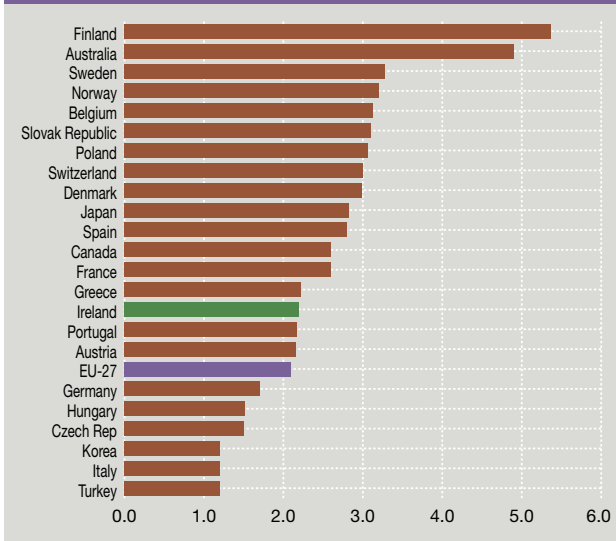
Source: Forfás, Survey of R&D in the Higher Education Sector 2006

Figure 9 shows the growth in researcher numbers working in universities, institutes of technology and other R&D active academic departments in the State between 2000 and 2006. Data refers only to full-time equivalents (FTE), as while headcount data is an important variable to measure it does not give a full picture of the actual time spent on research by people who have other responsibilities in their jobs alongside their research.

FTE researchers increased rapidly from 2000 to 2006. The total number of FTE researchers has more than doubled from the 2,148 recorded in 2000 to 4,689 in 2006. The increase has been driven by rising numbers of both PhD qualified researchers and other qualified researchers.

Between 2004 and 2006, the total number of higher education FTE researchers rose from 4,152 in 2004 to 4,689, an increase of 13%. In 2006, 54.6% of the total number of FTE researchers had PhD qualifications. 1,398 of higher education sector researchers are employed in the field of natural science, with 1,108 involved in engineering and technology, and 820 in medical and health sciences. FTE researchers in the humanities and social sciences accounted for 26.7% of the total in 2007.

Figure 10
Higher Education Researchers (FTE) per thousand in total employment



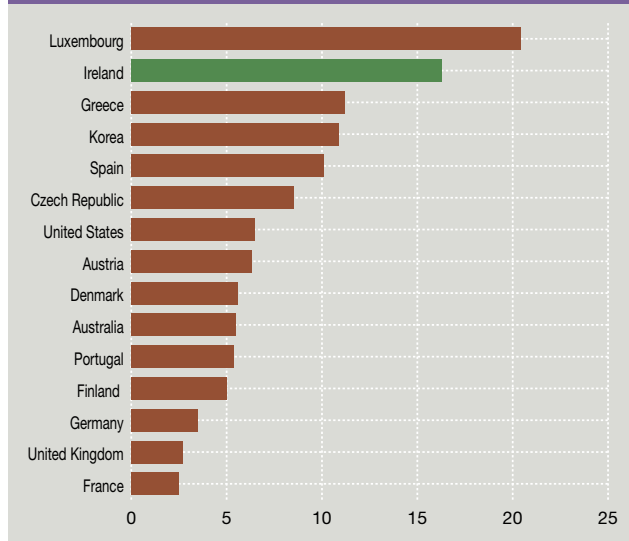
Source: Forfás, Survey of R&D in the Higher Education Sector 2006 and Main Science and Technology Indicators 2007 (OECD)

When compared internationally Ireland performs reasonably well in terms of researcher numbers employed in Ireland's third level institutes. In international terms the 4,689 FTE researchers recorded in the 2006 HERD survey equated to a ratio of 2.2 FTE researchers per thousand in total employment in 2006. This is the key internationally comparable metric used by the OECD to benchmark progress in developing researcher numbers (**Figure 10**).

The ratio increased rapidly from 1.2 in 2000 to 2.2 in 2004, as the growth in FTE researcher numbers outpaced the increase in overall employment gains in all sectors of the economy. The ratio remained static between 2004 and 2006, as FTE researcher growth was matched by the overall robust employment gains measured in the overall economy.

It should also be noted that Ireland does not count PhD students as staff-employed 'researchers' unlike some other EU countries. In 2000 Ireland was ranked 24th out of 29 benchmarked OECD states. By 2006 Ireland's position had moved to 13th place.

Figure 11
Average Annual Growth Rates of Civil GBAORD for selected countries (2002-2007)



Sources: Forfás, State Expenditure on S&T and R&D 2006/2007 and Main Science and Technology Indicators 2007 (OECD)

Between 2006 and 2007, R&D spending growth (GBAORD) by government across all performing sectors increased by an estimated 16% in current price terms representing an increase in R&D funding growth from the 8.2% gains posted in 2006. GBAORD, as defined in the OECD Frascati Manual, includes all exchequer and EU funding for R&D projects and also R&D spending on the arts and humanities. R&D spending by government has more than quadrupled from €221 million in 1997 to over €900 million in 2007.

Figure 11 shows the average growth rates of civil GBAORD (excluding defence R&D spending) from 2002-2007 for a number of OECD countries. The average growth rate in civil GBAORD in Ireland over the last 10 years has been 16%. Ireland ranks second out of 15 countries for the highest average annual growth rate of civil GBAORD from 2002 to 2007.

Rapid increases in R&D funding growth between 2000 and 2005, which outpaced still more rapid increases of GNP, allowed the GBAORD intensity ratio to climb once more to 0.58% of GNP in 2005. In 2007 the expected GBAORD growth of 16% is expected to outpace the estimated growth in nominal GNP in 2007. As a result the GBAORD intensity ratio is expected to climb to 0.62% of GNP in 2007.

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Knowledge

Ireland's economic development depends on exploiting opportunities to innovate, facilitated by a strong research and development base.

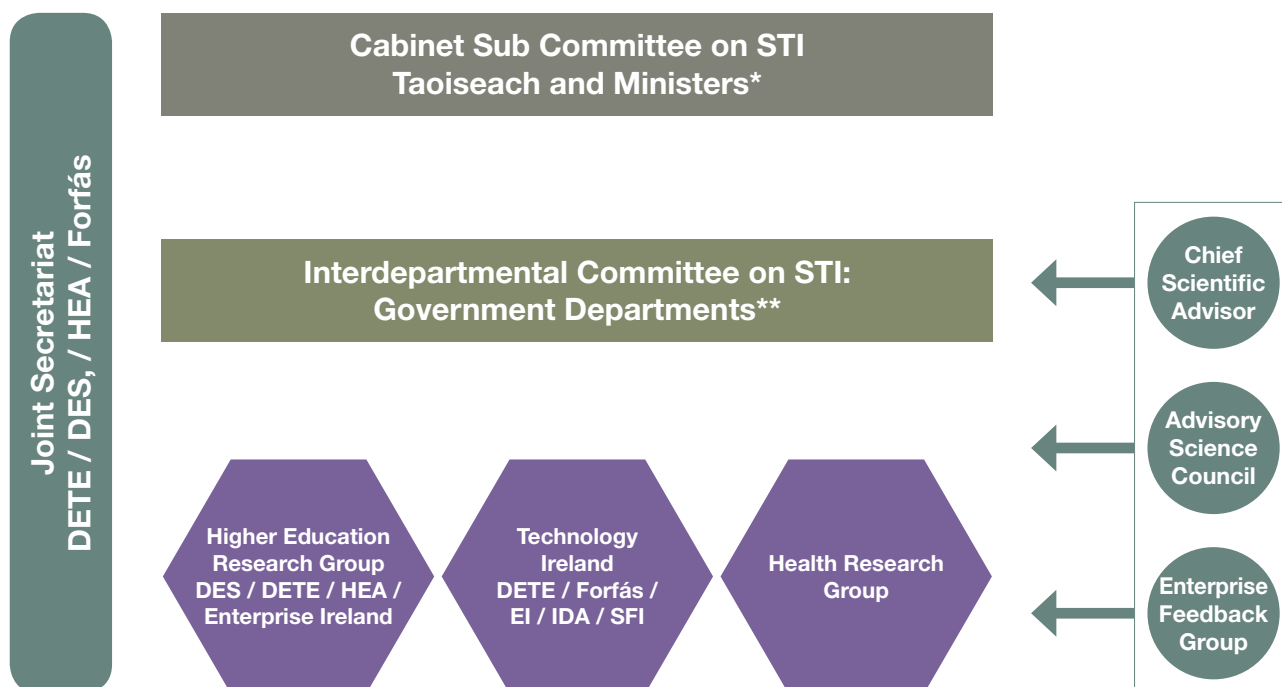
Ireland has made significant steps in establishing a strong research environment, based on building scientific excellence in potentially strategic areas. Our objective now is to ensure that science and technology work for enterprise and Ireland, using innovation and R&D capabilities to enhance productivity and to commercialise new products and bring them to market.

Forfás continues to work with the Government, SFI, IDA Ireland and Enterprise Ireland to achieve the investment and commitments set out in the Strategy for Science, Technology and Innovation 2006-2013.

knowledge

Pictured at the launch of Research and Development Performance in the Business Sector Ireland 2005/6 in the Long Room, Trinity College Dublin, were former Minister for Enterprise, Trade and Employment, Micheál Martin TD and Martin Cronin, Chief Executive, Forfás.

STI Governance Structure



* Ministers for Enterprise, Trade and Employment; Minister for Finance; Minister for Health and Children; Minister for Education and Science; Minister for Communications, Energy and Natural Resources; Minister for Agriculture Fisheries and Food; and Minister for Environment, Heritage and Local Government.

** Department of the Taoiseach; Department of Enterprise, Trade and Employment (DETE); Department of Finance; Department of Health and Children; Department of Education and Science (DES); Department of Communications, Energy and Natural Resources; Department of Agriculture Fisheries and Food; and Department of Environment, Heritage and Local Government.

Strategy for Science, Technology and Innovation 2006-2013

Throughout 2007, Forfás worked intensively with the Department of Enterprise, Trade and Employment (DETE), the Higher Education Authority (HEA), the Office of the Chief Scientific Adviser and other government departments in the support of the Strategy for Science, Technology and Innovation.

The Strategy for Science, Technology and Innovation 2006-2013, was approved by the Government in June 2006. The Strategy sets out specific targets for Ireland's research and development growth to 2013.

Nanolreland Technology Assessment

During 2007, Forfás completed an assessment of nanotechnology for the Department of Enterprise, Trade and Employment. Forfás undertook the Technology Assessment to identify investment and policy options for the successful development and application of nanotechnology in Ireland.

A Steering Group (chaired by Mike Devane of Lucent Technologies) and comprising representatives from industry, research and government, supported Forfás in the scoping and implementation of the project which was undertaken on an all-island basis. Three expert working panels undertook the development of future-oriented scenarios in the area of nano-electronics, nano-biotechnology and nano-materials. The scenarios integrated key social, technological, economic, environmental, political, values, scientific (STEEP_V_S) drivers.

The Technology Assessment examined key areas for development in nanoscience and nanotechnology in Ireland and highlighted the requirement for:

- Sufficient people with expertise, who can work in specialist and converging technology fields, and who can bring the creativity on which future developments depend;
- Growing our knowledge base and building on existing local academic expertise and facilities to become an international focus for the best and brightest researchers;

- An enhanced physical infrastructure that can support the R&D that will underpin innovation;
- A supportive environment for enterprise development in companies that can develop and produce nanotechnology-enabled products;
- The cultivation of an educated and science-literate public that can engage in open and informed dialogue about the potential of nanotechnology to enhance our quality of life, and to manage any parallel risks; and
- National support systems of funding, governance, regulation and communication to shape the social, economic and business environment for creative R&D and market building.

The report presented options to ensure that Ireland is well positioned to exploit the potential offered by nanoscience and nanotechnology. These options are now being further developed at the request of the Interdepartmental Committee for Science and Technology (IDC).

Value for Money Review of Science Foundation Ireland

Forfás is participating in the Value for Money Review of Science Foundation Ireland, at the request of the Department of Enterprise, Trade and Employment. Forfás is a member of the Review Steering Committee, which is chaired by the Department of Enterprise, Trade and Employment, and includes the Department of Finance, the Irish Universities Association and Science Foundation Ireland.

The review is principally concerned with SFI's two major funding programmes – the Principal Investigators Schemes and the Centres for Science, Engineering and Technology (CSETs). It will make recommendations, where appropriate, on the overall effectiveness of SFI's supports in building a world-class research system in Ireland, with a focus on whether the programmes, as operated, constitute value for money and efficient use of public funds.

The outcomes of the review will complement the policy evaluation of SFI carried out by Forfás for the Department of Enterprise, Trade and Employment in 2005, *SFI – The First Years*. The final Review is due to be completed in the first half of 2008.

Advisory Council for Science Technology and Innovation

The Advisory Council for Science, Technology and Innovation (ASC) is the Irish Government's high-level advisory body on science, technology and innovation (STI) policy issues. It is the primary interface between stakeholders and policymakers in the STI arena. The Council forms part of the STI governance structure in Ireland which includes the Inter-Departmental Committee for STI and the Chief Scientific Adviser to the Government, Professor Patrick Cunningham. The governance structure is overseen by the Cabinet Committee for STI, chaired by the Taoiseach. (See page 23).

The Council's remit is to contribute to the development and delivery of a coherent and effective national strategy for STI, and to provide advice to Government on medium and long-term policy for STI and related matters. During 2007 the Council worked on the following priority areas to contribute to this goal:

Researcher Careers

Internationalisation Strategies

Health Research

Promoting Enterprise – Higher Education Relationships

Competence Centres

Researcher Careers

This study by the ASC, led by Prof. Dolores Cahill, focuses on the barriers to career development for researchers within the academic, public research and enterprise environment.

The Strategy for STI sets out a target that "Ireland by 2013 will be internationally renowned for the excellence of its research, and will be at the forefront in generating and using new knowledge for economic and social progress, within an innovation driven culture". The study, was prompted by concern that achievement of this target may be hampered by the lack of attractive career structures for researchers in Ireland and the problems this may cause in attracting people into an early stage research career or attracting researchers from overseas.



The study examines how research careers develop in Ireland, looks at research career paths, including issues of gender and mobility and compares the Irish situation with other countries including Korea, Sweden and the UK. A large scale consultation with the Irish research community, using an internet based survey, was conducted and the study also includes a series of interviews and illustrative case studies.

The study will be published in 2008.

Internationalisation Strategies

During 2007 the ASC began a study to examine the nature and strength of Ireland's formal and informal international STI linkages and assess the contribution of these linkages to the achievement of goals set out in the Strategy for STI. It is envisaged that the study will assist decision making on:

- International STI organisations and facilities to which Irish researchers and enterprise should be associated;
- Countries that Ireland should nurture STI linkages with; and
- Other collaborations (at national and institutional level) that should be facilitated.

Health Research

Following a recommendation in the Council's report *Towards Better Health: Achieving a Step Change in Health Research in Ireland*, launched in 2006, a Health Research Group (HRG) has been established under the auspices of the Inter-Departmental Committee for STI. Forfás provides secretariat support to the Group, which is chaired by the Department of Health and Children.

The HRG advises the IDC on the formulation and implementation of a comprehensive health research strategy including:

- Working closely with appropriate enterprise development agencies and key stakeholders in the health sector in the formulation of its proposals; and
- Facilitating a coherent cross-departmental and cross-agency approach on issues relating to health research.

The HRG, in conjunction with Forfás, is currently working on a project to assess the nature, quality and extent of health research conducted in Ireland including expenditure and the potential for the establishment of a National Health Research Register.

Promoting Enterprise – Higher Education Relationships

Promoting Enterprise-Higher Education Relationships was launched by the Advisory Science Council in 2007. The report reviewed the relationship between enterprise and higher education institutions in Ireland and in a number of comparable countries.

This review found that the two key constraints to the deepening of enterprise-higher education collaborations in Ireland are the low absorptive capacity of enterprises for research and a gap in the availability of applied research that enterprises can readily access. The Council's recommendations were presented to the Inter-Departmental Committee on Science and Technology. The Council has since set up a task force to address the low absorptive capacity of enterprise for PhD researchers. Technology Ireland, which is part of the SSTI implementation structure, has developed a model for industry-led applied research competence centres, which is now being implemented by IDA Ireland and Enterprise Ireland.

Competence Centres

During 2007, Forfás supported IDA Ireland and Enterprise Ireland in the implementation of the Competence Centre Initiative, building on a key recommendation by the ASC in its Report, *Promoting Enterprise-Higher Education Relationships*.

Competence Centres are collaborative entities established and led by industry and resourced by highly-qualified researchers associated with research institutions who undertake market focused strategic research for the benefit of industry. The primary objective of the Competence Centre Initiative is to build competitive advantage for industry in Ireland by accessing the innovative capacity of the research community. The centres will have a physical focus, independence and a long-term funding commitment of approximately €2 million per annum from the State for five to eight years.

Competence Centres will engage in high quality research on an enterprise agenda, generating intellectual property and knowledge, which can be commercialised for the benefit of its members and the local economy. In addition, through its activities it will train and transfer skills to researchers and increase the technological competence of its membership and the wider enterprise community. Five centres are currently being established, and are in the planning stages.

IP Template Collaboration Agreements

The *National Code of Practice for Managing and Commercialising Intellectual Property from Public-Private Collaborative Research*, published by the ASC in November 2005, presents the national policy position in relation to managing intellectual property in collaborative research arrangements.

In line with the Code, Forfás developed and published bi-lateral template collaboration agreements for use by industry and academic partners in collaborative research projects. The Template Agreement is designed to assist and enable the parties reach agreement in an efficient manner using suggested clauses and information accompanied by detailed explanatory notes.

European Research Area

Forfás provided support to the Department of Enterprise, Trade and Employment in 2007 to help prepare Ireland's response to a Green Paper on the European Research Area (ERA). Published by the European Commission, the Green Paper will lead to a range of initiatives in the years ahead to further develop Europe's research system and encourage member states to coordinate their investment in research. In the context of the Lisbon Strategy, the European Commission is placing renewed focus on the ERA. The ERA aims to address fragmentation in Europe's research system so that research deficits with major global players can be addressed and to ensure that Europe can continue to respond to important societal challenges.

Forfás consulted with the Irish research community in academia and industry to prepare inputs to a national response to the Green Paper. The consultation included a stakeholder workshop in July 2007. Based on feedback received, Forfás helped to prepare a response to the Green Paper which was subsequently endorsed by the Inter-Departmental Committee on Science, Technology and Innovation.

The national response points to a high level of similarity between the ERA vision and Ireland's *Strategy for Science, Technology and Innovation*. It is in Ireland's interests to be part of a well-functioning European Research Area and Ireland is open to most of the ideas put forward by the Commission. In responding to the Green Paper, Ireland highlighted certain principles that should underpin research policy at the European level including:

- The need for a clear demonstration of the value added of any new initiatives being proposed at the European level bearing in mind the principle of subsidiarity that guides policy in all domains.
- The need for flexible approaches in all cases to take into account the different priorities of member states and the fact that member states are competing globally for the best science and the best researchers.
- The ability of research funding organisations, the research community and the enterprise sector to absorb new instruments and initiatives at European level, especially in light of the wide range of initiatives already being launched within the context of FP7.
- The importance of considering the enterprise dimension in European research policy (where enterprise will be expected to account for two-thirds of the overall 3% target) and in particular the coherence between research policy and innovation policy.

Seventh EU Framework Programme

FP7, the Seventh EU Framework Programme, was launched at the end of 2006 with a budget of over €50 billion covering the period 2007-2013. FP7 builds on previous programmes and continues to focus on trans-national collaborative research and researcher mobility. In both scale and scope, FP7 is the most ambitious of the Framework Programmes to date. There are a number of new initiatives associated with the programme including the European Research Council (ERC) to reward excellence in frontier research and new industry-led Joint Technology Initiatives.



Joint Technology Initiatives (JTIs) are multi-billion euro public-private partnerships to tackle research agendas in areas of strategic importance for European competitiveness. In 2007, JTIs were agreed in the areas of innovative medicines, nanoelectronics, embedded systems and aeronautics. It is expected that further JTIs will be proposed by the European Commission in the years ahead.

Forfás provided support to OSTI on these and other aspects of FP7 which were the subject of political negotiation in 2007.

Forfás also worked with the National Director for FP7, based in Enterprise Ireland, to develop targets for Ireland's participation in the Programme. Based on this work, the Cabinet Sub-Committee on STI endorsed a recommendation that Ireland should increase its target drawdown from FP7 from €400 million to €600 million over the lifetime of the Programme. The revised target has been incorporated into a wider set of targets associated with the Strategy for STI.

Initial indications from the funding allocated in 2007 point to a strong participation by Irish researchers and enterprises. The Irish success rate (proportion of projects funded) at 23.4% is ahead of the EU average (21.2%). The funding secured by Irish researchers in the first year of the Programme (over 1.1% of funds allocated) is consistent with the raised target that has been set for the overall Programme.

Research and Development Statistics

Forfás collates a series of statistics in relation to research and development activity in Ireland on behalf of the Department of Enterprise, Trade and Employment. In 2007, Forfás released figures on the levels of R&D investment by business in Ireland in *Research and Development Performance in the Business Sector 2005/6*. *The Higher Education R&D Survey 2006* recorded the research and development spend by the higher education sector and State expenditure on science and technology research was outlined in *The Science Budget 2006/2007*. Forfás also published a booklet, *Research and Development Statistics in Ireland, at a Glance*, which collates all key R&D statistics. An overview of the data is provided in the Statistical Overview section of this Annual Report (page 11).

Role of the Institutes of Technology in Enterprise Development

Forfás published, *Review of the Role of the Institutes of Technology in Enterprise Development*, in 2007. The aim of the Review was to develop a comprehensive picture of the initiatives and activities available in the institutes of technology (IoT) to support enterprise growth.

The report presented detailed profiles of each region and assessed the activities in each IoT under the following headings:

- Strategic Planning;
- Education and Training;
- Research;
- Collaboration;
- Company Formation; and
- Resources.

The study also identified a number of issues for further consideration which could enhance the role of the institutes' in enterprise development:

- Recognition of all levels of IoT engagement with enterprise including graduate recruitment, training for company personnel, R&D and spin-off activities;
- The need to improve IoT flexibility in meeting industry requirements;
- The need for a more strategic approach to ensuring industry input to IoT planning processes, and the critical role of the enterprise development agencies in this; and
- The policy requirements for how best to support IoT's evolution to meet the growing educational needs of the employed while continuing to address the needs of the more traditional student base.



People

The skills, flexibility and knowledge of our people is one of Ireland's most important competitive advantages and continued investment in the development of our people is essential to our growth. The success of firms and the economy in the years ahead will hinge on knowledge and the people who disseminate, adapt and use data, insights, intuition and experience to create value.

The National Skills Strategy sets out the targets and objectives which must be achieved to meet the needs of a changing labour market. Achieving the goals set out in the strategy will ensure Ireland can respond rapidly in a changing economic environment and have the skills to shape tomorrow's enterprise.

Forfás continues to support the development of our people and the implementation of the National Skills Strategy through the work of the Expert Group on Future Skills Needs, the Management Development Council and the Discover Science and Engineering Programme.

people

Launching the EGFSN report Future Skills and Research Needs of the International Financial Services Industry were former Taoiseach, Bertie Ahern TD and Anne Heraty, Chairperson of the Expert Group on Future Skills Needs.



Expert Group on Future Skills Needs

Forfás provides research and secretariat support to the Expert Group on Future Skills Needs (EGFSN).

In May 2007, former Minister for Enterprise, Trade & Employment, Micheál Martin TD, announced the new membership of the EGFSN. A new mandate was also agreed for the EGFSN by former Minister Martin and the Minister for Education and Science, Mary Hanafin TD, covering the term 2007-2009. The Group will ensure in its advice to Government that labour market needs are provided for by:

- Identifying any emerging need for policy or structural changes;
- Reviewing the effectiveness and value of operational programmes and delivery systems in place to meet national skills needs;
- Progressively promoting lifelong learning; and
- Capitalising on relevant developments internationally.

During 2007 the EGFSN worked on:

National Skills Strategy

Future Skills and Research Needs of the International Financial Services Industry

Future Skills Needs of the Medical Devices Sector

Future Requirement for High Level ICT Skills in the ICT Sector

Survey of Selected Multi-National Employers' Perceptions of Certain Graduates from Irish Higher Education

North/South Cooperation on Skills Policy

FÁS Skills and Labour Market Research Unit

National Skills Strategy

In March 2007, Minister Martin and Minister Hanafin jointly launched the EGFSN report, *Tomorrow's Skills: Towards a National Skills Strategy*. The Report sets out a vision of skills and educational attainment up to 2020 which would help to secure the future competitive advantage of enterprise in Ireland and enhance future growth in productivity and living standards.

The Report sets out specific targets for Ireland's skills profile in 2020, with a target of 45% of the population with third or fourth level qualifications. The EGFSN outlined specific objectives, which included the upskilling of 500,000 people within the labour force by at least one level on the National Framework of Qualifications, increasing the Leaving Certificate completion rate to 90% by 2020 and increasing the progression rate from second to third level to 72% by 2020.

Throughout 2007, Forfás, through its work with the EGFSN, continued to support the Department of Enterprise, Trade and Employment and the Department of Education and Science, and bodies under their aegis involved in State funded education and training provision, on the implementation of the National Skills Strategy.

At the request of the Department of Enterprise, Trade and Employment, Forfás has undertaken further research into potential mechanisms to incentivise employers and employees to engage in education and training and will report to the Minister for Enterprise, Trade and Employment in 2008.

Future Skills and Research Needs of the International Financial Services Industry

In December 2007, former Taoiseach, Bertie Ahern TD, launched the Report *Future Skills and Research Needs of the International Financial Services Industry* prepared by the EGFSN. The Report was published at the request of The Clearing House Group of the Department of the Taoiseach to identify the skills required to support the continued development of the International Financial Services Industry in partnership with Government and the state development agencies.

The Report identifies a number of priority areas for skills development in the future including:

- Ensuring that undergraduate courses are up to date and relevant to industry needs and developing greater specialisation at postgraduate level. High level mathematics, quantitative, risk management and actuarial skills are in particular demand.
- Addressing the staff retention issue in some sub-sectors, which negatively affects costs and efficiency.
- Increasing the research capacity of international financial services in Ireland.
- Increasing the alignment between education and training providers and industry needs, with greater focus on niche areas which could deliver distinctive competences.

The Report set out clearly defined next steps associated with each recommendation and the implementation of these recommendations has begun. The Higher Education Authority has sought responses from higher education institutions involved in this area of activity. This will be followed by a forum bringing together industry and academia in 2008.

Future Skills Needs of the Medical Devices Sector

In 2007, Forfás, on behalf of the EGFSN, undertook extensive research to identify the future skills needs of the Medical Devices Sector in Ireland up to 2013. *Future Skills Needs of the Medical Devices Sector*, published in 2008, makes recommendations to ensure that skills will underpin the continued development and growth of the industry. This research was undertaken at the request of Enterprise Ireland and the Irish Medical Technologies Council.

The research indicates that the requirement for people with engineering, scientific, technician, sales and purchasing skills will continue to rise and the demand for those qualified to Masters and PhD level will also increase. The Expert Group makes a number of specific recommendations to ensure the sector is equipped with the right level of skills and expertise to meet the challenges of a changing industry:

- Establish a Centre of Medical Device Manufacturing Excellence in the higher education system to assist industry to develop skills required for automation, lean manufacturing and quality management;
- Upskill operators, assemblers and technicians over the next three years through industry-led training initiatives supported by the State;
- Higher education institutions to work towards the development of a fourth level Graduate Education Institute in medical devices innovation;
- Introduce a Masters Course in Regulatory Affairs and a Graduate Diploma or Masters qualification in the design, management and conduct of clinical trials;
- Develop a part-time professional development course for medical device professionals covering topics such as healthcare economics and reimbursement, regulatory affairs and intellectual property; and
- Boost the supply of effective entrepreneurs through the provision of education and training programmes based on best practice Irish and US models.

Future Requirement for High Level ICT Skills in the ICT Sector

During 2008, the EGFSN will publish its Report, *The Future Requirement for High Level ICT Skills in the ICT Sector*. The aim of this study is to determine the future requirements for high level skills in the sector, in terms of quantity, quality and diversity, and to identify the actions required to ensure that the supply of these skills will support its potential growth.

The upturn in employment in the ICT sector since 2001 has been underpinned by the emergence of new Irish-owned start-up companies and by continued inward investment. The sector, which currently employs around 70,000 people, has moved into higher value added activities. Labour market demand for high-level ICT skills is tightening both in Ireland and globally.



The Report finds that the projected domestic supply of high-skilled computing and electronic engineering graduates alone will not be sufficient to meet future demand to 2013. Migration will continue to be an important source of labour force supply into the future. The EGFSN proposes a number of actions which can be implemented in the short, medium and long-term, to ensure that the future skills needs of the ICT sector will be met.

Survey of Selected Multi-National Employers' Perceptions of Certain Graduates from Irish Higher Education

Forfás, the EGFSN and the Higher Education Authority jointly undertook a survey of multi-national employers in Ireland in 2007, to benchmark Irish graduates from the higher education system against graduates from other countries and to provide feedback on the suitability of Irish graduates for employment compared to their international counterparts.

Published in December 2007, the final Report, *Survey of Selected Multi-National Employers' Perceptions of Certain Graduates from Irish Higher Education*, provides feedback on the suitability for employment of Irish graduates compared to their peers internationally across the disciplines of science, engineering, humanities, and business and finance.

The main findings of the Report indicate that:

- Overall, employers perceive very little difference in quality between Irish and other graduates; and
- Irish graduates appear to compare favourably in soft/generic skills.

The report recommends:

- Introduction of more placements to third level courses;
- There is a need for Irish students to have better management and business knowledge to understand their role in the workplace; and
- Increased use of continuous assessment in third and fourth level courses with particular focus on building team skills and confidence.

North/South Cooperation on Skills Policy

The Joint Communiqué of the British-Irish Intergovernmental Conference 2006 identified the potential to enhance North/South collaboration in the area of skills and the labour market. During 2007, dialogue commenced between the EGFSN and the Northern Ireland Skills Expert Group to identify areas of potential cooperation.

Both groups have agreed to work collaboratively to produce an All-Island Statement on Skills Demand in 2008, which will provide a comprehensive analysis of current demand for skills across the island of Ireland, how the skills base has evolved and how it is likely to change in the future. In addition, it has been agreed to hold an All-Island Conference on Skills in October 2008.

Forfás is working with the Department of Enterprise, Trade and Employment, FÁS and the Department of Employment & Learning in Northern Ireland to progress these initiatives.

FÁS Skills and Labour Market Research Unit

During 2007, Forfás continued to work closely with the FÁS Skills and Labour Market Research Unit which operates the National Skills Database on behalf of the EGFSN. Both organisations have worked together with relevant stakeholders to identify and develop useful sources of data which help build a profile of Ireland's current and future skills capability.

FÁS has provided Forfás with statistical and data support for many of the EGFSN reports published during 2007 and also produce two annual reports on behalf of the EGFSN.

- The *National Skills Bulletin* provides a detailed overview of the Irish labour market in terms of employment trends by sector and occupation and latest statistics on outputs in education and training.
- *Monitoring Ireland's Skills Supply: Trends in Education/ Training Output 2006* provides an indication of the supply of skills to the Irish labour market from the formal education and training system.

Submission by Forfás on Education Priorities for Enterprise

During 2007, Forfás, on behalf of IDA Ireland, Enterprise Ireland and Science Foundation Ireland, made a submission to the Department of Education and Science in relation to its Departmental Statement of Strategy 2008–2010.

The Agencies highlighted the following key priorities:

- The development and articulation of a clear policy statement for education at all levels with associated measurable objectives and outcomes;
- The implementation of the Strategy for Science, Technology and Innovation; and
- The implementation of the National Skills Strategy.

The Management Development Council

The Management Development Council (MDC) was established in May 2007 by former Minister for Enterprise, Trade and Employment, Micheál Martin TD. The MDC advises the Government on actions to support SMEs in developing and enhancing their management abilities. Forfás provides research and secretariat support to the Council.

The MDC was established as a response to recommendations made by the Small Business Forum and the EGFSN, who published studies in 2006 identifying the need for such a council to coordinate the supply of and stimulate demand for management development programmes.

The Council is chaired by Professor Frank Roche, the Deputy Principal of the UCD College of Business and Law, and includes representatives from business, enterprise development agencies, government departments and higher education institutions.

The Council has agreed an ambitious work programme to 2009 which has been endorsed by Minister Martin. In 2007 research began on a number of issues including:

- A detailed profile of the provision of management development programmes available to SMEs;
- A quantitative and qualitative study to understand the management development demands and needs of SMEs, and the barriers which inhibit SME participation in management development; and
- A review of best practice internationally in the provision and promotion of SME management development.

Discover Science and Engineering

Discover Science & Engineering (DSE) is an integrated national science awareness programme managed by Forfás on behalf of the Office of Science, Technology and Innovation in the Department of Enterprise, Trade and Employment. It brings together many science and engineering awareness activities that were previously managed by different public and private bodies. DSE aims to build and expand on these activities and to deliver a focused, strategic and quantifiable awareness campaign.

DSE's overall objectives are to:

- Increase the number of students studying the physical sciences;
- Promote a positive attitude to careers in science, engineering and technology; and
- Foster a greater public understanding of science and engineering and their value to Irish society.

It has strategically defined its audience as students at all levels, with a particular focus on primary and secondary, their parents and teachers, as well as the wider public. The Programme also works closely with third-level institutions, industry and the media.



Pictured at the official launch of Science Week Ireland 2007 with two budding young scientists were former Minister for Education and Science, Mary Hanafin TD and Chairman of the Discover Science and Engineering Steering Group, Leo Enright.

General Awareness

Science Week Ireland

Science Week Ireland is one of the key events in the DSE calendar. *Surrounded by Science* was the theme of Science Week 2007. The event has grown significantly with 450 events held nationwide this year in schools, colleges, universities and libraries. DSE also organised twelve different roadshows to a number of venues throughout the country and a lecture series on the theme of *Surrounded by Science* on the topics of space, football, beauty and forensic science.

Building on the recent expansion of the regional presence of Science Week, Sligo Science Week has been designated as a strategic partner, along with Discovery Cork and Galway Science and Technology Festival, which became strategic partners in 2006.

Television

The fourth series of SCOPE TV, sponsored by DSE, was broadcast on RTÉ television in Spring 2007. The fourth series linked science to popular teenage interests.

Discover Science and Engineering (DSE) has completed a comprehensive review of the programme and a decision was made to end the production of the series as its target audience of young people was increasingly spending more time on the internet and average viewer numbers were falling. DSE has decided to redistribute resources into its internet presence targeted at young people.

During 2007 DSE also continued to provide stories and footage to television news desks of scientific and engineering developments and events.

BT Young Scientist Exhibition

DSE is a Gold Partner in the BT Young Scientist and Technology Exhibition held in January each year. The theme for the DSE exhibit at the 2008 Exhibition was *Discover Light*, which brought the science behind light to life. The exhibit included a number of interactive activities and DSE also hosted an interactive workshop area.

The main stand was co-hosted by Engineers Ireland's STEPS to Engineering programme, T4, the support service for technology subjects at Leaving Certificate and the recently opened Science Gallery at Trinity College Dublin. Activities on the stand included a very popular LED Graffiti Workshop as well as an interactive shadow mosaic exhibit. Discover Primary Science, another strand of the work of DSE, was also on the stand demonstrating various activities from the programme. DSE also sponsored the *Science Made Simple* show in the BT Arena.

National Ploughing Championships

DSE exhibited at the National Ploughing Championships for the first time in September 2007. The event had an estimated attendance of 180,000 people over three days.

The DSE exhibit included information stands on Discover Primary Science, Science Week and careers information in conjunction with partners STEPs to Engineering. A Science Theatre had science magic and bubble shows running throughout the day and this was complemented by interactive activities in the Science Bus. It is estimated that over 20,000 people participated in DSE activities over the three days.

Primary Science

Discover Primary Science

The Discover Primary Science Programme (DPS) reached 2,985 primary schools in 2007, representing 90% of Irish primary schools. The total number of teachers participating in DPS has now reached 3,500. The programme works directly with teachers and students on developing scientific skills through fun and interactive science based activities. Children are invited to submit projects to the Awards of Science Excellence, held annually. The 2007 Awards attracted entries from over 500 schools, up from 300 in 2006.

Greenwave

The Greenwave project continued to grow in 2007, after a successful pilot in 2006. The project is targeted at primary school children and involves the observation and recording of the arrival of different species into Ireland and the budding of the Horse Chestnut and Hawthorn trees in Spring. The observations are recorded online by young people throughout the country at www.greenwave.ie. In 2008 the project will be developed further with Met Éireann as partners, and will include the physical measurement of the noon temperature each day using thermometers supplied by DSE.



Second Level Science

Discover Sensors

The Discover Sensors project is the key focus of DSE's programmes for second level students. It is a partnership project with the Junior Science Support Services (JSSS), National Centre for Technology in Education (NCTE), the National Council for Curriculum and Assessment (NCCA) and the regional education centres. The project has a dedicated website www.discoverensors.ie which provides structured training and resources to support science teachers in teaching the junior science curriculum.

Since 2006 the curriculum has included assessment of project work as part of the Junior Certificate examination process. The project now involves over 180 schools and will be offered more widely, subject to the outcome of an evaluation to be completed in mid-2008.

Other projects aimed at second level students include an ICT careers campaign conducted in cooperation with the STEPS to Engineering campaign, now in its second year, which targets school leavers. In addition, DSE commenced a pilot ICT programme aimed at involving transition year students with science and engineering.

NanoQuest

In 2007, DSE developed the Nanoworld exhibition based on its 3D computer game Nanoquest. The game is aimed at encouraging 13 to 14 year olds to learn about the new and exciting world of nanotechnology. In addition to producing a new level for the game, the exhibition was used at the BT Young Scientist Exhibition and at the Galway Science Festival in November 2007. DSE plans to continue to use and develop the game in 2008.



Enterprise

A strong economy is underpinned by a robust enterprise environment, with a culture that encourages business to grow, develop and expand.

Working with the development agencies, Forfás aims to deliver policy solutions that contribute to a strong environment for enterprise, fostering innovation in services and manufacturing and a culture of entrepreneurship. An awareness of new areas of opportunity for enterprise, for example from sustainable environmental policies, is a key priority for the development agencies.

Throughout 2007 Forfás worked closely with the Department of Enterprise, Trade and Employment and sister agencies to ensure that regional supports, fiscal policies and structures are in place which assist Irish business to succeed in international markets and identify new areas of opportunity.

enterprise

Pictured at the launch of the Report of the High Level Group on Manufacturing were former Minister for Enterprise, Trade and Employment, Micheál Martin TD and Chairman of the Group, Joe Harford.



High Level Group on Manufacturing

The High Level Group on Manufacturing was established in 2007 as a result of the Social Partnership process and Towards 2016 Agreement. The Group includes representatives from government, enterprise and trade unions. The Group delivered its Report in April 2008.

The development agencies – Forfás, IDA Ireland and Enterprise Ireland – were represented on the High Level Group on Manufacturing in an advisory capacity. Forfás also provided research and secretariat support to the Group.

The Report represents a shared understanding of how the nature of manufacturing has evolved and the challenges facing the manufacturing sector. It outlines the characteristics of firms likely to be successful in today's complex and increasingly competitive environment, stressing that innovation, productivity, flexibility and adaptability to change are now key differentiators. The Report outlines the focused actions needed by employers, employees (and their representatives) and government.

The recommendations of the Group focus on addressing:

- Ireland's decline in cost competitiveness relative to competitor and EU countries, specifically in relation to costs of energy, waste, local authority charges and professional services.
- The need for companies to engage proactively in technological and non-technological research, development and innovation, identifying potential across all elements of the supply chain, and in developing new services, products and solutions.
- The need for dedicated competence centre(s) to cater to the needs of the manufacturing sector, e.g. the adoption of new technologies, processes and materials and engagement in relevant research, development and innovation and global business models.
- The critical importance of re-skilling people currently in the workforce to meet the future needs of manufacturing and increase mobility across sectors. The need to develop management capability for the innovative firm operating in a global context is also highlighted.

- The need to raise the awareness of firms of the supports already in place, and for the agencies to review the promotion and processing of supports in order to improve access and reduce barriers to up-take by firms.

The Group agrees that there is a need for coordinated and comprehensive action by Government, employers and employees if Ireland is to continue to engage effectively in high-value manufacturing activities. It recommends the establishment of an action-oriented Manufacturing Forum to drive the implementation of the recommendations and to ensure that the needs of manufacturing inform future enterprise policy development.

Services Strategy Group

With services based activities now the biggest component of economic activity both in Ireland and worldwide, Forfás has established a dedicated Services Strategy Group to develop a comprehensive framework on how to maximise future returns to Ireland from services. This process is led by a high-level advisory group, comprising representatives from the private and public sector. The Group is chaired by Tony Keohane, CEO of Tesco Ireland.

The study analyses three categories or distinct areas of opportunity, each requiring different kinds of levels of response from Government and the state agencies:

- Exporting services from Ireland;
- Establishing overseas services operations;
- Improving the productivity of locally-traded services.

The Report identifies high-level sectoral opportunities in terms of increasing Irish services exports and establishing Irish services operations overseas.

The Report which will be published during 2008 also suggests that the challenges facing the services sector can be met by horizontal measures on three fronts:

- Initiatives to improve productivity in services;
- Initiatives to raise skill levels and develop new skills appropriate to the services sector; and
- Initiatives to increase levels of innovation in Irish services businesses.



Pictured at the 3rd International Conference on Services Innovation were Leslie Morrison, Chief Executive, Invest NI, Deputy First Minister, Martin McGuinness MLA MP, the Taoiseach, Brian Cowen TD, Martin Cronin, Chief Executive, Forfás, Liam Nellis, Chief Executive, InterTradelreland and Jos Evertsen, Forfás

Services and Innovation

In November 2007, Forfás hosted the *3rd International Conference on Services Innovation*. This all-island conference was staged in conjunction with Enterprise Ireland, IDA Ireland, Science Foundation Ireland, InterTradelreland and Invest Northern Ireland and was jointly opened by the Taoiseach Brian Cowen TD and the Deputy First Minister Martin McGuinness MP, MLA.

Services is now a key component of the Irish economy and innovation in this area is set to become a driver of future economic growth. The conference was aimed at creating awareness of services innovation among the business and policy communities through the identification of key activities and highlighting policy developments related to services based innovation.



The conference explored the opportunities presented by the worldwide growth of the services sector and examined how innovation in services can build competitiveness and drive overall economic growth. A high-level panel of local and international speakers and delegates from backgrounds in business, policy and research highlighted key business and policy issues concerning services innovation including:

- Investigating sources of innovation and competitive advantage with practical steps and examples on how to develop innovation in services;
- Exploring management techniques for sustaining innovation;
- Awareness of the needs of services innovators; and
- Developing a supportive and flexible enterprise environment for service providers.

Outward Direct Investment

A *Statement on Overseas Direct Investment* was published in 2007 which presented the findings of Forfás research into the economic impact of ODI by Irish firms. Indigenous enterprise has traditionally engaged overseas markets through exports, but companies are increasingly expanding their commercial presence and activities into overseas markets through outward direct investment (ODI).

The Statement concludes that ODI by indigenous firms has a net positive impact on the economy. The research found that:

- On average, ODI has a positive impact on the domestic employment levels within investing firms, and mildly positive employment impacts for companies in related up and downstream industries;¹
- There is a positive relation between ODI intensity by companies and changes in the skills profile within those companies, indicating a growth in the share of high skilled employees in their domestic operations; and
- There is a positive impact on the productivity of the investing firm.

The Statement acknowledges that the employment churn resulting from ODI can have specific implications for those in low skilled employment, particularly in regional locations. In a globalised economy, the State cannot prevent these negative side effects of a predominantly positive phenomenon. Instead, the State should focus its efforts on stepping up supports for vulnerable workers to enhance their skills so that all workers can benefit from the opportunities that ODI presents.

Entrepreneurship Policy Statement

The Small Business Forum recommended that Government adopt a national entrepreneurship policy focused on optimising the number of start-up businesses and maximising the number of start-ups aspiring to high growth. The Department of Enterprise, Trade and Employment requested that Forfás provide research and executive support to the development of such a policy.

With inputs from an Expert Advisory Group, comprising individuals from the public and private sector, a Report *Towards Developing an Entrepreneurship Policy for Ireland* was submitted to the Department in September 2007. It sets out guiding principles for a National Entrepreneurship Policy, an achievable vision and a number of policy proposals for progressing the findings in the following key areas:

- Developing a conducive environment for entrepreneurs;
- Harnessing culture and education to support entrepreneurship; and
- Encouraging entrepreneurial activity among women and immigrants.

Life Sciences

Forfás, together with the development agencies, is undertaking a study to develop an in-depth understanding of how we can best support the evolution of the life sciences sector in Ireland.

The life sciences sector comprises pharmaceuticals, biotechnology, medical technologies, nutraceuticals and sector specific support services. The sector is a significant contributor to Ireland's economy, employing 40,000 people and accounting for €43bn in exports in 2006. The quality and extent of research in the life sciences disciplines has developed considerably over recent years.

¹ Spillovers refer to secondary side effects that impact on other enterprises in the economy.

At a global level, the sector is undergoing considerable change driven largely by ageing demographic profiles and key developments in scientific research and technologies, leading to increasing convergence across what were formerly distinct sub-sectors. New products and services are already starting to emerge. Firms are exposed to considerable cost pressures, declining productivity, expiring patents, and intense global competition.

The study will map out the potential future evolution of the sector globally and opportunities for Ireland. It will seek to identify specific infrastructures and initiatives that are vital to support the future development of the sector in Ireland, the actions necessary to fill identified gaps and to strengthen linkages between the various players in the sector.

Phase I of the Study was completed during 2007 and presented an overview of global trends, the evolution of the sector in Ireland to date and a prioritised list of actions required to address issues facing the industry today, such as the availability of people with the required skill set and how to best coordinate the R&D system so as to yield the maximum benefit from the investment in R&D across the life sciences sector going forward. Phase II of the Study is underway and scheduled for completion by mid 2008.

Sectoral Study on Enterprise Opportunities in Environmental Goods and Services in Ireland

Forfás, in conjunction with InterTrade Ireland, has begun a study to map out the current state of the sector in Ireland, the enterprise opportunities for existing firms and potential entrants, and the supports and framework conditions required to assist environmental goods and services (EGS) companies. A steering group comprised of the development agencies, Sustainable Energy Ireland and others is advising on the Study.

The EGS industry comprises vital, long-established industries such as drinking water supply, waste water treatment and solid waste management and newer industries at the cutting edge of technological innovation, such as environmental monitoring, renewable energy and clean technologies.

There appear to be significant growth opportunities within the global market for indigenous industry in this sector and, potentially, for foreign direct investment.

The aims of the study are:

- To estimate broadly the size of the EGS sector on the island of Ireland;
- To examine the market drivers, and the strengths and weaknesses of each sub-sector;
- To identify the most promising areas in the EGS sector where new opportunities are likely to occur; and
- To identify key supports and framework conditions required to assist EGS companies including the potential to increase communication and collaboration within the sector and between firms and research institutes.

The Report will be completed in 2008.

eBusiness Monitor

Aware of the fact that the eBusiness environment has changed significantly over recent years the Department of Enterprise, Trade and Employment requested that Forfás update the 2003 eBusiness Monitor Report to evaluate whether Ireland's position has improved relative to the leading eBusiness economies. The report was submitted to the Department of Enterprise, Trade and Employment and the Department of the Taoiseach as an input to its review and update of the Information Society Commission Report.

The findings were presented in terms of companies' engagement with eBusiness:

- The availability of ICT resources in enterprises e.g. internet access and use of intranet;
- The extent to which businesses engage in selling, purchasing and online banking; and
- The level of integration of eBusiness with other business functions within the firm (including orders, finance) and externally with customers, suppliers and/or partners.



Supply side indicators include an analysis of ICT infrastructures and ICT related skills. A number of informative case studies highlight effective initiatives undertaken in other countries which are of value to policy makers and the development agencies.

The findings show that significant gaps persist between Irish-based enterprises (in particular SMEs) and the top performing countries on most indicators of eBusiness:

- Irish enterprises lag behind in terms of basic use of ICT resources.
- It is only by investing in and using these more basic resources that enterprises can progress to using ICT more efficiently such as improving internal and external business processes. The level of integration of ICT among Irish enterprises is low compared to the top performing countries. There is potential here for local SMEs providing goods and services to larger companies to develop more efficient electronic transaction processes.
- Perceived barriers to online trade remain and may be limiting the potential of many enterprises to reach new markets.
- The impact of ICT is contingent on a range of complementary factors such as organisational flexibility, the skills level of employees and in particular the capacity of a firm to innovate (both technological and non-technological).

Regional Strategic Agendas

The enterprise development agencies have a key role to play in contributing to the Government's objective of a more balanced distribution of employment opportunities and population in Ireland, as outlined in the National Spatial Strategy. During 2007, the agencies worked together to update their Regional Strategic Agendas (RSAs), which were originally developed in 2002.

The RSAs present a brief synopsis of each region's potential and outline trends in population growth, employment patterns, gross value added² and educational attainment. They provide employment trends for agency-supported sectors and an indication of emerging sectors within each region. Based on enterprise development needs, the RSAs identify the specific infrastructures required to create a competitive environment within each of the regions to attract FDI and to stimulate entrepreneurship and the growth of indigenous companies. They outline areas where the agencies can work more closely together to optimise opportunities for sectoral and network development and contribute in a coordinated and collaborative way toward regional development initiatives.

The RSAs were circulated to a targeted audience including County Development Board Members, Higher Education Institutions and relevant Government Departments. Forfás presented the findings at a number of conferences and fora during 2007.

Enterprise Areas Certification

Forfás, in conjunction with the enterprise development agencies, recommends projects for consideration by the Minister for Enterprise, Trade and Employment under the Enterprise Areas Scheme. The Scheme was introduced in the Finance Act 1995 to provide incentives to companies locating in disadvantaged areas in Dublin, Cork and Galway to promote economic development in those areas.

Under the terms of the Finance Acts, Forfás, in conjunction with Enterprise Ireland, IDA Ireland and Údarás na Gaeltachta, where relevant, recommends projects to the Minister who may issue a certificate entitling those companies concerned to benefit from tax and other incentives. Recommendations are made in accordance with guidelines laid down by the Minister. In 2007, Forfás processed two new applications for Enterprise Areas Certification and handled amendments to the details of one existing certificate, bringing the total number of certified enterprises to 115.

² Gross Value Added (GVA) is a measure of the value of the goods and services produced in a region (less the materials and services used which come from outside the region) priced at the value which the producers received minus any taxes payable and plus any subsidies receivable as a consequence of their production or sale (Source: CSO).

Business Networks Forum

More than 150 invited experts from business, government, research and academia gathered at Farmleigh House, Dublin, in 2007 for the *Business Networks Forum: Collaborate for Commercial Success*. Forfás, in conjunction with Enterprise Ireland, InterTradelreland, Invest NI and IDA Ireland organised the Forum, which highlighted the potential business and economic benefits of collaboration across the island of Ireland. The event was organised in response to the *Enterprise Strategy Group: Ahead of the Curve, 2004 Report*, which recognised the strategic importance of business networks and was the outcome of a key recommendation of the British-Irish Inter Governmental Conference (BIIGC).

The Forum provided input to networks development policy on the island of Ireland. Forfás conducted a review of international practice in the evaluation of business networks and work is in progress with InterTradelreland and the development agencies to develop a methodology for network evaluation using the return on investment methodology. This attempts to put a value on the benefits within a network of training and development, human resources, performance improvement, change, quality, and technology. The technique will be piloted with three networks during 2008. The results of this exercise will form the basis of the report on the evaluation of business networks.

Budget Submission 2008

Forfás' pre-Budget submission to Department of Enterprise, Trade and Employment reinforced the emphasis on protecting the competitiveness of the enterprise sector while respecting international obligations. It focused on the following areas:

- Establishing principles for the introduction of a carbon tax

While Forfás recognises that the enterprise sector should play its part in promoting sustainable development, the need to ensure that the enterprise sector responds to environmental demands in a manner that will not sacrifice competitiveness is of key concern.
- Abolition of the close company surcharge

Close company legislation was introduced in 1976 to deter individuals holding or earning income in a company in order to attract lower tax rates. It is apparent that there is little or no advantage to be gained for an individual in earning estate and investment income through a company today. The legislation as it stands serves to act as a disincentive to companies to accumulate revenue reserves. The submission recommended the abolition of the close company surcharge for trading companies.
- Amending the research and development tax credit

Supporting enterprise research and development (R&D) and innovation is essential to advancing Ireland's knowledge economy. The submission addressed the need to ensure longer term security and certainty of the R&D tax credit.
- Recycling companies and the Business Expansion Scheme/ Seed Capital Scheme

The 2007 Finance Act added recycling companies, which have had a grant or financial assistance from an industrial development agency, to the list of companies eligible for the Business Expansion Scheme and the Seed Capital Scheme. The submission recommended a technical change in the wording of the legislation for recycling companies to allow them to access BES/SCS funds in a quicker manner, while not compromising the validation process.

Enterprise Statistics at a Glance

In 2007 Forfás produced *Enterprise Statistics at a Glance* which collated all key enterprise statistics and figures into an easy reference booklet. The publication provided statistics under the following headings:

- Output and Employment;
- International Trade in Goods;
- International Trade in Services;
- Foreign Direct Investment; and
- R&D and Innovation.



Enterprise Surveys

Forfás continues to collect and compile data on employment and economy expenditure by agency-supported firms. In 2007 Forfás published the *Annual Employment Survey*, which compiles the total employment figures for IDA Ireland, Enterprise Ireland, Údarás na Gaeltachta and Shannon Development. The *Annual Business Survey of Economic Impact* was also produced by Forfás in 2007. Details and results from the enterprise surveys can be seen in the Statistical Overview section of this Report.



Competitiveness

Ensuring Ireland's continued competitiveness is central to maintaining Ireland's economic performance. Ireland has performed strongly as a good place in which to live and do business over the last number of years, with consistently high rankings in global competitiveness indices. Ireland's economic progress over the last decade has been dramatic but there are a number of challenges to our competitive position which we must address to ensure Ireland remains a world class location for investment.

Sustaining Ireland's competitiveness depends on increasing productivity and exports. Balanced regional growth and infrastructure development is also critical. Forfás and the National Competitiveness Council continue to identify key issues facing Ireland's competitiveness and advise Government on policy options to address them.

competitiveness

Pictured at the launch of the National Competitiveness Council Annual Competitiveness Report were the former Minister for Enterprise, Trade and Employment, Micheál Martin TD and Chairman of the NCC, Dr Don Thornhill.



National Competitiveness Council

Forfás provides research and secretariat support to the National Competitiveness Council (NCC). The NCC is a social partnership body, which reports to the Taoiseach on key competitiveness issues facing the Irish economy together with recommendations on policy actions required to enhance Ireland's competitive position. The NCC produced the following outputs in 2007:

Annual Competitiveness Report 2007: Volume 1, Benchmarking Ireland's Performance

The Report, published in November 2007, analysed Ireland's competitiveness performance using over 140 competitiveness indicators. These range from measures of the successes of past competitiveness such as economic growth and quality of life, to the policy inputs that will drive future competitiveness such as the outputs of the education and innovation system, and public spending on infrastructure.

The aim of this Report is to provide an objective evidence base, so that weaknesses in the factors contributing to Ireland's competitiveness can be identified. While Ireland fares well in many aspects of competitiveness, there are three main areas of concern arising from this Report:

■ Productivity and Exports

The composition of Ireland's economic growth has shifted from export-led and productivity-led growth to domestically driven growth, which depends on new jobs in construction and public services for increases in GDP.

■ Prices and Costs

General price levels are among the highest in the EU-15 and this situation is worsening, with inflation rates still among the highest in the EU-15. Labour costs are growing across a range of sectors at a rate well above EU-15 average. Non-pay costs including property rental or purchase and domestic services including the legal and accounting professions are also more expensive in Ireland.

■ Infrastructure

The physical infrastructure in Ireland remains poor and despite high levels of investment, Ireland's international rankings have not improved significantly since 2000. Ireland's transport, energy and ICT infrastructures in particular, upon which so many of our exporting sectors depend, appear to lag counterparts across the OECD.

Annual Competitiveness Report 2007: Volume 2, Competitiveness Challenge 2007

This Report focused on the three broad challenges where significant issues remain in enhancing Ireland's competitiveness. These are:

■ Supporting Cost Competitiveness

Cost competitiveness is vital to the success of our exporting sectors. The continuing appreciation of the euro and relatively high inflation in pay and non-pay costs in Ireland are affecting our cost competitiveness. Irish consumer price levels are almost 20% higher than the EU-15 average and inflation has been growing at a faster rate than the EU-15 average. For enterprise, high property, utility (e.g. energy, waste and water) and domestic services costs are of particular concern.

The NCC believes it is appropriate to develop a national programme to restore cost competitiveness. This should include setting a national inflation target close to the ECB 2% target. It is critical that we manage our labour costs to enhance productivity, to support employment creation and to safeguard competitiveness. This will require coordination to manage both consumer and pay inflation. Specific actions to avoid the unnecessarily high costs of property, utilities and non-internationally traded services are also required.

■ Enhancing Productivity Growth

Productivity levels in Ireland remain strong but our productivity growth rates have weakened in recent years. In 2006, Irish productivity growth was below the OECD average.

Stimulating productivity growth requires a number of actions across a broad range of areas. In particular, policies that enhance competition and reduce barriers to market entry should be pursued vigorously. Ireland's productivity growth has been strongest in a small number of high-tech manufacturing and services sectors. It is important that we have a business environment that supports the development of the existing firms, encourages the development and attraction of new firms, and promotes the emergence of new sectors.

■ Building Innovative Enterprises

Ireland has made significant progress in laying the foundation for an innovation driven economy in recent years, as State investment in research and development has grown substantially. At a company level, investment and innovation activity has begun to increase strongly.

Promoting an innovation agenda is multi-faceted and there are a number of factors which can influence its development. In particular, equipping people with the skills to succeed in an innovative economy through life long learning and developing higher level educational institutions are critical. Adequate funding is essential to enabling Irish higher education institutions to achieve top decile in OECD excellence. The NCC would support an investment needs analysis to determine the funding required to meet the goal of building up a best in class higher education and research system which meets Ireland's current and future economic and social development needs.

Government investment in research and development is critical. Building on the base of research in place, it is important that research priorities for publicly funded R&D are sufficiently aligned with the needs of enterprises and developing clusters. A major challenge to be addressed is the transformational change needed in businesses to enhance their ability to respond to market needs through innovation and to absorb knowledge and ideas from all sources, including publicly and privately funded research in Ireland and abroad.

Costs of Doing Business in Ireland, 2007

Costs of Doing Business in Ireland 2007 compared the costs of doing business in Ireland against key competitor locations. Key business costs were compared across 14 cities – four Irish and eight international locations.

Key findings:

- Between 2001 and October 2007, Ireland experienced a 19% loss in international price competitiveness, due to a combination of higher price inflation and an appreciation of the euro against the currencies of many of our trading partners. In terms of consumer prices, Ireland is an expensive country, with the second highest prices in the EU-15 and a country where prices continue to rise faster than in most other EU countries (third in the EU-15).
- Of the 14 benchmarked locations, Dublin ranks as one of the more expensive cities. Regional Irish cities (Cork, Galway and Limerick) continue to demonstrate an overall cost advantage against most EU-15 and US locations. Costs in all high-income cities are substantially higher than those in Budapest, Bangalore and Singapore, typical of the cities with which Ireland increasingly competes for mobile investment.
- Labour costs and transport costs in Ireland appear relatively cost competitive. Ireland's cost competitiveness is also supported by relatively low taxes on labour and profits. But Ireland's labour cost advantage has weakened due to higher wage inflation in Ireland relative to other high-income locations. Derry, Belfast and Manchester, cities in close proximity to the Irish locations, are more cost competitive than all Irish cities benchmarked across most job categories.
- Key business input costs that weaken Ireland's overall cost competitiveness include property costs (purchasing land, construction and rental costs), utility costs, particularly electricity, mobile calls, water and waste disposal, and key domestic services, including IT, accountancy and legal services. While waste costs have fallen since the baseline report in 2006, most other cost categories, particularly property, have continued to increase significantly.



Wellbeing Review

In Ireland and internationally, there is increasing interest in the concept of wellbeing which is generally described as incorporating aspects of living standards, quality of life, happiness and life satisfaction. In 2007, the NCC undertook research that examined the relationship between competitiveness and wellbeing and assessed how competitiveness and wellbeing can be mutually supportive.

The main findings are that:

- Ireland generally performs well in terms of broader measures of wellbeing.
- Competitiveness and high levels of material living standards are key drivers of wellbeing. For example, policies that support continued high levels of employment and a commitment to education and continuous training promote both competitiveness and wellbeing.
- The relationship between competitiveness and wellbeing is becoming stronger and mutually supportive. An environment that supports high levels of wellbeing is becoming an important driver of competitiveness as Ireland works to attract world-class people and companies. It is notable that many of the characteristics that promote high levels of wellbeing such as strong personal relationships, high levels of social trust, high levels of participation in the education system and workforce also support competitiveness. It is likely that the value of these characteristics will grow as Ireland seeks to shift towards the production of knowledge intensive goods and services.

Review of International Assessments of Ireland's Competitiveness

A range of international bodies undertake assessments of Ireland's competitiveness and many of these have high visibility among international investors and commentators. The paper reviewed these assessments and drew together their key findings in relation to Ireland³.

Overall, global reports on competitiveness indicate that Ireland still ranks among the more competitive economies. There is, however, clear evidence that Ireland's competitiveness has fallen since 2000, particularly from the latest IMD survey. Of the 55 countries benchmarked in 2007 by IMD, Ireland ranked 14th overall, a fall of seven places since 2001. Across the four reports reviewed in this paper, Ireland's average ranking was 9th of the EU-15 countries.

Ireland's strengths include our macro-economy, fiscal policy, the labour market, the market and regulatory framework, and attitudes and values in Irish society to globalisation and competitiveness. Weaknesses are perceived in areas such as prices, infrastructure, innovation and R&D and environmental sustainability where Ireland's rankings are below average. Continued weaknesses in terms of infrastructure and price competitiveness, combined with the relatively poor performance of our exporters in recent years account for a large share of the fall in Ireland's international competitiveness rankings.

Generally, Ireland's rankings are boosted by a strong performance in measures of current competitiveness, such as productivity levels and employment indicators, rather than likely drivers of future competitiveness, such as infrastructure or a culture of innovation. Of the drivers of future competitiveness, Ireland's weaknesses are in areas that require immediate attention to influence long-term change, rather than those that can be changed more readily.

³ The reports are the World Economic Forum's Global Competitiveness Report; the Institute for Management Development's World Competitiveness Yearbook; the EU's Growth and Jobs Strategy including the Centre for European Reform's Lisbon Scorecard analysis of member state performance in delivering the strategy; and Huggins Associates' European Competitiveness Index.

Conference – Re-conceptualising Ireland's Competitiveness

The NCC held a conference, *Re-conceptualising Ireland's Competitiveness*, in January 2008 in Farmleigh House. The purpose of the event was to create a forum for leaders from Irish business, policy making and academia to identify and explore the key challenges to Ireland's competitiveness in the medium and long-term. Over 140 delegates attended the event.

The conference primarily examined how a range of businesses are successfully reacting to the competitive pressures they face and how the current business environment in Ireland supports their competitiveness. The development of key policy areas to support future economic growth through nurturing and sustaining a competitive enterprise sector was central to the discussion.

Key themes that emerged included:

- Managing fundamental change;
- Identifying areas where Ireland can be successful;
- Maintaining a skilled and flexible workforce;
- Developing the knowledge economy;
- Developing Ireland's infrastructure;
- Developing the all-island economy; and
- The growing importance of quality of life issues.

The discussions and outcomes from the conference formed significant input into the work programme of the NCC in 2008.



Pictured with NCC Chairman Don Thornhill (centre) are several of the speakers from the NCC Competitiveness Conference including (L to R) Prof. Stéphane Garelli, Dr James Coleman, Alan Crosbie, Martin Cronin, Andreas Biermann, Sir George Quigley, Dr Alan Aherne and Patrick Cooney.



Review of the European Single Market

In 2007 Forfás completed the Report, *Review of the European Single Market*. The Report is a comprehensive look at the impact of the Single Market from an Irish perspective since its inception in the early 1990s.

It examines the history of the development of the Single Market and Ireland's trading experience in Europe. It confirms that the Single Market has been important both for the growth and diversification of Irish trade and enterprise and for enhancing the attractiveness of Ireland for foreign direct investment. The Report found that the Single Market has delivered real benefits for consumers, in terms of the range and quality of the goods and services available, while pointing to some of the remaining challenges for both businesses and consumers.

It provides additional practical steps that could be taken to help the Single Market reach its full potential for Irish business and consumers.

Recommendations for improving the benefits to business of the Single Market include:

- Encouraging cross border insurance provision;
- Simplifying business loan procedures; and
- Promoting cross border sourcing of inputs to production.

For Irish consumers the Report makes recommendations to:

- Increase awareness of the Single Market;
- Investigate cross border price differences;
- Introduce new ecommerce promotions and facilitation; and
- Increase choice in the postal and banking sectors.

Trade Facilitation

Forfás continued to investigate the feasibility of a Single Window system for Ireland for the electronic customs clearance of imports and exports which has the potential to reduce trade-related regulatory burden. Forfás made presentations to key stakeholders on the topic throughout 2007.

Forfás also undertook a separate consultation process to investigate the potential for Ireland to develop as a centre for digital trade facilitation activities, with preliminary findings reported to the Department of the Taoiseach. Forfás is also the official liaison with the international groups developing trading standards.

International Trade Negotiations

Forfás continues to provide research support and policy advice to the Department of Enterprise, Trade and Employment in developing Ireland's position both at the World Trade Organisation (WTO) and at EU Commission level. The negotiations are significant for Ireland as a small open economy highly dependent on international trade for growth and jobs.

In conjunction with the Services Strategy Group, Forfás is assessing Ireland's international negotiation stance on services and hosted a symposium for Department of Enterprise, Trade and Employment and development agency staff, which was addressed by international experts from the OECD and Irish and UK academia.

Perspectives on Irish Productivity

Perspectives on Irish Productivity, a series of essays by leading economic thinkers on key issues relating to productivity growth and research, was published by Forfás in 2007. The book was published at the request of the former Minister for Enterprise, Trade and Employment, Micheál Martin TD who asked Forfás to prioritise the issue of research into productivity growth.

The essays focused on the two productivity challenges Ireland faces in the future – how to increase the rate of productivity growth in non-exporting sectors and, how to maintain an attractive business environment for exporting firms to maintain high levels of productivity growth. The book also contained a number of lessons to inform Ireland's future industrial policy under four headings:

- The impact of productivity spillovers;
- The regional distribution of economic growth;
- The role of R&D; and
- The role of micro policies aimed at supporting Irish enterprise.



Launching the Report Ireland's Co-operative Sector were Minister for Trade and Commerce, John McGuinness TD, Martin Cronin, Chief Executive, Forfás, Eoin Gahan, Forfás and Shane Quinlan, Forfás.

Productivity Studies

Following the publication of *Perspectives on Irish Productivity*, a number of seminars were hosted to promote awareness and debate in relation to some of the issues raised in the book.

Forfás also established a number of Productivity Research Bursaries, each of the value of €5,000, to be awarded annually to postgraduate students. The purpose of the bursaries is to encourage supervised research on the key dimensions of productivity performance with relevance to national policy. Through open communication Forfás sought applications nationally and internationally for these awards for research focused on or likely to contribute to, the identification of policy options.

Three bursaries have been awarded to date, looking at the relationship between industry concentration levels and firm efficiency; the trade offs between the cost savings from outsourcing and the associated risks; and the effects of internationalisation, credit constraints and labour market friction on firm and sector efficiency and productivity.

Socio-Economic Scenarios

During 2007 Forfás developed a set of socio-economic scenarios for Ireland with the aim of identifying effective strategies which can be put in place now to ensure a competitive sustainable enterprise sector in 2025.

We cannot accurately predict the future, but we must plan for it. Decisions that we take today will shape, inform, enable and restrict options, strategies and decisions in the future. Ireland's ability to shape certain developments in the world economy is limited. To remain competitive Ireland must understand longer-term trends and incorporate the necessary flexibility in policy to address these global changes.

The scenarios are based on an identified set of four critical uncertainties outside our control:

- Energy;
- Climate Change / Environment;
- Globalisation; and
- Social Values.



As part of the process of scenario development, a wide consultation exercise was undertaken with senior people from national and international organisations to gather their views about what will be the key driving forces in shaping the world and Ireland in 2025, with a number of focus groups and expert interviews completed. Several key themes emerged from this process that were then incorporated into the building of the scenarios and are incorporated in the analysis.

Ireland's Co-operative Sector

As part of a Department of Enterprise, Trade and Employment review of the legislative and organisational framework for co-operatives in Ireland, Forfás published a profile of the co-operative enterprise sector in Ireland and internationally. *Ireland's Co-operative Sector* identified the key challenges and opportunities for the sector.

The Report found that in 2006, there were 1,040 co-operatives registered in Ireland with over 270,000 members. The sector generated approximately €3.8 billion in sales revenue⁴ and employed over 38,000 people. The vast majority of co-operatives in Ireland are agricultural which account for 98% of the total turnover of co-operative sector. Globally, it is estimated that there are over 800 million members of co-operatives, with co-operatives providing jobs for over 100 million people.

The profile highlighted a number of issues to be considered as part of the Department of Enterprise, Trade and Employment review of the sector:

- Providing a conducive framework for the full potential of the co-operative model to be realised, including in areas such as childcare, education, housing and healthcare;
- Ensuring a level playing field between co-operatives and the other legal options for structuring enterprise activities; and
- Promoting a greater appreciation of the co-operative model as a distinct form of organisation.

⁴ 2005 data – does not include Credit Unions which are registered with IFSRA.

Business Regulation Forum

Forfás provided research and administrative support to the Business Regulation Forum in 2007. The Forum was established to advise the Minister for Enterprise, Trade and Employment on the regulatory issues that are affecting business in Ireland.

The Forum presented its final Report to the Minister in April 2007. The Report was based on submissions received from Irish businesses, dialogue with key stakeholders, in-depth research on the impact of regulation on business in Ireland and research on international developments in better regulation.

The Report found that Irish businesses perceived regulatory and administrative burdens to be too high. It proposed a burden reduction programme should be developed with the following characteristics:

- It should focus on the five areas where regulation has been identified as most burdensome in Ireland: tax; health & safety; environmental regulation; requests for statistical information; and employment & company law.
- The Standard Cost Model should be used to measure the burdens within these areas as well as benefits achieved.
- There should be a target, calculated as a percentage of GNP or expressed as an absolute amount, based on what has been achieved in other countries.

The Report was launched by the former Minister for Enterprise, Trade and Employment Micheál Martin TD in 2007 and led to the establishment of a High Level Group on Business Regulation, chaired by Department of Enterprise, Trade and Employment. The Government has also committed to a target to reduce regulatory burden on business by 25% by 2012.



Pictured at the launch of the Report of the Business Regulation Forum was Chairman of the Forum Donal de Buitléir



Sustainability

Environmental sustainability has been recognised nationally and internationally as a key issue for enterprise. While seen as posing some challenges, it also offers considerable opportunities for Ireland's enterprise base.

With demand for more environmentally friendly products, process and services growing significantly, developing a strong environmental goods and services market will create strong growth opportunities for Irish companies in international markets, and will potentially create new foreign direct investment opportunities for Ireland.

Ireland's ability to continue attracting high levels of foreign direct investment and to provide a supportive environment for Irish industry generally will depend on its capacity to deliver a secure and sustainable energy supply at a competitive cost. Ensuring that other environmental infrastructure and services – such as waste management and water – meet the needs of Ireland's enterprise base is also vital. In 2007 Forfás identified infrastructure challenges facing enterprise in Ireland, benchmarking Ireland's performance against other leading economies while identifying the opportunities for enterprise for the environmental/energy goods and services sector.

sustainability



Assessing the Implications for Irish Industry of Revisions to the EU Emissions Trading Scheme

In November 2006, the EU published its review of the Emissions Trading Scheme (ETS) with a view to incorporating substantial changes to Phase III, commencing in January 2013. Forfás, at the request of the Department of Enterprise, Trade and Employment analysed the competitiveness impacts on the ETS participants of the various proposals:

- An extension of the Scheme to other sectors of the economy besides combustion installations;
- The inclusion of other (non-CO₂) greenhouse gas emissions;
- Changing the method for allocating emissions permits;
- An increased harmonisation of National Allocation Plans at the EU level; and
- A change to the timeframe for the ETS trading period.

The findings, which were used to inform Ireland's inputs into the EU Working Group, were:

- Participation in Phase I of EU ETS has not resulted in significant adverse competitiveness impacts for the majority of Irish enterprises engaged in the Scheme.
- It is likely that vulnerable, high-energy sectors (i.e. cement, alumina, some firms in the food sector) will face competitiveness threats in Phase II of EU ETS in the form of rising energy costs as a percentage of their gross value added.
- The powergen sector will also face rising costs but will be in a position to pass these costs to consumers.
- In a post-2012 (Phase III) environment, there are mixed results for Irish enterprise. On the one hand, a move towards benchmarked allocation methodologies may work in Ireland's interests given the relative efficiency of industrial plants. However, a tighter emissions cap, an increased level of auctioning of permits, the likely inclusion of the aviation sector, and the potential to restrict the use of flexible mechanisms would all most likely be unfavourable for Ireland.

Incorporating Environmental Costs from Greenhouse Gases into the Development Agencies' Investment Appraisal Model

During 2007, Forfás, as part of a cross-agency team, delivered an amended appraisal model incorporating environmental costs from greenhouse gases into the investment decision process.

The Irish Government's commitment to addressing climate change has been explicitly presented in the National Climate Change Strategy. The Strategy identified investment analysis as a key tool for the control of climate change inducing greenhouse gas emissions (GHGs). As a result, the Department of Enterprise, Trade and Employment requested that the development agencies identify a means of incorporating the costs of GHG emissions in their investment decisions.

A cross-agency team was established and agreed that the most appropriate way to account for the costs of GHG emissions in the agencies' investment decisions would be to incorporate a new emissions cost variable into the cost-benefit analysis (i.e. the economic appraisal model) performed by the agencies on prospective investment projects.

Research was undertaken into ways of addressing the following four fundamental questions:

- In which circumstances was an adjusted model to be applied?
- How were GHG emissions to be quantified?
- How were GHG emissions to be priced?
- How would the operation of the model affect the investment decisions of the agencies?

To avoid imposing unfair costs or penalties on business, it was decided that the model was only to be applied in cases where the Government would incur a direct cost as a result of emissions from an industrial project. The adjusted model will apply only to expansion or greenfield developments which require an increase in the firm's power-generating capacity, or process emissions for which carbon credits are required and have not been obtained by the company. The quantification of emissions is to be achieved by converting a given expected fuel usage to a carbon equivalent. The pricing method used is the price of carbon permits as revealed in the futures market for carbon permits. The model is currently being tested on a pilot basis.

The adjusted model more accurately reflects the true net benefits to the economy which can be expected to accrue from a given investment project because it accounts for the real costs to the State arising from excess GHG emissions from enterprise.

National Allocation Advisory Group (NAAG)

The National Allocation Advisory Group (NAAG) was appointed by the Irish Government to advise the EPA on how best to discharge its obligations in formulating Ireland's National Allocation Plan for its greenhouse gas emissions targets under the Kyoto Protocol. The Chief Executive of Forfás is a member of the Group which also includes the Chief Executives (and/or their senior nominees) of the Commission for Energy Regulation, the National Treasury Management Agency and Sustainable Energy Ireland, together with the Director General of the EPA, under the chairmanship of Dr Edward Walsh.

During 2007, Forfás provided inputs as a member of the Group on issues relating to the second National Allocation Plan (NAP II), the European Commission's decision in relation to Ireland's proposed Plan and issues arising from the public consultation process for NAP II. Forfás will continue work with the NAAG in 2008.

Carbon / CO₂ Tax

Forfás assessed potential impacts on enterprise of energy and CO₂ taxes in 2007. It assesses the potential use of taxation as an instrument to achieve improved environmental sustainability and considers whether taxes should be used to reach the targets or objectives laid down in Irish environmental and climate-change policy, and how this could be done at lowest cost to Irish business.

The research showed that there is a strong business case for considering the use of environmental taxes, and this has been underpinned by the Programme for Government's commitment to implementing carbon taxation over the next five years.

Environmental tax reform covers three key areas:

- A shift in the fiscal burden from labour costs to environmental costs;
- An increase in the number of taxes on environmental 'bads' and adaptation of existing schemes to internalise external environmental costs and cover the costs of environmental services; and
- The removal of tax incentives that result in environmental degradation.

Ireland currently collects a considerable proportion of its revenue from environmental related taxes, especially in the transport sector. In order to minimise the adverse competitiveness impacts of a carbon tax, however, a number of principles should be adopted:

- The necessity that lower cost alternatives be put in place simultaneously;
- Ireland's poor rank in renewable energy generation dictates the necessity to incentivise strong investment in this area;
- Carbon taxes must be revenue neutral and revenues should be, at least in part, recycled to industry; and
- Timing is crucial and the tax must be introduced on a phased basis, commencing at a low level and rising later to allow industry to adjust to the new tax regime and reduce its energy usage.

IEA Climate Change Working Group

The Institute of European Affairs (IEA) initiated a Working Group in early 2007 to address future climate change policy in Ireland. The Group's focus is on long-term implications of climate change and climate change policy for Ireland in the post-2012 period. Five working subgroups met regularly to discuss particular aspects of climate change. Forfás chaired the subgroup on the competitiveness implications of climate change.



The findings of all five subgroups were collated into a report which was presented to the Minister for the Environment, Heritage and Local Government, John Gormley TD, in November 2007. Forfás presented the results of the deliberations of the competitiveness subgroup at Carbon Day, an event held in June 2007 to publicise the work of the Institute's Working Group.

Infrastructure Policy 2007

Forfás works closely with the Department of Enterprise, Trade and Employment, the development agencies and various government departments to identify the infrastructure needs of enterprise, to benchmark their current provision in Ireland in terms of price, quality and availability, and to identify the policy requirements to improve our performance. Forfás focused on a number of key infrastructural topics in 2007.

Electricity Benchmarking Analysis and Priorities

Electricity Benchmarking Analysis and Priorities, assesses Ireland's comparative performance on the supply of electricity and highlights a number of policy issues that need to be addressed to achieve a more competitively priced, secure and environmentally sustainable supply of electricity.

The cost of electricity in Ireland in 2007 was the second highest in Europe, and this is impacting on the ability of firms to compete in international markets. Maintaining security of supply in the short to medium term and reducing Ireland's high rates of CO₂ emissions will also be significant challenges. While a number of factors that affect electricity prices are outside Ireland's direct control, such as global fuel price volatility, there are a number of areas where Ireland can act to restore cost competitiveness and improve the adequacy of our electricity supply. Full and timely implementation of the actions set out in the Government's Energy White Paper is critical to improving Ireland's performance in meeting the electricity needs of business.

Priorities include:

- Increasing competition in the electricity market through encouraging and facilitating new entrants, the full ownership unbundling of the transmission network and the provision of the planned interconnectors to Northern Ireland and to the UK.
- Additional generation capacity also needs to come on stream as planned to ensure an adequate supply of electricity in the medium to long-term.
- Better energy use by business and domestic consumers also has a key role to play in addressing and adequacy issues.

Ireland's Broadband Performance and Policy Requirements

Forfás continues to assess Ireland's comparative performance in terms of broadband take-up, prices, availability, quality and choice.

Key findings:

- Broadband take-up continues to grow strongly in Ireland. As a result, Ireland's ranking improved to 21st of the 32 benchmarked countries in June 2007, compared to ranking 24th in June 2006. However, the broadband penetration rate in Ireland at 15.4% still lags behind the OECD average of 18.8%.
- On broadband services for business, Ireland compares well on prices for 34 Mbit/s leased lines but is more expensive for other broadband speeds, such as 6 Mbit/s ADSL and 2 Mbit/s SDSL.
- The immediate issue from an enterprise development perspective is the limited range and speed of broadband services available and their comparatively higher cost. The highest speed that is widely available in Ireland (6 Mbit/s) in 2007, costs four to five times more than considerably higher-speed (ADSL) services in countries such as France and Germany.

Although broadband take-up continues to grow strongly, a number of issues need to be addressed to ensure that Ireland can meet the broadband needs of enterprise. These include:

- Improving competition and the availability of advanced service offerings;
- Addressing the regional differences in broadband performance;
- Ensuring the timely availability of Next Generation Networks; and
- Stimulating demand for broadband, in particular, initiatives to promote more sophisticated use of ICT by SMEs, enhanced eGovernment services and a more integrated approach to ICT education.

Waste Management in Ireland: Benchmarking Analysis and Policy Requirements

The costs and range of available waste management services in Ireland remain a key concern for enterprise in Ireland. In 2007 Forfás completed an assessment of Ireland's performance in waste management across key indicators and examined the policy issues that need to be addressed to enable Ireland meet the waste management needs of the enterprise sector.

The report shows that, despite some progress, Ireland continues to perform poorly relative to the benchmark countries in meeting the waste management needs of enterprise. Of particular concern are high costs and the heavy reliance on landfill.

The analysis highlighted three policy actions needed to improve Ireland's comparative performance in meeting the waste management needs of the enterprise base:

- **Addressing Infrastructure Deficits**
Ireland's relatively high dependence on landfill is mainly due to the limited progress that has been made in delivering hard waste infrastructure. Specific infrastructures required include thermal treatment for hazardous and non-hazardous waste, biological treatment and reprocessing facilities.

- **Removing Barriers to Infrastructure Delivery**
There are a number of impediments to accelerating the delivery of waste infrastructure nationally. These include market reform to promote competition; coordination of regional waste plans; and improving the planning process to reduce lengthy delays in rolling-out infrastructure.
- **Waste Minimisation and Prevention**
Investing resources in waste prevention and minimisation can offer long-term benefits for the competitiveness of enterprises. A range of waste/pollution prevention initiatives is being undertaken by different organisations such as the development agencies, IBEC and the EPA. These organisations need to continue their efforts to ensure that businesses are fully aware of the benefits of waste prevention.

Seaports

In 2007, Forfás undertook a high-level review of ports issues in Ireland from an enterprise development perspective.

National and international connectivity is critically important in an increasingly globalised economy. Due to Ireland's geographic location and dependence on export markets, Ireland's commercial ports are vital to the country's prosperity. With 99% of Ireland's international trade (in volume terms) handled by the seaports it is essential that Ireland has sufficient capacity, connectivity and efficiency in the ports network to meet future needs.

The review highlighted a number of issues that require further investigation to ensure the efficient movement of goods in and out of the country. These include the changing needs of the enterprise base, the adequacy of internal road and rail access to the ports and the comparative performance of freight services in Ireland. In 2008, Forfás will work with stakeholders to:

- Outline the current and likely future needs of Ireland's enterprise base, particularly the medium term port services requirements of Ireland's largest trading sectors.

- Benchmark Ireland's comparative performance in the provision of roll-on/roll-off and load-on/load-off freight services in relation to costs to exporters and importers; quality and range of services provided to exporters and importers; sophistication of logistics solutions and freight management in terms of the use of ICT, handling equipment; and timeliness of the services provided to importers and exporters (e.g. turnaround time for a container from its arrival in the port to its departure).
- Identify the main issues that need to be addressed to improve Ireland's relative performance in the short, medium and longer term.

Long-term Framework for Energy Policy

A long-term policy perspective is vital in the development of Irish energy policy. The formulation of energy policy in Ireland is complicated by four potentially conflicting objectives – cost competitiveness, security of supply, sustainability and climate change.

As part of this project Forfás is considering the trade-offs between these objectives over the long-term, supported by an energy fuel index to demonstrate the various trade-offs between the many sources of energy.

Next Generation Networks

In 2007 Forfás continued to review Ireland's long term broadband requirements and the policy implications. As technology progresses the demand for greatly increased broadband speeds over new IP-based Next Generation Networks (NGNs) will grow significantly and a number of countries have already begun investing in networks that can cater for the services of the future.

Forfás has begun work in the areas of broadband and NGNs to assess:

- The existing communications infrastructure in Ireland, particularly in relation to fibre deployment;
- Current levels of coverage possible with increased infrastructure build; and
- Costs arising from extending and/or utilising current State telecommunications infrastructure.

The development of NGNs will have a positive effect on enterprise and in particular will benefit service developers and providers in the areas of entertainment, health and education. The enterprises involved will not only develop services that meet the network capacity available but in so doing will generate demand for even greater capacities in the future.

In April 2007, Forfás held a major conference at which key broadband market trends were presented and a number of policy options for developing Ireland's next generation communications infrastructure were discussed. Following the conference the Minister for Communications, Energy and Natural Resources announced the formation of an International Advisory Group to convene and present a vision for Ireland for NGNs. The Chief Executive of Forfás has been appointed as a member of the International Advisory Forum on NGNs.



Dr Máire C. Walsh
Chairperson



The Irish National Accreditation Board (INAB)

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 agreed standards providing assurance that these bodies demonstrate competence and performance capability in carrying out their work.

The European Commission has recognised the importance of accreditation as a service of public interest and is developing a comprehensive role for accreditation within the EU.

Accreditation plays an important role in guaranteeing the access of Irish products and services to both EU and worldwide markets. The demand for accreditation has increased significantly in recent times as National Regulators use 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). It is also the national statutory monitoring authority for the OECD Good Laboratory Practice (GLP) Scheme under S.I. No.4 of 1991 as amended by S.I. 294 of 1999.



Greenhouse Gas Emissions Trading Scheme

INAB, in cooperation with the Environmental Protection Agency (EPA), established and implemented a new accreditation programme in 2006 to underpin the implementation of the EU Greenhouse Gas emissions trading scheme set out in European Directive 2003/87/EC. This Directive takes into account the commitments established under the Kyoto Protocol and the accreditation scheme, developed with the support of the EPA, provides Irish industry and the regulator with a useful tool to verify compliance with the Directive. During 2007 INAB revised the guidance to support the next phase of the scheme, which is scheduled for implementation in 2008, when it is expected that the application of the Greenhouse Gas Emissions Trading Scheme will be extended to a wider range of activities.

Medical Laboratory Accreditation

INAB maintained three medical laboratory accreditations to the international standard ISO/IEC 15189 during 2007. INAB also continued to support the requirements of the Department of Health and Children and the Irish Medicines Board for accreditation to ISO 15189 in the health sector, arising from national legislation for medical laboratories and developments in hospital services accreditation generally. Statutory Instrument S.I. No. 360 of 2005 transposed the European Directive 2002/98/EC on setting standards of quality and safety for the collection, testing, processing, storage and distribution of human blood and blood components. This Statutory Instrument requires blood banks (approximately 60 laboratories) to operate to ISO 15189 by November 2008.

A joint INAB–Irish Medicines Board Expert Group produced technical guidelines in 2006 to assist blood banks meet the requirements of the Directive. INAB is processing twenty seven applications for accreditation from these laboratories during 2007 and anticipates that a further thirty new applications for laboratory accreditations to ISO 15189 from this sector will be received during 2008. The extraordinary number of applications for accreditation from this sector makes it the area of greatest growth in demand for accreditation with the potential to increase the total number of laboratories accredited by more than 50% at the end of 2008.

Energy Management Certification

Sustainable Energy Ireland (SEI) operates an Energy Agreements programme based on the Irish Energy Management Standard IS 393 for large energy-intensive enterprises. In 2006 SEI, in cooperation with INAB, developed guidelines designed to give the market confidence in the competence and integrity of the certifications to IS 393 to underpin the implementation of the Energy Agreements programme. The Energy Management standard IS 393 is a tool for organisations to take a systematic approach to the continual improvement of energy performance. The Energy Agreements programme supports firms in protecting their competitiveness in the context of high and rising energy prices, by providing them with the opportunity to apply a structured approach to reducing costs through an agreed schedule of energy efficiency measures over a three-year period. Organisations adopting IS 393 require third party certification bodies to confirm that they are operating in compliance with the standard. The accreditation scheme for energy management system certification to IS 393 was successfully implemented in 2007 with one certification body achieving accreditation for this activity.

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).

Accreditation Awareness

Accreditation awareness and feedback from stakeholders continued to be a priority activity during 2007.

Four editions of the INAB newsletter comprising a total of 10,000 copies were distributed in 2007. INAB held two stakeholder workshops in Cork and Dublin during 2007 to address issues highlighted by the client survey conducted in 2006 and to provide feedback on developments in the services provided. INAB conducted a further survey in December 2007 on accreditation awareness and will address the outcomes from this survey during 2008.

INAB Functions

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

Laboratory Accreditation

Laboratory accreditation granted by INAB provides a formal recognition of the competence of the laboratory to perform specific tests. During 2007, INAB awarded accreditation to 8 new laboratories and maintained 97 laboratory accreditations. During the year INAB carried out 130 onsite inspections on accredited/applicant laboratories within the Laboratory Accreditation Programme and awarded 64 extensions to scope of accreditation.

Accreditation of Certification Bodies

INAB accredits certification bodies operating product certification, quality system certification and certification of persons. It also accredits certification bodies for environmental management systems (EMS) certification to standards such as the EN ISO 14000 series and EMAS – the EU Eco Management and Audit Scheme and Information Security Management Systems (ISMS).

During 2007, a new accreditation scheme for energy management system certification to the Irish Standard I.S. 393 was successfully implemented with one certification body achieving accreditation for this activity. INAB maintained one certification body as a certification service provider (CSP) for the ecommerce accreditation scheme in support of the EU Directive on ecommerce.

In 2007 INAB also maintained a further four certification bodies for quality management system certification. INAB currently maintains accreditation of two certification bodies for verification of Greenhouse Gas emissions and one certification body for Environmental Management Systems Certification. These certification bodies have, in turn, certified more than 2,000 organisations to the ISO 9000 series of standards, 100 organisations for Greenhouse Gas emissions and more than 150 organisations to ISO 14001 under INAB accreditation.

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

In 2007, INAB maintained and extended accreditation for three certification bodies providing food quality assurance schemes for food products to international requirements, such as the British Retail Consortium (BRC) and EUREGAP schemes, as well as national food quality assurance schemes, such as the Bord Bia and Bord Iascaigh Mhara schemes. Food product certification will continue to be one of INABs growth areas of activity for the immediate future.

Furthermore, the International Organisation for Standardisation (ISO) has developed a new international standard ISO 22,000 for food safety management and it is expected that over the next two years food retailers will also require accreditation for food products under this new food safety standard. In addition, 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 it is anticipated that INAB will process applications for this scheme during 2008. INAB carried out 31 onsite inspections on accredited/applicant certification bodies during 2007.

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 2007 INAB accredited three new inspection bodies and maintained a further five inspection bodies accreditation. Two of these new inspection body accreditations were awarded under the national accreditation programme for verifying the emission of volatile organic compounds from SMEs such as dry cleaners and paint spraying workshops in accordance with the EC Directive on volatile organic emissions. During 2007 INAB carried out 9 onsite inspections on accredited/applicant inspection bodies.



Good Laboratory Practice

The 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 2007 four test facilities held GLP Compliance Statements under this programme.

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 2007 INAB maintained six organisations registered to EMAS, which had their environmental management systems verified by accredited EMAS verifiers in accordance with the Eco Management and Audit Scheme set out in Regulation (EC) No. 761/2001 of the European Parliament and the Council.

INAB Board Members 2007

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

Dr Fiona Kenny, Vice Chairperson
Consultant Microbiologist, Sligo General Hospital

Dr Nuala Bannon, Inspector
Department of Environment, Heritage and Local Government

Mr Michael Maloney, Director of Horticulture
An Bord Bia

Mr Martin O'Halloran¹, Chief Executive
Health and Safety Authority

Dr John O'Brien, Chief Executive
Food Safety Authority of Ireland

Mr Tom Beegan², CEO
Health and Safety Authority

Mr Richard Howell, Agriculture Inspector
Department of Agriculture

Mr Vagn Anderson, Manager of International Affairs
Danish Accreditation Body (DANAK)

Mr Pat O'Mahony³, CEO
The Irish Medicines Board

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

Mr Neil McGowan, Regulatory Affairs Executive
Food and Drink Industry, IBEC

Mr Tom Dempsey (exOfficio), Manager
INAB

1. Appointed June 2007
2. Resigned November 2006
3. Reappointed June 2007





Forfás Management and Advisory Councils

Forfás Management



Martin Cronin
Chief Executive



Brian Cogan
Executive Director



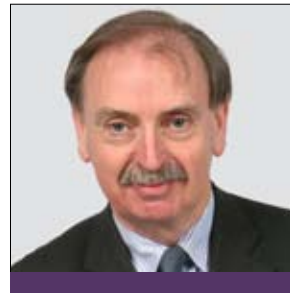
Karen Hynes
Strategic Intelligence for STI Policy



Martin Craig
Finance



Peter Brabazon
Discover Science and Engineering



Eamonn Kearney
Systems and Facilities



John Dooley
STI Policy for Enterprise



Michael O'Leary
Human Resources

Seamus Bannon, Strategic Intelligence for STI Policy, retired from Forfás in April 2008.



Enterprise Policy & Communications Division



Helena Acheson
Manager Enterprise Policy Division and Communications



Marie Bourke
Tax, Finance, Environmental Policy and Surveys



Maria Ginnity
Enterprise Policy and Communications

Competitiveness Division



Declan Hughes
Manager Competitiveness Division



Eoin Gahan
Regulation, Trade and Policy Foresight



Martin Shanahan
Human Capital and Labour Market Policy



Adrian Devitt
National Competitiveness and Infrastructure

Secretary's Office



Michael O'Leary
Secretary

Irish National Accreditation Board



Tom Dempsey
Irish National Accreditation Board

Advisory Councils

Advisory Science Council



Ms Mary Cryan
Chairman

Ms Mary Cryan

Chairman

Cryan Associates

Dr Sean Baker

Executive Director, IONA Technologies plc

Dr Leonora Bishop

Life Sciences Division, IDA Ireland

Mr Ian Cahill

Director, National Institute of Technology Management; Chairman, LM Ericsson Ltd

Prof. Dolores Cahill

Professor of Translational Science, Conway Institute, UCD

Mr Martin Cronin

Chief Executive, Forfás

Prof. Tom McCarthy

Chief Executive, Irish Management Institute

Prof. Anita R Maguire

Prof. of Pharmaceutical Chemistry, Director, Analytical and Biological Chemistry Research Facility, University College Cork

Prof. Timothy O'Brien

Director, Gene Therapy Programme Regenerative Medicine Institute (REMEDI) and Professor of Medicine and Consultant Endocrinologist, National University of Ireland, Galway

Mr Larry Murrin

Chief Executive, Dawn Farm Foods Ltd

Dr Siobhán O'Sullivan

Scientific Director, The Irish Council for Bioethics

Dr Ena Prosser

Fountain Healthcare Partners

Dr Reg Shaw

Chairman, Health Research Board

Prof. Roger Whatmore

Chief Executive Officer, Tyndall National Institute



Discover Science and Engineering Steering Group



Mr Leo Enright
Chairman

Mr Leo Enright

Chairman

Science Broadcaster

Mr Peter Brabazon

Director, Discover Science and Engineering

Mr Mattie McCabe

Director of Secretariat and External Relations, Science Foundation Ireland

Mr John Cahill

Manager, Science and Technology Unit, FÁS

Mr Brian Cogan

Manager, STI Policy and Awareness Division, Forfás

Dr Sheila Donegan

Director, CALMAST, Waterford Institute of Technology

Ms Siobhan Greer

Former Chairperson, Irish Science Teachers Association

Ms Una Halligan

Government and Public Affairs Manager, Hewlett-Packard

Mr Paul Holden

Managing Director, Rédacteurs Ltd

Mr Jerome Kelly

Principal Officer, Department of Education and Science

Mr Bernard Kirk

Director, Galway Education Centre

Mr Matt Moran

Director, PharmaChemical Ireland, IBEC

Dr Pat Nolan

Principal Officer, Office of Science and Technology, Department of Enterprise, Trade and Employment

Dr Siobhán O'Sullivan

National University of Ireland, Cork

Mr John Power

Director General, Engineers Ireland

Mr Frank Turpin

Education Manager, Intel Ireland

Expert Group on Future Skills Needs



Ms Anne Heraty
Chairperson

Ms Anne Heraty

Ms Ruth Carmody

Ms Liz Carroll

Mr Enda Connolly

Mr Fergal Costello

Mr Ned Costello

Ms Aileen O'Donoghue

Mr Brendan Ellison

Ms Anne Forde

Mr Roger Fox

Mr Pat Hayden

Mr David Hedigan

Mr Gary Keegan

Mr John Martin

Mr Dermot Mulligan

Mr Frank Mulvihill

Dr Brendan Murphy

Mr Alan Nuzum

Mr Peter Rigney

Mr Martin Shanahan

Ms Jacinta Stewart

Chairperson

CEO, CPL Resources plc

Assistant Secretary, Department of Education and Science

Training and Development Manager, ISME

Divisional Manager, IDA Ireland

Head of IoT Designation, Higher Education Authority

Chief Executive, Irish Universities Association

Director, Financial Services Ireland, IBEC

Principal Officer, Department of Finance

Principal Officer, Department of Education and Science

Director of Planning, Research and EU Affairs, FÁS

Principal Officer, Department of Enterprise, Trade and Employment

Manager, Sectoral Enterprise Development Policy, Enterprise Ireland

Director, Acumen

Director for Employment, Labour and Social Affairs, OECD

Assistant Secretary, Department of Enterprise, Trade and Employment

President, Institute of Guidance Counsellors

President, Cork Institute of Technology

CEO, Skillnets

Industrial Officer, ICTU

Manager, Human Capital and Labour Market Policy, Forfás

Chief Executive, City of Dublin VEC



Management Development Council



Prof. Frank Roche
Chairman

Prof. Frank Roche

Chairman

Deputy Principal, College of Business and Law, University College Dublin

Ms Patricia Callan

Director, Small Firms Association

Mr David Cronin

CEO, Wild Geese Group

Mr Pat Hayden

Principal Officer, Department of Enterprise, Trade and Employment

Mr John Herlihy

European Director, Online Sales & Operations, Google

Ms Briga Hynes

Centre for Entrepreneurial Studies, University of Limerick

Mr Martin Lynch

Assistant Director General, Services to Business, FÁS

Ms Rachel MacGowan

Manager, Chambers Business School, Chambers Ireland

Mr Ivan Morrissey

Business Information Systems, University College Cork

Mr Alan Nuzum

CEO, Skillnets

Mr Liam O'Donoghue

Divisional Manager, Client Development Division, Enterprise Ireland

Mr Liam O'Brien

Managing Director, BT Ireland

Mr Sean O'Sullivan

Managing Director, Seabrook Research Limited

Ms Ellis J. Quinlan

Managing Director, Ellis J. Quinlan & Co

Mr Eamon Ryan

CEO, Limerick City Enterprise Board

Mr Tim Wray

Registrar, Irish Management Institute

Ms Anne O'Leary

Head of Business and Enterprise Sales, Vodafone Ireland

National Competitiveness Council



Dr Don Thornhill
Chairman

Dr Don Thornhill

Mr Rory Ardagh

Mr Paul Bates

Mr Brendan Butler

Mr Donal Byrne

Ms Ruth Carmody

Mr Shay Cody

Mr Martin Cronin

Mr Pat Delaney

Ms Mary Doyle

Mr Mark Griffin

Ms Annette Hughes

Mr Eamonn Molloy

Mr John Murphy

Mr Liam Nellis

Ms Ann Nolan

Mr Seamus O'Morain

Mr William J Prasifka

Mr William Slattery

Mr Paul Sweeney

Mr John Travers

Prof. Ferdinand von Prondzynski

Chairman

Member Director, Telecom Property Holdings

Advisor Assistant Secretary General, Department of Arts, Sports and Tourism

Member Director of Strategy, Trade, EU and International Affairs, IBEC

Member Chairman, Cadbury Ireland

Advisor Assistant Secretary General, Department of Education and Science

Member Deputy General Secretary, IMPACT Trade Union

Member Chief Executive, Forfás

Member Director of Business Sectors and Regions, IBEC

Advisor Assistant Secretary General, Department of the Taoiseach

Advisor Assistant Secretary General, Department of Environment, Heritage and Local Government

Member Economist, DKM Economic Consultants

Advisor Assistant Secretary General, Department of Communications, Energy and Natural Resources

Advisor Assistant Secretary General, Department of Transport

Advisor Chief Executive, InterTrade Ireland

Advisor Assistant Secretary General, Department of Finance

Member Assistant Secretary General, Department of Enterprise, Trade and Employment

Member Chairman, Competition Authority

Member Chief Executive Officer, State Street International (Ireland)

Member Economic Advisor, ICTU

Member Consultant

Member President, Dublin City University



Corporate Governance

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

Board Members – Disclosure of Interest

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

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

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

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

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

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

Freedom of Information (FOI)

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

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

Employment Equality Acts, 1998 and 2004

Forfás is committed to a policy of equal opportunities and adopts a positive approach to equality in the organisation. Forfás operates a number of schemes, providing staff with options in relation to meeting their career and personal needs, such as job-sharing, study leave, educational programmes and career breaks.

A policy on Protection of Dignity at Work was developed in 2003.

Forfás complies with its Statutory obligations under the Equality Acts 1998 and 2004.

Worker Participation (State Enterprises) Act, 1988

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

Safety, Health and Welfare Act, 1989

In accordance with the Safety, Health and Welfare Act (1989), Forfás has prepared a safety statement that encompasses all the aspects affecting staff and visitor welfare. This was updated in early 2005.

Clients' Charter

Forfás updated its Clients' Charter in 2004 (originally published in 2000) setting out its commitment to a high quality of service to clients and to the general public. This is available on the Forfás website at www.forfas.ie. This Charter includes a procedure for dealing with complaints. In 2007 no complaints were received.

Energy Efficiency

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

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

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

The payment practices of Forfás, as required by the Act, are reported on below for the year ended 31 December 2007.

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

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

There have been no material developments since 1 January 2008.



Report of the Comptroller and Auditor General

for presentation to the Houses of the Oireachtas

I have audited the financial statements of Forfás for the year ended 31 December 2007 under the Industrial Development Act 1993.

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

Respective Responsibilities of the Board and the Comptroller and Auditor General

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

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

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

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

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

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

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

Basis of Audit Opinion

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

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

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of Forfás's affairs at 31 December 2007 and of its income and expenditure for the year then ended.

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



John Purcell
Comptroller and Auditor General

20 March 2008





Financial Statements



Statement of Board Members' Responsibilities

For 2007 Annual Financial Statements

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

In preparing those financial statements, Forfás is required to:

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

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

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin Cronin
Chief Executive



Statement on System of Internal Financial Control

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

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

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

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

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

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

The system of internal financial control is based on a framework of regular management information, administration procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

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

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

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

I confirm that in respect of the year to 31 December 2007, the Board conducted a review of the effectiveness of the system of internal financial controls.

Signed on behalf of the Board:



Eoin O'Driscoll
Chairman



Accounting Policies

Industrial Development Acts 1993, 1995, 1998 and 2003

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

In addition to its core advisory and co-ordinating function, Forfás has the additional responsibility for pension costs of retired staff of Forfás, IDA Ireland, Enterprise Ireland, Science Foundation Ireland and certain former agencies, under the Industrial Development Acts 1993, 1998 and 2003, as set out in Note 7 of these Financial Statements.

(1) Basis of Accounting

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

(2) Income Recognition

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

(3) Fixed Assets and Depreciation

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

(4) Capital Account

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

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

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

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

(8) Operating Leases

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



Income and Expenditure Account

Year Ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Income			
Oireachtas Grant	1	32,657	30,181
Professional Fees - National Accreditation Board	2	1,123	950
Other	3	804	861
Departmental Programmes	5	6,106	6,806
Net Deferred Funding	7 (c.ii)	38,582	43,001
		79,272	81,799
Expenditure			
Administration and General Expenses	4	16,806	16,749
Depreciation	6	240	226
Pension Costs	7 (c.iii)	55,830	57,878
Departmental Programmes	5	6,106	6,806
		78,982	81,659
Surplus for Year		290	140
Balance at beginning of Year		1,769	1,769
Transfer (to)/from Capital Account	8	36	(140)
Balance at end of Year		2,095	1,769

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Surplus for Year		290	140
Actuarial Gain/(Loss) on Pension Liabilities	7 (c.iii)	80,492	83,399
Adjustment to Deferred Pension Funding	7 (c.iii)	(80,492)	(83,399)
Total Recognised Gain for the Year		290	140

The Accounting Policies, Cash Flow Statement and Notes 1 to 15 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin Cronin
Chief Executive



Balance Sheet

As at 31 December 2007

	Notes	2007 €'000	2006 €'000
Fixed Assets			
Tangible Fixed Assets	6	382	418
Total Fixed Assets		382	418
Current Assets			
Accounts Receivable	9	7,042	3,356
Bank		310	45
		7,352	3,401
Accounts Payable	10	5,257	1,632
Net Current Assets		2,095	1,769
Deferred Funding Asset	7 (c.iv)	730,305	775,812
Pension Liability	7 (c.v)	(730,305)	(775,812)
Total Assets Less Current Liabilities		2,477	2,187
Represented By:			
Capital Account	8	382	418
Income and Expenditure Account		2,095	1,769
		2,477	2,187

The Accounting Policies, Cash Flow Statement and Notes 1 to 15 form part of these Financial Statements.

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin Cronin
Chief Executive



Cash Flow Statement

Year Ended 31 December 2007

	Notes	2007 €'000	2006 €'000
Reconciliation of Net Movement for Year to Net Cash Flow from Operations			
Net Movement for Year		290	140
Bank Interest		(35)	(34)
(Profit)/Loss on Disposal of Assets		(16)	1
Depreciation Charge:			
- Tangible Fixed Assets	6	240	226
(Increase)/Decrease in Accounts Receivable		(3,686)	392
Increase/(Decrease) in Accounts Payable		3,625	(387)
Net Cash Flow from Operations		418	338
Cash Flow Statement			
Net Cash Flow from Operations		418	338
Returns on Investment and Servicing of Finance			
Bank Interest		35	34
Cash Flow before Capital Expenditure		453	372
Capital Funding			
Disposal of Tangible Fixed Assets		16	-
Purchase of Tangible Fixed Assets	6	(204)	(367)
Cash Flow after Capital Expenditure		265	5
Increase/(Decrease) in Cash		265	5
Reconciliation of Increase/(Decrease) in Cash to Cash at Bank			
Movement in Cash for the Year		265	5
Cash at Bank at 1 January		45	40
Cash at Bank at 31 December		310	45

Notes to the Accounts

Year Ended 31 December 2007

(1) Oireachtas Grant	2007	2006
	€'000	€'000
Forfás		
Administration and General Expenses	32,657	30,181

- (a) Under Section 35 of the Industrial Development (Science Foundation Ireland) Act, 2003, the aggregate amount of grants made by the Minister to Forfás and its Agencies, to enable them to discharge their obligations and liabilities shall not exceed €3,400,000,000. At 31 December, 2007 the aggregate amount so provided was €3,029,078,030.
- (b) Under Section 14(3) of the Industrial Development Act, 1986, Section 37 of the Industrial Development Act, 1969, and Sections 2 and 3 of the Industrial Development Act, 1977, the aggregate amount of grants made by the Minister to Forfás and its Agencies to enable them to meet their obligations or liabilities in respect of principal and interest on foot of Loan Guarantees under any of these sections shall not exceed €158,717,260. At 31 December, 2007 the aggregate amount so provided was €13,547,211.

(2) Professional Fees - National Accreditation Board

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

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

(3) Other Income	2007	2006
	€'000	€'000
Rental Income	758	764
Sundry Income	11	63
Bank Interest	35	34
Total	804	861



Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(4) Administration and General Expenses	2007	2006
	€'000	€'000
Board Members' Remuneration and Expenses	391	371
Pay Costs	7,855	7,543
Other Personnel Costs	588	516
Travelling Expenses	500	403
Specialised and Professional Services	863	956
Research and Studies	1,520	1,645
Rents, Rates, Repairs and Maintenance ¹	3,008	3,568
Other Operating Expenses	1,801	1,599
Office of the Chief Scientific Adviser ²	259	128
Audit Fee	21	20
Total	16,806	16,749
Pay Costs comprise:		
Wages and Salaries	7,332	6,995
Social Welfare Costs	396	432
Superannuation Costs	127	116
Total	7,855	7,543

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

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

Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(5) Departmental Programmes

These externally funded programmes are/were administered by Forfás, on behalf of the funding bodies listed below. Over/under expenditure on these programmes is shown in accounts receivable (note 9)/payable (note 10) as appropriate.

(a) Programmes		2007 €'000	2006 €'000
Discover Science and Engineering	1 & 5(b)	4,964	3,783
Expert Group on Future Skills Needs	2	564	544
Irish Council for Bioethics	3	0	339
Interim National Consumer Agency	4	578	2,140
Total		6,106	6,806

Details of Funding Bodies:

- 1 Office of Science & Technology of the Department of Enterprise, Trade and Employment
- 2 National Training Fund of the Department of Enterprise, Trade and Employment
- 3 Department of Enterprise, Trade and Employment
- 4 Department of Enterprise, Trade and Employment. (The National Consumer Agency was established as a statutory body on 1 May 2007 and the Interim Agency ceased on that date)

(b) Discover Science and Engineering Expenditure		2007 €'000	2006 €'000
Pay & Expenses		395	377
Communication		930	735
Programme Activities		3,639	2,671
Total		4,964	3,783



Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(6) Tangible Fixed Assets	Computer Equipment €'000	Motor Vehicles €'000	Fixtures & Fittings €'000	Total €'000
COST				
At 1 January 2007	1,293	59	3,192	4,544
Additions	104	65	35	204
Disposals	(448)	(59)	(384)	(891)
At 31 December 2007	949	65	2,843	3,857
DEPRECIATION				
At 1 January 2007	1,192	59	2,875	4,126
Charge for Year	112	16	112	240
Disposals	(448)	(59)	(384)	(891)
At 31 December 2007	856	16	2,603	3,475
NET BOOK AMOUNT				
At 1 January 2007	101	-	317	418
Net Movement for Year	(8)	49	(77)	(36)
At 31 December 2007	93	49	240	382

The cost of Tangible Fixed Assets is written off by equal instalments over their expected useful lives as follows:

- (i) Computer Equipment 3 years
- (ii) Motor Vehicles 4 years
- (iii) Fixtures & Fittings 5 years

Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(7) Superannuation

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

Scheme	Staff Covered	Type
Forfás	The Forfás scheme covers the following categories of staff in Forfás and its Agencies: (a) staff recruited up to 5 April 1995 who became pensionable after that date, (b) staff recruited after 5 April 1995, (c) a small number of staff previously covered by the Garda Síochána Superannuation Scheme, (d) a small number of staff previously covered by the FÁS/AnCO Schemes.	Contributory, Defined Benefit, Unfunded. A small number of those in category (b) are included on a non contributory basis.
Former Industrial Development Authority	Staff of the former IDA and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Contributory, Defined Benefit. Funded to meet pension costs at retirement. Post retirement increases are unfunded and met by Forfás from Oireachtas Grant.
Former Eolas	Staff of the former Eolas (other than those covered by the former NBST scheme below) and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Non Contributory, Defined Benefit, Unfunded.
Former National Board for Science and Technology (NBST)	A small number of staff of the former NBST serving on 31 December 1987.	Contributory, Defined Benefit, Unfunded.
Former Irish Goods Council	A small number of staff of the former Irish Goods Council serving on 31 August 1991.	Contributory, Defined Benefit. Funded to meet pension costs at retirement. Post retirement increases are unfunded and met by Forfás from Oireachtas Grant.
Former An Bord Tráchtála (ABT)	Staff of the former ABT (other than those covered by the former Irish Goods Council scheme above) who were pensionable employees on 22 July 1998.	Contributory, Defined Benefit, Unfunded.

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

Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(7) Superannuation *(cont'd)*

(b) 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.

(c) FRS 17 Retirement Benefits

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.

The valuation used for FRS17 disclosures has been based on a full actuarial valuation at 31 December 2005. This has been updated to 31 December 2007 by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the scheme liabilities at 31 December 2007. The financial assumptions used to calculate scheme liabilities under FRS17 as at 31 December were as follows:

(c.i) Valuation method:

	Projected Unit:			
	2007	2006	2005	2004
Discount Rate	5.50%	4.70%	4.10%	4.70%
Salary Increases	4.00%	4.00%	4.00%	4.00%
Pension Increases	3.50%	3.50%	3.50%	3.50%
Inflation Rate	2.25%	2.25%	2.25%	2.25%

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

	Expected Return 2007	Expected Return 2006	Market Value at 31 December 2007 €'000	Market Value at 31 December 2006 €'000
Equities	8.00%	7.50%	67,566	158,955
Bonds	4.50%	3.90%	115,996	19,731
Property	6.50%	6.50%	15,543	15,232
Other	4.00%	2.50%	78	2,477
			199,183	196,395
Present Value of pension schemes' liabilities			929,488	972,207
Net deficit in pension scheme			(730,305)	(775,812)
Related deferred tax liability			-	-
Net pension asset/(liability)			(730,305)	(775,812)

(c.ii) Net Deferred Funding for Pensions in year

	2007 €'000	2006 €'000
Funding recoverable in respect of current year pension costs	59,504	62,852
Pension payments less Recovery of Voluntary Leaving Programme funding	(20,922)	(19,851)
	38,582	43,001

Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(7) Superannuation <i>(cont'd)</i>	2007	2006
(c.iii) Analysis of total pension charge	€'000	€'000
Service costs	27,120	33,306
Interest on Pension Scheme Liabilities	32,384	29,546
Employee Contributions (Unfunded)	(3,674)	(4,974)
	55,830	57,878
Analysis of Service Costs		
Current Service Cost	19,878	23,814
Past Service Cost	-	-
Settlements and Curtailments*	7,242	9,492
	27,120	33,306
Analysis of Interest on Pension Scheme Liabilities		
Interest on scheme liabilities	46,025	41,113
Expected return on scheme assets	(13,641)	(11,567)
	32,384	29,546
Analysis of amount recognised in statement of total recognised gains and losses		
Actual return less expected return on scheme assets	(7,856)	6,667
Experience gains and (losses)	(2,625)	(22,110)
Changes in assumptions	90,973	98,842
	80,492	83,399

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

(c.iv) Forfás recognises these amounts as an asset corresponding to the unfunded deferred liability for pensions on the basis of the set of assumptions described above 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 2007 amounted to €730 million (2006: €776 million).

The quantification of the liability is based on the financial assumptions set out in Note 7 (c.i). The assumptions used, which are based on professional actuarial advice, are advised to the Department of Enterprise, Trade and Employment but are not formally agreed with the Department.



Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(7) Superannuation <i>(cont'd)</i>	2007	2006
(c.v) Analysis of the movement in deficit during the year is as follows:	€'000	€'000
Deficit at the beginning of the year	(775,812)	(817,742)
Current service cost	(19,878)	(23,814)
Unfunded payments to pensioners	23,064	17,991
Employer Contributions (funded)	1,455	3,392
Past service costs	-	-
Settlements & Curtailments	(7,242)	(9,492)
Other finance income/(charges)	(32,384)	(29,546)
Actuarial gain/(loss)	80,492	83,399
Deficit at end of year	(730,305)	(775,812)

(c.vi) History of experience gains and losses	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets				
amount (€'000)	(7,856)	6,667	20,260	3,429
percentage of scheme assets	-3.9%	3.4%	11.3%	2.3%
Experience (Gains)/losses on scheme liabilities				
amount (€'000)	(2,625)	(22,110)	(51,159)	(19,547)
percentage of the present value of scheme liabilities	-0.3%	-2.3%	-5.1%	-2.4%
Total amount recognised in STRGL				
amount (€'000)	80,492	83,399	(132,845)	(85,324)
percentage of the present value of scheme liabilities	8.7%	8.6%	-13.3%	-10.5%

(8) Capital Account	2007	2006
	€'000	€'000
At 1 January 2007		418
Transfer to/from Income and Expenditure Account		
- Cost Additions	204	
- Cost Disposals	(891)	
- Depreciation Additions	(240)	
- Depreciation Disposals	891	
At 31 December 2007		(36)
		382

Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(9) Accounts Receivable	2007	2006
	€'000	€'000
General Debtors	5,276	1,449
Prepayments	1,722	1,662
Inter Agency Balances	40	222
Departmental Programmes	4	23
Total	7,042	3,356

General Debtors include €3,865,327 (2006: €221,875) VAT recoverable by Forfás on behalf of the Forfás VAT Group (Forfás, IDA Ireland & Enterprise Ireland). Interagency Balances represents amounts due, if any, from the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland).

(10) Accounts Payable	2007	2006
	€'000	€'000
General Creditors	271	230
Accruals	524	586
Payroll	301	66
Inter Agency Balances	4,028	612
Departmental Programmes	133	138
Total	5,257	1,632

Interagency Balances represents amounts due, if any, to the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT payable of €3,911,888 (2006: €422,185) to IDA Ireland and Enterprise Ireland, when refunded by the Collector General.

(11) Commitments under Operating Leases

A net total of €2,028,000 (2006: €2,490,000) has been charged in respect of operating leases on buildings in the accounts of Forfás. Forfás has commitments of €7,119,000 to pay during 2008 in respect of leases expiring as set out below. Costs arising out of these commitments in 2008 will be shared between Forfás Agencies and tenants in proportion to agreed office space occupied. The net Forfás share of these costs in 2008 is anticipated to be approximately €2,803,000.

	€'000
(i) 2008	48
(ii) 2009 - 2012	66
(iii) 2013 Onwards	7,005



Notes to the Accounts *(continued)*

Year Ended 31 December 2007

(12) 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.

(13) Board Members - Disclosure of Transactions

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

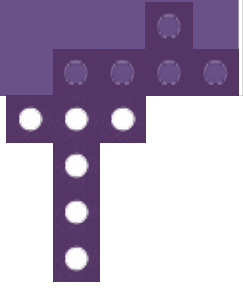
During 2007, a payment amounting to €13,008 was made to an organisation in which a Board Member declared an interest, in respect of services provided to the Agency. The member concerned did not receive any documentation on the transaction nor did the member participate in or attend any Board discussion relating to these matters.

(14) Contingencies and Legal Actions

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

(15) Approval of Financial Statements

The Financial Statements were approved by the Board on 21 February 2008.





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