

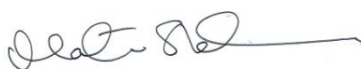
FORFÁS
ANNUAL
REPORT
2012

To the Minister for Jobs, Enterprise and Innovation

Pursuant to the Industrial Development Act, 1993, Forfás herewith presents its report and accounts for the year ended 31 December 2012.



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

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About Us

About Us

Forfás is the national policy advisory board for enterprise, trade, science, technology and innovation. In addition to its primary policy functions, Forfás activities in 2012 also included accreditation and shared corporate services.

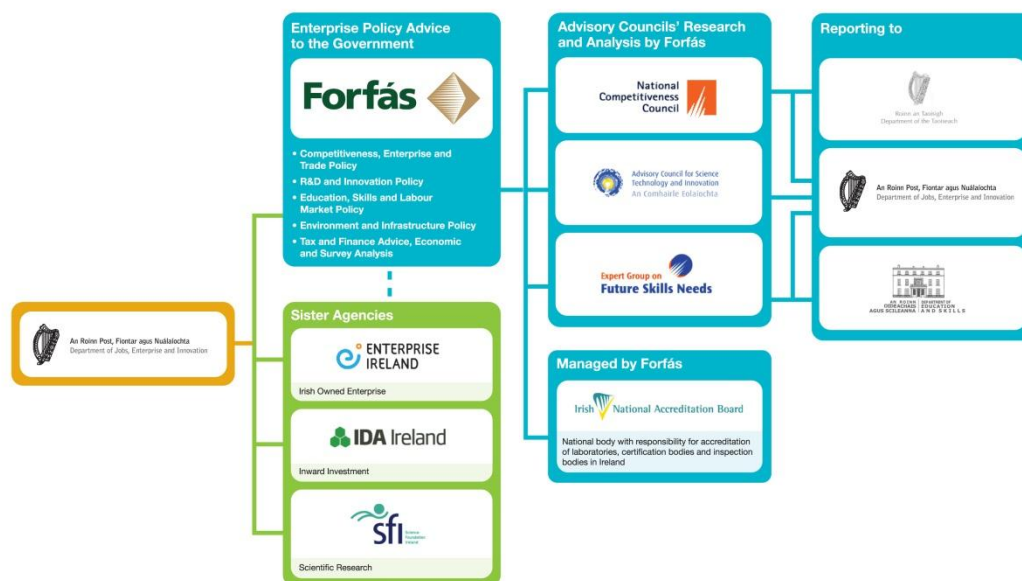


Policy Analysis and Advice

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

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

Forfás, its Sister Agencies and Advisory Councils



Policy Support

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

Forfás manages the work of and provides research and analytical support to the National Competitiveness Council, the Expert Group on Future Skills Needs and the Advisory Council for Science, Technology and Innovation.

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

Focus 2012

Forfás policy advice in 2012 addressed four overarching policy areas of critical importance to the success of enterprise in Ireland and our work is detailed in the Policy Activities section on page 27 of this report.

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

Enterprise - Supporting the development of sustainable enterprises and jobs

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

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

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

Working with DJEI and other government departments, Forfás contributes to ensuring that science, technology and innovation policy delivers growth and jobs for Ireland by assembling and analysing a strong evidence base on which to provide policy advice on key national and international STI issues.

Competitiveness - Ensuring Ireland is a good place to do business

Our ability to compete in international markets and grow exports of high value added goods and services is perhaps the most critical condition for our future economic prosperity and standard of living. While recent improvements in our international competitiveness are welcome, we need to stay focused on reducing costs in the economy, increasing productivity, ensuring our trade policies are best suited to success in international markets and that public capital investment is directed to areas that will underpin future enterprise development. Forfás itself, and through its work with the National Competitiveness Council, delivers a range of research, analysis and advice on issues affecting our national competitiveness and focused on protecting our attractiveness as a location to do business.

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

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

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

Accreditation and Corporate and Shared Services

Accreditation

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

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

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

In January 2010, INAB was appointed the sole national accreditation body for Ireland under Regulation 765/2008 which provides a legal framework for the provision of accreditation services across Europe.

Corporate and Shared Services

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

Pensions Management

As legal employer of staff across the development agencies (Enterprise Ireland, IDA Ireland and Science Foundation Ireland and some staff members of the National Standards Authority of Ireland (NSAI)), Forfás centrally manages the pension schemes of Forfás itself and its preceding organisations¹, the associated pension compliance obligations and related staff benefits and insurance schemes. Forfás centrally handles certain pension queries from staff across the agencies, administers pension related matters for 1,215 pensioners and their related records as well as records and queries from approximately 470 former employees with deferred pension benefits. All pension benefits arising for retiring and retired staff of IDA Ireland, Enterprise Ireland, Science Foundation Ireland and Forfás, as well as their preceding organisations, are paid on an ongoing basis by Forfás.

Office of the Chief Scientific Adviser and Support to ESOF2012

The Chief Scientific Adviser provides independent expert advice on any aspect of Science, Technology and Innovation (STI) that may be requested by Government. Forfás acted as the legal host for the Office of the Chief Scientific Adviser from the establishment of the Office in September 2004 until August 2012 when responsibility for the Office transferred to the Director General of Science Foundation Ireland, Mark Ferguson.

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

In the context of its activities and advice, the office operated independently of the Forfás Board and management but, as host to the Office, Forfás acted as the legal entity for day to day contractual obligations associated with the work of the Office and provided a full range of corporate service supports including legal, HR, facilities management, IT, procurement etc. The day to day administration of the Office was subject to Forfás governance and procedures.

During 2012 the Office of the Chief Scientific Adviser to the Government was responsible for delivering ESOF2012 and Dublin City of Science 2012. Forfás made a significant contribution to the organisation and planning of Dublin City of Science 2012 and ESOF2012 through the provision of support services and staff including legal, HR, recruitment, finance, facilities management, IT, procurement, governance policies and procedures. ESOF is an interdisciplinary, pan-European general science meeting which has been held every two years since 2004. ESOF2012 was a five day event which brought over 4,400 delegates from 75 countries to a programme of 162 sessions and 660 speakers. ESOF2012 showcased the most exciting European research and covered diverse topics such as archaeology and cosmology (detailed information on ESOF2012 and Dublin City of Science see page 64)

Facilities Management

Forfás holds the head leases of the former headquarter buildings of the Industrial Development Authority, including Wilton Park House. In Wilton Park House, Forfás provides central procurement and management of facilities, cleaning, courier services, travel, telecoms, catering, security, procurement and storage of stationary and related goods for IDA Ireland, SFI and SEAI. Forfás is also responsible for the property management of Wilton Park House including rent reviews, tenant liaison (public sector and private sector tenants), landlord consents etc. Forfás is responsible for the costs arising from lease obligations for Carrisbrook House and Knockmaun House, both of which had previously been leased by the former Industrial Development Authority.

Integration of Forfás with DJEI

Minister Bruton has announced his intention to integrate the policy research capability of Forfás with the Department of Jobs, Enterprise and Innovation and has secured Government agreement to commence drafting legislation to integrate Forfás into his Department and this is scheduled for 2013. The Government agreed that Forfás will be dissolved as a legal entity through legislation and all of its functions, responsibilities and liabilities will be transferred to other legal entities. Forfás will continue as a legal entity until enactment of the legislation.

In addition to the integration of the policy research capability of Forfás, the non-policy activities of the organisation will move to DJEI or other agencies. The Irish National Accreditation Board will be transferred to the Health and Safety Authority.

The shared services functions which Forfás provides, including facilities management, property, post room, reception/telephonist services will move to IDA Ireland.

Forfás' own corporate services and pension administration will transfer to DJEI.

The aim of this integration is to strengthen the capability and capacity to develop and implement enterprise policy. The Minister has advised that Forfás will form the core of a new strategic policy division that will be established within DJEI. Significant progress has already been made in progressing the tasks required to transfer Forfás' policy and non-policy functions to those organisations that have been identified by the Minister to receive them.

Forfás is working closely with DJEI on all of the necessary steps required to integrate Forfás with the department and to dissolve Forfás as a legal entity. An implementation team, chaired by the Secretary General of DJEI and comprising the Chief Executive of Forfás and senior officials from DJEI, Forfás and the Department of Public Expenditure and Reform, have been meeting regularly to progress and oversee the successful implementation of this initiative. Forfás has a detailed business plan for 2013 which sets out its key policy priorities and work programme items.







Oireachtas Grant

Forfás' detailed Financial Statements are on page 103 of this report.

The Department of Jobs, Enterprise and Innovation provided Oireachtas grant funding to Forfás of €51.4 million in 2012. In 2012, 22 per cent of this funding was for expenditure on policy activities and corporate and shared services. Funding to pay pensions to cross-agency pensioners (i.e. Forfás, Enterprise Ireland, IDA Ireland, Science Foundation Ireland and their preceding agencies) represented 78 per cent of the Oireachtas grant.

Forfás Board

Forfás Board

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

As part of the Minister's decision to integrate Forfás with the Department of Jobs, Enterprise and Innovation, Board membership ceased for the following Forfás Board Members in October 2012:

Bob Breathnach

Timothy Dullea

Miriam Magner-Flynn

William O'Brien

Dr Don Thornhill

Prof. Mark Ferguson joined the Board of Forfás in January 2012 following his appointment as Director General, Science Foundation Ireland.

John Murphy joined the Board of Forfás in January 2012 following his appointment as Secretary General of the Department of Jobs, Enterprise and Innovation.

Forfás Audit Committee

John Murphy (Chair)

Eoin O'Driscoll

William O'Brien

Tim Dullea

Mark Ferguson

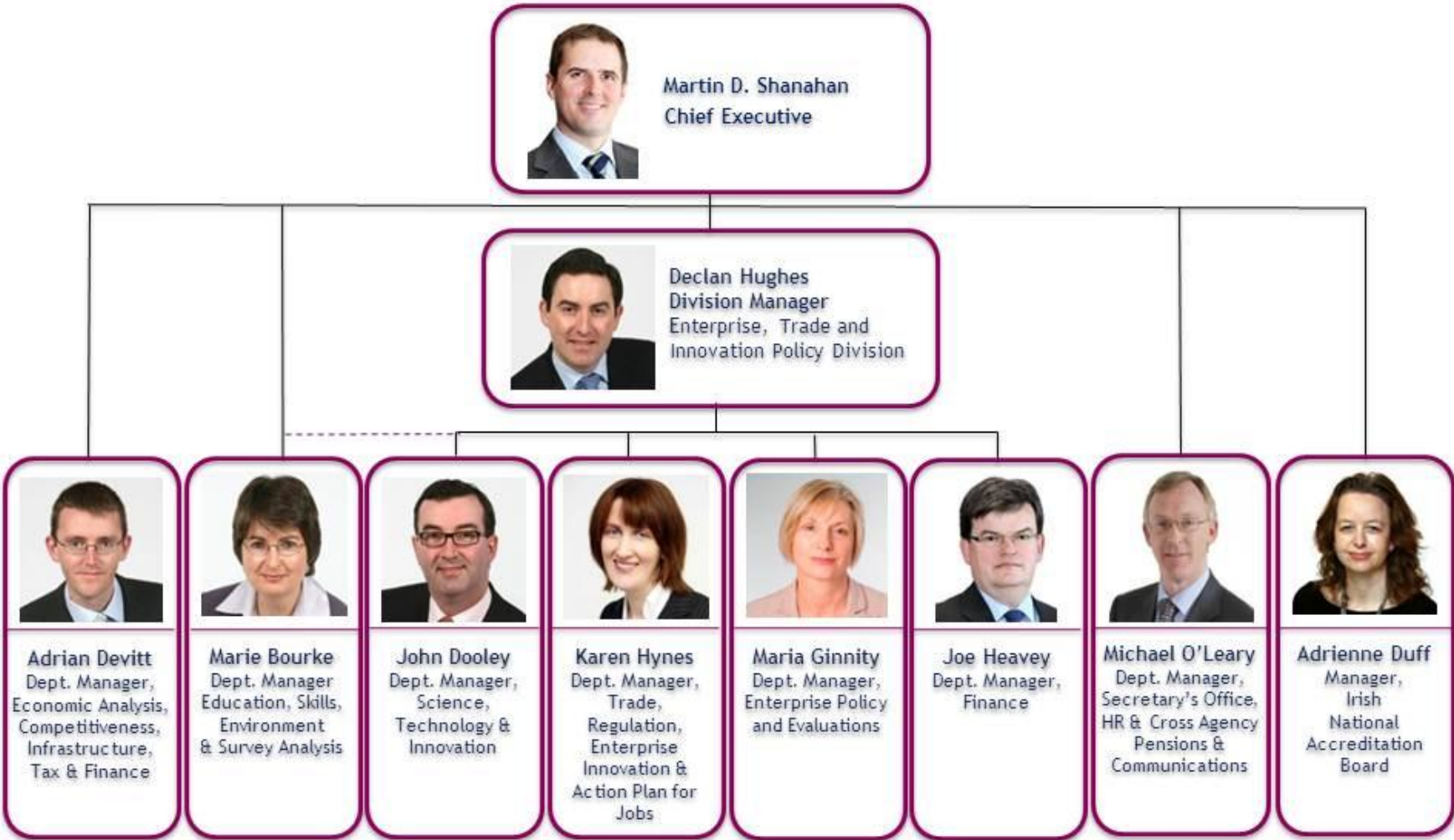
William O'Brien and Tim Dullea ceased to be members of Forfás Audit Committee in October 2012.

John Murphy joined the Forfás Audit Committee in May 2012 and was appointed Chairman of the Committee in October 2012.

Mark Ferguson joined the Forfás Audit Committee in December 2012.

Forfás Management Team

Forfás Management Team



Dr Eoin Gahan, Dept. Manager, Trade, Environment and Survey Analysis, retired in June 2013

Chairman and Chief Executive Overview

Chairman and Chief Executive Overview

Context

Ireland's economic position continues to look challenging. Following a return to economic growth in 2011, GDP growth has been progressively weakening in 2012 and in the first quarter of 2013, in part reflecting a difficult trading environment for Irish exporters². In 2012 the General Government Balance stood at 7.6 per cent, so Ireland is on track to meet its Troika commitments.

Forecasts suggest low GDP growth in 2013 and 2014. Considerable risks remain - both in terms of the impact of the performance of our trading partners' economies on demand for Irish goods and services exports, and the performance of the domestic economy.



Growth

There are four possible contributors to economic growth: consumption, government expenditure, investment and net exports. The only one of those driving growth for the past three years is net exports. Suppressed domestic demand remains a major issue, particularly for those companies trading domestically. Given the known additional reduction in expenditure and taxes/charges that will be implemented over the next two years it will be challenging for a significant recovery to occur in domestic demand in the short term. Government expenditure is constrained as a result of the process of fiscal adjustment and the levels of investment have fallen significantly.

Exports, particularly services exports, have performed relatively well over the past number of years and relatively strong growth is still expected, even though our world market share of exports in merchandise, and therefore our overall market share, has declined marginally since its 2002 peak.

Ireland remains highly reliant on a small number of exporting sectors, which is of concern in terms of exposure to greater sector-specific risks. For example, the chemicals and pharma industries accounted for 60 per cent of goods exports in 2012, down from 61 per cent in 2011, and we are being impacted by some products coming off patent. Services exports, while more diverse, also show a high degree of concentration - for example, computer services accounted for 40.5 per cent of services exports in 2012, followed by business services which accounted for 28 per cent. Ireland is also reliant on a small number of key markets, in 2012 the USA, Belgium and Great Britain were the three most significant markets for goods exports.

² CSO, Quarterly National Accounts, Quarter 1 2013.

Employment & Unemployment

Any discussion of our current enterprise environment and the economy cannot ignore our most significant social and economic issue - employment. Unemployment projections remain high.

What we have seen in the labour market is a complete collapse in construction employment, followed by retail, and a broadening out to other sectors. We have also seen a significant rise in long term unemployment. Yet within this context, it would appear that both the employment and unemployment figures have stabilised. There was an increase in employment of 1.1 per cent in the year to Q1 2013, seasonally adjusted unemployment fell by 29,900 (to 13.7 per cent) and long term unemployment decreased from 9.5 per cent to 8.4 per cent over the same period. The labour force, however, decreased by 9,400 through reduced participation and emigration.

We know that there has been a restructuring within the labour market and that private sector jobs are being created in some sectors, while construction and construction related activities and the public sector are still contracting in employment terms.

Policies Supporting Enterprise

Getting our enterprise policies right is critical to supporting the enterprise and job growth that our economy needs. The last review of enterprise policy, *Making it Happen: Growing Enterprise for Ireland*, was conducted by Forfás and DJEI and published in 2010.

That review highlighted the importance of an export led growth strategy to any recovery; that there was no single action or small suite of actions that on their own could make a difference; that to make further progress on the enterprise agenda we needed a whole of Government approach; and significantly, that there was an implementation deficit - the difficulty was not an absence of knowing what to do, but rather, how to get it done.

In the years since the completion of this Strategy:

- Our cost competitiveness has improved - but costs are still relatively high compared to our trading partners and more needs to be done in particular in the areas of labour costs, utilities and professional services.
- The cost of living is high in Ireland relative to the euro area average and feeds through to the cost of labour.
- Forfás has argued that the labour tax wedge at the higher marginal rate is too high and should be reduced as soon as is possible as the fiscal situation allows.
- Productivity in Ireland has improved, if one looks at indicators such as the unit labour costs. But this masks that output in some very low productivity sectors, like construction, has declined. This means the composition mix is overstating our real productivity performance rather than any inherent structural improvements in labour costs.
- The Government is investing almost €800 million annually in research and development. Approximately half of this investment is targeted at 14 priority areas that have been identified as offering the best potential for generating a sustainable economic return.
- Employment is growing in the ICT, business services, pharma, medical technologies, finance, agri-food sectors.

- Our sister agencies, IDA Ireland, Enterprise Ireland, Udarás na Gaeltachta and Shannon Development continued to secure new investments and export growth, and employment in client companies in 2012. In terms of foreign direct investment 145 investments were secured in 2012; there was a record €16.2 billion exports from Enterprise Ireland client companies in 2012; IDA client companies created 6,570 jobs and Enterprise Ireland client companies created 3,092 (full and part-time jobs).

In summary, if we are to continue to grow exports and create jobs, competitiveness is key.

Action Plan for Jobs Programme - The Ambition

We are now in the second year of the Action Plan for Jobs, the Government's multi annual programme. Forfás works closely with Minister Richard Bruton, the Department of Jobs, Enterprise and Innovation and other departments and agencies in the development of this rolling programme of actions designed to make it easier to start, to grow or to locate businesses here and create jobs.

The Action Plan for Jobs 2013 contains actions aimed to improve access to finance, build competitive advantage, increase productivity, improve innovation and assist entrepreneurs to start and grow their businesses in Ireland. It also includes actions aimed at continuing to attract foreign direct investment; to build businesses in the community and there are actions aimed at supporting seven significant initiatives (Disruptive Reforms) around Big Data and data analytics; increasing the supply of ICT skills; improving energy efficiency; reducing the licensing burden; creating a health innovation hub; increasing the number of businesses trading online and making it more attractive for employers to employ people from the Live Register. The plan also addresses issues raised by enterprise at a sector level.

To grow employment, we need to sustain existing jobs and create new jobs. The Action Plan for Jobs is firmly aimed at doing this and many of the issues identified in the Forfás enterprise policy review, *Making It Happen*, and subsequently, have been addressed through the Action Plan for Jobs process.

Jobs

The goal is to create 100,000 net new jobs by 2016 across the economy. Employment now stands at 1.85 million. The immediate challenge is enormous, and even if achieved it will not address the full extent of the unemployment.

The other issue in the labour market is the skills sets of the unemployed. Given the numbers that exited the construction sector, many of whom entered the sector with lower levels of education attainment, there remains a significant question as to how these individuals will successfully compete in the labour market even when jobs begin to be created. A lot has been done to target new schemes at those areas of future skills demand. While the output from the education system broadly meets enterprise needs, much remains to be done to ensure that the education and training that is funded by the State supports positive labour market outcomes.

We need to ensure that those going through our education and training system are benefitting from an up-to-date curriculum, accredited work placements and that as well as being equipped with technical skills for their occupation they have the necessary employability skills required to progress to a job. In particular, for those that have been out of work for a significant period of time, individualised career guidance, taking account of their

education/training and skills acquired to date and identifying the most appropriate interventions required to assist them progress to employment, is essential.

Ireland is experiencing the challenge that in an era of high unemployment we also have specific skills gaps that cannot currently be filled by Irish unemployed. ICT is the most obvious sector, but there are others in manufacturing and internationally traded services.

Where will the Jobs come from?

The Action Plan for Jobs sets out a broad indication of where employment demand will arise. It shows the potential for 20,000 jobs from direct employment in manufacturing and 20,000 jobs through indirect employment; 30,000 jobs from internationally traded sector and the same again in indirect employment.

Manufacturing

Forfás published a strategy for the manufacturing sector in April 2013. Manufacturing is broad reaching and encompasses a number of sub-sectors including medical technologies, pharma/biopharma, engineering, food and drink processing and ICT hardware. The strategy reaffirms the important position of manufacturing in enterprise policy. Today, there are 205,700 people directly employed in manufacturing and circa 400,000 employed because of manufacturing.

The future of manufacturing employment, however, is not certain and we are reliant on global economic market performance and greater competitiveness at home. Action needs to be taken on a number of fronts to grow the sector including at the business environment level in terms of cost competitiveness, tax and the availability of investment capital. We need also to support a range of developments at the level of the firm including enhancing productivity; connecting to customers in new ways; stimulating increased collaboration and deepening innovative capabilities - including greater engagement by firms in R&D and with technology, and leveraging their greatest asset - their people.

Agri-Food

The agri-food sector had a difficult 2012 in export performance due in part to domestic weather conditions. The projections remain positive. Global demand for food is expected to increase by 30 per cent over the period to 2020, driven by global demographics, socioeconomic and consumption trends, allied with rapid economic development in countries such as Brazil, India and China. We expect to see a significant increase in output and employment in the sector linked to the lifting of CAP in 2015. Necessary investments in production capacity are currently in planning and being made. *Harvest 2020* is aiming for an additional 25,000 direct and indirect jobs and a 42 per cent growth in exports which could be generated up to 2020 from increased activity.

Life Sciences

The health life sciences area comprises a number of globally significant markets including pharmaceuticals/biopharma, medical technologies, functional foods and convergent connected health/e-health areas with ICT. Growth globally is being driven by ageing populations, a growing emphasis on wellness, increasing consumer wealth, increases in chronic illnesses and increased demand from emerging economies. A pervasive trend is the shift towards personalised healthcare and information based health services.

The broad sector is hugely important to Ireland in terms of employment and exports. 50,000 people are employed in life-sciences related manufacturing activities. Exports exceeded €50 billion in 2012 which is over a quarter of the total exports nationally.

The challenge will be to maintain as much of this employment as possible while driving growth in new areas of opportunity - including bioprocessing, nutraceuticals, diagnostics and next generation medical devices and embracing more complex and sophisticated manufacturing processes and challenges.

ICT Sector

There are currently over 80,000 employed in the internationally trading ICT sector in Ireland, comprising both leading multinationals and a large number of Irish owned firms. Many Irish companies are operating in niche markets providing tailored software for the financial services, healthcare, education and entertainment sectors. Over the past decade activity in Ireland has shifted towards software and services - although hardware manufacturing firms continue to contribute significantly to Ireland's economy.

The boundaries of this sector continue to blur. For Ireland, global trends in the sector present opportunities in a number of areas in hardware and software - for example:

- The growth in data centres for cloud computing is driving demand for servers;
- The Big Data phenomenon is driving demand for increased security data centres, servers and analytics;
- Growth in mobile ICTs is driving demand for more portable and interactive devices with ever smaller and more functional microchips, and micro-apps; and
- The shift towards 'software as a service' is seeing increased demand for hosted/managed services.

Employment growth potential is greatest in the software sector, building on the fact that nine of the top ten software companies in the world having substantial operations here. There are also specific opportunities for hardware in R&D and IP intensive low or medium volume manufacturing, including semi-conductors, servers, advanced microchips, intelligent devices and systems integration, advanced integrated circuit design and fabless manufacture (system on a chip, lab on a chip).

Construction

Forfás' analysis of the construction sector, based on anticipated level of demand for construction and general economic conditions in the short-term, suggests that the output and employment outlook for the sector remains weak and largely static in the period to 2015. However the sector is currently operating below optimum. Our demographic profile remains positive and our exporting sectors are continuing to perform well, suggesting that demand will increase in the period to 2020, bringing with it output and employment growth. Our strategy is focused on accelerating the rate of recovery by bringing more certainty and confidence to the domestic market; removing obstacles in the way of development; and reinforcing capability and competitiveness amongst firms in the sector.

Financial Services - Retail, Banking & International Financial Services Centre

There are two parts to financial services: the retail banking side - which is likely to shed more jobs in the short term - and the internationally trading side which employs in excess of 30,000 across global banking and payments, global investment management and global insurance. There are continuing growth prospects across each of these segments and specific cross-sectoral opportunities in areas such as green finance, international payment services and Islamic finance. The Strategy for International Financial Services Industry sets an objective to increase employment in this sector by 10,000 by 2016.

Retail

Retail continues to perform poorly, reflective of economic conditions and domestic demand. The latest ESRI consumer sentiment index for March this year is showing a slight improvement although the data indicates that individuals' perceptions of personal finances and spending power worsened. Continued fiscal adjustment is likely to continue to have an impact on growth prospects for the retail sector.

Forfás 2012

Internally within Forfás 2012 was another demanding year. There was an increased need and demand for our research, policy advice and other services, while resources continued to reduce.

Since the introduction of the moratorium on recruitment, Forfás has experienced a reduction of thirty five per cent of its staff and we have operated within our Employment Control Framework staffing levels each year. The moratorium has had a significant impact on our organisation and we have lost a large number of long standing and very expert personnel, without replacement. As a result, we have re-structured, re-organised, and re-prioritised - and we continue to deliver. That in large part is due to the expertise, commitment and professionalism of our staff. The reduction in resources has put continuing strain on the organisation's ability to deliver on its wide mandate, which includes both policy advice and operational services.

Non-Policy Services

The primary function of Forfás is to deliver policy advice but it also carried out other significant functions in 2012 including accreditation and corporate and shared services.

Accreditation

The single European market is of fundamental importance to Ireland and accreditation plays an important role in guaranteeing the access of Irish products and services to EU and worldwide markets. It can provide competitive advantage and promotes improved standards and work practices.

The Irish National Accreditation Board (INAB) is a division of Forfás and INAB accreditation ensures that certificates and test results are acceptable worldwide. Accreditation eliminates the need for multiple assessments when goods cross frontiers, giving Irish industry the best competitive advantage possible in what is an ever-expanding and increasingly challenging marketplace. Demand for accreditation services from INAB continued to increase through 2012.

INAB, like the other divisions of Forfás, is committed to improvement and responding to client needs. It seeks feedback through its website, seeks input from its assessors to improve its processes and has also conducts client surveys.

Shared Services

Forfás shared corporate services staff continued to provide efficient and effective services to IDA Ireland, Enterprise Ireland, SFI, SEAI and the Office of the Chief Scientific Adviser to the Government throughout 2012. In addition to the shared services activities in financial and accounting, HR, pensions, facilities and property management and others, Forfás' shared services teams have provided significant additional support to the Office of the Chief Scientific Adviser particularly in the delivery of the European City of Science in Dublin in 2012 and its focal point, Europe's largest science conference ESOF 2012, which took place in July.

The Future

The Minister for Jobs, Enterprise and Innovation, Richard Bruton TD has secured Government agreement to commence drafting legislation to integrate Forfás into his Department and this is scheduled for 2013.

The aim of this integration is to strengthen the capability and capacity to develop and implement enterprise policy. The Minister has advised that Forfás will form the core of a new strategic policy division that will be established within DJEI. Significant progress has already been made in progressing the tasks required to transfer Forfás' policy and non-policy functions to those organisations that have been identified by the Minister to receive them. Forfás is working closely with DJEI on all of the necessary steps required to integrate Forfás with the department and to dissolve Forfás as a legal entity. We are certain that the Forfás team will rise to the challenges this presents. We also acknowledge the support of our sister agencies that are also impacted, in making this happen. Since the announcement of the integration, Forfás has progressively been working even closer with DJEI on policy issues and to great success, which augurs well for full integration.

Forfás has a detailed business plan for 2013 which sets out its key policy priorities and work programme items. In addition, Forfás has a significant role to play in monitoring and delivering on the *Action Plan for Jobs 2013* and will also be centrally involved in developing the 2014 Plan.

Acknowledgements

As with any successful organisation Forfás does not function alone. We rely on and benefit from the guidance and knowledge of many organisations and individuals.

Throughout 2012 Forfás worked closely with our parent department, the Department of Jobs, Enterprise and Innovation. We would like to acknowledge the support of the department, particularly during this current period of integration and change for Forfás. We would like to thank Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation, and his colleagues John Perry, T.D., Minister for Small Business and Sean Sherlock, T.D., Minister for Research and Innovation at the Department of Jobs, Enterprise and Innovation for the contributions and support that they have provided to us. We would also like to acknowledge the significant support of the Secretary General, John Murphy, over the past year.

Forfás is grateful for the level of engagement and commitment demonstrated by all Government departments and their agencies in Forfás' policy work.

Forfás and its sister agencies, Enterprise Ireland, IDA Ireland and Science Foundation Ireland work extremely closely to ensure that policy is coherent and that every effort is made to ensure the best use of all available resources. We would like to thank our sister agencies for their cooperation and input during 2012. Forfás also receives support in its work from FÁS, Shannon Development, Údarás na Gaeltachta, SEAI and many other agencies. We would also like to thank the Health and Safety Authority and the NSAI for their support in 2012.

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

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

We work closely with the Central Statistics Office on surveys and data collection and we appreciate their ongoing collaboration.

Ireland's business people and entrepreneurs are operating in a very difficult environment. It is not easy for them to take time out of their businesses and work. We would particularly like to thank all of those who have given their time to engage with us directly or through their representative groups.

We would like to commend the staff in Forfás for their ongoing commitment to the delivery of excellent work. We would also like to thank them for their patience during this period of change in our organisation. We are confident that they will rise to the challenges and opportunities and we are confident that they will bring to their new organisation the many qualities and professionalism that has marked their work in Forfás over the years.

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Enterprise

“...Governments don't create jobs, successful businesses and entrepreneurs do, but Government has a key role in making sure that the environment is as supportive as possible to allow that to happen.”

Action Plan for Jobs 2013

Enterprise Surveys

In 2012 Forfás collected and analysed a range of data on employment and Irish economy expenditure by agency supported firms.

[Annual Business Survey of Economic Impact 2011](#)

[Annual Employment Survey 2012](#)

Annual Business Survey of Economic Impact 2011

The *Annual Business Survey of Economic Impact* (ABSEI) is a survey of the client base of Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta and tracks indicators of their performance and contribution to the Irish economy. The survey population comprises all manufacturing and internationally traded services client firms in Ireland with ten or more employees.

The questionnaire covers a wide range of indicators, e.g. sales and exports along with expenditure items such as purchases of materials and services and the percentage of that expenditure which is spent in Ireland, and payroll and training investments.

Figure 1: Sales, Exports, Value Added and Direct Expenditure in agency firms, 2000-2011

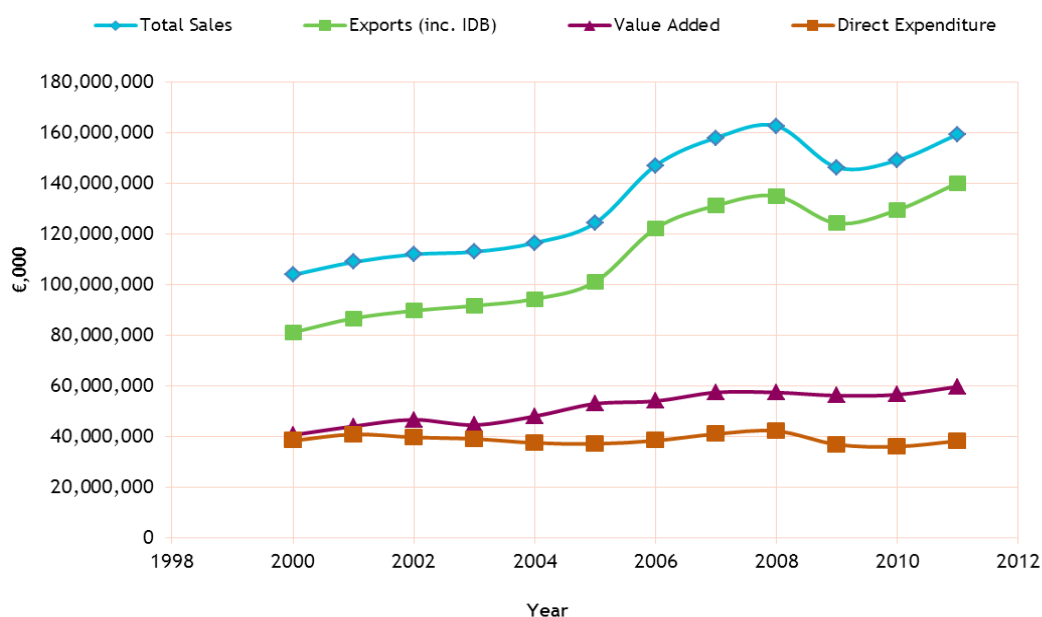


Figure 1 presents the values of each of four indicators over time, for all of the agency firms, and key findings include:

- Sales and exports in 2011 grew by 7 per cent and 8 per cent respectively on 2010. The value of sales and exports recorded across all agency firms in 2011 are the highest levels recorded since 2000.
- Value added was also higher in 2011 than in 2010 by 7 per cent. The value recorded in 2011 was the highest recorded value of value added over the 2000 to 2011 time period.

- Direct Expenditure in the Irish economy³ remained reasonably stable over the 2000-2011 time period, with some indication of a dip in 2009 and recovery in 2011. The 2011 out-turn was also higher than 2010 by 6 per cent.

Table 1: Percentage change in Sales, Exports, Value Added and Direct Expenditure, in agency firms, by nationality of ownership and sector, 2010 to 2011

Category	Ownership Status	2010-2011 Change in Sales	2010-2011 Change in Exports	2010-2011 Change in Value Added	2010-2011 Change in Direct Expenditure in Irish Economy
Manufacturing	Irish-owned	9%	16%	3%	7%
	Foreign-owned	4%	4%	5%	4%
Internationally-Traded Services	Irish-owned	4%	14%	6%	1%
	Foreign-owned	11%	11%	9%	14%

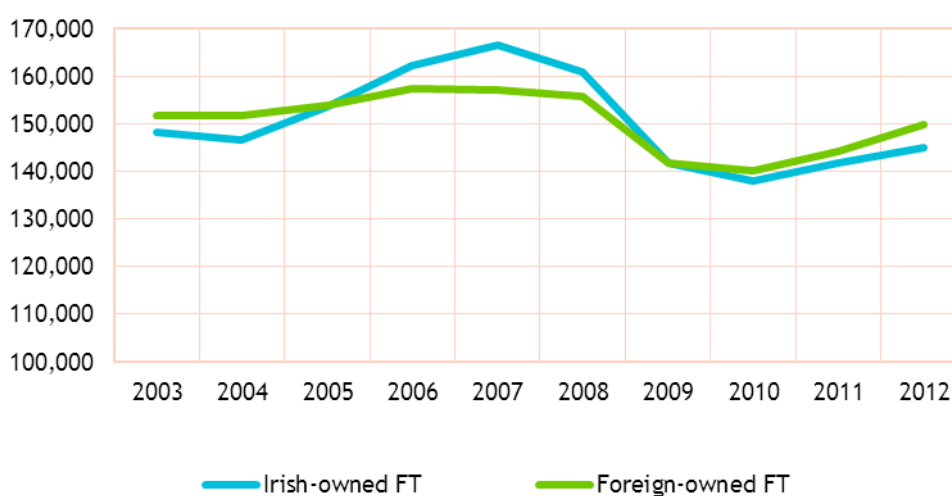
Table 1 summarises the 2010-2011 key business indicator performances across Irish and foreign-owned firms in the Manufacturing and Internationally-Traded Services categories, indicating growth in the key business indicators for both Irish and foreign-owned firms between 2010 and 2011.

³ Direct Expenditure in the Irish Economy is defined as - payroll expenditure + purchases of materials produced in Ireland + purchases of services produced in Ireland.

Annual Employment Survey 2012

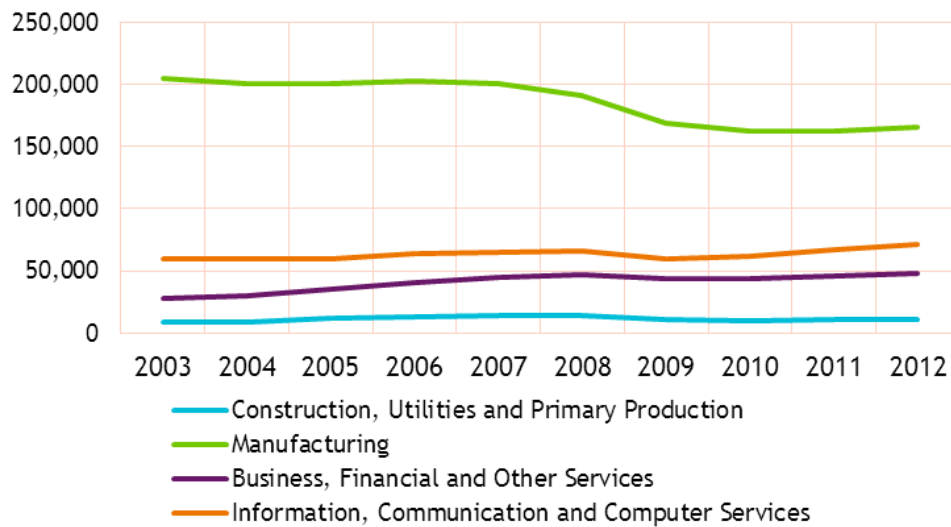
The *Annual Employment Survey* is an annual census of employment in all primary production, manufacturing and services companies supported by the enterprise development agencies, IDA Ireland, Enterprise Ireland, Shannon Development and Údarás na Gaeltachta. Firms provide data on permanent full-time employees and part-time and other employees as of 31 October in the survey year. The survey has been carried out each year since 1973. Forfás, in line with its mandate to co-ordinate the activities of the agencies, carries out the survey with the co-operation of Enterprise Ireland and IDA Ireland staff. Shannon Development and Údarás na Gaeltachta carry out the survey for companies falling within their remit.

Figure 2: Trends in full-time employment in agency-assisted companies, by nationality of ownership, 2003 to 2012



- Total full-time employment among Irish-owned companies amounted to 144,964 in 2012, an increase of 2.3 per cent or 3,228 additional jobs over the previous year, continuing the upward trend since 2010. In 2011, employment increased for a second consecutive year for the first time since 2007 by 3,847 jobs (2.8 per cent).
- Between 2007 and 2010, there was a decrease of 17.2 per cent in employment or 28,671 jobs in Irish-owned firms.
- In 2012, employment in Irish-owned companies was 2.3 per cent lower than in 2003, or 3,398 jobs.
- The highest employment losses were seen between 2008 and 2009 when Irish-owned companies shed 19,048 jobs.
- Among foreign owned firms, full-time employment increased by 5,747 in 2012, an increase of 4 per cent to 149,821. This was the second year of increase, having grown by 4,007 to 144,074 in 2011.
- Increases in part-time employment have moderated, having been a key trend in recent years. There was a small increase among Irish-owned firms of 0.2 per cent (48 jobs) in part-time temporary jobs in 2012, while foreign-owned part-time employment also increased by 593 jobs (3.4 per cent) in 2012.

Figure 3: Sectoral trends in full-time employment, all agency firms, 2003 to 2012



- Figure 3 presents a sectoral breakdown of permanent full-time employment across all agency-assisted companies by broad sector. In 2012, employment increased by 8,975 or 3.1 per cent for all sectors over 2011.
- The Information, Communication and Computer Services sector accounted for 53 per cent of this increase creating 4,734 additional jobs.
- The Business, Financial and Other Services sector also recorded jobs growth of 3.6 per cent or 1,638 jobs between 2011 and 2012. From 2003 to 2012, 20,147 jobs were created in this sector, an increase of 73.4 per cent, of which 10,217 of these jobs were created in the Financial Services sector.
- The Manufacturing sector has gained 2,789 jobs since 2011, a rise of 1.7 per cent. The sector had lost 39,417 jobs or 19.3 per cent from 2003 to 2011. However, within the manufacturing sector the Medical and Dental Instruments and Supplies sector experienced employment growth of 32 per cent or 5,358 jobs since 2003. The Food sector had an increase in employment of 3.7 per cent in 2012 or 1,375 jobs. Since 2003, however, employment in the Food sector had declined by 8 per cent with a loss of 3,388 jobs.
- The Construction, Utilities and Primary Production sector was the only sector to record a fall in employment in 2012, dropping by 1.8 per cent.
- Finally, all regions saw increases in employment levels in 2012, the second year of employment growth for all regions.

From 2009 to 2011 many companies were demonstrating a trend to substitute full-time employment for part-time employment. However, the growth in temporary and part-time employment seen in recent years has moderated substantially in 2012. There was a very small net increase of 0.2 per cent in part-time temporary jobs in Irish owned firms in 2012, while foreign-owned part-time employment increased by 3.4 per cent (about 600 net jobs) in 2012. Total (full-time and part-time) employment in Irish-owned firms now stands at 168,948, while the corresponding figure for foreign-owned firms is 167,670, giving a grand total of 336,618 agency-assisted jobs for 2012, an increase of 9,616 jobs or 2.9 per cent on 2011.

Action Plan for Jobs

In 2012, Forfás worked closely with DJEI and other Government departments and agencies on the implementation of the *Action Plan for Jobs 2012* and on the development of the *Action Plan for Jobs 2013*. In addition, Forfás was directly responsible for delivering a number of actions contained in the 2012 Plan and is responsible for a number of actions in the 2013 Plan.

Action Plan for Jobs 2012

Forfás supported the Minister for Jobs, Enterprise and Innovation in developing the first *Action Plan for Jobs* which was published by the Government in February 2012. In publishing the 2012 Plan, the Government set an overall ambition to create an additional 100,000 jobs in the Irish economy by 2016 and a further 100,000 jobs by 2020. The Government restated its goal of becoming the best small country in the world in which to do business, to achieve a top five global competitiveness position and to build world-class clusters in key sectors of opportunity.

The 2012 Plan set out 270 actions across 15 Government departments and 36 agencies/offices. In publishing the 2012 Plan, the Government stated that this would be the start of an annual process with new Plans in 2013 and subsequent years.

Quarterly deliverables were identified for each action in the Plan and a monitoring system was established, led by the Department of the Taoiseach and comprising the Department of Jobs, Enterprise and Innovation, the Department of Public Expenditure and Reform (DPER), Forfás and the Office of the Tánaiste. Forfás has personnel based in the Department of the Taoiseach who assist with the monitoring process.

A report on delivery against stated timelines was published shortly after the end of each quarter in 2012. The final progress report, published in January 2013, showed that 249 of the 270 actions (92 per cent) were delivered in 2012. In almost all cases, actions not delivered in 2012 will be delivered in 2013.

Forfás had lead responsibility for 10 actions in the 2012 Plan and was involved in the delivery of another 11 actions led by other departments/agencies. The actions for which Forfás had lead responsibility are reported on in detail elsewhere in this report and include:

- Identifying changes in the operation of sectoral regulators to enhance cost competitiveness (page 73);
- Auditing and reviewing the multiplicity of licences required by businesses to assess the potential for discontinuing/amalgamating licences (page 39);
- Developing a set of competitiveness targets amenable to domestic action (page 70);
- Developing actions to systematically reduce excessive key business costs or delays (page 69);
- Developing a long term vision for the manufacturing sector and putting in place a strategic plan to help to realise this vision (page 40);
- Undertaking an assessment of skills needs in the manufacturing sector and the use of new structures for training and skills development in the sector (page 80);
- Developing, in consultation with stakeholders, a national strategy for the construction sector (page 40); and

- Preparing a report on the potential of social enterprise to create jobs (page 47);
- Analysis of the costs associated with exporting and the identification of actions to reduce these costs (page 47).
- Review the equity investment landscape in Ireland with a view to introducing actionable steps (enterprise supports, tax etc.) to support equity investment in productive firms (page 72).

All of these actions were delivered in 2012.

[Action Plan for Jobs 2012](#)

Action Plan for Jobs 2013



Launch of the Action Plan for Jobs 2013

"This year's plan will contain a number of landmark, step-change projects that will act as exemplars to enterprise as we rebuild an enterprise-focused economy. We have a plan. We are implementing it. And we will see it through until we get Ireland working again," said the Taoiseach, Enda Kenny, T.D. at the launch of the Plan.

Pictured are (l-r) are Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation, Enda Kenny T.D., Taoiseach and Eamonn Gilmore T.D., Tánaiste

The Government published the *Action Plan for Jobs 2013* in February 2013. The Plan contains 333 actions across 16 Government departments and 46 agencies/offices. The broad structure of the 2012 Plan is maintained with quarterly deliverables identified for each action, all aimed at improving further the environment for doing business in Ireland. In addition, seven Disruptive Reforms are identified in the Plan. These are high-impact measures with highly ambitious deadlines, implemented in partnership with senior industry figures and selected because of their potential to have an immediate effect on job creation.

In 2012, Forfás supported the Minister for Jobs, Enterprise and Innovation and his Department in the development of the 2013 Action Plan for Jobs. This included: stakeholder consultation across the public and private sector, research and analysis and drafting and publishing of the Action Plan.

The seven Disruptive Reforms are:

1. JobsPlus

Over two years the State will pay €1 of every €4 it costs an employer to recruit a long-term unemployed person from the Live Register

2. ICT Skills

Provide an additional 2,000 ICT graduate level professionals in 2013, and by 2018 lead Europe in terms of ICT graduates as a percentage of all third level graduates

3. Energy Efficiency

The Government will create a €70 million Energy Efficiency Fund to support 20 major projects in 2013.

4. Trading Online

Get 2,000 more small businesses trading online in 2013 and 2014.

5. Business Licences

Create a single licensing application system for up to 25 licences in the retail sector.

6. Big Data

Make Ireland one of the leading countries in Europe for Big Data.

7. Health Innovation Hub

Government will establish a world-renowned centre to establish Ireland as a leading location for start-up and growing medtech and healthcare companies

Forfás has lead responsibility for 11 actions in the 2013 Plan and will be directly involved in a further 20 actions. Among the actions that Forfás will lead in 2013 are:

- Support for a Government/Industry Task Force on Big Data and an assessment of demand for data analytics skills.
- A study to address the demand for high-level ICT skills across all sectors of the economy in Ireland.
- To take forward the implementation of an integrated licencing application system in the retail sector.
- An assessment of the impact of reforms to sectoral wage-setting mechanisms in terms of promoting labour market competitiveness.
- A review of mentoring services available to start-up and small businesses in Ireland and the identification of actions to be taken in this regard.
- Completion of a programme of evaluations of enterprise agency programmes with a focus on capability-building and business development programmes operated by Enterprise Ireland and IDA Ireland.

Forfás will continue to play a central role in the monitoring system established for the *Action Plan for Jobs*, which has proven to be a useful mechanism for ensuring delivery of actions. The Government has appointed six industry partners to assist with the implementation of the Disruptive Reforms and this private sector group will support the existing Monitoring Committee on this part of the Action Plan.

[Action Plan for Jobs 2013](#)



Launch of the *Action Plan for Jobs 2013*

“The Action Plan for Jobs is aimed at supporting the transition from the old, failed economy reliant on property, banking and debt to a new, sustainable, jobs-rich economy based on enterprise, exports and innovation,”, said Richard Bruton, T.D., Minister for Jobs, Enterprise and Innovation (pictured) at the launch of the *Action Plan for Jobs 2013*

Review and Audit of Licences

As part of the *Action Plan for Jobs 2012* (Action 1.49), Forfás undertook an audit and review of licences required by businesses across key sectors of the economy - manufacturing, food and drink, retail, hospitality and leisure, waste management, road haulage and construction - assessing 159 licences in total. These sectors were chosen due to their economic importance in terms of employment, their significance in the domestic economy and their perceived high licensing burden.

The report found that businesses had to apply for a multiplicity of licences across many licensing authorities imposing a significant administrative burden on business. It also found that reducing the administrative burden in the key sectors may not necessarily require discontinuation of licences but rather a streamlining and improvement in licensing processes. The report recommended the introduction of an integrated licensing application system which will result in significant savings in terms of time and costs for businesses and entrepreneurs across the country, which will help more of them start-up, survive, grow and ultimately protect and create more jobs.

Following publication, Government approved the implementation of the recommendations in the report, including the introduction of an integrated licensing application system with an initial focus on the retail sector by the end of 2013. This pilot application portal will incorporate up to 32 licences across 15 licensing authorities. It is envisaged that this system will then be rolled out to other sectors of the economy and in the medium term allow for the development of more integrated inspection and compliance systems and better application of risk-based enforcement. This project is a major initiative within the Irish Government’s

Action Plan for Jobs 2013 and is considered as a reformative step in reducing the administrative burden and red tape for business. Forfás has a key role to play in the implementation process of this project in 2013.

Manufacturing

Making it in Ireland - Manufacturing 2020 was launched by Richard Bruton, T.D., Minister for Jobs, Enterprise and Innovation and Ruairi Quinn T.D., Minister for Education and Skills in April 2013. The strategy was developed in response to the *Action Plan for Jobs 2012* which required Forfás to “develop a long term vision for the manufacturing sector and put in place a strategic plan that will help to realise this vision”. The manufacturing strategy is complemented by the Expert Group on Future Skills Needs (EGFSN) report, *Future Skills Needs of the Manufacturing Sector* (see page 80).

Making it in Ireland - Manufacturing 2020 sets out the areas of opportunity for Ireland’s manufacturing sector in the context of disruptive change globally and the actions needed to address immediate barriers and realise potential.

Manufacturing globally is changing significantly. As it becomes more complex a different set of capabilities will be required, capabilities that bring developed economies very much back into play for investment in manufacturing activities. Manufacturing encompasses a broad range of sectors and activities, areas in which Ireland has significant strengths that provide a strong basis for future growth.

Although employment in manufacturing in Ireland has reduced over the past decade, the sector continues to employ 205,700 people directly, and in the region of twice that if indirect employment is taken into account. Manufacturing provides employment across a breadth of skills and across all regions of Ireland. Agency supported manufacturing firms contributed €75 billion to exports in 2011 - a considerable increase from the €58 billion in 2000. Manufacturing is a key driver of innovation and companies invested €740 million in R&D in 2009⁴.

Forfás’ analysis indicates the potential for the creation of 43,000 direct net jobs by 2020 - contributing to the overarching targets set out for 2016 in the *Action Plan for Jobs 2012* and beyond.

Areas of opportunity are set out as follows:

- Focus on sectors: maintaining what we have, building on strengths and convergence;
- Functions and activities: adapting and responding to globalisation;
- Developing and adopting new technologies and materials; and
- Focus on indigenous potential - manufacturing start-ups and scaling.



⁴ Latest data available



Minister Bruton and Minister Quinn launch Forfás Manufacturing Strategy

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

A two-pronged approach is required to address barriers to growth and to achieve a transformative step change across the manufacturing sector and in the supporting ecosystem. A synopsis of some of the 61 actions contained in the report is set out below:

- **Redressing perceptions** - undertake a strategic campaign to promote *Making it in Ireland - Manufacturing 2020* nationally and internationally, ensuring that a suite of common messages is used consistently by politicians, government departments, agencies and manufacturing champions.
- **Addressing barriers:** Deliver structural change to address Ireland's relative cost competitiveness particularly with regard to labour costs, utilities, regulation and property related costs⁵; improve the availability of, and access to, finance for indigenous firms - implement new capability funds focused on supporting capital investment; progress the ongoing negotiations with the EU commission on Regional Aid Guidelines; and assess the potential to utilise relatively untapped EU programmes in areas such as financial engineering, risk capital supports and environmental aid.
- Deliver a National Step Change initiative focused on enabling each company to take one step up relevant to its scale and stage of development. The National Step Change initiative is segmented across four pillars to enhance:
 - **Productivity:** Deliver a single national initiative by facilitating access to a common suite of advisory services, benchmarking tools, peer networks and in-firm training (such as the Leadership4Growth programme) regardless of ownership.
 - **International reach** through targeted skills development, peer learning and collaboration; continued focus on developing strategic trade relations; and facilitating manufacturing companies to work together to bring complementary products/services together to capture market opportunities.

⁵ these actions contained in the manufacturing report reflect those set out in more detail in Costs of Doing Business - page 69 of this report

- **Innovative capabilities** through increasing firm level engagement in R&D and including those less active to date (such as foreign owned engineering firms); enhancing support measures for technology adoption by firms that is ‘new to them’; determining industry research needs with particular reference to engineering which has been relatively underrepresented to date; and assessing the feasibility for establishing an applied research technology organisation (RTO).
- **Connections and collaboration:** implement the Global Sourcing Initiative to optimise the proportion of goods and services procured by multinational companies from Irish sources; and raise awareness amongst SMEs with regard to standards and accreditation.
- **Infrastructures.** Prioritise investment in transport and broadband infrastructures to support manufacturing firms operating in a connected global environment; and ensure that appropriate financing mechanisms are available for the development of advanced/serviced industrial properties.

The skills and capabilities of individuals to work in manufacturing are essential to its future growth and success. *Making it in Ireland - Manufacturing 2020* drew from the EGFSN *Future Skills Needs for Manufacturing* report set out on page 80 in this report

A coordinated and concerted effort is needed to deliver the step change required by Government, agencies, industry bodies, employee representative bodies and firms if the future potential for manufacturing in Ireland is to be realised. The Manufacturing Development Forum, supported by DJEI will play an important role in maintaining the focus on manufacturing over the coming year.

[Making It in Ireland: Manufacturing 2020](#)

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

The *Action Plan for Jobs 2012* asked Forfás and DJEI to develop, in consultation with stakeholders, a national strategy for the construction sector up to 2015 outlining the opportunities, challenges and actions needed to realise the potential of the sector, to retain expertise in Ireland and to continue to develop capabilities over coming years.

Ireland’s Construction Sector: Outlook and Strategic Plan to 2015 provides an assessment of potential domestic output to 2015, reviews the sector’s internationalisation potential and outlines 36 actions aimed at accelerating its return to a sustainable growth path.

The report highlights that construction has always been a major and essential contributor to the economy and society and continues to be vital to Ireland’s future growth. It plays a dual role. Firstly, as a sector in its own right, it provides regionally distributed jobs across a variety of occupations and skill levels, and is a key generator of wealth in the economy. Secondly, it provides and maintains the infrastructure and buildings on which every other industry and society depends. In this regard it is a crucial factor of competitiveness - underpinning enterprise investment and growth.

After a prolonged period of unsustainable growth the sector is currently experiencing a severe contraction in demand and is readjusting to new market conditions. Employment has reduced from a high of almost 270,000 in 2007 to 96,300 in Q1 2013, while output has reduced from a peak of 25 per cent of GNP in 2006 to an estimated 6.4 per cent in 2012.



GMIT Annual International Construction Management Day

Forfás Senior Policy Adviser, Dr Celine McHugh, presenting at the GMIT Annual International Construction Management Day in March 2013

There is potential for increased internationalisation, and a number of Irish construction firms have successfully refocused their businesses to capture business opportunities abroad. However, as is the case in other developed economies, the domestic marketplace continues to have a major bearing on the performance of the sector generally.

The scenario for domestic output to 2015 presented in the report indicates slow recovery and that the sector is unlikely to reach an optimal output level of 12 per cent of GNP by 2015. The report cautions that, with continued low levels of construction activity and the reduced level of capacity to adequately provide for the infrastructure and building needs of the economy, there is a risk that investment is lost to other locations with which we compete. It further contends that a focus must be maintained on reinforcing the capability and competitiveness of construction enterprises in the face of ongoing technological advances and the requirements of the green agenda.

Actions in Ireland's Construction Sector: Outlook and Strategic Plan focus on five key areas:

1. **Removing obstacles and restoring confidence in the domestic market:** ensuring that the scheduled public capital programme and stimulus proceeds without delay; ensuring that efforts to secure alternative sources of private finance for PPPs are successfully concluded; accelerating energy efficiency initiatives; bringing forward appropriate financing solutions to ensure adequate supply of building solutions for foreign direct investment; communicating NAMA strategy to the extent possible; driving forward reforms in planning and construction procurement; and undertaking a review of the current Government contract.
2. **Driving further internationalisation:** building on the work of Enterprise Ireland to actively promote industry participation in management development programmes; rolling out workshops on legal/technical issues in overseas markets; and further engaging with State organisations who have the potential to develop an international offering
3. **Embedding competitiveness and innovation:** reducing the cost of construction through reduced/or temporary moratorium on development levies; promoting greater take up of Lean in the sector; promoting use of Building Information Management (BIM);

continued promotion of innovation vouchers and partnerships to the sector with greater engagement between the industry and third level sector; and driving public awareness of the negative consequences of shadow economy trading.

4. **Ensuring the sector is skilled to deliver:** ensure that the forthcoming review of the apprenticeship model provides for the future needs of the sector; progress the Build Up Skills initiative towards actions to address 'green' skills gaps; undertake targeted promotion of the Skillnets Management Works management development programme to construction SMEs; and actively promote existing international graduate placement programmes to construction firms.
5. **Transforming governance:** establish a Construction Enterprise Clearing House (to drive delivery of the strategy and a rolling agenda of actions); and re-establish centralised analysis of appropriate data pertaining to the construction sector to ensure effective monitoring of output and performance.

The *Action Plan for Jobs 2013* has taken forward a number of specific actions for delivery in 2013 arising from the Forfás recommendations for the sector.

Agency Programme Evaluations - Research, Development and Innovation

Forfás developed an evaluation framework to inform a systematic approach to undertaking evaluations of enterprise agency programmes. The evaluation framework was informed by international best practice and sets out the methodologies and approach to ensure maximum coherence and comparability across evaluations.

In 2012, Forfás progressed its evaluation of approximately 70 programmes delivered by the enterprise development agencies - IDA Ireland, Enterprise Ireland, Science Foundation Ireland (SFI) and the County Enterprise Boards. The overall objective of the evaluations is to inform the optimum use of resources in a constrained environment to deliver on enterprise policy objectives.

Evaluations were completed on the start-up and entrepreneurship supports in early 2012, and findings were reported in the Forfás annual report for 2011. The primary focus during 2012 was on the delivery of evaluations for the programmes relating to research, development and innovation (RD&I).

Evaluations were completed for eleven interventions⁶ in the area of RD&I, focusing on those that involved a direct engagement with businesses. The programmes evaluated represent approximately 27 per cent of public expenditure on R&D.

Findings and Key Messages

The programmes were evaluated a number of ways, in their own right, as constituents within the relevant thematic area, and within the overarching enterprise policy context. In general, the individual initiatives were found to be appropriate and aligned with policy; effective in meeting stated objectives; and efficient. In some instances the programmes were enhanced and/or modified during the evaluation, demonstrating that they are being continuously

⁶ An evaluation of the Technology Centres will be undertaken in 2013

refined in the context of Ireland's evolving National Innovation System (NIS), changing economic circumstances and changing client needs.

The evaluated programmes each play a somewhat different role within Ireland's relatively nascent NIS. The interventions span the spectrum of the NIS involving both technology push and market pull aspects. All of the interventions evaluated have the ultimate aim of developing and delivering innovative products and services to market and/or introducing innovative processes to enhance competitiveness and productivity. However, outcomes and performance metrics differ depending on the programme. The suite of programmes collectively delivered quantitative economic outcomes as well as behavioural changes.

The findings from the evaluations will help to inform future STI policy development. Forfás will focus on the remaining thematic area of business development supports during 2013, which involves a broad range of approximately 40 programmes focused on capacity and capability building. This includes grants for greenfield investment and expansions, supports for leadership development, training and productivity and mentor programmes etc.



Association of Irish Regions Annual Conference 2012

Pictured l - r are Declan Hughes, Forfás; Cllr. Tomás Breathnach, AIR Cathaoirleach; Cllr. Marie Fitzpatrick, Cathaoirleach Kilkenny Co Co; Liam Conneally, Hon. Secretary AIR; John Whelan, CEO, Irish Exporters' Association; Robert Collins, Irish Regions Office.

Sector Development

Forfás plays a key role in developing a coherent agenda aimed at the development of enterprise sectors in Ireland in the context of increased global competition. Forfás works with the enterprise development agencies and other stakeholders to continuously review and prioritise sector specific barriers and/or enablers to inform policy development, required actions and implementation.

The suite of sector briefs developed by Forfás set out an agreed cross agency agenda. Having clearly set out the agreed agency priorities and approach for sectoral development, the sector briefs were used effectively to contribute to the *Report of the National Research Prioritisation Steering Group* and *South East Region Employment Action Plan*. They were also used to inform the sectoral opportunities and supporting actions set out in the *Action Plan for Jobs 2012*.

Forfás also completed a review of business continuity planning for severe weather for DJEI.

Trade and Investment Performance

The Government's Strategy on Trade, Tourism and Investment, sets out a series of actions for the sustainable recovery of the Irish economy, through export-led growth. Forfás was centrally involved in the preparation of the Strategy and is engaged in the monitoring of the impact of the actions in terms of meeting the ambitious targets for growth in exports of goods and services and FDI. Progress is reported to the Export Trade Council, chaired by the Tánaiste and Minister for Foreign Affairs and Trade.

Forfás is a member of the Export Trade Council and throughout 2012 provided an assessment of the progress being made towards the targets as set out in the Trade, Tourism and Investment Strategy drawing on statistics on Irish trade and investment as well as Forfás surveys to develop a wider understanding of the role of enterprise in enhancing Ireland's global position with regard to trade, tourism and investment. The Export Trade Council meets on a biannual basis. Overall, the report for 2011 noted very good progress in line with targets, but 2012 recorded more modest growth in exports overall.

Key Countries for Economic Partnerships

The Economic Partnership (EP) concept is deeply embedded within the Government's Strategy on Trade, Tourism and Investment for which the Department of Jobs, Enterprise and Innovation (DJEI) is taking the lead role from a trade policy perspective. Forfás is working closely with DJEI and the Department of Foreign Affairs and Trade in developing these economic partnerships with an initial focus on the high growth and emerging economies as set out in the Trade Strategy.

In 2012 a detailed action plan for developing an economic partnership with China was prepared. It has identified initial areas of opportunity for cooperation in terms of economic linkages broadly defined, including foreign direct investment (FDI) and outward direct investment (ODI), exports and imports, R&D, education and tourism. Wide consultation was undertaken with relevant agencies, government departments and businesses to assess the strategic opportunities and identify key areas of action and was considered by the China Working Group under the auspices of the Department of the Taoiseach. China is Ireland's largest trade partner in Asia and coherent action is essential to realise the full potential for trade and investment into the future.

A Revised Strategy for High Growth Markets

During 2012, Forfás and DJEI worked together on a revision of the Strategy for the High Growth Markets.

Forfás undertook a detailed quantitative and qualitative assessment with a view to understanding countries of priority, based on market size, growth potential, degree of openness and the current foothold of Irish companies. This was built upon by further research on a shortlist of countries which assessed opportunities for economic partnerships from the perspective of specific traded sectors as well as investment, tourism, research and development, education, tourism and culture. Business, the development agencies and other stakeholders were consulted in terms of their existing priority markets and an assessment was undertaken of current embassy and agency resources in specific markets.

From this, a revised strategy for high growth markets containing a list of priority countries and priority areas has been developed. The analysis and resulting recommendations are based on a broad economic partnership approach in which the full range of economic relationships between Ireland and the other country has been considered and where there is a win-win position for both countries. The intention is that the revised strategy will provide direction and opportunity for Ireland as a whole requiring a concentration of resources and effort over several years.



Launch of second progress report on *Harvest 2020*

Pictured at the launch of *Milestones for Success 2012* are (back row l-r) Aidan Cotter CEO, Bord Bia; Declan Hughes, Divisional Manager, Forfás; and Julie Sinnamon, Executive Director, Enterprise Ireland, (front row l-r) Simon Coveney T.D., Minister for Agriculture, Food and the Marine; and Lynn Broderick, Department of Agriculture, Food and Marine, Secretary to the Group.

An Action Plan to Reduce the Costs of Exporting

The *Action Plan for Jobs 2012* set out the ambition to build an indigenous engine of growth that drives up the export market share of Irish companies. The *Action Plan for Jobs 2012* required Forfás and DJEI to analyse the costs associated with exporting and to set out an action plan to reduce these costs. Throughout 2012, Forfás worked in conjunction with a range of stakeholders and Irish-based companies to assess the individual costs of exporting and secondly, to identify specific areas where policy action could reduce these costs. The final action plan makes recommendations under the following headings: understanding and managing costs; shipping costs; air costs; road costs; trade facilitation costs; market research, sales and marketing exporting costs; and finance cost.

Social Enterprise

The potential of social enterprise to create jobs was reviewed by Forfás in 2012. Forfás undertook extensive fieldwork nationwide and held workshops and consultations on this topic during 2012 as background research to inform the report which was finalised in December 2012.

The report identifies the actions required in capacity building, funding and procurement, to achieve the jobs potential of the sector. It examined potential initiatives in this area and was prepared with particular reference to the European Commission's Social Business Initiative and associated funding.

The key findings from the report were:

- The social enterprise sector employs between 25,000 and 33,000 people in over 1,400 social enterprises, with a total income of around €1.4 billion per annum.
- Social enterprise is a small but growing part of the enterprise base and ecosystem that has the potential to bring further job gains and deliver economic potential. There is both a demonstrated need, and a market for, social enterprise in Ireland. With the appropriate enabling and promotional effort, there appears to be scope for increasing job potential in the sector.

There are 22 recommendations made in the report including:

- The need to develop a social enterprise policy in Ireland and to assign departmental responsibility for social enterprise policy within government, led by the Department of the Environment, Community and Local Government. There needs to be recognition of commercial social enterprise within enterprise development and policy.
- Consider how best to build capacity in the sector to ensure that social enterprises are investment-ready and have longer-term strategic plans to help improve access to finance.
- Remove barriers to accessing public procurement opportunities and build the capacity of the sector in accessing tendering procedures.
- Include 'promoting the social economy and social enterprises' as one of the investment priorities under the operational plans for the European Social Fund and the European Regional Development Fund 2014-2020.

Microworking

During 2012 Forfás examined the potential for a microworking initiative in Ireland. Microwork can be defined as work that is undertaken for companies, individuals or community and voluntary groups, on a paid or unpaid basis, in a block of three hours or less where there is no ongoing commitment to continue the arrangement implied by either the worker or the entity providing the work.

Forfás examined experience in other countries to assist microworking, including the development of a number of in-depth case studies. The report contains findings and recommendations aimed at enabling microworking to flourish in Ireland.

A number of conclusions were reached, including:

- Microworking has a potential role in increasing flexibility in the labour market; can make a potential contribution to employment and to enterprise competitiveness; and microworking can also act as a facilitator of volunteering, both in general and in connection with social enterprise.
- For microworking to succeed there is a need for external and independent certification of the offer and of the people putting themselves forward (as microworking does not

necessarily provide real opportunity for on-the-job assessment of the suitability of the person concerned for the hours that are offered).

- A number of changes were identified that would be helpful in labour legislation and in taxation and social security systems to facilitate microworking.

The conclusion of the review was that microworking can make a contribution to the efficient functioning of the labour market in general, providing opportunities for access to short-time work for individuals, and in meeting the employment objective of Government by keeping unemployed and underemployed people (both on and off the Live Register) in contact with the labour market. In particular, the review of the evidence in other countries indicates microworking can offer a pathway into the workforce with additional socialisation and social capital benefits.

Environmental Policy

Forfás has an ongoing role in the provision of robust, evidence-based analysis and advice on national, EU and global environmental policies that impact on the enterprise sector. In 2012 Forfás:

- Supported DJEI in developing the *Green Economy Action Plan*;
- Provided inputs on environmental policy areas such as the *National Sustainable Development Strategy* and the Green Climate Finance Initiative;
- Liaised with the OECD on Green Entrepreneurship, Eco-Innovation and an SME working group and provided and coordinated Irish inputs into the group's report;
- Continued to participate with a focus on enterprise on the EPA National Allocation Advisory Group which oversees the implementation of the EU's Emissions Trading Scheme in Ireland; and
- Contributed to the development of the National Economic and Social Council's climate change report, *Ireland's Climate Change Challenge: Connecting 'How Much' with 'How To'*.

The environmental policy work of Forfás inputs an enterprise perspective into the mix so that proposed policies are developed in a way that is balanced and fair and have the potential to create economic growth and jobs where possible. Forfás will continue to monitor environmental policy issues of importance to the enterprise sector as well as green economy opportunities in 2013.



**Launch of Global
Entrepreneurship Monitor,
supported by Forfás**

Pictured l - r are: Paula Fitzsimons, National GEM Coordinator; Richard Bruton TD, Minister for Jobs, Enterprise and Innovation; Kathleen Lynch TD, Minister for Disability, Equality, Mental Health & Older People; Colm MacFhionnlaioich, Manager Potential Exporters, Enterprise Ireland; and Declan Hughes, Manager Enterprise and Trade Division, Forfás.

Knowledge and Innovation

“....we can build a promising future underpinned by a solid foundation of excellent science and technological innovation informed by a contemporary ethic founded on a justice drawing on the need of the many rather than the speculative adventures of the few.”

Michael D. Higgins, President of Ireland at ESOF2012

R&D Surveys

Forfás carries out surveys and gathers and analysis data to monitor research and development and innovation activities in Ireland. In 2012 these included:

Higher Education R&D (HERD) Survey

State Investment in R&D Survey

Eurostat and OECD Data Provision

Ireland is mandated under European statistical law to provide Eurostat and the OECD with timely data on R&D in various sectors of the Irish economy. Forfás provides much of the data on a quarterly basis. The data relates to higher education R&D (higher education research and development (HERD)), business expenditure on R&D (BERD), gross expenditure on R&D (GERD), government expenditure on R&D (GovERD) including hospital-based R&D estimates and Government-backed appropriations and outlays on R&D (GBAORD). The data originates from surveys conducted by Forfás and the CSO on BERD (bi-annual), HERD (bi-annual), Science Budgets (annual) and the Community Innovation Survey (bi-annual).

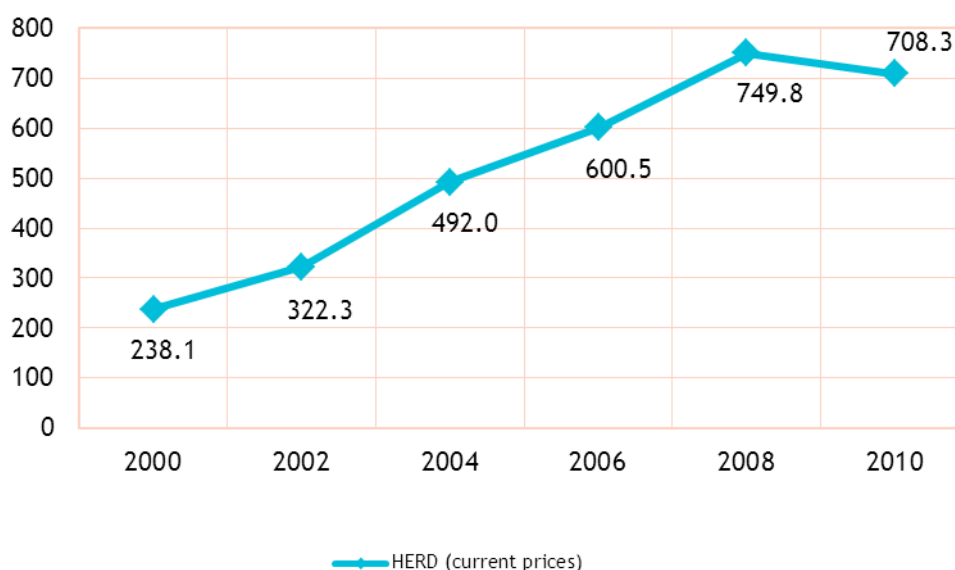
Higher Education R&D (HERD) Survey

The *Higher Education R&D Survey* is a bi-annual survey conducted by Forfás. The report focuses on the research and development (R&D) activities undertaken in the higher education sector and analyses R&D expenditure and R&D personnel data in universities and institutes of technology throughout the country.

The findings show that up to 2008 Ireland was making progress to increase the amount of R&D undertaken in the higher education sector. In the period 2002-2008 R&D expenditure performed in the higher education sector (HERD) had more than tripled in nominal terms, peaking at almost €750 million in 2008. However, 2010 has witnessed a contraction in HERD, with a 5.5 per cent decline reported by higher education institutes in Ireland. Total HERD stands at €708 million in 2010.

Despite this, Ireland's relative performance compared to its Gross National Product (GNP) sometimes referred to as the HERD intensity rate, improved somewhat in 2010, moving from 0.49 per cent in 2008 to 0.54 per cent in 2010. Between 2000 and 2010, HERD as a percentage of GNP (the HERD intensity rate) increased from 0.26 per cent to 0.54 per cent. As R&D expenditure declined between 2008 and 2010, the 0.05 per cent increase between 2008 and 2010 was due wholly to the reduction in GNP during this two-year period.

Figure 4: Trend in HERD expenditure, 2000-2010, in current prices, (€ million)



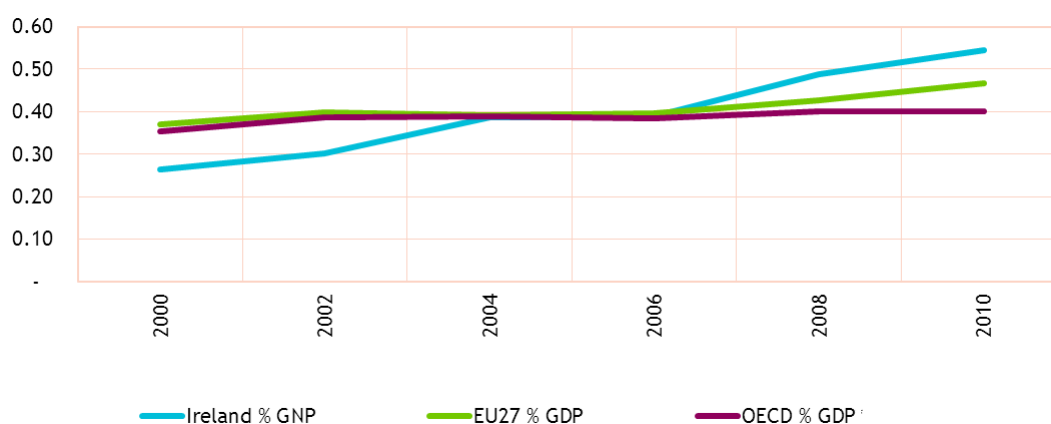
Source: Higher Education R&D (HERD) Survey, Forfás

Ireland's position relative to other OECD countries has improved steadily since 2000 enabling it to close the gap between domestic R&D performance and that of our major competitors internationally. Ireland is now ranked 14th out of 35 countries in terms of its HERD intensity rate, up from 26th in 2000.

Irish HERD as a percentage of publicly funded R&D is unusually high relative to other EU member states. This is because the other main element of public R&D funding, Government Expenditure on R&D (GovERD), forms a relatively low proportion of State-backed R&D in Ireland, at just €85 million in 2011, down from €140 million in 2008. Thus, public expenditure on R&D has fallen to €794m in 2010 (from €890m in 2008).

Gross expenditure on R&D (GERD), which includes public and private R&D (business expenditure on R&D (BERD)) as a percentage of GNP now stands at 2.05 per cent, up from 1.67 per cent in 2008; this increase is attributable to the large rise in BERD during these years and also to the contraction in GNP.

Figure 5: HERD as a percentage of economic activity: Ireland, OECD and the EU27



Source: OECD, Main Science and Technology Indicators, June 2012

In 2010 the total number of researchers employed by the higher education sector fell from 11,610 in 2008 to 11,058, a decrease of 4.8 per cent. The number of researchers in full-time equivalent (FTE) terms (amount of time spent on research) almost tripled from 2000 to 2008, peaking at 6,174 FTEs. This has fallen back somewhat to 5,729 FTEs in 2010, a fall of 7.2 per cent, significantly more than the decrease in the total headcount of research personnel.

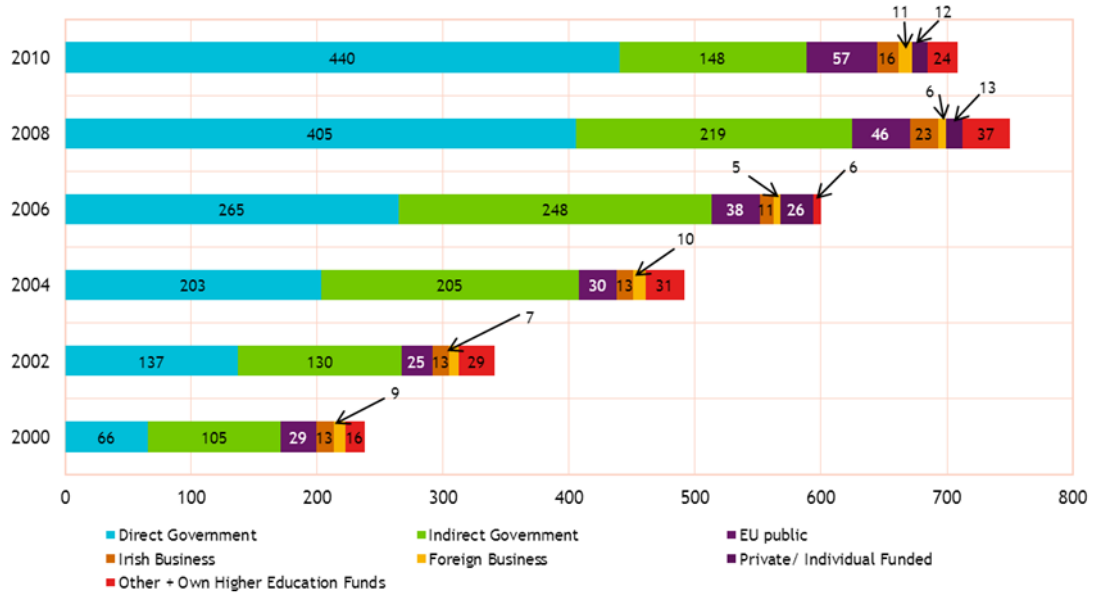
The main source of research funding in the higher education sector comes directly from government. Direct Government funding has increased from €66 million in 2000 to €440 million in 2010, an almost seven-fold increase over the period.

The agencies and government departments providing funding in 2010 include: Science Foundation Ireland (€135.8 million or 30.9 per cent); the HEA's Programme for Research in Third-Level Education, both current and capital funding (€74.2 million or 16.9 per cent); Enterprise Ireland (€49.1 million or 11.2 per cent); the Health Research Board (€28.7 million or 6.5 per cent); the Irish Research Council for Science, Engineering & Technology⁷ (€23.3 million or 5.3 per cent); and the remaining 29.3 per cent from Teagasc, other HEA funding, Irish Research Council for Humanities and Social Sciences⁸ (IRCHSS) and other state bodies.

⁷ In March 2012, the Irish Research Council for Science, Engineering & Technology (IRCSET) was merged with the Irish Research Council for Humanities and Social Sciences (IRCHSS) to form the Irish Research Council (IRC).

⁸ Ibid - previous footnote

Figure 6: Sources of higher education research funding in current prices (€ millions), 2000-2010

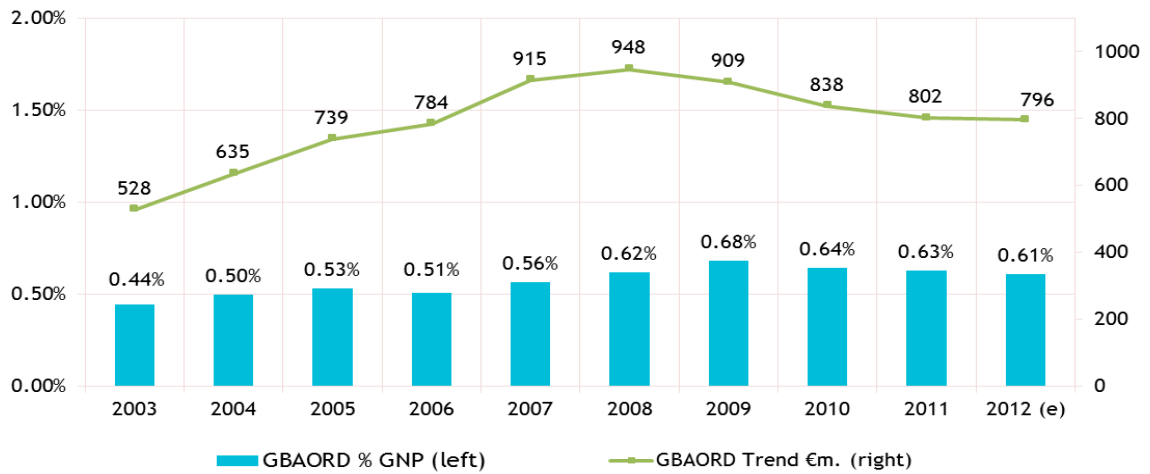


Source: Forfás Data Higher Education R&D (HERD) Survey, Forfás

State Investment in R&D Survey

State Investment in Research and Development 2011-2012 monitors public funding and performance of State-funded science and technology (S&T) and research and development (R&D) and aims to capture key performance metrics within the State sector.

Figure 7: Government Budget Allocations and Outlays on R&D - GBAORD 2003-2012

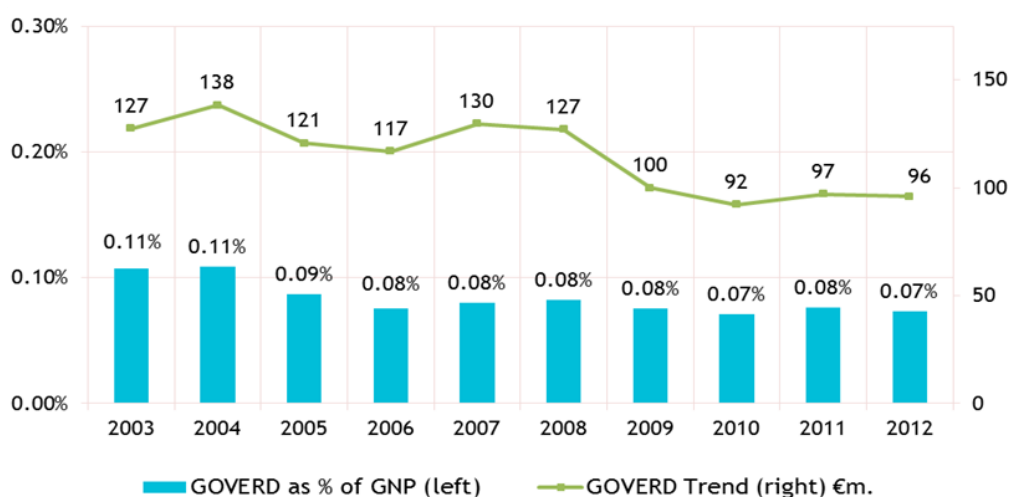


Source: State Investment in Research and Development 2011-2012, Forfás

The State's investment in Research and Development, also known as Government Budget Appropriations and Outlays on R&D (GBAORD), was maintained in 2012 from 2011. Overall funding levels have fallen from a peak of €948m in 2008 to €796m in 2012 (-16%).

- The GBAORD intensity ratio (State R&D funding for R&D activities as a per cent of economic activity divided by Gross National Product (GNP)) has risen steadily over the last decade.
- From 2008, the GBAORD intensity rate rose as a result of strong R&D spending outpacing nominal economic growth. The intensity level of investment has continued at over 0.6 per cent of GNP since 2008.
- In 2012, GBAORD intensity remained consistent at 0.61 per cent of GNP despite a reduction in the amount of funding. This is due to a marked reduction in GNP in recent years.

Figure 8: R&D performed in State Sector - GOVERD, 2003-2012

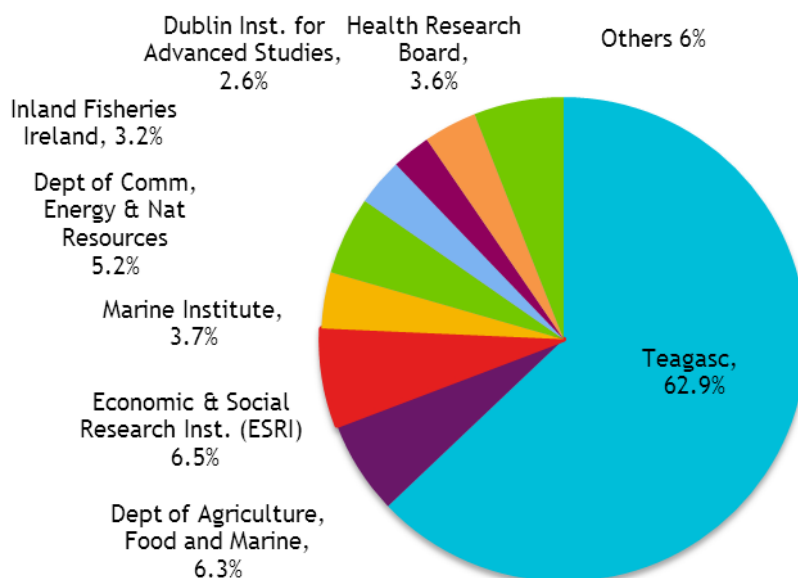


Source: State Investment in Research and Development 2011-2012, Forfás

Government Expenditure on R&D (GOVERD) - R&D performed in the State sector has been maintained for the last four years:

- Expenditure on R&D in the State sector has fallen from a high in 2004 of €138m to an allocation of €96m in 2012.
- As a percentage of GNP, the level of GOVERD has dropped from 0.11 per cent in 2003 and 2004 to 0.07 per cent in 2012 and has been relatively stable since 2005. The percentage of GNP accounted for by GOVERD dropped from 2005 to 2008 due to strong GNP returns. In subsequent years the drop reflects a decrease in capital investment in research and development in the government sector.

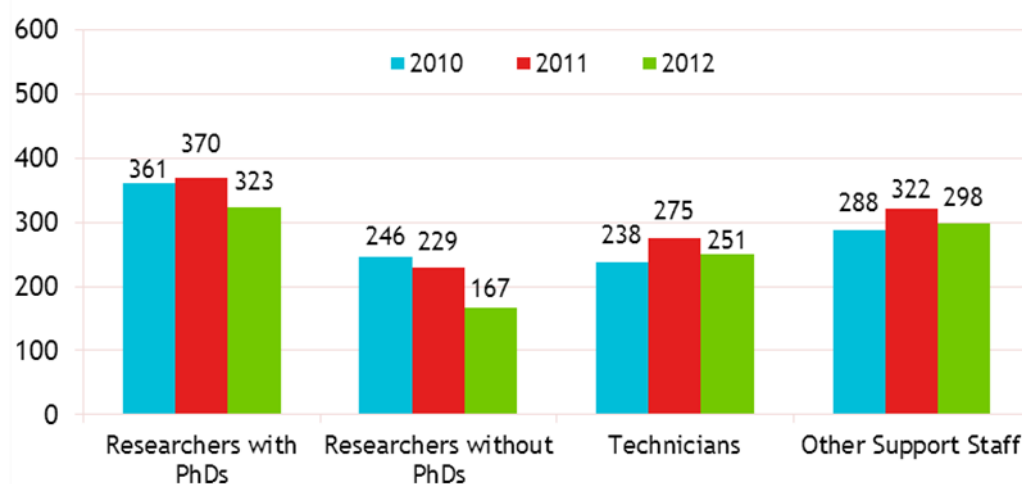
Figure 9: R&D performed in the State Sector - major performers, per cent of total (2012)



Source: State Investment in Research and Development 2011-2012, Forfás

- Teagasc, the Irish agriculture and food development authority, continued to be the largest performer of government R&D in 2012, with expenditure of €60m (62.9 per cent of total GOVERD).
- Other major contributors include the Department of Agriculture, Food and the Marine at €6m (6.3 per cent) and the Economic and Social Research Institute at €6.2m (6.5 per cent). The contribution to GOVERD from the Marine Institute is €3.6m (3.7 per cent).

Figure 10: Total R&D personnel by occupation in the Sector (headcount, 2010-2012)



Source: State Investment in Research and Development 2011-2012, Forfás

- Within the State sector, between 2011 and 2012 the number of PhD researchers decreased by 13 per cent, while non-PhD researchers decreased by 27 per cent over the same period.
- The number of technicians are estimated to have decreased by 9 per cent in 2012 over 2011. There has also been a decrease in the number of research support staff of 7 per cent in 2012.

Research Prioritisation

In 2012 the Research Prioritisation Steering Group, whose work was managed by Forfás, recommended 14 areas of opportunity which should receive the majority of competitive public research funding over the coming five years.

Following the adoption of the Steering Group's report by Government and the establishment of the Prioritisation Action Group (PAG) chaired by the Minister for Research and Innovation, under the broader auspices of the Cabinet Committee on Economic Recovery and Jobs, the PAG set about maximising the impact of Ireland's investment in research by focusing the majority of competitive public research funding on the 14 priority areas through the development of an action plan for each of the 14 priority areas.

Priority Areas of Focus for Publicly Performed Research and Development			
A	Future Networks & Communications	H	Food for Health
B	Data Analytics Management, Security & Privacy	I	Sustainable Food Production and Processing
C	Digital Platforms, Content & Applications	J	Marine Renewable Energy
D	Connected Health & Independent Living	K	Smart Grids & Smart Cities
E	Medical Devices	L	Manufacturing Competitiveness
F	Diagnostics	M	Processing Technologies and Novel Materials
G	Therapeutics - synthesis formulation, processing and drug delivery	N	Innovation in Services and Business Processes

The PAG brings together senior officials from nine Government departments, as well as the ten state agencies funding research. Forfás managed the overall work of the PAG in conjunction with DJEI as well as providing the research, analysis and management of the nine working groups established to develop the 14 action plans. The working groups comprise senior representatives from the departments and funding agencies supporting the specific priority area.

The priority area action plans were validated through a process of external stakeholder engagement which involved researchers and industry in the relevant areas. The plans are a detailed blueprint for actions to be taken by funding departments and funding agencies beginning in Q1 2013 to drive the implementation of the recommendations of the report of the Research Prioritisation Steering Group in order to re-align the majority of competitive public research funding around the priority areas over the following five years.

Research in all of the 14 priority areas can benefit both the economic and societal agendas. The realisation of the full potential of the research and commercialisation of each of the 14 priority areas requires the engagement of the wider ecosystem. An example is the health system. While continued investment in research in population health sciences, health services research, integrating clinical infrastructure and translational research will be required, it is important to recognise that this investment has a dual purpose. On the one hand, the research areas enable the generation of evidence to inform policy, improve clinical practice and create opportunities for improved healthcare delivery and better health outcomes. At the same time, research in these areas can benefit the wider economic agenda which aims to further develop the healthcare industry in Ireland for the domestic and potentially international markets. It can do so by strengthening the infrastructure, capability and capacity that will enable, inter alia, the identification, development, validation and potentially the adoption of enterprise outputs within the health system. The same could be said for research relevant to other sectoral areas including agriculture, marine and the environment.

This new approach is driving new behaviours resulting in research funding being tackled in a holistic way by all departments and funding agencies working together around the priority area action plans. The plans are underpinned by agreed metrics and targets for each of the Action Plans that reflect the national, department and agency level metrics and targets developed by Forfás and agreed by the PAG as part of the new STI Framework for monitoring the impact of investment in STI.



Minister Sherlock chairs the Prioritisation Action Group

“The future for indigenous Irish companies will be significantly determined by their ability to take advantage of global opportunities - because for Irish enterprise, export led growth will be the spearhead of economic recovery, so the nurturing of high-quality, innovative and internationally competitive companies is clearly fundamental to Ireland's future prosperity”
Sean Sherlock TD, Minister for Research and Innovation.

The new STI Framework, which will also be considered by Government, has the goal of “promoting excellent research and innovation in priority areas for maximum economic and societal impact, specifically, by contributing to sustainable economic growth; by protecting and increasing employment; and by addressing societal challenges.” This goal will be supported by three key objectives, namely to:

- Maximise the economic impact of public support for research and innovation to enterprise, both indigenous and foreign-owned;
- Sustain an excellent, internationally-oriented public research system that generates knowledge for economic and societal benefit; and
- Maximise knowledge exchange between public and private actors in order to accelerate the exploitation of new knowledge.

Putting Public Research to Work for Ireland

Following the publication by Forfás of the *Review of Supports for Exploitation of Intellectual Property from Higher Education Research*, DJEI established two groups, the IP (intellectual property) Implementation Group and the IP Policy Group to work on the implementation of the review recommendations, in combination with the IP relevant recommendations contained within the report of the Innovation Task Force.

Forfás was requested by DJEI to support the work of both groups and to bring the outputs of both groups into a single policy document. *Putting Public Research to Work for Ireland*, representing Ireland’s IP Protocol, was published by DJEI in June 2012 and has been formally adopted by Government as national IP policy, to be implemented by all State research funding organisations. It replaces the:

- *2005 National Code of Practice for Managing and Commercialising IP from Public Funded Research*;
- *2006 National Code of Practice for Managing and Commercialising IP from Public-Private Collaborative Research* published jointly by Forfás and the Advisory Council for Science, Technology and Innovation; and
- *Funding Agency Requirements and Guidelines for Managing Research Generated Intellectual Property*.

The new IP policy and framework set out in the Protocol is about encouraging industry to collaborate with Ireland’s universities, institutes of technology and other research performing organisations (RPOs) and to access and commercialise the IP generated. It sets out the Government’s policies to encourage industry to benefit from this research and describes the practical arrangements for this to happen.

The Protocol deals primarily with collaborative research, where industry and RPOs work together and, in particular, where industry and the State share the cost of the research. It also deals with industry access to the results of research that is 100 per cent State funded and contract research where industry pays the full cost of the research it commissions. It applies equally to all forms of research and development activity, from pure and applied research through to incremental and near-market development.

International Research and Innovation Policy

Forfás participates in high level international research and innovation policy fora at both European and wider international levels to input Irish views on behalf of DJEI. In 2012 these fora included the European Research Area Committee (ERAC), the OCED Committee for Technology and Innovation Policy (TIP) and the European Strategic Forum on Research Infrastructures (ESFRI).

Representing Ireland on the European Research Area Committee (ERAC)

The European Research Area Committee, established in 2010, is a strategic advisory body which assists the European Commission and the Council of the European Union in their work in the sphere of research and technological development. ERAC has a strong role in advising the Commission and Council in areas such as the EU Research, Technology and Development (RTD) Framework Programmes (FP7 and Horizon 2020), the ERA Framework and the RTD&I priorities for the EU Presidency. It is chaired by the Director General of the Commission's Directorate for Research and Innovation.

Forfás participated in ERAC with DJEI, and has attached particular priority to and argued for the link between research and innovation. Forfás, in conjunction with DJEI and its other agencies, consulted on an ongoing basis with key stakeholders on core policy issues discussed at ERAC to ensure that the views of Ireland and Irish enterprise are communicated at European levels and that the Irish community is kept informed of European developments.

Forfás was invited to join the steering board of ERAC in 2012 to represent Ireland and took a key role in the first half of the year in leading the work of ERAC on developing an ERAC opinion for the EU Commission and EU Council on the relationship between the ERA and Horizon 2020.

International Cooperation Activities

In addition to its participation in ERAC, Forfás was an active participant in the OECD Committee for Technology and Innovation Policy (TIP) and European Strategic Forum on Research Infrastructures (ESFRI).

The OECD promotes international cooperation and policy coordination in areas of STI policy at global levels between over 30 countries including the US, EU member states, and Japan and Korea. Emerging economies, including China, are becoming increasingly active as observer states. In 2012 Forfás participated in its Working Party on Innovation and Technology Policy (TIP).

Participation in the European Strategic Forum on Research Infrastructures (ESFRI) enables Forfás and the Higher Education Authority (HEA), as national co-delegates, to foster information exchange and dissemination and to facilitate national and European decisions at policy level on matters relating to European research infrastructure.

During the first half of 2012 Forfás participated as the national co-delegate hosting quarterly meetings of institutional, agency and governmental representatives to discuss the status of the ESFRI projects on the ESFRI roadmap in which Ireland is involved, exchange good practice and address any issues arising from a national or European policy perspective. Participation by Forfás facilitated the connection between the industry agenda with decisions being made on infrastructure at European Union level.

Advisory Council for Science, Technology and Innovation

The Advisory Council for Science, Technology and Innovation (ACSTI) is the Government's high level advisory body on science, technology and innovation (STI) policy issues and is a sub-Board of Forfás. It is the primary interface between stakeholders and policymakers in the STI arena. 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.

Forfás manages the work of ACSTI and provides it with research and analysis. In 2012 the Council concentrated on the following areas:

[Sustainability of Research Centres](#)

[Playing Our Part: Statement on Horizon 2020](#)

Sustainability of Research Centres

The Council brought its major work on sustainability of research centres to a conclusion in 2012 and promoted its implementation through Technology Ireland and the Prioritisation Action Group.

The ACSTI report, *Sustainability of Research Centres*, found that there is a broad range of issues in relation to sustainability of research centres. These are linked to the mix and profile of research centres in the landscape, the need for oversight of the landscape to meet RD&I requirements and the need for funding models to achieve individual centre sustainability. The study also found that a gap exists in the current State supported research centre landscape compared to other jurisdictions that needs to be addressed to fully support the commercial opportunities emanating from research.

The report concluded that it is a more appropriate use of Government department and agency funds to support a smaller number of research centres than exist today, and to divert some funding towards resolving centre sustainability issues and the development of new centres.

Building on the work of the Advisory Council for Science Technology and Innovation in this area, key research funders are implementing significant changes. Science Foundation Ireland, in the context of its new strategy, *Agenda 2020 - Excellence & Impact*, has established new research centres aligned with one or more of the research priority areas and these large-scale centres (>100 researchers) will also be required to secure and maintain a minimum of 30 per cent of funding from industry. This will help to ensure that commercialisation potential is at the core of each new research centre and that the needs of industry are appropriately represented and fittingly addressed in the respective research programmes. Enterprise Ireland with IDA Ireland will continue to establish applied research Technology Centres in strategically important areas aligned with the sectoral industry-led research and development agendas in line with the APJ 2013 actions. The enterprise agency centres-based initiatives will also be complemented, where appropriate, by the Higher Education Authority supports via the Programme for Research in Third-level Institutions (PRTLTI).

Playing our Part: Statement on Horizon 2020



Ireland's research and innovation agenda and priorities are fully aligned with the EU's Europe 2020 strategy for jobs and growth. A key part of this strategy will be Horizon 2020, the successor for Framework Programme 7. Horizon 2020 is the financial instrument, running from 2014 to 2020 with an indicative €80 billion budget, for the EU's new programme for research and innovation and a key part of the drive to create new growth and jobs in Europe.

ACSTI held a national consultative workshop on the European Commission's proposals for Horizon 2020 in December 2011. The views expressed at this workshop formed the basis for the Council's statement *Playing Our Part in Europe*.

The statement called for a strategic and focused approach to secure a significant share of future European research and innovation funding for Ireland, building on our successes in the current framework programme where we are exceeding national targets.

The negotiations on Horizon 2020 were progressed during Ireland's Presidency of the European Council and will be finalised by the end of 2013. Our national research priorities being progressed by the Prioritisation Action Group align well with those being considered in Horizon 2020 and participation in Horizon 2020 will be a key benefit for the SME enterprise sector and an enabler of jobs in Ireland.

Advocacy

The ACSTI continued to engage with key stakeholders to ensure key STI policy issues were kept to the forefront and in its role as secretariat to the Council, Forfás also received a wide range of queries from various sources for data and information. The Chair and the Forfás Head of Secretariat to the Council also participated in a meeting of EU Science Councils providing presentations on the work of the Council in particular with regard to economic impact of research.

Euroscience Open Forum 2012 (ESOF2012) and Dublin City of Science 2012

ESOF2012 at a Glance

- 4494 Delegates
- 75+ Countries
- 162 Sessions
- 660 Speakers
- 25 Keynote Speakers
- 5 Nobel Laureates
- 472 Accredited Media from 47 countries

Background

The Euroscience Open Forum (ESOF) is Europe's largest general science conference and is held in a leading European city every two years. In 2008 the Chief Scientific Adviser, with the support of Forfás, prepared a bid, endorsed by the Government, to host the 2012 conference in Dublin. This bid was successful and the Government delegated the organisation of the event to the Office of the Chief Scientific Adviser (CSA) in association with Forfás.



Opening ESOF 2012

Pictured at the opening of ESOF2012 are (l-r) Dara Ó Briain, Broadcaster and MC at the opening evening; Michael D. Higgins, President of Ireland; Máire Geoghegan-Quinn, Commissioner for Research Innovation and Science; Richard Bruton T.D, Minister for Jobs, Enterprise and Innovation

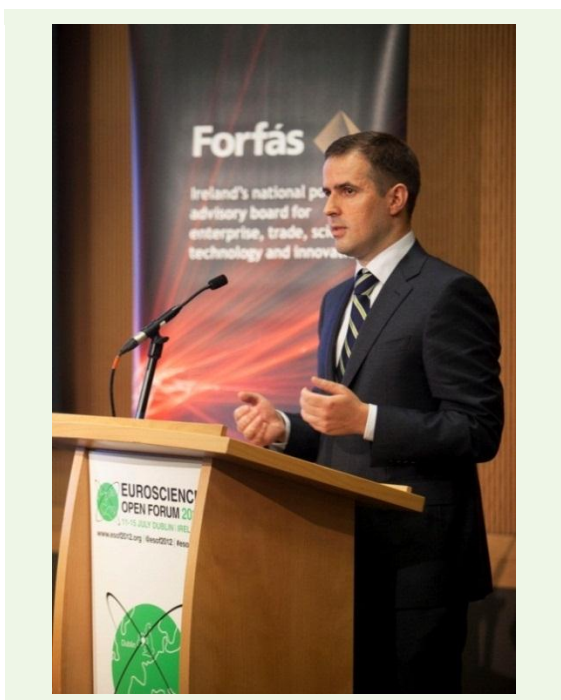
Overview

Ireland hosted ESOF2012 from 11-15 July, 2012 in the Convention Centre Dublin. The President of Ireland, Michael D. Higgins delivered the opening address, and the Taoiseach and senior Government Ministers attended parts of the conference.

The conference featured numerous eminent speakers, including five Nobel Laureates, the Director General of CERN, the Administrator of NASA, the Director of the National Science Foundation, the Chair of the Intergovernmental Panel on Climate Change, the European Commissioner for Research Innovation and Science, and the Chief Scientific Adviser to the President of the European Commission. A programme of 162 sessions with 660 speakers showcased the most exciting European research, covered topics as diverse as archaeology and cosmology and attracted over 4,490 delegates from over 75 countries.

There was a significant policy dimension to the programme and important discussions were held on innovation policy, Framework Programme 7, Horizon 2020 and the European Research Area.

The Science-2-Business programme consisted of a series of workshops to provide practical assistance to researchers who were interested in turning their ideas into viable business propositions. The Careers Programme addressed many of the particular concerns and interests of young researchers.



Forfás at ESOF2012

Innovation...*“Why is it Important? It is important, particularly for small countries like Ireland, because it recognises that by organising our resources and particularly our knowledge we can achieve the levels of development of other advanced economies which have more natural endowments and wealth.”* said Martin D. Shanahan, Chief Executive, Forfás (pictured), presenting at the Forfás Session on Innovation Policy at ESOF2012

Read Martin D. Shanahan’s speech at ESOF2012 [here](#)

View insights from the Forfás session on Youtube [here](#)

Forfás Innovation Policy Session

Forfás hosted a key session entitled, *The Future of Innovation Policy - Forging Policy in Uncertain Times*. This featured a high-level panel of speakers: Sean Sherlock, T.D., Minister for Research and Innovation; Martin D. Shanahan, Chief Executive, Forfás; Dr John Bell, *Chef de Cabinet*, Commissioner Geoghegan-Quinn; Ken Guy, Head of Science and Technology Policy Division, OECD; and Prof. Brian McCraith, President, Dublin City University.

The session focused on science and technology as the cornerstone of Ireland's innovation policy. The discussion acknowledged that Ireland has significantly increased its R&D performance but we must continue to invest in both basic and applied research. A key argument put forward was that countries like Ireland are not in a position to develop critical mass in each and every research area and there is a need to specialise. Ireland has prioritised those areas of opportunity where we have developed research capability, there is a market opportunity and where the enterprise base can benefit from the opportunity.



Forfás Innovation Policy Session at ESOF2012

Pictured at the Forfás session on innovation policy are (l-r) Prof. Brian MacCraith, President, Dublin City University; Ken Guy, Head of Science and Technology Policy Division, OECD; Martin D. Shanahan, Chief Executive, Forfás; Seán Sherlock T.D, Minister for Research and Innovation; Dr John Bell, *Chef de Cabinet*, Commissioner Geoghegan-Quinn

Public Engagement / Dublin City of Science

To maximise the domestic impact of the hosting of ESOF2012, the Office of the CSA and Forfás coordinated a programme of public engagement events under the banner Dublin City of Science 2012. Over 200 science-themed activities were held throughout the year in partnership with organisations from the cultural, arts and educational communities. Significant events in the programme took place in Cork and Galway.

Dublin City of Science 2012 saw over 600,000 people take part in a celebration of science with over 160 events and activities that crossed the worlds of art and culture to entertain the public and bring science to life.

Key events during the year included:

- The St Patrick's Day Festival Parade in March where participants brought the science theme to life based on questions posed by children.

- The Dublin Mini Maker Faire brought together tech enthusiasts, crafters, educators, tinkers, hobbyists, engineers, artists, scientists, students and authors of all ages and backgrounds to showcase their work.
- The three month Awakening Curiosity Programme at The Ark in Dublin stimulated the curiosity of children in scientific discovery, art and biodiversity and the venue reached record audience figures during the summer.
- Zoo in My Garden was a hugely popular theatre performance that brought some of the animals in the Natural History Museum back to life. The show was a collaboration between Dun Laoghaire Institute of Art, Design and Technology, the National Museum of Ireland Natural History's Education Department and Theatre Director Denis Conway of Ouroboros Theatre.
- The week-long science and arts festival, CuriousCity, took place in Cork in June and Accelerating Science, CERN's flagship travelling exhibition visited Galway in September.

Outcomes

ESOF2012 had a huge impact at a national level and received extensive coverage in the domestic media, print and broadcast. The Irish Times and RTE were media partners for the event. Over 440 media hits were identified in the domestic media. The level of popular interest in the meeting and the associated public engagement programme, was such that a number of the ESOF2012 partners have committed to support a three day science festival in Dublin, entitled the *Festival of Curiosity*, in July for the next three years.

ESOF2012 firmly established the ESOF meeting as the premier European meeting on research and research policy. The programme generated huge international media interest and over 470 accredited media from 40 countries attended. Over 700 international media hits were identified. ESOF2012 projected a very positive image of Ireland and the quality of research here to our partners in Europe and beyond.



Announcing the Festival of Curiosity

Pictured (l-r) are Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation, Prof. Luke O'Neill, School of Biochemistry and Immunology, Trinity College Dublin and Chairman of the ESOF2012 Programme Committee and Martin D. Shanahan, Chief Executive, Forfás

Read more about the Festival of Curiosity [here](#)

www.esof2012.org

Competitiveness

Sustaining and improving Ireland's competitiveness

“With weak external demand forecast for the medium term, Ireland must continue to bolster its export growth by focusing on national competitiveness. We must pursue high growth markets, increase our market share with our existing trading partners and ensure that we are well placed to take advantage of the upswing in demand when it occurs. To do this we must continue to take steps to ensure Ireland is an open, cost effective, productive economy”

Martin D. Shanahan, at the launch of Ireland's Competitiveness Performance 2013.

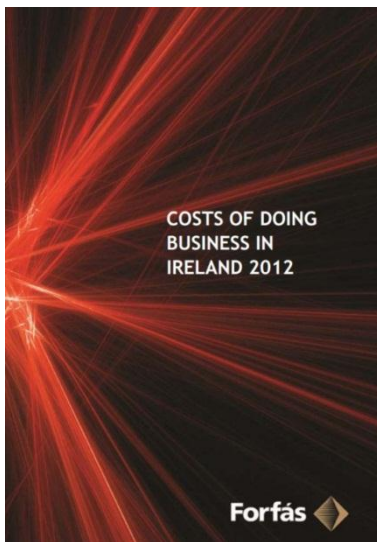
Competitiveness and Economic Analysis

Generating sustainable broad based export-led growth is essential to rebuilding our economy. In order to deliver growth, Ireland's international competitiveness needs to continue to improve. Competitiveness encompasses all those factors which impact on the ability of firms in Ireland to compete in international markets in a way which provides our people with the opportunity to improve their quality of life. These factors include the costs of doing business, the ease of doing business, the quality of our labour force and physical infrastructure and our potential to enhance innovation and productivity.

Domestically, in the six years since the global economic crisis first emerged, Ireland has undertaken significant reforms designed to facilitate a return to growth and employment creation. Notwithstanding recent growth and the return of a greater degree of economic stability, Ireland's road to recovery remains challenging. It is essential that we continue to monitor our competitiveness to ensure weaknesses are identified and competitiveness challenges are addressed. Forfás examines a diverse range of competitiveness topics and provides analysis and advice to Government.

Costs of Doing Business

In the absence of a currency devaluation policy lever to manage short term cost competitiveness pressures, policy needs to be focused on achieving enhanced competitiveness through cost reductions in key business inputs and enhanced productivity growth. The *Costs of Doing Business in Ireland 2012* which was undertaken as part of the Action Plan for Jobs 2012 is primarily focused on direct costs to enterprise. Using the most up-to-date



internationally comparable cost data, *Costs of Doing Business in Ireland 2012* examines a range of key enterprise relevant costs across a number of dimensions, including labour, property, transport, utilities, credit and business and professional services. Acknowledging the interlinked nature of all sectors and elements of the economy, however, reference is made to the wider costs environment and a range of consumer costs is taken into account.

The Forfás analysis finds that substantial reductions in costs have been achieved across a range of business inputs and Irish cost competitiveness has improved markedly over the last three years or so. The pace of correction is a reflection of the open and flexible nature of the Irish economy, the depth of the recession, the weak performance of the euro and policy reforms implemented.

More specifically, the analysis highlights that:

- Labour costs have fallen marginally since 2008. After a number of years of declining wage levels, the data suggests that wage growth has resumed of late - albeit at a lower level than elsewhere in the euro area, meaning that labour cost competitiveness continues to improve
- Construction costs and rental costs for both office and industrial space have fallen dramatically for new businesses since the collapse of the property bubble and the onset of recession. Of course, many existing businesses are tied into higher property costs

having purchased or leased property with upward only rent review clauses during the property boom.

- In terms of transport costs, Ireland is the fourth most expensive country in the euro area for diesel. Prices for transport related services (e.g. road freight, sea transport, warehousing) have generally remained relatively stable since 2006.
- Electricity costs for large energy users and SMEs are the seventh and fourth highest amongst the euro area 15 countries respectively. Ireland has the sixth highest industrial gas prices although Irish prices are 3 per cent below the euro area average.
- The cost of credit (i.e. interest rates) for new loans to enterprise in Ireland exceeds the cost in the euro area for a range of loan types and sizes. Loans of up to €1 million (which are often used as a proxy for the rate for loans to SMEs) are over 10 per cent more expensive in Ireland while loans of over €1 million are almost 15 per cent more expensive.
- The cost of the majority of business and professional services (e.g. computer programming and consultancy; architecture, engineering and technical testing; and advertising, media representation and market research) in Ireland has fallen since 2006. The cost of legal services (for solicitor services), however, is the exception, with legal costs 12 per cent above 2006 levels.

Ireland is the third most expensive country in the euro area, with consumer prices 12 per cent above the euro area average. These price levels do not appear to be justified by our income levels (GDP/GNP). A number of other concerns exist:

- Improvements in cost performance have been strongly related to the weak performance of the euro - a factor outside of our control, which is subject to change. A significant proportion of the recorded gains could be quickly eroded if the euro strengthens.
- The pace of cost improvement has slowed considerably in recent months - perhaps related to the fact that the economy returned to modest growth. Upward price pressures are already emerging (i.e. rising consumer price inflation, a return to positive, albeit weak, wage growth).
- Rigidities within the economy persist. High levels of spare capacity (e.g. high unemployment, excess property, etc.) suggest that costs remain too high and that adjustment is occurring too slowly.

Acknowledging that reforms which enable markets to work more efficiently are the key mechanism to achieve long term improvements in cost competitiveness, *Costs of Doing Business* sets out a range of actions under each of the cost headings for consideration by policy makers.

[Costs of Doing Business in Ireland 2012](#)

Ireland's Competitiveness Ranking

Action 1.28 in the *Action Plan for Jobs 2012* required Forfás to “develop a set of competitiveness targets that are amenable to domestic action to restore Ireland’s ranking”. More specifically, Forfás was required to identify a short list of key competitiveness indicators where Ireland's performance is poor and which are amenable to domestic policy action; quantify the change required in order for Ireland to be placed in the top five most

competitive economies in the OECD; and set out policy actions required to attain improvements for Government.

Following initial analysis, it was agreed that the World Bank's *Doing Business Index* would be used as the tool for highlighting policy actions to achieve improvements in Ireland's competitiveness rankings. Ireland ranked 15th out of 183 countries in the *Doing Business Index 2012*. Despite Ireland's relatively strong overall position, Ireland's performance on some of the metrics that comprise the index vary considerably. Forfás' analysis suggested that there is particular scope for improvement in relation to:

- Getting Electricity (95th out of 183 countries);
- Registering Property (53rd);
- Enforcing Contracts (63rd);
- Dealing with Construction Permits (106th); and
- Trading Across Borders (28th).

Based on a series of consultations and desk research, Ireland's ranking could improve significantly if:

- The survey was completed more accurately, in line with the guidance provided by the World Bank;
- The data captured recent developments that reduce time, procedures and costs; and
- A series of recommended policy reforms are implemented.

The policy recommendations focus on:

- Reducing the time it takes for a firm to obtain a permanent electricity connection (through increased use of competitive tendering and reducing the time it takes to complete administrative tasks related to road openings);
- Reducing the time and costs involved in registering property through the reform and modernisation of Irish land and conveyancing law;
- Working with the Courts Service to reduce the time and costs it takes to enforce a legal contract in Ireland through the expedited roll out of the Civil Case Management System;
- Ensuring that the planning application process is more "responsive and customer orientated" to reduce time delays and costs related to construction permits (e.g. reviewing the processes in place in Dublin City Council to reduce the time taken to obtain a Fire Safety Certificate; Planning Permission; Disability Access Certificate; and a water connection); and
- Reducing the administrative burden in Ireland in terms of documents required to trade across borders (i.e. through streamlining the time taken to prepare necessary documentation; increased use of automation where possible; and maximising the availability of online resources).

Action 123 in *the Action Plan for Jobs 2013* requires DJEI, Forfás and other relevant bodies to put in place a process on the key actions required to enhance Ireland's competitiveness ranking in the World Bank's *Doing Business Index* with the goal of implementing impactful reforms.

Taxation

Pre-Budget Submission 2013

Forfás works closely with DJEI on the development of tax measures that support enterprise development and job creation, for example, the JobsPlus initiative in *Action Plan for Jobs 2013*. In addition to providing regular advice on a wide range of tax issues, Forfás, IDA Ireland and Enterprise Ireland prepare an annual joint pre-Budget submission.

The Joint Agency Pre-Budget Submission 2013 provided advice on the potential implications of a range of proposed tax changes on enterprise. The primary purpose of the submission was to ensure that Budget 2013 supports enterprise, in particular, the export potential of firms and Ireland's attractiveness as a location for foreign direct investment.

Forfás set out a number of principles to guide the approach to Budget 2013 including:

- Ensuring that proposals to increase taxation should follow the hierarchy of taxes least harmful to economic growth, cognisant of the need to achieve savings of €3.5 billion, of which, €1.25 billion was due through revenue raising measures.
- Providing certainty, predictability and stability to enterprise in order for them to be able to plan and grow.

Recommendations put forward were focused on maintaining measures which are central to the enterprise sector, most notably the corporation tax regime and the labour tax wedge. In addition, a number of areas were identified that require further development so that Ireland can continue to grow its indigenous sector and compete internationally for investment projects, particularly in the area of research and development, attracting and retaining key skills and encouraging investment in enterprise.

Finance

Funding is vital for enterprises to survive. During 2012, Forfás provided advice to DJEI and other government departments on the issue of enterprise access to funding.

Review of the Funding Environment

In April 2012, Forfás released a report that provided an overview of the current funding environment for business in Ireland, both bank and non-bank sources. It also outlined the policy issues arising and proposed a wide range of actions to improve access to funding, many of which were reflected in the *Action Plan for Jobs 2012*. Policy recommendations for this report are outlined in the *Forfás Annual Report 2011*.

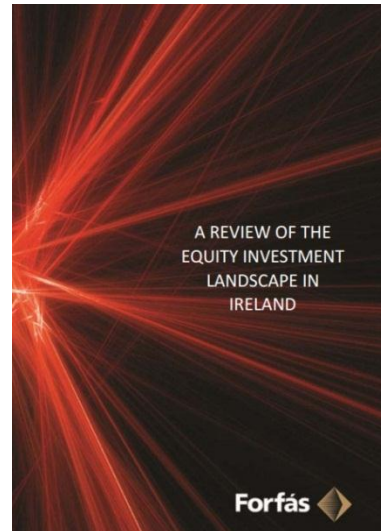
[The Irish Enterprise Funding Environment](#)

A Review of the Equity Investment Landscape in Ireland

Forfás concluded a study in 2012 on the Equity Investment Landscape in Ireland. This report, a deliverable under the Action Plan for Jobs 2012 (Action 3.41), highlights that equity investment provides an opportunity to support high growth start-ups and to provide alternatives to bank funding, particularly for indebted firms. Equity investment, such as business angels and private investors, venture capital, government equity and private equity, provides an alternative to loans and an opportunity to support viable businesses looking to grow.

While equity investment is only a viable option for a minority of firms, the report highlights that its use is growing. The provision and use of equity is largely guided by the market but there are actions the State can take. A wide range of initiatives are underway but there is potential for further additional actions to address the issues which concern both businesses and investors. While many entrepreneurs voice concerns over the lack of equity funding, investors cite the absence of viable projects as a key barrier to investment.

Key recommendations to support entrepreneurs and firms seeking funding include the need to enhance business interest in equity/quasi equity and firm-readiness for investment, and to support the development of IPOs in Ireland and overseas markets. More broadly, there is a need to have clearer initiatives to support entrepreneurship in Ireland and a higher degree of tax neutrality on firms' debt/equity financing decisions. Key recommendations to support investors include the need to enhance the Employment and Investment Incentive (EII) scheme to encourage investment and to ensure that the venture capital market is capable of supporting investment in Irish firms. A number of these recommendations are being implemented through the *Action Plan for Jobs 2013*.



[A Review of the Equity Landscape in Ireland](#)

State Bodies Group

Forfás is a member of the State Bodies Group, which was set up in 2012 and is chaired by the Department of Finance. The Group has responsibility for both developing key policy initiatives to support SME access to credit and other forms of finance, and ensuring their implementation.

Infrastructure

Sectoral Regulation and Cost Competitiveness

Regulation by or on behalf of the State plays an essential role in ensuring that economic activity by individual economic actors is consistent with wider national policy objectives, including consumer protection, environmental quality, provision of essential services, competition and health and safety. Regulation can be expressed through primary or secondary legislation, and through the activities and determinations of sectoral regulators. It is important, however, that regulation should not place an unnecessary burden on business activity. Inappropriate or excessive regulation can increase costs for business and impair competitiveness.

As part of the *Action Plan for Jobs 2012*, Forfás undertook a study to identify changes in the operation of sectoral regulators that would enhance cost competitiveness.

Sectors Studied

A range of regulated sectors were identified for inclusion in this study:

- Energy - electricity and gas;
- Telecoms - phone calls and broadband services;
- Transport - airport charges and rail freight;
- Waste management; and
- Water/waste water services.

The sectors included in this study reflect the requirement in the terms of reference to focus on direct input costs of relevance to enterprise.

The study differentiates between the role of policymakers to set policy goals, decide upon regulator structures and to provide general guidance, and the role of regulators to implement the policy decisions, often with little discretion. The assessment of the drivers of costs found that in many cases policy actions have a more significant impact upon cost competitiveness than any regulatory changes. There are, however, a number of areas where changes to the operation of the sectoral regulators could have a real and positive impact on cost competitiveness. These relate to the focus of regulatory mandates, the level and adequacy of resources, enforcement powers and sanctions available to the regulators, and the efficiency of the appeal process. In particular, to ensure effective economic regulation, countries need to develop clear and consistent regulatory objectives with key goals prioritised, which then need to be applied and assessed to ensure that the objectives are being met. Performance measurement is critical to assess if the objectives are being met while enforcement measures are required to ensure compliance with regulatory obligations and market rules.

Changes to sectoral regulation to improve cost competitiveness will take some time to fully implement. From a practical point of view, many of the actions identified to improve the effectiveness of economic regulation could be coordinated with other important initiatives (e.g. the transposition of EU directives in the policy area or the development and implementation of new national policies in a specific area). More immediately, Action 165 of the *Action Plan for Jobs 2013* requires the preparation of a new Government policy statement on economic regulation in 2013. The Department of the Taoiseach is to finalise a new statement by mid-2013. Forfás will work with relevant parties to progress key recommendations.

[Sectoral Regulation](#)

Joint Agency Submission on Proposed Reform of Water Services

In February 2012, Forfás submitted a joint agency response to the Department of Environment, Community and Local Government's paper on "Reform of the water sector in Ireland" in consultation with IDA and Enterprise Ireland.

The joint agency submission welcomed the broad policy direction proposed in the position paper and set out the enterprise development agencies' priorities for water services reforms. These are summarised below:

- Ensure a smooth transition period without disruption to service delivery or investment in infrastructure;
- Ensure Irish water services are competitively priced;

- Ensure required investment is made to meet enterprise needs in key urban centres;
- Provide certainty with regard to legacy agreements between large users and local authorities; and,
- Realise potential enterprise opportunities arising from reform of the water sector.

Broadband

From an enterprise development perspective, the timely delivery of advanced broadband services to key urban centres is the top infrastructure priority. The widespread availability of advanced broadband infrastructure and services is essential to realising future growth potential in existing and emerging sectors. Following the publication of a detailed report in November 2011, *Ireland's Advanced Broadband Performance and Policy Priorities*, Forfás worked closely with the Department of Communications, Energy and Natural Resources (DCENR) during 2012 on the preparation of the new national broadband plan. A key input was the series of consultations with a selection of development agency clients on their broadband needs in May 2012, which informed the formal joint agency submission to DCENR. This submission highlighted that delivering advanced broadband services is the top infrastructure investment priority for enterprise. The availability of advanced broadband services offers significant development opportunities for Ireland to capture new growth for entrepreneurship and jobs in existing and emerging sectors (e.g. digital media, cloud computing, education); to achieve productivity growth; to improve competitiveness across all sectors; and to meet regional development policy objectives. Ireland needs to set ambitious targets for advanced broadband services and ensure that the national broadband plan sets out specific, deliverable and time bound actions to achieve those targets to ensure Ireland is among the leading countries.

The agreed actions in the Government's National Broadband Plan for Ireland reflect many of Forfás' priorities. In particular, Forfás welcomes the announced €175m investment in broadband. Forfás is represented on the High Level Implementation Group established to oversee the plan.

Forfás also worked with DCENR, DJEI and others to develop the Disruptive Reform in the *Action Plan for Jobs 2013* to increase the number of businesses trading online. The ambition of this initiative is to achieve a step-change in the number of businesses trading online for the first time, particularly small businesses.

National Competitiveness Council

The National Competitiveness Council (NCC) was established by Government in 1997. It reports to the Taoiseach on key competitiveness issues facing the Irish economy and offers recommendations on policy actions required to enhance Ireland's competitive position in the global market. Forfás provides the Council with research and secretariat support. In 2012, the NCC and Forfás published two reports on competitiveness:

[Ireland's Productivity Performance 1980-2011](#)

[Ireland's Competitiveness Scorecard 2012](#)

In addition, the NCC engaged in significant advocacy activities by delivering presentations and papers at a range of stakeholder events and fora.

Ireland's Productivity Performance 1980-2011

Ireland's Productivity Performance 1980-2011 was published in May 2012 and maps Ireland's productivity performance over the last three decades relative to the UK, the US, and the EU.

Productivity is the primary long term driver of competitiveness. In a time of austerity and reduced demand, productivity offers significant potential to enhance competitiveness and living standards. Productivity growth allows firms to compete successfully in international markets by enabling output to be produced in a more efficient and cost effective manner. In the decade or so prior to the current recession, Irish economic growth was driven equally by gains in productivity and an expansion in hours worked. With the onset of recession, despite Irish productivity performance remaining relatively strong, productivity gains have been more than offset by the fall in hours worked, leading to a sharp contraction in the size of the economy.



Sustainable employment growth cannot resume without additional demand for Irish goods and services. Demand is influenced by numerous factors, one of which is price, and in that sense Irish goods and services must be produced in a competitive manner. Higher productivity, therefore, is a prerequisite for a return to growth and employment creation.

The analysis in Ireland's Productivity Performance 1980-2011 finds that:

- Ireland's productivity performance has been comparatively strong over the 1980-2011 period. Labour productivity levels have increased from less than €14 an hour in 1980 to just under €39 an hour in 2011 and Irish productivity levels now exceed those of many of our peers and key competitors.
- Notwithstanding recent improvements, it is apparent that Irish labour productivity growth rates have slowed since the 1990s, mirroring trends elsewhere in the developed world. While Ireland's labour productivity growth rates are weakening, they remain relatively strong in an international context.
- Above average productivity growth combined with lower than average cost increases has resulted in improved Irish competitiveness. Some of these gains, however, have arisen as a result of the impact of the recession on the labour market - up to a third of Ireland's labour productivity growth since 2007 has arisen as a result of a reduction in hours worked in the economy.

In terms of enhancing Irish competitiveness, both enterprise and government have a role to play in maximising productivity. From a policy perspective, a number of implications arise from this analysis.

- Despite fiscal challenges, Ireland must continue to invest in productivity enhancing programmes and infrastructure, particularly in education and training programmes, to

the greatest extent possible. Prioritisation based on robust cost-benefit analysis is essential.

- We must maximise competition in the non-tradable sectors. Actions to boost performance in low productivity sectors can have a significant impact on overall national productivity performance. It is essential that we continue to broaden the productivity base through sector specific measures that enhance competition and reduce barriers to entrepreneurship.
- Access to finance is essential for firms to improve productivity. Investment in capital has been a primary driver of productivity growth in Ireland over recent decades. The process of capital investment must be continuous if Irish enterprises are to increase their competitiveness. For firms to continue to invest in capital, availability of funding must be forthcoming.
- Access to high quality broadband is also essential for firms to increase productivity
- Increasing productivity of the public sector is also a key element in improving aggregate productivity levels. As resource inputs to the public sector continue to be reduced, reform-driven productivity growth offers the only avenue to maintain and enhance service levels.

[Ireland's Productivity Performance 1980-2011](#)

[Ireland's Competitiveness Scorecard 2012](#)

Each year the NCC publishes a report benchmarking Ireland's competitiveness performance. *Ireland's Competitiveness Scorecard* (previously named Benchmarking Ireland's Performance), prepared for the NCC by Forfás, provides a comprehensive assessment of Ireland's competitiveness performance, using over 125 statistical indicators. The indicators are drawn from data sources such as OECD, Eurostat, CSO and Forfas' own data. Benchmarking competitiveness performance is an essential exercise and these indicators provide the Council with the analytical underpinning to formulate policy recommendations for maximising Ireland's international competitiveness.

The 2012 report finds that while the Irish economy grew for the first time since 2007, the environment for Irish businesses remains challenging. Modest growth fuelled primarily by a relatively strong export performance reflects improvements in our international competitiveness. There were some signs of stabilisation in the labour market, although employment continued to fall and unemployment continued to increase. Significant consolidation has been achieved in the public finances. However this stabilisation does not equate to recovery, and significant competitiveness related risks are highlighted in the report, including:

- The need to continue to restructure our public finances.
- The ongoing requirement to invest in essential economic infrastructure.
- The impact of high levels of debt, which has repercussions for the competitiveness of all sectors of the economy and for wider society, particularly in terms of demand and investment.
- The risk that recent competitiveness gains could be quickly eroded and that costs could increase rapidly again in future without structural reform.

- The need to diversify our export base in order to protect and grow market share. While exports have driven growth to date, Ireland's market share remains at pre-recession levels.
- The persistence of skills mismatches despite high unemployment. Long-term unemployment and youth employment are on the rise in Ireland and pose significant threats to competitiveness.
- The challenges posed by the shortage of credit for enterprise.

[Ireland's Competitiveness Scorecard 2012](#)

Advocacy

Significant levels of advocacy took place on behalf of the NCC during 2012 including presentations at the McGill Summer School and the Dublin Economic Workshop. In its role as secretariat to the Council, Forfás also received a wide range of queries from various sources for data and analysis.

Forfás also organised and hosted a Global Federation of Competitiveness Councils workshop in May 2012. With 22 participants from nine countries, the purpose of the workshop was to advance the development of a Competitiveness Scorecard which will allow members to (i) define a common language on the issues related to competitiveness assessment; and (ii) develop key initiatives to address the scorecard indicators.

People

“It will be a challenge for Irish exporting companies to increase their goods and service exports to existing markets...while at the same time increasing exports to newer high potential and emerging markets. Skills are a key factor that can lead to export success. Having the international selling skills and the language and cultural capability and talent is a key requirement,”

Martin D. Shanahan, at the launch of Key Skills for Enterprise to Trade Internationally

Having the right skills and talent base will be a key driver of recovery in our economy and labour market. A well-educated, highly-skilled labour force will enable us to compete in international markets, to attract foreign direct investment, to grow the number of better quality and better paid jobs, and to develop the knowledge economy.

Encouraging signs for the supply of skills exist with more people than ever before engaging in education and training across almost all levels. The trend in recent CAO applications shows a definitive move towards subjects and skills where future demand has been identified. This includes a continuing move towards science, technology, engineering and maths based disciplines. There are promising signs for the supply of ICT skills, which are in short supply globally, with higher level computing programmes seeing an increase in the number of graduates. The Government's Action Plan for Jobs has placed employment and job creation at the top of its agenda. Labour market activation initiatives, such as Springboard, the ICT Conversion Programme, Momentum and JobBridge, are providing opportunities for individuals to upskill or reskill in areas of identified skills needs. Continuous upskilling of our labour force and the aligning of our education and training system to equip people with the skills and competencies required by employers, both now and for the future, is essential.

Future Skills Requirements of the Manufacturing Sector to 2020

Under the Government's *Action Plan for Jobs 2012* Forfás was requested to develop a long term vision for the manufacturing sector and put in place a strategic plan that will help to realise this vision. To complement and support this broad strategic project, the *Action Plan for Jobs 2012* also requested the EGFSN to undertake a detailed assessment of manufacturing skills needs to address both the immediate needs of the manufacturing sector and to anticipate the longer term needs of the sector over the period 2012-2020.

Key Findings

Skills and competencies needed within manufacturing are rising across virtually all occupations due to factors such as scientific and technological advances, automation, regulatory requirements, new ICTs and the drive for continuous improvement.

There are some skills shortages currently within the sector, though not of significant scale. Many of the skills shortages primarily relate to key persons with experience to drive business growth. Current and future shortages are in areas such as tool-making, CNC (computer numerical control) machinists and in the short term for mechanical engineers with skills related to automation, development and design.

Up to 200 places on taught postgraduate courses are recommended specifically to address critical shortages across a number of engineering disciplines including validation, polymer, quality, automation and supply chain engineering.

Despite substantial loss of employment over the last ten years, there is potential for employment in Irish manufacturing to stabilise and grow in the future. Under the competitive growth scenarios presented in this report, net employment could grow by 43,000 to 2020. The extent of this growth will depend crucially on attaining reductions in labour and business costs, productivity and innovation improvements and the necessary skills supply to be realised. Replacement demand for the sector is estimated in the region of 4,000 to 5,000 per annum.

[Future Skills Requirements of the Manufacturing Sector to 2020](#)

Key Skills for Enterprise to Trade Internationally

In June 2012, Forfás and the EGFSN published *Key Skills for Enterprise to Trade Internationally*, which sets out the skills and talent needed to drive Ireland's trade and export performance in both existing and emerging overseas markets.

Specifically it outlines the essential skill sets that individuals should look to develop to avail of employment opportunities arising within exporting companies, in particular the need to dramatically improve our foreign language proficiency and our ability to sell into international markets.

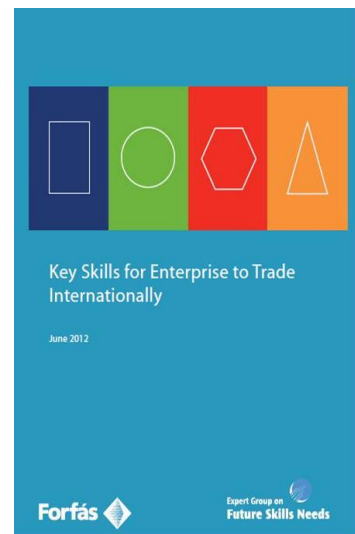
The study identified 2,200 potential job opportunities arising within exporting companies which could be filled through tailored skills conversion courses, developed in partnership with industry in the areas of ICT computing, customer sales and service support with foreign languages, design engineering, international sales with foreign languages and project management.

The report makes a range of specific recommendations to ensure that our education, training and professional development meets the needs of our exporting companies. The recommendations in the report centre on the following nine key actions:

1. Develop global / international management skills in managers and graduates.
2. Enhance international marketing capability.
3. Build up a cadre of international sales professionals.
4. Build up project management, logistical and procurement skills.
5. Enhance international customer service / support skills.
6. Build up international design and development skills capability.
7. Build up a multi-lingual workforce for an increasingly globalised marketplace.
8. Develop soft skills and competence for successful international customer working.
9. Address opportunities for employment in international business.

Some of the current and likely future skills shortages were included in the Forfás guidance document for the Springboard Call (February 2012). As a result a number of the higher education providers proposed programmes and modules in sales/marketing combined with languages, international selling, digital marketing and export management. There are approximately 230 places available on courses which have a strict international business focus and further general courses provided on cross enterprise skills and entrepreneurship.

[Key Skills for Enterprise to Trade Internationally](#)





Launch of the Forfás / EGFSN report on Key Skills for Enterprise to Trade Internationally

Pictured are (l-r) Martin D. Shanahan, Chief Executive, Forfás, Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation, Una Halligan, Chairperson, EGFSN and Marie Bourke, Department Manager Education, Skills, Environment & Survey Analysis, Forfás.

Driving Greater Alignment of Education and Training with the Skills Needs of Employers

Guidelines for the Alignment of Further Education Programmes with Skills Needs of Enterprise

During 2012, Forfás was commissioned by the Further Education Section of the Department of Education and Skills to develop a set of strategic guidelines for the Vocational Education Committees (and, in the future, the proposed Education and Training Boards) to assist them in better aligning programmes and courses with enterprise skills needs.

The research identifies skills requirements of enterprise relevant to the further education sector, including sectoral, occupational and generic skills needs, and outlines recommendations to address these gaps.

The guidelines also highlight a number of action areas where the VECs (and the Local Education and Training Boards) can help drive greater alignment between further education programmes and the enterprise sector.

These include:

- Improving the quality of survey and evaluative data;
- Emphasising the quality and progression potential of programmes;
- Ensuring continued accredited outcomes for people with low levels of initial education;
- Engaging local employers, public employment services and other education and training providers;
- Expanding availability of workplace learning and flexible learning opportunities;
- Formally providing career guidance and career information in the further education sector;
- Ensuring adequate provision of generic/transferable skills required across enterprises;
- Ensuring adequate literacy/numeracy supports;

- Ensuring appropriate monitoring of regulation-oriented awards;
- Developing and enhancing offering of Recognition of Prior Learning (RPL); and
- Improving the dissemination of best practice information.

Guidance for Higher Education Providers on Current and Future Skills Needs of Enterprise - Springboard 2012 Call

Springboard is a multi-annual fund which provides free part-time higher education courses to assist the unemployed and previously self-employed to upskill or reskill in areas of current and future skills need. The second Springboard call was issued by the Higher Education Authority (HEA) in February 2012. To accompany the call for proposals Forfás produced a document entitled *Guidance for Higher Education Providers on Current and Future Skills Needs of Enterprise*.

The guidance document provided detailed information on current and future skills demand for those tendering to ensure that training programmes under Springboard are aligned with enterprise skills needs.

The guidance document outlined particular growth sectors of enterprise (ICT, medical devices, the green economy, pharmaceuticals, food and beverages, and international financial services) in addition to cross-enterprise skills such as Six Sigma, lean and quality systems, international selling, languages and entrepreneurship skills.

[Guidance for Higher Education Providers on Current and Future Skills Needs of Enterprise - Springboard 2012 Call](#)

Submission to the SOLAS Consultation

In January 2012, Forfás made a submission to the consultation on the establishment of SOLAS, the new further education and training authority. SOLAS will have strategic responsibility for further education currently delivered by Vocational Education Committees (VECs) and training currently delivered by FÁS.

The Forfás submission addresses specific questions sought in the consultation, under the following main policy areas: funding and administration structures; factors that should underpin course delivery; and how best to guide and support learners.

Forfás emphasised the need to create a responsive and flexible further education and training (FET) sector that meets the needs of the 21st century economy and labour market. Funding should be demand led, based on employer and employee identified training needs and aligned with national labour market policy objectives including the *National Skills Strategy*, the *Action Plan for Jobs, Pathways to Work* and the recommendations of the Expert Group on Future Skills Needs. There should be a focus on progression of learners to employment/self-employment and/or further education and training.



Launch of the Forfás / EGFSN report Key Skills for Enterprise to Trade Internationally

Pictured are (l-r) Richard Bruton, T.D., Minister for Jobs, Enterprise and Innovation and Martin D. Shanahan, Chief Executive, Forfás

Submission to the Joint Oireachtas Committee on Jobs, Social Protection & Education on Unemployment and Youth Unemployment

Younger age cohorts have experienced higher levels of unemployment relative to older, more experienced workers. In April 2012 Forfás responded to the request from the Committee on Jobs, Social Protection and Education for a submission on the issue of unemployment and youth unemployment with particular focus on the:

- Overall rate of unemployment and youth unemployment;
- Skills profile of the unemployed;
- Potential sources of employment taking into account the skills profile;
- Measures the Government should be taking; and
- Measures specifically relevant to engaging and activating the young unemployed.

The submission elaborates on measures that should be taken by Government to tackle unemployment and youth unemployment, including:

- Focusing on performance measurement through outcomes and value for money;
- Establishing effective interaction between the National Employment Entitlements Service, SOLAS, the Local Education and Training Boards and other providers;
- Minimising disincentives to labour market participation;
- Ensuring the design of new higher education, further education and training courses is of relevance to labour market and skills needs;
- Ensuring intervention to the individual is relevant, and demonstrates a clear progression pathway for the learner;
- Developing a flexible funding system, with the ability to expand on good practice where appropriate, in addition to curtailing programmes where they are found to be ineffective; and

- Creating sanctions for non-engagement to foster a culture amongst jobseekers of engagement with the process of job search and referral to jobs and training, and taking up employment opportunities or supports.

With regards to measures relevant to engaging and activating the young unemployed within the under 25 years cohort, Forfás emphasised the need to focus on a number of sub-groups:

- 15-19 year olds who do not complete upper secondary education or equivalent should be targeted with a return to formal education.
- Under 25 year olds without higher education, particularly concentrated around young males. The Apprenticeship Programme should be remodelled to be more flexible, less expensive and of a shorter duration and should cover a wider range of occupations. Traineeships should be expanded to involve both progression levels across occupations and a broader range of occupations, e.g. business administration and law, engineering and manufacturing technologies, ICT, retail and commercial.
- Under 25s with higher education qualifications. The main focus should be on developing employability skills and attaining experience through job placement schemes, in addition to providing niche education and training interventions where appropriate, for example, through Springboard.

Advice on Economic Migration Policy

During 2012, Forfás continued to provide advice to the Department of Jobs, Enterprise and Innovation (DJEI) on economic migration policy.

Advice in 2012 included identification of changes in labour market trends and skills shortages, arising from analysis contained in the EGFSN *National Skills Bulletin 2012*. DJEI utilise this information to determine occupations eligible for Green Cards and Work Permits.

In addition to labour market updates, Forfás continued to provide input into DJEI on a range of economic migration issues as they arose.

Expert Group on Future Skills Needs

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

The EGFSN advises the Irish Government on current and future skills needs of the economy and on other labour market issues that impact on Ireland's enterprise and employment growth. It has a central role in ensuring that labour market needs for skilled workers are anticipated and met. The EGFSN comprises representatives of business, employees, education, government departments and state agencies.

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

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

The Expert Group on Future Skills Needs Statement of Activity 2011

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

The report also provides an overview of progress towards reaching the targets set out in the *National Skills Strategy (NSS)*. Ireland continues to make progress towards achieving the NSS targets. During 2010, the share of third level graduates increased to 41 per cent, while the share of the labour force with less than upper secondary education declined to below 20 per cent. Further improvements are necessary if the targets at all levels are to be met by 2020.

[EGFSN Statement of Activity 2011](#)

Progress on implementation of EGFSN report recommendations

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

Collaboration with FÁS Skills and Labour Market Research Unit

During 2012, Forfás continued to work closely with the Skills and Labour Market Research Unit (SLMRU) in FÁS. In 2012 FÁS completed the following reports on behalf of the EGFSN:

- *Vacancy Overview 2011*, published February 2012, draws on a number of data sources held in the National Skills Database to provide an overview of the demand for labour as measured by trends in advertised job vacancies.
- The *National Skills Bulletin 2012*, published in July 2012, draws on data on employment, vacancies, job announcements and immigration and other qualitative information held in the National Skills Database, to identify imbalances in the Irish labour market at occupational level.
- *Monitoring Ireland's Skills Supply 2012 - Trends in Education and Training Outputs*, published in July 2012, provides an indication of the supply of skills to the Irish labour market from the formal education and training system by examining outflows from the formal education system across levels 1-10 of the National Framework of Qualifications (NFQ).

- *Regional Labour Markets Bulletin 2012*, published in January 2013, is the first EGFSN publication examining regional labour markets in Ireland. It provides labour market indicators, a profile of key businesses and industries, potential job opportunities and current and potential skills supply.

The SLMRU also develops and maintains the National Skills Database (NSD), which collates all available information on the supply and demand of skills in Ireland. During 2012 the NSD was updated to include the latest statistics and information on employment; education and training output; immigrant labour force; notified job vacancies; labour force forecasting models; occupational employment forecasting models, and recruitment agency surveys.

Advocacy

During 2012, the EGFSN continued to engage with stakeholders to ensure that key labour market information was disseminated to all relevant parties. The Chairperson and the Forfás Head of Secretariat to the EGFSN provided presentations on a wide range of labour market issues at conferences and fora throughout the year. In addition, the Group's output continues to be utilised by stakeholders such as Careers Portal, Qualifax and Career Directions to inform their target audiences.

The Irish National Accreditation Board (INAB)

The Irish National Accreditation Board

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

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

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



INAB awarded the ILAC MRA for Inspection

Pictured is Adrienne Duff, Manager, INAB receiving the ILAC Mutual Recognition Arrangement Certificate on behalf of INAB.

Accreditation bodies that have been evaluated by peers as competent sign arrangements that enhance the acceptance of products and services across national borders, thereby creating a framework to support international trade through the removal of technical barriers.

These arrangements are managed by the International Laboratory Accreditation Cooperation (ILAC), in the field of laboratory and inspection accreditation, and the International Accreditation Forum (IAF), in the fields of management systems, products, services, personnel and other similar programmes of conformity assessment. Both organisations, ILAC and IAF work together and coordinate their efforts to enhance the accreditation and the conformity assessment worldwide.

INAB Functions

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

- Laboratory Accreditation
- Accreditation of Certification Bodies
- Accreditation of Inspection Bodies
- Good Laboratory Practice
- National Competent Body for EMAS

Laboratory Accreditation

Testing and Calibration to ISO/IEC 17025:2005

Laboratory accreditation to ISO/IEC 17025:2005, granted by INAB, provides a formal recognition of the competence of the laboratory to perform specific tests. During 2012, INAB carried out 139 onsite inspections of accredited/applicant laboratories within the Laboratory Accreditation Programme which resulted in the maintenance of the 110 laboratory accreditations, award of accreditation to 4 new laboratories and award of extensions to scope across a range of disciplines.

Medical Laboratory Accreditation to ISO/IEC 15189:2007

INAB maintained 60 medical laboratory accreditations to the international standard ISO/IEC 15189:2007 during 2012 and carried out 77 onsite inspections to applicant and accredited organisations. Accreditation was awarded to ISO/IEC 15189:2007 to two medical testing laboratories in 2012 with a large number of extensions to scope across a range of disciplines.

In addition, INAB received further applications for accreditation in all medical disciplines from this sector during 2012 which continues to make it an area of strong growth.

Accreditation of Certification Bodies

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

These certification bodies, in turn, certify organisations to the ISO 9000 series of standards (quality management systems), to ISO 14001 (environmental management systems), to EN 50001 (energy management systems); to ISO 27001 (Information security management), certify products and persons and verify Greenhouse Gas emissions under INAB accreditation.

INAB carried out 46 onsite inspections of accredited/applicant certification bodies during 2012.

Greenhouse Gas Emissions Trading Scheme

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

INAB implemented the new accreditation standard for accrediting GHG verifiers in 2012 and plans to proceed to multi-lateral agreement status in 2013.

Management Systems Certification

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

Applications for food safety management system and occupational health and safety system certification were received in 2012.

Product Certification

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

In 2012, INAB maintained and extended accreditation for its certification bodies providing food quality assurance schemes for food products to international requirements, as well as national food quality assurance schemes, such as the Bord Bia and Bord Iascaigh Mhara schemes. The Department of Agriculture, Food and the Marine has specified INAB accreditation for certification of organic farming activities in Ireland, in accordance with the EU Directive on Organic Farming and in 2012 INAB had two certification bodies accredited for this.

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

In addition to product certification in the food sector, INAB accredits certification bodies certifying installation of security services.

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 2012 INAB maintained the nine inspection body accreditations in the system. Extensions to scope to existing accredited inspection bodies were awarded in the areas of food and engineering inspections.

During 2012 INAB carried out 23 on-site inspections of accredited/applicant inspection bodies and awarded accreditation to two new inspection bodies.

Good Laboratory Practice

INAB is the national monitoring authority for the inspection and verification of Good Laboratory Practice (GLP) under S.I. No.4 of 1991 European Communities (GLP) Regulations. At the end of 2012 four test facilities held GLP Compliance Statements under this programme. Two on-site inspections of compliant GLP facilities were carried out in 2012.

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 2012 INAB maintained four organisations registered to EMAS, which had their environmental management systems verified by accredited EMAS verifiers in accordance with the Eco Management and Audit Scheme set out in Regulation (EC) No. 1221/2009 of the European Parliament and the Council.

Regulation 765/2008

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

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

In January 2010, INAB was appointed the sole national accreditation body for Ireland.

Multilateral Agreements

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

Accreditation Awareness

Accreditation awareness and feedback from stakeholders continued during 2012 through surveys and communication updates. Two editions of the INAB newsletter was produced in 2012 in addition to regular technical updates to clients.

INAB Board Members



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

Dr Adrienne Duff	(ex-Officio), Manager INAB
John Shine	Director of Commercial Practices National Consumer Agency (Vice Chairperson)
Dr Andrew Hodgson	Consultant Haematologist Sligo General Hospital
Dr Nuala Bannon	Senior Adviser Department of Environment, Heritage and Local Government
Martin O'Halloran	Chief Executive Health and Safety Authority
Jan van der Poel	Chief Executive Dutch Accreditation Body (RvA)
Dr Caitriona Fisher	Manager, Chief Executive's Office ⁹ The Irish Medicines Board
Paul Hetherington	Director National Metrology Laboratory, NSAI
Prof Alan Reilly	Chief Executive Food Safety Authority of Ireland
Dermot Hayes	Former State Chemist State Laboratory
Tom Dempsey	Former Manager, INAB

⁹ Appointed July 2012

Corporate Governance

Corporate Governance

Forfás was established under the Industrial Development Act 1993 and operates in accordance with the provisions of the Industrial Development Acts 1986 to 2009 and under the aegis of the Minister for Enterprise, Trade and Innovation. Forfás has put in place procedures to ensure compliance with the following specific requirements:

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

In accordance with the provisions of the Ethics in Public Office Act, 1995 and Standards in Public Offices Act 2001, Forfás Board Members along with members of the Irish National Accreditation Board (INAB), which operates as a division and sub-Board of Forfás, furnish statements of material interest to the Commission Secretary, Standards in Public Office Commission and copies to the Secretary of Forfás.

With effect from 2011 members of the Expert Group on Future Skills Needs (EGFSN) along with members of the National Competitiveness Council (NCC) are designated under the Acts.

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

Freedom of Information (FOI)

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

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

Employment Equality Acts, 1998 and 2004

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

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

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

Worker Participation (State Enterprises) Act, 1988

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

Safety, Health and Welfare Act, 2005

In accordance with the Safety, Health and Welfare at Work Act 2005 and the Safety, Health and Welfare at Work Act (General Applications) Regulations 2010, Forfás has prepared a Safety Statement that encompasses all the aspects affecting staff and visitor welfare. This document is updated on an on-going basis.

Prompt Payment of Accounts

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

The payment practices of Forfás, as required by the Act, are reported on below for the year ended 31 December 2012.

1. It is the policy of Forfás to ensure that all invoices are paid promptly. Specific procedures are in place that enable it to track all invoices and ensure that payments are made before the due date. Invoices are registered daily and payments are issued as required to ensure timely compliance.
2. The system of internal control incorporates such controls and procedures as are considered necessary to ensure compliance with the Act. The organisation's system of internal control includes accounting and computer controls designed to ensure the identification of invoices and contracts for payment within the prescribed payment dates defined by the Act. These controls are designed to provide reasonable, and not absolute, assurance against material non-compliance with the Act. The Finance Department produces a report that identifies unpaid outstanding invoices and this report is reviewed regularly.

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

There have been no material developments since 1 January 2013.

Prompt Payment to Suppliers

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

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

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

Code of Practice for the Governance of State Bodies, 2009

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

Board Members Disclosure of Interests

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

Board Fees and Attendance

Board Member	Fees €'000	Attendance (9 meetings held in 2012)
Eoin O'Driscoll	21	9 of 9
Bob Brannock	10	3 of 6
Tim Dullea	10	5 of 6
Mark Ferguson	Nil	8 of 9
Miriam Magner Flynn	10	5 of 6
John Murphy	Nil	6 of 9
William O'Brien	10	5 of 6
Barry O'Leary	Nil	3 of 9
Frank Ryan	Nil	6 of 9
Martin D. Shanahan	Nil	9 of 9
Dr Don Thornhill	2	6 of 6

Board Expenses

The total expenses paid to Forfás Board members in 2012 was €11,517 comprising:

Mileage	€10,319
Trains, Taxis & Vouched Expenses	€ 1,198

Customer Charter

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

In 2012 no complaints were received.

Energy Efficiency

Under Statutory Instrument (SI) 542 European Communities (energy end-use efficiency and energy services) Regulations 2009, the public sector has specific energy reporting obligations. In each area relevant to energy usage and services to its buildings, Forfás endeavours to employ the most energy efficient and environmentally friendly means available. In compliance with regulatory requirements Forfás displays a Display Energy Certificate in its reception area.

In late 2009 Forfás began a multi-year project aimed at improving the overall energy efficiency in Wilton Park House with the support of the Sustainable Energy Authority of Ireland. This included an oil to gas conversion (2010), installation of energy efficient lighting (2010), enhanced building management system and energy awareness initiatives.

Overview of Energy Usage in 2012

Wilton Park House (WPH) is a seven storey over basement office building constructed in 1984. It has an area of approx. 17,298 m². The building design incorporated high levels of insulation and in many aspects the design anticipated the current environmental emphasis on energy conservation. Wilton Park House is a well-insulated building and the U values are at least comparable with current recommendations. This fact, coupled with the configuration and aspect of our offices which reduces the lighting requirement, the absence of major air conditioning installation and use of natural ventilation, are positives from an energy perspective. Three State agencies located in the building report to the Department of Jobs, Enterprise and Innovation (Forfás, Science Foundation Ireland and IDA Ireland) and, together with the Sustainable Energy Authority of Ireland (SEAI), these organisations occupy 14,827m² (including Forfás, IDA Ireland, Science Foundation Ireland and the basement). Two tenants also occupy space in the building. In 2012, Forfás, IDA Ireland and Science Foundation Ireland consumed 85 per cent of the total building consumption.

Forfás/IDA/SFI Energy Usage 2012

	WPH Usage 2012 Full Building	Forfás/IDA/SFI 85% of Building
Energy Type	kWh	kWh
Electricity	1,714,862	1,457,633
Gas	1,084,496	921,822
Renewable	N/A	N/A
Total Energy Consumed	2,799,358	2,379,454

Energy Usage in Wilton Park House 2009 - 2012

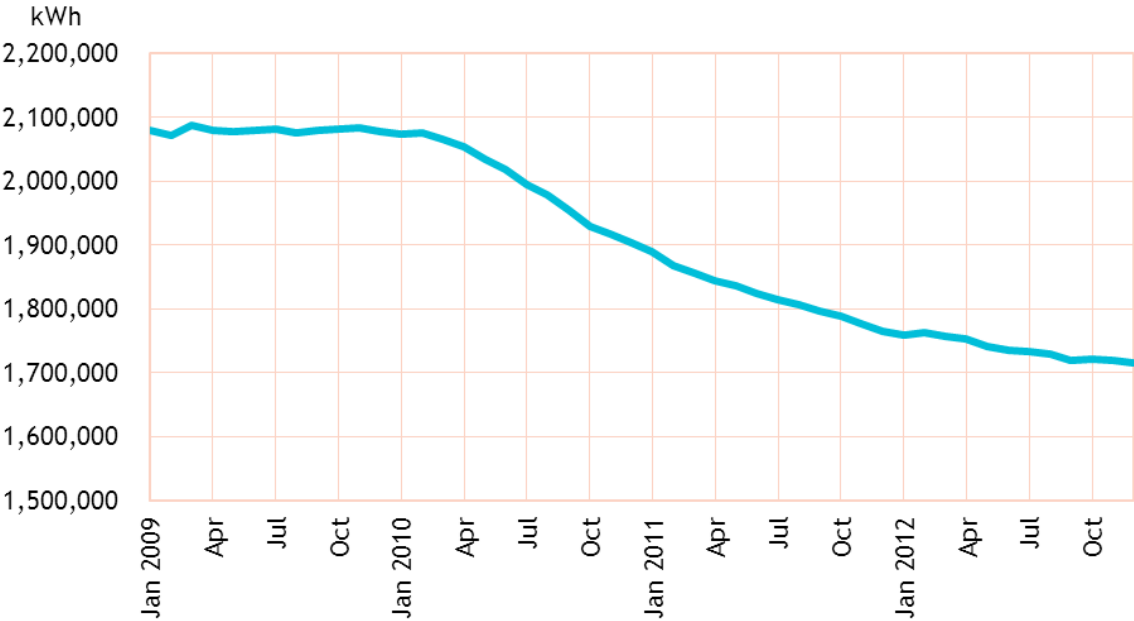
	WPH Usage 2012	WPH Usage 2009		
Energy Type	kWh	kWh	Saving (kWh)	Saving (%)
Electricity	1,714,862	2,078,163	363,301	17%
Gas	1,084,496	1,187,323	102,827	9%
Total Energy Consumed	2,799,358	3,265,486	466,128	14%

Figure 11: Annual Energy



Source: Aramark

Figure 12: Electricity Usage



Actions Undertaken in 2012

- The building management system (BMS) was maintained throughout the year and items repaired/addressed as required.
- An optimiser was added to the heating plant stop/start times to better match the heat input of the building with its varying requirements.

- An outside high temperature heating hold-off set-point was added to the system.
- The time schedules were refined and unnecessary plant operation was eliminated where possible.
- Two new room sensors were added to the ground floor in traditionally cold areas and these sensors are used by the building optimiser to start the plant.
- All bank holidays were programmed into the system to prevent unnecessary plant operation.
- Enhancements and refinements were made to both BMS strategies and graphics.
- The zone valve for the front south facing zone of the building was enabled to switch off the heating in that zone when the space temperature exceeds set-point (Initially set 25DegC).
- Continuing engagement with SEAI on initiatives to improve energy efficiency.
- Improved radiator efficiency.

In 2013 Forfás intends to further improve its energy performance and that of its tenants by undertaking a number of energy saving initiatives. Forfás aims to save a minimum of 75 MWh in energy usage for 2013.

Property Management - Carrisbrook House and Knockmaun House

On the dissolution of the Industrial Development Authority, and the establishment of Forfás on 1 January 1994, the leasehold interest in two former IDA headquarters buildings transferred to Forfás i.e. Carrisbrook House in Ballsbridge and Knockmaun House in Mount Street. The Knockmaun House lease expires in July 2014. The Carrisbrook House lease expires in 2034.

These buildings were sub-let for most of the period since 1994, but two tenants, one in Knockmaun House and one in Carrisbrook House, exercised break clauses in 2008 and 2009 and have vacated. The Comptroller and Auditor General has included a note in his Audit Report on the 2012 Forfás Financial Statements, commenting on non effective expenditure incurred on rent and associated costs related to unoccupied office space in these buildings. Current occupancy ratios are approximately 88 per cent for Knockmaun House and approximately 15 per cent for Carrisbrook House.

Every effort has been made to seek replacement tenants or disposal of the leasehold interest. Working with professional estate agents, a number of new marketing initiatives were undertaken and are on-going. Forfás continues to work with IDA Ireland in marketing the property. The Office of Public Works (OPW) and Department of Finance have been advised, through the Department of Jobs, Enterprise and Innovation and Forfás, of the availability of vacant space in both these buildings, for consideration in respect of any requests to OPW from within the Public Sector for additional space. Forfás continues to highlight to the OPW the availability of space. In current market conditions and despite a number of engagements with potential tenants, a letting has not been secured.

The two leases will be assigned to IDA Ireland in 2013, as a consequence of the Government decision of 16 April 2013 to draft legislation to provide for the dissolution of Forfás and the transfer of its staff and functions.

Financial Statements

Statement of Board Members' Responsibilities

For 2012 Annual Financial Statements

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

In preparing those financial statements, Forfás is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the functions of 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 D. Shanahan
Chief Executive

21 June 2013

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Forfás

I have audited the financial statements of Forfás for the year ended 31 December 2012 under the Industrial Development Act 1993. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under paragraph 7 of the first schedule to the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Members of the Board

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

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

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of Forfás's affairs at 31 December 2012 and of its income and expenditure for 2012.

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

Matters on which I report by exception

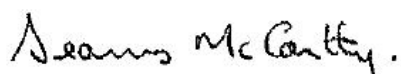
I report by exception if

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

Non-effective expenditure

I draw attention to Note 12 to the financial statements which discloses that non-effective expenditure of €1.4 million was incurred by Forfás in 2012 on rent and associated costs related to unoccupied office space.

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



Seamus McCarthy

Comptroller and Auditor General

27 June 2013

Statement on Internal Financial Control

On behalf of the Board of Forfás I acknowledge our responsibility for ensuring that an effective System of Internal Financial Control is maintained and operated in the Agency.

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

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

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

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

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

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

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

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

Statement on Internal Financial Control (continued)

The Board's monitoring and review of the effectiveness of the System of Internal Financial Control is informed by the work of the internal auditor and the Audit Committee which oversees the work of the internal auditor and the control exercised by the executive managers within Forfás who have responsibility for the development and maintenance of the financial control framework and comments made by the Comptroller & Auditor General in his management letter.

I confirm that in respect of the year to 31 December 2012, the Board conducted a review of the effectiveness of the System of Internal Financial Control.

Signed on behalf of the Board



Eoin O'Driscoll

Chairman

Accounting Policies

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

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

Forfás acted as the legal host for the Office of the Chief Scientific Adviser from the establishment of the Office in September 2004 until August 2012 when responsibility for the role transferred to the Director General of Science Foundation Ireland, as set out in Note 4 of these Financial Statements.

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

1. Basis of Accounting

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

2. Income Recognition

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

3. Fixed Assets and Depreciation

Fixed Assets comprise tangible fixed assets which are owned by Forfás and are stated at cost less accumulated depreciation. Depreciation is calculated in order to write off the cost of fixed assets over their estimated useful lives as follows:

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

Depreciation is charged in the year of purchase and not charged in the year of disposal. Fixtures, Fittings and Computer Equipment below the capitalisation threshold of €1,000 are expended in the Income & Expenditure Account in the year of purchase. Expenditure on repairs and maintenance to leasehold assets is expended in the Income and Expenditure Account during the financial period in which it is incurred.

Accounting Policies (continued)

4. Capital Account

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

5. Foreign Currencies

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

6. Debtors

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

7. Pension Costs

Forfás operates six unfunded defined benefit pension schemes, which are funded annually on a pay as you go basis from monies available to it, including monies provided by the Department of Jobs, Enterprise and Innovation and from certain contributions deducted from staff salaries.

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

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

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

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

8. Operating Leases

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

Income and Expenditure Account

Year Ended 31 December 2012

	Note	2012 €'000	2011 €'000
Income			
Oireachtas Grant	1	51,422	44,460
Professional Fees - Irish National Accreditation Board	2	1,888	1,958
Other	3	823	892
Departmental Programmes	6 (a)	3,761	3,304
Net Deferred Pension Funding	8 (e)	21,158	28,615
		79,052	79,229
Expenditure			
Administration and General Expenses	4	13,066	14,605
Depreciation	7	113	113
Pension Costs	8 (c.i)	61,372	60,424
Departmental Programmes	6 (c)	3,761	3,304
		78,312	78,446
Surplus for Year		740	783
Contribution to Exchequer	5	(623)	(1,232)
Balance at beginning of Year		2,599	3,182
Transfer to Capital Account	9	88	(134)
Balance at end of Year		2,804	2,599

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

On behalf of the Board:



Eoin O'Driscoll

Chairman

21 June 2013



Martin D. Shanahan

Chief Executive

Statement of Total Recognised Gains and Losses

Year Ended 31 December 2012

	Note	2012 €'000	2011 €'000
Surplus for Year		740	783
Actuarial Loss on Pension Liabilities	8 (c.ii)	(194,127)	(25,158)
Adjustment to Deferred Pension Funding	8 (c.ii)	194,127	25,158
Total Recognised Gain for the Year		740	783

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

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

21 June 2013

Balance Sheet

As at 31 December 2012

	Note	2012 €'000	2011 €'000
Fixed Assets			
Tangible Fixed Assets	7	134	222
Total Fixed Assets		134	222
Current Assets			
Accounts Receivable	10	2,974	2,635
Bank		386	534
		3,360	3,169
Accounts Payable	11	556	570
Net Current Assets		2,804	2,599
Deferred Funding Asset	8 (d)	1,187,674	972,389
Pension Liability	8 (d)	(1,187,674)	(972,389)
Total Assets Less Current Liabilities		2,938	2,821
Represented By:			
Capital Account	9	134	222
Income and Expenditure Account		2,804	2,599
		2,938	2,821

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

On behalf of the Board:



Eoin O'Driscoll
Chairman



Martin D. Shanahan
Chief Executive

21 June 2013

Cash Flow Statement

Year Ended 31 December 2012

	Note	2012 €'000	2011 €'000
Reconciliation of Net Movement for Year to Net Cash Flow from Operations			
Surplus for Year		740	783
Bank Interest		(30)	(48)
Depreciation Charge:			
- Tangible Fixed Assets	7	113	113
(Increase)/Decrease in Accounts Receivable		(339)	45
Decrease in Accounts Payable		(14)	(264)
Net Cash Flow from Operations		470	629
Cash Flow Statement			
Net Cash Flow from Operations		470	629
Returns on Investment and Servicing of Finance			
Bank Interest		30	48
Cash Flow before Capital Expenditure		500	677
Capital Funding			
Purchase of Tangible Fixed Assets	7	(25)	(247)
Cash Flow after Capital Expenditure		475	430
Contribution to Exchequer	5	(623)	(1,232)
Decrease in Cash		(148)	(802)
Reconciliation of Decrease in Cash to Cash at Bank			
Movement in Cash for the Year		(148)	(802)
Cash at Bank at 1 January		534	1,336
Cash at Bank at 31 December		386	534

Notes to the Financial Statements

Year Ended 31 December 2012

1. Oireachtas Grant	2012	2011
	€'000	€000
Funded by Department of Jobs, Enterprise and Innovation Vote 32		
Administration and General Expenses	38,832	34,683
Financial Measures Act (Note 8 (a.i))	12,590	9,777
Total	51,422	44,460

- a) Under Section 11 of the Industrial Development Act, 1993, as amended by Section 4(a) of the Industrial Development Act, 2009, the aggregate amount of grants made by the Minister to Forfás and its Agencies, to enable them to discharge their obligations and liabilities shall not exceed €7,000,000,000. At 31 December, 2012 the aggregate amount so provided to Enterprise Ireland, IDA Ireland and Science Foundation Ireland was €4,615,732,754.
- b) Under Section 14(3) of the Industrial Development Act, 1986, Section 37 of the Industrial Development Act, 1969, and Sections 2 and 3 of the Industrial Development Act, 1977, the aggregate amount of grants made by the Minister to Forfás and its Agencies to enable them to meet their obligations or liabilities in respect of principal and interest on foot of Loan Guarantees under any of these sections shall not exceed €158,717,260. At 31 December, 2012 the aggregate amount so provided was €13,547,211.

2. Professional Fees - The Irish National Accreditation Board

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

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

On 5 March 2013 the Government agreed to introduce legislation to transfer the Irish National Accreditation Board from Forfás to the Health and Safety Authority. Legislation is currently being drafted to give effect to this transfer, which is expected to be completed in 2013.

3. Other Income

	2012	2011
	€'000	€000
Rental Income*	793	839
Bank Interest	30	48
Other Income	-	5
Total	823	892

*Private Sector sublets of surplus space in current headquarter building Wilton Park House

Notes to the Financial Statements

Year Ended 31 December 2012

4. Administration and General Expenses

	2012	2011
	€'000	€'000
Board Members' Remuneration and Expenses (Including Chief Executive Remuneration) ¹	282	324
Pay Costs ²	6,089	6,694
Other Personnel Costs	142	218
Travelling & Subsistence Expenses	180	199
Specialised and Professional Services	941	914
Research and Studies	633	1,106
Rents, Rates, Repairs and Maintenance ³	4,412	3,977
Other Operating Expenses	748	874
Office of the Chief Scientific Adviser ⁴	185	280
Audit Fee	19	19
Allocation of overhead to European City of Science programme	Note 6 (565)	0
Total	13,066	14,605
Pay Costs comprise:		
Wages and Salaries	5,616	6,198
Social Welfare Costs	389	407
Pension Costs	84	89
Total	6,089	6,694
	2012	2011
	€'000	€'000
1 Board Members' Remuneration was as follows:		
Eoin O'Driscoll	21	19
Don Thornhill	Ceased as board member in 2012	2
William O'Brien	Ceased as board member in 2012	10
Jane Williams	Ceased as board member in 2010	-
Barry O'Leary	-	(1)
Frank Ryan	-	-
Simon Barry*	Ceased as board member in 2011	-
Bob Brannock	Ceased as board member in 2012	22
Tim Dullea	Ceased as board member in 2012	10
Miriam Magner Flynn	Ceased as board member in 2012	10
Martin D. Shanahan	-	11
John Murphy	-	10
Mark Ferguson	-	-

*Fee for 2011 included arrears back to the date of appointment on 3/3/10.

Notification was received in January 2011 that Board Members Fees were reduced by 5% backdated to 1 January 2010. The necessary adjustments were made in 2011. The total adjustment amounted to €4,091.

Board Members Expenses €11,517 (2011 €7,874).

Notes to the Financial Statements

Year Ended 31 December 2012

4. Administration and General Expenses (continued)

Chief Executive's Remuneration:

A remuneration package comprising salary of €189,115 per annum with standard public sector pension arrangements and use of a company car subject to annual benefit in kind of €14,070.

No performance bonuses were applicable.

2 Pension levy deducted from pay and remitted to DJEI €438,000 (€509,000 in 2011)

3 These are net of rentals received from sub-tenants of former IDA headquarter buildings assigned to Forfás under the Industrial Development Act, 1993.

4 The Office of the Chief Scientific Adviser (CSA) was established by the Government on 1 September 2004 to provide independent expert advice on any aspect of Science, Technology and Innovation (STI) as requested by Government. Forfás acted as the legal host for the Office of the Chief Scientific Adviser from the establishment of the Office in September 2004 until August 2012 when responsibility for the role transferred to the Director General of Science Foundation Ireland. The cost of hosting the Office of the Chief Scientific Adviser in 2012 was €184,718 (2011 €280,039). The Office, in relation to its functions, operated independently from and was not accountable to the Board or management of Forfás. The day to day budgetary requirements of the Office of the Chief Scientific Adviser were funded by Forfás. The Office of the Chief Scientific Adviser reported to the Chief Executive of Forfás on administration issues and was required to comply with Forfás policies and procedures and other governance obligations.

The Office of the CSA was responsible for hosting the European City of Science in Dublin in 2012 (Note 6).

5. Contribution to the Exchequer

Income, surplus to budgeted requirements, surrendered to the Exchequer. The amount of €623,000 is comprised of refund of Oireachtas Grant (€372,000) and surplus Own Income (€251,000).

6. Departmental Programmes

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

	2012	2011
	€'000	€'000
a) Programme funding		
Discover Science and Engineering ¹	-	1,910
Expert Group on Future Skills Needs ²	361	317
European City of Science ³	3,400	1,077
	(Note 6 (b))	
Total programme funding	3,761	3,304

Details of Funding Bodies:

¹ Department of Jobs, Enterprise and Innovation

² National Training Fund of the Department of Education and Skills

³ Department of Jobs, Enterprise and Innovation, EU and private funding.

The Discover Science and Engineering Programme was transferred to Science Foundation Ireland with effect from 1 January 2012.

Notes to the Financial Statements

Year Ended 31 December 2012

6. Departmental Programmes (continued)		
	2012	2011
	€'000	€'000
a) European City of Science Funding		
Department of Jobs, Enterprise and Innovation	1,350	977
Other funding (EU Grant , Private Grant funding, Sponsorship and Exhibition sales and Delegate fees)	2,050	100
Total European City of Science funding	3,400	1,077
b) Programme expenditure	2012	2011
	€'000	€'000
Discover Science and Engineering	-	1,910
Expert Group on Future Skills Needs	361	317
European City of Science	3,400	1,077
Total programme expenditure	3,761	3,304

Included in above expenditure of €3.4 million for the European City of Science programme is overhead cost of €0.565 million which has been deducted from Forfás Administration and General Expenses (Note 4).

7. Tangible Fixed Assets

	Computer Equipment €'000	Motor Vehicles €'000	Fixtures & Fittings €'000	Total €'000
Cost				
At 1 January 2012	1,082	47	2,881	4,010
Additions	16	-	9	25
Disposals ¹	(146)	-	(192)	(338)
At 31 December 2012	952	47	2,698	3,697
Depreciation				
At 1 January 2012	963	12	2,813	3,788
Charge for Year	74	12	27	113
Disposals ¹	(146)	-	(192)	(338)
At 31 December 2012	891	24	2,648	3,563
Net Book Amount				
At 1 January 2012	119	35	68	222
Net Movement for Year	(58)	(12)	(18)	(88)
At 31 December 2012	61	23	50	134

¹ Disposals relate to write-off of fully depreciated assets no longer in use.

Notes to the Financial Statements

Year Ended 31 December 2012

8. Pensions

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

Scheme	Staff Covered	Type
Forfás	The Forfás scheme covers the following categories of staff in Forfás and its Agencies - (a) staff recruited up to 5 April 1995 who became pensionable after that date, (b) staff recruited after 5 April 1995, (c) a small number of staff previously covered by the Garda Síochána Superannuation Scheme, (d) a small number of staff previously covered by the FAS/AnCO Schemes, (e) a small number of staff previously covered by the Shannon Free Airport Development Co. Ltd Superannuation Scheme.	Contributory, Defined Benefit, Unfunded. A small number of those in category (b) are included on a non contributory basis.
Former Industrial Development Authority	Staff of the former IDA and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Contributory, Defined Benefit. Funded until 31/12/2009. (See Note 8(a.i))
Former Eolas	Staff of the former Eolas (other than those covered by the former NBST scheme below) and those recruited by Forfás and its Agencies in the appropriate grades between 1 January 1994 and 5 April 1995.	Non Contributory, Defined Benefit, Unfunded.
Former National Board for Science and Technology (NBST)	A small number of staff of the former NBST serving on 31 December 1987.	Contributory, Defined Benefit, Unfunded.
Former Irish Goods Council	A small number of staff of the former Irish Goods Council serving on 31 August 1991.	Contributory, Defined Benefit. Funded until 31/12/2009. (See Note 8(a.i))
Former An Bord Tráchtála (ABT)	Staff of the former ABT (other than those covered by the former Irish Goods Council scheme above) who were pensionable employees on 22 July 1998.	Contributory, Defined Benefit, Unfunded.

Notes to the Financial Statements

Year Ended 31 December 2012

8. Pensions (continued)

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

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

(a.i) Under the Financial Measures (Miscellaneous Provisions) Act 2009 the assets of both the former Industrial Development Authority and the former Irish Goods Council schemes were transferred to the National Pension Reserve Fund on 31 December 2009. The pension schemes associated with these two funds continue in force for existing members with no impact on benefits or associated provision for members. IDA Ireland, Enterprise Ireland and Science Foundation Ireland remit their employer and employee contributions for these schemes to Forfás for onward remittance to the Exchequer with its own contributions. Total employer (€960,237) and employee (€970,346) contributions for these schemes were remitted by Forfás to the Exchequer in 2012 and pension costs at retirement are now paid by Oireachtas Grant Subhead A.3.

b) Pension Disclosures under FRS 17

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

c.i) Analysis of total pension charge	2012 €'000	2011 €'000
Service costs	16,257	15,789
Interest on Pension Scheme Liabilities	48,346	48,127
Employee Contributions utilised in payment of pensions	(3,231)	(3,492)
	61,372	60,424
c.ii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Experience gains	57,323	10,889
Changes in assumptions	(251,450)	(36,047)
Actuarial Losses	(194,127)	(25,158)

Notes to the Financial Statements

Year Ended 31 December 2012

8. Pensions (continued)		
	2012	2011
	€'000	€'000
d) Net deficit in Pension Scheme	(1,187,674)	(972,389)
made up of:		
Present Value of pension schemes' liabilities	(1,187,674)	(972,389)
Change in Pension Schemes' Liabilities		
Present value of schemes' obligations at start of year	(972,389)	(918,616)
Current Service Cost	(16,257)	(15,789)
Interest Costs	(48,346)	(48,127)
Payments to Pensioners	43,445	35,301
Actuarial losses	(194,127)	(25,158)
Present value of schemes' obligations at end of year	(1,187,674)	(972,389)
e) Net Deferred Funding for Pensions in year		
Funding recoverable in respect of current year pension costs	64,603	63,916
Funding to pay pensions	(43,445)	(35,301)
	21,158	28,615

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

The deferred funding asset for pensions as at 31 December 2012 amounted to €1,188 million (2011: €972 million). The quantification of the liability is based on the financial assumptions set out in Note 8 (f). The assumptions used, which are based on professional actuarial advice, are advised to the Department of Jobs, Enterprise and Innovation.

Notes to the Financial Statements

Year Ended 31 December 2012

8. Pensions (continued)

- f) The valuation used for FRS17 disclosures has been based on a full actuarial valuation at 31 December 2012. The financial assumptions used to calculate scheme liabilities under FRS17 as at 31 December were as follows:

Valuation method:	Projected Unit:	
	2012	2011
Discount Rate	3.50%	5.00%
Salary Increases	3.50%	3.50%
Pension Increases	3.00%	3.00%
Inflation Rate	2.00%	2.00%

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

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

- g) History of experience gains and losses

	2012	2011	2010	2009	2008
History of defined benefit obligations, assets and experience gains and losses					
Defined benefit obligation (€'000)	1,187,674	972,389	918,616	892,116	857,222
Fair value of plan assets (€'000) (Note 8(a.i))	-	-	-	-	185,094
Deficit (€'000)	1,187,674	972,389	918,616	892,116	672,128
Experience (Gains)/Losses on scheme liabilities					
amount (€'000)	57,323	10,889	38,274	43,262	(11,377)
percentage of the present value of scheme liabilities	4.8%	1.1%	4.2%	4.8%	-1.3%

The total recognised actuarial gain since 2004 is €186 million.

- h) Funding of Pensions

Payments for unfunded obligations are expected to amount to €43 million in 2013.

Notes to the Financial Statements

Year Ended 31 December 2012

9. Capital Account		
	€'000	€'000
At 1 January 2012		222
Transfer to/from Income and Expenditure Account		
- Cost Additions	25	
- Cost Disposals	(338)	
- Depreciation	(113)	
- Depreciation Disposals	338	
		(88)
At 31 December 2012		134
10. Accounts Receivable		
	2012	2011
	€'000	€'000
General Debtors	728	440
Prepayments	1,785	1,827
Interagency Balances	182	295
Payroll	18	20
EU Grant receivable for European City of Science programme	257	-
Departmental Programmes	4	53
Total	2,974	2,635
Interagency Balances represents amounts due, if any, from the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT receivable of €74,605 (2011: €119,743) from IDA Ireland and Enterprise Ireland.		
11. Accounts Payable		
	2012	2011
	€'000	€'000
General Creditors	-	378
Accruals	295	156
Interagency Balances	261	36
Total	556	570

Notes to the Financial Statements

Year Ended 31 December 2012

11. Accounts Payable (continued)

General Creditors include €0 (2011: €143,400) VAT payable by Forfás on behalf of the Forfás VAT Group (Forfás, IDA Ireland & Enterprise Ireland).

Interagency Balances represent amounts due, if any, to the Forfás Agencies (IDA Ireland, Enterprise Ireland and Science Foundation Ireland) and includes VAT payable of €260,857 (2011: €35,858) to IDA Ireland.

12. Commitments under Operating Leases

A net total of €2,902,000 (2011: €2,862,000) has been charged in respect of operating leases on buildings in the accounts of Forfás. Forfás has commitments of €7,005,000 to pay during 2013 in respect of operating leases. Costs arising out of these commitments in 2013 will be shared between Forfás Agencies and tenants in proportion to agreed office space occupied. The net Forfás share of these costs in 2013 is anticipated to be approximately €2,958,000.

The leases will expire as follows:

	€'000
(i) 2013	-
(ii) 2014 - 2018	1,200
(iii) 2019 Onwards	5,805

The following are the premises for which Forfás holds Operating Leases

- | | | | |
|-----------------------|---|---------------|---------------------------------------|
| a) Wilton Park House | Occupied by Forfás, IDA Ireland, Science Foundation Ireland, Sustainable Energy Authority of Ireland and two private sector tenants. Fully let at 31 December 2012. | | |
| b) Knockmaun House* | 88.38% Sublet | 11.62% Vacant | Total Cost of Vacant Space €191,042 |
| c) Carrisbrook House* | 15.11% Sublet | 84.89% Vacant | Total Cost of Vacant Space €1,216,613 |

These leases will be assigned to IDA Ireland in 2013, as a consequence of the Government decision of 16 April 2013 to draft legislation to provide for the dissolution of Forfás and the transfer of its staff and functions.

*Former IDA Headquarter buildings assigned to Forfás under the Industrial Development Act, 1993.

Forfás continues to actively market the vacant space through the Office of Public Works (OPW) and letting agents in ongoing difficult market conditions.

There were no Finance leases in 2012.

13. Taxation

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

Notes to the Financial Statements

Year Ended 31 December 2012

14. Board Members - Disclosure of Transactions

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

During 2012 no payments were made to any organisations associated with a Board Member.

15. Contingencies and Legal Actions

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

16. Review of State Agencies

On 16 April 2013, the Government formally noted the intention of the Minister for Jobs, Enterprise and Innovation to integrate the research and policy advisory functions of Forfás into the Department of Jobs, Enterprise and Innovation and agreed to the drafting of legislation to provide for the dissolution of Forfás and the transfer of its staff and functions. The implementation of the various elements of this decision, including the development of the necessary legislation, is in progress. There is no expected impact on the value of assets and liabilities in the Balance Sheet. In these circumstances, the Financial Statements have been prepared on a going concern basis.

17. Approval of Financial Statements

The Financial Statements were approved by the Board on 9 April 2013.

Appendix 1: Advisory Councils

Forfás provides research and analytical support to independent advisory groups. In 2012, these groups were:

- National Competitiveness Council
- Expert Group on Future Skills Needs
- Advisory Council for Science, Technology and Innovation

National Competitiveness Council



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

Martin D. Shanahan	Chief Executive, Forfás
Liam Casey	Chief Executive Office, PCH International Ltd.
Prof. Peter Clinch	Vice President for Innovation, UCD
Shay Cody	General Secretary, IMPACT
Clare Dunne	Assistant Secretary, Department of Jobs, Enterprise and Innovation
Isolde Goggin	Chairperson, Competition Authority
John Herlihy	Vice President , International SMB Sales and Head of Google Ireland
Danny McCoy	Chief Executive, IBEC
Seán Murphy	Deputy Chief Executive, Chambers Ireland
Sean O'Driscoll	Chairman and Chief Executive Officer, Glen Dimplex Group
Louise Phelan	Vice President of Global Operations Europe Middle East and Africa, PayPal
Heather Reynolds	Director, Eistec
Dave Shanahan	Head of Strategic Health Initiatives Worldwide, AbbVie
Paul Sweeney	Economist

Expert Group on Future Skills Needs



Una Halligan, Chairperson

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

Muiris O'Connor	Higher Education Authority
Peter Rigney	Industrial Officer, ICTU
Martin Shanagher	Assistant Secretary, Department of Jobs, Enterprise and Innovation
Martin D. Shanahan	Chief Executive, Forfás
Jacinta Stewart	Chief Executive, City of Dublin VEC

Ray Bowe replaced George Bennett in November 2012

Bill Doherty was appointed to the EGFSN in December 2012

Bryan Fields replaced Terry Corcoran in February 2012

Sonia Flynn was appointed to the EGFSN in December 2012

Joanna Gardiner was appointed to the EGFSN in December 2012

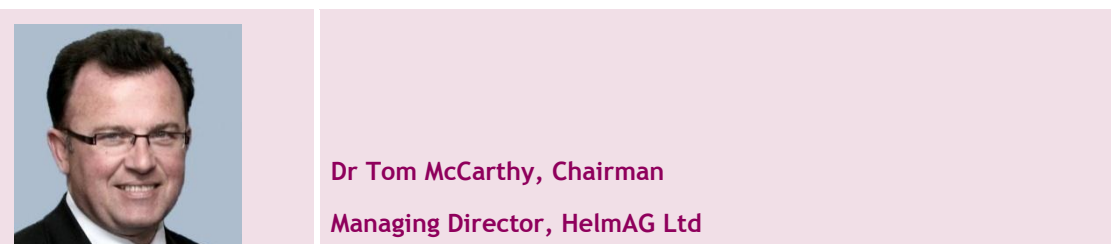
Joe Hogan was appointed to the EGFSN in December 2012

Garry Keegan resigned from the EGFSN in January 2013

Garrett Murray replaced Enda McDonnell in November 2012

Jerry Moloney replaced Garrett Murray in April 2013

Advisory Council for Science, Technology and Innovation



Dr Sean Baker	Entrepreneur and Chairman of 3 Strata Technologies
Prof. Dolores Cahill	Professor of Translational Science, Conway Institute, University College Dublin
Marion Coy	Former President, GMIT, Galway
Prof. Brian MacCraith	President, Dublin City University
Prof. Anita R. Maguire	Vice President for Research and Innovation and Director, Analytical and Biological Chemistry Research Facility, University College Cork
Paul McCambridge	Managing Director, Maxim Integrated Products International
John McGowan	Former Vice President (TMG) & Director Corporate Services, Intel Corporation and currently Director of Tualatin Ltd.
Kevin O'Leary	Chief Executive Officer, Qumas
Julie O'Neill	Vice President, Operations and General Manager, Gilead Sciences Ltd.
Martin D. Shanahan	Chief Executive, Forfás
Prof. Roger Whatmore	Former Chief Executive Officer, Tyndall National Institute

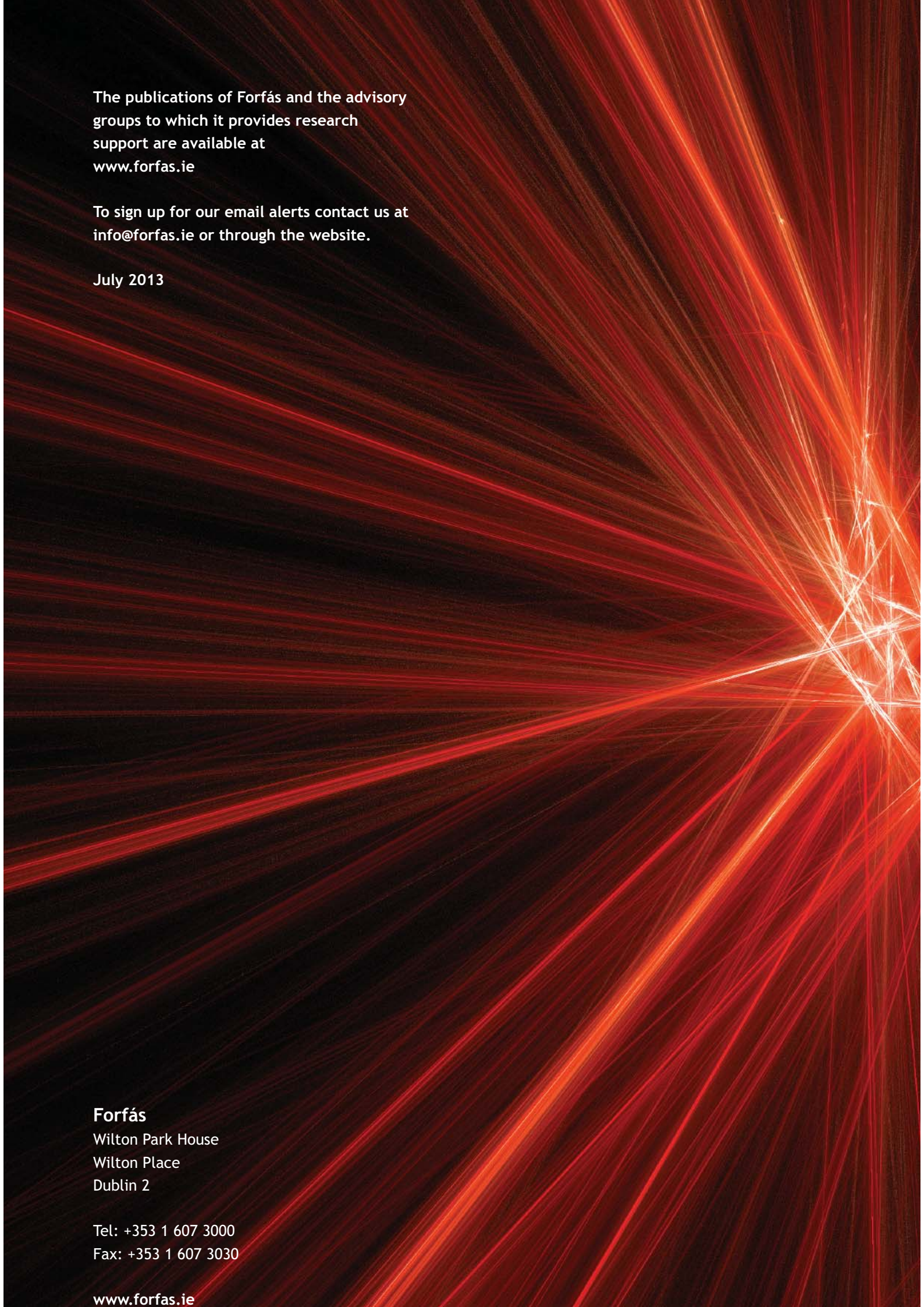
Dr David Lloyd, Burser & Director of Strategic Innovation, Trinity College Dublin resigned in Dec. 2012

Appendix 2: Recent Forfás Publications

Recent Forfás Publications

Ireland's Competitiveness Performance 2013 Forfás	May 2013
Making it in Ireland: Manufacturing 2020 Forfás	April 2013
Future Skills Requirements of the Manufacturing Sector to 2020 EGFSN	April 2013
Sectoral Regulation Forfás	April 2013
EGFSN Statement of Activity EGFSN	March 2013
Costs of Doing Business in Ireland 2012 Forfás	March 2013
Vacancy Overview 2012 EGFSN	February 2013
Action Plan for Jobs 2013 Forfás, DJEI	February 2013
A Review of the Equity Investment Landscape In Ireland Forfás	January 2013
Regional Labour Markets Bulletin 2012 EGFSN	January 2013
A Review and Audit of Licences Across Key Sectors of the Irish Economy Forfás	December 2012
Global Entrepreneurship Monitor (GEM) 2011 Global Entrepreneurship Monitor	September 2012
Annual Employment Survey 2011 Forfás	August 2012
National Skills Bulletin 2012 NCC	July 2012

Monitoring Ireland's Skills Supply - Trends in Education and Training Outputs 2012 EGFSN	July 2012
Ireland's Competitiveness Scorecard 2012 NCC	July 2012
Forfás Annual Report 2011 Forfás	July 2012
Key Skills for Enterprise to Trade Internationally EGFSN	June 2010
Sustainability of Research Centres ACSTI	June 2012
The Science Budget 2010-2011 Forfás	June 2012
Annual Business Survey of Economic Impact 2010 Forfás	June 2012
Overview of the Main Infrastructure Issues for Enterprise Forfás	May 2012
Ireland's Productivity Performance, 1980 - 2011 NCC	May 2012
Community Innovation Survey 2008-2010 Forfás, CSO	April 2012
The Irish Enterprise Funding Environment Forfás	April 2012
EGFSN Statement of Activity 2011 EGFSN	April 2012
Playing our Part: Statement on Horizon 2020 ACSTI	March 2012
Report of the Research Prioritisation Steering Group Research Prioritisation Steering Group, DJEI, Forfás	March 2012



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

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

July 2013

Forfás

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