



# **Building Ireland's Smart Economy**

*A Framework for Sustainable Economic Renewal*



**Progress Report, March 2010**

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## Overview

*Building Ireland's Smart Economy: A Framework for Sustainable Economic Renewal*, was produced in December 2008 setting out the Government's medium-term strategy for economic recovery. It responds to a serious economic crisis whereby Ireland has been hit hard by the combined fallout from the correction in the residential construction sector, the international economic downturn, and unfavourable currency movements. The economy has contracted by more than 10 percent, and unemployment has risen above the EU average.

As well as short-term stabilisation measures, the strategy underpins economy-wide improvements in productivity and performance through better use of knowledge—now the key resource in today's advanced economies. This includes addressing new challenges in conserving natural resources, protecting the environment, and planning sensibly for longer life expectancies, while restoring stability to the public finances.

There are 5 Key Action areas:

1. *Securing the Enterprise Economy and Restoring Competitiveness*
2. *Building the Ideas Economy—Creating 'The Innovation Island'*
3. *Enhancing the Environment and Securing Energy Supplies*
4. *Investing in Critical Infrastructure*
5. *Efficient and Effective Public Services and Smart Regulation.*

Since publication of the Framework, there have been significant developments in the global and Irish economies, and the Government has responded with an unprecedented series of measures during 2009.

This includes further elaboration of the policy direction set by the Framework in areas such as *Technology Actions to Support the Smart Economy* (July 2009), the *Global Irish Economic Forum* (September 2009), the report on *Developing the Green Economy in Ireland* (December 2009), and the *Report of the Innovation Taskforce* (March 2010).

This summary report therefore serves to highlight key headline progress from the wide range of policy actions and developments in each of the 5 Key Action Areas, rather than provide a comprehensive account of everything that has happened since the Framework was produced.

Decisive action since the crisis broke has seen a stabilisation of the public finances as set out in Budget 2010. The economy is now expected to see a return to growth in the second half of 2010, and to net employment creation in

2011. However, significant work remains to be done, particularly in regard to returning long-term sustainability to the public finances.

Nonetheless, despite the severity of the recession, key strengths of the past two decades remain. Economic activity as measured by GDP will be around 30 percent higher in 2010 than in 2000, and about 150 percent higher than in 1990. Numbers in employment this year will still be around 1.9 million, compared with 1.7 million in 2000, and 1.2 million in 1990.

The economy continues to enjoy favourable demographics, a highly educated workforce, and resilient export performance—as well as the significant benefit of the investment of the last decade in modernising physical infrastructure and developing world-class research capacity.

Strategic objectives to be delivered during 2010 include:

- delivering budget deficit stabilisation and identifying further fiscal consolidation measures for 2011
- restructuring and recapitalising the banking system to ensuring it re-focuses on the flow of credit to business
- providing 160,000 training and work experience places for people who have lost their jobs
- investing €6.4bn in our capital programme
- completing the inter-urban routes between Dublin and the main regional cities
- introducing new measures to strengthen commercialisation of publicly funded research
- delivering energy-efficiency upgrades in 60,000 homes
- marketing drive to increase tourism numbers and revenue by 3%.

The Cabinet Committee on Economic Renewal will continue to oversee implementation of the *Smart Economy* agenda of restructuring and reform across all sectors of the economy. This will include regular reports from relevant Ministers on progress, and a particular emphasis on bringing cohesion to the interlocking policies and actions necessary to support sustainable economic renewal.

# 1. Securing the Enterprise Economy and Restoring Competitiveness

- Ireland's medium-term plan for economic recovery is based on restoring order to the public finances, repairing the banking system, regaining competitiveness and investing to create new jobs.
- Economic activity is expected to pick up in the second half of 2010 as world growth resumes.
- Over the period 2011-2014, GDP in Ireland is expected to increase by 4% per annum – driven mainly by more sustainable export orientated growth.
- The Government has set out a multi-annual framework to restore order to the public finances and to reduce the General Government deficit to less than 3% of GDP by 2014. Ireland's approach to addressing its budgetary difficulties has met with the approval of many, including the European Commission, the ECB, the OECD and the IMF.
- Significant action has already been taken on expenditure and taxation to restore sustainability to the public finances. As a result, it is forecast that the General Government deficit will be stabilised in 2010, notwithstanding declining economic activity. In addition the scale of future adjustment will not now be as large as previously thought.
- Between July 2008 and the Supplementary Budget in April 2009 adjustments designed to yield about 5% of GDP in 2009 were introduced. The measures included broadening the tax base, reducing the public sector pay bill through the introduction of a pension levy and strictly containing expenditure across all Government Departments.
- Budget 2010 delivered an adjustment of €4 billion (2½% of GDP). This mainly focused on reducing expenditure with the main elements being a further reduction in the public sector pay bill, reductions in Social Welfare spending, in other Departmental spending and an adjustment on capital expenditure, in recognition of falling tender prices and a review of priorities.
- While a return to economic growth in the second half of 2010 is foreseen, substantial challenges remain in order to achieve the target deficit of 3% of GDP by 2014.
- A multi-annual capital investment programme of just under €40 billion from 2010 to 2016 has been agreed by Government, with spending of €6.4 billion (5% of GNP) on capital expenditure provided for in 2010. Also, reductions in construction prices mean it is now cheaper to deliver new capital projects.

- Decisive action has been taken to support Ireland's financial system. This includes providing a State guarantee for bank liabilities, recapitalising the banks, and establishing a National Asset Management Agency (NAMA) to remove impaired property portfolios from the balance sheets of the banks, at significant discount on book value.
- The European Commission gave its approval to the establishment of NAMA in February 2010. Crystallising banking sector losses, and removing the problem assets from the banks—a process now underway—is key to removing market uncertainty, supporting liquidity, and resumption of normal credit flows to the real economy.
- The Code of Conduct on Business Lending to SMEs took effect in March 2009. This code applies to all regulated banks and building societies and facilitates access to credit, promotes fairness and transparency and ensures that banks will assist borrowers in meeting their obligations, or otherwise deal with arrears in an orderly and appropriate manner.
- The guidelines provided for in the NAMA legislation will set out how credit should flow to sustainable businesses. This will be supported by the Independent Credit Review system announced in Budget 2010 which provides a mechanism for businesses to appeal loan refusals.
- The Credit Supply Clearing Group brings together the banks, business interests and relevant State bodies and will continue to strengthen understanding and communications between key stakeholders in getting credit to business flowing again.
- Costs and wages are also adjusting to the difficult realities we face. Ireland is experiencing the greatest falls in unit labour costs in the euro area. The European Commission has estimated a 5 per cent improvement in 2009 vis-à-vis the rest of the euro area, with significant gains also expected in 2010 - contributing to our recovery of international competitiveness
- The Consumer Price Index fell by 4.5% in 2009. The HICP – the harmonised European measure – fell by 2.4% in the year to January 2010, well below the euro area increase on 1.0%. Irish prices are now moving closer to the euro area average which will help restore competitiveness.
- A Working Group has been established by the Minister for Justice, Equality and Law Reform on the issue of commercial rent reviews and will report to him before the end of June 2010. Following the ban on upward only reviews in new leases, the Group will focus particularly on the arbitration process and the adequacy of the information available to all parties in the context of commercial rent reviews.

- There is a clear commitment to maintaining our 12.5% corporation tax rate as a key element of our international competitiveness and attractiveness as a location for doing business.
- The considerable improvements in Ireland's international tax offering in recent years were further consolidated in Budget 2010 with a range of new measures to boost growth including for start-ups, for R&D, and to further develop Ireland's international financial services sector.
- Key interventions to secure employment through the downturn include introduction of an Enterprise Stabilisation Fund targeted at vulnerable but viable firms in the internationally traded sectors and a temporary Employee Subsidy Scheme.
- The European Globalisation Adjustment Fund (EGF), with matching funding from the National Training Fund, provides support for labour market measures for redundant workers in the case of large-scale company closures. In addition, the new Activation Fund announced in Budget 2010 will target the low skilled, the under 35s and those formerly employed in the construction, retail and manufacturing sectors.
- In 2010 training and work experience activation provision has increased to 160,000 places compared to the 66,000 places that were delivered in 2008.
- Higher education institutions have been responding to increasing demand for higher education by increasing the number of places they offer. CAO acceptances for the 2009/10 academic year, at 45,582, were up 8.3% on the previous year (2008/09), which in turn had seen an increase of 5.4% on 2007/08. The total number of full-time enrolments in higher education institutions aided by the Department of Education and Science is projected to be more than 155,000 for the 2009/2010 academic year.
- In 2010, based on current participation rates, almost 48,000 learners will participate in full-time further education through the Youthreach, Vocational Training Opportunities Scheme, Senior Traveller Training Centres and PLC programmes. An estimated 125,000 learners will participate in part-time programmes under the adult literacy, community education and Back to Education Initiative schemes.
- Additional staff have been redeployed within FÁS to meet the increased demand at Employment Services offices and to provide a service to clients referred under the National Employment Action Plan. As a result, planned annual job search referral capacity is expected to be 154,000 places this year. This is nearly double the 2008 annual job search referral capacity.

- Delivering the sustainable and renewable energy targets requires a substantial investment in re-skilling and up-skilling. Courses have been specifically developed to meet the need for qualified workers in Solar Panel Installation, Geo-thermal heating and Biomass heating and Building Energy Rating. Complementary courses are also being offered in the areas of Micro Electricity Generation, Intelligent Building Systems Control, Thermal Insulation and Passive Housing and Air Permeability Testing of Buildings.
- A focused strategy to chart the direction of agri-food, forestry and fisheries for the next decade (to 2020) will be completed by June 2010. A high-level committee from the full food chain – consumers, retailers, consumer food producers, primary processors and farmers – has been appointed by the Minister for Agriculture, Fisheries and Food to undertake this task. A web-based public consultation process has also been initiated, and the output of the ‘Food and Drink Summit- Building Ireland’s Largest Indigenous Industry’ in April, which is being facilitated by the Harvard Business School and host by Bord Bia, will also feed into the 2020 Strategy.
- The Minister for Agriculture Fisheries and Food has announced a new €100 million fund to improve the food industry’s competitiveness over the next four years. The roll-out of this fund will commence in 2010 with €9.5 million being provided. Of this amount, €7 million will be administered by Enterprise Ireland to enable key exporting companies to adopt sustainable lean business practices and €2.5 million will be provided to support Bord Bia marketing initiatives. These needs were clearly identified in the report of the Food Expert Skills Group in 2009.
- The Government’s Rural Development Programme includes funding of €425m over the period from 2009 to 2013, 55% from the European Union and 45% from the Exchequer, for activities such as diversification into non-agricultural activities, support for business creation, encouragement of tourism activities, basic services for the economy and rural population, village renewal and development, conservation and upgrading of rural heritage and training and information. In total it would be expected that approximately 10,000 new or existing micro-enterprises will be supported over the lifetime of the Programme.

## 2. Building the Ideas Economy—Creating ‘The Innovation Island’

- Investment in knowledge (including higher education) increased at an annual average of around 10% in the last decade, compared with EU and OECD averages of around 3%. Economy-wide R&D spend has trebled over this time, with two thirds coming from the enterprise sector
- R&D investments now account for over four-in-ten new IDA projects. Foreign companies’ expenditure on Research, Development and Innovation in 2008 equated to 73% of Business Expenditure on Research and Development (BERD).
- Market testing of the Innovation Fund proposed is currently being undertaken by the NTMA, testing the best way to design and implement the Fund with venture capital companies and other stakeholders.
- Tax changes to support the Smart Economy include an improved R&D tax credit, new tax arrangements for Intellectual Property (IP), tax incentives for start-up companies and to encourage venture capital companies to locate in Ireland.
- Enhancements to the R&D tax credit in Budget 2009 were:
  - Increased rate of tax credit from 20% to 25%
  - Carry-back of unused tax credits for set-off against corporation tax paid in the previous year with any remaining unused tax credit to be refunded over a three year period
  - 2003 fixed as the permanent base year against which to measure incremental R&D expenditure for the purpose of the tax credit
  - Allow a proportion of the expenditure on new or refurbished buildings to be used in part for R&D purposes to qualify for the tax credit
- Budget 2009 also introduced an exemption from Corporation Tax arising in the first 3 years of operation for business start-ups; and extended the existing tax incentive scheme of accelerated capital allowances for energy efficiency equipment.
- The Supplementary Budget 2009 introduced a new scheme of tax relief for capital expenditure on intangible assets.

- Key tax measures in Budget 2010 included:
  - Enhancements to the R&D tax credit 2003 base year calculation including revised definitions and clarifications
  - Reduction from 25% to 12.5% tax for certain foreign trading dividends which will further support the attraction, development and retention of Foreign Direct Investment
  - Enhancements to the tax relief for capital expenditure on intangible assets
  - Improvements to the Income Tax Incentive for Foreign Employees to undertake an assignment in Ireland
  - Start-up company tax exemption extended into 2010 encouraging both entrepreneurship and economic activity
  - Reduced filing and payment obligations in respect of Principal Contractors in the Construction, Forestry and Meat Processing sectors which will further reduce the administrative burden on business.
- IDA has launched a major new marketing campaign in the US, based on the Innovation Island concept; this has received widespread praise and is a key strategic tool to assist the organisation in selling brand Ireland thus winning more FDI for Ireland.
- In 2009 FDI decreased globally by 30% but Ireland led the field in capturing new investments. The number of foreign investments in Ireland decreased by only 4% on the level achieved in 2008. Half of new investments are now Research, Development and Innovation driven projects.
- Ireland's corporate tax rate of 12.5%, our multilingual skilled workforce and our strategic location to serve markets in Europe has served us well in attracting investors and will continue to do so. It is no secret that Ireland epitomises the globalised economy and we have implemented remarkably successful FDI policies.
- The Clearing House Group (CHG) and the other IFSC Working Groups in the areas of Banking & Treasury, Funds, Insurance, Pensions and Asset Management work to support the strategic development of new business areas and opportunities for the international financial services industry, and the progress of relevant legislation.
- The outcomes of the IFSC facilitated industry workshop, held in Dublin Castle in February 2009, are also being worked through by the relevant Government Departments and State Agencies.

- A feasibility study is currently being undertaken in launching of a green initiative within the IFSC.
- The *Finuas* Training Networks Programme launched in February 2009 is providing specialist training in identified skills needs to workers in the international financial services industry, jointly funded by Government and private companies on a 50:50 basis.
- Enterprise Ireland supported 73 high potential start-up companies in 2009. These firms represent a new breed of globally competitive Irish industry based on knowledge and innovation. They are a pointer towards the future of Irish industry.
- Enterprise Ireland will implement a number of initiatives to foster entrepreneurship and drive new start-ups including continued support for High Potential Start-ups, entrepreneurship training and dedicated mentoring, and strong linkages with the City and County Enterprise Boards.
- The Small Business Forum was re-convened in December 2009 to gain their assessment and views on the impact of the current economic situation on the needs of the small business sector as it positions for recovery.
- The SFI Centres for Science, Engineering & Technology (CSETs) and Strategic Research Clusters (SRCs) link researchers in partnerships across academia and industry to address crucial research questions. The centres foster the development of new and existing Irish-based technology companies and also attract industry that could make an important contribution to our economy. There are currently 29 SFI funded top-class research centres [10 CSETs & 19 SRCs] in operation.
- The Enterprise Ireland /SFI CSET Collaboration Programme was introduced in 2009 to accelerate the realisation of national economic benefits from the CSET programme through active commercialisation of research outputs.
- During 2009 the Government announced a range of investment packages amounting to €38.33m over the next five years to establish 7 new SFI funded SRCs and 1 new CSET.
- These new SFI centres initially provide for 302 new researcher jobs and are already formally engaged with 40 companies, who each contribute significantly to the individual research projects. The strategic areas for Irish industry being pursued through these new centres are relevant to Information Communications Technology, Cancer/other health related, Mathematics and Energy related fields amongst others.

- Funding structures for investment in research are being streamlined to ensure we are closely aligned with the areas where industry can create jobs in the future.
- An Action Plan for Health Research was produced in 2009 and is now being implemented as an area of great potential given our existing base of medical device and pharmaceutical companies. As part of the implementation of the Action Plan, in January 2010 the Minister for Health & Children announced capital funding of €7.5m for a new Clinical Research Facility at University Hospital Galway.
- This Research Facility will provide world class facilities for researchers drawn from University Hospital Galway and NUI Galway. It will directly employ a staff of 20 and, through partnership with industry, will make a much wider economic contribution in the West and nationally by enhancing research and development capacity in the medical device and pharmaceutical sectors. The Galway Facility will form part of the network of such facilities in major hospitals including those already established in the Mater, St.Vincent's and Beaumont; a facility under development at St.James's Hospital and a further such facility in Cork University Hospital, preparations for which are underway.
- In 2010, agri-food research is being prioritised through an investment of more than €24 million in the Food Institutional Research Measure, the Research Stimulus Fund and COFORD forestry research. These competitive research programmes, together with the activities of Teagasc and the Marine Institute, are developing the expertise and building the institutional capability to underpin R&D in the agri-food sector. Furthermore, this investment in public good research is providing the scientific knowledge to position the Irish agri-food sector further up the value added chain and drive future innovation.
- The Minister for Education and Science announced a fifth cycle of PRTL funding in January 2009 focusing on strategic, collaborative proposals with a particular emphasis on physical infrastructure and structured PhD education. The HSE issued a call for proposals in 2009 and the assessment process is now complete.
- A process to develop a new national strategy for higher education began in February 2009. Led by a high level strategy group comprising national and international expertise, it is examining how well Ireland's higher education system is performing, how it ranks internationally, how well existing resources are being used and how the system can be re-configured to best meet the many challenges it faces over the next decade having regard to the key role it has to play in contributing to Ireland's economic recovery.
- It is envisaged that the strategy will provide a vision and related set of national policy objectives for Irish higher education over the coming 20 years and identify the operational framework for the higher education

system which will enable it deliver these objectives. It is expected that the report of the Strategy Group will be submitted to the Minister for Education and Science before summer 2010.

- Ireland's two largest universities—Trinity College and UCD—are implementing a joint venture in enterprise development, providing new and stronger mechanisms for technology transfer and business support.
- A strategic alliance between NUI Galway and the University of Limerick has been announced recently, including a commercialisation relationship with GeorgiaTech demonstrating how Irish universities can boost innovation through international linkages.
- The Discover Science and Engineering (DSE) Programme is working to promote increased participation in the physical sciences at Leaving Certificate level and beyond. Acceptances on higher education courses in the 2009/2010 academic year are up 21% in engineering and 25% on computing and science courses.
- DSE extended its remit in 2009 to include maths and a priority for 2010 is to assist the roll out of Project Maths, which is designed to bring about a changed approach to student learning of mathematics, with greater use of contexts and applications and greater emphasis on the development of problem-solving skills. Project Maths began in 24 post-primary schools in 2008, and is being implemented in all schools from September 2010.
- In July 2009, the Government approved new procurement policy guidelines, *Buying Innovation—The 10 Step Guide to Smart Procurement and SME Access to Public Contracts*. This is an important initiative designed to stimulate innovative business activity in Ireland and facilitate greater access for all SMEs in both exporting and non-exporting sectors.
- Dublin will be European City of Science in 2012. The event will bring together leading international scientists and high-ranking Government officials from across Europe to address major global issues such as Energy, Climate Change, Food and Health.
- The recently launched report of the Tourism Renewal Group contains a Framework for Action for tourism's survival, recovery and growth over the period to 2013. Tourism Ireland's new suite of marketing and promotional materials was rolled out across all markets during 2009 following an extensive review of the island of Ireland brand.
- Fáilte Ireland has been provided with an increased allocation of €21 million in 2010 to support investment in tourism infrastructure and new and upgraded tourism attractions and activities.

- The pipeline of inward and indigenous investment in film and audiovisual content production remains healthy because of the continuation of direct targeted skills and production funding by the Irish Film Board and the Section 481 investment relief.

### **3. Enhancing the Environment and Securing Energy Supplies**

- Under EU legislation, Ireland has been set a target of 16% of all energy consumption to be from renewable sources by 2020 (up from 3% in 2005). This target is to cover all sectors (i.e. electricity, heating and transport) and will be achieved with approximately 40% electricity from renewable sources, 10% transport from renewable sources and 12% heat from renewable sources.
- An ambitious target of meeting 40% of electricity needs from renewables by 2020 has been set. This will be supported by an endowment of wind resources that is 5-6 times greater than the European average and a frontier role in the development and commercialisation of ocean energy technologies.
- Unprecedented investment in the electricity transmission grid nationwide of €4bn will be undertaken over the next decade supporting renewable energy targets and economic renewal in the regions. This will underpin an ambitious roll-out of electric vehicle infrastructure, micro-renewable technologies, and a rapidly developing GreenTech sector.
- Ireland is on schedule to meet its target of 15% of electricity consumption from renewable sources by 2010. Sustainable Energy Ireland estimate that for 2009 we achieved approximately 14% of electricity consumption from renewable sources.
- The Government has set an ambitious target of 10% Electric Vehicles (EVs) in the national car fleet by 2020. Together with the Biofuel Obligation, currently in passage through the Oireachtas, this will help deliver the 2020 10% renewable energy in Transport. Current estimates suggest that of the 10% energy target, 8.5% will be met by biofuel and 1.5% will be met by EVs.
- A comprehensive policy document on Bioenergy is currently being finalised. This will set out a series of measures designed to deliver the States 2020 Renewable Heat target of 12% (RES-H), and a significant proportion of the 2020 10% renewable energy (RES-T) in transport target. Delivering these targets will bring substantial economic benefits, not least through the provision of new economic opportunities to rural areas, and the substitution of imported fossil fuels with biomass products.
- Significant progress has been made on delivery to schedule of the 500MW East-West electricity interconnector. It will enable Ireland to import cheaper electricity from the UK and export renewable electricity.

It is on schedule for delivery by 2012. The EU has awarded a €110mn grant to support this strategic energy infrastructure development.

- A major Smart Meter Pilot Programme is underway, involving up to 14,000 electricity and gas meters. The Pilot will determine the optimum and most cost effective technology and systems, as well as testing customer behaviour to inform the roll out of the National Smart Meter Programme.
- The High Level Action Group on Green Enterprise reported in December 2009 with detailed proposals for the creation of new jobs and businesses in the greentech area, including pressing ahead with ideas like the Green IFSC and Green Enterprise Zones. The sub-sectors identified by the Group as having most potential for exports and job creation are Renewable Energy, Energy Efficiency, Waste Management and Water/ Wastewater treatment.
- The value of Ireland's GreenTech market in environmental goods and services is already estimated at around €2.8 billion for 2008—with potential to add upwards of 80,000 greener, smarter jobs in the coming years.
- A major home insulation initiative across both the public and private housing stock delivered energy efficiency measures to over 40,000 homes in 2009.
- A new €130 million National Energy Efficiency Retrofit Programme announced in Budget 2010 including €50m from carbon tax revenues which will enable energy efficiency improvements in over 60,000 homes and buildings in 2010 alone, supporting 5,000 jobs and creating energy efficiency savings worth a total of €400 million over their lifetime.
- The National Energy Efficiency Plan and the National Retrofit Programme are delivering ambitious investment strategies which will transform the built environment and deliver major energy cost savings for business and the public sector while also contributing to de-carbonising the economy.
- A variety of initiatives that seek to improve the environmental and energy management of industry launched by Sustainable Energy Ireland (SEI).
- The scheme of Accelerated Capital Allowances for energy efficient equipment (ACA) has been expanded from seven categories of eligible equipment to ten. Companies can claim 100% capital allowances on expenditure on eligible equipment in the year of purchase across more than 40 areas of technology and over 4,000 eligible products.

- Further planned upgrades of energy efficiency requirements in the Building Regulations, and increased awareness of potential for cost-effective, energy-efficient improvements highlighted by Building Energy Rating (BER) advisory reports, will drive demand for energy-efficient construction products, services and works.
- The Department of Agriculture, Fisheries and Food launched a new Bioenergy Scheme in February 2010, following an earlier pilot project launched in 2007, to grant aid miscanthus and willow planting to the end of 2012. Approved costs will be grant aided up to 50%, subject to a maximum grant of €1,300 per hectare for both crops. The new Bioenergy Scheme aims to consolidate progress made during the pilot phase and bring greater scale to the sector.
- Bord Bia is extending its quality assurance programme to incorporate new environmental criteria that will position Irish food exporters as market leaders and provide a new platform for promotion in the context of the increasingly important sustainability agenda.
- Ireland's revised Rural Development Programme was approved by the EU Rural Development Management committee in January 2010. It provides for the allocation of over €5 billion in funding, of which €2.6 billion is from the national exchequer. The revised Programme includes a targeted Agri-Environment Options Scheme (AEOS) and a new farm investment scheme, the Targeted Agricultural Modernisation Scheme (TAMS), which were in 2010. TAMS comprises a number of elements covering Sow Housing, Poultry Welfare, Dairy Equipment, Sheep Fencing and Water Harvesting. A total of €90m has been allocated to this measure. The AEOS is a focused agri-environment measure with a potential 10,000 applicants obtaining payments of up to €5,000 per year for the delivery of specific environmental public goods related to biodiversity, water management and climate change.

## 4. Investing in Critical Infrastructure

- Capital investment in 2010 will be in the region of 5 percent of GNP— one of the largest capital programmes in the EU15. This is part of a projected infrastructure spend of just under €40bn between now and 2016, while getting more for less because of a significant fall in project costs. Tender prices for new construction projects are currently running 20% to 30% lower than peak.
- The Government has revised the capital programme to align it with the goals of the Smart Economy Framework, prioritising projects with the most immediate positive impact on the economy and employment, which also lay the foundations for sustainable growth.
- Investment projects in 2010 will focus on labour-intensive areas such as schools building and maintenance, energy efficiency measures and investment in our tourism infrastructure.
- Other key investment priorities in 2010 will include science, technology and innovation; promotion of environmental sustainability; implementation of green enterprise initiatives; housing and urban regeneration; the health sector; public transport and finishing the inter-urban motorways.
- The National Spatial Strategy Update and Outlook being published shortly will set out a range of actions aimed at prioritising infrastructure investment and ensuring appropriate governance arrangements in Gateways to support economic renewal.
- The Planning and Development (Amendment) Bill, which will ensure that planning system supports targeted investment in infrastructure and complementary zoning practices, has completed all stages in the Seanad and is due to be enacted in early 2010.
- The major inter-urban motorway programme linking Dublin and the five other main cities will be completed in 2010, permitting safer, faster and more reliable journeys between these major gateways.
- The main priorities for transport investment in the immediate future will be transformation of the public transport system in Dublin through the delivery of Metro North and the DART Underground programme and the development of the Atlantic Road Corridor to support the balanced regional development objectives of the National Spatial Strategy.
- The State Energy Companies (ESB, Bord Gáis and EirGrid ) are delivering major multi-billion investment programmes in the electricity and gas networks over the next decade which is ensuring security of

energy supply for the economy, supporting inward investment and indigenous industry, and delivering a de-carbonised energy system

- The National Broadband Scheme will be fully rolled out by September 2010. Investment in Next Generation Networks (NGNs) will be primarily achieved by the market facilitated by an appropriate regulatory regime. The certainty provided by the policy and regulatory environments is facilitating investment and strong competition, helping the evolution to NGNs.
- The *Technology Actions to Support the Smart Economy* report produced in July 2009 identifies key actions that will deliver the critical technology infrastructure and signature knowledge-intensive projects necessary for the development of a Smart Economy. This includes initiatives such as a new International Content Services Centre and making Ireland the leading location for energy efficient data centres such as the Microsoft Centre opened in September 2009.
- The Exemplar Smart Communications Test-Bed will create awareness within the multi-national high tech community that Ireland has a unique, world class facility for advanced research and development for next generation ICT and Web Services and act as a magnet for FDI and an incubator for indigenous job creation.
- €508 million has been provided for water services infrastructure in 2010. The Water Services Investment Programme for 2010 to 2012 will be published in the coming weeks, following an assessment of needs by local authorities. The new programme will reflect Smart Economy objectives, the Framework's need to address deficits in certain gateways and hubs identified by Forfas, and will be aligned with river basin management plans to be adopted shortly by local authorities.
- The significant transformation of housing programmes currently underway will continue through 2010 with the shift away from a reliance on new build projects and an increasing focus on more flexible responses such as leasing and the Rental Accommodation Scheme. Some €880 million is being made available for housing programmes in 2010. The focus for the housing programme will be on the most acute housing needs and delivering crucial environmental and fuel poverty gains.
- The National Conference Centre – to be named The Convention Centre Dublin – is on schedule to open in September 2010 and will be an important resource for the growth of business tourism.
- The redevelopment of Lansdowne Road Stadium – to be named The Aviva Stadium – is progressing according to schedule and is due to be completed in April 2010.

- The growth of Ireland's cultural sector has been assisted through support for redevelopment of key cultural venues, such as the Cork Opera House, Wexford Opera House, Model Centre home of the Niland in Sligo, Theatre Royal Waterford, and Science Gallery, Dublin. Visitor numbers continued to grow at the National Cultural Institutions, owing to sustained investment in exhibitions, collections and visitor services.

## 5. Efficient and Effective Public Services and Smart Regulation

- The recommendations of the Special Group on Public Service Numbers and Expenditure Programmes have been considered by the Government in the context of the 2010 Estimates and Budgetary process and a number of Government decisions on the proposals have been taken in that context.
- A number of initiatives were implemented in the human resource area to contribute to expenditure savings for 2009, notably the incentivised scheme of early retirement in the Public Service (ISER), the incentivised career break scheme (ICB) and the shorter working year scheme, together with the moratorium on the filling of public sector vacancies by recruitment or promotion.
- Ireland is now ranked in joint 7th position in the EU for online sophistication according to the latest EU eGovernment Benchmarks.
- A rolling programme of eGovernment projects is currently being developed across the Public Service.
- The National Public Procurement Operations Unit has been established within the Office of Public Works. This Unit will assist public bodies in achieving savings from a combination of price reductions, administrative efficiencies and demand management. Savings achieved to date amount to circa €28 million.
- The Organisational Review Programme (ORP), established to review the current and likely future capacities of Government organisations in three key areas (strategy, managing delivery and evaluation), completed the first phase of reviews in November 2008. The Departments reviewed were Agriculture, Fisheries and Food; Enterprise, Trade and Employment; and Transport.
- The second phase covers four further Government organisations: the Department of Health and Children; the Central Statistics Office; the Property Registration Authority; and the Office of the Revenue Commissioners. These reviews will be concluded around April 2010 when a composite report will be published following consideration by Government. The report will set out the ORP findings on each organisation and will include follow-up action plans prepared by them.
- Preparatory work is already underway on the third phase of reviews. The capacities of a further four Government organisations will be examined: the Department of the Environment, Heritage and Local Government; the Department of Education and Science; the

Department of Foreign Affairs; and the Department of the Taoiseach. It is intended that these reviews and the associated action plans will be completed in the second half of 2010.

- Work is being advanced on shared services in a number of sectors in areas including HR, Payroll, Financial Management, and pensions administration.
- A new Code of Practice for the Governance of State Bodies was published in May 2009. Work is underway in relation to the development of new performance and governance frameworks for State Agencies, and the greater use of Service Level Agreements in this context.
- The Department of Finance is currently conducting an in-depth analysis and review of the existing range of performance / output information in use across all Government Departments, with a view to standardising this information in line with international best practice.
- Work is also progressing on the integration of the Annual Output Statements with the Annual Progress Reports on Statements of Strategy.
- The Government Statement on Economic Regulation was published in October 2009 and the first meeting of the Annual Regulatory Forum took place on 26 February.
- The Statute Law Revision Act 2009 repeals more than 10,000 Local and Personal and Private Acts.
- The High Level Group on Business Regulation has already identified more than €20 million worth of administrative cost savings for business in its first report, through cutting out paperwork, revising the rules for small businesses and making better use of online services. The Group's 2010 work programme initially contained more than fifty recommendations from business, and some twenty-five of these recommendations have already been progressed to the satisfaction of the Group.
- The Department of Enterprise, Trade and Employment completed measurement of administrative burdens in the three key areas of company law, health and safety, and employment legislation during 2009. Simplification workshops will be run during the first half of 2010 to identify ways in which these burdens can be reduced for business. A cross-Government measurement exercise will quantify the total administrative burden on business arising from regulation.

## **Annex: Some Key Publications**

***Transforming Public Services Programme (November 2008)***

<http://www.onegov.ie/eng/>

***Technology Actions to Support the Smart Economy (July 2009)***

<http://www.dcentr.gov.ie/NR/rdonlyres/26C23436-E6B3-4842-95B3-20BD2AF104D6/0/FinalVersionTechnologyActionsReportFinal210709.doc>

***Report of the Commission on Taxation 2009 (July 2009)***

<http://www.commissionontaxation.ie/index.asp>

***Science, Technology and Innovation: Delivering the Smart Economy (August 2009)***

[http://www.entemp.ie/publications/science/2009/Delivering\\_the\\_Smart\\_Economy.pdf](http://www.entemp.ie/publications/science/2009/Delivering_the_Smart_Economy.pdf)

***Annual Competitiveness Report 2009, Volume One: Benchmarking Ireland's Performance (August 2009)***

<http://www.competitiveness.ie/publications/>

***Monitoring Ireland's Skills Supply - Trends in Education and Training Outputs 2009 (November 2009)***

<http://www.forfas.ie/publication/search.jsp?ft=/publications/2009/Title.4779.en.php>

***Developing the Green Economy in Ireland (December 2009)***

<http://www.forfas.ie/publication/search.jsp?ft=/publications/2009/Title.5065.en.php>

***Annual Competitiveness Report 2009, Volume Two: Ireland's Competitiveness Challenge (January 2010)***

<http://www.competitiveness.ie/publications/>

***National Pensions Framework (March 2010)***

<http://www.welfare.ie/EN/Policy/PolicyPublications/Pensions/Pages/nationalpensionsframework.aspx>

***IDA Ireland Strategy: Horizon 2020 (March 2010)***

<http://www.idaireland.com/news-media/press-releases/tanaiste-launches-ida-ire/index.xml>

***Progress Report on Follow-up to Global Irish Economic Forum (March 2010)***

<http://www.globalirishforum.ie/>

***Report of the Innovation Taskforce (March 2010)***

<http://www.innovationtaskforce.ie>