

The Irish Experience



David O'Donovan

International FDI Consultant & Former Senior Staff Member of IDA-Ireland

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Seven Key Themes



- I. Irish Economic Transformation
- II. National Consensus Through Social Partnership
- III. Social Partnership in Innovation
- IV. Specific Bodies for Specific Functions
- V. Aggressive Campaign for FDI
- VI. State Support for Innovation
- VII. Looking Back – Lessons Learned



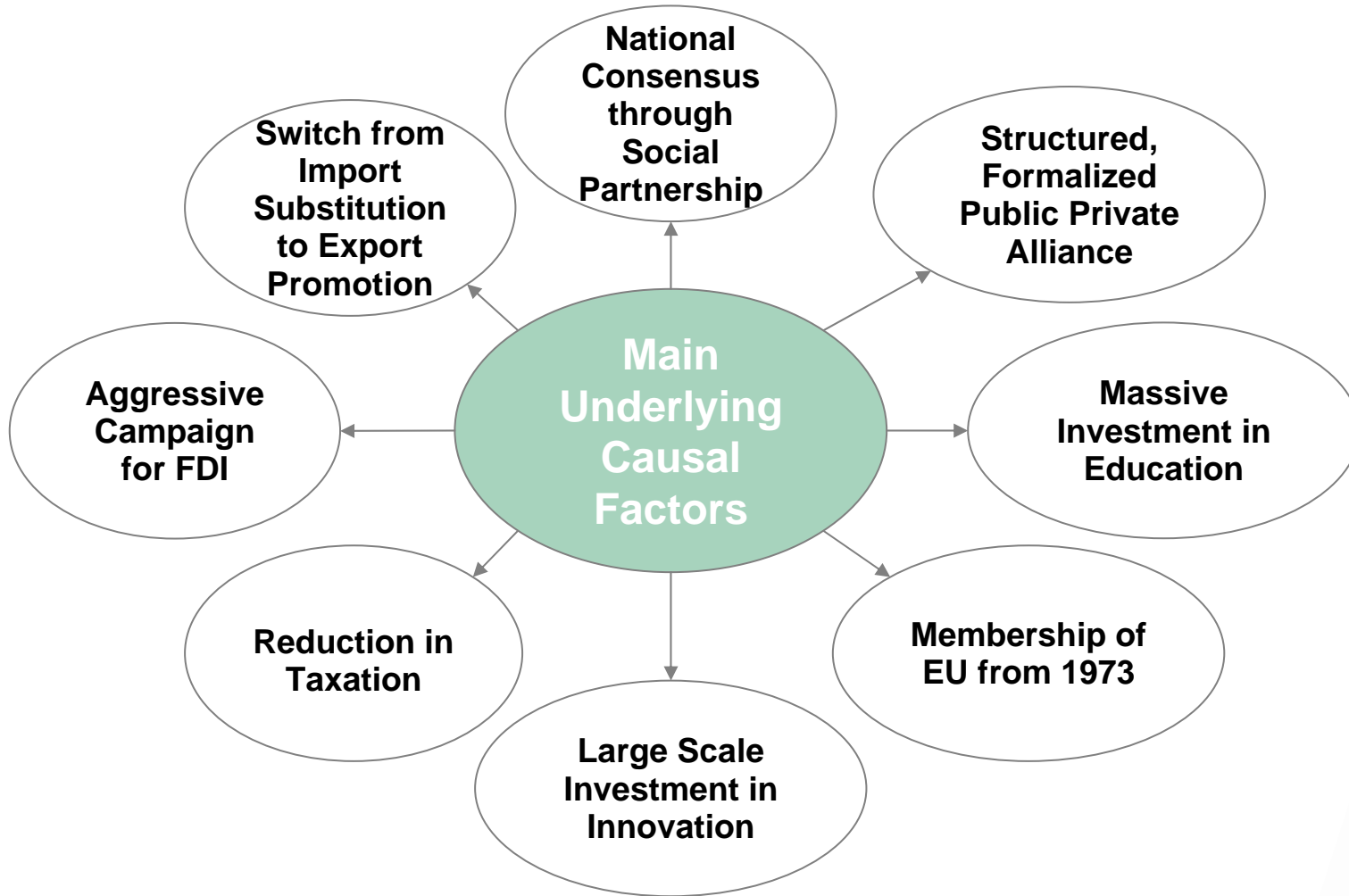
I. Irish Economic Transformation



- In 1970 Irish income per capita \$3,000 - one of the poorest in Europe
- GDP per capita now \$54,000 – 144% of EU average
- Exports of \$119 billion (54% of GDP)
- Trade Surplus \$36 billion



I. Irish Economic Transformation



II. National Consensus through Social Partnership



- Cornerstone underpinning rapid Irish economic growth
- Virtuous circle between Government, employers, labour, farmers and voluntary sector – all groups with a voice in developing strategies for economic and social progress
- They meet under the umbrella of the National Economic and Social Council (NESC) since early 1970s
- Chaired by Head of Prime Minister's Department



II. National Consensus through Social Partnership



- Representation within NESCF:
 - Government – Secretaries General of 7 departments (ministries)
 - Private Sector – 5 from business associations
 - Labour – 5 from trades unions
 - Farmers – 5 from farmer organisations
 - Voluntary – 5 from NGO organisations
 - Other – 5 independent representatives, normally technical experts or academics
- Term of Office is 3 years



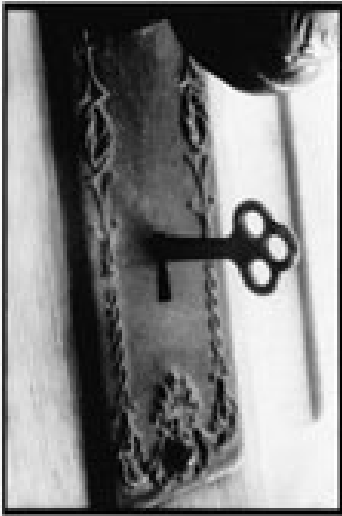
II. National Consensus through Social Partnership



- Receives technical and administrative support from semi-autonomous secretariat of 9 people
- Funded by Prime Minister's Office (\$1.5m per annum)
- Meets once a month for a half day
- Meetings held in private
- No transcripts kept – only final agreed reports are published
- Decisions taken by consensus – no need for Chairman to use casting vote



II. National Consensus through Social Partnership



Real Secret of Success :

A Shared Understanding

Characterized by a ***Problem Solving Approach*** to Achieve ***Consensus***



II. National Consensus through Social Partnership



- Discussion of broad principles only relating to Ireland's long-term socio-economic problems
- Under agreed analytical framework
- Aims to adopt social compact and national strategy
- Recognition of *interdependence* between social partners
- *Tradeoffs* both between and within interest groups



II. National Consensus through Social Partnership



- Partners core mandate is problem solving
- A common definition of the problem is reached
- Partners do not argue over ultimate vision
- Empirical evidence supplied by impartial technical secretariat
- Consensus and understanding not a prerequisite of the partnership but rather a result of it



II. National Consensus through Social Partnership



- Deliberation is oriented towards pragmatism and the solution of a problem
- Tends to produce consensus even where there are underlying conflicts of interest and no initial shared understanding
- Consensus always provisional
- Allows right to review analysis, targets and strategies



II. National Consensus through Social Partnership

- Led to development of coherent, long-term strategy
- Helped to instil common vision in implementing agencies
- Led to industrial peace, wage moderation and low inflation
- Combined with strong inward investment and heavy investment in education led to rapid improvement in human capital
- Result was relatively fast growth in productivity without comparable increase in labour costs



II. National Consensus through Social Partnership

- By late 1990s Irish economic success pushed incomes and therefore costs up substantially
- The country was by then no longer a low cost economy
- Further, the second major attraction of very low taxes was being copied by many other countries, especially in Eastern Europe
- Social partners completed major study of threat to Irish competitiveness in 1998
- Concluded that Ireland needed urgently to move to a Knowledge Economy
- Identified technology as a key driver but found Ireland lacked a world class research capability of sufficient scale in the technology sector



III. Social Partner in Innovation



- Ireland then launched an attempt to have a comprehensive strategic approach to science, technology and innovation on a ‘whole-of-government’ basis
- The aim is joined-up thinking at the policy making level followed by joined-up action in the implementation structures



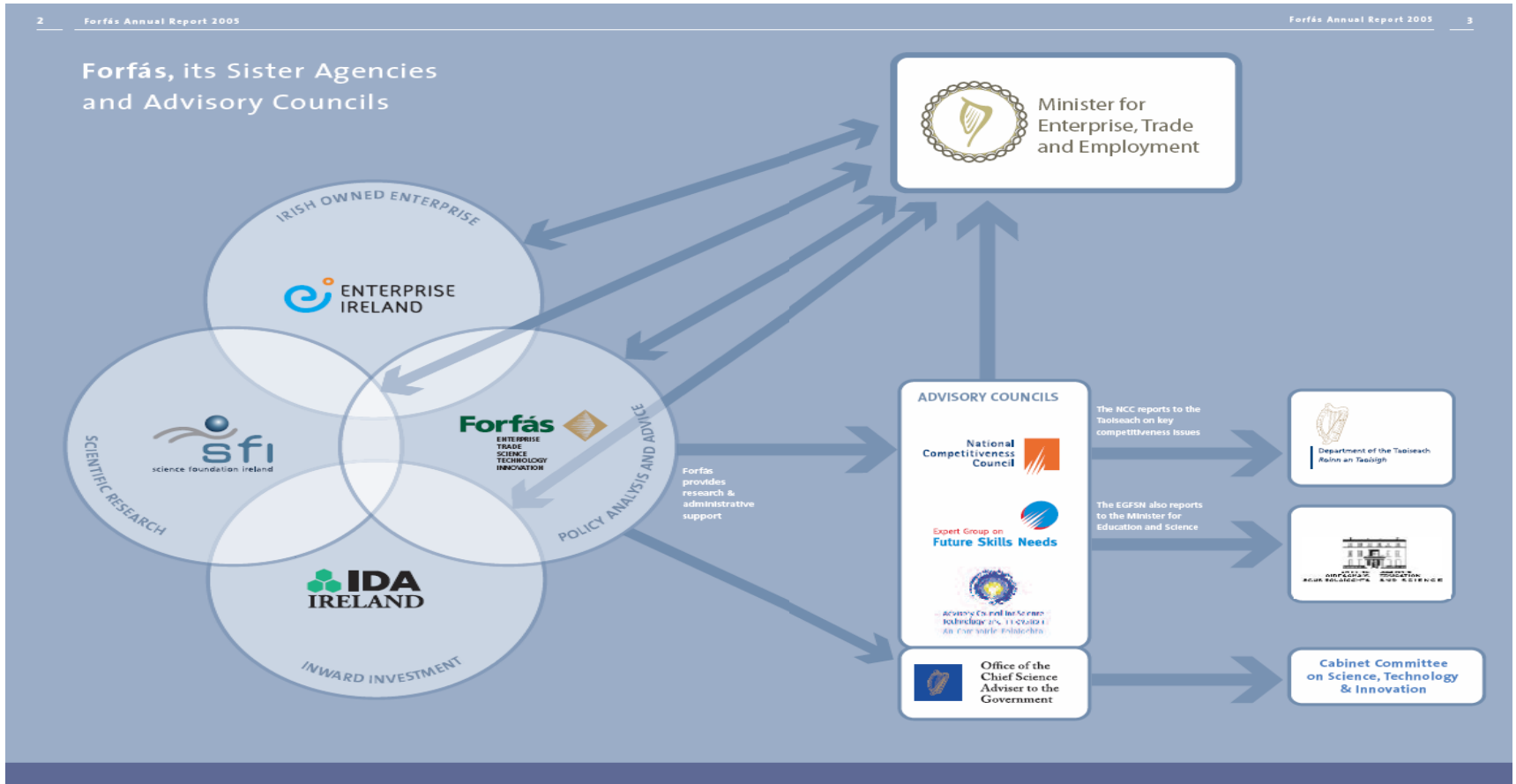
III. Social Partner in Innovation



- Combination of government departments, state agencies and advisory councils
- Each with its own specialist function
- All well funded by government with focused operational budgets
- Professional, permanent staff who do not change with changes of government



IV Specific Bodies for Specific Functions



IV Specific Bodies for Specific Functions



- Issues recognized as cross-cutting, interlinked and interdependent
- All institutions linked by cross board memberships
- Institutions attempt to provide a complementary division of labour
- Each institution has its own specialist focus within overall national strategic framework



IV Specific Bodies for Specific Functions

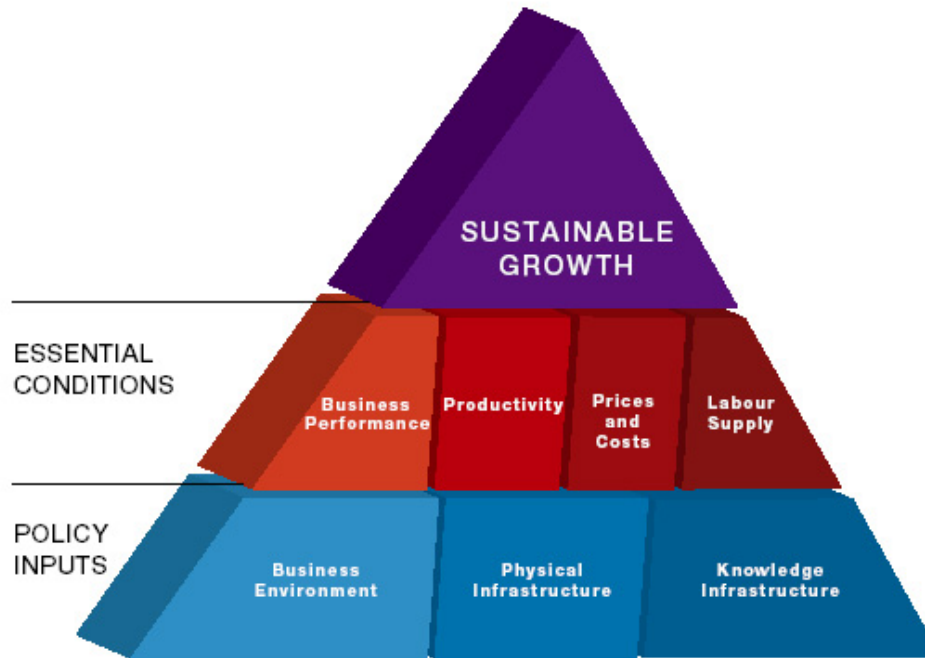


Governance of State Bodies:

- Board members highly respected
- Appointed for experience and ability
- Recommendations carry political weight
- By law, must sign Code of Ethical Practice
- Aim is high standard of ethical conduct, to preserve confidentiality and prevent conflicts of interest



IV Specific Bodies for Specific Functions



Main Players – Advisory Councils:

- National Economic and Social Council (Social Partnership)
- National Competitiveness Council
- Expert Group on Future Skills Needs
- Advisory Council for Science, Technology and Innovation



V. Aggressive Campaign for FDI

- Strong belief that massive Government financial support for new investment would, over time, be self-funding
- All incentives measured for cost/benefit to the economy
- Benefit to cost ratio must be minimum of 4 to 1
- Evaluation carried out before, during and after investment
- Empirical data showed State got its money back in 4-7 years
- Long-term, highly attractive incentive package designed and implemented consistently over 30 years by all Irish governments
- Incentives applied equally to FDI and Indigenous Irish SMEs
- Dedicated, professional State agency, IDA-Ireland, founded in 1970 to market Ireland around the world to targeted foreigner investors
- IDA-Ireland became and remains one of the most successful FDI agencies of its kind in the world



V. Aggressive Campaign for FDI

- Low corporate tax rate for manufacturers of 10% for 20 years to 2010
- From 2003 tax rate raised to 12.5% for all companies (existing prior investors kept 10% rate until agreed time of 2010)
- Rate of 12.5% to last until 2025
- Cash grants for new jobs provided for new start-up projects and expansions of existing investments
- Ireland, with 1% of EU population, attracted 25% of all 'greenfield' first time investments by US companies into Europe in period 1996-2003
- Result is 1000 foreign companies located in Ireland employing 136,000 directly, another 136,000 indirectly, accounting for 75% of Irish exports
- Foreign companies spend US\$20 billion in Ireland on labour and purchases of Irish raw materials, components and services



V. Aggressive Campaign for FDI

- This expenditure has had important beneficial spin-off benefits to Ireland:
 - spurred rapid growth of Irish SMEs supplying the FDI sector in Ireland
 - brought in modern management techniques and practices
 - spawned a wave of first time entrepreneurial start-ups by ex senior managers of multinationals in Ireland
 - critical mass of investors in targeted sectors resulted in strong export-oriented, clustered sectors in ICT, Pharmaceuticals, Business and Financial Services



VI. State Support for Innovation



Total Spend on R&D \$3.5 billion (2006)

- Of which:
 - Public Sector 32.8%
 - Private Sector 67.2%
- Represents 1.56% of GNP, well below OECD average of 2.26% but closer to the EU 25 average of 1.77%



VI. State Support for Innovation



Transforming Ireland

National Development Plan 2007-2013:

- Public Funding of R&D of \$12 billion over the period
- Business Funding of R&D to double from \$1.7 billion per annum in 2007 to \$3.4 billion per annum by 2013



VI. State Support for Innovation



Main State Agencies:

- IDA – Helps fund R&D in Ireland of foreign companies in the country
- Enterprise Ireland – Helps fund R&D of Irish indigenous companies
- Science Foundation Ireland – Helps fund research in Irish Universities



VI. State Support for Innovation

Science Foundation Ireland **(SFI):**



- Aims to make Ireland a globally recognized centre of research excellence
- Gives grants to attract Irish and foreign researchers to undertake research programs in Irish Universities
- \$70,000 to \$375,000 per annum for 3 to 4 years
- Believes excellence at individual level is not enough – needs critical mass in research *teams*



VI. State Support for Innovation



- Core principle is that investment in Higher Education Research translates into economic benefit for the country
- Focuses on two sectors only – ICT and Biosciences – the two areas seen as having greatest strategic value for Ireland in the long term
- Uses international peer review process to evaluate applications
- First budget was \$970 million over 7 years 2000-2006
- 831 projects with 1200 people in research teams to date



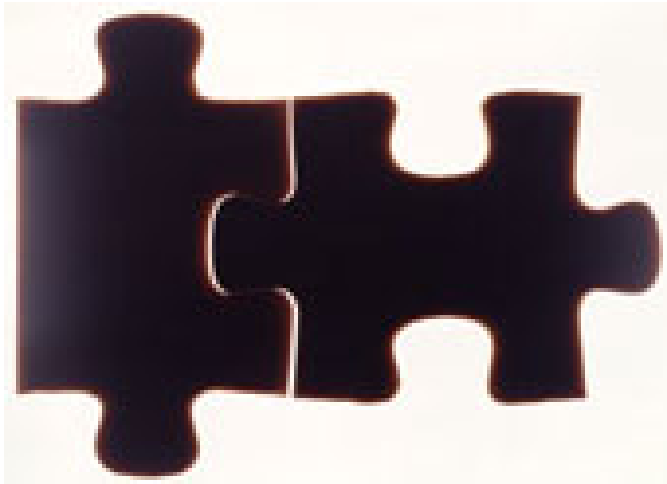
VII. Looking Back – Lessons Learned



- Success did not come quickly – putting the ingredients together was a long slow process but was well worth the effort
- Social Partnership emerged only in response to economic crises
- Could it have been done sooner without crises?
- Social Partnership facilitated policy consensus and was absolutely crucial



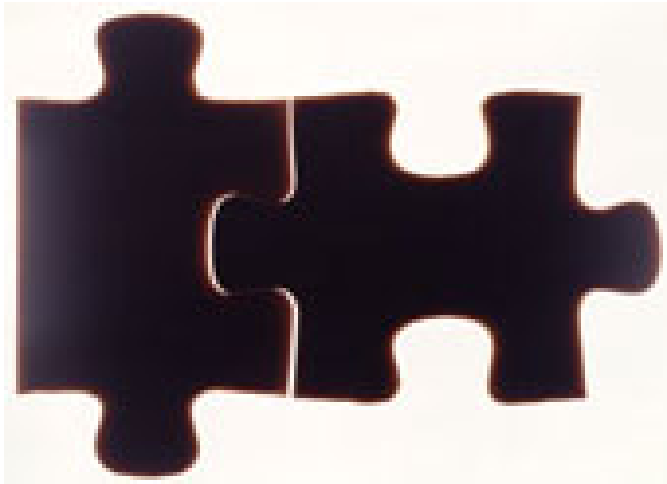
VII. Looking Back - Lessons Learned



- Success in Investment Promotion, even for a low corporate tax country like Ireland also required:
 - Sufficient fiscal income to invest in incentives
 - A professional well-paid civil service
 - Strong investment in key strategic public goods especially education



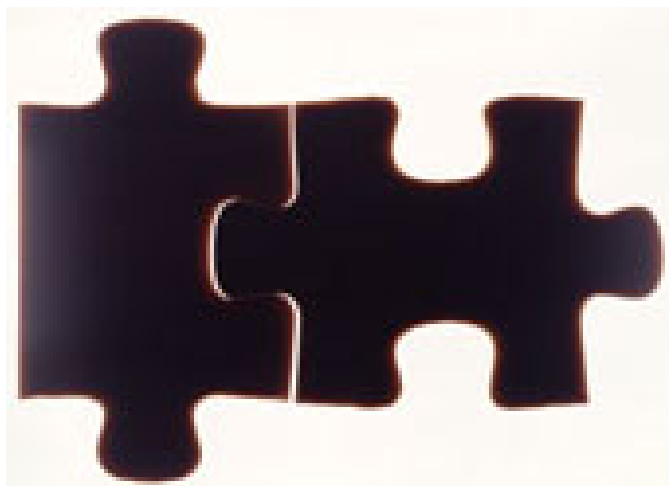
VII. Looking Back - Lessons Learned



- Success brought higher incomes but also higher costs -Ireland losing international competitiveness in basic manufacturing
- New challenge is how to generate higher value added, innovation-intensive activities where labour cost is not the dominant consideration
- Result is massive state supported innovation building campaign underway - \$12 billion over period 2007-2013



VII. Looking Back - Lessons Learned



- I have outlined what worked for Ireland and brought tremendous economic success
- But, you are the best judges of what elements of the Irish experience may be relevant for your country
- I am very happy to help you with this and answer any questions





MUCHAS GRACIAS!

David O'Donovan
International FDI Consultant
Tel +35314960049
Mobile +353876690820
Email: davidtodonovan@eircom.net

