



LA EXPERIENCIA DE IRLANDA

Caso de Estudio*

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*Background for ECLAC's project "Private-Public Alliances for Export Development" (2008) in collaboration with the Iberoamerican General Secretariat and Corfo, Chile



Agenda

6 THEMES:

1. **Irish Economic Transformation**
2. **National Consensus Through Social Partnership**
3. **Social Partnership in Innovation**
4. **Specific Bodies for Specific Functions**
5. **State Support for Innovation**
6. **Looking Back – Lessons Learned**



1. Irish Economic Transformation

From Poor to Rich in One Generation:

- 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



1. Irish Economic Transformation

Main Underlying Causal Factors:

- **Social Partnership and Policy Consensus in Structured Formalized Public-Private Alliance**
- **Massive Investment in Education**
- **Reduction in Taxation**
- **Membership of EU from 1973**
- **Aggressive Campaign for Export-oriented FDI**
- **Switch from Import Substitution to Export Promotion**
- **More recently, large scale investment in Innovation**



2. 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**



2. National consensus through social partnership

- **Representation within NESC:**

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

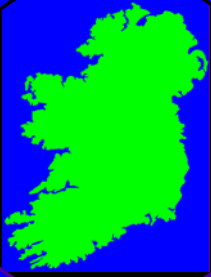
Other – 5 independent representatives, normally technical experts or academics

- **Term of Office is 3 years**



2. National consensus through social partnership

- **Original purpose was forum for diverse interests to discuss the country's economic and social development**
- **Today, NESC analyses medium and long term strategic issues for the economy and makes recommendations to the Prime Minister**
- **Focuses on principles that should inform Irish public policy**
- **Rarely comments on Government decisions**



2. 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**



2. National consensus through social partnership

- **Develops shared understanding of the link between economic and social development**
- **NESC's tri-annual report forms strategic input into National Social Agreement between government, employers, trades unions and farmers on issues including wages, personal incomes taxes, social spending, productivity and social cohesion**
- **Has major influence on Government's 6-7 year National Development Plans**



2. National consensus through social partnership

- **Real Secret of Success – A *Shared Understanding* Characterized by a *Problem Solving* Approach to Achieve *Consensus***



2. 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



2. 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 pre-requisite of the partnership but rather a result of it**



2. 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**



2. National consensus through social partnership

- **Led to development of coherent, long-term strategy**
- **Helped to instill 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**



2. National consensus through social partnership

- **Was important element in transition from high inflation, volatile economy to low inflation, stable economy**
- **Insulated discussions from party political competition**
- **Freed up employers, unions and government to discuss real issues of competitiveness and social inclusion**



2. National consensus through social partnership

- **Facilitated the integration of social cohesion into strategic framework**
- **Built support among social partners for politically unattractive public investments such as R&D/Innovation**
- **Facilitated National Plans with 6-7 year horizons**
- **Innovation a high priority in current plan**



3. Social Partnership in Innovation

- **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**

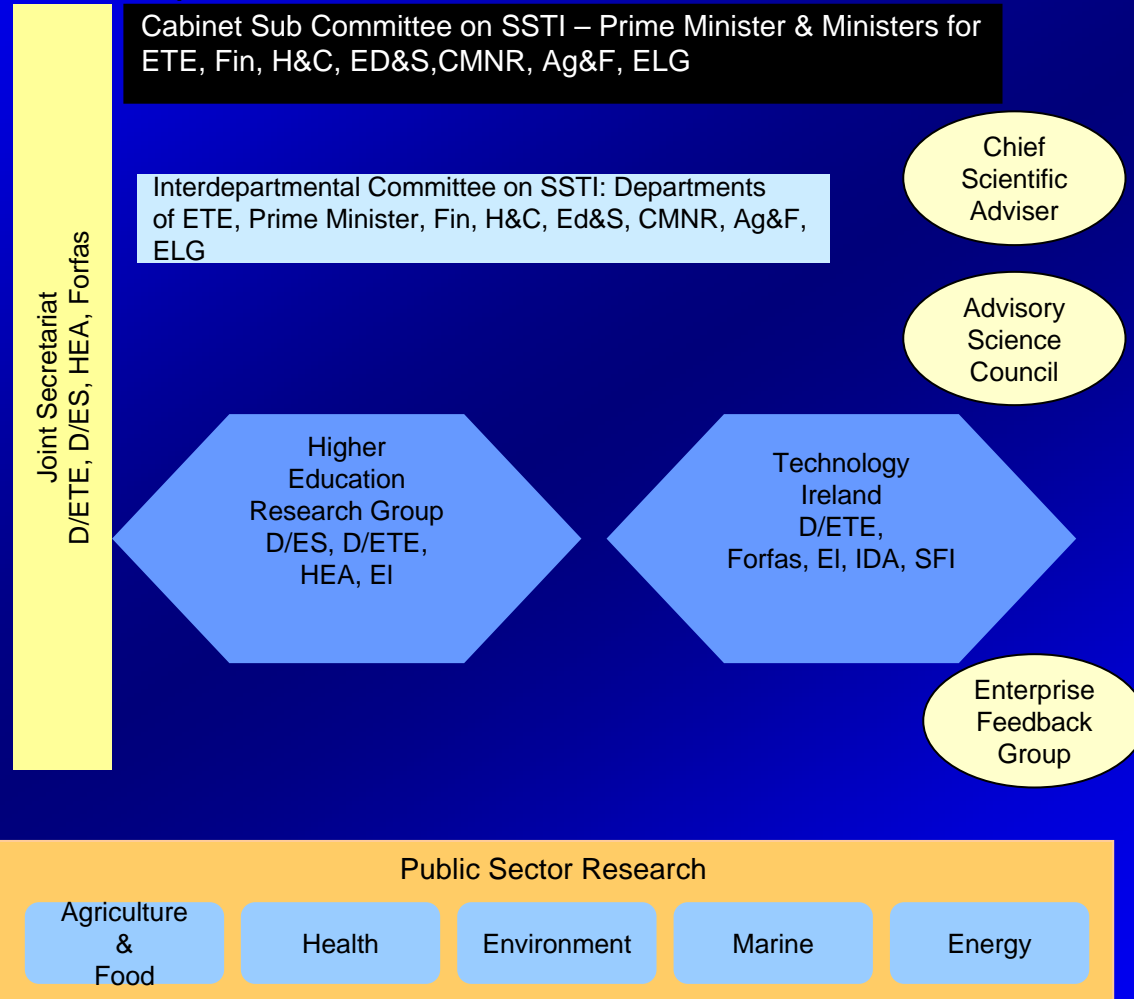


3. Social Partnership in Innovation

- **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**



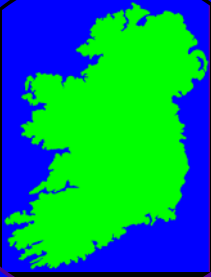
Implementation Structures





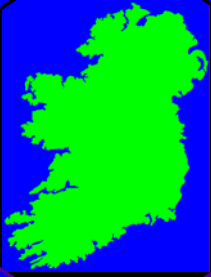
3. Social Partnership in Innovation

- **Cabinet Sub Committee – political direction at Cabinet level**
- **Interdepartmental Committee – monitoring implementation**
- **Higher Education Research Group**
 - **Putting more investment in higher education bodies**
 - **Achieving more post-graduate researchers (Masters and Doctoral)**
 - **Ensuring coherence among funding initiatives of relevant agencies and councils**
 - **Achieving balance between collaboration and competition among the institutions**



3. Social Partnership in Innovation

- **Technology Ireland**
 - **Development of competence centers which are industry-led collaborative research groups bringing together companies with similar research problems and teaming them with highly qualified researchers to produce solutions**
 - **Monitors outputs and outcomes of all investment promotion agency research grant schemes**
 - **Assesses progress towards national targets for Innovation**



3. Social Partnership in Innovation

- **Joint Secretariat**
 - **Organizes and develops the agenda for meetings**
 - **Coordinates the activities of each organization to eliminate overlap**
- **Other**
 - **Other bodies are consulted on an ongoing basis and send representatives to these fora including public sector research officials in Agriculture and Food, Health, Marine and Energy**



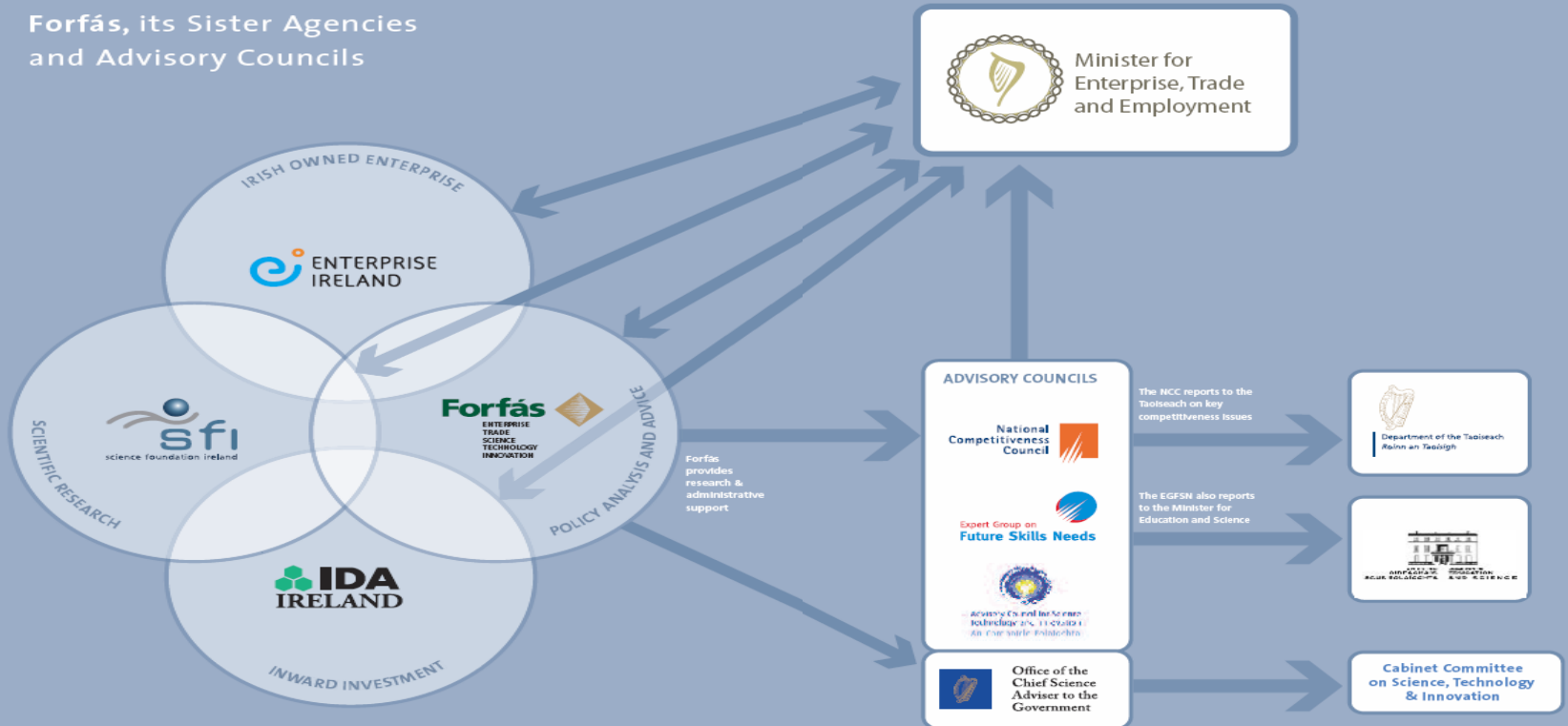
4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

- **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**



4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

Forfás, its Sister Agencies and Advisory Councils





4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

- **Long-term Strategic Planning - Forfas**
- **Creation of Social Cohesion - NESCC**
- **Building National Competitiveness - NCC**
- **Attracting FDI - IDA**
- **Developing Indigenous Industry and Export Development – Enterprise Ireland**
- **Building Innovative Capacity – Science Foundation Ireland**



4. 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**



4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

Main Players – Government

Departments:

- **Department of Finance (National Development Plan) - \$153m, 625 staff**
- **Department of Enterprise, Trade and Employment (Funding and Coordination of Main State Agencies) - \$1.9 billion, 1000 staff**



4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

Main Players – State Agencies:

- **Forfas (Strategic Planning) - \$85m, 120 staff**
- **IDA-Ireland (FDI) - \$205m, 170 staff**
- **Enterprise Ireland (Indigenous Industry & Export Development) \$335m, 900 staff**
- **Science Foundation Ireland (Innovation) - \$177m, 44 staff**



4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

Governance of State Bodies:

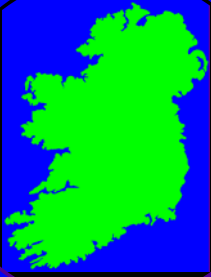
- **Board members highly respected**
- **Appointed for experience and ability**
- **Recommendations carry political weight**
- **By law, must sign Code of Ethical Practice**
- **Aim is high standard of ethical conduct, to preserve confidentiality and prevent conflicts of interest**



4. SPECIFIC BODIES FOR SPECIFIC FUNCTIONS

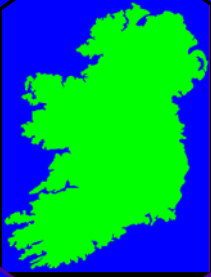
Main Players – Advisory Councils:

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



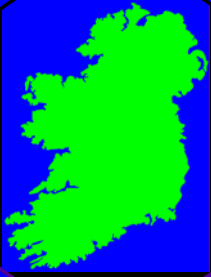
5. STATE SUPPORT FOR INNOVATION

- **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%**



5. STATE SUPPORT FOR INNOVATION

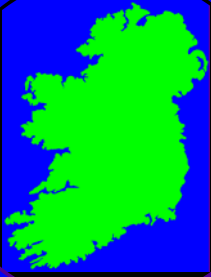
- **Number of researchers employed in R&D is 6.0 per 1000 in employment, equal to the EU average but below some major competitors – Finland 16.5, Sweden 12.5, Japan 10.6 and USA 9.6**
- **PhD Graduates per million population in Ireland is 172, above EU 25 average of 157 but well below Sweden (397) and Germany (279)**



5. STATE SUPPORT FOR INNOVATION

National Development Plan 2007-2013:

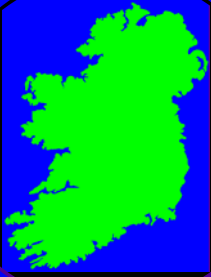
- **Public Funding of R&D of \$12 billion over the period**
- **Business Funding of R&D to double from \$1.7 billion per annum in 2007 to \$3.4 billion per annum by 2013**



5. STATE SUPPORT FOR INNOVATION

Main State Agencies:

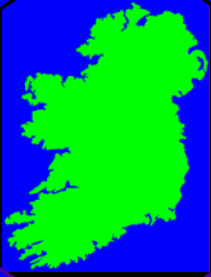
- **IDA – Helps fund R&D in Ireland of foreign companies in the country**
- **Enterprise Ireland – Helps fund R&D of Irish indigenous companies**
- **Science Foundation Ireland – Helps fund research in Irish Universities**



5. STATE SUPPORT FOR INNOVATION

Science Foundation Ireland (SFI):

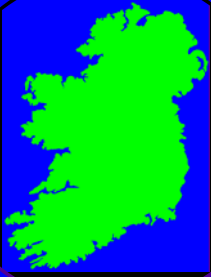
- Aims to make Ireland a globally recognized centre of research excellence
- Gives grants to attract Irish and foreign researchers to undertake research programs in Irish Universities
- \$70,000 to \$375,000 per annum for 3 to 4 years
- Believes excellence at individual level is not enough – needs critical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



5. STATE SUPPORT FOR INNOVATION

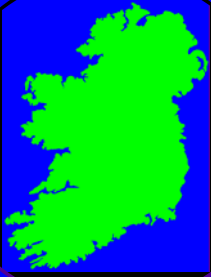
SFI differs from IDA and Enterprise Ireland in 4 ways:

- **SFI deals exclusively with Universities whereas IDA and EI deal only with companies**
- **All SFI's calls for research are international**
- **Quality of research funded is exclusively measured by an International Peer Review Process**
- **All research funding directed at people, not physical assets or infrastructure**



5. STATE SUPPORT FOR INNOVATION

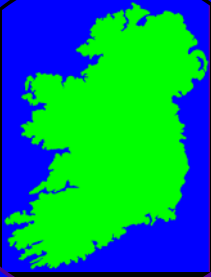
- **Core principle is that investment in Higher Education Research translates into economic benefit for the country**
- **Focuses on two sectors only – ICT and Biosciences – the two areas seen as having greatest strategic value for Ireland in the long term**
- **Uses international peer review process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



5. STATE SUPPORT FOR INNOVATION

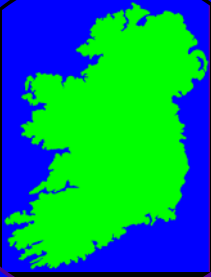
The Approval Process for SFI Funding:

- **Several times a year SFI issues calls for proposals from scientists around the world (also accepts unsolicited applications)**
- **Irish University applies for funding for one or more research scientists in ICT or Biosciences**
- **SFI professional staff evaluate eligibility**
- **Then, using internationally recognized procedure, conduct international search for scientists with relevant experience to carry out International Peer Review**



5. STATE SUPPORT FOR INNOVATION

- **If International Peer Review is positive, staff submit proposal to SFI Executive Committee for funding approval**
- **If approved a legally binding funding agreement is completed between University and SFI**
- **Typical time from application to approval is 19 weeks**
- **All projects submit annual progress reports to SFI with project-specific measurement milestones**



6. 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**



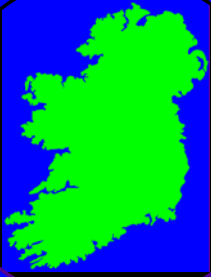
6. LOOKING BACK – LESSONS LEARNED

- **At the start, mistakes were made in going after all sectors for investment – real value of selectivity not realized until later**
- **Showed the importance of leveraging national comparative advantage – playing to national strengths**



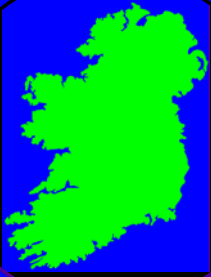
6. LOOKING BACK – LESSONS LEARNED

- **Ireland relied too heavily on FDI initially**
- **State only realized much later the importance of assisting SME development**
- **And only in more recent years came to see need for a more strategic approach to R&D and for much more investment in Innovation**



6. LOOKING BACK – LESSONS LEARNED

- **Irish economic policies and institutions change very little with changes in Government**
- **Civil servants and staff of state agencies do not change with change of Government**
- **Enabled long term, strategic and consistent policies to survive outside political/electoral timeframes**
- **Gave all investors great confidence in country**



6. 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**



FINALMENTE

MUCHAS GRACIAS